

A PERFORMANCE AUDIT OF THE CITY OF HOUSTON'S TAX INCREMENT REINVESTMENT ZONES



SUBMITTED BY:

McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

4828 LOOP CENTRAL, SUITE 1000 | HOUSTON, TEXAS 77081
713.968.1600 | WWW.MCCONNELLJONES.COM

JUNE 8, 2018

June 8, 2018

Ms. Tantri Emo
Director of Finance and Chief Business Officer
City of Houston
901 Bagby Street
Houston, Texas 77002

Dear Ms. Emo:

McConnell & Jones (MJ)/Banks, Finley, White & Co. (BFW) are pleased to present the final draft report of the Performance Audit of Tax Increment Reinvestment Zones (TIRZ) for the City of Houston's Finance Department. We conducted our performance audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The purpose of a performance audit is to provide objective analyses of a subject matter so that management and those charged with governance and oversight can use the results to improve administrative and operational performance, reduce costs, facilitate decision making, and contribute to public accountability. The overall objective of this performance audit was to identify economy and efficiencies among the City's 27 TIRZs and to perform prospective analyses of existing conditions and proposed solutions. The audit examined the financial and programmatic impact of the TIRZ program on the City under current agreements and regulations, including Texas Code Chapter 311 Tax Increment Funding Act and Chapter 431 of the Texas Corporation Act and the approved project plan.

To achieve the objectives of the performance audit, we reviewed background information to obtain an overall perspective of the structure and operations of the City's 26 active TIRZs. We also conducted interviews, performed process walkthroughs and observations, analyzed data, and conducted a search for best practices against which TIRZ governance, operations and management practices were assessed.

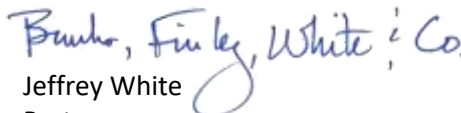
Our performance audit identified 14 recommendations to improve TIRZ governance, operations and business practices.

We are grateful for the cooperation of the Office of Economic Development, TIRZ board members and staff from Redevelopment Authorities, and outsourced service providers who assisted us during this performance audit. Without their cooperation and support, it would not have been possible to successfully complete this engagement. We appreciate the opportunity to serve the City, and we look forward to providing services in the future.

Very truly yours,



Odysseus M. Lanier
Partner
McConnell & Jones LLP



Jeffrey White
Partner
Banks, Finley, White & Co.



TABLE OF CONTENTS

Section I – Executive Summary	Tab 1
Section II – Analytical Overview	Tab 2
Section III – Findings & Recommendations	Tab 3
Section IV – Appendices (see Volume II)	Tab 4



SECTION I – EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

McConnell & Jones LLP (MJ) & Banks, Finley, White & Co. (BFW), a Joint Venture Partnership, doing business in Texas under the assumed name of MJ/BFW Team ("MJ/BFW Team" or "Auditor" or "we" or "us") conducted a performance audit of the City of Houston, Texas (the City) Tax Increment Reinvestment Zones (TIRZs).

The purpose of a performance audit is to provide objective analyses of subject matter so that management and those charged with governance and oversight can use the results to improve administrative and operational performance, reduce costs, facilitate decision making, and contribute to public accountability. The overall objective of this performance audit was to identify economy and efficiencies among the City's TIRZs and to perform prospective analyses of existing conditions and proposed solutions. Specific objectives outlined in the audit engagement letter are summarized in **Exhibit 1-1** along with the audit results related to each objective.

Exhibit 1-1 Overview of Audit Objectives and Results

AUDIT OBJECTIVE AND RESULT

1. Current and projected trends and their future potential impact on City programs and services.

Result: The City's TIRZ program has received recent media coverage and stirred controversy among those who favor the program and those who do not. The major TIRZ trends that will impact the TIRZ and the City are as follows:

- Addressing the inability of some TIRZs to generate sufficient tax increment to adequately finance their project plan.
- Addressing the inefficiency of TIRZs with above average administrative costs as a percentage of tax increment.
- Resolving issues of fairness related to the Municipal Service Charge that the City will begin charging TIRZs in Fiscal Year 2017.
- The impact of the 2004 voter-approved change to the City Charter that created a revenue cap. The cap limits the growth of property-tax revenue. TIRZs do not fall under the revenue cap.
- Results of the 2017 legislative session where the future of TIRZs will likely be on the legislative agenda.

**AUDIT OBJECTIVE AND RESULT**

2. Program or policy alternatives, including forecasting program outcomes under various assumptions for funding changes and/or legislative changes.

Result: Tax increment financing is a tool many state and local governments use to subsidize and fund capital improvement projects within their jurisdictions without directly raising taxes. We believe that the City's decision to create a TIRZ for capital improvement and economic development financing within specific areas and communities should be documented by a comprehensive review of all available funding and financing options. Consequently, a uniform system of documenting that a TIRZ is the most appropriate option is necessary. We have recommended that the City develop a uniform economic development evaluation tool or model to support the evaluation and justification of a TIRZ compared to alternative community revitalization methods. We conclude that for the currently existing TIRZs, the current funding methods and policies are sufficient.

3. Policy or legislative proposals, including advantages, disadvantages, and analysis of stakeholder (impacted zone) views.

Result: Overall, the TIRZ program provides immeasurable benefits to the City and should be continued and improved through implementing the recommendations of this report. This report does not attempt to prove or disprove the views of various stakeholders and constituencies. Our recommendations are based on independent analysis, which supports the conclusions reached.

4. Prospective information prepared by management.

Result: We reviewed each TIRZ's project and financing plans and budgets noting that each was prepared in accordance with City policy and format. Moreover, we noted that project plan and budget changes are reviewed and approved in accordance with TIRZ board and City policy.

5. Budgets and forecasts that are based on:

- assumptions about expected future events, [see Objective #12 for the effect forecasted TIRZ revenues and costs have on current and future periods]
- management's expected reaction to those future events; and
- management's assumptions on which prospective information is based.

Result: During interviews, we inquired about the budget process noting it to be a collaborative process involving TIRZ staff, consultants, City personnel, and board members. While, the project plan serves as a general guide to annual budget initiatives, we noted that economic trends, demographics, board and mayorial priorities, City initiatives, resource availability, market conditions, changing assumptions, and other factors influence budget and forecasting decisions.

**AUDIT OBJECTIVE AND RESULT**

6. How does the City administer and monitor the activity on its end relative to the TIRZs?

Result: This report provides recommendations on how the City's administration and monitoring of TIRZs can be strengthened. During the course of our work, we determined the following:

- a TIRZ and its governing body can only be established by City ordinance;
- the project plan, financing plan, annual budget, and associated amendments must be approved by city council;
- only the City can issue bonds under the Texas Constitution; however, the bonds can be serviced using TIRZ tax increment;
- the City collects and remits increment to each TIRZ;
- staff from the mayor's Office of Economic Development (OED) are attached as liaisons to each TIRZ attend each board meeting, and acting as the City's "eyes and ears" over TIRZs' actions and activities.

7. What process is in place to allow the Mayor/City input into the budget process for the TIRZs?

Result: OED staff from the Mayor's office act as liaisons to each TIRZ, attend each board meeting, provide input in TIRZ budget discussions held by the governing boards, and act as the City's "eyes and ears" over TIRZs' actions and activities. Moreover, city council approves each TIRZ's budget and related amendments.

8. What input does the City have relative to the TIRZs projects from idea to inception?

Result: City council approves each TIRZ's project plan, financing plan, and budget. TIRZ staff and consultants collaborate closely with the City as the project plan is executed. Recently, the City established a liaison in the Public Works Department to facilitate communication and coordination with the TIRZs.

9. What is the process for the development of the TIRZs?

Result: Each TIRZ has a governing board whose chairperson is appointed by the Mayor. The governing board oversees the progress and development of each TIRZ, while the City maintains oversight as discussed in Objective #6 above.

**AUDIT OBJECTIVE AND RESULT****10. Are the TIRZ paying fair value for acquired property?**

Result: A TIRZ can acquire real property by purchase, condemnation, or other means to implement project plans and sell that property on the terms and conditions and in the manner it considers advisable.

The TIRZ financing plan includes an assessment of the current total appraised value of taxable real property in the zone and the estimated captured appraised value of the zone during each year of its existence. The majority of the TIRZs (22) were created prior to 2011, and the remaining 5 TIRZ have been created since 2010. Property valuations for property acquisitions are not readily available and consequently, the scope and resources available to respond to this question were not sufficient to enable us to review and determine if properties were acquired at fair value. However, in our review of policies and procedures related to incurring and paying project cost (including property acquisition), we determined that TIRZ management, including board members, stressed adhering to fair value criteria in all such transactions. Those procurement practices include a requirement that the subject property be appraised by a qualified real estate appraiser, prior to and as a part of negotiating the purchase or sales price. These practices also include policies on conflict of interest (pursuant to the Texas Local Government Code), which prohibits TIRZs board members from participating in a vote, decision, or award of a contract involving a real property acquisition or sales transaction.

11. How are tax increments determined and what role does the City play in this?

Result: The Harris County Tax Office provides the City with a Levy and Collections Report that shows, for each taxing unit and account, appraised property and taxable values, levies, collections, and collection rates. A property tax consultant confirms to the City that the jurisdictions on the report are correct. The City obtains a five-year history of the report to reconcile and calculate the increment because property values change as taxpayers protest the Harris County Appraisal District's evaluation of their property. The City places its increment in a TIRZ account and remits the funds to the TIRZs in May or June of each year along with funds collected from other taxing jurisdictions.

**AUDIT OBJECTIVE AND RESULT**

12. How are TIRZ revenues and costs forecasted affecting both current and future periods?

Result: Budget development is a collaborative process involving the TIRZ board, staff, consultants, and City personnel as necessary. [see Objective #5 above for an evaluation of the comprehensive budgeting and forecasting process]. Each year, the board in cooperation with the City and TIRZs staff decide which part of the project plan will go into the annual budget. The City provides each TIRZ with an Excel budget template that drives the budget process and format. The City completes the revenue section of the template while each TIRZ completes the expenditure and capital improvement projects (CIP) component of the template. Each TIRZ governing board and executive leadership team uses the forecasted revenues and expenses included in its respective budget to prioritize projects to be funded in current and future fiscal years and to establish the timing and availability of revenues to implement realistic master schedules for prioritized CIP projects. Based on the timing and availability of TIRZ revenue forecasted for prioritized projects, the governing boards determine the allocation of costs, such as human capital and operating expenses, necessary to complete each project.

13. What controls are in place to manage TIRZ projects, both internally by City government and externally by TIRZ management or independent contractors?

Result: As noted, in Objective #12, budget development is a collaborative process involving the TIRZ board, city, staff, and contractors, when necessary. The budget serves as an overall control over TIRZ projects. As discussed, the City approves the budget and OED staff serve as liaisons and attend board meetings while project decisions are being made. Typically, the following are involved in CIP projects: construction manager, whether on the TIRZ staff or contracted, the engineering//design firm; the construction team; and an independent inspection firm in some cases. The inspector represents the TIRZ to protect its interest. The inspector reviews the pay applications to ensure the work is being done according to plan. Typically, TIRZ staff, for those have full time project managers, or contracted engineers, for those who do not, are onsite and know how much construction work is supposed to be in place and that it matches what the construction plan requires. Project management staff, whether employed or contracted by the TIRZ, review and approve payment applications before payment. See Finding 6 for specific controls associated with individual TIRZs that have construction costs exceeding \$1 million.

**AUDIT OBJECTIVE AND RESULT**

14. Are the legislative (City Council) goals and objectives being achieved?

Result: Some of the TIRZs are on schedule to achieve the purpose for which they were created while others are behind for various reasons primarily the slow growth in their increment. For a more indepth discussion see Question #8 in the Section 2- Analytical Overview of this report for more details and Finding 9 for associated recommendation with respect to TIRZ that are not meeting their objectives.

15. Are the organizational goals and objectives being achieved? (Consider the structure and organization of the TIRZ overall).

- i. Entity structure
- ii. Board structure and composition
- iii. Management structure (City, Zone and RDA)
- iv. Support and support services provided by the COH
- v. Project plan
- vi. Project financing

Result: See response to Objective #14 above

What is the cost in relation to the benefit received by the City (Cost/Benefit)? Does the benefit outweigh the cost?

Result: For purposes of the cost//benefit analysis performed in this report, the cost to the City of the TIRZ program is the tax increment the City foregoes that could be used for other purposes. The benefits are the project costs expended because the resulting assets are eventually conveyed to the City. Other measurable benefits include the increase in property value, which stimulates economic development and population growth. Our analysis reveals that generally, the benefits of the TIRZ program outweigh the costs. See Question #8 in Section 2-Analytical Overview of this report for a more indepth discussion of the cost//benefit of each TIRZ. Also see Finding 9 for recommendations involving cost versus benefit analyses for each TIRZ.

**AUDIT OBJECTIVE AND RESULT**

16. Determine if there is an alternative approach or a better method to achieve the TIRZ goals.

Result: Funding methods used by local governments to finance the costs of redevelopment and encourage development in areas that would otherwise not attract sufficient market development, fund capital improvements, and attract new investment in a certain area include:

- Chapter 380 of the Local Government Code authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects
- Developer Participation Agreements to have private developers fund public and/or private infrastructure improvements such as roadway, storm water drainage, water and sewer, or other improvements as part of economic development agreements.
- Public Private Partnership (P3) Agreements that use public and private sector resources to accomplish economic development.
- City funded from general tax revenues.
- City funded through debt financing (bond, warrants, notes, etc.)

Although these are alternative approaches, they are not necessarily the most beneficial approaches or methods. The criteria for establishing a TIRZ under Chapter 311 of the Texas Code eliminates some of these approaches and methods. Based upon our review of the City's TIRZ, we conclude that the TIRZ approach and method is more appropriate to achieve the stated goals and objectives.

17. Determining the status of each TIRZ's relative milestones, goals, and objectives to be achieved. Has there been sufficient progress to date in economic development? Is the TIRZ on track to achieve its economic goals?

Result: We computed the ratio of each TIRZ's age to term (age/term) and compared it to the ratio of actual to projected costs (actual/projected costs). On average, TIRZ have spent 33 percent of their project plan and expended 46 percent of their life term. Twelve TIRZs are behind their project schedule by more than 10 percentage points. For an indepth discussion of results see Question #9 in Section 2-Analytical Overview. Also see Finding 9 for associated recommendations with respect to TIRZs for which the project plan is behind the TIRZ's age.



OVERALL CONCLUSION

Our audit revealed that the TIRZ program provides immeasurable benefits to the City. Since their creation in 1991, most TIRZs have evolved and matured while the growth of some has lagged behind due to relatively weak tax increment growth. However, there can be little doubt that TIRZs, as a whole, have served the City well. Since their inception, TIRZs have provided approximately \$1.7 billion dollars for the acquisition and construction of public improvements to spur economic development and population growth in certain areas. Additionally, TIRZs have provided affordable housing, educational facilities, and funds for certain City capital improvement projects, while remaining in substantial compliance with applicable state laws, agreements, and City ordinances.

However, certain aspect of TIRZs' operations can be strengthened and improved to make the program even more effective. Accordingly, we have identified 14 findings and recommendations to improve program management and administration.

For purposes of this performance audit, a finding is identified as a condition which either in its design or operation does not allow management to efficiently and effectively meet a specific objective. Accordingly, such a condition could represent, but is not limited to, (1) a deficiency in internal control, (2) a failure to comply with established policies and procedures, (3) poorly designed policies and procedures, (4) a failure to comply with laws and regulations, and (5) a process, practice or procedure which is contrary to best practices given the specific nature of operations and activities.

Exhibit 1-2 provides a summary of our findings and recommendations, which are discussed in detail in the body of this report.

Exhibit 1-2
Summary of Findings and Recommendations

FINDING	RECOMMENDATION
1. TIRZ governing boards throughout the City have not consistently conducted formal board member orientation programs for newly appointed board members, nor do a majority of the TIRZ governing boards provide ongoing board training and development opportunities to improve individual members' knowledge of TIRZ operations, policies, procedures and practices, as well as board governance, structure, and process, which could inhibit their ability to be effective, high-performing governing boards.	Establish a comprehensive, continuing board training and orientation system that is consistent among TIRZs to ensure new and tenured board members understand TIRZ operations, policies, and procedures, as well as their responsibilities and the role, structure, and process of the board to become effective, high-performing governing boards for their respective TIRZs.



FINDING	RECOMMENDATION
2. TIRZs do not have consistent, standardized policies and guidelines requiring board members to disclose, document, and report potential conflicts of interest annually or at more frequent intervals as required.	Standardize the policy and related process for reporting conflicts of interest among all TIRZs and Redevelopment Authorities, and require all board members to file annual conflict of interest disclosure statements to enhance transparency and accountability to the public and fellow board members.
3. TIRZ boards do not conduct periodic self-assessments to measure the overall performance of the board, nor do they conduct periodic evaluations of individual board members to improve their individual and collective performance.	Revise the bylaws of each TIRZ board to require periodic board self-assessment and individual board member evaluations, thereby including the board self-assessment and individual board member evaluation processes as one of the primary policies of TIRZ governing boards.
4. The City has not developed succession planning criteria for the selection of new TIRZ board members as board member's terms expire.	Develop specific criteria for the succession of TIRZ board members to ensure that qualified individuals are selected to continue operations in a manner that equals or exceeds current and future project goals, mission and objectives.
5. The City does not formally document the rationale and analysis supporting decisions to establish a TIRZ and to justify its creation as the best solution among other community revitalization alternatives.	Develop a uniform economic development evaluation tool or model to support the evaluation and justification of a TIRZ compared to alternative community revitalization methods such as 380 agreements, developer participation contracts, City of Houston Public Works and Engineering Department construction projects, and debt financing.
6. Construction audit provisions of tri-party agreements are neither enforced nor adhered to consistently by all TIRZs.	Require all TIRZs to adhere to the construction audit provisions of their tri-party agreement.
7. The procedures performed during construction audits are not assessed sufficiently to ensure that they not only achieve the purposes and intent of the construction audit clause in the tri-party agreement, but also provide some degree of assurance of the validity of construction costs and related internal controls.	Involve the City's Finance and//or Internal Audit Departments, as appropriate, in determining whether agreed upon procedures for construction audits are sufficient to ensure construction costs are accurate, authorized, and in compliance with applicable agreements in accordance with the City's requirements.



FINDING	RECOMMENDATION
8. The City's methodology for calculating the municipal service charge (MSC) is perceived by some TIRZs to be unfair and exempts TIRZs that have not generated \$850,000 or more of increment from paying any service charge.	Adopt a sliding scale MSC contribution for TIRZs that generate less than \$850,000 of increment to ensure that all TIRZs pay a share of the MSC for increased City services.
9. The City has no formal process to evaluate the performance of individual TIRZs and communicate the results to stakeholders.	Develop a performance management system to compare and report individual TIRZ performance to stakeholders and particularly TIRZ governance and management, and implement a process for conducting annual survey's and market studies to support the performance management system.
10. The City has not specifically required TIRZs to develop and document administrative and operating policies and procedures, and there has been no formal review of the adequacy of existing TIRZ policies and procedures.	Require each TIRZ to document its operating policies and procedures in an administrative operating policies and procedures manual.
11. The City lacks a forum where TIRZ leadership and staff can meet periodically to discuss and share ideas, common issues, challenges, solutions, and best practices.	Partner with TIRZs to host an annual workshop where TIRZ leadership and staff can convene to discuss issues of common concern, learn and share best practices, and engage City representatives about City policies and practices that impact TIRZ operations.
12. Some TIRZs do not perform demographic studies and needs assessments to identify the evolving needs and desires of their community and to update their project and financing plans.	Encourage TIRZs to review the changing demographics of their communities and perform demographic studies and needs assessments as necessary to support changes to their project and financing plans.
13. Thirteen of the 26 active TIRZs do not have websites, and several others have websites that are not updated or lack sufficient development and content to be useful sources of information for the education of the community.	Provide standards for TIRZ websites and encourage their development with minimum information requirements, such as board of directors' names and contact information, board agendas, board minutes, creation ordinance, events, audited financial statements, project plans, project pictures, calendar of events, and other information to educate the public about the nature, history, projects, and current operations of the TIRZs.



FINDING	RECOMMENDATION
14. Opportunities to leverage tax increment dollars through grant funding are not being sought by all TIRZs.	Encourage TIRZs to collaborate to engage the services of a professional grant writer to secure federal and other types of grants that may be available to subsidize tax increment and debt financing. The collaboration efforts of the various TIRZs should be coordinated through the Office of Economic Development to ensure consistent communication with and between all TIRZs.

Source: Summarized from TIRZ analysis in this report.

SCOPE & METHODOLOGY

On September 15, 2016, MJ and BFW met with City representatives including staff from the City's Office of Economic Development to introduce the audit team and review the scope of work, project work timeline, audit strategy, and expectations. On October 21, 2016, The Office of Economic Development notified each TIRZ of the performance audit and its scope and purpose.

The scope of the audit involved reviewing the City's 27 Tax Increment Reinvestment Zones. Currently, of the 27 TIRZ, 10 were created by Petition and 17 were created as non-petition by the City. In accordance with Texas Tax Code Chapter 311 Tax Increment Financing Act, which provides the legal and regulatory framework for TIRZ, they are to be created to eliminate blight, encourage commercial and residential development, promote neighborhood stability, and improve overall quality of life for their residents. To accomplish this goal, TIRZs generate capital for funding an approved project plan, by using tax increment financing, capturing the incremental increase of tax revenues within each TIRZ from participating taxing units over a term of usually 20-40 years.

The review team planned the engagement to accomplish the audit objectives including making an appropriate assessment of audit risk, developing an audit approach, and developing an audit plan. Collectively, we attended six board meetings, visited various project sites, collected data, conducted data analysis, developed a profile of each TIRZ, and conducted 68 interviews among the following groups:

- staff from the COH Office of Economic Development;
- TIRZ executive, operational, and administrative staff;
- contractors engaged to provide administrative services for TIRZ lacking fulltime staff;
- individual board members; and
- residents of the Midtown Zone.



We also requested and examined the following documentation at a minimum:

- Chapter 311 of the Texas Tax Code
- Chapter 431 of the Texas Transportation Code
- Zone Articles of Incorporation and Bylaws
- City Ordinance Creating TIRZ
- Interlocal Agreements
- Triparty Agreements
- Zone Extension Agreements
- Board minutes
- TIRZ Budgets
- Audited Financial Statements
- Construction Audits
- Project plan
- Municipal Service Charge Methodology & Calculations
- Tax Increment Calculation Schedules
- Project and financing plans
- Affordable Housing Agreements
- Developer Agreements
- Professional Services Contracts
- Boundary Maps
- Administrative Policies and Procedures
- Job Descriptions
- Marketing materials
- Websites

Detailed results of our work are included in the body and appendices of this report.

Exhibit 1-3 presents the purpose for which each TIRZ was created while **Exhibit 1-4** presents selected facts about each TIRZ.



Exhibit 1-3
TIRZ Purpose

TIRZ NUMBER / NAME	PURPOSE
1. St George Place / Lamar Terrace	Stabilize property values, address deteriorated buildings and incompatible land uses, design and construct roadway and streets, public utility systems, sidewalks, landscaping and land acquisition
2. Midtown	Eliminate urban blight; provide public right-of-way improvements and enhancements such as: street resurfacing, utilities, street lighting, street art, street furniture, enhanced landscaping, irrigation, and decorative and wider sidewalks.
3. Main Square / Market Square	Alleviate blight, deteriorated street and site conditions, and obsolete transit services and facilities, and encourage the sound growth of the residential, retail, and commercial sectors in downtown Houston
4. Village Enclaves*	Shared educational facilities with HISD
5. Memorial Heights	Create and support an environment attractive to private investments
6. Eastside	Shared educational facilities with HISD
7. OST / Almeda	Encourage investment, stimulate commercial, industrial and residential development
8. Gulfgate	Acquiring and repositioning the Gulfgate Shopping Center, facilitate the redevelopment of surrounding areas
9. South Post Oak	Facilitate community development including commercial, recreational, and residential improvements of which 80% of residential homes are available as affordable housing
10. Lake Houston	Provide plans and programs to facilitate planned residential and community developments
11. Greater Greenspoint	Facilitate revitalization of Greenspoint area to a viable mixed-use community through the financing of public infrastructure, parks and recreational projects, public parking, flood control, workforce housing and environmental mitigation projects
12. City Park	Facilitate construction of residential, retail and commercial development and associated roadway and street reconstructions
13. Old Sixth Ward	Provide assistance mechanisms to reposition Old Sixth Ward into a viable residential community
14. Fourth Ward	Facilitate revitalization of Fourth Ward neighborhood into a viable residential community with supporting commercial, development, affordable housing, infrastructure improvements, educational facilities, parks etc. and restoration of historic structures
15. East Downtown	Facilitate development of public infrastructure improvements, parking facilities and assist with revitalization of old Chinatown
16. Uptown	Redevelopment and financing of mobility enhancements, public infrastructure and roadway improvements, affordable housing and educational facility improvements.
17. Memorial City	Provide plans and programs needed to address blighted conditions in the Memorial City area
18. Fifth Ward	Facilitate the revitalization of the historic Fifth Ward
19. Upper Kirby	Support an environment attractive to private investment needed to attract development in the Upper Kirby area
20. Southwest Houston	Address failing infrastructure, lack of utility capacity, increased traffic congestion, declining sales and significant social and economic stress along the Bellaire Corridor and greater Sharpstown Mall area
21. Hardy / Near Northside	Reposition a former Union Pacific rail yard site into a mixed-use development to promote affordable housing development and mobility improvements
22. Leland Woods	Design and construct affordable housing and related public green space



TIRZ NUMBER / NAME	PURPOSE
23. Harrisburg	Reposition Houston's East End. To include improvements in public utilities, roadways, street enhancements, parks and recreational facilities, cultural and public facilities and economic development.
24. Greater Houston	Increase real property tax revenues, employment, create construction and permanent jobs, and revitalize the area with quality sustainable development which increases ridership for transit related facilities.
25. Hiram Clarke / Ft. Bend Houston	Construction of new streets, water distribution facilities, wastewater collection facilities, storm drainage improvements, roadway and street reconstruction projects, cultural and public facility improvements, park and other related improvements
26. Sunnyside	Finance construction of public infrastructure necessary to facilitate residential and commercial development and redevelopment within the Zone boundaries.
27. Montrose	Funds will go toward repairing and enhancing Montrose infrastructure, such as new sidewalks and repairs to the drainage system.

Source: City of Houston TIRZ Creation Ordinances, November 2016.

*Village Enclaves terminated in December 2013.

Exhibit 1-4 Selected TIRZ Facts

TIRZ Number / Name	Creation//Expiration	COH Increment From Inception to Tax Year 2015 (In Thousands)	Actual Project Costs through 6/30/2016 (In Thousands)	% Increase in Property Value From Inception to Tax Year 2015
1. St George Place / Lamar Terrace	1/1/91-12/31/45	\$17,057	\$35,842	1059%
2. Midtown	1/1/95-12/31/33	\$81,777	\$298,798	709%
3. Main Square / Market Square	1/1/96-12/31/43	\$85,217	\$175,253	920%
4. Village Enclaves*	1/1/97-12/31/13 (Terminated)	\$38,716	Terminated	1663%
5. Memorial Heights	1/1/97-12/31/29	\$25,926	\$43,709	935%
6. Eastside	1/1/98-12/31/27	\$4,227	\$45,000	73%
7. OST / Almeda	1/1/98-12/31/38	\$57,582	\$89,912	716%
8. Gulfgate	1/1/98-12/31/27	\$5,715	\$19,101	18%
9. South Post Oak	1/1/98-12/31/22	\$4,191	\$16,697	450800%
10. Lake Houston	1/1/98-12/31/27	\$39,088	\$136,073	412%
11. Greater Greenspoint	1/1/99-12/31/27	\$41,374	\$108,475	131%
12. City Park	1/1/99-12/31/28	\$3,773	\$12,198	3550%
13. Old Sixth Ward	1/1/99-12/31/28	\$9,645	\$14,249	225%
14. Fourth Ward	1/1/00-12/31/29	\$20,626	\$41,885	1282%
15. East Downtown	7/7/99-12/31/40	\$12,659	\$40,155	279%
16. Uptown	7/7/99-12/31/40	\$170,669	\$334,548	246%
17. Memorial City	7/21/99- 12/31-29	\$74,404	\$96,931	467%
18. Fifth Ward	7/21/99- 12/31-29	\$1,932	\$3,540	146%
19. Upper Kirby	7/21/99-12/31/40	\$71,654	\$119,316	292%
20. Southwest	12/15/99-12/31/40	\$60,264	\$88,304	127%



TIRZ Number / Name	Creation//Expiration	COH Increment From Inception to Tax Year 2015 (In Thousands)	Actual Project Costs through 6/30/2016 (In Thousands)	% Increase in Property Value From Inception to Tax Year 2015
Houston				
21. Hardy / Near Northside	12/17/03-12/31/40	\$2,624	\$11,295	128%
22. Leland Woods	12/23/03-12/31/33	\$217	\$1,277	700%
23. Harrisburg	10/19/11-12/31/40	\$703	\$0	28%
24. Greater Houston	12/12/12-12/31/42	\$506	\$0	36%
25. Hiram Clarke / Ft. Bend Houston	8/7/13-12/31/42	\$276	\$0	20%
26. Sunnyside	11/10/15-12/31/45	New TIRZ	\$0	0%
27. Montrose	12/9/15-12/31/45	New TIRZ	\$0	0%
Total		\$830,822	\$1,732,558	

Source: TIRZ Creation Documents; Office of Economic Development City Increment History Spreadsheet; Fiscal Year 2016 Audited Financial Statements, November 2016.

*Village Enclaves terminated in December 2013.

As creator and overseer of each TIRZ, the City participates in each one created. The City has contributed approximately \$830.8 million in tax increment to the TIRZ program over a 24-year period from generation of the first increment in 1992 through 2015. This increment is the primary cost to the City of the TIRZ program. There is an opportunity cost in that the City forgoes the opportunity to use the funds for other purposes outside of the TIRZ.

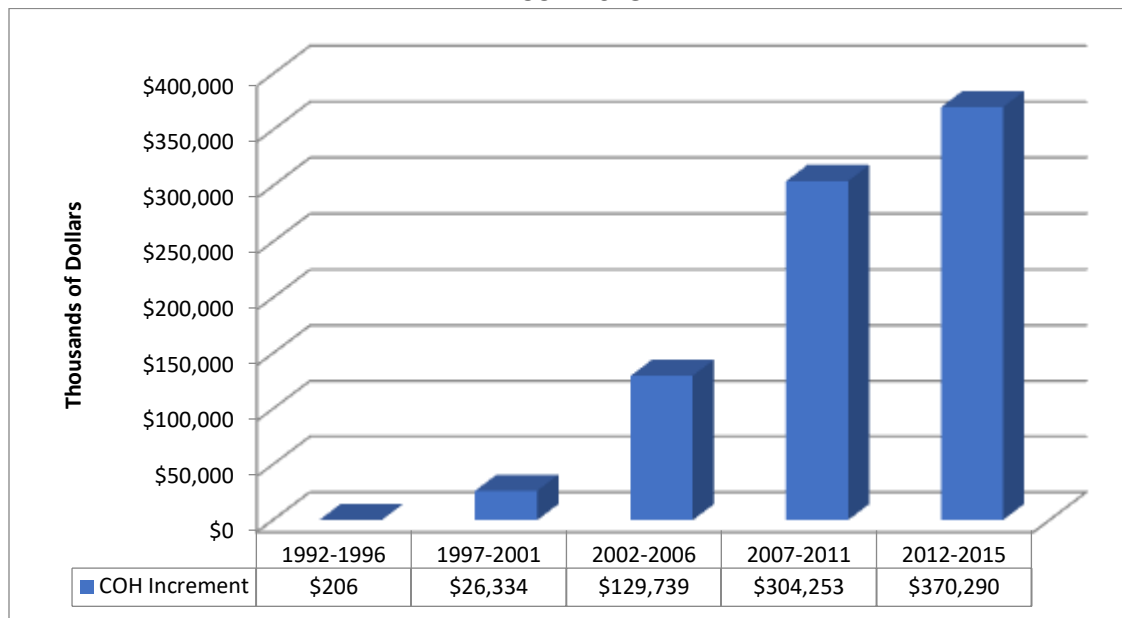
The City benefits from the TIRZ program in a variety of ways. For example, all capital assets and improvements the TIRZ construct belong to and are eventually conveyed to the City. Therefore, the project costs TIRZ incur benefit the City. Benefits also include tax increment revenue paid to TIRZs from other participating tax jurisdictions such as Harris County and the Houston Independent School District. Absent the TIRZ program, these tax dollars would not be available for projects benefiting the City. The impact that the tax dollars of other participating jurisdiction have on the City's TIRZ program is evident in **Exhibit 2-20**, which shows that between Fiscal Years 2012 through 2016, these entities contributed approximately \$388 million or 47 percent of total increment of \$821.5 million while the City's contribution was \$433.5 million or 53 percent of the total.

There are also intangible benefits that accrue to the City from the TIRZ program. These include aesthetic and societal benefits that enhance the City's appeal and quality of life. For example, although the cost of park improvements and bike trails can be measured, the satisfaction citizens receive from such amenities is not quantifiable. In addition, there are spillover effects to areas outside of but adjacent to a TIRZ. For example, drainage improvements benefit not only within the TIRZ boundary, but also may affect adjacent areas outside the boundary. As an added benefit, the City receives funds for affordable housing from the TIRZ program. The City has almost no budget for affordable housing other than what is received from the TIRZ. For an in-depth analysis of the cost/benefit of each TIRZ, see Question #8 in Section 2-Analytical Overview of this report.



Exhibit 1-5 illustrates the growth of the approximately \$830.8 million of COH tax increment accumulated since the inception of the TIRZ program. The analysis groups the increment in five-year bands from 1992-2015.

Exhibit 1-5
Growth of \$830.8 Million of COH Increment
In Five-Year Bands
1992-2015

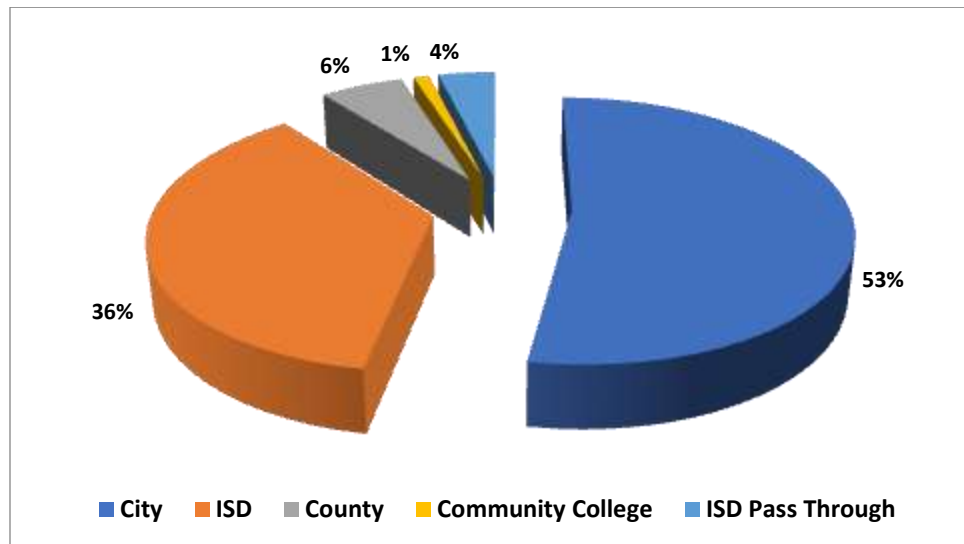


Office of Economic Development City Increment History Spreadsheet, November 2016.

Taxing jurisdictions that participate in the TIRZ program, other than the City, include several surrounding counties, school districts, and community colleges. Tax increment generated since inception for these jurisdictions was only available for Fiscal Years 2012 through 2016. During this five-year period, approximately \$821.5 million of increment was generated by all jurisdictions. The City's increment comprised 53 percent of the total while increment from several independent school Districts, of which the Houston Independent School District was the largest, comprised 36 percent of the total. **Exhibit 1-6** presents the percentage of increment by jurisdiction for Fiscal Years 2012-2016.



Exhibit 1-6
Percentage of Total Increment by Jurisdictions
Fiscal Year 2012-2016



Source: City of Houston Office of Economic Development, November 2016.



AUDIT METHODOLOGY AND GENERAL INTRODUCTION

McConnell & Jones LLP (MJ) & Banks, Finley, White & Co. (BFW), a Joint Venture Partnership, doing business in Texas under the assumed name of MJ/BFW Team ("MJ/BFW Team" or "Auditor" or "we" or "us") is pleased to present this draft report of a performance audit of the City of Houston, Texas (the City) Tax Increment Reinvestment Zones (TIRZs).

On June 9, 2016, the City entered into an agreement, outlined in an audit engagement letter with the MJ/BFW Team, pursuant to and in accordance with the Agreement for Professional Auditing Services (Contract No. 4600012376) dated effective January 15, 2014, page 35, Task 5: Special Services.

The purpose of a performance audit is to provide objective analyses of a subject matter so that management and those charged with governance and oversight can use the results to improve administrative and operational performance, reduce costs, facilitate decision making, and contribute to public accountability. The overall objective of this performance audit was to identify economy and efficiencies among the City's 27 TIRZs and to perform prospective analyses of existing conditions and proposed solutions. The audit examined the financial and programmatic impact of the TIRZ program on the City under current agreements and regulations, including the Texas Tax Code Chapter 311-Tax Increment Financing Act, the Texas Transportation Code Chapter 431-Texas Transportation Corporation Act, and the approved project plan.

Specific objectives outlined in the audit engagement letter included providing conclusions about the City's TIRZ program based on the following:

- current and projected trends and their future potential impact on City programs and services;
- program or policy alternatives, including forecasting program outcomes under various assumptions for funding changes and/or legislative changes;
- policy or legislative proposals, including advantages, disadvantages, and analysis of stakeholder (impacted zone) views;
- prospective information prepared by management; and
- budgets and forecasts that are based on:
 - assumptions about expected future events,
 - management's expected reaction to those future events; and
 - management's assumptions on which prospective information is based.

Performance audit objectives also included addressing the following issues:

- How does the City administer and monitor the activity on its end relative to the TIRZs?
- What process is in place to allow the mayor/City input into the budget process for the TIRZs?
- What input does the City have relative to the TIRZs projects from idea to inception?
- What is the process for the development of the TIRZs?



- How are tax increments determined and what role does the City play in this?
- How are TIRZ revenues and cost forecasted affecting both current and future periods?
- What controls are in place to manage TIRZ projects, both internally by City government and externally by TIRZ management or independent contractors?

REPORT OF TRANSITION COMMITTEE ON TAX INCREMENT REINVESTMENT ZONES

In light of the controversy about the TIRZ, there has been significant discussion about the TIRZ program and some have said the following:

*“The City of Houston has implemented an amazing, **Enron**-like strategy of off-the-books debt and spending that places serious constraints on funding a fair, objective, citywide plan of capital-improvement projects. Instead, City Hall, where debt obligations are ballooning, has used these special taxing districts as something akin to a budget-relief valve, using TIRZ tax revenue to pay for basic infrastructure that has little to do with economic development. What's driving the infatuation with tax-increment zones inside the City of Houston? The answer seems to lie in the consequences of a 2004 voter-approved change to the city charter that created a revenue cap. The cap limits the growth of property-tax revenue.”*

“Every time City Hall creates a TIRZ, it is a vote of no confidence in its own ability to properly collect and spend taxpayer dollars. It is a confession that Houston should be managed by unelected boards at secretive meetings who can issue debt without voter approval. Sometimes a TIRZ spends money on worthwhile infrastructure: Uptown creating a Bus Rapid Transit system. Other times TIRZ expenditures are more questionable: Uptown lining feeder roads with concrete balls. But each TIRZ represents a moment when our elected officials decided to hand over the purse strings to someone else, diverting dollars that could have been spent shoring up pension obligations or paying down debt.”

These types of discussions over the years prompted Mayor Sylvester Turner, after his election in 2016, to task the Transition Committee on TIRZ to provide him with an evaluation of, and policy recommendations concerning the effectiveness of TIRZs, the ability of TIRZs to undertake additional funding responsibilities, opportunities for Community partnerships, and/or other TIRZ issues deemed important by the Committee. That report revealed the necessity for a more detailed look at the TIRZ and has culminated into this performance audit report.



TIRZ BACKGROUND INFORMATION

Tax Increment Reinvestment Zones (TIRZs) are special reinvestment zones created by City Council to attract new investment within a specific geographical area. TIRZs help finance the costs of redevelopment and encourage development in areas that would otherwise not attract sufficient market development. Taxes attributable to new improvements (tax increments) are set-aside in a fund to finance public improvements within the boundaries of the zone.

The TIRZ program is managed by the City through the Mayor's Office of Economic Development. The legislative authority for the TIRZ is derived from Chapter 311 of the Texas Tax Code ("Code"), referred to as the Tax Increment Financing Act. The Code gives the City the power and authority necessary for the creation and implementation of a TIRZ, including:

1. Development and implementation of project plans.
2. Acquisition of real property with the TIRZ, necessary for the implementation of the project plan.
3. Execution of agreements, including financing arrangements, for the implementation of the project plan.
4. Acquisition and construction of infrastructure for the TIRZ (public works, facilities, utilities, streets, streetlights, water and sewer facilities...)

In order to be designated as a reinvestment zone, an area must meet the criteria outlined in the Code, which include:

- The area must 1) substantially arrest or impair the sound growth of the municipality creating the zone, 2) retard the provision of housing accommodations, or 3) constitute an economic or social liability and be a menace to the public health, safety, morals, or welfare in its present condition;
- The area must be predominately open or undeveloped and, because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impair or arrest the sound growth of the municipality;
- The area must be in a federally assisted new community located in the municipality or county or in an area immediately adjacent to a federally assisted new community; or
- The area must be an area described in a petition requesting that the area be designated as a reinvestment zone, if the petition is submitted to the governing body of the municipality owners of property constituting at least 50 percent of the appraised value of the property in the area according to the most recent certified appraisal roll for the county in which the area is located.

Direct responsibility for the implementation of the project plan and management and operation of each individual TIRZ resides with a board of directors.



The board of directors generally consists of at least five and not more than 15 members. Each taxing unit other than the municipality or county that created the zone that levies taxes on real property in the zone may appoint one member of the board.

At the TIRZ inception, it is created either by a petition of the residents ("Petition TIRZ") or by the City ("Non-petition TIRZ"). If the zone was designated by petition, the board of directors of the zone consists of nine members. Each school district, county, or municipality, other than the municipality or county that created the zone, that levies taxes on real property in the zone may appoint one member of the board if the school district, county, or municipality has approved the payment of all or part of the tax increment produced by the unit.

The member of the state senate in whose district the zone is located is a member of the board, and the member of the state house of representatives in whose district the zone is located is a member of the board, except that either may designate another individual to serve in the member's place at the pleasure of the member. The remaining members of the board are appointed by the governing body of the municipality or county that created the zone.

Members of the board are appointed for terms of two years unless longer terms are provided under Article XI, Section 11, of the Texas Constitution. Terms of members may be staggered.

A vacancy on the board is filled for the unexpired term by appointment of the governing body of the taxing unit that appointed the director who served in the vacant position.

To be eligible for appointment to the board by the governing body of the municipality or county that created the zone, an individual must generally:

- be a qualified voter of the municipality or county, as applicable; or
- be at least 18 years of age and own real property in the zone, whether or not the individual resides in the municipality or county.

In order to carry out the duties and responsibilities for each of the TIRZ, Chapter 431 of the Texas Transportation Code provides for the creation and organization of a local government corporation (LGC). These local government corporations, are called redevelopment authorities (RDA). The board of directors for the RDA, are typically the same as for the TIRZ. That being the requirement, the primary parties to the creation, implementation, management and operation of each TIRZ are: 1) the City, 2) The TIRZ zone board of directors, and 3) the RDA (LGC) board of directors and management.

Currently, of the 27 TIRZ, 10 were created by Petition and 17 were created as non-petition by the City. In accordance with the Code, TIRZs were created to eliminate blight, encourage commercial and residential development, promote neighborhood stability, and improve overall quality of life for their residents. To accomplish this goal, TIRZs generate capital for funding the approved project plan, by using tax increment financing, capturing the incremental increase of tax revenues within each TIRZ from participating taxing units over a certain term of usually 20-40 years.



To establish the annual funding increment of tax revenues, at the inception of a TIRZ's creation, the base year value, which is the appraised value of properties within the original TIRZ boundaries, is established. As time progresses, property values may rise above the base year value due to new construction, improved infrastructure, industrial development or other economic factors. This increase in property value is referred to as the incremental property value and the tax collected from the incremental property value (tax increment") is used by the TIRZ to be reinvested within the TIRZ district to implement the project plan. The tax revenue from the base year value, at current tax rate, continues to be collected and retained by the City. The tax increment is created without raising tax rates and without shrinking the base year value. Capturing the tax increment enables the TIRZ district to pay for capital improvements without relying on other City funding or having the City issue other forms of debt that could negatively impact the City's general fund operations. To the extent taxing units other than the City participate in a TIRZ, additional revenues are generated to fund TIRZ projects.

For petition TIRZs, at least one-third of the tax increment must be used to provide affordable housing. Those funds are transferred to a City fund that are used for affordable housing on a City-wide basis and are used at the discretion of the City.

TIRZ funds are outside the charter-prescribed so called "City Revenue Cap". Consequently, any transfer of TIRZ funds to the general fund would result in an overall reduction in funds available for City projects, since funds transferred into the general fund would necessitate an offsetting reduction in property tax revenue.

One of the specific objectives of this performance audit was to establish the impact the TIRZ have on the City. The scope of our work for this performance audit included the following:

1. Determining and evaluating **program effectiveness and results** (Have the TIRZ been effective in relation to the purpose for which they were created?). From that perspective, the following are specific objectives related to "program effectiveness:
 - a. Are the legislative (City Council) goals and objectives being achieved?
 - b. Are the organizational goals and objectives being achieved? (Consider the structure and organization of the TIRZ overall).
 - i. Entity structure
 - ii. Board structure and composition
 - iii. Management structure (City, Zone and RDA)
 - iv. Support and support services provided by the COH
 - v. Project plan
 - vi. Project financing
 - c. What is the cost in relation to the benefit received by the City (Cost/Benefit)? Does the benefit outweigh the cost?
 - d. Determine if there is an alternative approach or a better method to achieve the TIRZ goals.



- e. Determining the status of each TIRZ relative milestones, goals and objective to be achieved. Has there been sufficient progress to date in economic development? Is the TIRZ on track to achieve its economic goals?
- 2. We performed a prospective analysis to provide conclusions about the assumptions, that affect the current and projected or future impact the TIRZ will (have) on COH, its tax and resulting revenues base and city services. This type of performance audit will give us insight into:
 - a. Policy alternatives, funding changes and/or legislative changes that may be necessary.
 - b. Policy or legislative proposals, including advantages, disadvantages, and analysis of Zone management views.
 - c. Basis of budgets and forecast and whether they are sufficient, reasonable and appropriate in relation to the goals and objectives of the TIRZ. The analysis of these budgets and forecast will focus on management's assumptions about expected future events, management reaction to those future events, and the underlying prospective information on which they are based.
 - d. How the City administered/monitored the activity of the TIRZ.
 - e. What process is in place to allow the mayor/City input into the budget processes for each TIRZ.
 - f. What input does the City have relative to each TIRZ on an annual basis?
 - g. The basis on which the tax increments were initially determined, and subsequently determined and if those increments are reasonable.

TIRZ HISTORY

The consideration to create a TIRZ begins with an assessment of the public, and in some instances private, investment needs of the community and the economic development program or tool that might best mitigate or minimize the need, recognizing that it is not realistic to expect to completely eliminate the vast needs of a neighborhood or community. Each community that has a TIRZ presented a different need and the unique challenge is documented in the TIRZs' project plan and generally stated on each of the annual budget templates. The first three TIRZs that were created (St. George Place, Midtown and Main Street/Market Square) generally describes the varied economic, infrastructure, or neighborhood, residential challenges that the TIRZ was created to mitigate. Generally, the TIRZs created afterwards (TIRZ 4 through 27) had similar goals but in different geographic areas of the city and followed the basic model of the three (3) initial TIRZs.



TIRZ 1 – St. George Place (formerly Lamar Terrace) was created by the City to address incompatible land use resulting from the interest to develop nonresidential in a highly residential community and stabilize property values, address deteriorated buildings and incompatible land uses and provide for the design and construction of roadway and streets, public utility systems, sidewalks, landscaping and land acquisition a District of the City known as St. George Place. It is the only TIRZ that has a deed restriction benefit, which the community needed at that time to encourage development and reverse the decline.

TIRZ 2 – Midtown was created by the City for the purposes of eliminating urban blight with revitalization providing public right-of-way improvements and enhancements such as: street resurfacing, utilities, street lighting, street art, street furniture, enhanced landscaping, irrigation, and decorative and wider sidewalks.

During the 1990's, Midtown was losing office tenants and people were moving to the more attractive, less expensive suburbs and the TIRZ was created in an effort to rebuild its presence.

TIRZ 3 – Main Street/Market Square was created in 1995 to stimulate new residential development in the 9-Block area surrounding the Rice Hotel. In 1998, the Zone was expanded to include Main Street and the northern Blocks of the Central Business District along Buffalo Bayou, primarily to create pedestrian and transit amenities and to catalyze new investment and enhance connections between the eastern and western sectors of downtown. In 2005, two Blocks were added to provide a new mixed-use retail and entertainment project. In 2007, the Zone was expanded to include public and institutional parcels in and around City Hall and the Jones Library. In 2011, the boundaries were further enlarged to include the Buffalo Bayou Parklands west to Shepherd Drive.

In 2004, Houston voters approved Proposition 1 limiting City revenue growth. Proposition 1 ("City Revenue Cap") generally limits annual growth in property tax revenues to the lesser of the actual revenues in the preceding fiscal year, plus 4.5 percent, or the revenue received in the previous fiscal year, plus the cumulative combined rates of inflation and the City's population growth. TIRZ funds are outside the City Revenue Cap. Consequently, any transfer of TIRZ funds to the general fund would result in an overall reduction in funds available for City projects, since funds transferred into the general fund would necessitate an offsetting reduction in property tax revenue.

Almost a decade ago, the administration of Mayor Bill White was so concerned about TIRZ inefficiency and the lack of accountability that it proposed the immediate dissolution of six zones and the phasing out of five more by the end of 2006.



PROFESSIONAL AUDITING STANDARDS

We conducted our performance audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The purposes of audit reports are to (1) communicate the results of audits to those charged with governance, the appropriate officials of the audited entity, and the appropriate oversight officials; (2) make the results less susceptible to misunderstanding; (3) make the results available to the public, unless specifically limited; and (4) facilitate follow-up to determine whether appropriate corrective actions have been taken.

To achieve the objectives of the performance audit:

1. We reviewed background information to obtain an overall perspective of the structure and operations of the City's 26 active TIRZs. We also conducted interviews of relevant; 1) City personnel and, 2) TIRZs board members, managers and contractors.
2. We performed process walkthroughs and observations, analyzed data, examined supporting documentation, tested select records, and conducted a search for best practices against which TIRZ governance, operations and management practices were assessed.



SECTION II – ANALYTICAL OVERVIEW



ANALYTICAL OVERVIEW

OBJECTIVE

The City of Houston's 26 active TIRZs provide a wealth of demographic and financial information. Because each TIRZ is unique with varied purposes, resources, sizes, and success, drawing conclusions from comparative analysis is risky. However, comparative analysis provides answers to broad questions about the City's TIRZ program. Comparative analysis can also provide perspective for understanding the challenges and opportunities TIRZs face and how each TIRZ fits into the City's overall program. Accordingly, the objective of this section of the report is to analyze the following selected information about the City's TIRZs to provide context for the findings and recommendations in this report.

Comparative analysis provides answers to broad questions about the City's TIRZ program

- Creation
- Purpose
- Age and Term
- Property Value
- Project Costs
- Finances
- Participating Jurisdictions
- Tax Increment

OVERVIEW

Exhibit 2-1 presents questions about the City's TIRZ program that are addressed in this section of the report through analyses of information provided by the City and each TIRZ.

Exhibit 2-1
TIRZs Analysis Questions

Questions Addressed	Exhibit Number
1. How many TIRZs have been created each year since inception of the TIRZ program?	2-2
2. For what purpose was each TIRZ created?	2-3
3. How old is each TIRZ and how much of its term remains?	2-4
4. How much has property value increased over the base year value?	2-5-2-6
5. What is each TIRZ's percentage of the increase in property value over the base year value?	2-7
6. What are total estimated project costs for each TIRZ?	2-8
7. How much actual project costs has each TIRZ incurred through June 30, 2016?	2-9
8. What is the cost of each TIRZ in relation to its benefit to the City, does the benefit outweigh the cost, and are the TIRZs fulfilling the purpose for which they were created?	2-10-2-11



Questions Addressed	Exhibit Number
9. How does the ratio of age to term compare to the ratio of actual to projected project costs?	2-12 & 2-13
10. Are the TIRZs operating economically and efficiently?	2-14
11. What were TIRZ revenues and expenditures for Fiscal Years 2014-2016?	2-15
12. How much debt is each TIRZ carrying?	2-16
13. How much Municipal Service Charge will each TIRZ return to the City in Fiscal Year 2017?	2-17
14. What taxing jurisdictions participate in each TIRZ?	2-18
15. How much of its own tax increment has the City provided to each TIRZ since inception?	2-19
16. How much increment did each jurisdiction provide to the TIRZs from Fiscal Year 2012 to 2016?	2-20
17. What percentage of the gross increment did TIRZs actually receive from Fiscal Year 2012 to 2016?	2-21
18. What percentage of gross increment did each jurisdiction contribute from Fiscal Year 2012 to 2016?	2-22
19. What was the growth in tax increment from all jurisdictions between Fiscal Years 2012 to 2016?	2-23
20. What was deducted from the gross increment to arrive at what TIRZ actually received during Fiscal Years 2012 to 2016?	2-24



DETAILED ANALYSIS

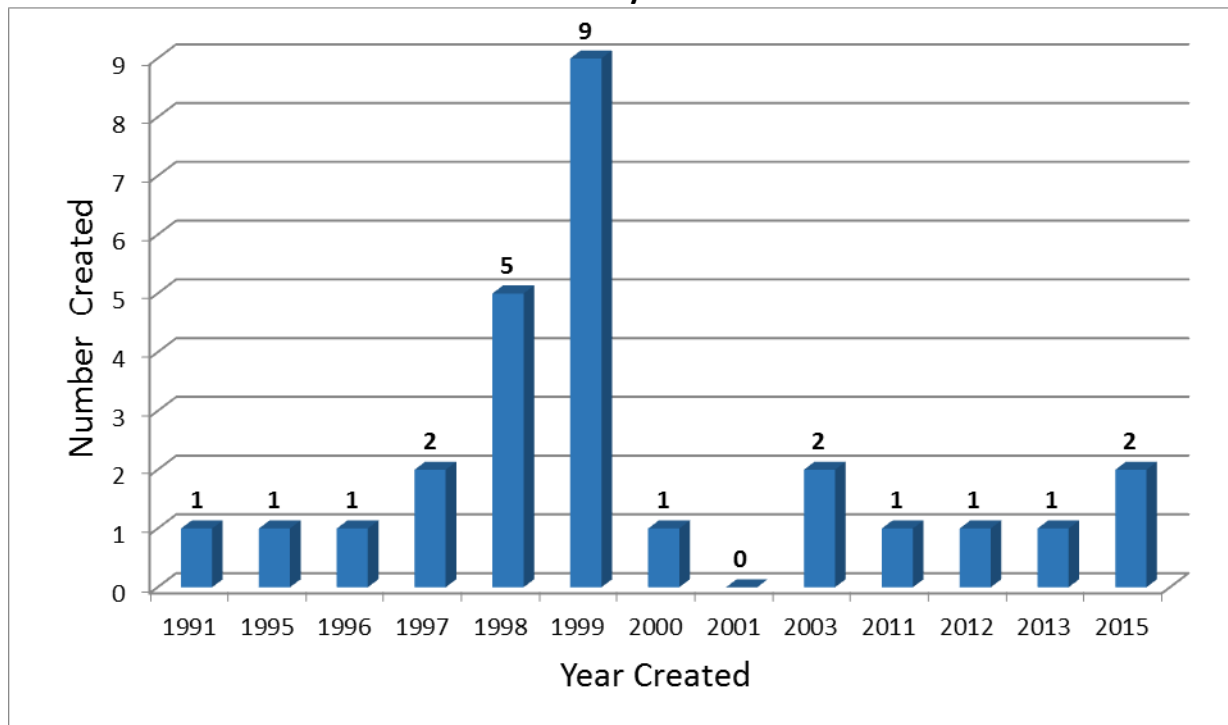
Question 1. How many TIRZs have been created each year since inception of the TIRZ program?

The City creates TIRZs under the authority of Chapter 311 of the Texas Tax Code, which establishes various requirements and criteria for TIRZ creation. We examined the creation ordinance for each zone noting that the ordinances contained all of the provisions required by Chapter 311. In 1991, the City created its first TIRZ, St. George Place, formerly known as Lamar Terrace. The purpose of St. George Place//Lamar Terrace TIRZ#1 is to stabilize property values; address deteriorated buildings and incompatible land uses; and provide for the design and construction of roadways and streets, public utility systems, sidewalks, landscaping, and land acquisition.

The average age of the City's active TIRZs is 15 years

Since 1991, the City has created 26 more TIRZs. The average age of the City's active TIRZs is 15 years, reflecting a fairly even distribution of TIRZs created before 1999 and those created after 1999. **Exhibit 2-2** provides the distribution of TIRZs created between 1991 and 2015.

Exhibit 2-2
Number of TIRZs by Year of Creation



Source: City of Houston TIRZ Creation Ordinances, November 2016.

**Question 2. For what purpose was each TIRZ created?**

The Texas Constitution gives the legislature authority to authorize an incorporated city or town to issue bonds or notes to finance the development or redevelopment of an unproductive, underdeveloped, or blighted area within the city or town and to pledge for repayment of bonds or notes through tax revenues imposed on property in the area by the city or town and other political subdivisions. Tax Increment Reinvestments Zones (TIRZs) are one vehicle the City uses to achieve these goals. We compared the criteria outlined in Chapter 311.005 to the each zone's purpose noting compliance and consistency. **Exhibit 2-3** provides the purpose for which each of the City's 26 active TIRZs was created.

Exhibit 2-3
TIRZ Purpose

TIRZ#//Name	Purpose
1. St George Place//Lamar Terrace	Stabilize property values, address deteriorated buildings and incompatible land uses, provide for the design and construction of roadway and streets, public utility systems, sidewalks, landscaping and land acquisition.
2. Midtown	Eliminate urban blight with revitalization providing public right-of-way improvements and enhancements such as: street resurfacing, utilities, street lighting, street art, street furniture, enhanced landscaping, irrigation, and decorative and wider sidewalks.
3. Downtown	Alleviate blight, deteriorated street and site conditions, and obsolete transit services and facilities, and encourage the sound growth of the residential, retail, and commercial sectors in Downtown through the design and construction of improved streetscape enhancements, pedestrian amenities, public utility system upgrades, parkland improvements, and historic preservation. Stimulate new residential development and catalyze new investment and enhance connections.
4. Village Enclaves	Facilitate residential and commercial development and to finance the construction of the Westside High School, a shared-use high school facility. Village Enclaves was terminated in December 2013 after fulfilling its purpose and after liquidation of all debts and obligations.
5. Memorial Heights	Create and support an environment attractive to private investments.
6. Eastside	Build a shared educational facility (Caesar Chavez High School) and encourage further industrial development within the zone).
7. OST / Almeda	Encourage investment; stimulate commercial, industrial and residential development.
8. Gulfgate	Acquire and reposition the Gulfgate Shopping Center, facilitate the redevelopment of surrounding areas.
9. South Post Oak	Facilitate development of a community that includes commercial, recreational, and residential improvements of which 80 percent of residential homes are available as affordable housing.
10. Lake Houston	Provide plans and programs to facilitate planned residential and community developments.
11. Greater Greenspoint	Facilitate the revitalization of Greenspoint area to a viable mixed-use community through the financing of public infrastructure, parks and recreational projects, public parking, flood control, workforce housing and environmental mitigation projects.
12. City Park	Facilitate construction of residential, retail, and commercial development and associated roadway and street reconstruction.



TIRZ#//Name	Purpose
13. Old Sixth Ward	Provide assistance mechanisms to reposition Old Sixth Ward into a viable residential community.
14. Fourth Ward	Facilitate revitalization of Fourth Ward neighborhood into a viable residential community with supporting commercial, development, affordable housing, infrastructure improvements, educational facilities, parks etc. and restoration of historic structures.
15. East Downtown	Facilitate development of public infrastructure improvements, parking facilities and assist with revitalization of old Chinatown.
16. Uptown	Execute redevelopment plan and programs through the financing of mobility enhancements, public infrastructure and roadway improvements, affordable housing, and educational facilities improvements.
17. Memorial City	Provide plans and programs needed to address blighted conditions in the Memorial City area.
18. Fifth Ward	Facilitate the revitalization of the historic Fifth Ward.
19. Upper Kirby	Provide plans and programs needed to support an environment attractive to private investment needed to attract development in the Upper Kirby area.
20. Southwest Houston	Address failing infrastructure, lack of utility capacity, increased traffic congestion, declining sales, and significant social and economic stress along the Bellaire Corridor and greater Sharpstown Mall area.
21. Hardy / Near Northside	Reposition a former Union Pacific rail yard site into a mixed-use development to promote affordable housing development and mobility improvements.
22. Leland Woods	Provide plans and programs needed to design and construct affordable housing and related public green space.
23. Harrisburg	Provide plans and programs needed to reposition Houston's East End. To include improvements in public utilities, roadways, street enhancements, parks and recreational facilities, cultural and public facilities and economic development.
24. Greater Houston	Bring benefits to the City and County. Increase real property tax revenues, employment, create construction and permanent jobs, and revitalize the area with quality sustainable development that increases ridership for transit related facilities.
25. Hiram Clarke / Ft. Bend Houston	Leverage the expenditure of public funds for eligible project costs including the planning, engineering and construction of new streets, water distribution facilities, wastewater collection facilities, storm drainage improvements, roadway and street reconstruction projects, cultural and public facility improvements, park and other related improvements.
26. Sunnyside	Finance construction of public infrastructure necessary to facilitate residential and commercial development and redevelopment within the Zone boundaries.
27. Montrose	Repair and enhance Montrose infrastructure, such as new sidewalks and repairs to the drainage system.

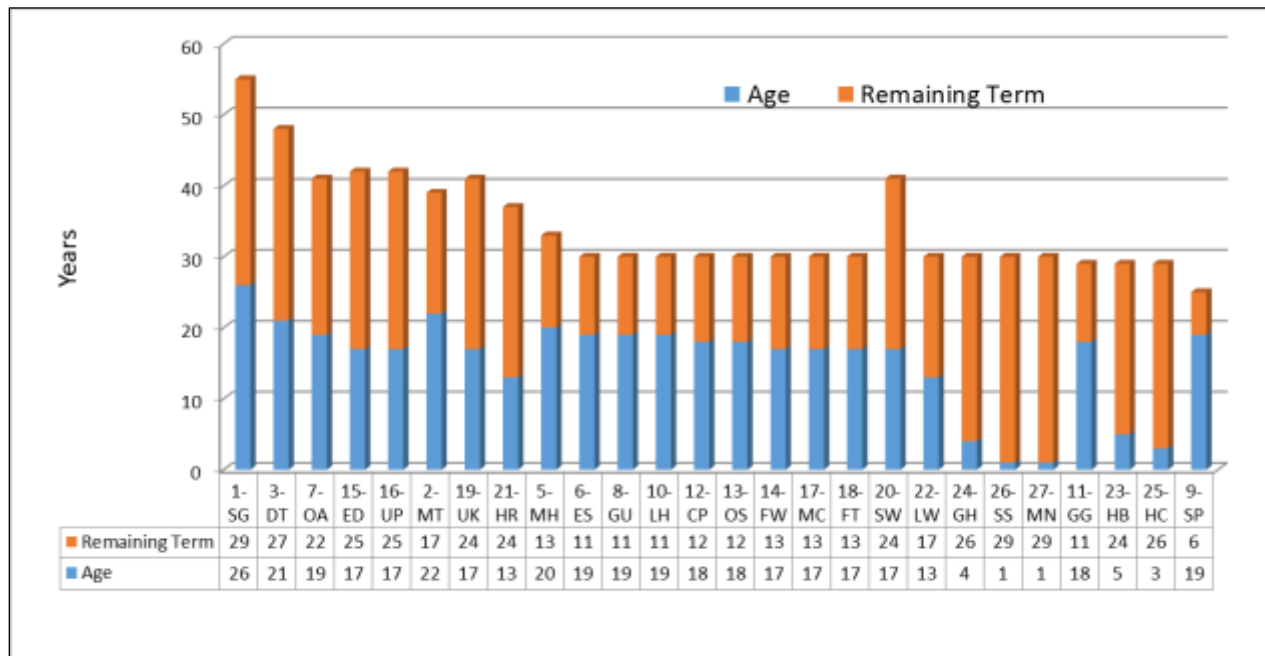
Source: City of Houston TIRZ Creation Ordinances, November 2016.

**Question 3. How old is each TIRZ and how much of its term remains?**

Age represents how long a TIRZ has been in existence while term defines how long it was created to exist. The average term of the City's TIRZs is 33 years. The first TIRZ, St. George's Place/Lamar Terrace, has the longest term of 55 years. As of December 31, 2016, it had 29 years of remaining life, which is roughly the same as the total term for most of the other TIRZs. City council approves the creation and life span of a TIRZ and must vote to extend its life beyond the original term. **Exhibit 2-4** depicts both the age and term of the City's active TIRZs; Village Enclaves terminated on December 31, 2013 and is not shown.

Age represents how long a TIRZ has been in existence while term defines how long it will exist. The average term of the City's TIRZs is 33 years.

Exhibit 2-4
TIRZ Age and Remaining Term





Code	Name	Code	Name	Code	Name	Code	Name
1-SG	St George Place//Lamar Terrace	8-GU	Gulfgate	15-ED	East Downtown	22-LW	Leland Woods
2-MT	Midtown	9-SP	South Post Oak	16-UP	Uptown	23-HB	Harrisburg
3-DT	Downtown	10-LH	Lake Houston	17-MC	Memorial City	24-GH	Greater Houston
4-VE	Village Enclaves*	11-GG	Greater Greenspoint	18-FT	Fifth Ward	25-HC	Hiram Clarke / Ft. Bend Houston
5-MH	Memorial Heights	12-CP	City Park	19-UK	Upper Kirby	26-SS	Sunnyside
6-ES	Eastside	13-OS	Old Sixth Ward	20-SW	Southwest Houston	27-MN	Montrose
7-OA	OST / Almeda	14-FW	Fourth Ward	21-HR	Hardy / Near Northside		

Source: Calculated from Dates Obtained from City of Houston TIRZ Creation Ordinances. , November 2016

*Village Enclaves terminated in December 2013.

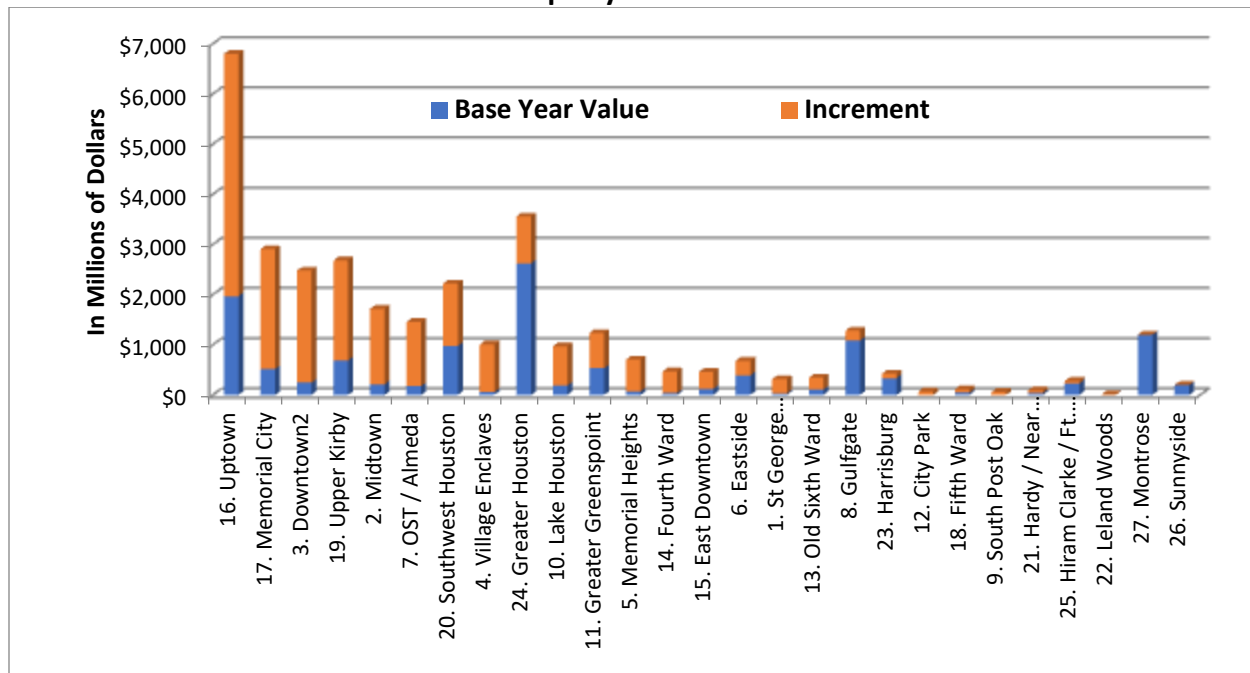
**Question 4. How much has property value increased over the base year value?**

Property values in all TIRZ combined increased nearly \$22 billion, or 180 percent, from the base years to Tax Year 2015. Uptown had the greatest increase in absolute value of approximately \$4.8 billion followed by Memorial City and Downtown at \$2.4 and \$2.2 billion, respectively. These increases are not surprising given the location, growth, and development of these popular areas in the City.

Exhibit 2-5 presents the growth in property values over base year values for each TIRZ. Base year values include the base value of properties annexed throughout the years. Two TIRZ, Sunnyside and Montrose, were created in 2015, and had no growth for Tax Year 2015.

Property values in all TIRZ combined increased \$21.7 billion, or 180 percent, from the base year to Tax Year 2015.

Exhibit 2-5
Increase in Property values over Base Year



Source: Office of Economic Development City Increment History Spreadsheet, November 2016.

To put the increase in property values in perspective, the performance audit team compared the actual increases in property values for each TIRZ to the increases projected in their respective project plans. This analysis shows that, overall, actual increases in property values outpaced projected increases by 30 percent as shown in **Exhibit 2-6**. This difference is a positive sign that anticipated increases in property values did materialize and in fact exceeded expectations for the TIRZ program as a whole.



The difference between projected and actual property value was negative for five of the 27 TIRZ. Three of the negative differences were significant. The following are explanations for these differences, which are shown in **Exhibit 2-6**.

21-Hardy Place

The percentage difference between Hardy Place's projected and actual property value increase is 34 percent. The City created Hardy Place in 2003, and as of 2016 the TIRZ had expended 13 years of its 37-year life. During that 16-year period, it has received approximately \$2.6 million in City tax increment and expended \$11.3 million in project cost. It has expended 14 percent of its projected project cost and used 35 percent of its estimated life. Project plan spending is behind resulting in the variance between actual project cost and the expended life of the TIRZ. However, as more funds are expended on project cost and project plan goals are achieved, the expectation is that property values will increase resulting in a reversal of the variance.

23-Harrisburg

The percentage difference between Harrisburg's projected and actual property value increase is 34 percent. The City created Harrisburg in 2011, and as of 2016 has expended 5 years of its 29-year life. During that 5-year period, it has received approximately \$703,000 in City tax increment and expended less than \$1 million in project cost. No significant project work has begun, the majority of which is roadways and sidewalks budgeted at \$58 million. As a result, there has been little impact on property values and consequently values did not meet projected increases.

24-Greater Houston

The difference between the projected and actual increase in property values for the Greater Houston TIRZ is 29 percent. According to the project plan, the City established the Greater Houston TIRZ in 2012 to facilitate the redevelopment and development of 7,109.12 acres of parcels plus rights of way and 192.72 acres of proposed annexation area that will attract private investment, including the redevelopment of approximately 3,305.36 acres of vacant, underdeveloped land or oil field properties.

The TIRZ seeks to attract private investment for the development of quality infrastructure and transit oriented projects including, but not limited to, streets lighting, water transmission facilities, light rail, commuter rail expansion, and other forms of transit oriented development. As of the date of this report, the TIRZ had not executed any projects or programs. Therefore, the projected increase in property value through Tax Year 2015 has not yet materialized. The TIRZ's executive director indicated that Greater Houston has not begun any projects because it took a little over two years to execute the Interlocal Agreements. Also, the TIRZ has entered into developer agreements, but the projects are not scheduled to begin until 2018.



Exhibit 2-6
Comparison of Projected to Actual Property Value Increases
From Inception (1992) to Tax Year 2015

TIRZ#//Name	Projected Increase in Property Value per Project Plan through Tax Year 2015	Actual Increase in Property Value Through Tax Year 2015	Projected Percentage Increase over Base Value	Actual Percentage Increase over Base Value	Percentage Difference Between Projected and Actual Property Value Increases
01-Lamar Terrace	\$143,700,000	\$285,658,854	529%	1052%	99%
02-Midtown	1,503,481,460	1,504,674,059	710%	711%	0%
03-Market Square	1,193,668,122	2,234,625,230	491%	919%	87%
04-Village Enclaves*	531,503,973	947,509,305	847%	1662%	78%
05-Memorial Heights	573,084,373	636,043,273	845%	938%	11%
06-Eastside	134,907,956	288,768,347	40%	74%	114%
07-OST//Almeda	1,002,023,748	1,274,978,993	563%	716%	27%
08-Gulfgate	111,695,659	194,369,182	10%	18%	74%
09-South Post Oak	61,545,020	61,217,657	453203%	450793%	-1%
10-Lake Houston	627,112,563	779,163,145	333%	413%	24%
11-Greater Greenspoint	718,800,519	700,007,713	135%	131%	-3%
12-City Park	33,464,980	70,919,930	2180%	2942%	112%
13-Old Sixth Ward	154,216,938	237,868,862	151%	224%	54%
14-Fourth Ward	286,868,105	436,212,093	837%	1272%	52%
15-East Downtown	246,549,563	338,191,016	204%	279%	37%
16-Uptown	2,646,041,128	4,835,200,282	136%	246%	83%
17-Memorial City	2,088,132,291	2,392,343,378	410%	467%	15%
18-Fifth Ward	67,368,387	67,640,633	55%	148%	0%
19-Upper Kirby	1,791,410,239	1,998,656,839	262%	292%	12%
20-Southwest Houston	1,240,937,677	1,240,006,018	120%	127%	0%
21-Hardy Place	76,980,703	50,992,533	191%	126%	-34%
23-Harrisburg	131,702,345	92,827,094	36%	28%	-30%
24-Greater Houston	1,310,754,742	932,820,904	50%	36%	-29%
25-Hiram Clarke	39,401,013	46,197,810	10%	20%	17%
Total	\$16,715,351,504	\$21,646,893,150	153%	180%	30%

Source: Office of Economic Development City Increment History Spreadsheet and TIRZ Project Plans and Related Amendments, November 2016

Note: Project Plan information was not available for Leland Woods. Sunnyside and Montrose were newly created during Fiscal Year 2016 and are not shown.

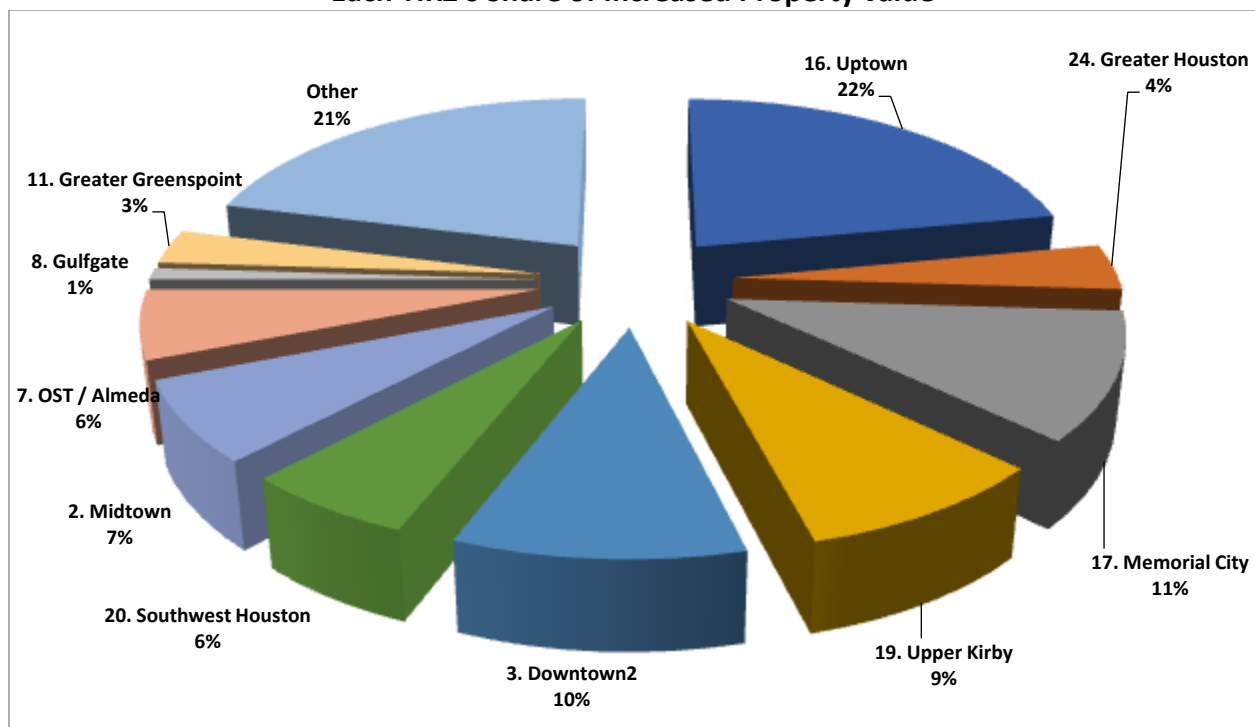
*Village Enclaves terminated in December 2013.



Question 5. What is each TIRZ's percentage of the increase in property value over the base year value?

Ten TIRZs, representing 38 percent of the 26 active TIRZs, share 79 percent of the increase in property values over the life of the program. Uptown TIRZ #16 has the highest share of the \$21.7 billion property value increase with 22 percent. This percentage is double that of Memorial City and Downtown, which share 11 and 10 percent of the increase in property values, respectively. **Exhibit 2-7** presents each TIRZ's share of the increase in property values since inception of the program in 1999.

Exhibit 2-7
Each TIRZ's Share of Increased Property value



Source: Office of Economic Development City Increment History Spreadsheet, November 2016.

**Question 6. What are total estimated project costs for each TIRZ?**

Section 311.011 of the Texas Tax Code requires the board of directors to prepare and adopt an initial project and financial plan for the TIRZ. The City approves these documents before passing an ordinance creating the TIRZ. The project plan must include a detailed list describing the estimated project costs of the TIRZ. Project costs, as defined in the statute, include the following:

- capital costs;
- financing costs;
- real property assembly costs;
- professional services costs;
- administrative costs;
- relocation costs;
- organizational costs;
- interest before and during construction;
- TIRZ operating costs;
- City contributions to implementation costs;
- school building costs; and
- City discretionary cost paid to create the TIRZ or implement its plan.

Estimated project costs over the life of all TIRZ as of June 30, 2016, totaled approximately \$5.3 billion. Of this total, Uptown TIRZ #16 comprised 24 percent while Midtown TIRZ#2 and Downtown TIRZ#3 comprised 11 and 9 percent, respectively. **Exhibit 2-8** presents total estimated project plan cost by TIRZ. Village Enclaves terminated December 2013 and is not shown.

Estimated project costs over the life of all TIRZ as of June 30, 2016, totaled approximately \$5.3 billion.

Exhibit 2-8
Total Estimated Project Plan Costs By TIRZ

TIRZ#//Name	Total Estimated Project Costs	Percent of Total
16. Uptown	\$ 1,265,000,000	24%
2. Midtown	584,387,137	11%
3. Main Square/Market Square	488,337,353	9%
24. Greater Houston	363,808,000	7%
11. Greater Greenspoint	300,000,150	6%
19. Upper Kirby	271,866,927	5%
10. Lake Houston	224,720,490	4%
20. Southwest Houston	192,750,000	4%
7. OST / Almeda	182,391,694	3%
5. Memorial Heights	169,776,630	3%



TIRZ#//Name	Total Estimated Project Costs	Percent of Total
15. East Downtown	152,787,949	3%
25. Hiram Clarke / Ft. Bend Houston	141,090,000	3%
14. Fourth Ward	138,282,132	3%
17. Memorial City	136,865,814	3%
23. Harrisburg	128,908,488	2%
8. Gulfgate	119,536,828	2%
21. Hardy / Near Northside	78,724,874	1%
18. Fifth Ward	72,246,679	1%
13. Old Sixth Ward	67,565,970	1%
1. St George Place//Lamar Terrace	61,672,796	1%
9. South Post Oak	56,454,355	1%
6. Eastside	46,842,500	1%
12. City Park	16,723,716	<1%
26. Sunnyside	12,462,000	<1%
22. Leland Woods	8,557,485	<1%
27. Montrose*	0	0%
Total	\$ 5,281,759,967	100%

Source: TIRZ Fiscal Year 2016 Audited Financial Statements, November 2016.

*Montrose is a new TIRZ and City council had not approved a project plan at the time of this report.

**Question 7. How much actual project costs has each TIRZ incurred through June 30, 2016?**

While **Exhibit 2-8** above summarizes estimated project costs over the life of the TIRZ, **Exhibit 2-9** below summarizes actual project costs from TIRZ inception through June 30, 2016. Through that date, approximately \$1.7 billion of project costs had been incurred by all active TIRZs. Uptown TIRZ#16 comprises 19 percent of the total followed by Midtown TIRZ#2 and Downtown TIRZ#3 at 17 percent and 10 percent, respectively. Village Enclaves terminated December 2013 and is not shown.

Exhibit 2-9
Actual Project Costs through June 30, 2016

TIRZ#//Name	Actual Project Costs Cumulative Through 6/30/2016)	Percent of Total
16. Uptown	\$334,547,656	19%
2. Midtown	298,797,604	17%
3. Downtown	175,253,458	10%
10. Lake Houston	136,073,056	8%
19. Upper Kirby	119,315,524	7%
11. Greater Greenspoint	108,475,049	6%
17. Memorial City	96,930,861	6%
7. OST / Almeda	89,911,645	5%
20. Southwest Houston	88,304,255	5%
6. Eastside	45,000,000	3%
5. Memorial Heights	43,709,158	3%
14. Fourth Ward	41,885,414	2%
15. East Downtown	40,155,126	2%
1. St George Place//Lamar Terrace	35,842,168	2%
8. Gulfgate	19,101,424	1%
9. South Post Oak	16,697,051	1%
13. Old Sixth Ward	14,249,347	1%
12. City Park	12,197,586	1%
21. Hardy / Near Northside	11,294,655	1%
18. Fifth Ward	3,539,984	<1%
22. Leland Woods	1,321,173	<1%
24. Greater Houston*	\$0	0%
26. Sunnyside*	\$0	0%
25. Hiram Clarke / Ft. Bend Houston	\$0	0%
27. Montrose*	\$0	0%
23. Harrisburg	\$0	0%
Total	\$1,732,602,194	100%

Source: Fiscal Year 2017 Audited Financial Statement, November 2016.

*The City created these TIRZs in 2015; they have no financial statements.



Question 8. What is the cost of each TIRZ in relation to its benefit to the City, does the benefit outweigh the cost, and are the TIRZs fulfilling the purpose for which they were created?

The primary cost to the City of the TIRZ program is the tax increment that the City remits to the TIRZs each year. There is an opportunity cost in that the City forgoes using the funds for other purposes outside of the TIRZ. The City also incurs costs, such as OED staff time, developer reimbursement agreements, bond issuance costs, development grants, and other costs. However, these other costs are not as easily quantifiable as the City's tax increment. As discussed in Question #15, the City has contributed approximately \$830.8 million of its own tax increment to the TIRZ program over 24 years from 1992-2015.

The City benefits from the TIRZ program in a variety of ways. For example, all capital assets and improvements the TIRZ construct belong to and are eventually conveyed to the City. Therefore, the project costs TIRZ incur benefit the City. Benefits also include tax increment revenue paid to TIRZs from other participating tax jurisdictions such as Harris County and the Houston Independent School District. Absent the TIRZ program, these tax dollars would not be available for projects benefiting the City. Benefits also include higher property values resulting from TIRZ development initiatives that produce economic benefits for the City. Such benefits include greater economic development, employment, sales tax revenue, and beautification of the environment through elimination or reduction of blight.

There are also intangible benefits that accrue to the City from the TIRZ program. These include aesthetic and societal benefits that enhance the City's appeal and quality of life. For example, the Texas Commission of the Arts designated Midtown, a once blighted, unattractive area, as a cultural arts and entertainment district. Further, although the cost of park improvements and bike trails can be measured, the satisfaction citizens receive from such amenities is not quantifiable. Moreover, the cost of a new school is evident; however, the benefits to the City of an educated populace are not easily determined. In addition, there are spillover effects to areas outside of but adjacent to a TIRZ. For example, drainage improvements benefit not only areas within the TIRZ boundary, but also may affect adjacent areas outside the boundary.

As an added benefit, the City receives funds for affordable housing from the TIRZ program. The City has almost no budget for affordable housing other than what is received from the TIRZ. For petition TIRZs, at least one-third of the tax increment must be used to provide affordable housing. Those funds are transferred to a City fund that are used for affordable housing on a City-wide basis, and are used at the discretion of the City. The City withholds one-third of the increment of four petition TIRZs while three other TIRZ return a portion of their increment to the City affordable housing fund. For Fiscal Year 2016, these seven TIRZs contributed a total of \$26.8 million in affordable housing funds to the City as shown in **Exhibit 2-10**.



Exhibit 2-10
Affordable Housing Fund Benefit
Fiscal Year 2016

TIRZ # / Name	Amount	Type
1. St George Place / Lamar Terrace	\$ 553,286	Withheld from Increment
13. Old Sixth Ward	454,625	Withheld from Increment
14. Fourth Ward	561,699	Withheld from Increment
21. Hardy / Near Northside	100,093	Withheld from Increment
5. Memorial Heights	1,240,306.52	Paid to the City
16. Uptown	23,705,000	Paid to the City
18. Fifth Ward	193,638	Paid to the City
Total	\$ 26,808,648	

Source: Fiscal Year 2016 Increment Summary Analysis Provided by the Office of Economic Development, November 2016.

Ultimately, the determination of whether a TIRZ has fulfilled its purpose and how it has benefited the City can only be made once the TIRZ expires since unforeseen future events can have a significant impact on a TIRZ's operations. However, comparing the increment, project costs, and increase in land value can provide some insight into the cost versus benefit of each TIRZ as well as whether it is achieving its purpose.

Exhibit 2-11 provides observations about the cost versus benefit of each TIRZ as well as insights into whether their cumulative expenditures are consistent with their purpose.

Exhibit 2-11
Observations Regarding Cost, Benefit, and Purpose

TIRZ#//Name	COH Increment (Cost)	Project Costs (Benefit)	Increase in Property Value (Benefit in Millions)	Percentage Increase in Property Value (Benefit)
1. St George Place//Lamar Terrace	\$17,056,553	\$35,842,168	\$286	1052%
<p>Observation: This TIRZ was the first the City created. Its purpose is to stabilize property values, address deteriorated buildings and incompatible land uses, and facilitate development of affordable housing among other things. Initially projects within the zone were centered around making public improvements, which included reconstruction of roadways in the east side of the Zone surrounding streets, sidewalk improvements, lighting, and upgrading of utilities including water, sewer and drainage, as well as roadway, utility and landscaping improvements on the west side of the Zone, improvements to Yorktown Street, new cul-de-sacs at the intersection of South Rice Avenue with Fayette Street, Navarro Street, Val Verde Street, Lampasas Street and Fairdale Lane, and an entrance monument at the intersection of South Rice Avenue and Hidalgo Street. The goal of these projects was to enhance zone connectivity thereby stabilizing property values and facilitating further development.</p> <p>Similarly, in order to meet its affordable housing objectives, the zone has allocated 30 percent of its tax increment to affordable housing. Within recent project plan amendments, the zone has proposed annexation of new neighborhoods that include low to moderate income working population where more than 60 percent of all households earn less than \$35,000 annually. The annexation will allow for the establishment of an affordable housing program intended to spur development of new affordable housing or redevelopment of existing units.</p> <p>The following top-five components of St. George Place//Lamar's \$35.8 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicate that the TIRZ's expenditures, to date, are consistent with the purpose for which it was created and support the view that, thus far, the benefits the TIRZ provides to the City outweigh the costs</p> <div style="display: flex; justify-content: space-between;"> <div> <p>(1) Affordable Housing-\$11.8 million-33%</p> <p>(2) Financing Costs-\$6.2 million-17%</p> <p>(3) Educational Facilities-\$5.7 million-16%</p> </div> <div> <p>(4) Street Paving-\$4.8 million-13%</p> <p>(5) Zoning Enforcement-\$3.5 million-10%</p> </div> </div>				



TIRZ#//Name	COH Increment (Cost)	Project Costs (Benefit)	Increase in Property Value (Benefit in Millions)	Percentage Increase in Property Value (Benefit)
2. Midtown	\$81,776,889	\$298,797,604	\$1,505	711%
<p>Observation: Created to eliminate urban blight with revitalization projects, Midtown has successfully used incremental tax revenues from other jurisdictions, grants, loans, land sale proceeds, and interest income to leverage and enhance the benefits of COH increment dollars. The primary goals of the Zone, articulated through six project plan amendments, are to provide a source of funding through tax increments generated by redevelopment to eliminate the blight and substandard conditions existing in the Zone and to provide a way to remediate unsafe and unsanitary conditions while encouraging the sound growth of the residential, retail, and commercial sectors in the Zone through the design and construction of improved streets, streetscape enhancements, pedestrian amenities, public utility system upgrades, parkland improvements, public infrastructure, and historic preservation of the various buildings designated as historic structures.</p> <p>Significant redevelopment and reinvestment has occurred in Midtown since its inception. With the increased demand for urban living, especially along transit corridors and near centers of employment, Midtown is inducing and nurturing private investment and mixed-use development. The Zone has assembled property within the limits of the City to be developed for sustainable affordable housing. As Midtown continues to focus on development of sustainable affordable housing with community partners, the land acquisition and redevelopment efforts will further focus on acquiring land along the expanded mass transit lines in the City's historic Third Ward. To maximize use of its affordable housing holdings, Midtown has, in some circumstances, partnered with private developers of mixed income residential housing. To further support and develop affordable housing, Midtown may partner with one or more community not for profit corporations to create mixed-used facilities that provide housing, community services, and other services to induce housing and supportive development.</p> <p>The following top-five components of Midtown's \$298.8 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicate that the TIRZ's expenditures, to date, are consistent with the purpose for which it was created and support the view that, thus far, the benefits the TIRZ provides to the City outweigh the costs</p> <p>(1) Affordable Housing-\$71.9 million-24% (2) Infrastructure Improvements-\$70.6 million-24% (3) Financing Costs-\$47.3 million-16% (4) Education Project Costs-\$43.9 million-15% (5) Real Property Assembly-\$24.2 million-8%</p>				
3. Downtown	\$85,217,188	\$175,253,458	\$2,235	919%
<p>Observation: Created to alleviate blight, deteriorated street and site conditions, and encourage the growth of the residential, retail, and commercial sectors in downtown Houston, the Downtown TIRZ has successfully used incremental tax revenues from other jurisdictions, debt, interest, and other income to leverage and enhance the benefit of COH dollars. Houston's Downtown has the largest concentration of employment in the region, with an estimated 150,000 jobs. It remains the desired business location for prominent companies, offering competitive advantages such as proximity to customers, business and service providers and transit options. A well-established, but constantly evolving business center, Downtown has a wide industry mix and a collaborative, entrepreneurial and innovative environment. Over the past two decades, more than \$9 billion in public and private investments have been made towards achieving Downtown's vision of a creative and vibrant place to live, work and play. Downtown residents grew by almost 200 percent between 2000 and 2014, spurred by the increasing desire to be closer to work and at the heart of Houston's premier destination for culture and entertainment. Responding to market demand, developers have delivered over 1,400 residential units in the last two years, and will add more than 2,000 units in the near future.</p> <p>The Downtown TIRZ, also referred to as Mainstreet//Market Square has been an integral component of the successful development and vitalization of Houston's Downtown area over the past two decades. Since adoption of the original project plan in 1996, there have been five project plan amendments in 1998, 1999, 2005, 2007, and 2011. The project plan goals of the Downtown district are reflected in the details of the original project plan and amendments and include the following:</p> <ol style="list-style-type: none"> 1. Rehabilitation and development of Cultural, Public and Institutional Facilities, Historic Preservation, and Residential Development. 2. Redevelopment and upgrades to open green space, pocket parks, plazas, public squares, and other appropriate recreational facilities throughout Downtown and along Buffalo Bayou. 3. The creation of pedestrian-friendly, safe environments within the Central Business District through the reconstruction of streets and sidewalks with ample lighting and streetscape amenities. 				



TIRZ#//Name	COH Increment (Cost)	Project Costs (Benefit)	Increase in Property Value (Benefit in Millions)	Percentage Increase in Property Value (Benefit)
<ol style="list-style-type: none"> The reinforcement of pedestrian-attractive retail developments along the Main Street corridor and throughout the Central Business District. Complementing the revitalization of METRO improvements activities proposed to occur along the METRO East-West Alignment. Economic Development Program. <p>The following top-five components of Downtown's \$175.3 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicate that the TIRZ's expenditures, to date, are consistent with the purpose for which it was created and support the view that thus far, the benefits the TIRZ provides to the City outweigh the costs.</p> <p>(1) Infrastructure Improvements-\$52.6 million-30% (2) Educational Facilities-\$36.2 million-21% (3) Real Property Improvements-\$19.8 million-11% (4) Economic Development Programs-\$15.9 million-9% (5) Financing Costs-\$15.4 million-9%</p>				
4. Village Enclaves	\$38,716,292	\$79,612,525	\$948	1662%
<p>Observation: Created in 1996, Village Enclaves is a residential project located in far west Houston near Eldridge and Briar Forest Roads. The TIRZ terminated in December 2013 after fulfilling its purpose and achieving all of its project objectives. The purpose of the reinvestment zone was to facilitate early development of residential and commercial properties within the zone and to enable the construction of a much-needed shared educational facility to serve the western portion of the City. Part A, as amended, of the project plan was to develop 100 single family homes in five sections with projected average values of \$200,000 each. The total estimated development cost was \$2,078,633 in capital construction, related site improvements, and financing.</p> <p>Part B of the Project Plan was to build a high school and to encourage further residential development within the zone. It was estimated that the new development would require \$103 million in construction, related site improvements and financing for the shared educational facility, and an estimated \$4.8 million for paving, storm sewer items, sanitary sewer items, water main items, and street lighting items as may be needed to support commercial and residential development which may not be likely to occur within the foreseeable future without the improvements contemplated in Project Plan. However, the interlocal agreement capped the expenditures for the shared educational facility at \$79.6 million. The principal and interest for the shared facility was \$45,000,000 and \$34,612,525, respectively.</p> <p>The increase in property values coupled with the achievement of its goals and objectives support the view that TIRZ achieved its purpose and that the benefits the TIRZ provided to the City outweighed its cost. In addition, the Termination Ordinance indicated that the TIRZ achieved all of its objectives.</p>				
5. Memorial Heights	\$25,926,055	\$43,709,158	\$636	938%
<p>Observation: Created in 1997 to facilitate master-planned, mixed-use, residential redevelopment and to establish and support an environment attractive to private investments, Memorial Heights has used its increment to provide environmental remediation, alleviate blight, relieve obsolete platting, encourage growth of residential development, improve parks, and establish bike trails. Recently, Memorial Heights entered into a reimbursement agreement with a developer that agreed to fund, on behalf of the TIRZ, certain design and construction costs for public infrastructure improvements in connection with a mixed-use development. The TIRZ has leveraged COH increment with tax increment from other jurisdictions, developer loans, and interest. Since adoption of the original project plan in 1997, there have been five project plan amendments in 1999, 2008, 2009, 2011, and 2015. The project plan goals of the Memorial Heights district are reflected in the details of the original project plan and amendments and include the following:</p> <ol style="list-style-type: none"> Infrastructure improvements Parks and related amenities Non-vehicular/Multi-Modal transportation systems (e.g. hike and bike trails) Cultural and public facilities Drainage and detention facilities Affordable housing <p>The following top-five components of Memorial Height's \$43.7 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicate that the TIRZ's expenditures, to date, are consistent with the purpose for which it</p>				



TIRZ#//Name	COH Increment (Cost)	Project Costs (Benefit)	Increase in Property Value (Benefit in Millions)	Percentage Increase in Property Value (Benefit)
<p>was created and support the view that thus far, the benefits the TIRZ provides to the City outweigh the costs</p> <p>(1) Educational Facilities-\$12.2 million-28% (2) Infrastructure Improvements-\$9.9 million - 23% (3) Park Improvements-\$6.7 million-15% (4) Affordable Housing-\$6.1 million-14% (5) Professional Services/Administration-\$4.3 million-10%</p>				
6. Eastside	\$4,227,239	\$83,100,000	\$289	74%
<p>Observation: Created in 1998, the Eastside TIRZ was established to build a shared educational facility (Caesar Chavez High School) with the Houston Independent School District and encourage further industrial development within the zone. HISD and the City agreed that the City could use the school's ballfields, tennis courts, and other outdoor recreational areas, indoor recreational areas, lunchrooms, and other assembly areas of the Cesar Chavez High School for municipal recreational and meeting purposes, at reasonable times agreed to by the City and HISD. The cost to build the school was \$45 million plus \$38.1 million in financing costs. Although the school was built in 2000, no increment was generated until 2012. Since 2012, only \$4.2 million has been generated to finance the outstanding debt.</p> <p>With only 11 years remaining in its useful life, average increment of just over \$1 million per year, and \$83.1 million of debt to liquidate, it appears this TIRZ met the purpose for which it was established, i.e. construction of a shared school facility, but at a very high cost to the City in the form of sluggish property value growth and high interest costs. A final evaluation of cost versus benefit will depend upon whether increment growth continues to be sluggish or becomes more vigorous to allow for faster liquidation of the outstanding debt, which would reduce interest costs. We have recommended that the City explore with HISD the feasibility of refinancing this debt.</p>				
7. OST / Alameda	\$57,581,730	\$89,911,645	\$1,275	716%
<p>Observation: Created in 1997 to encourage investment, stimulate commercial, industrial, and residential growth, the OST/Alameda TIRZ's initial project plan contemplated the construction of new single family and multi-family housing. The focus was on either repositioning existing industrial and warehouse developments or constructing new developments within the Alameda and Old Spanish Trail corridors. To attract new residents, emphasis was also placed on the creation of pedestrian environments, environmental remediation, and real property acquisition. In the following years, the Zone built upon the initial projects by expanding its boundaries by approximately 200 percent to further assist in commercial, industrial, and residential development as well as additional improvements in the footprints of major roadways. Upgrades were recently made to the area's Emancipation and McGregor Parks. There are also collaborative relationships established with METRO on the funding of pedestrian-attractive related corridors along the future Southeast and University alignments. In addition, affordable housing in the northern Third Ward and Brays Bayou areas were initiated as well as other projects.</p> <p>As of June 30, 2016, fiscal year end total budgeted for project plan/capital improvements was \$182,391,694. The following top-five components of OST/Alameda's \$89.9 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicates that the TIRZ's expenditures, to date, are consistent with the purpose for which it was created and support the view that, thus far, the benefits the TIRZ provides to the City outweigh the costs</p> <p>(1) Park and Park Improvements - \$27.7 million - 31% (2) Infrastructure - \$16.0 million - 18% (3) School and Educational Facilities - \$12.2 million - 14% (4) Financing Cost - \$10.1 million - 11% (5) Public Facility Improvements - 8.2 million - 9%</p>				
8. Gulfgate	\$5,715,185	\$19,101,424	\$194	18%
<p>Observation: Created in 1998 to acquire and redevelop the Gulfgate Shopping Center and subsequently enlarged in 1999 to facilitate the redevelopment of surrounding areas by providing funding for utility relocation, traffic signalization and realignments, refurbishment of the Loop 610 Crosswalk and landscaping along right-of-ways, the Gulfgate TIRZ has used its increment to leverage loans from its developer and bank debt to redevelop Gulfgate Mall and surrounding areas as originally intended. The redevelopment of Gulfgate Mall was a joint project through a partnership agreement with the City of Houston and the TIRZ leveraged COH increment with tax increment from HISD to complete the improvements to Gulfgate Mall and adjacent properties.</p> <p>Since the adoption of Gulfgate's original project plan in 1997, there have been a total of three amendments to the project plan</p>				



TIRZ#//Name	COH Increment (Cost)	Project Costs (Benefit)	Increase in Property Value (Benefit in Millions)	Percentage Increase in Property Value (Benefit)
<p>to date: (1) the first amendment in July 1999 to include projects for box culvert removal, traffic signalization, and refurbished Loop 610 Crosswalk; (2) the second amendment in August 1999 to include HISD annexation for school and educational facilities; and (3) the third amendment in December 2014 to include area-wide projects for parks, trails and public spaces, and targeted blight removal, in addition to six corridor projects (Bellfort Avenue, Broadway Blvd., Dixie Road, Long Road, Mykawa Area, and Telephone Road).</p> <p>Although Gulfgate TIRZ used 29 percent of its project expenditures related to projects included in the original project plan and the first two amendments to the original project plan to pay interest cost associated with outstanding debt, the improvements to Gulfgate Mall and adjacent properties increased private investment in surrounding areas outside the TIRZ. This resulted in a “spill-over” effect that brought about development and redevelopment of property outside the TIRZ, which is a direct benefit to the Gulfgate area community and the COH. While the initial development projects such as Gulfgate Mall, refurbished Loop 610 crosswalk, construction of school and educational facilities for HISD and traffic signalization transformed the East End and other neighborhoods north of Gulfgate Mall, the TIRZ did not invest as heavily in the areas south of Gulfgate Mall. Despite the TIRZ’s limited investment south of Gulfgate Mall through FY 2016, property values within the TIRZ increased by approximately \$194 million or 18 percent since its creation, after incurring \$19.1 million in project expenditures.</p> <ol style="list-style-type: none"> (1) Given the success of limited project activity in the TIRZ implementing the original project plan as updated through the first and second amendments, the TIRZ further expanded its project plan to focus on the following projects in the third amendment approved by City Council in December 2014: Contribute \$1.5 million toward the redevelopment of Broadway Blvd. (2) Currently working with the City of Houston Parks Board and Hobby Management District on a plan to spend approximately \$3.5 million for mobility, security enhancements and landscaping for infrastructure related to connectors to the Greenway Bayou trails on Sims Bayou, providing direct benefit to four of the six corridors included in the project plan. (3) Currently working with a major property owner on an economic development plan to expend approximately \$9.0 million for workforce housing. <p>The following top-five components of Gulfgate’s \$19.1 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicates that the TIRZ expenditures, to date, are consistent with the purpose for which it was created and the benefits the TIRZ provides to the City exceeds the project costs incurred through June 30, 2016.</p> <ol style="list-style-type: none"> (1) Financing Costs-\$5.6 million-29% (2) Property Acquisition-\$5.4 million-28% (3) Educational Facilities-\$4.6 million-24% (4) Zone Creation Fees-\$1.3 million-7% (5) Refurbished Crosswalks-\$885,756-5% 				
9. South Post Oak	\$4,190,834	\$16,697,051	\$61	450793%
<p>Observation: Observation: Created in 1998 to facilitate the development of a community that included commercial, recreational, and residential improvements of which 80% of residential homes were available as affordable housing, the South Oak TIRZ consists of 247 acres located in southwest Houston, just outside of Loop 610, at the intersection of South Post Oak and West Orem Drive. At its inception, the TIRZ started with a project plan budget of \$5.9 million. The Project Plan describes the development and financial projections necessary to develop within the Zone the Corinthian Pointe master-planned community. In 2001, the project plan was amended to increase the project cost to \$13.4 million and again in 2015 to increase the plan cost to \$56.4 million. Property value growth has been substantial increasing by 450,793 percent from inception of the TIRZ, representing an average growth rate of \$3.4 million annually. The substantial increase in property value supports the view that thus far, the benefits the TIRZ provides to the City outweigh the costs. Although the benefits of the TIRZ exceed its cost to the City, to date, less than 5 percent of the project plan cost have been expended.</p> <p>The following top-five components of South Post Oak’s \$16.7 million in project expenditures through June 30, 2016.</p> <ol style="list-style-type: none"> (1) Public Improvements – \$5.7 million – 34% (2) Developer Advances - \$4.5 million - 27% (3) Education Projects - \$4.0 million - 24% (4) On-Site Detention - \$0.5 million - 3% (5) Professional Fees for Creation of Zone - \$0.4 million - 2% 				



TIRZ#//Name	COH Increment (Cost)	Project Costs (Benefit)	Increase in Property Value (Benefit in Millions)	Percentage Increase in Property Value (Benefit)
10. Lake Houston	\$39,087,933	\$136,073,056	\$779	413%
<p>Observation: Created in 1998 to provide plans and programs to facilitate planned residential and community developments, the Lake Houston TIRZ has developed and amended its project plan four times. The Part A Plan covered a total of approximately 1,426 acres with a primary focus to facilitate the design and construction of water, wastewater, and drainage facilities in order to facilitate the development of new residential and commercial properties. The area included within the boundaries of the Part A Plan included open land where such infrastructure was absent and where residential and commercial development would not occur but for the creation of the TIRZ.</p> <p>The Part B Plan expanded the TIRZ boundaries by 508 acres and furthered the development of undeveloped property within the TIRZ and included provisions for street reconstruction and utility systems upgrades on North Park Drive from Lake Houston Parkway to Mills Branch Drive, Kingwood Drive from Willow Terrace to Mills Branch Drive; and Woodland Hills Drive south from Kingwood Drive to Hamblin Road. The Part B Plan also provided for the participation of Humble Independent School District in the TIRZ.</p> <p>The Part C Plan included provisions for the funding of a new project cost category, Cultural and Public Facilities Improvements. The new category allowed for the construction of a new larger library for Kingwood and the conversion of an existing library into a community center, both of which were located outside the boundaries of the TIRZ. By Ordinance 2008-037, City Council found that the library and community center, which contains multiple public meeting rooms, was an area of public assembly for the purposes of (Texas Tax Code Section 311.010(b)) and that the library and community center benefits the property within the TIRZ.</p> <p>Part D of the Plan annexes 975.4 acres of territory into the Zone. The newly annexed territory consisted primarily of open undeveloped or underdeveloped tracts of land. Provisions included in the Part D Plan included acquisition of land needed by the City for the construction of the Kingwood West Fire Station. The Part D Plan also included provisions for the dedication of public right-of-ways and the design and construction of a primary and secondary roadway network and public utility systems to the undeveloped tracts located within the annexed areas.</p> <p>The Part E Plan provides for the enhancement to and improvements to the 496.38 acres of land added to the boundaries contemporaneously with the latest amendment, and includes areas covered by the Part A, Part B, Part C and Part D Plans. Goals for improvements in the Zone include 1) streets and mobility, 2) drainage and detention, 3) redevelopment and upgrades to public green space, pocket parks, regional parks, plazas, squares and other appropriate recreational facilities including pedestrian bridges and hike and bike trails, 4) the reinforcement of pedestrian-attractive retail developments along primary and secondary corridors, 5) cultural and public facilities and 6) economic development programs.</p> <p>The Zone has entered into Public Improvement Agreements with developers to proceed with the development of public improvements so that the property within the Zone may be developed, subdivided, and improved, as well as improvements that benefit the entire Zone, all to provide benefit to the residents of the City and tax increment for the Zone.</p> <p>The latest residential development is the Royal Brook subdivision which comprises of 500 acres at the intersection of Mills Branch and West Lake Houston Parkway. An underground tunnel and an array of walking trails are among the key features of the master-planned community which opened in Spring 2016. The subdivision is a project by Friendswood Development Company, a developer with 32 active communities across Greater Houston. There will be horizontal infrastructure, including the underground water and sewer distribution lines as well as the roads that run throughout the community. A mile and a half stretch of road improvements are planned for the north end of West Lake Houston Parkway. There are 1,107 proposed home sites to be developed on the property. The community will also feature a recreation center with a park, pool and club house expected to open in 2017.</p> <p>The following top-five components of Lake Houston's \$136 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicate that the TIRZ's expenditures, to date, are consistent with the purpose for which it was created and support the view that thus far, the benefits the TIRZ provides to the City outweigh the costs.</p> <ul style="list-style-type: none"> (1) Education Facilities - \$98.0 million - 72% (2) Developer-Built Infrastructure \$20.5 million - 15% (3) Cultural and Public Facilities - \$8.3 million - 6% (4) Street Reconstruction - \$3.8 million - 3% (5) Financing Costs - \$3.5 million - 2% 				



TIRZ#//Name	COH Increment (Cost)	Project Costs (Benefit)	Increase in Property Value (Benefit in Millions)	Percentage Increase in Property Value (Benefit)
11. Greater Greenspoint	\$41,373,884	\$108,475,049	\$700	131%
<p>Observation: Created in 1999 to facilitate the revitalization of the Greenspoint area to a viable mixed-use community through the financing of public infrastructure, parks and recreational projects, public parking, flood control, workforce housing and environmental mitigation projects.</p> <p>The Zone's initial project plans focused on the revitalization of the Airline Corridor, the repositioning of multifamily developments and Greenspoint Mall and the facilitation of the development and infill of raw land/vacant property located within the boundaries of the zone. Since there are five taxing entities participating within the zone (Aldine and Spring Independent School Districts, North Harris Montgomery County College District, Harris County and the City of Houston) special emphasis was placed on the construction of educational, public and community related facilities. Since 1999, the Zone has proposed and received approval for three amendments to the original project plans. Most recent amendment includes further plans to improve the Greens Bayou floodplain and plans to develop and enhance green space opportunities in order to create cohesive and vibrant communities within the zone.</p> <p>Current expenditures remain in line with the Zone's purpose. At June 30, 2016 infrastructure improvements and other project costs comprised of 85 percent of total Project Plan costs. The Zone's capital assets include the Buck Board Park, Spring Recreation and Skate Park and the North Houston Bike Park.</p> <p>The following top-five components of Greater Greenspoint's \$108.5 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicate that the TIRZ's expenditures, to date, are consistent with the purpose for which it was created and support the view that thus far, the benefits the TIRZ provides to the City outweigh the costs. Although the benefits of the TIRZ exceed its cost to the City, to date, less than 36 percent of the project plan cost have been expended.</p> <p>The following top-five components of Greater Greenspoint's \$108.5 million in project expenditures through June 30, 2016.</p> <ul style="list-style-type: none"> (1) Infrastructure Improvements - \$44.7 million - 41% (2) Educational Facilities - \$18.2 million - 17% (3) Parks and Recreation Facilities - \$17.1 million - 16% (4) Financing Costs - \$10.9 million - 10% (5) Public Safety Facilities - \$7.3 million - 7% 				
12. City Park	\$3,773,282	\$12,197,586	\$71	2942%
<p>Observation: Created in 1999 to facilitate construction of residential, retail, and commercial development and associated roadway and street reconstructions, the City Park TIRZ has been bogged down with debt repayments due to developers. Further, the TIRZ had a mixed-use development plan within the City Park Zone that included the construction of 288 Class-A multi-family residential units; a 63,000 square foot Albertson's supermarket and retail site, a 1.5 acre commercial retail site, and a 2.5 acre commercial site. However, this mixed-use development plan has not been fully executed due to the closure of Albertson's and other businesses that did not thrive in the area.</p> <p>The following top-five components of City Park's \$12.2 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicates that the benefit of the TIRZ outweigh the costs. However, this TIRZ has not met the objectives and purpose for which it was created because its tax increment is primarily used to fund debt repayments to developers and not the project plan.</p> <ul style="list-style-type: none"> (1) East T.C. Jester Blvd./Bevis St. Construction - \$5.2 million - 42% (2) Education Project Costs - \$3.1 million - 26% (3) Zone Creation and Administration - \$1.4 million - 11% (4) Area Beautification and Park Facilities - \$1.2 million - 10% (5) Financing Costs - \$1.0 million - 8% 				



TIRZ#//Name	COH Increment (Cost)	Project Costs (Benefit)	Increase in Property Value (Benefit in Millions)	Percentage Increase in Property Value (Benefit)
13. Old Sixth Ward	\$9,645,372	\$14,249,347	\$238	224%
<p>Observation: Created in 1999 to provide assistance mechanisms to reposition Old Sixth Ward into a viable residential community, the Old Sixth Ward TIRZ has developed and amended its project plan three times. The Part A and Part B Plans provide mechanisms needed to assist in repositioning Old Sixth Ward from a blighted and deteriorated neighborhood into a viable residential community. Public improvements included in the plans address existing conditions consisting of substandard and deteriorating structures, inadequate and deteriorated streets, utilities and sidewalks; faulty and obsolete lot layouts; safety issues and school improvements.</p> <p>The Part C Plan increased Non-Educational project costs from prior plans. The Part C Plan provides for additional funding for the design and construction of public roadways and utility systems, parks, land acquisition, historic preservation, cultural and public facilities improvements, environmental remediation, streetscape improvements and public art.</p> <p>The Part D Plan remedies recent and historic negative trends along the Washington Avenue Corridor and within the Old Sixth Ward area by creating a viable and attractive environment for investment and redevelopment. The Part D Plan provides for the enhancement of and improvements to approximately 100 acres of land that was added to the Zone prior to 2012.</p> <p>Goals for improvement in the Zone include 1) the reinforcement of retail developments along the Washington Avenue Corridor, 2) the creation of pedestrian-friendly, safe environments through the reconstruction of the pedestrian realm with ample lighting and streetscape amenities, 3) improvements to public streets and public utility systems to create an environment that will stimulate private investment in retail, residential and multi-family developments, 4) redevelopment and upgrades to public green space, parks and other appropriate recreational facilities and 5) cultural and public facilities, affordable housing and historic preservation.</p> <p>The residential property values within the Zone have appreciated 224 percent since the inception of the TIRZ.</p> <p>The following top-five components of Old Sixth Ward's \$14.2 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicates that the TIRZ's expenditures, to date, are consistent with the purpose for which it was created and support the view that thus far, the benefits the TIRZ provides to the City outweigh the costs.</p> <p>(1) Affordable Housing - \$4.5 million - 31% (2) Public Utilities - \$3.6 million - 25% (3) Education Related Projects - \$1.7 million - 17% (4) Financing Costs - \$1.2 million - 9% (5) Historic Preservation - \$1.0 million - 7%</p>				
14. Fourth Ward	\$20,625,615	\$41,885,414	\$436	1272%
<p>Observation: Created in 2000 to facilitate revitalization of the Fourth Ward neighborhood into a viable residential community with supporting commercial, development, affordable housing, infrastructure improvements, educational facilities, parks, and restoration of historic structures, the Fourth Ward TIRZ has developed and amended its project plan twice. The Part A Plan covers an estimated 144 acres and established goals, expectations and redevelopment plans needed to address blighted conditions associated with failing infrastructure, lack of utility capacity, street network deficiencies, pedestrian environment deficiencies and declining property values and unsafe and unsanitary conditions. The Part A Plan sought to reverse the significant social and economic stresses affecting the stability and long-term economic viability of the area through the financing of mobility enhancements, public infrastructure and historic preservation.</p> <p>The Part B Plan sought to include a continued focus on roadway and street reconstruction, public utility system improvements, the design and construction of enhanced pedestrian environments, parks and historic preservation. Also included in the Part B Plan were provisions for cultural and public facility improvements and the annexation of approximately 13.8 acres into the Zone.</p> <p>The Part C Plan provides for the enhancement and improvement to 8.56 acres of land added to the boundaries of the Zone contemporaneously with the second Project Plan amendment. Goals for improvement in the Zone include 1) cultural and public facilities, historic preservation and residential development, 2) redevelopment and upgrades to open green space, pocket parks, plazas, public squares, and other appropriate recreational facilities throughout the Fourth Ward, 3) the creation of pedestrian-friendly, safe environments through the reconstruction of streets and sidewalks with ample lighting and</p>				



TIRZ#//Name	COH Increment (Cost)	Project Costs (Benefit)	Increase in Property Value (Benefit in Millions)	Percentage Increase in Property Value (Benefit)
streetscape amenities, 4) the reinforcement of pedestrian-attractive retail developments along Dallas Street, West Gray Street, Gillette Street and Taft Street and 5) streets and mobility.				
<p>The following top-five components of Fourth Ward's \$41.9 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicates that the benefit of the TIRZ outweigh the costs. However, as of the date of this report, this TIRZ has not met the objectives and purpose for which it was created because the goals of residential development and reconstruction of streets have not been fully met. The TIRZ has continued to prolong the Gillette Street Project and Shotgun Homes Rehabilitation Project. Further, the Fourth Ward Phase I Street Reconstruction Project remained halted during fiscal year 2016 pending final resolution of the City's litigation regarding the Brick Street Project.</p> <p>(1) Affordable Housing Improvements - \$13.1 million - 31% (2) Educational Facilities Improvements - \$9.0 million - 21% (3) Historic Preservation and Property Acquisition - \$5.9 million - 14% (4) Parks and Recreational Facilities - \$5.3 million - 13% (5) Zone Administration / Operations - \$3.5 million - 8%</p>				
15. East Downtown	\$12,658,640	\$40,155,126	\$338	279%
<p>Observation: Created in 1999 to facilitate development of public infrastructure improvements, parking facilities and to assist with the revitalization of old Chinatown, the East Downtown TIRZ has developed and amended its project plan twice. The original Project Plan A contemplated that significant commercial development would occur in the TIRZ related to both the expansion of George R. Brown Convention Center and the construction of Minute Maid Park.</p> <p>The Part B Plan includes an annexed area of 422 acres into the Zone. The Zone desires to promote the development of cultural and public facilities and economic development. The Part C Plan will remedy recent and historic negative trends within the East Downtown area by creating a viable and attractive environment for new investment and reinvestment. Goals for improvement in the Zone include 1) infrastructure improvements, 2) pedestrian-friendly environments with ample lighting and streetscape amenities, 3) parks and related amenities, 4) the reinforcement of pedestrian-attractive retail developments, 5) complementing revitalization activities proposed to occur along future/proposed METRO mass transit alignments within the boundaries of the TIRZ, 6) economic development and 7) affordable housing.</p> <p>The following top-five components of East Downtown's \$40.2 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicate that the TIRZ's expenditures, to date, are consistent with the purpose for which it was created and support the view that thus far, the benefits the TIRZ provides to the City outweigh the costs.</p> <p>(1) Cultural and Public Facilities - \$24.4 million - 61% (2) Roadway and Sidewalk Improvements - \$5.9 million - 15% (3) Zone Creation and Administration - \$2.9 million - 7% (4) Financing Costs - \$1.7 million - 4% (5) Public Utilities - \$0.7 million - 2%</p>				
16. Uptown	\$170,669,075	\$334,547,656	\$4,835	246%
<p>Observation: Created in 1999 to facilitate redevelopment planning and programs through the financing of mobility enhancements, public infrastructure, roadway improvements, affordable housing, and educational facilities improvements, the Uptown TIRZ. The growth of taxable properties values in the TIRZ has been substantial. Beginning in 1999 (the base year) taxable property values were \$1.9 billion. In 2016 taxable property values are expected to be \$7.4 billion. Total incremental tax revenue, for 2016, is \$43.4 million. The City funded the capital improvements through the TIRZ without an increase in tax rates. All capital expenditures along with the debt service have been funded through the incremental tax revenue.</p> <p>The following top-five components of Uptown's \$334.5 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicates that the TIRZ expenditures, to date, are consistent with the purpose for which it was created and support the view that thus far, the benefits the TIRZ provides to the City outweigh the costs.</p> <p>(1) Infrastructure - \$148.0 million - 44% (2) Affordable Housing - \$100.1 million - 30% (3) Education - \$41.1 million - 12% (4) Land Acquisition - \$14.5 million - 4% (5) Memorial Park Improvements - \$10.8 million - 3%</p>				



TIRZ#//Name	COH Increment (Cost)	Project Costs (Benefit)	Increase in Property Value (Benefit in Millions)	Percentage Increase in Property Value (Benefit)
17. Memorial City	\$74,404,481	\$96,930,861	\$2,392	467%
<p>Observation: Created in 1999 to provide plans and programs needed to address blighted conditions in the Memorial City area, the Memorial City TIRZ has developed and amended its project plan twice. The Part A Plan established goals, expectations and redevelopment plans needed to address blighted conditions in the Memorial City area associated with failing infrastructure, lack of utility capacity, increased traffic congestion and declining retail sales resulting from increased competition to older inner-city malls and shopping centers from suburban retail centers. The Part A Plan sought to reverse the significant social and economic stresses affecting the stability and long-term economic viability of the area through the financing of mobility enhancements, public infrastructure, roadways and parks.</p> <p>The Part B Plan expands the annexation area and also establishes project goals for the enhancement of and improvements in the expanded Zone area. The Part C Plan includes upgrades and improvements to public utility systems, public roadways and thoroughfares and detention and drainage facilities and improvements.</p> <p>Goals for improvements in the Zone include 1) drainage and detention, 2) streets and mobility, 3) parks and green space and 4) pedestrian improvements.</p> <p>The following top-five components of Memorial City's \$96.9 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicate that the TIRZ's expenditures, to date, are consistent with the purpose for which it was created and support the view that thus far, the benefits the TIRZ provides to the City outweigh the costs.</p> <p>(1) Roadway and Sidewalk Improvements - \$34.9 million - 36% (2) Public Utility Improvements - \$33.1 million - 34% (3) Financing Costs - \$23.9 million - 25% (4) Creation and Administration Costs - \$4.7 million - 5% (5) Park and Recreational Facilities - \$0.3 million - 0%</p>				
18. Fifth Ward	\$1,932,223	\$3,539,984	\$68	148%
<p>Observation: This TIRZ was created in 1999 to facilitate the revitalization of the historic Fifth Ward. The Zone's first projects introduced public programs needed to entice new capital investment into the Fifth Ward community with the aim of revitalizing the Lyons Avenue Corridor, facilitating and replacing vacant and deteriorated properties into successful single family uses, stimulating the construction of multi-family developments and aiding in the reposition of the ailing retail sector. The Zone has in place agreements with Developers/Builders in which the Zone reimburses developers for water, sewer, drainage or street infrastructure attributable to the development of owner-occupied affordable housing whereby a developer would commit to minimum levels of private investment, exclusive of the land cost exceeding that of the public investment in infrastructure with limitations placed on the reimbursement amount not to exceed the value of the increment generated by the appreciation and additional improvements as reflected in the appraised value of the developer's property within the Zone. These Developer's reimbursement costs comprise 23 percent of the estimated capital project costs. This aligns with the objectives of the Zone. For fiscal year 2016, however there have been no expenditures for Developer/Builder Reimbursements.</p> <p>Of the \$3,539,984 in cumulative expenditures as of June 30, 2016, administrative expenses and professional services comprises 36 percent with the remaining expenditures being utilized for street lighting and landscape improvements and land assembly and educational facilities. When compared to other expense categories, administrative and professional services costs seem excessive. Further analysis is provided within the report with regards to the costs and provides more insight in determining the reasonableness.</p> <p>The following top-five components of Fifth Ward's \$3.5 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicate that the TIRZ's expenditures, to date, are consistent with the purpose for which it was created and support the view that thus far, the benefits the TIRZ provides to the City outweigh the costs. Although the benefits of the TIRZ exceed its cost to the City, to date, less than 5 percent of the project plan cost have been expended and work on the majority of the capital projects in the plan has not started.</p> <p>(1) Administrative Costs/Professional Services - \$1.3 million - 36% (2) Education Facilities - \$0.8 million - 23% (3) Affordable Housing - \$0.7 million - 20% (4) Lyons Avenue Improvements - \$0.4 million - 12% (5) Park and Recreation Facilities - \$0.1 million - 3%</p>				



TIRZ#//Name	COH Increment (Cost)	Project Costs (Benefit)	Increase in Property Value (Benefit in Millions)	Percentage Increase in Property Value (Benefit)
19. Upper Kirby	\$71,653,930	\$119,315,524	\$1,999	292%
<p>Observation: The Upper Kirby TIRZ was created in 2001 to provide plans and programs needed to support an environment attractive to private investment needed to attract development in the Upper Kirby area. In order to create an attractive environment for private investment, the Zone's primary initial focus was to address issues related specifically to traffic congestion, traffic infrastructure, storm sewer and sidewalk infrastructure, street networks, pedestrian safety and abandoned and vacant structures. There was an analysis conducted by Houston Galveston Area Council on the area that revealed that the accident rate in Upper Kirby was higher than the state average due to narrow lanes and the absence of proper pedestrian infrastructure. Since inception, the zone has continued focus on public utility replacement and system upgrades, street lighting, sidewalk construction, pedestrian amenities such as Upper Kirby Civic Complex which includes Levy Park. The zone has experienced much population growth.</p> <p>The following top-five components of Upper Kirby's \$119.3 million in project expenditures through June 30, 2016, coupled with the increase in property values, indicate that the TIRZ's expenditures, to date, are consistent with the purpose for which it was created and support the view that thus far, the benefits the TIRZ provides to the City outweigh the costs.</p> <p>(1) Utility System Improvements - \$57.4 million - 48% (2) Public Recreation / Public Service Improvements - \$25.4 million - 21% (3) Traffic Mobility Improvements - \$14.4 million - 12% (4) Financing Costs - \$13.1 million - 11% (5) Education Costs - \$6.6 million - 5%</p>				
20. Southwest Houston	\$60,263,816	\$88,304,255	\$1,240	127%
<p>Observation: Created in 1999 to address failing infrastructure, lack of utility capacity, increased traffic congestion, declining retail sales, and significant social and economic stress along the Bellaire Corridor and greater Sharpstown Mall area, the Southwest Houston TIRZ has used its increment to fund roadway and street reconstruction projects for Bellaire Blvd. and Fondren Road access management and mobility improvements, social services projects, cultural and public facility improvements, land acquisition, pedestrian bridges, and economic development grant. Houston City Council approved four amendments to Southwest Houston TIRZ 20's original project plan to facilitate proposed projects consistent with the purpose for which the TIRZ was created: (1) the First Amendment, in February 2009, added redevelopment of the East Zone Area to assist with the commercial development of the eastern Bellaire Blvd. corridor, public improvement projects, and the authority to make Chapter 380 grants; (2) the Second Amendment, in March 2013, provided for the enhancement of and improvements to 860 acres of land added to the boundaries of TIRZ 20 with the amendment; (3) the Third Amendment, in November 2015, provided for the enhancement of and improvements to 456.4 acres of land added to the boundaries of TIRZ 20 with the amendment; and (4) the Fourth Amendment, in December 2016 extended the duration of TIRZ 20 to December 31, 2040 to allow for continued improvements in the area and confirmed that the City will contribute 100 percent of its tax increment revenue attributable to the 2013 Annexation in the Second Amendment.</p> <p>TIRZ 20 has leveraged COH increment with debt to execute its project plan, making substantial roadway and infrastructure improvements to the Bellaire and Fondren corridors, including modifications of drainage, intersection and esplanade improvements. The TIRZ also developed sidewalks and lighting in the newly annexed area to enhance access to the Ripley House and Multi-Service Center, two signature social services projects. Additionally, the TIRZ entered into a Chapter 380 agreement with the City of Houston and Houston Baptist University (HBU) in March 2013 to fund an economic development grant to HBU from its increment to stimulate retail and commercial development at U.S. Highway 59 at Fondren Road. This project is a mixed-use retail and commercial development consisting of a hotel and conference center, a 5,000-seat performance venue and arena, ground floor retail with office space, and landscaping improvements to the HBU gateway at U.S. Highway 59 and Fondren Road. As of June 30, 2016, the TIRZ had funded economic development grants to HBU totaling \$750,000 of the maximum \$4,430,000 maximum grant reimbursement.</p> <p>While the redevelopment of Sharpstown Mall has been a challenge because of multiple owners with equity interests in the mall, the TIRZ has had difficulty locating and partnering with private developers to reposition the mall. However, the TIRZ is currently awaiting the results of a due diligence process currently underway by a potential purchaser of the mall, which will facilitate a potential partnership with a private developer. Despite the challenges with repositioning Sharpstown Mall, the Bellaire and Fondren improvements have spurred increased commercial development in the TIRZ, and has contributed to the cumulative 127 percent increase in property value inside the TIRZ. The TIRZ expects this growth in property values to continue as it is currently designing the reconstruction of Harwin Drive, which will lead to an access management plan to serve the third</p>				



TIRZ#//Name	COH Increment (Cost)	Project Costs (Benefit)	Increase in Property Value (Benefit in Millions)	Percentage Increase in Property Value (Benefit)
largest outlet sales area in the United States, resulting in significant sales tax revenue to the City.				
<p>The following top-five components of Southwest Houston's \$88,304,255 million in project expenditures through June 30, 2016, coupled with the 127 percent increase in property values, indicates that TIRZ 20's project plan expenditures, to date, are consistent with the purpose for which it was created and support the view that, thus far, the benefits provided to the City outweigh the cost of the TIRZ.</p> <p>(1) Roadway & Infrastructure Improvements-\$63.1 million-71% (2) Financing Costs-\$14.8 million-17% (3) Cultural & Public Facility Improvements-\$3.9 million-4% (4) Creation & Administration Costs-\$3.0 million-3% (5) Land Assembly-\$1.7 million-2%</p>				
21. Hardy / Near Northside	\$2,623,867	\$11,294,655	\$51	126%
<p>Observation: Created in 2003 to reposition a former Union Pacific rail yard site into a mixed-use development to promote affordable housing development and mobility improvements, the Hardy/Near Northside TIRZ. The growth of taxable properties values in the TIRZ has been steady. Beginning in 2003 (the base year) taxable property values were \$40.3 million. In 2016 taxable property values are expected to be \$92.2 million. Total incremental tax revenue, for 2016, is \$286,000.</p> <p>The following are the only three components of the Hardy/Near Northside TIRZ's \$11.3 million in project expenditures through June 30, 2016. These costs, coupled with the increase in property values, indicate that the TIRZ expenditures, to date, are consistent with the purpose for which it was created and support the view that thus far, the benefits the TIRZ provides to the City outweigh the costs.</p> <p>(1) Roadway and Sidewalk Improvements - \$10.1 million - 89% (2) Affordable Housing - \$0.8 million - 7% (3) Zone Creation and Administration - \$0.4 million - 4%</p>				
22. Leland Woods	\$216,500	\$1,321,173	\$7	935%
<p>Observation: Created in 2007 to provide plans and programs needed to design and construct affordable housing and related public green space, the Leland Woods TIRZ is one of the newest zones. It was created over approximately 80 acres of vacant land east of the intersection of East Little York Drive and Homestead Drive in northeast Houston. The Zone has identified projects and public infrastructure that will allow it to meet its objectives. These include development of 373 single-family, affordably priced homes, park/open space development with attractive amenities and landscaping, development of proper public infrastructure to include a sound barrier and sidewalk along its major thoroughfare.</p> <p>Current project costs adequately reflect the progress of the Zone to date towards its stated objectives. The following are the only two components of the Leland Woods TIRZ's \$1.3 million in project expenditures through June 30, 2016.</p> <p>(1) Land Cost - \$0.9 million - 66% (2) Zone Creation / Administration - \$0.5 million - 34%</p> <p>Per the above, the majority of funds expended to date were used to purchase the vacant land. The Zone has since sold some of the lots to a developer to be used for the construction of affordable housing. The Zone has experience growth in its tax increment over the last 3 fiscal periods indicating that benefits to the City exceed costs. A final evaluation of the effectiveness of the Zone will depend upon whether there is continued growth in the tax increment revenues.</p>				
23. Harrisburg	\$703,210	No financial statements	\$93	28%
<p>Observation: The Harrisburg TIRZ was created in 2011 to provide plans and programs needed to reposition Houston's East End to include improvements in public utilities, roadways, street enhancements, parks and recreational facilities, cultural and public facilities, and economic development. The Zone's project plans were approved by city council February 2013. The initial plan focuses on infrastructure improvements meant to stimulate private investment in retail, residential, multifamily and commercial developments. Improvements will be aligned with the City of Houston, Texas Department of Transportation and METRO. Plans also include the utilization of the present street grid to create a pedestrian-friendly safe environment. The Zone has approximately 1600 acres of land within its boundaries with a substantial amount being vacant. The spur growth and accelerate redevelopment within the Zone, the Zone plans to fund economic development programs that would directly</p>				



TIRZ#//Name	COH Increment (Cost)	Project Costs (Benefit)	Increase in Property Value (Benefit in Millions)	Percentage Increase in Property Value (Benefit)
incentivize private investment.				
No audited financial statements were available for Harrisburg as of June 30, 2016. Unaudited financial information provided by the Office of Economic Development as of June 30, 2016, shows revenues of \$549,995 and expenditures of \$39,829. The expenses incurred to date are for the administration of the Zone and includes costs for accounting, auditing, office salaries, and benefits. No projects have begun. There was insufficient information available to determine whether the benefit provided by the Zone meets or exceeds its cost to the City of Houston.				
24. Greater Houston	\$506,296	Not Available	\$933	36%
<p>Observation: Created in 2012 to bring benefits to the City and Harris County by developing the eastern end of the central business district and the area around the NRG stadium through increased real property tax revenues, higher employment, the creation of construction and permanent jobs, revitalization of the area with quality sustainable development, and increased ridership for transit related facilities, the Greater Houston TIRZ has developed and amended its project plan once. The Plan is to establish a project and financing plan to facilitate the redevelopment and development of 7,109.12 acres of parcels plus rights of way and 292.72 acres of proposed annexation area which will attract private investment, including the redevelopment of approximately 3, 3055.36 acres of vacant, underdeveloped land or oil field properties. The intent of the Plan is to ensure that the revitalization of the TIRZ and accompanying improvements will result in the long-term stability and viability of the TIRZ.</p> <p>The June 30, 2016 audited financial statements do not include a schedule of project costs as this Zone has not incurred any project costs. As such, sufficient information is unavailable to evaluate whether the TIRZ is fulfilling the purpose for which it was created or whether the benefit the TIRZ provides to the City outweighs its costs.</p>				
25. Hiram Clarke / Ft. Bend Houston	\$275,821	No financial statements	\$46	20%
<p>Observation: The Hiram Clarke/Ft. Bend Houston Tax Increment Investment Zone ("the Zone") was created in 2013 to leverage the expenditure of public funds for eligible project costs including the planning, engineering and construction of new streets, water distribution facilities, wastewater collection facilities, storm drainage improvements, roadway and street reconstruction projects, cultural and public facility improvements, park and other related improvements. The Zone's project plans were approved by City council June 2014. The initial plan focuses on improvements and construction of key streets and utility systems; designed to improve functionality, replace aged facilities and increase the Zone's aesthetics. All improvements will be integrated with the street reconstruction programs of other agencies in order to leverage tax increment generated within the zone. Focus is being placed on repair and replacement of drainage systems and streetscape enhancements in order to stimulate investment in retail, residential and commercial developments. Additionally, cultural and public facilities improvements, parks and public open green spaces.</p> <p>No audited financial statements were available for the Hiram Clarke / Ft. Bend Houston TIRZ as of June 30, 2016. Unaudited financial information provided by the Office of Economic Development as of June 30, 2016, revenues of \$246,376 and expenditures of \$12,145. Expenses incurred to date are for the administration of the Zone; no project cost have been incurred. There was insufficient information available to determine whether the benefit provided by the Zone meets or exceeds its cost to the City of Houston.</p>				
26. Sunnyside	Created FY 2016	\$0	\$0	N/A
<p>Observation: Created in 2015 to finance construction of public infrastructure necessary to facilitate residential and commercial development and redevelopment within the Zone boundaries, the Sunnyside TIRZ is too new to conduct a cost benefit analysis. No audited financial statements were available for the Sunnyside TIRZ as of June 30, 2016 since it is a newly created TIRZ with little to no financial activity as of June 30, 2016.</p>				
27. Montrose	Created FY 2016	\$0	\$0	N/A
<p>Observation: Created in 2015 to repair and enhance Montrose's infrastructure, such as new sidewalks and repairs to the drainage system, the Montrose TIRZ</p> <p>This is a new TIRZ. The Board is still being formed. Also, no project plan has been developed. No financial analysis can be performed.</p> <p>No project costs have been incurred to date. Therefore, no audited financial statements were available for the Montrose TIRZ as of June 30, 2016. Montrose is a newly created TIRZ with little to no financial activity as of June 30, 2016.</p>				

Source: Audited Financial Statements and Office of Economic Development City Increment History Spreadsheet, November 2016.

**Question 9. How does the ratio of age to term compare to the ratio of actual to projected project costs?**

It does not follow that if a TIRZ is halfway through its term, it should also be halfway through its project plan. No specific conclusions can be drawn from such a comparison without gathering more information about the TIRZ's environment, operations, and unique circumstances. Therefore, the comparison of the ratio of age to term to the ratio of actual to projected project costs is not an indicator of how well or how poorly a TIRZ is performing or executing its project plan. The primary benefit of such a comparison is to ask questions, the answers to which could provide a richer understanding of the TIRZ, its history, and its challenges. Differences in these ratios can be attributed to any number of factors including the following examples:

- expansion of TIRZ boundaries with a corresponding increase in projected plan costs;
- slow growth in property values resulting in less tax increment to fund project plan;
- original project plan costs overestimated;
- other available sources of funding such as bond and grant funds provide leverage resulting in a TIRZ moving ahead on its project plan;
- difficulty and delays obtaining financing to leverage increment dollars, and
- market timing, construction scheduling, and timing differences between when increment is available and when projects come online.

It does not follow that if a TIRZ is halfway through its term, it should also be halfway through its project plan. No specific conclusions can be drawn from such a comparison without gathering more information about the TIRZ's environment, operations, and unique circumstances.

To illustrate, Memorial Heights has expended 61 percent of its useful life while spending just 26 percent of actual project plan costs through June 30, 2016. This situation is due primarily to the TIRZ's five boundary expansions, more than any other TIRZ. Each boundary expansion was accompanied by increases in the TIRZ's project plan. In addition, Harris County no longer participates in the Memorial Heights TIRZ, which has resulted in a lower increment concurrent with increased projected costs due to a larger footprint. Moreover, the TIRZ hopes to receive federal transportation funding for some of its street projects. However, since it takes time for grants to materialize, money will not be available to fund project plan costs immediately.

Exhibit 2-12 presents the difference in the percentage of each TIRZ's life completed and the percentage of its project plan expended. On average, TIRZ have spent 33 percent of their project plan and expended 46 percent of their life term.



Exhibit 2-12
Comparison of TIRZ Age to Project Plan Expenditures
Through Fiscal Year 2016

TIRZ#//Name	Total Projected Project Expenses	Actual Project Expenses Incurred through 6/30/2016	Percentage of Useful Life Completed	Percentage of Projected Plan Costs Expended	Difference
18. Fifth Ward	\$72,246,679	\$3,539,984	57%	5%	-52%
8. Gulfgate	119,536,828	19,101,424	63%	16%	-47%
9. South Post Oak	56,454,355	16,697,051	76%	30%	-46%
13. Old Sixth Ward	67,565,970	14,249,347	60%	21%	-39%
5. Memorial Heights	169,776,630	43,709,158	61%	26%	-35%
22. Leland Woods	8,557,485	1,321,173	43%	15%	-28%
11. Greater Greenspoint	300,000,150	108,475,049	62%	36%	-26%
14. Fourth Ward	138,282,132	41,885,414	57%	30%	-27%
21. Hardy / Near Northside	78,724,874	11,294,655	35%	14%	-21%
15. East Downtown	152,787,949	40,155,126	42%	26%	-16%
16. Uptown	1,265,000,000	334,547,656	42%	26%	-16%
24. Greater Houston	363,808,000	0	13%	13%	-13%
3. Downtown	488,337,353	175,253,458	44%	36%	-8%
2. Midtown	584,387,137	298,797,604	56%	51%	-5%
10. Lake Houston	224,720,490	136,073,056	63%	61%	-2%
7. OST / Almeda	182,391,694	89,911,645	46%	49%	-3%
19. Upper Kirby	271,866,927	119,315,524	41%	44%	3%
20. Southwest Houston	192,750,000	88,304,255	41%	46%	5%
1. St George Place//Lamar Terrace	\$61,672,796	\$35,842,168	47%	58%	11%
12. City Park	16,723,716	12,197,586	60%	73%	13%
17. Memorial City	136,865,814	96,930,861	57%	71%	14%
6. Eastside	46,842,500	45,000,000	63%	96%	33%



TIRZ#//Name	Total Projected Project Expenses	Actual Project Expenses Incurred through 6/30/2016	Percentage of Useful Life Completed	Percentage of Projected Plan Costs Expended	Difference
25. Hiram Clarke / Ft. Bend Houston	363,808,000	No financial statement provided	10%	No financial statement provided	No financial statement provided
27. Montrose	12,462,000	No financial statement provided	3%	No financial statement provided	No financial statement provided
27. Harrisburg	\$128,908,488	No financial statement provided	17%	No financial statement provided	No financial statement provided
24. Greater Houston	128,908,488	No financial statement provided	13%	No financial statement provided	No financial statement provided
26. Sunnyside	141,090,000	No financial statement provided	3%	No financial statement provided	No financial statement provided
4. Village Enclaves	Terminated December 2013	Terminated December 2013	Terminated December 2013	Terminated December 2013	Terminated December 2013
Total	\$5,281,759,967	\$1,732,602,194	46%	33%	-13%

Source: Creation Ordinance and Fiscal Year 2016 Audited Financial Statements, November 2016.

Exhibit 2-13 provides observations for those TIRZs in **Exhibit 2-12** where the difference between the percentage of useful life completed and the percentage of projected plan costs expended is greater than negative 10 percent.



Exhibit 2-13
Observations of Age and Project Plan Expenditures
Through Fiscal Year 2016

TIRZ#//Name	Percentage of Age over Expended Project Cost As of 6/30/2016	Observation
18. Fifth Ward	-52%	<p>After 16 years of existence, Fifth Ward is at 57 percent of its life expectancy of 33 years at the end of 2016. If project plan expenditures had kept pace, the TIRZ would have expended approximately \$41.2 million rather than the \$3.5 million actually spent through 2016.</p> <p>The primary reasons for the shortfall are that tax increment revenues have not kept pace to support projected plan costs, which at the inception of the TIRZ was projected at \$9.8 million. Two amendments, 2008(B) and 2015(C) increased projected plan cost to \$72.2 million.</p> <p>Since inception, the TIRZ has received a total of \$2.4 million of City increment. This amounts to an average City increment of approximately \$141,000 per year, which represents an average increase in City increment of 5 percent per year. The City increment growth for this TIRZ between 2015 and 2016 increased by 28% or \$112, 537.</p> <p>Property value growth increased by 148 percent from inception of the TIRZ, representing an average growth rate of \$4.2 million or 9 percent annually. From inception, the average increment growth is approximately 8.7 percent.</p> <p>As outlined in its project plan amendment number 2, the TIRZ with the concurrence of the City, may choose to finance some or all of the project costs through debt. The amount of this indebtedness, if any, will be dependent upon project opportunities and the public financing conditions at that time. However, the TIRZ has not obtained debt financing and the current tax increment is insufficient to generate funds to meet the project plan requirements by the expiration term of December 31, 2029.</p> <p>In conclusion, without debt financing beyond the tax increment, it will be difficult for the Fifth Ward to meet the goals in the project plan within its remaining life. Currently, less than 5 percent of the project plan cost have been expended and work on the majority of the capital projects in the plan has not started. Consequently, based on currently available information, the TIRZ is not fulfilling its purpose and has not made sufficient progress to achieve the project plan goals. <i>See Finding #9 and associated recommendation in Section 3 of this report.</i></p>
8. Gulfgate	-47%	<p>After 19 years of existence, Gulfgate is at 63 percent of its life expectancy of 30 years as of the end of 2016. In a linear sense, if project plan expenditures had kept pace with its useful life, the TIRZ would have expended approximately \$75.3 million of its estimated costs to implement the Project Plan rather than the \$19.1 million actually spent through June 30, 2016.</p> <p>The primary reasons for the shortfall are that (1) tax increment revenues have not kept pace to support project costs, which were estimated to be approximately \$35.2 million through the Second Amendment to the Project Plan; (2) the TIRZ entered into a long-term development loan with Wulfe & Co., Inc. and a loan from Wells Fargo Bank to complete the redevelopment of Gulfgate Mall and refurbish the Loop 610 Crosswalk, using the tax increment to repay financing costs, which totaled approximately \$5.6 million or 29 percent of cumulative</p>



TIRZ#//Name	Percentage of Age over Expended Project Cost As of 6/30/2016	Observation
		<p>actual project expenditures; (3) the TIRZ used approximately \$4.6 million of tax increment generated from HISD's participation in the TIRZ to repay developer loans and bank debt associated with the redevelopment of Gulfgate Mall as well, which represents another 24 percent of cumulative actual project expenditures; (4) after redeveloping Gulfgate Mall and refurbishing the Loop 610 Crosswalk, the City decided there was no need to complete the proposed Box Culvert Removal or the Right Turn Lane Additions projects included in the First Amendment totaling approximately \$2.8 million; and (5) the Third Amendment to the Original Project plan in December 2014 added approximately \$84.3 million in estimated project costs (representing 71 percent of total estimated project costs over the life of the TIRZ) to improve six transportation corridors, parks, trails, public spaces and public facilities, in addition to removing blight within the TIRZ.</p> <p>Given that actual project expenditures have not kept pace with the time horizon for the estimated life of the TIRZ, it is important to note there is not a "linear" relationship between actual project costs and the useful life of the TIRZ. This is because the TIRZ must accumulate increment within the TIRZ to either self-fund or leverage debt financing to begin and ultimately complete projects included in the Project Plan. In this instance, since inception, the TIRZ collected approximately \$5.7 million in City of Houston tax increment revenue through Tax Year 2015, averaging \$317,510 per year. However, Gulfgate collected \$1.1 million, or 19 percent of the cumulative total tax increment revenue collected over the life of the TIRZ in Tax Year 2015, which represented a 129 percent increase over tax increment revenue collected by the TIRZ in Tax Year 2014. This is primarily because newly annexed property within the TIRZ boosted base year property values to approximately \$1.09 billion, which is used to calculate tax increment revenue for for Tax Year 2015 through the remaining life of the TIRZ, which ends December 31, 2027. Accordingly, the TIRZ projected \$690,733 in tax increment revenue from the City in 2015, but collected actual tax increment revenue totaling \$1.1 million, besting projections by 60 percent.</p> <p>The growth in property value within the TIRZ after its expansion in the Second Amendment exceeded expectations in the project plan as actual property value totaled approximately \$1.3 billion compared to the original projection of \$1.09 billion, for an increase of approximately 18 percent. This indicates that revenue projections in tax year 2015 bested expectations despite the slow pace of spending. Accordingly, the TIRZ expects revenues to continue to exceed \$1 million per year as the annexed property continues to increase in value for the remaining life of the TIRZ.</p> <p>The Third Amendment projects City of Houston and Harris County tax increment revenue to be \$26,047,335 between Tax Year 2016 and the termination of the TIRZ in 2027. This projection is more than four and one-half times the tax increment revenue collected during the first 19 years of the TIRZ's existence. This amount, combined with actual project expenditures through June 30, 2016, totals \$45,148,759, which is well below the total estimated project costs (adjusted for projects the City decided not to do) of \$105,502,239. After subtracting \$19,101,424 in actual project expenditures through June 30, 2016, the TIRZ's estimated project costs over its remaining life total \$86,400,815, with</p>



TIRZ#//Name	Percentage of Age over Expended Project Cost As of 6/30/2016	Observation
		<p>\$84,330,000 in costs associated with projects added in the Third Amendment. The estimated costs for projects the TIRZ expects to complete over its remaining life exceed projected tax increment revenue over the remaining life of the TIRZ by 70 percent. However, as previously indicated actual property values are expected to increase, which will likely narrow the gap between projected tax increment revenue and the estimated project costs over the remaining life of the TIRZ.</p> <p>In conclusion, the TIRZ's inability to match actual project expenditures with age is the result of decisions related to prioritizing projects in the original project plan, debt service and financing costs, and the addition of new projects with the Third Amendment. Based on the analysis of current data and explanations provided by TIRZ leadership, the TIRZ is fulfilling its intended purpose. However, the TIRZ will need to partner with developers or pursue grants to leverage its projected tax increment to complete the projects added in the Third Amendment to its Original Project Plan, and achieve its goals. <i>See Finding #9 and associated recommendation in Section 3 of this report.</i></p>
9. South Post Oak	-46%	<p>After 19 years of existence, South Post Oak is at 76 percent of its life expectancy of 25 years at the end of 2016. If project plan expenditures had kept pace, the TIRZ would have expended approximately \$42.9 million rather than the \$16.7 million actually spent through 2016.</p> <p>The primary reasons for the shortfall are that tax increment revenues have not kept pace to support projected plan costs, which at 2016 is projected at \$56.5 million.</p> <p>Since inception, the TIRZ has received a total of \$5.2 million of City increment. This amounts to an average City increment of approximately \$271,000 per year, which represents an average increase in City increment of 5% per year. The City increment growth for this TIRZ for the past three years averaged \$347,437 per year from 2013 through 2015.</p> <p>Property value growth increased by 450,593 percent from inception of the TIRZ, representing an average growth rate of \$3.2 million annually.</p> <p>The TIRZ with the concurrence of the City, may choose to finance some or all of the project costs through debt. The amount of this indebtedness, if any, will be dependent upon project opportunities and the public financing conditions at that time. However, the TIRZ has not obtained debt financing and the current tax increment is insufficient to generate funds to meet the project plan requirements by the expiration term of December 31, 2029.</p> <p>In conclusion, without debt financing beyond the tax increment, it will be difficult for the South Post Oak to meet the goals in the project plan within its remaining life. Currently, less than 5 percent of the project plan cost have been expended and work on the majority of the capital projects in the plan has not started. Consequently, based on currently available information, the TIRZ is not fulfilling its purpose and has not made sufficient progress to achieve the project plan goals. <i>See Finding #9 and associated recommendation in Section 3 of this report.</i></p>



TIRZ#//Name	Percentage of Age over Expended Project Cost As of 6/30/2016	Observation
13. Old Sixth Ward	-39%	<p>After 18 years of existence, Old Sixth Ward is at 60 percent of its life expectancy of 30 years as of the end of 2016. If project plan expenditures had kept pace the TIRZ would have expended approximately \$40.5 million rather than the \$14.2 million actually spent.</p> <p>The primary reason for the shortfall is that historical and projected tax increment revenues are not sufficient to support the projected plan costs. Since inception, the TIRZ has received \$9.6 million of City Increment. This amounts to an average City increment of approximately \$567,000 per year.</p> <p>Further, when comparing the total City increment received since inception of \$9.6 million to the total projected plan costs of \$67.6 million, there is a significant shortfall.</p> <p>Moreover, the remaining project plan costs of \$53.3 million as of June 30, 2016, significantly exceeds the projected tax increment from 2016 through 2028 of \$26.1 million. Based on the historical and projected tax increment for TIRZ 13, the project plan should be revised to reflect more realistic project plans for the TIRZ given its age, life expectancy and projected tax increment.</p> <p>Additionally, as part of the implementation of a performance management system implemented by the City, the TIRZ should consider evaluating the project plan and the expected revenue increment on an annual basis to assess whether the tax increment is sufficient to fund the project plan. In the event that inadequacies or deficiencies are identified, alternative project funding sources should be identified. See Finding #9 and associated recommendation in Section 3 of this report.</p>
5. Memorial Heights	-35%	<p>After 20 years of existence, Memorial Heights is at 61 percent of its life expectancy of 33 years as of the end of 2016. If project plan expenditures had kept pace the TIRZ would have expended approximately \$103.6 million rather than the \$43.7 million actually spent.</p> <p>The primary reasons for the shortfall are that tax increment revenues have not kept pace to support projected plan costs. In addition, five project plan amendments in 2007, 2008, 2009, 2011, and 2015, more than any other TIRZ, expanded the TIRZ's footprint and added more projected plan costs.</p> <p>Since inception, the TIRZ has received a total of \$25.9 million of City increment. This amounts to an average City increment of about \$1.4 million per year, which represents an average increase in City increment of approximately \$210 per year. However, City increment growth for this TIRZ has been strong over the past three years averaging \$602,113 per year from 2013 through 2015.</p> <p>Property value growth outpaced project plan expectations by an 11 percent margin indicating that revenue projections exceeded expectations despite the slow pace of spending. Based on the most recent project plan amendment in 2015, the TIRZ expects tax increment revenues to increase significantly as property value continues to grow and as newly acquired property begins to increase in value generating more increment revenue.</p> <p>Amendment #6 projections show projected City and HISD total tax</p>



TIRZ#//Name	Percentage of Age over Expended Project Cost As of 6/30/2016	Observation
		<p>increment revenue of \$120.5 million between Tax Year 2016 and the termination of the TIRZ in 2029. This amount, combined with actual expenditures through June 30, 2016 total \$164.2 million, slightly below the total estimated project costs of \$169.8 million. However, as indicated, property values are expected to grow significantly over the remaining life of the TIRZ to make up for this shortfall.</p> <p>Amendment #6 projections show a 31 percent increase in captured value between Tax Years 2016-2029. As indicated, above, property values are already ahead of these projections. The Tax Year 2015 actual captured value was \$636 million compared to a projected value of \$573.1 million. Should this trend hold, the TIRZ will generate more than enough to fund its current project plan.</p> <p>In addition to the growth in capture value resulting from a larger footprint, the TIRZ is seeking federal transportation grants to fund certain street projects. Since these projects are in the future, as are the grant applications, the TIRZ will not begin receiving the additional revenue immediately</p> <p>In conclusion, Memorial Heights ability to match expenditures with age is due primarily to timing differences, which are expected to reverse over the TIRZ's remaining life. Based on currently information available, the TIRZ is fulfilling its purpose and is on track towards achieving its goals.</p>
22. Leland Woods	-28%	<p>After 11 years of existence, Leland Woods is at 43 percent of its life expectancy of 30 years at the end of 2016. If project plan expenditures had kept pace, the TIRZ would have expended approximately \$3.7 million rather than the \$1.3 million actually spent through 2016.</p> <p>The primary reasons for the shortfall are that tax increment revenues have not kept pace to support projected plan costs, which at the inception of the TIRZ was projected at \$8.5 million.</p> <p>Since inception, the TIRZ has received a total of \$216,500 of City increment. This amounts to an average City increment of approximately \$16,650 per year.</p> <p>Property value growth increased by 935 percent from inception of the TIRZ, representing an average growth rate of \$525,000 annually.</p> <p>The TIRZ, with the concurrence of the City, may choose to finance some or all of the project costs through debt. The amount of this indebtedness, if any, will be dependent upon project opportunities and the public financing conditions at that time. However, the TIRZ has not obtained debt financing and the current tax increment is insufficient to generate funds to meet the project plan requirements by the expiration term of December 31, 2029.</p> <p>In conclusion, based on currently available information from Leland Woods, the TIRZ is fulfilling its purpose and has made sufficient progress to achieve the goals in its project plan.</p>



TIRZ#//Name	Percentage of Age over Expended Project Cost As of 6/30/2016	Observation
11. Greater Greenspoint	-26%	<p>After 18 years of existence, Greenspoint is at 62 percent of its life expectancy of 29 years at the end of 2016. If project plan expenditures had kept pace, the TIRZ would have expended approximately \$186.2 million rather than the \$108.5 million actually spent through 2016.</p> <p>The primary reasons for the shortfall are that tax increment revenues have not kept pace to support projected plan costs, which for 2016 was projected at \$300 million.</p> <p>Since inception, the TIRZ has received a total of \$41.4 million of City increment. This amounts to an average City increment of approximately \$2.4 million per year, which represents an average increase in City increment of 13.3 percent per year.</p> <p>Property value growth increased by 131 percent from inception of the TIRZ, representing an average growth rate of \$38.9 million annually.</p> <p>The TIRZ, with the concurrence of the City, may choose to finance some or all of the project costs through debt. The amount of this indebtedness, if any, will be dependent upon project opportunities and the public financing conditions at that time. However, the TIRZ has not obtained debt financing and the current tax increment is insufficient to generate funds to meet the project plan requirements by the expiration term of December 31, 2027.</p> <p>In conclusion, without debt financing beyond the tax increment, it will be difficult for the Greater Greenspoint TIRZ to meet the goals in the project plan within its remaining life. Currently, less than 36 percent of the costs in the project plan have been expended. Consequently, based on currently available information, the TIRZ is not fulfilling its purpose and has not made sufficient progress to achieve the project plan goals.</p> <p>See Finding #9 and associated recommendation in Section 3 of this report.</p>
14. Fourth Ward	-27%	<p>After 17 years of existence, Fourth Ward is at 57 percent of its life expectancy of 30 years as of the end of 2016. If project plan expenditures had kept pace the TIRZ would have expended approximately \$78.8 million rather than the \$41.9 million actually spent.</p> <p>The primary reason for the shortfall is that the historical and projected tax increment revenues are not sufficient to support the projected plan costs. Since inception, the TIRZ has received \$20.6 million of City Increment. This amounts to an average City increment of approximately \$1.3 million per year.</p> <p>Further, when comparing the total City increment received since inception of \$20.6 million to the total projected plan costs of \$138.3 million, there is a significant shortfall. Additionally, this TIRZ does not have the capacity to issue bonds and has been operating on a "cash" basis since inception.</p> <p>Additionally, certain legal injunctions were imposed on the Fourth Ward TIRZ which delayed the execution of certain project plans.</p> <p>Moreover, the remaining project plan costs of \$96.4 million as of June 30, 2016, significantly exceed the projected tax increment from 2016 through 2028 of \$67.5 million. Based on the historical and projected tax increment for TIRZ 14, the Project Plan should be revised to reflect more realistic project plans for the TIRZ given its age, life expectancy</p>



TIRZ#//Name	Percentage of Age over Expended Project Cost As of 6/30/2016	Observation
		<p>and projected tax increment.</p> <p>Additionally, as part of the implementation of a performance management system initiated by the City, the TIRZ should consider evaluating the project plan and the expected revenue increment on an annual basis to assess whether the tax increment is sufficient to fund the project plan. In the event that inadequacies or deficiencies are identified, alternative project funding sources should be identified. <i>See Finding #9 and associated recommendation in Section 3 of this report.</i></p>
21. Hardy / Near Northside	-21%	<p>Hardy/Near Northside TIRZ was established by non-petition by the City of Houston in 2003 with the Zone expiring in 2040. The primary purpose of the Zone is to facilitate affordable housing, transit oriented mixed-use development, and the extension and potential grade separation of San Jacinto Street north from Interstate 10 to the southern terminus of Fulton Street. The City then did not authorize the creation of the Hardy/Near Northside Authority ("the Authority") until November 2009. The Authority was created for the purpose of aiding, assisting and acting on behalf of the City in the Zone. There was therefore a delay in the Zone establishment and when capital projects began.</p> <p>Since inception, the Zone has received a total of \$2.6 million of City increment. This amounts to an average City increment of about \$200,000 per year. However, as of June 30, 2016, the Zone has expended \$11.3 million in capital projects. The major source of funding for these projects has been grant revenue received from the Community Services Block Grant- Disaster Recovery program. The first year the Zone received grant funding was 2015 and then again in 2016. Those funds were approved and used for reimbursement of roadway and sidewalk costs incurred by CR V Hardy Yards, L.P. ("the Developer") of which completed assets have been conveyed to the City. The developer is the owner of key property within the Zone.</p> <p>Affordable housing projects completed within the Zone have been funded by increment withheld by the City and not financed directly by the TIRZ.</p> <p>The 21 percent difference in age over expended project costs results because grant funds have been insufficient to reimburse all incurred costs. Therefore, the TIRZ has reimbursed some costs from tax increment received and has used the remaining increment to pay for operational expenses. Consequently, the TIRZ has been unable to fund capital project resulting in a slowdown in project plan expenditures.</p>
15. East Downtown	-16%	<p>After 17 years of existence, East Downtown is at 40 percent of its life expectancy of 42 years as of the end of 2016. If project plan expenditures had kept pace the TIRZ would have expended approximately \$61.1 million rather than the \$40.2 million actually spent.</p> <p>The primary reasons for the shortfall are that tax increment revenues have not kept pace to support the projected plan costs. Since inception, the TIRZ has received \$12.7 million of City Increment. This amounts to an average City increment of approximately \$791,000 per year. Additionally, the tax increment which has been received has primarily been utilized to service the debt of the TIRZ, not fund its project plan.</p>



TIRZ#//Name	Percentage of Age over Expended Project Cost As of 6/30/2016	Observation
		<p>Further, when comparing the total City increment received since inception of \$12.7 million to the total projected plan costs of \$152.8 million, there is a significant shortfall.</p> <p>Moreover, Tx DOT has plans to flatten parts of TIRZ 15. These Tx DOT plans will significantly impact the projected tax increment for the TIRZ. Thus, the project plan for TIRZ 15 needs to be revised with more realistic expectations given the infrastructure changes that will be imposed by the Tx DOT plans. <i>See Finding #9 and associated recommendation in Section 3 of this report.</i></p>
16. Uptown	-16%	<p>The Uptown TIRZ (the Zone) was created in 1999 with an expected expiration date of 2040. The Authority's project and financing plan was amended in 2008 to annex North and South Wynden, Huntley Street and adjacent properties to be redeveloped. In 2013, the project and financing plan was amended again to 1) extend the life of the Zone to 2040 and 2) expand the Zone boundaries to include an additional 1,768 acres that is primarily the Memorial Park area. This fourth amendment to the Plan provides for a total project plan of \$13 billion which is \$612 million over the previous project plan costs.</p> <p>As of June 30, 2016, the Zone has received \$170.7 million in tax increment revenue but has expended \$334.5 million in project plan expenditures. The percent of age of the Zone over expended costs is skewed as a result of zone life extension and project plan costs amendments. The Zone has experienced a 246 percent increase in property values over the life of the Zone and continues to fulfill its creation purpose and add value to the City.</p>
24. Greater Houston	-13%	<p>This TIRZ was created in December 2012 and has not executed any projects since its inception. Thus, the project has aged more than the proportion of expended project costs as compared to the TIRZ's expended life. It took more than two years for this TIRZ to execute its Interlocal Agreements. Further, the TIRZ has entered into developer agreements, but projects are not planned to start until 2018.</p>

Source: Interviews and Data Analysis.

**Question 10. Are the TIRZ operating economically and efficiently?**

This question has to do with the economy and efficiency of the TIRZs. Economy seeks to balance best value with least costs while efficiency maximizes outputs from available inputs. To assess economy we examined TIRZ procurement policies and procedures, which designed to ensure that the TIRZ:

- purchase the proper goods and services to meet their needs;
- obtain the best possible prices for goods and services;
- obtain the best value for public dollars expended;
- have the goods and services available where and when needed;
- allow responsible bidders a fair opportunity to compete;
- provide minority and women-owned businesses an opportunity in the contract awards process; and
- stimulate the local economy and job market.

The following are examples of TIRZ procurement policies:

"It is the Authority's intent to obtain the highest quality, most cost-effective goods and services. Service excellence and responsiveness are hallmarks of the Authority. Competitive procurement of services can support the achievement of this goal. Specific procurement guidelines are included herein, and purchasing thresholds may be amended from time to time."

"All construction contracts shall be procured in a manner consistent with applicable state law and shall be authorized by the Board if such contract is for an amount greater than \$25,000. The Manager of Capital Improvements shall determine with legal counsel the appropriate procurement method for each project."

To assess efficiency, we examined the staffing configuration of each TIRZ as well as how much of its increment is spent on administrative and support expenses. The lower the percentage, the more increment dollars can be used to maximize project expenditures. We used increment as the base rather than total expenditures because total expenditures include costs such as debt service, municipal fees, and capital improvement conveyances to the City. These costs vary widely from year-to-year for each TIRZ and do not represent a stable basis for comparison among the TIRZ.

Exhibit 2-14 provides a summary of administrative and support costs as a percentage of increment for Fiscal Years 2014-2016. Ratios 5 percent and below are deemed to reflect efficient operations. The audit team used the City's 5 percent administrative cost fee charged to the TIRZ as a benchmark measurement. We deem TIRZ with administrative support to increment ratios greater than 5 percent to warrant further analysis. Therefore, Exhibit 2-14 provides observations only for ratios above 5 percent.



Exhibit 2-14
Administration and Support/Increment Percentage
Fiscal Years 2014-2016

TIRZ Name//Number	FY 2014	FY 2015	FY 2016	Average
1. St George Place//Lamar Terrace	8.7%	7.7%	13.6%	10.1%
<p>Observation: St. George/Lamar Terrace (the “Zone”) has higher than average administrative and support costs as compared to other zones because of the increased costs associated with zoning enforcement. This Zone is different than the others and has zoning unlike Houston as a whole. The variance increase is a result of a zoning suit/settlement and the cost associated with it. Costs are higher on a percentage basis due to zoning enforcement and permit approval. To facilitate the Zone’s development city council approved the establishment of planning and zoning regulations in order to control use of the land within the zone. As Zone development grew so did the enforcement costs. Zoning enforcement costs for the period were as follows:</p> <p>Fiscal year 2014: \$2,123,084 Fiscal year 2015: \$3,213,441 Fiscal year 2016: \$3,523,951</p> <p>The permit cost and legal expenses associated zoning enforcement therefore increased as a direct result.</p>				
2. Midtown	3.9%	3.4%	3.6%	3.6%
3. Downtown	1.4%	1.9%	1.9%	1.8%
5. Memorial Heights	1.8%	2.9%	4.4%	3.1%
7. OST//Almeda	4.4%	3.9%	4.4%	4.2%
8. Gulfgate	2.0%	6.8%	3.5%	4.2%
9. South Post Oak	2.7%	3.1%	4.1%	3.3%
10. Lake Houston	1.2%	2.7%	1.1%	1.6%
11. Greater Greenspoint	2.9%	2.7%	2.7%	2.7%
12. City Park	2.8%	2.5%	2.6%	2.6%
13. Old Sixth Ward	11.4%	9.4%	13.5%	11.4%
<p>Observation: Old Sixth Ward has a revenue base that is less than \$1.0 million due to the limited tax increment generated by the TIRZ. In 2014 and 2015, TIRZ 13 had certain budgeted and expended fixed costs related to administrative support, office expenses, accounting and program and project consultants for its ongoing operations and project plan implementation. This infrastructure drives the administrative costs as a percentage of tax increment revenue. The two percent variance between 2014 and 2015 is attributable to the tax increment for the periods totaling \$751,000 and \$920,000, respectively. The administrative and overhead expenses increased 42 percent from 2015 to 2016. Further, in 2016, Old Sixth Ward prepared to commence Phase II of the Substitute Sanitary Sewer Project and has entered into a contract with an architectural design and consulting firm to begin Phase I of the replacement of street signs south of Washington Avenue. These engineering costs combined with costs incurred for office expenses and banking fees of \$28,000 have resulted in administrative costs and expenses in excess of 5.0 percent of the revenues generated due to the amount of fixed costs on a stagnant revenue base.</p>				



TIRZ Name//Number	FY 2014	FY 2015	FY 2016	Average
14. Fourth Ward	10.0%	9.4%	8.9%	9.4%
Observation: Fourth Ward has one employee earning a salary of almost \$100,000 per year. However, the TIRZ capital project activity has been declining over the past four years. Capital outlays during Fiscal Years 2013, 2014, 2015, and 2016 were \$622,000; \$604,000; \$55,000; and \$13,000, respectively. With declining activity, salary expense represents a fixed cost that results in the administrative and support expenses incurred as a percentage of tax increment revenue to be higher than 5 percent. <i>See Finding #9 and associated recommendation in Section 3 of this report.</i>				
15. East Downtown	2.1%	4.8%	3.1%	3.3%
16. Uptown	2.2%	2.2%	2.1%	2.2%
17. Memorial City	3.6%	4.5%	2.4%	3.4%
18. Fifth Ward	No financial statements	23.9%	29.6%	27.1%
Observation: TIRZ 18 Fifth Ward The Authority was mostly inactive until the fiscal year ended June 30, 2008, when it was able to reimburse the Developer for a project completed in 1999 and several years of administrative costs. Development in the area has been slow since the Zone's inception. Cumulative Tax Increment generated and collected by the Zone as of fiscal year ended June 30, 2016 was \$1,932,223. Of that amount \$868,166 remains in the Net Position. Total Tax Increment received by the Zone for fiscal year 2016 from City of Houston and Houston Independent School District was \$514,457. Of that amount, \$62,133 was spent on Administration and Overhead costs to operate the Zone. This expense makes up 12% of the revenue generated and 20% of total expenditures for the period. The Zone uses the services of the Fifth Ward CRC ("the Authority") for the administration of its daily operations instead of employing a staff of people. Total paid for the period to the Fifth Ward CRC was \$45,000. Services provided by the Fifth Ward CRC include daily management of all Zone business to include oversight of capital projects, program management and community relationship. The cost to the Zone for administration therefore seems reasonable considering the benefits provided by the CRC and the current level of development and increment generated within the Zone. The Authority anticipates that with continued development in the area, that tax increment revenues will be sufficient to cover operating costs and the retirement of any future debt issued.				
19. Upper Kirby	2.5%	2.2%	3.1%	2.6%
20. Southwest Houston	2.8%	2.3%	3.0%	2.7%
21. Hardy/Near Northside	50.1%	40.7%	28.1%	37.9%
Observation: TIRZ 21- Hardy/Near Northside (the "Zone") was established on an environmentally contaminated, abandoned rail yard site. Before development could begin on the property, the area required significant environmental remediation and infrastructure improvements to make the 243-acres saleable to developers. The Zone's project plan, after initial infrastructure improvements, was to sell land to real estate developers to build affordable housing. Due to economic slowdowns experience with the 2008 recession, the Zone's population and tax increment did not grow as initially anticipated since there were little to no developers capable of undertaking the project. When compared to other zones, the Zone's administrative and support costs in relation to the increment generated appear excessive. However, included in the costs are administrative and legal costs associated with contract negotiations to market to developers, land title searches, and other costs. It would be expected as the Zone's population and tax increment grows that the Zone's administrative cost ratios would be more in line with other TIRZs.				



TIRZ Name//Number	FY 2014	FY 2015	FY 2016	Average
22. Leland Woods	578.9%	259.6%	115.3%	247.8%
Observation: TIRZ 22: Leland Woods (the “Zone”) was established as a project between City of Houston, Greater Houston Builders Association and Fannie Mae in order to encourage infill of housing development within the City. The Zone established a reimbursement model where developers would build affordable housing and receive reimbursement from generated tax increment. Initially, 40 homes were built and sold with the rest of the Zone remaining largely unfinished due to the economic slowdowns caused by the 2008 recession. This situation left the Zone dormant. Coupled with other factors such as area blight and the failed North Forest Independent School District, attracting developers and residents proved difficult. As a result, the tax increment generated over the life of the Zone grew very little. In recent years, new development has begun, which is evident by the falling costs in comparison to revenue since tax increment has grown. The administrative cost ratio has fallen from 578.9 percent in 2014 to 115.3 percent in 2016. As the Zone continues to sell lots and develop additional housing, it would be expected that its operational efficiency will become comparable to other zones.				

Source: Audited financial statements for applicable year. Entities not shown did not have available audited financial statements, November 2016.

**Question 11. What were TIRZ revenues and expenditures for Fiscal Years 2014-2016?**

Tax increment is the primary source of TIRZ revenue. However, many TIRZ generate income from other sources including rentals, grant proceeds, interest income, land sales, ground leases, and other revenue. Expenses consist primarily of salaries and related costs, insurance, contracted services, professional fees, general and administrative costs, maintenance and operations, interest expense, service fees, capital outlay, and other expenses.

It is not unusual for TIRZ expenditures to exceed revenues. These deficits are not necessarily a signal of poor financial results or management. They result primarily from capital outlay expenses incurred by the TIRZ during the year. In many instances, TIRZ use debt to finance capital expenditures during the earlier years of the TIRZ's life while property values and tax increment revenues are increasing. Funds generated from future tax increment revenues are then used to retire the debt. This timing difference results in one of the primary reasons for the excess of expenditures over revenues.

It is not unusual for TIRZ expenditures to exceed revenues. These deficits are not necessarily a signal of poor financial results or management.

Another reason that expenditure exceed revenues is that capital expenditures are related to public works improvements made on behalf of the City. In accordance with Section VIII of the Tri-Party Agreements between the City and each TIRZ, "all utilities, drainage facilities, public street improvements, sidewalks and light fixtures shall be conveyed to the City". Therefore, the current year's expenditures related to such improvements are not recorded as assets of the TIRZ but are shown as expenditures representing conveyance of the assets to the City. Conveyances produce a deficit balance in the Statement of Activities.

Exhibit 2-15 presents TIRZ revenues and expenses for the Fiscal Years 2014-2016. With the exception of Leland Woods, the negative balances are due to capital expenditures and conveyance of capital assets to the City during the year. The Leland Woods negative balance of \$502,793 results primarily from a loss incurred on the sale of land.

**Exhibit 2-15
Revenues and Expenditures
Fiscal Years 2014- 2016**

Description	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
1. St George Place//Lamar Terrace			
Revenues	\$1,524,135	\$1,685,140	\$1,722,780
Expenses	752,971	746,962	525,198
Excess / (Deficiency) Revenues over Expenses	\$771,164	\$938,178	\$1,197,582
2. Midtown			
Revenues	\$19,392,773	\$22,309,565	\$25,192,290
Expenses	19,280,433	11,916,499	14,628,957



Description	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Excess / (Deficiency) Revenues over Expenses	\$112,340	\$10,393,066	\$10,563,333
3. Downtown			
Revenues	\$12,818,111	\$14,704,094	\$15,503,615
Expenses	4,135,150	13,177,065	38,697,385
Excess / (Deficiency) Revenues over Expenses	\$8,682,961	\$1,527,029	(\$23,193,770)
5. Memorial Heights			
Revenues	\$3,400,651	\$4,065,651	\$4,745,865
Expenses	2,792,348	3,241,226	6,006,002
Excess / (Deficiency) Revenues over Expenses	\$608,303	\$824,425	(\$1,260,137)
7. OST / Almeda			
Revenues	\$14,803,839	\$9,949,905	\$12,154,211
Expenses	8,864,278	26,499,962	17,413,897
Excess / (Deficiency) Revenues over Expenses	\$5,939,561	(\$16,550,057)	(\$5,259,686)
8. Gulfgate			
Revenues	\$1,569,838	\$1,922,312	\$2,473,704
Expenses	718,792	900,840	896,620
Excess / (Deficiency) Revenues over Expenses	\$851,046	\$1,021,472	\$1,577,084
9. South Post Oak			
Revenues	\$1,033,968	\$1,159,448	\$970,003
Expenses	150,531	111,788	79,858
Excess / (Deficiency) Revenues over Expenses	\$883,437	\$1,047,660	\$890,145
10. Lake Houston			
Revenues	\$14,510,858	\$14,675,739	\$16,517,720
Expenses	11,618,583	12,559,650	16,596,408
Excess / (Deficiency) Revenues over Expenses	\$2,892,275	\$2,116,089	(\$78,688)
11. Greater Greenspoint			
Revenues	\$9,881,124	\$11,062,595	\$10,991,410
Expenses	14,007,196	5,438,401	3,952,958
Excess / (Deficiency) Revenues over Expenses	(\$4,126,072)	\$5,624,194	\$7,038,452
12. City Park			
Revenues	\$527,623	\$593,501	\$604,455
Expenses	203,588	203,597	208,027



Description	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Excess / (Deficiency) Revenues over Expenses	\$324,035	\$389,904	\$396,428
13. Old Sixth Ward			
Revenues	\$751,329	\$919,852	\$916,528
Expenses	437,661	512,804	765,123
Excess / (Deficiency) Revenues over Expenses	\$313,668	\$407,048	\$151,405
14. Fourth Ward			
Revenues	\$2,089,949	\$2,303,456	\$2,468,320
Expenses	1,296,946	733,485	692,961
Excess / (Deficiency) Revenues over Expenses	\$793,003	\$1,569,971	\$1,775,359
15. East Downtown			
Revenues	\$2,440,161	\$2,410,812	\$4,438,236
Expenses	1,762,807	1,791,236	18,332,488
Excess / (Deficiency) Revenues over Expenses	\$677,354	\$619,576	(\$13,894,252)
16. Uptown			
Revenues	\$34,081,423	\$44,625,825	\$43,592,983
Expenses	31,762,112	47,128,669	64,155,878
Excess / (Deficiency) Revenues over Expenses	\$2,319,311	(\$2,502,844)	(\$20,562,895)
17. Memorial City			
Revenues	\$10,248,271	\$12,131,121	\$13,177,396
Expenses	11,762,368	12,627,803	13,811,574
Excess / (Deficiency) Revenues over Expenses	(\$1,514,097)	(\$496,682)	(\$634,178)
18. Fifth Ward			
Revenues	NOT PROVIDED	NOT PROVIDED	\$516,090
Expenses	NOT PROVIDED	NOT PROVIDED	313,343
Excess / (Deficiency) Revenues over Expenses	NOT PROVIDED	NOT PROVIDED	\$202,747
19. Upper Kirby			
Revenues	\$8,000,650	\$10,790,566	\$12,537,415
Expenses	8,861,420	13,674,884	16,207,979
Excess / (Deficiency) Revenues over Expenses	(\$860,770)	(\$2,884,318)	(\$3,670,564)
20. Southwest Houston			
Revenues	\$5,362,213	\$6,371,314	\$6,349,239
Expenses	4,037,199	2,824,905	18,385,921



Description	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Excess / (Deficiency) Revenues over Expenses	\$1,325,014	\$3,546,409	(\$12,036,682)
21. Hardy / Near Northside			
Revenues	\$139,628	\$6,742,028	\$3,587,985
Expenses	69,719	65,723	10,012,234
Excess / (Deficiency) Revenues over Expenses	\$69,909	\$6,676,305	(\$6,424,249)
22. Leland Woods			
Revenues	\$14,090	\$234,471	\$2,439,704
Expenses	516,883	150,578	90,110
Excess / (Deficiency) Revenues over Expenses	(\$502,793)	\$83,893	\$2,349,594
24. Greater Houston			
Revenues	NOT PROVIDED	NOT PROVIDED	\$1,243,963
Expenses	NOT PROVIDED	NOT PROVIDED	710,456
Excess / (Deficiency) Revenues over Expenses	NOT PROVIDED	NOT PROVIDED	\$533,507

Source: Fiscal 2016 Audited Financial Statements; November 2016.

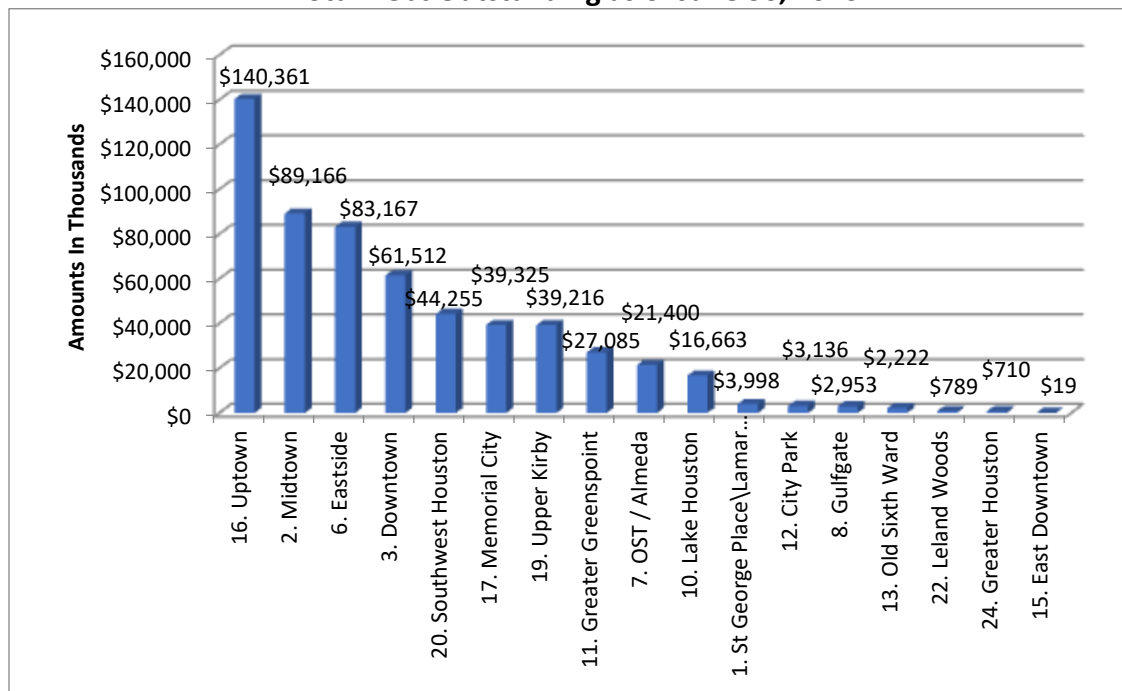
**Question 12. How much debt is each TIRZ carrying?**

Section 311.011 of the Tax Code requires the estimated amount of bond indebtedness be included in the TIRZ's financing plan. Section 311.010 prohibits the board of directors of a TIRZ from issuing bond debt. However, Section 311.015 provides that the municipality that created the reinvestment zone may issue tax increment bonds or notes, the proceeds of which may be used to make payments to pay project costs on behalf of which the bonds or notes were issued, or to satisfy claims of holders of the bonds or notes. The municipality may also issue refunding bonds or notes for the payment or retirement of tax increment bonds or notes that it previously issued. Tax increment bonds and notes are payable, as to both principal and interest, solely from the tax increment fund established for the reinvestment zone.

As of June 30, 2016, 17 TIRZs carried debt totaling approximately \$576 million from amounts from bonds, notes, and developer advances.

As of June 30, 2016, 17 TIRZs carried debt totaling approximately \$576 million from amounts from bonds, notes, and developer advances. Uptown TIRZ #16 has the largest debt balance of \$140.4 million, or 24 percent, of the total while Midtown TIRZ #2 and Eastside TIRZ #6 carry 15 percent and 14 percent of the total, respectively. **Exhibit 2-16** depicts the total outstanding debt for the TIRZs as of June 30, 2016, with exception of Greater Houston TIRZ #24, which depicts the outstanding debt balance as of February 29, 2016 because it is on a different fiscal year than the other TIRZ.

Exhibit 2-16
Total Debt Outstanding as of June 30, 2016



Source: Fiscal 2016 Audited Financial Statements



Question 13. How much Municipal Service Charge will each TIRZ return to the City in Fiscal Year 2017?

Section 311.010(i) of the Texas Tax Code authorizes the City to recapture a certain amount of the tax increment from a TIRZ to recover the incremental cost of providing municipal services incurred as a result of the creation of or development or redevelopment within the TIRZ. The City pays for municipal services from the general fund. Basic municipal services include police, fire protection, solid waste, library, 311 and other general services. Historically, the City has charged TIRZs a 5 percent administrative fee and some TIRZ pay one-third of their increment for affordable housing. However, not until Fiscal Year 2017, will TIRZ begin paying a Municipal Service Charge (MSC) in addition to the 5 percent administrative charge.

The MSC is the City's recovery of the incremental cost of providing services incurred as result of development within the TIRZs. The City will collect the MSC at the end of the fiscal year and deposit the funds into the general fund to be allocated to those departments that provide basic services for which the costs have increased as a result of development within the TIRZs.

The amount charged to each TIRZ is calculated based on a formula developed by staff of the City's Office of Economic Development. TIRZs that generate less than \$850,000 for the year are exempt from paying the MSC for that year.

Exhibit 2-17 presents the MSC charges for Fiscal Year 2017 including the exempted TIRZ all of which are included in "Other" with the exception of Gulfgate TIRZ #8.

Exhibit 2-17
Fiscal Year 2017 Municipal Service Charge

TIRZ#/Name	Municipal Services Charge FY 2017	Percent
16. Uptown	\$5,522,994	25%
20. Southwest Houston	3,441,109	16%
19. Upper Kirby	3,025,573	14%
11. Greater Greenspoint	2,561,519	12%
17. Memorial City	2,256,619	10%
3. Downtown	1,063,542	5%
7. OST / Almeda	887,566	4%
2. Midtown	781,263	4%
8 Gulfgate*	507,330	2%
Remaining 17 TIRZ	2,063,356	8%
Total	\$22,110,871	100%

Source: Office of Economic Development MSC Calculation Spreadsheet.

*Exempted from paying 2017 MSC to the City, November 2016.

**Question 14. What taxing jurisdictions participate in each TIRZ?**

Taxing jurisdictions participate in the City's TIRZ program at varying degrees of involvement both in terms of the TIRZs in which they are involved and the level of their participation. The City of Houston has participated in all 27 TIRZs since inception of the program. The Houston Independent School District (HISD) participates in 15 TIRZs, and Harris County and its components participate in 10. **Exhibit 2-18** provides an overview of the TIRZs, and their participating jurisdictions, other than City.

Exhibit 2-18
TIRZ Participating Taxing Jurisdictions (Excluding COH)

*TIRZ	Participating Jurisdiction
1. St George Place/Lamar Terrace	Houston ISD; Harris County
2. Midtown	Houston ISD; Harris County; Houston Community College
3. Main Square/Market Square	Houston ISD; Harris County
5. Memorial Heights	Houston ISD; Harris County
6. Eastside	Houston ISD
7. OST / Almeda	Houston ISD; Harris County
8. Gulfgate	Houston ISD; Harris County
9. South Post Oak	Houston ISD; Harris County
10. Lake Houston	Humble ISD
11. Greater Greenspoint	Harris County; Aldine ISD; Spring ISD; Lonestar Community College
12. City Park	Houston ISD
13. Old Sixth Ward	Houston ISD
14. Fourth Ward	Houston ISD
15. East Downtown	Houston ISD; Harris County
16. Uptown	Houston ISD
18. Fifth Ward	Houston ISD
19. Upper Kirby	Houston ISD
24. Greater Houston	Harris County
25. Hiram Clarke / Ft. Bend Houston	Fort Bend County

Source: Fiscal Year 2016 Audited Financial Statements.

* TIRZ #4. Village Enclaves Terminated in December 2013; TIRZs #17; 20-23; 26; and 27 are not listed because the City of Houston is the only participating jurisdiction.



Question 15. How much of its own tax increment has the City provided to each TIRZ since inception?

The City has contributed approximately \$830.8 million of its own tax increment to the TIRZ program over 24 years from 1992-2015. This figure also includes Village Enclaves TIRZ #4, which terminated on December 31, 2013. It does not include two new TIRZs the City created during Fiscal Year 2016 that have not yet generated increment. **Exhibit 2-19** presents a summary of the City's tax increment participation for each TIRZ since 1992.

The City has contributed approximately \$830.8 million of its own tax increment to the TIRZ program over 24 years from 1992-2015.

Exhibit 2-19
City of Houston Tax Increment Participation
From Inception (1992) to Tax Year 2015

TIRZ#//Name	Total Increment	Year of First Increment	Number of Years Increment Received	Average Increment Per Year
01-Lamar Terrace	17,056,553	1992	24	710,690
02-Midtown	81,776,890	1996	20	4,088,845
03-Market Square	85,217,186	1998	18	4,734,288
04-Village Enclaves**	38,716,292	1997	16	2,419,768
05-Memorial Heights	25,926,054	1997	19	1,364,529
06-Eastside	4,227,239	2012	4	1,056,810
07-OST//Almeda	57,581,730	1998	18	3,198,985
08-Gulfgate	5,715,185	1998	18	317,510
09-South Post Oak	4,190,834	1998	18	232,824
10-Lake Houston	39,087,933	1998	18	2,171,552
11-Greater Greenspoint	41,373,883	1999	17	2,433,758
12-City Park	3,773,282	2000	16	235,830
13-Old Sixth Ward	9,645,372	1999	17	567,375
14-Fourth Ward	20,625,615	2000	16	1,289,101
15-East Downtown	12,658,640	2000	16	791,165
16-Uptown	170,669,075	2000	16	10,666,817
17-Memorial City	74,404,480	2000	16	4,650,280
18-Fifth Ward	1,932,223	2000	16	120,764
19-Upper Kirby	71,653,930	2000	16	4,478,371
20-Southwest Houston	60,263,817	2000	16	3,766,489
21-Hardy Place	2,623,867	2004	12	218,656
22-Leland Woods	216,500	2005	11	19,682
23-Harrisburg	703,210	2012	4	175,802
24-Greater Houston	506,296	2013	3	168,765
25-Hiram Clarke	275,822	2014	2	137,911
Grand Total	\$830,821,908		24*	\$34,617,579

Source: Office of Economic Development City Increment History Spreadsheet, November 2016.

*Calculated as the number of years since the first increment was received (1992) through 2015.

**Village Enclaves terminated in December 2013.



Question 16. How much increment did each jurisdiction provide to the TIRZs from Fiscal Year 2012 to 2016?

The performance audit team obtained and analyzed tax increment participation data by jurisdiction for Fiscal Years 2012 through 2016. **Exhibit 2-20** presents a summary of the analysis.

Exhibit 2-20
Tax Increment by Jurisdiction
Fiscal Years 2012-2016

Jurisdiction	Gross Increment	Affordable Housing	Admin Fee	Educational Facilities	Net Increment to TIRZ
City	\$433,510,526	(\$9,687,024)	(\$21,681,661)	\$0	\$402,141,840
ISD	\$300,726,407	(\$10,068,965)	(\$2,175,000)	(\$144,820,073)	\$143,662,368
County	\$46,670,115	(\$583,971)	(\$1,370,533)	(\$306,391)	\$44,409,221
Community College	\$8,887,460	\$0	(\$300,000)	\$0	\$8,587,460
ISD Pass Through	\$31,689,772	(\$1,846,822)	\$0	(\$25,756,020)	\$4,086,930
Total	\$821,484,280	(\$22,186,782)	(\$25,527,194)	(\$170,882,484)	\$602,887,820

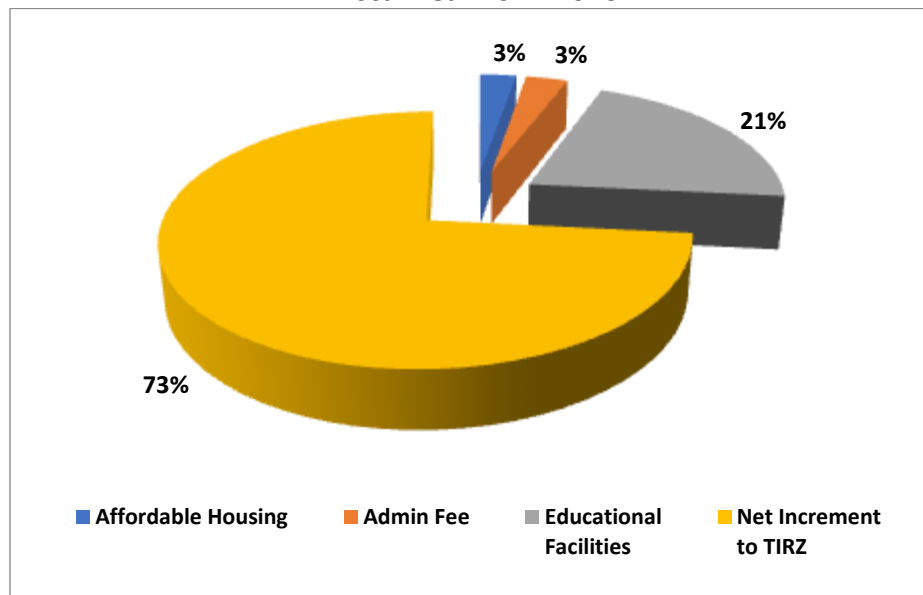
Source: City of Houston Office of Economic Development-Fiscal Years 2012-2016.

**Question 17. What percentage of the gross increment did TIRZs actually receive from Fiscal Year 2012 to 2016?**

Seven TIRZs contribute one third of their increment towards the City's affordable housing program to support the development of affordable housing throughout the City. The City also withholds funds to finance and/or support educational facilities based on agreements with HISD. The Texas Education Code requires the Texas Education Agency to pay additional funds to school districts participating in tax increment TIRZs based on a formula defined in the law. These are known as pass-through funds. Most pass-through funds are paid to the City but are then returned to HISD in accordance with the terms of HISD's participation agreement with the applicable TIRZ. The City also withholds a 5 percent administrative fee to contribute to the cost of administering the TIRZs through the mayor's Office of Economic Development.

Between Fiscal Years 2012-2016, all participating jurisdictions, including the City, generated approximately \$821.5 million in tax increment. Of this amount, the TIRZs received approximately \$602.9 million, or 73 percent, of the total increment after deductions for affordable housing, educational facilities, and administrative fees as shown in **Exhibit 2-21**.

Exhibit 2-21
Net Increment Paid to the TIRZ
Fiscal Year 2012-2016

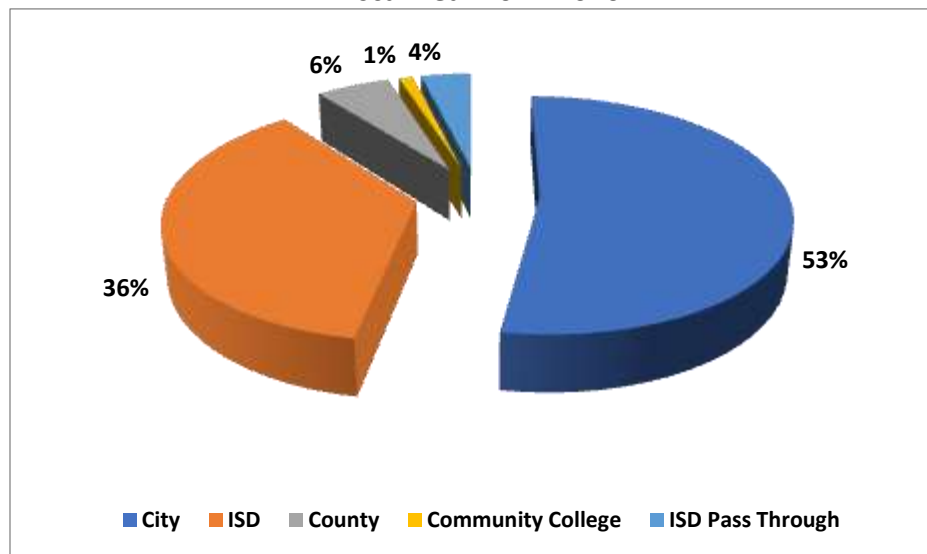


Source: City of Houston Office of Economic Development, November 2016.

**Question 18. What percentage of gross increment did each jurisdiction contribute from Fiscal Year 2012 to 2016?**

The City and independent school districts, represented overwhelmingly by HISD, generate most of the increment TIRZs receive. For the five years from 2012 through 2016, the City and the independent school districts generated 89 percent of the total increment as shown in **Exhibit 2-22**.

Exhibit 2-22
Percentage of Total Increment by Jurisdictions
Fiscal Year 2012-2016



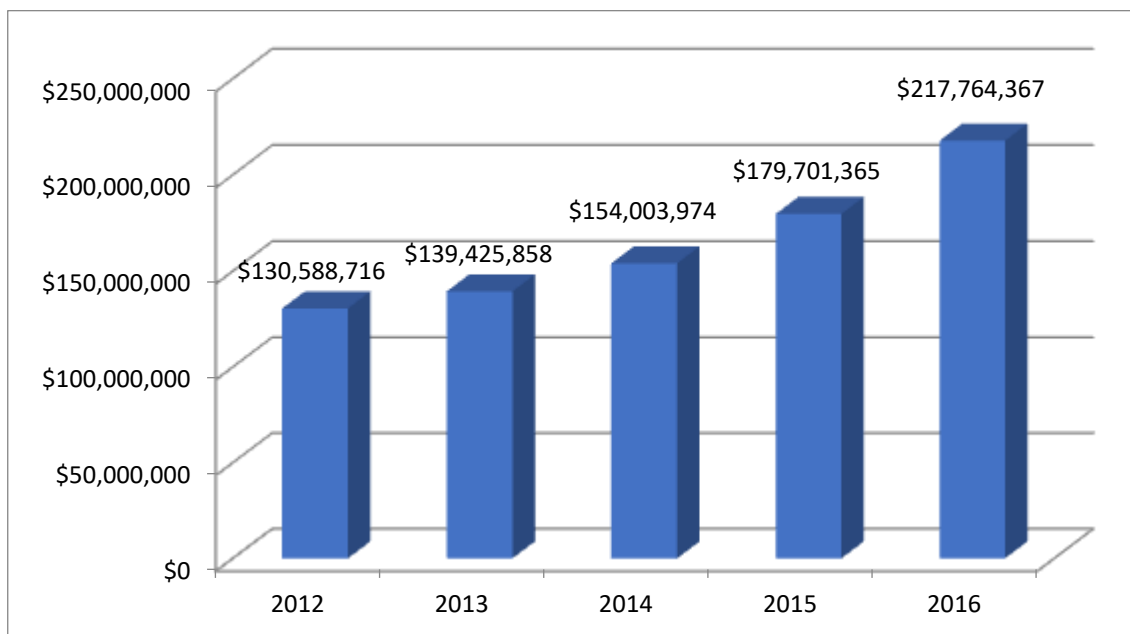
Source: City of Houston Office of Economic Development.

**Question 19. What was the growth in tax increment from all jurisdictions between Fiscal Years 2012 to 2016?**

Between Fiscal Year 2012 and 2016, tax increment from all jurisdictions increased 67 percent from \$130.6 million to \$217.8 million. **Exhibit 2-23** shows the growth in the total increment from all jurisdictions for Fiscal Years 2012 and 2016.

Between Fiscal Year 2012 and 2016, tax increment from all jurisdictions increased 67 percent from \$130.6 million to \$217.8 million.

Exhibit 2-23
Increment Growth-All Jurisdictions
Fiscal Year 2012-2016



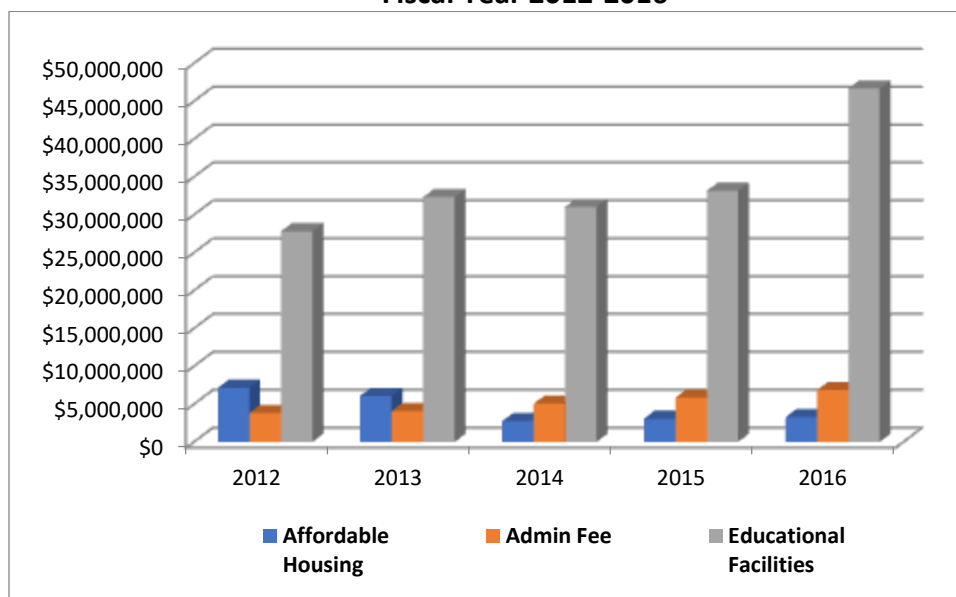
Source: City of Houston Office of Economic Development, November 2016.

**Question 20. What was deducted from the gross increment to arrive at what TIRZ actually received during Fiscal Years 2012 to 2016?**

Between Fiscal Years 2012 and 2016, the net increment to the TIRZs after deductions for affordable housing, educational facilities, and administrative fees increased 75 percent from \$91.9 million in 2012 to \$161.1 million in 2016. The largest deduction from the total increment during the period was for educational facilities, reflecting agreements with HISD to use a significant portion of the HISD increment for educational purposes in the TIRZs in which the school district participates. Between Fiscal Years 2012 and 2016, 48 percent of the HISD increment was allocated to financing educational facilities. **Exhibit 2-24** presents deductions from total increment paid between Fiscal Years 2012 through 2016.

Between Fiscal Years 2012 and 2016, the net increment to the TIRZs after deductions for affordable housing, educational facilities, and administrative fees increased 75 percent from \$91.9 million in 2012 to \$161.1 million in 2016

Exhibit 2-24
Deductions from Total Increment
Fiscal Year 2012-2016



Source: City of Houston Office of Economic Development.



SECTION III – FINDINGS & RECOMMENDATIONS

**FINDING 1**

TIRZ governing boards throughout the City have not consistently conducted formal board member orientation programs for newly appointed board members, nor do a majority of the TIRZ governing boards provide ongoing board training and development opportunities to improve individual members' knowledge of TIRZ operations, policies, procedures and practices, as well as board governance, structure, and process, which could inhibit their ability to be effective, high-performing governing boards.

Based on the results of 38 interviews, the performance audit team conducted with the chairpersons, officers, and random board members of TIRZs throughout the City, new member orientation and ongoing training at the TIRZ governing board level is not consistent among TIRZs and is perceived by a number of board members to be ineffective. The Mayor's Office of Economic Development (Office of Economic Development) requires all newly appointed TIRZ board members to attend an initial orientation that currently consist of a series of three, two-hour workshops delivered in three separate days by the Office of Economic Development's TIRZ liaisons and the deputy director of the Office of Economic Development. **Exhibit 3-1** presents the workshop series presented to newly appointed board members by the Office of Economic Development.

Exhibit 3-1
Tax Increment Reinvestment Zone Workshop Series
for Newly Appointed Board Members

Workshop Series	Topics
Workshop 1	<ul style="list-style-type: none">• TIRZ Governance• TIRZ Creation and Limitations• Current Status of TIRZs within the City• TIRZ Project Plan• TIRZ CIP Plan and Implementation• Role of Public Works & Engineering
Workshop 2	<ul style="list-style-type: none">• Role of Economic Development• TIRZ Taxable Values and Calculations• MWDBE Application• Interlocal Agreements• Budget Financial Review<ul style="list-style-type: none">– Transfers– Municipal Service Fees
Workshop 3	<ul style="list-style-type: none">• Internal and External Reporting Requirements• CIP Management• Other Topics TBD Based on Prior Workshops

Source: Mayor's Office of Economic Development, PowerPoint Presentations, Workshop 1 (9/22/2016), Workshop 2 (10/27/2016), and Workshop 3 (11/10/2016), November 2016.



As summarized in **Exhibit 3-2**, the Office of Economic Development’s workshop series provides a comprehensive overview of the City’s TIRZ program beginning with a review of Chapter 311 of the Texas Tax Code, which created the TIRZs and associated Redevelopment Authorities and associated restrictions and eligible projects, and culminating with explaining the TIRZ governance structure and importance of TIRZ project plans, as well as reviewing the respective roles of the Office of Economic Development and the City’s Department of Public Works & Engineering.

The workshop series also informs newly appointed board members of the formula for calculating the taxable value of TIRZs; defines increment funding and available TIRZ financing options such as bond financing and development agreements; and reviews the importance of Interlocal agreements and their related impact on a TIRZ’s increment.

The workshop series also outlines the budget and financial reports that TIRZs must submit to the Office of Economic Development, including TIRZ operating budgets, project plans and related Capital Improvement Plans, in addition to reviewing the authorization and approval process for budget transfers and the imposition of Municipal Service fees. Finally, the workshop series reviews reporting requirements to the City of Houston Controller, City Council, City Department of Finance & Administration, and the Harris County Appraisal District.

While the Office of Economic Development requires all newly appointed board members to attend this orientation series, the majority of the City’s 26 active TIRZ boards do not have formal new board member orientation sessions specific to their respective TIRZs. In fact, the results of interviews conducted by members of the performance audit team revealed that newly appointed board members often took their seats on their respective TIRZ board and began a process of “on-the-job” training, which limited their effectiveness. The following anecdotal comments by TIRZ board members during interviews illustrate inconsistent formal board member orientation for newly appointed members among the 26 active TIRZ boards:

- “We informally orient the new member; primarily, it is on-the-job training, as some board members are experienced, others are not. I would not be opposed to some type of board training; I did not attend a formal new board member orientation for this TIRZ, but I picked it up quickly.”
- “I did not have any new board member orientation training and have not seen any, but I think it is a good idea.”
- “Our TIRZ has no formal orientation. When I get a new board member, the City does not inform me in advance and I only find out when the new member shows up for a meeting. I provide orientation to newly appointed board members as the chairman and review the purpose of our TIRZ, how we operate, where our money comes from and how we intend to use the increment.”
- “Our executive director sits down with new board members and reviews the purpose of our TIRZ, boundary maps, bylaws and operations.”



- “I did not receive a formal orientation from my TIRZ board; I only attended the workshop on conflicts of interest and ethics provided by the City of Houston for one hour.”
- “I received formal board member orientation, where the board provided and reviewed a copy of the TIRZ Operations and Procedures Manual.”

Exhibit 3-2 presents a summary of the performance audit team’s inquiries of TIRZ board members related to new board member orientation provided by the Office of Economic Development, formal new board member orientation by individual TIRZs, and ongoing training provided to all board members by individual TIRZs.

Exhibit 3-2
Summary Results of Interviews with TIRZ Board Members Related to New Board Member Orientation and Ongoing Training for Board Members

TIRZ Number	Name	Board Member Orientation by City	Formal Board Member Orientation by TIRZ	TIRZ Board Provides Ongoing Training
TIRZ 01	St. George Place / Lamar Terr.	YES	YES	NO
TIRZ 02	Midtown	YES	NO	NO
TIRZ 03	Main Street / Market Square	YES	NO	NO
TIRZ 04	Village Enclaves (1)	N/A	N/A	N/A
TIRZ 05	Memorial Heights	YES	NO	NO
TIRZ 06	Eastside (2)	N/A	N/A	N/A
TIRZ 07	Old Spanish Trail / Almeda	YES	YES	NO
TIRZ 08	Gulfgate	YES	NO	NO
TIRZ 09	South Post Oak	YES	YES	NO
TIRZ 10	Lake Houston	YES	NO	NO
TIRZ 11	Greater Greenspoint	YES	YES	NO
TIRZ 12	City Park	YES	NO	NO
TIRZ 13	Old Sixth Ward	YES	NO	NO
TIRZ 14	Fourth Ward	YES	NO	NO
TIRZ 15	East Downtown	YES	NO	NO
TIRZ 16	Uptown	YES	YES	NO
TIRZ 17	Memorial City	YES	NO	NO
TIRZ 18	Fifth Ward	YES	YES	NO
TIRZ 19	Upper Kirby	YES	YES	YES
TIRZ 20	Southwest Houston	YES	NO	NO
TIRZ 21	Hardy Place / Near Northside	YES	YES	NO
TIRZ 22	Leland Woods	YES	YES	NO
TIRZ 23	Harrisburg	YES	YES	NO
TIRZ 24	Greater Houston	YES	NO	NO



TIRZ Number	Name	Board Member Orientation by City	Formal Board Member Orientation by TIRZ	TIRZ Board Provides Ongoing Training
TIRZ 25	Hiram Clark / Ft. Bend	YES	YES	NO
TIRZ 26	Sunnyside (3)	YES	NO	NO
TIRZ 27	Montrose (4)	N/A	N/A	N/A
	Percent "YES" for 24 TIRZs	100%	46%	4%
	Percent "NO" for 24 TIRZs	0%	54%	96%

Source: Board member interviews and inquiries conducted by performance audit team, October 2016 through January 2017.

Note (1) – Village Enclaves TIRZ #4 terminated December 31, 2013.

Note (2) – Eastside TIRZ #6 was created to construct Caesar Chavez High School in cooperation with the Houston Independent School District. The school was built in 2000, and the increment, first generated in 2012 is being used to service the debt.

Note (3) The City created Sunnyside TIRZ on 11/16/2015 and board members have only attended the City's orientation workshops.

Note (4) – The City created Montrose TIRZ on 12/15/2015 and the mayor has not appointed members to the board.

Exhibit 3-2 clearly shows that all new board members attended new board member orientation workshops conducted by the Office of Economic Development. However, only 46 percent of TIRZs with board members have a formal new board member orientation program, and only 4 percent of TIRZs provide consistent, ongoing training for all board members.

Formal new board member orientation and consistent, ongoing training for all board members is essential to overall board development. Formal orientation contributes immensely to enhancing individual board members' understanding of their roles and responsibilities. It also familiarizes them with best practices in board governance, operations and processes of their respective TIRZ, financing options, effective planning, project plan execution, and interaction with the Office of Economic Development. Board members who receive a comprehensive orientation are better equipped to help their TIRZ achieve the City's strategic economic development goals. Without proper orientation and training, TIRZ boards cannot adequately implement the three strategic roles for boards that are discussed McKinsey & Company report titled "The Dynamic Board: Lessons from High-Performing Nonprofits." According to McKinsey & Company's report, boards should keep the following strategic roles of the board "top of mind" when developing an ongoing training program:

1. Shape the direction of the board through its mission, strategy and key policies.
2. Ensure that leadership, resources, and finances are commensurate with vision.
3. Monitor performance and ensure prompt corrective action when needed.

According to *Board Development Best Practices*, written by Jeremy Barlow, September 20, 2016, implementing the following best practices will enhance board member training and development:

- *Orient new directors with a board manual and a board mentor.* Provide new and existing board members with a board handbook and a copy of the organization's programs, sites and budget. Pair an existing board member with a new board member to familiarize them to board culture and protocols, and serve as a mentor. Orient them to governing rules, staff responsibilities and board accomplishments.



- *Convene a board development committee.* Review best practices from other boards, evaluate board member needs to reach goals, evaluate board member skills, identify and evaluate opportunities for workshops and training programs, and make recommendations for board member training to the board.
- *Ensure financial reporting is meaningful to the board.* Train all board members on how to read and understand financial reports. Provide board members with opportunities to take workshops, attend conferences, expand networking and be mentored in all important matters of the board.

Barlow further concludes: “when board members are well-acquainted with what is expected of them as a representative of the board and are willing to accept being mentored and trained, the board is well on its way to becoming a strong and effective board.”

RECOMMENDATION

Establish a comprehensive, continuing board training and orientation system that is consistent among TIRZs to ensure new and tenured board members understand TIRZ operations, policies, and procedures, as well as their responsibilities and the role, structure, and process of the board to become effective, high-performing governing boards for their respective TIRZs.

Establishing a comprehensive continuing board training and orientation system that is consistent among all TIRZs will require each TIRZ board to implement standard policy initiatives requiring the implementation of ongoing training for all board members. The City Attorney, working closely with the Office of Economic Development, should draft the standard policy requiring each TIRZ board to implement the continuing board training and orientation system. The policy should include specific categories of training to enhance the effectiveness of TIRZ governing boards including:

- Board Member Roles and Responsibilities
- Board Structure
- Board Communication
- Tax Increment Financing Act
- TIRZ Financing
- TIRZ/RDA Purpose, Boundaries and Operations
- Capital and Operating Budgets
- Capital Improvement Plans
- Financial Reporting
- Legal Responsibilities of Governing Boards
- Teambuilding



Once TIRZs adopt the standard continuing board training and orientation system policies, the individual TIRZ boards should collectively establish thresholds for the number of continuing education hours each board member must complete annually to continue to be an effective board member. The chairperson of the board should monitor the continuing education hours each board member attains and report the same to the Office of Economic Development in the Mayor's Office.

MANAGEMENT RESPONSE

We agree that a consistent orientation of roles, responsibilities, governance, operations, and legislative matters will provide newly appointed board members the foundation needed to be most productive and effective in their position and role. In 2016, The Office of Economic Development created a comprehensive TIRZ workshop which comprises 6 hours of training and this training material will be presented to all new TIRZ board members upon their appointment by the City's Boards and Commission Department. Ongoing subject matter training occurs as an inherent part of the board members interaction with the TIRZ's engineering, legal and professional consultants as part of the operations. We will coordinate with the department to obtain a list of new appointments and provide trainings two times a year.

TIMELINE FOR ACTION

A training session will be offered two times a year in April and October, beginning in October 2018.



FINDING 2

TIRZs do not have consistent, standardized policies and guidelines requiring board members to disclose, document, and report potential conflicts of interest annually or at more frequent intervals as required.

Although the Office of Economic Development reviews the City's conflict of interest policy with newly appointed board members in a series of three workshops during board member orientation, it provides no standard guidance to TIRZs on how to implement conflict of interest disclosures required of individual board members.

Currently, the Office of Economic Development gives newly appointed board members the City's conflict of interest forms to complete upon joining the board. Additionally, each TIRZ's creation documents include standard governing bylaws that describe conflicts of interest in Article VII, Code of Ethics, Section 2, Conflicts of Interest as follows:

"Section 2(a) Except as provided in subsection (c), a Director or officer is prohibited from participating in a vote, decision, or award of a contract involving a business entity or real property in which the Director or the officer has a substantial interest, if it is foreseeable that the business entity or real property will be economically benefited by the action. A person has a substantial interest in a business (i) if his or her ownership interest is ten percent or more of the voting stock or shares of the business entity or ownership of \$15,000 or more of the fair market value of the business entity, or (ii) if the business entity provides more than ten percent of the person's gross income. A person has substantial interest in real property if the interest is an equitable or legal ownership with a fair market value of \$2,500 or more. An interest of a person related in the second degree by affinity or the third degree by consanguinity to a Director or officer is considered a substantial interest."

Section 2 (b) requires that if a director or a person related to a director has a substantial interest in a business entity that would benefit by any official action taken by the board, the director must file an affidavit disclosing the nature and extent of the interest with the secretary of the board. Despite this language in the standard bylaws, TIRZ boards have not consistently implemented standard policies to ensure board members complete these affidavits, preferably annually.

Members of the performance audit team conducted inquiries of board members and executive directors of each of the 26 active TIRZs and reviewed existing documentation of conflicts of interest to determine if there were developers serving on their boards of directors who were affiliated in some way with companies completing projects for the TIRZ within the boundaries of the TIRZ. Based on our review of existing conflict of interest documentation and related inquiries we determined that, out of 182 board members serving on the boards of directors of the 26 active TIRZs, two current members of the board of directors of Memorial City TIRZ 17 had a substantial interest in a business entity that was either doing business with or would be



improved by TIRZ projects requiring their vote. These two members represent 1.1 percent of the total number of board members currently serving on TIRZ boards of directors. In another instance, one former board member of Memorial City TIRZ 17 owned more than 10 percent of a corporation engaged by the TIRZ to perform utility engineering services related to the design of electrical for lighting and the burial of overhead electrical to underground electrical as a consultant to a private developer completing a project for the TIRZ. In both situations, the Memorial City TIRZ board members filed the appropriate Conflict of Interest Affidavits with Memorial City TIRZ 17's board of directors.

Through the performance audit team's interviews with board members and executive directors of the 26 active TIRZs, we determined that each TIRZ handles conflict of interest disclosures differently. For example, there are board members of certain TIRZs who have served on TIRZ boards for more than five years and have not executed annual conflict of interest affidavits. Moreover, some TIRZs have had board members execute formal Conflict of Interest Affidavits before votes on matters or transactions in which they have a substantial interest (e.g., Memorial City TIRZ 17), while other TIRZs have had board members complete a Conflict of Interest Questionnaire (FORM CIQ) or Local Government Officer Conflicts Disclosure Statements (FORM CIS).

The inconsistency and lack of standardization in the process for disclosing, documenting, and reporting conflicts of interest also is evident in anecdotal comments from TIRZ board members gathered by the performance audit team. A sampling of comments from board members follows.

- "We have a conflict of interest form that I completed when I first started on the board and disclosed conflicts. Board members should update the form annually"
- "I don't know if there is a formal conflict of interest statement. We do not have to sign it every year, but I think we need a conflict of interest policy and signing annual conflict of interest statements would be good."
- "Our system has been that board members disclose conflicts voluntarily in board subcommittee meetings; however, we do not have conflict of interest statement forms, if so the TIRZ does not document conflicts of interest. No one told me we should complete a form, but I think the process should be standardized."
- "When someone on our board reveals a conflict, it is documented in the minutes."

According to *Avoiding Conflicts of Interest on a Board of Directors*, written by Jeremy Barlow and published on Board Effect's website August 3, 2016, best practices in conflict of interest policies suggest including in board bylaws a requirement that board members submit annual statements to the board disclosing potential conflicts of interest or lack thereof. Mills Oakley, an Australian law firm serving as general counsel to various boards, in its publication entitled *Managing Conflicts of Interest at the Board Level*, June 2011, cites as a best practice the fact that some boards "require all directors to make an annual declaration about the respective business dealings and board memberships of themselves and their immediate family



members.” Moreover, the Association of Governing Boards (AGB) in its *AGB Board of Directors’ Statement on Conflict of Interest, with Guidelines on Compelling Benefit*, April 2013, list as one of 12 “Conflict of Interest Principles” that “board members should be required to disclose not less often than annually interests known to them to entail potential conflict of interest.”

The state of Indiana publishes a Best Practices List for Nonprofits in its website IN.gov, which lists as a best practice for conflicts of interest that *“the nonprofit has a conflict of interest policy for members of the governing board (including permissible and non-permissible financial or personal dealing with the nonprofit, disclosure of any financial interest in the nonprofit business and situations in which board members are required to abstain from voting). A conflict of interest statement is signed annually by each board member.”* Finally, Linda Lysakowski, a nationally recognized author and consultant to nonprofit boards recommends board members sign file an Annual Affirmation of Compliance with the board’s conflict of interest policy and accompanying disclosure statement as a best practice in managing board members’ disclosure of potential conflicts of interest. Board members would file the annual disclosure statement, which takes the form of a questionnaire, whether or not they had a potential conflict of interest.

The annual requirement for each board member to execute a conflict of interest affidavit will allow the board to be informed off all potential conflicts of interest and maintain accountability and transparency to the full board and individual board members.

RECOMMENDATION

Standardize the policy and related process for reporting conflicts of interest among all TIRZs and Redevelopment Authorities, and require all board members to file annual conflict of interest disclosure statements to enhance transparency and accountability to the public and fellow board members.

The City should require all TIRZs to follow a standardized policy and process for members of the TIRZ and Redevelopment Authority boards of directors to report conflicts of interest, including filing annual conflict of interest disclosure statements. Implementing this recommendation will include:

- Requiring the City attorney to draft a standard Conflict of Interest Statement that must be submitted annually by all members of the board of directors of each TIRZ and Redevelopment Authority.
- The City attorney drafting standard language requiring each member of a TIRZ/Redevelopment Authority board of directors to submit annual Conflict of Interest Statements, and amend the bylaws of each TIRZ to include the standard language.
- Amending the City’s training related to conflict of interest to include the requirement for each TIRZ board member to submit a Conflict of Interest Statement annually.



MANAGEMENT RESPONSE

Each TIRZ is required to have an independent counsel. The attorneys for the TIRZ/RDA advise the board members of the disclosure requirements relating to conflicts of interest as part of the legal orientation and board members have complied with the requirements by providing one of the following: Conflicts Disclosure Statement (CIS), Conflicts Disclosure Questionnaire (CIQ) or a disclosure affidavit. We agree that it is best practice to accept a standard for disclosure and formalize that standard. The current protocol is that board members provide the disclosure statement for any change of circumstance where a pending conflict is presented. We will need to confer with the legal representatives of the TIRZs as to the required frequency and if there is any value in requiring an annual statement in the absence of a pending, immediate conflict.

TIMELINE FOR ACTION

The Office of Economic Development will engage city legal to confirm the most appropriate form by June 30, 2018. We will communicate that standard to the TIRZs within 30 days from a legal response.



FINDING 3

TIRZ boards do not conduct periodic self-assessments to measure the overall performance of the board, nor do they conduct periodic evaluations of individual board members to improve their individual and collective performance.

The City has 26 active TIRZs, 24 of which have fully constituted governing boards consisting of at least five and not more than 15 members. During interviews with and inquiries of TIRZ board members in each TIRZ, the performance audit team determined that none of the TIRZ boards conducted board self-assessments or evaluations of individual board members. Further research by the performance audit team revealed that Mayor Sylvester Turner's Transition Committee on Tax Increment Reinvestment Zones, chaired by Denis Braham and co-chaired by Marvalette Hunter, recommended that TIRZs conduct annual board member evaluations to *"highlight areas where Board members excel as well as identify areas for improvement."*

Given the complexities of the TIRZ program and its strategic importance to economic development within the City, TIRZ governing boards miss an opportunity to improve the boards' performance and board members' individual performance through their collective failure to conduct periodic self-assessments to identify the board's strengths and weaknesses in the interest of continuous improvement. Consistently identifying strengths and weaknesses of the board as a collective body and its individual members enables the board to develop strategies and accompanying tactics to improve its overall performance through a structured process.

Conducting periodic self-assessments and board member evaluations is essential for TIRZ boards and the City to hold individual members accountable for their performance. To provide a basis for self-assessment of a TIRZ board's performance, board members must collectively agree to predetermined metrics or criteria that serve as indicators of high performing governance, specifically targeted to the intended purpose of each TIRZ. Examples of predetermined metrics or criteria against which boards should assess their performance include:

- On-time and within budget performance related to successfully completing infrastructure and public improvement projects included in the Project Plan.
- Effectiveness of communication with stakeholders within TIRZ boundaries measured by the number of community meetings attended by board members and the number of "visits" to TIRZ websites for news and information.
- Economic impact of projects within the TIRZ as measured by third-party economic studies or studies commissioned by individual TIRZs.
- Annual percentage growth in the appraised value of property within the TIRZ and corresponding growth in tax increment revenue as a result of completing projects included in the Project Plan.



- Disposition of and reduction in the number of complaints received during the public engagement section of TIRZ board meetings.
- The efficiency and effectiveness of board meetings as measured by the quality of material supporting agenda items, content of the agenda, participation of board members in board discussions and deliberations, length of meetings and oversight of executive directors.
- Specific number of continuing education training hours attended by individual board members related to topics that contribute to effective governance of the TIRZ.

Additionally, a self-assessment could also include criteria for attending board meetings. TIRZ boards could track and report to the City the attendance of individual board members as a measure of board member interest and participation in the governance of the TIRZs to which the Mayor's Office appointed them. For example, **Exhibit 3-3** summarizes the results of the performance audit review team's review of individual board member attendance for the 24 TIRZs with fully constituted governing boards. Three TIRZ are not shown: Village Enclaves terminated in December 2013, Eastside was created to construct a school and has no active board, and Sunnyside's board has not held a formal board meeting to date.

Exhibit 3-3
Member Attendance Statistics for TIRZ Board Meetings
Calendar Years Ended December 31, 2015 and December 31, 2016

Number	Name	Number of Meetings Held		Weighted Average Attendance	
		FY 2015	FY 2016	FY 2015	FY 2016
TIRZ 01	St. George Place / Lamar Terrace	12	12	78%	78%
TIRZ 02	Midtown	10	10	76%	74%
TIRZ 03	Main Street / Market Square	10	6	73%	69%
TIRZ 05	Memorial Heights	6	6	71%	86%
TIRZ 07	OST / Alameda	12	9	77%	83%
TIRZ 08	Gulfgate	4	4	80%	68%
TIRZ 09	South Post Oak	2	2	75%	75%
TIRZ 10	Lake Houston	9	7	76%	88%
TIRZ 11	Greater Greenspoint	6	4	76%	78%
TIRZ 12	City Park	1	2	67%	91%
TIRZ 13	Old Sixth Ward	6	5	78%	83%
TIRZ 14	Fourth Ward	4	6	64%	61%
TIRZ 15	East Downtown	7	7	81%	79%
TIRZ 16	Uptown	8	8	63%	95%
TIRZ 17	Memorial City	9	7	76%	81%
TIRZ 18	Fifth Ward	3	10	73%	80%
TIRZ 19	Upper Kirby	8	10	70%	76%
TIRZ 20	Southwest Houston (and PID)	10	10	87%	70%
TIRZ 21	Hardy Place / Near Northside	6	6	73%	67%
TIRZ 22	Leland Woods	4	2	70%	100%
TIRZ 23	Harrisburg	4	7	67%	71%



Number	Name	Number of Meetings Held		Weighted Average Attendance	
		FY 2015	FY 2016	FY 2015	FY 2016
TIRZ 24	Greater Houston	1	4	71%	78%
TIRZ 25	Hiram Clark / Ft. Bend*	Not provided	Not provided	Not provided	Not provided
TIRZ 26	Sunnyside	None	None	N//A	N//A
TIRZ 27	Montrose	1	0	85%	0%

Source: Minutes of individual TIRZ board meetings during calendar years ended 12/31/2015 and 12/31/2016, November 2016

* The performance audit team requested but did not receive minutes from the Hiram Clarke/Ft. Bend Houston TIRZ.

Exhibit 3-3 shows that weighted average board member attendance in the calendar year ended December 31, 2015, ranged from a low of 63 percent to a high of 87 percent, while weighted average board member attendance in the calendar year ended December 31, 2016, ranged from a low of 61 percent to a high of 100 percent for the meetings held in the respective calendar years.

TIRZ boards could use this data to gauge individual board members' commitment and overall interest in serving on the board by establishing a benchmark target board member attendance percentage for a given calendar year. During the board self-assessment and individual member evaluation process, the chairman of the board could use the "hard attendance data" as a quantitative measure of board performance and individual member performance in a given calendar year. The chairman of the board could also report quantitative attendance statistics to the Mayor's Office annually to inform the mayor of the attendance of appointees to TIRZ boards throughout the City as a part of the individual board member evaluation process.

According to BoardSource.com, board self-assessment provides boards with the opportunity to: (1) look internally at the board itself; (2) reflect on board members' individual and shared responsibilities; (3) identify different perceptions and opinions among board members; (4) determine areas of responsibility that need attention; (5) use the results as a springboard for board improvement; (6) increase the level of board teamwork; (7) clarify mutual board/staff expectations; (8) clarify common objectives as well as check that everyone is speaking the same language (i.e., ensuring that everyone abides by a shared vision); (9) demonstrate accountability as a serious organizational value; and (10) display credibility to funders and other external audiences.

As a best practice in conducting board self-assessments, BoardSource.com recommends conducting a self-assessment every two years, as it is not necessary to conduct one every year because the board needs time to implement any potential changes and learn new ways to function as a board. Best practices further suggest adhering to a self-assessment process as follows:

- Clarify the purpose of the self-assessment to each board member.
- Discuss the self-assessment questionnaire the board has chosen to use to make sure everyone is familiar with the process and has a chance to ask detailed questions.



- Expect confidentiality and do not attribute comments expressed during the process to individual board members, but share comments in the aggregate report.
- If possible, use an outside facilitator to collect and analyze questionnaires board members complete and provide the full board with a report (this third-party confidentiality is neutral for the end discussion by the board).
- Keep in mind comments and opinions are perceptions of board members and there are no wrong answers.
- Provide each board member with the opportunity to comment on how they assess their performance in relation to the full board's performance.
- Include the chief executive in the process because he/she works closely with the board and will have insight into the board's effectiveness.
- Share results of the assessment with the full board and take action afterward.

With respect to evaluating individual board members, current board governance literature is clear about the sensitivities related to boards evaluating individual board members. According to *Rethinking Board Evaluation*, authored by Holly J. Gregory, a partner with Sidley Austin LLP, although evaluation of a board and its committees requires some consideration of the contributions of individual directors to assess whether the board is performing effectively, many boards have been hesitant to evaluating individual board members. This is particularly true for nonprofit boards where board members do not receive direct compensation and volunteer their time. Individual members may not accept criticism well from their peers, and it is difficult for colleagues who work together as a team to candidly assess their peers.

Gregory notes that *“even short of undertaking detailed individual director self-evaluation and peer evaluation, some evaluation of the contributions of individuals may provide valuable insights into areas for improvement.”* This is particularly true for TIRZ board members, as a number of the individual appointees have not served on nonprofit governing boards in the past. Implementing an evaluation process for individual TIRZ board members can emphasize board expectations of its members, assist individual members with objectively looking at their own contributions to the board, and help them address their weaknesses and leverage their strengths.

Gregory further recognizes that individual board members *“bring very different experiences and competencies to the board,”* which contributes to the notion that board member evaluations *“tend to be based on fairly general and observable criteria, recognizing that board members contribute in varying ways in board meetings, committee meetings and outside of the boardroom.”*

In any event, best practices in evaluating individual board members includes having the board establish the parameters to be assessed, which should address the essential responsibilities of an effective director. In *Rethinking Board Evaluation*, the author suggests establishing the following parameters:



- **Board member commitment.** Does the board member attend and actively participate in the meetings? Is the board member appropriately prepared and informed? Is the board member generally available as needed for special meetings? Does the board member stay up-to-date with information about the organization, regulatory developments, and other bodies of relevant knowledge?
- **Fiduciary duty.** Does the board member understand the legal and statutory obligations to the organization? Is the board member objective and willing and able to challenge management constructively, as appropriate? Does the board member respect the line between oversight and management? Is the board member effective in expressing viewpoints? Does the board member follow up regarding areas of concern?
- **Contribution.** Does the board member provide constructive criticism and thoughtful recommendations and generally exhibit good judgment? Does the board member bring special skills, unique knowledge or other special qualities to the board? Does the board member's conduct engender mutual trust and respect within the board? Does the board member listen to others?

After establishing parameters to be assessed for individual board members, the board has a number of approaches to take to implement the board member evaluation process. It could use a series of open-ended questions appended to the overall board self-assessment to stimulate comments about the contributions of individual board members. It could have each board member complete a self-assessment through a written survey, providing an opportunity for self-reflection. Finally, it could have board members conduct anonymous peer reviews of each other through an interview or open-ended survey questions. In those instances where a board is hesitant about implementing individual board member evaluation, best practices included in *Rethinking Board Evaluation* suggests implementing these approaches in stages. For example, the first stage could be *"simple self-assessment to encourage self-reflection on the qualities and criteria that the board chose to focus on."* The second stage would add a peer evaluation, *"but with an understanding that results will only be reported to the subject board member."* In a later stage, the chairman would receive a report *"identifying significant outliers or issues related to individual board members."*

RECOMMENDATION

Revise the bylaws of each TIRZ board to require periodic board self-assessment and individual board member evaluations, thereby including the board self-assessment and individual board member evaluation processes as one of the primary policies of TIRZ governing boards.



MANAGEMENT RESPONSE

We must evaluate the recommendation further. We must evaluate the feasibility and applicability of developing a set of performance metrics that would measure the activities of the board such as community engagement, financial and budget management, overall board cohesiveness, deliverable of planned capital projects, effectiveness at securing and leveraging non TIRZ funds, member participation as evidenced by frequency of quorum and intergovernmental cooperation. Both the board body and the Office of Economic Development will perform the assessment via the evaluation tool while recognizing the independent responsibility of each TIRZ board.

TIMELINE FOR ACTION

Evaluation of feasibility, applicability and practices will be completed by December 31, 2018. Any final evaluations will need to be assessed and approved by City Legal. Any subsequent evaluation tool will be distributed to the board by end of year and effective beginning Jan 1, 2019.



FINDING 4

The City has not developed succession planning criteria for the selection of new TIRZ board members as board member's terms expire.

Tax Increment Financing Act ("TIRZ Act") (Sections 311.09 through 311.010) establish the requirements for the composition of the board of directors for a TIRZ as well as the boards' powers and duties. These requirements do not speak to succession planning.

Under those requirements, the board of directors can consist of at least 5 and not more than 15 members and each taxing unit other than the municipality or county that created the zone that levies taxes on real property in the zone may appoint one member of the board. The board composition is as follows:

- If the zone was designated by petition, the board of directors of the zone consists of nine **(9)** members.
- Each school district, county, or municipality, other than the municipality or county that created the zone, that levies taxes on real property in the zone may appoint one **(1)** member of the board if the school district, county, or municipality has approved the payment of all or part of the tax increment produced by the unit.
- The member of the state senate in whose district the zone is located is one **(1)** member of the board, and the member of the state house of representatives in whose district the zone is located is one **(1)** member of the board, except that either may designate another individual to serve in the member's place.
- The remaining members of the board are appointed by the governing body of the municipality or county that created the zone **(up to 3)**.

Members of the board are appointed for terms of two years unless longer terms are provided under Article XI, Section 11, of the Texas Constitution and the terms of members may be staggered.

If there exist a vacancy on the board, it is filled for the unexpired term, by the governing body of the taxing unit that appointed the director who served in the vacant position.

To be eligible for appointment to the board by the governing body of the municipality or county that created the zone, an individual must generally:

- be a qualified voter of the municipality or county, as applicable; or
- be at least 18 years of age and own real property in the zone, whether or not the individual resides in the municipality or county.

In order to carry out the duties and responsibilities for each of the TIRZ, Chapter 431 of the Texas Transportation Code provides for the creation and organization of a local government



corporation (LGC). These local government corporation, are called redevelopment authorities (RDA). The board of directors for the RDA, are typically the same as for the TIRZ. The process for selecting new board members to fill the position of members with expired terms becomes an important issue when considering the continuity of operations and implementation of the project plan. It would be inefficient or ineffective for board member terms to expire at the same time; hence, the staggering of board member terms under the TIRZ Act is necessary.

However, simply replacing a vacated seat without considering continuity of operations could be detrimental. It is more than filling a seat with a body. The idea is to select members who can make a real contribution to the TIRZ goals, mission and objectives and the efficient and effective achievement of those goals.

The director of Boards and Commissions in the Mayor's Office oversees the City of Houston's vetting process for potential TIRZ board members. The current vetting process for potential TIRZ board members includes the following activities conducted by the Boards and Commissions Department:

- The department gathers resumes of recommended candidates or applicants meeting the requirements of Sections 311.09 through 311.010 of the TIRZ Act for review by the staff in the Office of Economic Development and city council members. Staff call references submitted by potential TIRZ board members and interview the candidates in person or by telephone as necessary.
- Staff in the Boards and Commissions Office conduct "tax checks," which the office contracts to an outside vendor, on each potential TIRZ board member to verify that they do not owe back taxes to the City.
- After city councilmembers and the Office of Economic Development provide their feedback to staff in the Boards and Commissions Office, the director presents potential TIRZ board members to the Mayor for selection.

Exhibit 3-4 provides a summary of board vacancies among active TIRZ boards as of the last meeting of calendar year 2016. OST/Alameda and Fifth Ward have the highest vacancy rates at 33 and 29 percent respectively. The overall vacancy rate is 5 percent.

Exhibit 3-4
Board Vacancy Rate as of Final 2016 Board Meeting

Number	FY 2016 Vacancies at Y//E	# of Positions	Vacancy Rate
7. OST / Alameda	2	6	33%
18. Fifth Ward	2	7	29%
1. St George Place / Lamar Terrace	2	9	22%
12. City Park	1	7	14%
15. East Downtown	1	7	14%
24. Greater Houston	1	7	14%
2. Midtown	1	9	11%



Number	FY 2016 Vacancies at Y//E	# of Positions	Vacancy Rate
3. Downtown	0	9	0%
5. Memorial Heights	0	7	0%
8. Gulfgate	0	7	0%
9. South Post Oak	0	9	0%
10. Lake Houston	0	7	0%
11. Greater Greenspoint	0	8	0%
13. Old Sixth Ward	0	9	0%
14. Fourth Ward	0	9	0%
16. Uptown	0	9	0%
17. Memorial City	0	7	0%
19. Upper Kirby	0	7	0%
20. Southwest Houston	0	7	0%
21. Hardy / Near Northside	0	7	0%
22. Leland Woods	0	7	0%
23. Harrisburg	0	7	0%
25. Hiram Clarke / Ft. Bend Houston*	minutes not provided	minutes not provided	minutes not provided
27. Montrose	0	7	0%
Total	10	205	5%

Source: Board of Director Meeting Minutes, 2016.

* At the time of our review, the minutes had not been compiled from notes taken during the meeting.

The current vetting process for potential board members used by the Boards and Commissions Office consists of reviewing resumes, conducting interviews, verifying the tax status of potential TIRZ board members, and considering feedback from City Council and the Office of Economic Development. However, this process does not necessarily consider competency-based succession planning for directors serving on TIRZ boards.

An explicit, competency-based succession planning process is the best guarantee the City and TIRZ has for recruiting and developing directors who have a range of needed professional skills, backgrounds, and diversity that is reflective of the community served by the TIRZ. A succession plan should consider the following criteria in both the nomination and vetting processes:

- 1. Committee responsibility.** Delegation of responsibility for implementation of the succession plan should be vested in a nominating committee or executive committee.
- 2. Competency-based criteria.** The nominating committee or executive should develop and recommend competency criteria to be used as guideline for recruiting and electing board members.
- 3. Skills matrix and “gap” analysis.** At least annually, the governance committee should identify near and long-term recruitment needs by developing and analyzing a matrix that displays the board’s competencies, current members who fill each competency, and “gaps” based anticipated vacancies and emerging subject area needs.



4. **Continuously updated pipeline.** The committee should maintain a running list of prospective members and their backgrounds. All board members should be invited to submit suggestions. The board and committee chairs should connect with various community leaders to identify prospective board members, including those who might broaden the board's diversity and not be identified traditional recruitment channels.
5. **"Short list" interviews.** Focusing on "gaps," the committee should agree on a "short list" of prospective directors to be interviewed. Usually, the chair of the board and/or governance committee interviews prospective directors. The interviews should include an explanation of a board member's responsibilities, a discussion of the prospect's background, and a candid exploration of the prospect's interest and ability to devote the time required for board work.
6. **Recommendation.** The committee should finalize a recommended slate of candidates for election to fill board vacancies.
7. **Performance-based reelection.** Directors who are eligible for election to an additional term should not be automatically reappointed. They should be asked to confirm their interest in reelection and undergo a clearly defined, performance-based reelection process. The governance committee should review a performance profile that summarizes the director's attendance record, participation in education and community events, noteworthy contributions, and evaluations from committee chairs and the board chair.
8. **Board leaders.** The governance committee should also ensure there is a line of succession for future board chairs and committee chairs.
9. **Self-renewal.** Like all governance elements, the succession planning process should be evaluated as part of ongoing board self-assessment. The executive committee should update its competency-based recruitment criteria every one or two years to ensure currency.

RECOMMENDATION

Develop specific criteria for the succession of TIRZ board members to ensure that qualified individuals are selected to continue operations in a manner that equals or exceeds current and future project goals, mission and objectives.



MANAGEMENT RESPONSE

The City of Houston does not have succession planning for any of its boards; we do not believe succession planning is necessary for TIRZ Boards. We believe that board training described in Finding 1 will ensure continuity of operations and achievement of objectives set in the project plan.

TIMELINE FOR ACTION

None.



FINDING 5

The City does not formally document the rationale and analysis supporting decisions to establish a TIRZ and to justify its creation as the best solution among other community revitalization alternatives.

The mayor's Transition Committee on Tax Increment Reinvestment Zones report identified TIRZs as one of several tools the City uses to stimulate community economic development. Each TIRZ is the product of unique circumstances with unique goals and characteristics. For example, TIRZs have different project plans, start and end dates, budgets, revenues, community expectations, and boundary sizes.

The consideration to create a TIRZ begins with an assessment of public and private community investment needs and available economic development tools to address such needs. This deliberation recognizes that it is not realistic to expect that any neighborhood revitalization tool will resolve all the problems in a community.

The City manages the TIRZ program through the Mayor's Office of Economic Development. The legislative authority for the TIRZ is derived from Chapter 311 of the Texas Tax Code ("Code"), referred to as the Tax Increment Financing Act. It is the Code, that gives the City the power and authority to create a TIRZ, including:

1. Development and implementation of project plans.
2. Acquisition of real property with the TIRZ, necessary for the implementation of the project plan.
3. Execution of agreements, including financing arrangements, for the implementation of the project plan.
4. Acquisition and construction of infrastructure for the TIRZ (public works, facilities, utilities, streets, street lights, water and sewer facilities...), etc.).

To be designated as a reinvestment zone, an area must meet the criteria outlined in the Code, which include the following:

- The area must 1) substantially arrest or impair the sound growth of the municipality creating the zone, 2) retard the provision of housing accommodations, or 3) constitute an economic or social liability and be a menace to the public health, safety, morals, or welfare in its present condition;
- The area must be predominately open or undeveloped and, because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impair or arrest the sound growth of the municipality;
- The area must be in a federally assisted new community located in the municipality or county or in an area immediately adjacent to a federally assisted new community; or



- The area must be an area described in a petition requesting that the area be designated as a reinvestment zone, if the petition is submitted to the governing body of the municipality owners of property constituting at least 50 percent of the appraised value of the property in the area according to the most recent certified appraisal roll for the county in which the area is located.

Direct responsibility for the implementation of the project plan and management and operation of each individual TIRZ resides with a board of directors. Whether or not the creation of the TIRZ was the most efficient and effective solution for the affected community and the City becomes the question.

Accordingly, the City's decision to create a TIRZ should be documented by a comprehensive review of all available options and alternatives with a focus on selecting an economic development process that best serves the affected communities. This process should be documented thoroughly and made available to support the decision to establish a TIRZ as the best solution.

There are critics of the TIRZ program who increasingly view the TIRZ program as a means of circumventing the "Revenue Cap." There are also supporters who believe that the majority of TIRZs have been of great economic benefit to the City and its citizens. TIRZ critics maintain that those same benefits, particularly as it relates to infrastructure, could have been achieved by employing other more preferable means.

These divergent views underscore the need for the City to develop a uniform economic development evaluation tool or model to justify its evaluation and decision to establish a TIRZ as opposed to using alternative methods of community revitalization. The evaluation process must be comprehensive and transparent considering and weighing all available options. Documenting the decision that a TIRZ is the appropriate choice would also require documenting reasons why other available options are not the appropriate choice. Such documentation should include both the qualitative and quantitative rationale for the decision.

RECOMMENDATION

Develop a uniform economic development evaluation tool or model to support the evaluation and justification of a TIRZ compared to alternative community revitalization methods such as 380 agreements, developer participation contracts, City of Houston Public Works and Engineering Department construction projects, and debt financing.

The evaluation tool or model should make provisions for the following elements:

- Conduct feasibility studies, including an evaluation to determine whether development or redevelopment could take place within an acceptable timeframe, without economic assistance from the local government (e.g., but for the tax increment assistance, the development would not be possible).



- Include an evaluation of debt limitations.
- Identify any taxpayer concentration, tax appeal history, and overlapping taxing jurisdictions contribution and commitment to pledged revenues.
- Identify any laws that might cap assessed value growth or the effect of tax rates (i.e. “revenue cap” on the taxing entity’s credit ratings.
- Evaluate the jurisdictions ability to meet the proposed TIRZ plan objectives and its ability to mitigate potential risks to local agencies, including the inability to repay debt in the event of revenue declines.
- For property tax increments assessed value (AV) annual growth limits, for example, look at past and future AV growth trends and collection performance and delinquency rates.
- Subject assumptions and methods for all feasibility studies to sensitivity analysis and other modeling.
- If the government does not have the technical skills available on staff to conduct a feasibility study, then the use of a qualified consultant is appropriate and recommended. Additionally, an alternative analysis should be prepared to evaluate pay-as-you-go financing and/or debt financing options that the TIF could support.
- Prepare a forecast of the costs and revenues applicable to the project.
- Analyze the long-term economic benefit to the local economy for the term of the TIRZ, the fiscal impacts to the affected jurisdictions and overlapping tax entities (e.g., school districts), and the economic cost of tax increment. Use various forms of analysis, including sensitivity analysis.
- Evaluate the risk to general government operations when the tax increment-related revenue is no longer available, including an evaluation of the total impact of all TIRZ districts on the tax base.
- If applicable, evaluate the necessity for a maintenance plan for TIRZ projects, incorporating ongoing costs and future capital costs, and considering the revenue sources available to help cover those costs. If a third party or private-sector partner such as a developer is to maintain the TIRZ, provide a maintenance plan that incorporates those components. Document any risk sharing between local government and the third party or private sector partner in a development agreement that clearly states each party’s responsibilities. For example, the agreement should identify who is responsible for the following:
 - Project upkeep.
 - Who backs up project revenue if increments are not sufficient? (There are inherent risks any time the government’s credit is used as a backup pledge.)
 - Ongoing maintenance responsibilities.
 - Maintaining designated reserves, if required.
 - Project reporting and monitoring.
 - Adherence with state and local laws.



MANAGEMENT RESPONSE

The decision to create a TIRZ involves a wide range of economic and political factors under the leadership of the Mayor.

Proposals often come from the public and elected officials and we review those that appear best suited for community revitalization and economic development.

TIMELINE FOR ACTION

None



FINDING 6

Construction audit provisions of tri-party agreements are neither enforced nor adhered to consistently by all TIRZs.

Of the 27 TIRZs reviewed, 23 have tri-party agreements (TPA), one TIRZ is terminated, one TIRZ was a school project that did not have a TPA, and, as of February 2017, city council had not yet approved two TIRZ created during Fiscal Year 2016. All except one of the TPAs have the following construction audit clause:

At the end of each fiscal year (beginning with the fiscal year or fraction thereof during which this Agreement is executed), the Authority will have at its own expense an audit of construction activities prepared by an independent consultant approved by the Planning Director for that fiscal year that shall be submitted to the Authority, the TIRZ and the City within a reasonable period after the end of the fiscal year. The scope of the audit shall include an analysis of all expenditures for reasonableness and a review to insure that they conform with both the approved project plan and financing plan and any Development Agreements. The Authority shall furnish copies of this audit without cost to the City and the TIRZ Board.

Three TIRZs with construction costs greater than \$1,000,000 have obtained an independent review of construction-related costs since Fiscal Year 2014. Midtown, TIRZ #2, engaged an independent auditor to conduct an agreed upon procedures engagement for Fiscal Years 2014 and 2015. Memorial-Heights Redevelopment Authority engaged an independent auditor to conduct an agreed upon procedures engagement on reimbursable developer costs related to Sovereign Regent Square. Memorial City has also engaged independent auditors to perform agreed-upon procedures on reimbursable developer costs.

Some TIRZ were not aware of the construction audit provisions of the TPA. Others felt that it was not a good use of scarce resources. A representative from a law firm that manages 10 of the 26 active TIRZs indicated that since the administration of former Mayor Lee Brown, and from the inception of most of the TIRZ, the City has directed the TIRZ not to comply with the construction audit provisions in the Tri-Party Agreement. The law firm representative told the performance audit team that City representatives felt construction audits were redundant and duplicated other procedures used to ensure cost effective construction practices and controls.

According to the law firm representative, the TIRZs ensure efficient cost controls and construction through the same procedures that the City of Houston uses in its construction, such as competitive bidding, construction inspection, management, and cost certification by licensed professionals, and project closeout. Additionally, the City has directed the TIRZs to provide a supplemental table to their annual audits providing a reconciliation of total costs incurred compared to costs estimated in each TIRZ project and financing plan.



In addition, city council approves each TIRZ's annual budget and capital improvement plan. In 2017, the City's Public Works and Engineering Department will review and approve all capital improvement plans (CIP) including developer agreements.

While we agree that these are acceptable control procedures that the TIRZs have in place, we do not agree that they are acceptable substitutes for construction audits.

The TIRZ spend millions of dollars on capital expenditures each year. There must be independent and objective assurance from entities outside the TIRZ that these funds are being handled appropriately and that strong internal controls exist to safeguard and ensure accountability for these funds.

Risk still exist even when the project management function is outsourced. For example, the project manager may not have the owner's best interest in mind, there could be collusion between the general contractor and the construction manager to defraud the owner, scheduling could take priority over cost, scope and contract changes between the general contractor, and project manager could occur without proper oversight.

Just because a project is on budget or was completed under budget does not mean all costs were appropriate. Reasonable questions could be raised such as, was the original budget a sound figure? Were aggressive savings targets established as an incentive to come in under budget? Were corners cut to come in under budget? Were lower quality materials used to lower costs and come in under budget.

Construction audits are designed to address these questions and to ensure that sound budget, bidding, accounting, and cost management policies and procedures exist. Construction audits provide additional assurance that internal controls implemented by the owner are in place and operating effectively.

For Fiscal Years 2014 through 2016, nine TIRZs incurred construction costs of more than \$1,000,000 per year. **Exhibit 3-5** provides a summary of these TIRZs and shows that only Midtown, Memorial-Heights, and Memorial City had some type of construction cost review.



Exhibit 3-5
Summary of Construction Audit Costs over \$1 Million Per Year
Fiscal Years 2014-2016

TIRZ#//Name	Independent Review of Construction Costs Performed?	Construction Costs Incurred			General Construction Controls
		FY 2014	FY 2015	FY 2016	
2. Midtown	Yes	\$15,355,030	\$5,230,581	\$24,796,181	<ul style="list-style-type: none"> • COH approval and oversight of CIP. • Competitive bidding • Independent construction inspector • Cost certification • Project close-out
3. Main Square / Market Square	No	\$702,089	\$5,993,926	\$28,415,641	<ul style="list-style-type: none"> • COH approval and oversight of CIP. • Competitive bidding • Independent construction inspector • Cost certification • Project close-out
5. Memorial Heights	Yes	\$890,443	\$1,019,605	\$3,435,465	<ul style="list-style-type: none"> • COH approval and oversight of CIP. • Competitive bidding • Independent construction inspector • Cost certification • Project close-out
7. OST / Almeda	No	\$4,822,110	\$21,269,560	\$13,389,267	<ul style="list-style-type: none"> • COH approval and oversight of CIP. • Competitive bidding. Reviewed staff bids forwarded to Capital Projects & Construction before submission to Board of Directors for approval • Change orders require Board approval or Executive Director approval up to Board authorized amount • Formal inspection of completed work



TIRZ#//Name	Independent Review of Construction Costs Performed?	Construction Costs Incurred			General Construction Controls
		FY 2014	FY 2015	FY 2016	
					conducted and submitted to Board before project close-out and final payment.
11. Greater Greenspoint	No	\$16,124,049	\$3,593,485	\$3,130,664	<ul style="list-style-type: none"> • COH approval and oversight of CIP. • Competitive bidding • Independent construction inspector • Cost certification • Project close-out
16. Uptown	No	\$9,921,430	\$18,667,579	\$39,619,899	<ul style="list-style-type: none"> • COH approval and oversight of CIP. • Competitive bidding • Independent construction inspector • Cost certification • Project close-out
17. Memorial City	Yes	\$10,726,437	\$9,439,738	\$11,281,811	<ul style="list-style-type: none"> • COH approval and oversight for CIP • Competitive bidding • Independent construction inspector • Cost certification • TIRZ board approves construction contract • TIRZ board approves change orders
19. Upper Kirby	No	\$7,677,987	\$12,088,496	\$13,138,247	<ul style="list-style-type: none"> • COH approval and oversight of CIP. • Competitive bidding • Independent construction inspector • Cost certification • Project close-out



TIRZ#//Name	Independent Review of Construction Costs Performed?	Construction Costs Incurred			General Construction Controls
		FY 2014	FY 2015	FY 2016	
20. Southwest Houston	No	\$923,543	\$2,375,570	\$16,294,834	<ul style="list-style-type: none"> • COH approval and oversight of CIP • TIRZ contracts with engineering firm that prepares construction documents and COH approves • Competitive bidding process conducted by independent construction engineers and executive director • TIRZ board approves construction contract • COH approves contract and TIRZ issues notice to proceed • Independent construction engineering firm conducts inspections • COH conducts companion inspections • TIRZ board approves payment of general contractor based on American Institute of Architects Standard Payment Form • TIRZ board approves change orders and payment of retainage at contract close-out

Source: Audited Financial Statements Fiscal Years 2014 through 2016' November 2016

There are basically two methods TIRZs use to construct projects included in their project plans. Both methods can result in significant constructions costs and are covered by the construction audit provisions of the Tri-party Agreement.



- 1. TIRZ Initiates and Manages Project Included TIRZ Project Plan.** In this instance, the TIRZ will conceive, design, finance or arrange financing, manage, and oversee specific redevelopment projects included in its project plan. The TIRZ will manage the project through the use of engineers and construction managers who report to the TIRZ's governing board monthly or more frequently if required. The internal controls and procedures used by the TIRZ to manage the construction process include:
- The TIRZ contracts with a construction engineering firm that prepares construction documents, drawings, etc. The TIRZ forwards all documents to the City for permitting and planning, which the Public Works and Planning Departments approve.
 - The TIRZ's executive director, along with the engineers, initiates and completes a public bidding process including issuing public notices, conducting pre-bid meetings, bid openings, and bid tabulations. The executive director, and selected evaluation team, members, take the recommendations of the engineer and selects the winning contractor.
 - Once the evaluation team accepts the recommendation of the engineers and selects the contractor, the attorney for the TIRZ prepares construction contract documents for board approval.
 - The TIRZ board approves the construction contract and forwards it to the City for approval. Once the City approves the contract, the TIRZ issues a "notice to proceed" to the contractor and the contracted construction engineering firm serves as construction manager for the duration of the project.
 - Construction engineers continuously conduct inspections of the construction projects over the life of the project and report to the executive director and board monthly or more frequently if required. The City also conducts companion inspections of projects constructed in the City's right-of-way.
 - The general contractor submits invoices requesting payment on an American Institute of Architects (AIA) Standard Payment Form which includes contract amount, retainage, amount of change orders (if any), and amount due.
- 2. Projects Completed through Developer Agreements.** In this instance, the TIRZ will contract with independent developers who will oversee the construction of specific projects included in the project plan. The developers follow the same process the TIRZ follows in Method 2 above. However, the developer must submit bid tabulations and change orders to the TIRZ board for approval. The TIRZ will not pay the developer for the construction project until a construction compliance "Agreed-Upon Procedures" Report is completed as required in the development agreement because the construction projects are completed by a "third party." Typically developer agreements contain the following cooperation clause:

Developer agrees that it will cooperate with the [Authority Name] and will provide all necessary information to the Executive Director or the Designated Agent of the [Authority Name] and its consultants in order to assist the [Authority Name] in complying with the [Authority Name] Agreement, including without limitation the completion of the audits required therein.



Some TIRZ personnel do not believe that construction audits are necessary and view them as redundant to the internal control procedures described above. Conversely, construction audits are necessary to determine if internal control procedures over construction activities are in fact in place and operating effectively.

Construction is a major activity for TIRZs. Construction costs can be significant whether they are incurred by the City, directly by a TIRZ, or by developers through developer agreements. Accordingly, it is critical that strong internal controls exist over construction costs and that they be independently verified as operating effectively. Construction audits, although performed after dollars are already spent, are an important component of a strong system of internal controls. As such, the City should enforce the construction audit provisions of the tri-party agreements. Specifically, the Office of Economic Development should issue a directive that TIRZ with significant construction costs obtain a construction audit. OED should establish a cost threshold and monitor the directive for compliance.

RECOMMENDATION

Require all TIRZs to adhere to the construction audit provisions of their tri-party agreement.

MANAGEMENT RESPONSE

Economic Development will evaluate whether TIRZs **should** be required to perform a construction audit for all capital projects, including those constructed and managed by the TIRZ. Currently, TIRZs have a construction audit performed for developer constructed projects that will receive reimbursement from the TIRZ, but not projects constructed directly by the TIRZ. TIRZ capital projects have City oversight from the planning stage through the construction completion stage. These projects have a construction audit clause and TIRZ's can use this clause to audit construction activity.

The Redevelopment Authority's administrator or capital board committee monitors the construction activity; any change orders are approved by the Board after discussions that explain the change orders. PWE inspects the project to ensure the construction meets the requirements of the approved design plans. PWE approves the construction by providing letters of acceptance and/or certificates of final completion.

With the amount of budgetary and project oversight, the added benefit of a construction audit on every contract may not warrant the cost. Given the requirement of a construction audit in the tri-party agreement, if the cost is not warranted, we will draft an internal policy that limits the construction audit requirement to projects constructed through development agreements or those that Board deems that an audit is required.

**TIMELINE FOR ACTION**

Aug/Sept 2018	Send a questionnaire to TIRZ to access internal controls concerning projects
Oct 2018	Review comments with Public Works and Engineering to determine when a Construction Audit should be required
Nov 2018	Seek legal opinion regarding the need to either amend the triparty agreement to remove the requirement for a construction audit for TIRZ constructed projects or add an addendum to the triparty removing the Construction Audit requirement for TIRZ constructed projects
Dec 2018	Send a memo to all TIRZs regarding Construction Audit requirements



FINDING 7

The procedures performed during construction audits are not assessed sufficiently to ensure that they not only achieve the purposes and intent of the construction audit clause in the tri-party agreement, but also provide some degree of assurance of the validity of construction costs and related internal controls.

Not all TIRZ obtain a review of their construction costs in an effort to comply with the construction audit provisions of their tri-party agreements. For those that did obtain such a review, the performance audit team obtained and reviewed the construction audit engagement letter and reports noting that the independent auditors were engaged to perform an agreed upon procedures engagement (AUP).

An agreed-upon procedures engagement is one in which an auditor performs specified procedures and reports findings. The auditor does not provide an opinion or a conclusion relating to the subject matter or an assertion about the subject matter. Rather, the auditor performs only those procedures that have been agreed upon with the client and then reports their findings.

Auditors perform AUP services in accordance with professional standards known as Statements on Standards for Attestation Engagements (SSAE). These standards prohibit the auditor from rendering an opinion on the subject matter. In fact, the SSAE standards require that the auditor's report contain the following language or something similar:

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accompanying schedule of construction expenditures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

AUP engagements arise when an entity provides information to a third party, and the third party wants to enhance the credibility of the information by having it reviewed by an independent party. For example, for purposes of this finding, the entity would be the TIRZ, or the Redevelopment Authority (RDA), the third-party would be the City, while the independent party would be the auditor.

At the outset of an AUP, the specified parties agree upon the procedures that they believe are appropriate to meet the objective of the engagement. Because parties' needs vary significantly from one engagement to another, the specific nature of each agreed-upon procedures engagement varies as well. Consequently, the parties assume responsibility for the sufficiency of the requested procedures since they best understand their own needs. Auditors are not responsible for the sufficiency of the procedures performed during an AUP engagement and are required by professional standards to say as much in their report with language similar to the following:



This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule of procedures and findings either for the purpose for which this report has been requested or for any other purpose.

Construction audits should not only meet the minimum requirements of tri-party agreements but should also provide some degree of accountability that sufficient controls exist over construction expenditures to ensure they are spent appropriately in compliance with applicable agreements, policies, regulations, and best business practices. The agreed upon procedures currently being performed to satisfy the requirements of the Construction Audit clause of the tri-party agreement may not be sufficient to satisfy or achieve the City's objectives with respect to construction costs. Moreover, the scope of construction audits in described in the Construction Audit clause is somewhat narrow. It states the following:

The scope of the audit shall include an analysis of all expenditures for reasonableness and a review to insure that they conform with both the approved project plan and financing plan and any development agreements.

Effective construction audits should not only involve expenditures, but also assess risks and controls around expenditures. While AUP engagements are by nature narrow and focused, they should not be relied upon as the sole method of auditing construction costs unless the procedures are expanded to meet broader assurance goals.

Exhibit 3-6 describes the procedures auditors performed and reported in Fiscal Year AUP reports for the indicated TIRZ and demonstrates the varied and sometimes limited nature of the agreed upon procedures.

Exhibit 3-6
Agreed Upon Procedures Performed

TIRZ # / Name	Agreed Upon Procedures Performed
2-Midtown (Report Dated June 30, 2015)	1. We examined supporting documentation (including original invoices, certificates for payment, and cancelled checks) for amounts paid to architects, engineers, construction contractors, and other professionals for each contract identified on Exhibit 1 for compliance with contract terms and mathematical accuracy. Auditor Findings: No exceptions were noted.
	2. We obtained and reviewed certificates of insurance coverage for compliance with executed contracts/agreements. Auditor Findings: No exceptions were noted.
	3. We reviewed change orders and other modifications to contracts/ agreements for proper approval. Auditor Findings: No exceptions were noted.



TIRZ # / Name	Agreed Upon Procedures Performed
10-Lake Houston (Report Dated April 14, 2016)	1. We reviewed certain schedules and supporting invoices submitted by the Developer in substantiation of the costs to be reimbursed. Our review included all documentation supporting items, amounts, and proof of payment for which reimbursement was requested. In addition, we reviewed all agreements provided to us relative to the reimbursement request.
	2. We verified the mathematical accuracy of engineering invoices on a test basis.
	3. We reviewed the computation of certain costs, looking for any amounts required to be paid 100% by the Developer, in accordance with the Development Agreement.
	4. We prepared a schedule to calculate interest at the interest rate of the Authority's Development Agreement.
	5. We verified that the projects were publicly bid, and reviewed the bid tabulations to identify the lowest bid on the projects.
	6. We reviewed the partial reimbursement from the City of Houston Developer Participation Contract ("DPC") on the projects, and deducted that from the amount reimbursable by the Authority.
	7. We prepared a reimbursement report for the benefit of the Authority, including the accountant's report and schedule of amounts reimbursable to the Developer, and have compared the amounts for approved costs with the actual reimbursable costs to complete the project.
	<p style="text-align: center;">Audit Results</p> <p>The Developer originally submitted a schedule for reimbursement totaling \$904,519.77, which included \$101,071.53 in developer interest, calculated at an interest rate of 4.25% through June 30, 2016. Subsequently, the City of Houston DPC amount was determined, and \$218,820.20 was deducted from the reimbursable amount. We have revised the reimbursable amount to \$653,227.70, including interest of \$68,599.66. Interest was calculated at the prime commercial rate plus 1% in accordance with the Development Agreement through April 14, 2016. The following changes were made to the Developer's original schedule:</p> <p>1. We re-calculated interest in accordance with the Development Agreement dated August 22, 2001. In that agreement, the interest rate is to be the prime commercial lending rate of Chase Bank of Texas, NA, or any successor, plus 1% per annum. That calculation resulted in a decrease of \$32,471.87.</p> <p>2. We deducted the DPC amount reimbursed by the City of Houston on the utility and engineering costs, resulting in a decrease of \$218,820.20.</p>
10-Lake Houston (Engagement Letter Dated April 14, 2016)	<p>1. We will review the Development Agreements and update the interest due on previously approved project costs.</p> <p>2. We will review for completeness certain schedules prepared by the City of Houston ("City") for developer reimbursements based on tax increments.</p> <p>3. A draft of our report will be provided to the Authority's Attorney, Bookkeeper, and the Administrator prior to a meeting of the Authority to discuss the report.</p> <p>4. We will prepare for submittal to the Board of the Authority our report detailing the costs paid and the comparison to the approved project costs.</p>

Source: Independent Auditors' Fiscal Year 2016 Agreed Upon Procedures Reports.



Construction activities are varied and complex. The risk of unauthorized, inappropriate, and inaccurate, transactions and costs are high, which is why construction audits are required in the tri-party agreement. Areas that are typically covered in a comprehensive construction audit, and could be covered in an AUP engagement, include the following:

- Existence of and compliance with construction management systems of internal controls including comprehensive policies and procedures.
- Construction project bid process and requirements.
- Project close outs (punch lists, certificates of occupancy and warranties) are conducted appropriately and documented.
- Construction budget development and monitoring process.
- Payroll reviews (billed hours, rates, labor burden rates).
- Subcontractor contracts and payments.
- MWBE/HUB requirements.
- Allowable and unallowable general conditions costs.
- Review of compliance with project management contracts.
- Adequacy and accuracy of project reporting.
- Evaluation of cost and schedule control processes.
- Payment applications, processing and administration.
- Change management/change order processes and controls.
- Contingency usage.
- Accounting systems (e.g. payroll audits, rates, cost segregation, and overhead).
- Cost segregation.

It is not the auditor's responsibility in an AUP engagement to assess the sufficiency of audit procedures to meet the needs of the TIRZ and the City. The review team noted that staff in the City's Office of Economic Development (OED) reviewed and approved the Lake Houston AUP engagement letter dated April 14, 2016. However, no City representative approved Midtown's AUP engagement letters. At best, the City's involvement in reviewing and approving AUP engagements is inconsistent. However, because construction costs are such a significant component of a TIRZ's expenditures, the City's Internal Audit Department should play an important role in reviewing AUP engagement letters to assist OED with establishing the sufficiency, nature, and purpose of audit procedures performed for construction cost AUP engagements.

RECOMMENDATION

Involve the City's Finance and/or Internal Audit Departments, as appropriate, in determining whether agreed upon procedures for construction audits are sufficient to ensure construction costs are accurate, authorized, and in compliance with applicable agreements in accordance with the City's requirements.



MANAGEMENT RESPONSE

As discussed in Finding 6, Construction Audits are performed for Developer Agreements. Independent, external auditors review the expenditures and evaluate whether the expenditures conform with the agreement between the Redevelopment Authority and the Developer and whether the expenditures are allowable by Chapter 311 and the TIRZ Project Plan. The Developer Agreement is negotiated and drafted by the TIRZ or in coordination with Economic Development and directed by the Redevelopment Authority. Costs are presented and reviewed as part of the negotiation process; cost is assessed by the TIRZ for reasonableness and if appropriate is accepted as an agreement term. The agreement establishes a maximum reimbursement and if the developer incurs higher costs than agreed, the developer absorbs the excess cost.

Economic Development will evaluate whether a construction audit will be required for all TIRZ projects. We will consult with the Finance or HPW Department as appropriate to ensure agreed upon procedures for construction audits are in accordance with the City's requirements.

TIMELINE FOR ACTION

Same timeline as defined for the Management Response to Finding No. 6.



FINDING 8

The City's methodology for calculating the municipal service charge is perceived by some TIRZs to be unfair and exempts TIRZs that have not generated \$850,000 or more of increment from paying any service charge.

Chapter 311 of the Texas Tax Code, Tax Increment Financing Act, authorizes the City to recapture a certain amount of the tax increment from a TIRZ to recover the incremental cost of providing municipal services incurred as a result of the creation of or development or redevelopment within the TIRZ. During Fiscal Year 2016, the Mayor's Office of Economic Development created a methodology for calculating how much each TIRZ should pay.

Generally, the methodology uses a compound factor of population growth and the consumer price index (CPI), which is then applied year-over-year to the base-year value to project the growth in appraised value. The population growth and CPI factors reflect those of the City because the methodology assumes that each TIRZ has grown at the same rate as the City. The difference between the base year appraised value and the projected appraised value is referred to as the captured appraised value, which is multiplied by the City's maintenance and operations rate to determine the MSC for each TIRZ. A 5 percent administrative fee and an affordable housing contribution are then deducted from the MSC to determine the amount each TIRZ owes the City. **Exhibit 3-7** presents an example of the methodology for Upper Kirby-TIRZ #19.

Exhibit 3-7
Example TIRZ MSC Calculation

	Column A					Column B	Column C	Column D	Column E	Col F	Column G
TIRZ	Base Year Value	2000	2001	2009	2010	2016	Captured Appraised Value	Cost of Services	Admin Fee	AH	Net Cost of Services
UPPER KIRBY	683,628,290.00	714,391,563	746,539,183	1,061,653,830	1,109,428,253	1,444,764,175	761,135,885	3,184,813	(159,241)	-	3,025,573
UPPER KIRBY						-					-
		adjusted annually by most recent pop and CPI					2016 value less the base value	captured appraised value x the COH M&O rate of \$.41/\$100			final fy17 cost of service
	base value	pop. 1.78% CPI 2.74%		not all years shown							

Source: MSC Calculation Worksheets Provided by Office of Economic Development, November 2016.

The reaction among the TIRZs to the City's MSC methodology is mixed. Some TIRZ personnel believe that the calculation is reasonable and applied uniformly. Others believe it does not fairly allocate costs based on relative benefit and opposed it vigorously. Still others say they don't understand the calculation and that more transparency is needed particularly about how the money is used. One board member of a TIRZ that is exempt from the MSC was not aware of the charge and had no opinion when asked. The following are anecdotal comments from various TIRZ related to the MSC:



- “It is difficult for the City to implement a MSC across the board’ and the City must look at each TIRZ separately so all can contribute.”
- “In hindsight, the MSC should have been ‘indexed’ and reflected in the TIRZ’s tax increment.”
- “There should be an equitable distribution of the MSC among all TIRZs.”
- “We use all of our increment to fund projects in our project plan; the MSC has hurt us.”
- “We need to be sure the calculation of the MSC for our TIRZ is equitable; we were crippled by the City’s assessment of the MSC and it forced us to postpone projects in the project plan.”
- “One of our challenges is how the City calculates the MSC and we would like for you to look into the calculation.”
- “We are paying less. The money saved by the reduction in the MSC will be used to pay for private law enforcement directly rather than through a fee paid to the City.”
- “We will be paying the MSC charge as well as the 5 percent administrative fee, but we are unsure about what we are getting for the money.”
- “We have no complaint about the concept of the fee or the amount.”
- “The recent move to a methodology has been positive and fairer than just picking a number like it used to be.”
- “The methodology is not understood, would prefer to see a formula that includes weighted average based on incremental value of cost to service.”
- “Calculation can result in an inequitable impact on increment revenue.”
- “A fee should be adequately defined, measurable and equitably assessed.”
- “A Zone should not pay for the same service twice.”
- I have not seen the actual methodology to calculate the 2.3 million fee imposed on the TIRZ. I believe it is based on population increases.
- “I would like to know how expenditures for police have directly increased within this TIRZ since our creation.”
- “Although we can make this payment this year it will be extremely difficult for us to continue this payment in subsequent years.”

The MSC methodology applies a compound factor to project the growth in property value rather than using each TIRZ’s actual growth in property values. The projected amount is designed to limit the growth rate to the City’s growth rate.



Actual property values in all TIRZ combined increased \$21.7 billion, or 180 percent, from the base year to Tax Year 2015. Uptown had the greatest increase in actual property value of approximately \$4.8 billion.

The rationale for using projected rather than actual property growth rates is that the City desired to equalize economic growth across all TIRZ to reflect the City's growth rather than specific TIRZ growth. The City did not wish to "penalize" those TIRZs that exceeded the economic growth of the City. Therefore, property values were estimated using overall city growth rates. In assessing the MSC, the City sought to ensure that the MSC would not adversely impact the TIRZs' ability to sell or service debt negatively affect their capital improvement programs other than the need to reschedule or delay projects.

Exhibit 3-8 compares each TIRZ's proportionate share of the actual increase in property value to its proportionate share of the 2017 MSC. TIRZ with shares of property value increases of less than 1 percent are not shown.

Exhibit 3-8
Comparison of Proportionate Share of Property Value Increase from Inception
to Proportionate Share of 2017 MSC (Amounts in Millions)

TIRZ# / Name	Base Year Value	Current Year Property Value TY 2015	Increase in Property Value	Percentage Increase in Property Value	Percentage of 2017 MSC
16. Uptown	\$1,965	\$6,800	\$4,835	22%	25%
17. Memorial City	\$512	\$2,905	\$2,393	11%	10%
3. Downtown	\$243	\$2,478	\$2,235	10%	5%
19. Upper Kirby	\$684	\$2,682	\$1,998	9%	14%
2. Midtown	\$212	\$1,716	\$1,504	7%	4%
7. OST / Almeda	\$178	\$1,453	\$1,275	6%	4%
20. Southwest Houston	\$979	\$2,219	\$1,240	6%	16%
24. Greater Houston	\$2,622	\$3,555	\$933	4%	0%
10. Lake Houston	\$189	\$968	\$779	4%	1%
11. Greater Greenspoint	\$533	\$1,233	\$700	3%	12%
5. Memorial Heights	\$68	\$704	\$636	3%	1%
14. Fourth Ward	\$34	\$470	\$436	2%	0%
15. East Downtown	\$121	\$459	\$338	2%	1%
1. St George Place//Lamar Terrace	\$27	\$313	\$286	1%	1%
13. Old Sixth Ward	\$106	\$344	\$238	1%	1%
8. Gulfgate	\$1,087	\$1,282	\$195	1%	2%
Other TIRZ <1 % of Total	\$2,501	\$4,134	\$1,633	<1%	<1%
Total	\$12,061	\$33,715	\$21,654	100%	

Source: Property Values-Fiscal Year 2017 TIRZ Budgets; MSC Percentages-Office of Economic Development MSC Calculation Spreadsheet.



Exempting a TIRZ from paying any MSC is perceived by some as unfair. The City will review increment levels and make the MSC evaluation each year. TIRZs that were exempted in prior years will contribute during years when their increment meets or exceeds the \$850,000 threshold.

In accordance with the recommendations of a financial advisor with expertise in tax increment municipal finance, the City assessed the financial stability of each TIRZ based on its ability to service a \$10M debt instrument. Assuming variables such as interest rate, TIRZ bond/debt rating, life and increment of the TIRZ, and length of debt instrument, the City exempted TIRZs that generate less than \$850,000 in annual increment from contributing MSC to the City in FY 2017. **Exhibit 3-9** presents TIRZs exempted from the Fiscal Year 2017 MSC.

Exhibit 3-9
TIRZs Exempted from the Fiscal Year 2017 MSC

No.	TIRZ	Base Year Value	TY16 Taxable Value at 4.5% Cap	Increment	Cost of Services	5% Admin Fee	Affordable Housing	Net Cost of Services
8	GULFGATE AREA	1,087,436,470	1,215,064,135	127,627,665	534,031	(26,702)	-	507,330
9	SOUTH POST OAK AREA	103,783,738	108,471,156	4,687,418	19,614	(981)	(6,538)	12,095
12	CITY PARK	2,410,450	5,323,428	2,912,978	12,189	(609)	-	11,579
13	OLD SIXTH WARD	106,398,121	161,775,398	55,377,277	231,715	(11,586)	(77,238)	142,891
18	FIFTH WARD	123,255,979	160,987,083	37,731,104	157,878	(7,894)	(52,626)	97,358
21	HARDY PLACE	40,313,080	71,442,683	31,129,603	130,255	(6,513)	(43,418)	80,324
22	LELAND WOODS	730,340	1,294,306	563,966	2,360	(118)	-	2,242
23	HARRISBURG	332,125,839	413,889,222	81,763,383	342,122	(17,106)	-	325,016
24	GREATER HOUSTON	2,677,688,620	3,184,976,700	-	-	-	-	-
25	HIRAM CLARKE FORT BEND	232,463,210	265,279,141	32,815,931	137,311	(6,866)	-	130,446
26	SUNNYSIDE	200,180,051	209,188,153	9,008,102	37,693	(1,885)	-	35,808
27	MONTROSE	1,198,972,760	1,252,926,534	53,953,774	225,758	(11,288)	-	214,470
Grand Total		6,105,758,658	7,050,617,938	437,571,200	1,830,925	(91,546)	(179,820)	1,559,558

Source: MSC Calculation Worksheets Provided by Office of Economic Development, November 2016

TIRZs benefit from City services and should contribute something towards the costs of such services. To balance the principle of shared sacrifice with the City's desire not to overburden TIRZs with relatively small increments, contributions for such TIRZs could be calculated on a sliding scale. Currently, TIRZs contribute nothing if they generate less than \$850,000 in increment. An example of a sliding scale would be to calculate the increment as a percentage of \$850,000 then applying the percentage to the MSC to determine the contribution amount. For example, if a TIRZ generated only \$475,000 in increment, it would only pay 50 percent of its MSC. The City could further reduce the contribution on a case-by-case after considering extenuating circumstances, which would be assessed and documented before a lower contribution amount is approved.

Exhibit 3-10 on the following page presents the performance audit team's suggested sliding scale calculation developed by the performance audit team for TIRZs exempted from the Fiscal 2017 MSC.



Exhibit 3-10
Sliding Scale Calculation for TIRZs
Exempted from Fiscal Year 2017 MSC

TIRZ No.	TIRZ Name	Net Cost of Services	Increment	Percentage of Increment to \$850,000 Limit	Suggested MSC Contribution*
8	Gulfgate Area	\$507,330	\$503,428	59.23%	\$300,475
9	South Post Oak Area	\$12,095	\$412,319	48.51%	\$5,867
12	City Park	\$11,579	\$395,019	46.47%	\$5,381
13	Old Sixth Ward	\$142,891	\$849,344	99.92%	\$142,780
18	Fifth Ward	\$97,358	\$234,034	27.53%	\$26,806
21	Hardy Place	\$80,324	\$161,414	18.99%	\$15,253
22	Leland Woods	\$2,242	\$34,436	4.05%	\$91
23	Harrisburg	\$325,016	\$86,235	10.15%	\$32,974
24	Greater Houston	\$0	\$0	0.00%	\$0
25	Hiram Clarke Fort Bend	\$130,446	\$31,271	3.68%	\$4,799
26	Sunnyside	\$35,808	\$0	0.00%	\$0
27	Montrose	\$214,470	\$0	0.00%	\$0
	Grand Total	\$1,559,558	\$2,707,500		\$534,427

Source: MSC Calculation Worksheets Provided by Office of Economic Development.

*Can be further reduced based on extenuating circumstances on a case-by-case basis.

RECOMMENDATION

Adopt a sliding scale MSC contribution for TIRZs that generate less than \$850,000 of increment to ensure that all TIRZs pay a share of the MSC for increased City services.

MANAGEMENT RESPONSE

We do not support the audit conclusion that the municipal service charge is unfair. The calculation for the municipal service charge is the same for each TIRZ; TIRZs that have not generated \$850,000 or more of increment are exempt. We will continue to review the municipal service charge and consider a “sliding scale” approach for TIRZs that generate less than \$850k in annual revenue.

TIMELINE FOR ACTION

Following the FY19 TIRZ budget approval cycle but no later than Dec. 31, 2018

**FINDING 9**

The City has no formal process to evaluate the performance of individual TIRZs and communicate the results to stakeholders.

Each TIRZ is the product of unique circumstances with unique goals and characteristics. TIRZs have different project plans, start and end dates, budgets, revenues, community expectations, and boundary size. Even though each TIRZ is unique, there is no comparison of the performance of one TIRZ to another over a range of time, benchmarks and time lines, and to assess, identify, and compare strengths and weaknesses.

To reach the goals identified in the City's TIRZ policy and Texas Transportation Code 311 and to ensure local government accountability, the City and stakeholders should measure the benefits of projects receiving economic development incentives against the cost of the public expenditure, or willingness to forgo future revenue. The question becomes, "how efficiently and effectively is an individual TIRZ performing in comparison to its project plan, and in comparison to other TIRZ?" This idea also includes making comparisons between TIRZs and comparing progress and achievement of expressed goals, missions, and objectives towards the original and modified project plan. The objective of a comparison is to provide each TIRZ with constructive feedback on performance.

In the Analytical Overview section of this report, Exhibit 2-14, the performance audit team evaluated the cost benefit and efficiency of each TIRZ as well as whether the TIRZ was fulfilling its purpose and if its project plan was on track in relation to its age. The performance management system recommended in this finding would incorporate these types of analyses for each TIRZ. The results of the performance audit team's evaluation are summarized in **Exhibit 3-11** below.

Exhibit 3-11
Overview of Benefits, Efficiency, Purpose, and Progress

TIRZ NUMBER / NAME	BENEFITS EXCEED COST?	EFFICIENCY RATIO LOWER THAN BENCHMARK?	FULFILLING CREATION PURPOSE?	AGE//PROJECT PLAN STATUS BELOW BENCHMARK
1. St George Place / Lamar Terrace	Yes	No	Yes	Yes
2. Midtown	Yes	Yes	Yes	Yes
3. Main Square / Market Square	Yes	Yes	Yes	Yes
4. Village Enclaves	Yes (Note A)	N/A	Yes (Note A)	N/A
5. Memorial Heights	Yes	Yes	Yes	Note J
6. Eastside	Note B	Yes	Yes	Yes
7. OST / Almeda	Yes	Yes	Yes	Yes
8. Gulfgate	Yes	Yes	Yes	Note J
9. South Post Oak	Yes	Yes	Yes	Note J
10. Lake Houston	Yes	Yes	Yes	Yes



TIRZ NUMBER / NAME	BENEFITS EXCEED COST?	EFFICIENCY RATIO LOWER THAN BENCHMARK?	FULFILLING CREATION PURPOSE?	AGE//PROJECT PLAN STATUS BELOW BENCHMARK
11. Greater Greenspoint	Yes	Yes	Yes	Note J
12. City Park	Yes	Yes	No (Note C)	Yes
13. Old Sixth Ward	Yes	No	Yes	Note J
14. Fourth Ward	Yes	No	No (Note D)	Note J
15. East Downtown	Yes	Yes	Yes	Note J
16. Uptown	Yes	Yes	Yes	Note J
17. Memorial City	Yes	Yes	Yes	Yes
18. Fifth Ward	Yes	No	Yes	Note J
19. Upper Kirby	Yes	Yes	Yes	Yes
20. Southwest Houston	Yes	Yes	Yes	Yes
21. Hardy / Near Northside	Yes	No	Yes	Note J
22. Leland Woods	Yes	No	Yes	Note J
23. Harrisburg	Note E	Note I	Note E	Yes
24. Greater Houston	Note F	Note I	Note F	Note J
25. Hiram Clarke / Ft. Bend Houston	Note G	Note I	Note G	Note G
26. Sunnyside	Note H	Note I	Note H	Note H
27. Montrose	Note H	Note I	Note H	Note H

Note A: Village Enclaves terminated December 2013 after fulfilling the purpose for which it was created.

Note B: A final evaluation of cost versus benefit for Eastside will depend upon whether increment growth continues to be sluggish or becomes more vigorous to allow for faster liquidation of the outstanding debt, which would reduce interest costs.

Note C: City Park has not met the objectives and purpose for which it was created because its tax increment is primarily used to fund debt repayments to developers and not the project plan.

Note D: Fourth Ward has not met the objectives and purpose for which it was created because the goals of residential development and reconstruction of streets have not been fully met.

Note E: The City created the Harrisburg TIRZ in 2011; no projects have begun. As of the date of this report, there is insufficient information available to determine whether the benefit provided by the TIRZ meets or exceeds its cost to the City or to evaluate whether the TIRZ is on track to meeting the purpose for which it was created.

Note F: The City created Greater Houston in 2012. Although property values have increased 36 percent over the base year value, the TIRZ has not incurred any project costs. As such, there is insufficient information available to evaluate whether the TIRZ is fulfilling the purpose for which it was created or whether the benefit the TIRZ provides to the City outweighs its costs.

Note G: The City created the Hiram Clarke/ Ft. Bend TIRZ in 2013. No audited financial statements were available for the Hiram Clarke / Ft. Bend Houston TIRZ as of June 30, 2016, and no project costs have been incurred. Accordingly, there is insufficient information to determine whether the benefit provided by the Zone exceeds its cost or whether the TIRZ is on track to fulfilling its purpose.

Note H: The City created the Sunnyside and Montrose TIRZs in 2015. Accordingly, there is insufficient information to determine whether the benefit provided by the TIRZs exceeds their cost or whether they are on track to fulfilling their purpose.

Note I: These TIRZs do not have audited financial statements. Therefore, information is not available to evaluate their efficiency based on the adopted benchmark standard.

Note J: See Question #9 in the Analytical Overview section of this report for an in-depth discussion of the age/project plan status for these TIRZs.

The primary stakeholders of these kind of analyses would be citizens, community groups, businesses, and investors within the boundaries of the TIRZ and perhaps adjacent to the TIRZ, which may be directly or indirectly affected by its development. Stakeholder input can occur at



any other point after project activities begin. The idea here would be that a formal process for performance measurement would require their input on an established periodic basis.

While there is no single best method for conducting analysis, and it is impossible to predict all impacts a project will have on a community, providing a thorough and rigorous analysis of each project is critical for the purposes of government accountability and long-term revenue impact. Responsible use of public funding requires that funded projects provide a suitable return for the jurisdiction, are consistent with overall community goals and priorities, and require that investments are made in a transparent manner with full understanding of all short- and long-term costs and benefits. A performance management framework should be uniform across all TIRZ with consideration given to uniqueness where appropriate. Some of the quantifiable elements of the performance evaluation should include the following:

1. Comparison of Project Plan Cost – Budget to Actual – Annual Percentage of Budget to Actual
2. Comparison of TIRZ Life to Useful Life Expended
3. Base Year Property Value to Current Year Taxable Property Value
4. Property Value Percentage Increase Over Base Year Property Value
5. Incremental Average Annual Growth Rate from Inception to Current Period
6. Percentage of Total Annual Revenues to Expenses
7. Comparison of Administrative Cost Ratios
8. Percentage of Annual Fees (Administrative, Additional Services and MSC) to Total Annual Expenses
9. Percentage of Total Actual Cost to Date in Comparison to Total Projected Cost (Project Plan)

Some of the qualitative goals should deal with community and public perceptions of the TIRZ's project plan performance based upon market studies of affected areas. Consequently, formal market surveys and community feedback are important to this process.

RECOMMENDATION

Develop a performance management system to compare and report individual TIRZ performance to stakeholders and particularly TIRZ governance and management, and implement a process for conducting annual survey's and market studies to support the performance management system.

The plan to gather stakeholder input could be done through the conduct of: 1) market surveys of affected stakeholders; 2) conducting a polling/feedback via TIRZ websites from a link to the City's Economic Development Department; 3) open attendance at TIRZ board meetings providing a document (survey sheet) to receive stakeholder feedback; and, 4) community or



town hall meetings on quarterly, bi-annual or annual basis. The results of these studies should be provided to the ED for review and evaluation.

MANAGEMENT RESPONSE

Annually Economic Development presents each TIRZ budget to City Council for approval. At that time, we review the prior year's performance.

TIMELINE FOR ACTION

End of FY18.



FINDING 10

The City has not specifically required TIRZ to develop and document administrative and operating policies and procedures, and there has been no formal review of the adequacy of existing TIRZ policies and procedures.

Several TIRZs have developed written Operations and Procedures Policies. As an example, one TIRZ's procedures manual outlines general procedures for administrative activities (*board meetings, board packets, board preparation, invoices, deposits and transfers, investment reporting, bond payments, increment payments, open records request, annual audit, budget preparation, website*) and project management (*CIP projections and preparation, financial documents, projects, contracts, developer agreements*).

The City adopted Administrative Procedure A.P. 2-10. City Nonprofit and Local Government Corporations. The document's purpose is, *"To establish uniform procedures for the creation of a Corporation, as well as procedures for the operation of any such entity including, but not limited to submission, of financial and other reports to the City by the Corporation."*

Communication is an essential component of a comprehensive framework of internal controls. One method of communication that is particularly effective for controls over accounting and financial reporting is the formal documentation of administrative operating policies and procedures. A well-designed and properly maintained system of documenting operating policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for TIRZ staff.

Prudent management of public funds requires that there be adequate control procedures in place to protect those funds. The only effective means of demonstrating the existence of such procedures is to document them in writing, typically in a policies and procedures manual.

A sound framework of internal control is necessary to afford a reasonable basis for TIRZ administrative and fiscal staff or outside operational contract staff to assert that the information they provide can be relied upon.

While a TIRZ's independent auditors and similar outside parties often provide valuable assistance to management in meeting its internal-control-related responsibilities, an auditor's contribution can never be a substitute for management's direct and informed involvement with the organization's system of internal control.

Given the City's responsibility for TIRZs, it is more than appropriate for the City to ensure that the TIRZs boards, and/or RDAs who report to them fulfill their responsibilities in implementing and maintaining a sound and comprehensive framework of internal control.

An appropriate level of management to emphasize their importance and authority should promulgate operating policies and procedures. The documentation of operating policies and procedures should be evaluated annually and updated periodically, no less than once every



three years, according to a predetermined schedule. Changes in policies and procedures that occur between these periodic reviews should be updated in the documentation promptly as they occur. A specific employee should be assigned the duty of overseeing this process. TIRZ management is responsible for ensuring that this duty is performed consistently.

The documentation of operating policies and procedures should be readily available to all employees who need it. It should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. Likewise, the documentation of operating policies and procedures should indicate which employees are to perform which procedures. Procedures should be described as they are actually intended to be performed rather than in some idealized form. Also, the documentation of operating policies and procedures should explain the design and purpose of control related procedures to increase employee understanding of and support for controls.

The City should evaluate each TIRZs operating policies and procedures for adequacy and for compliance with A.P. 2-10. To assist TIRZs in developing this document, or upgrading their existing documents to ensure compliance, a template should be developed by the City and provided to each TIRZ. Any updates necessary thereafter, should be reviewed by the City for adequacy. Thanks to advances in technology, even more effective methods are now also available for this purpose.

RECOMMENDATION

Require each TIRZ to document its operating policies and procedures in an administrative operating policies and procedures manual.

The City should provide the template for the manual, identifying the minimum requirements and even provide an example of what is considered an adequately designed manual. Once the manual is developed and implemented a copy should be provided to the City along with amendments or modifications that may occur from time to time. There should be an expectation that the independent auditors of the TIRZ in the conduct of annual audits would perform risk assessments of the TIRZ administrative operating policies and procedures and to perhaps test for adequacy, implementation and compliance.

MANAGEMENT RESPONSE

Staff will create a standard template for an administrative operating policies and procedures and distribute it to the TIRZs to review, customize and adopt and implement.

TIMELINE FOR ACTION

January 1, 2019



FINDING 11

The City lacks a forum where TIRZ leadership and staff can meet periodically to discuss and share ideas, common issues, challenges, solutions, and best practices.

An annual conference with appropriate workshops and opportunities for TIRZ personnel to dialogue and share information could strengthen the City's TIRZ program. Such meetings could be particularly helpful during and after the 2017 legislative session where the future of TIRZs will likely be on the legislative agenda.

Management districts have already set a precedent for meetings and workshops of this type. In August 2013, the Houston Downtown Management District hosted an event entitled: Management District Best Practices Workshop. The event was held from 7:30am to 1:00pm and included registration, a continental breakfast, and time for networking. After welcome and introductions, four panel discussions were held covering the topics below. Panelists consisted of representatives of various management districts:

Panel #1-Marketing/Public Relations

- Creation of district brand identity
- Identity of geographic sub-areas
- Communication of the role of district to the public
- Rebuttal of challenging issues such as crime, parking, traffic, panhandling,
- Homeless activity
- Role of programming & special events

Panel #2-Operations/Capital Projects

- Funding increasing maintenance costs
- Experience with using federal funds
- Coordination between District & related TIRZ in funding/managing capital
- Projects and ongoing maintenance
- Street/pedestrian lighting pros & cons
- Role in providing public safety, is it growing?
- Biggest operations challenges

Panel #3-Retail/Residential/Business Development Programs

- What Incentive Programs do you offer?
- Success stories, wish I could do more of this.
- Funding source for Incentive Programs.
- What new programs are being considered & is your area of focus attracting residential, retail, business or everything?



- Design standards, how can we enforce, hold firm, offer alternatives to achieve the desired outcome?
- Managing major relocations, e.g. ExxonMobil move

Panel #4-Collaboration

- How can we leverage our resources in areas of common goals?
- How can we improve neighborhood connections?
- Working with the City of Houston.
- What types of data/research are we willing to share (Quiet Revolution Report)?
- How do you handle records retention/public information requests?
- Legislative developments that impact the Districts.

To encourage networking during the lunch session, participants were seated together according to interest and specialty such as public safety & maintenance operations, planning/capital projects, economic development, marketing/public relations, finance/administration, and leadership/boards.

In 2014, 2015, and 2016 management districts have hosted chief financial officer/chief operating officer meetings to discuss budgeting, maintenance, operations and facilities. In 2016, the Greater East End Management District hosted the meeting. One idea offered as a topic of discussion was how to work with City departments more effectively and collaboratively. An annual event could be another tool the City uses to accomplish this goal. City representatives attending such an event could discuss, in detail, changes in City processes that affect the TIRZs. One board member we interviewed cited changes in processes related to capital improvement projects and Minority Women Black Enterprise (MWBE) reporting as examples. Other helpful topics could include the following:

- Feasibility of standardizing contracts such as developer agreements that are common to all TIRZs. This would streamline contract administration as well as reduce legal fees.
- Street construction best practices and strategies for utility pole removal and relocation, signage approaches, private property owner easements, and street amenities.
- Sharing ideas on website design and content.

Involving TIRZ staff and board members to assist with planning, organizing, and executing an annual workshop event would relieve the City of the entire burden of organizing the function. TIRZs could also share in the cost of the event.



RECOMMENDATION

Partner with TIRZs to host an annual workshop where TIRZ leadership and staff can convene to discuss issues of common concern, learn and share best practices, and engage City representatives about City policies and practices that impact TIRZ operations.

MANAGEMENT RESPONSE

Further review and consideration is required. Informally, TIRZ leadership and staff interact by attending different TIRZ meetings or visiting with other TIRZs board members and staff outside of the meeting process to discuss challenges and best practices. We will evaluate a more structured opportunity to share ideas. We agree that board member trainings hosted or facilitated by the City may facilitate more cross TIRZ relationships that lead to the sharing of best practices and efficiencies in project implementation.

TIMELINE FOR ACTION

July 1, 2019

**FINDING 12**

Some TIRZs do not perform demographic studies and needs assessments to identify the evolving needs and desires of their community and to update their project and financing plans.

Several TIRZs have performed various studies such as a TIRZ 8 Regional study, TIRZ 10 Mobility study, TIRZ 16 study conducted by the Houston-Galveston Area Council, TIRZ 17 drainage study, and a TIRZ 18 Community Development Study. A needs assessment is a systematic process for determining and addressing needs, or gaps between current conditions and wants and needs. A needs assessment is part of the planning process and can be used by a TIRZ to develop and amend project plans, as necessary. There is evidence that the TIRZs consult with the Economic Feasibility study conducted by the City of Houston, which provides market demand data prior to the development of project plans and amendments. However, as TIRZs develop, grow, and meet their objectives, they continue to attract new residents whose current needs may not be reflected in the original project plans. Our audit work revealed no evidence that TIRZs consult with or perform new demographic studies or assessments on a regular basis or prior to major changes in project plans.

Presently, no TIRZ conducts regular formal assessments to determine evolving population needs. Due to budget limitations, some TIRZs prefer to use informal methods to determine the needs of its citizens. For example, Memorial City TIRZ #17 consults with Houston Parks and Recreation Department (HPARD) district studies, neighborhood associations, citizen groups, mayor and council members, and city planning documents. Memorial Heights TIRZ #5 and Mainstreet/Market Square TIRZ #3, leverage information provided by other agencies. Although Midtown TIRZ #2 does not conduct formal studies, it reviews census data and obtains community input through alternative means. These strategies are efficient and cost effective and could be adopted by other TIRZs who have not performed any studies to support updates to their project plan perhaps because of lack of increment and other resources.

Exhibit 3-12 provides a list of the TIRZs and the year of their most recent demographic study. TIRZ marked N/A were deemed too recent to be included in the analysis.

Exhibit 3-12
Recent TIRZ Demographic Studies

TIRZ Number	TIRZ Name	Project Plan Date (Most Recent)	Demographic Study/Needs Assessment Performed Since Original Project Plan
1	St. George Place/Lamar Terrace	11/2015	No additional studies performed
2	Midtown	02/2015	Has not performed formal demographic studies. However, reviews latest census data; obtains community input and feedback through surveys and attendance at community events; and community stakeholders attend committee meetings to provide input.



TIRZ Number	TIRZ Name	Project Plan Date (Most Recent)	Demographic Study/Needs Assessment Performed Since Original Project Plan
3	Mainstreet/Market Square	11/2011	No additional demographic studies are performed. However, the TIRZ uses downtown demographic research conducted by Central Houston and the Downtown District to keep it informed of who is downtown and what they are doing. For example, in 2016, Central Houston and the Downtown District issued, <i>Downtown At A Glance</i> , a publication providing a variety of demographics information as well as facts about downtown living, the office market, employment, transit, hotels, restaurants, retail, culture, and entertainment.
4	Village Enclaves	Terminated 12/2013	Terminated 12/2013
5	Memorial Heights	10/2015	Due to limited increment, has made decision not to spend money on demographic studies. Alternatively, the TIRZ: <ul style="list-style-type: none"> reviews relevant HPARD park district studies, which include demographic data; obtains guidance from the mayor's office and council members who stay in close touch with their constituents and their needs; reviews area planning documents and citywide planning documents (largely mobility studies, the bike plan, and the park master plan); contact with relevant super neighborhoods, neighborhood associations, and other area citizen groups; guidance from City departments such as Public Works and Engineering, and HPARD on infrastructure condition and needs; and input from board members, especially those who live in or near the zone.
6	Eastside	N/A-School Built in 2000	N/A-School built in 2000
7	OST/Almeda	06/2013	No additional studies performed
8	Gulfgate	11/2014	No additional studies performed
9	South Post Oak	08/2009	No additional studies performed
10	Lake Houston	10/2013	No additional studies performed
11	Greater Greenspoint	12/2015	No additional studies performed
12	City Park	12/2014	No additional studies performed
13	Old Sixty Ward	01/2012	No additional studies performed
14	Fourth Ward	06/2013	No additional studies performed
15	East Downtown	11/2010	No additional studies performed
16	Uptown	02/2013	No additional studies performed
17	Memorial City	11/2014	No additional studies performed. Consults HPARD district studies, neighborhood associations, citizen groups, mayor and council members, and city



TIRZ Number	TIRZ Name	Project Plan Date (Most Recent)	Demographic Study/Needs Assessment Performed Since Original Project Plan
			planning documents
18	Fifth Ward	10/2015	No additional studies performed.
19	Upper Kirby	10/2015	No additional studies performed.
20	Southwest Houston	12/2016	No additional studies performed.
21	Hardy / Near Northside	09/2012	No additional studies performed.
22	Leland Woods	01/2007	No additional studies performed
23	Harrisburg	01/2013	N/A
24	Greater Houston	06/2014	N/A
25	Hiram Clarke / Fort Bend	06/2014	N/A
26	Sunnyside	N/A	N/A
27	Montrose	N/A	N/A

Source: Interviews and TIRZ project plans retrieved from the City of Houston's Economic Development Office website on audit fieldwork date.

All TIRZs received input from stakeholders as required by the Tri-Party agreement with regards to project and finance plan creation and amendments and annexation to the TIRZ; however, there was no evidence that demographic or needs assessments were performed when the TIRZs made amendments to the project and financing plan or annexation to the zone. The Tri-party agreements contain the following clause:

"Services With Respect to the Project Plan and Financing Plan, Annexations to the Zone, and Amendments to the Project Plan and Financing Plan: The Authority will meet with and receive input from property owners, the public, lenders, the School District, the County, the City, the Zone Board, and other public and private entities with respect to the preparation of any amendments to the Project Plan..."

Zones experiencing high growth may prefer to conduct studies more regularly or as deemed necessary. TIRZ could perform their own studies using resources from other city and community agencies or obtain information from the community through surveys, direct engagement, and input at board meetings.

RECOMMENDATION

Encourage TIRZs to review the changing demographics of their communities and perform demographic studies and needs assessments as necessary to support changes to their project and financing plans.



MANAGEMENT RESPONSE

Not all TIRZs conduct demographic studies and needs assessments directly, but they may access and utilize formal studies conducted by the City and/or other agencies. Livable Centers studies, Regional Plans for example, are incorporated into TIRZ Capital Improvement Plans.

Demographic data will be compiled through the City's Planning and Development Department and provided to TIRZs every five years. The TIRZs priorities are established in coordination with the HPW department and are therefore exposed to the needs of the community as prioritized by the City.

TIMELINE FOR ACTION

We will coordinate with P&D to provide the TIRZs a demographic report for its geography. We will set a target to distribute by end of December 2018.

**FINDING 13**

Thirteen of the 26 active TIRZs do not have websites, and several others have websites that are not updated or lack sufficient development and content to be useful sources of information for the education of the community.

There are 26 active TIRZs in Houston. One, Eastside TIRZ No. 6, was created primarily to construct a school in the Houston Independent School District (HISD) and is not counted among the 13 TIRZs shown in **Exhibit in 3-13** that do not have a website.

**Exhibit 3-13
TIRZs Without a Website**

TIRZ Number	TIRZ Name
5	Memorial Heights
8	Gulfgate
9	South Post Oak
10	Lake Houston
12	City Park
15	East Downtown
21	Hardy / Near Northside
22	Leland Woods
23	Harrisburg
24	Greater Houston
25	Hiram Clarke / Fort Bend
26	Sunnyside*
27	Montrose*

Source: http://www.houstontx.gov/ecodev/tirz_info.html

*Created in Fiscal 2016.

A well-developed website includes information designed to inform and educate the public about what the TIRZ is and does and enhances the public's understanding of the City's TIRZ program. Websites provide an excellent platform to communicate relevant information to the public in general and TIRZ residents in particular. Without a well-developed, informative website, TIRZs miss an opportunity to communicate to the public effectively and provide relevant information that is critical to the enhancement of the public's perception of TIRZs. For example, websites provide a medium for the TIRZs to communicate to the public, its residents, and the business community a calendar of events that would include current and upcoming board, community, and public meetings.

Other TIRZs have websites that are underdeveloped, antiquated, or lack the transparency necessary to promote public confidence and trust. For example, the website for TIRZ No. 1 St. George Place / Lamar Terrace is fairly well developed and has relevant topics such as "About",



“Accountability”, “Board Books”, “Minutes”, “Agendas”, “News,” and “Contact.” However, the site has not been updated since November 2015.

TIRZ No. 13 Old Sixth Ward’s website has not been updated since February 2014, which was the last year board minutes and the budget were posted. TIRZ No. 16 Uptown’s website has not been updated with audited financial statements since Fiscal Year 2015, and TIRZ No. 14 Fourth Ward’s website lacks the following useful information:

- Current Board of Directors' names and contact information
- Board Meeting Agendas
- Board Meeting Minutes
- Audited Financial Statements for a minimum of the past three (3) years
- Summary Project Plan and Timeline information for a minimum of five (5) years

Effective website development and enhancement allows for greater transparency that can facilitate collaboration within the community and allow TIRZ residents to partner with and support the TIRZ’s vision. A well-developed website can also serve as an educational tool and platform that houses information regarding basic investment TIRZ concepts, accomplishments, and benefits to the community resulting from projects completed successfully.

The Midtown Redevelopment Authority, TIRZ No.2 is one of the more mature TIRZs and has a well-developed website that features the board of directors, events, audited financial statements, board agendas, board minutes, project plans by area within the zone, and a newsroom with press releases. The Downtown Development Authority TIRZ No. 3, Memorial City Redevelopment Authority, TIRZ No. 17, and Southwest Houston Redevelopment Authority, TIRZ No. 20 also maintain best practice websites that are examples of exemplary, well-developed and maintained websites that other TIRZs should emulate.

Exhibit 3-14 summarizes website content for active TIRZs that currently have websites.

Exhibit 3-14
Summary of Website Content

TIRZ #	Name	Board of Directors	Events	Budgets	Audited Financial Statements	Board Agendas	Board Minutes	Projects	Newsroom
1	St. George Place/Lamar Terrace	X	X			X	X	X	X
2	Midtown	X	X	X	X	X	X	X	X
3	Main Street/Market Square	X	X					X	
7	OST/Almeda	X	X		X			X	X
11	Greater Greenspoint	X						X	X
13	Old Sixth Ward	X		X			X	X	



TIRZ #	Name	Board of Directors	Events	Budgets	Audited Financial Statements	Board Agendas	Board Minutes	Projects	Newsroom
14	Fourth Ward								
16	Uptown	X	X		X				X
17	Memorial City	X	X	X	X	X	X	X	X
18	Fifth Ward	X						X	X
19	Upper Kirby							X	X
20	Southwest Houston	X	X	X	X	X	X	X	X

Source: http://www.houstontx.gov/ecodev/tirz_info.html

Based on discussions with a local website developer, current, antiquated websites can be enhanced and revamped for less than \$10,000, while the development of new websites for TIRZs that currently do not have one can range from \$15,000 to \$20,000.

RECOMMENDATION

Provide standards for TIRZ websites and encourage their development with minimum information requirements, such as board of directors' names and contact information, board agendas, board minutes, creation ordinance, events, audited financial statements, project plans, project pictures, calendar of events, and other information to educate the public about the nature, history, projects, and current operations of the TIRZs.

MANAGEMENT RESPONSE

Economic Development maintains a website that includes the following documents for all TIRZs: creation, project plan, project plan amendments, meeting agendas, the last 4 budget ordinances, tri-party agreement, and interlocal agreements where applicable. The information is current and links to the separate TIRZs websites.

For those that have the resources and ongoing activity to warrant a site, we will work with the TIRZs to develop standard web content.

The TIRZs that have limited capital projects do not have a website. We will review whether we can host more information on the City's Economic Development website for those TIRZs.

TIMELINE FOR ACTION

None

**FINDING 14****Opportunities to leverage tax increment dollars through grant funding are not being sought by all TIRZs.**

Grant funding could be a means for eligible TIRZ to leverage tax increment dollars. For example Midtown TIRZ#2 and Memorial Heights TIRZ #5 have sought grant funds to support their purpose and project plan. Both contracted with a grant consultant to provide grant application and support services. The Midtown TIRZ#2 contract provides that the grant consultant will provide oversight of federal/state funded capital program, management of future and approved grants and projects, compliance with federal procurement/compliance requirements, design and construction phase support services, program coordination, and pursuit of funding services.

Thirteen of the active TIRZs are currently not pursuing grant funding. The rationale for not seeking these funds varies among the TIRZs. In some instances, TIRZ may not be eligible. However, to the extent possible, each TIRZ should seek to create and/or develop programs that would qualify them to seek out federal and state grants to support their project plan. **Exhibit 3-15** presents the TIRZs that are not currently seeking grant funding and the rationale for not doing so.

Exhibit 3-15
TIRZs Not Pursuing Grants

TIRZ No.	TIRZ Name	Rationale
1	St. George Place	Residential TIRZ that will not qualify for Federal Transportation or Economic Development Programs.
8	Gulfgate	Single project TIRZ that was created for one purpose.
9	South Post Oak	Solely residential TIRZ that was created for affordable housing.
12	City Park	Has future plans to investigate the potential of receiving alternative financing through state and federal grants.
14	Fourth Ward	Has future plans to investigate the potential of receiving alternative financing through state and federal grants.
15	East Downtown	Has future plans to investigate the potential of receiving alternative financing through state and federal grants.
18	Fifth Ward	Residential TIRZ that will not qualify for Federal Transportation or Economic Development Programs.
22	Leland Woods	Solely residential TIRZ that was created for affordable housing.
23	Harrisburg	Too new to assess or evaluate whether alternative financing through state and federal grants may be available to the TIRZ.
24	Greater Houston	Too new to assess or evaluate whether alternative financing through state and federal grants may be available to the TIRZ.
25	Hiram Clarke / Ft. Bend Houston	Too new to assess or evaluate whether alternative financing through state and federal grants may be available to the TIRZ.



TIRZ No.	TIRZ Name	Rationale
26	Sunnyside	Too new to assess or evaluate whether alternative financing through state and federal grants may be available to the TIRZ.
27	Montrose	Too new to assess or evaluate whether alternative financing through state and federal grants may be available to the TIRZ.

Source: Performance audit team Interviews.

TIRZ that do not have the resources to contract with a grant consultant, or to seek grant funds on their own, may wish to pool resources with another TIRZ or community organizations with a mission compatible with the TIRZ's project plan. Pooling resources would allow all entities to leverage their resources. For example, TIRZ #3 Downtown and TIRZ #14 Fourth Ward share borders and could consider pooling resources for a common project that would mutually benefit both TIRZs. Seeking grant resources to supplement tax increment could be a best practice for other TIRZs to follow.

For example, TIRZ #2 Midtown engaged the services of a professional grant writer and secured federal grants in the amount of \$4.3 million. The TIRZ, through the Authority, was awarded Federal Transit Administration (FTA) Grant Funds for the Holman Street Project in the amount of \$1.6 million and \$2.7 million for the Main Street Project. The grant writing professional fees were less than 10 percent of the federal grants awarded.

To leverage increment revenues, TIRZ #17 Memorial City engaged the services of a professional grant writer. Consequently, TIRZ #17 Memorial City was awarded \$17.1 million in federal grants. The TIRZ received \$13.7 million for Memorial Drive and \$3.4 million for South Gessner Drive. The grant writing professional fees incurred were less than two-percent of the federal grants awarded.

The Downtown Management District assisted TIRZ #3 Downtown with attaining transportation funding for the Greenlink circulator. TIRZ #3 Downtown also has an individual on staff who has submitted grants for sidewalk and bike trail projects.

TIRZ #5 Memorial Heights, TIRZ #7 OST/Almeda, TIRZ #10 Lake Houston, TIRZ #16 Uptown, TIRZ #19 Upper Kirby also utilize the services of a professional services grant writing firm. TIRZ #13 Old Sixth Ward has been awarded \$800,000 in grant funding from the Bayou Preservation Association.

RECOMMENDATION

Encourage TIRZs to collaborate to engage the services of a professional grant writer to secure federal and other types of grants that may be available to subsidize tax increment and debt financing. The collaboration efforts of the various TIRZs should be coordinated through the Office of Economic Development to ensure consistent communication with and between all TIRZs.



MANAGEMENT RESPONSE

Economic Development encourages and supports grant funding initiatives and will explore how TIRZs with limited funding capacity can better access funding opportunities. Many of the TIRZs with major capital improvement projects have pursued and received federal grants. That said, the city will continue to prioritize grant requests and make decisions on which TIRZ or city organization can best qualify and succeed in getting grants.

TIMELINE FOR ACTION

End of FY18



SECTION IV – APPENDICES

1.

**ST GEORGE PLACE /
LAMAR TERRACE**

1. ST GEORGE PLACE / LAMAR TERRACE

Creation Date: January 1, 1991

Termination Date: December 31, 2045

Zone Purpose: Stabilize property values, address deteriorated buildings and incompatible land uses, Provide for the design and construction of roadway and streets, public utility systems, sidewalks, landscaping and land acquisition.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Affordable Housing – \$11.8 million – 33%
- (2) Financing Costs – \$6.2 million – 17%
- (3) Educational Facilities – \$5.7 million – 16%
- (4) Street Paving – \$4.8 million – 13%
- (5) Zoning Enforcement – \$3.5 million – 10%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) McCulloch Circle / Fairdale Sound Barrier – \$97,200
- (2) Richmond Avenue Tree Replacement – \$60,000
- (3) Street Light Reconstruction Project – \$20,000

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	1. St George Place / Lamar Terrace
Petition (P) or Non Petition (N)	Petition
Total No. of Board Members	9
Life of the TIRZ in Years	55
Useful Life Expended	26
Number of Boundary Adjustments	2
Years of Boundary Adjustments	1992, 2015
Total Acreage	1,054
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD; Harris County
Base Year	1991
Base Year Property Value (Includes Boundary Expansions)	\$27,150,340
Current Year Taxable Property Value Tax Year 2015	\$312,809,194
Historical Incremental Property Value through Tax Year 2015	\$285,658,854
Property Value Percentage Increase through Tax Year 2015	1052%

1. ST GEORGE PLACE / LAMAR TERRACE

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION ▾	1. St George Place / Lamar Terrace ▾
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	1992
First Year COH Increment Amount	\$92
Tax Year 2015 Increment	\$1,620,820
COH Cumulative Increment From Inception thru Tax Year 2015	\$17,056,553
Number of Years of Accumulation	24
Average COH Increment Per Year	\$710,690
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$1,722,780
Total Expenses for Fiscal 2016	\$525,198
Total Fund Balance as of June 30, 2016	(\$2,890,037)
Bonds Payable	\$1,095,000
Loans\Notes Payable	\$2,903,474
Total Debt as of June 30, 2016	\$3,998,474
Administrative Fees-FY 2016	\$107,993
Fees for Additional Services-FY 2016	\$0
Municipal Services Charge FY 2017	\$232,718
PROJECT PLAN	
Total Projected Costs	\$61,672,796
Actual Costs (Through 6/30/2016)	\$35,842,168
Percentage of Actual to Projected Plan Costs	58%
Percentage of Useful Life Expended	47%

2.

MIDTOWN

2. MIDTOWN

Creation Date: January 1, 1995

Termination Date: December 31, 2033

Zone Purpose: Tax Increment Reinvestment Zone Number Two, City of Houston, Texas was created by the City for the purposes of eliminating urban blight with revitalization providing public right-of-way improvements and enhancements such as: street resurfacing, utilities, street lighting, street art, street furniture, enhanced landscaping, irrigation, and decorative and wider sidewalks.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Affordable Housing – \$71.9 million – 24%
- (2) Infrastructure Improvements – \$70.6 million – 24%
- (3) Financing Costs – \$47.3 million – 16%
- (4) Education Project Costs – \$43.9 million – 15%
- (5) Real Property Assembly – \$24.2 million – 8%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) Midtown Park (Superblock) – \$15.0 million
- (2) Mainstreet Enhancements – \$7.0 million
- (3) Caroline Street Reconstruction – \$4.8 million

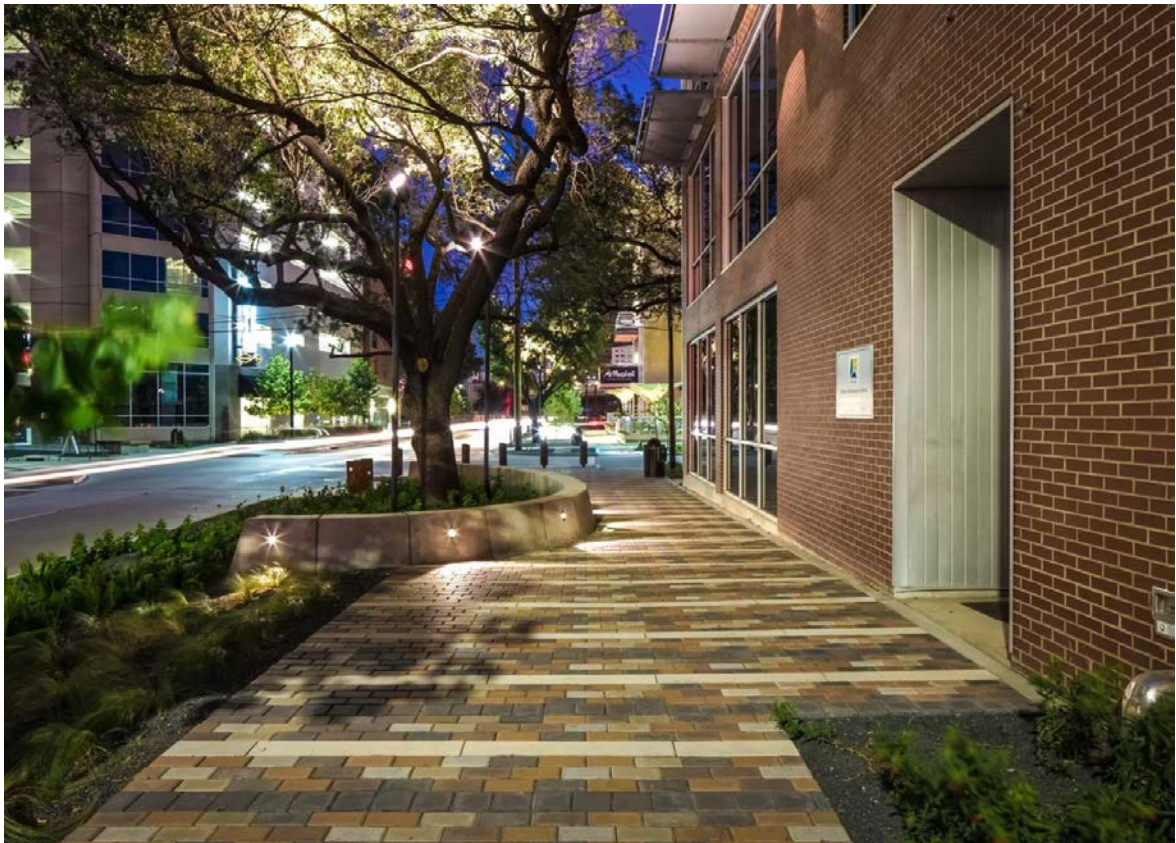
Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	2. Midtown
Petition (P) or Non Petition (N)	Petition
Total No. of Board Members	9
Life of the TIRZ in Years	39
Useful Life Expended	22
Number of Boundary Adjustments	4
Years of Boundary Adjustments	1995, 1999, 2009, 2015
Total Acreage	853
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD; Harris County; Houston Community College
Base Year	1995
Base Year Property Value (Includes Boundary Expansions)	\$211,775,890
Current Year Taxable Property Value Tax Year 2015	\$1,716,449,949
Historical Incremental Property Value through Tax Year 2015	\$1,504,674,059
Property Value Percentage Increase through Tax Year 2015	711%

2. MIDTOWN

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	2. Midtown
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	1996
First Year COH Increment Amount	\$10,413
Tax Year 2015 Increment	\$8,779,391
COH Cumulative Increment From Inception thru Tax Year 2015	\$81,776,889
Number of Years of Accumulation	20
Average COH Increment Per Year	\$4,088,844
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$25,192,290
Total Expenses for Fiscal 2016	\$14,628,957
Total Fund Balance as of June 30, 2016	\$36,134,637
Bonds Payable	\$68,737,101
Loans\Notes Payable	\$20,428,606
Total Debt as of June 30, 2016	\$89,165,707
Administrative Fees-FY 2016	\$1,029,719
Fees for Additional Services-FY 2016	\$1,274,000
Municipal Services Charge FY 2017	\$781,263
PROJECT PLAN	
Total Projected Costs	\$584,387,137
Actual Costs (Through 6/30/2016)	\$298,797,604
Percentage of Actual to Projected Plan Costs	51%
Percentage of Useful Life Expended	56%





3.

DOWNTOWN

3. DOWNTOWN

Creation Date: January 1, 1996

Termination Date: December 31, 2043

Zone Purpose: Alleviate blight, deteriorated street and site conditions, and obsolete transit services and facilities, and encourage the sound growth of the residential, retail, and commercial sectors in Downtown through the design and construction of improved streetscape enhancements, pedestrian amenities, public utility system upgrades, parkland improvements, and historic preservation. Stimulate new residential development and catalyze new investment and enhance connections.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Infrastructure Improvements – \$52.6 million – 30%
- (2) Educational Facilities – \$36.2 million – 21%
- (3) Real Property Improvements – \$19.8 million – 11%
- (4) Economic Development Programs – \$15.9 million – 9%
- (5) Financing Costs – \$15.4 million – 9%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) Southern Downtown Pocket Park – \$9.6 million
- (2) Allen Parkway Reconstruction – \$4.1 million
- (3) Main Street Corridor Improvement Project – \$1.5 million

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	3. Downtown
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	9
Life of the TIRZ in Years	48
Useful Life Expended	21
Number of Boundary Adjustments	4
Years of Boundary Adjustments	1998, 2005, 2007, 2011
Total Acreage	654
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD; Harris County
Base Year	1995
Base Year Property Value (Includes Boundary Expansions)	\$243,125,649
Current Year Taxable Property Value Tax Year 2015	\$2,477,750,879
Historical Incremental Property Value through Tax Year 2015	\$2,234,625,230
Property Value Percentage Increase through Tax Year 2015	919%

3. DOWNTOWN

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	3. Downtown
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	1998
First Year COH Increment Amount	\$81,509
Tax Year 2015 Increment	\$12,869,403
COH Cumulative Increment From Inception thru Tax Year 2015	\$85,217,188
Number of Years of Accumulation	18
Average COH Increment Per Year	\$4,734,288
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$15,503,615
Total Expenses for Fiscal 2016	\$38,697,385
Total Fund Balance as of June 30, 2016	(\$19,973,626)
Bonds Payable	\$60,987,475
Loans\Notes Payable	\$525,000
Total Debt as of June 30, 2016	\$61,512,475
Administrative Fees-FY 2016	\$625,230
Fees for Additional Services-FY 2016	\$980,000
Municipal Services Charge FY 2017	\$1,063,542
PROJECT PLAN	
Total Projected Costs	\$488,337,353
Actual Costs (Through 6/30/2016)	\$175,253,458
Percentage of Actual to Projected Plan Costs	36%
Percentage of Useful Life Expended	44%







4.

VILLAGE ENCLAVES

4. VILLAGE ENCLAVES

Creation Date: January 1, 1996

Termination Date: December 31, 2013

Zone Purpose: Build a shared educational facility with the Houston Independent School District.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

N\A

Top Three Capital Improvement Plan Appropriations for FY 2017:

N\A

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	4. Village Enclaves
Petition (P) or Non Petition (N)	Petition
Total No. of Board Members	9
Life of the TIRZ in Years	17
Useful Life Expended	17
Number of Boundary Adjustments	1
Years of Boundary Adjustments	1997
Total Acreage	1,054
PROPERTY VALUES	
Participating Tax Jurisdictions	Terminated December 2013
Base Year	1996
Base Year Property Value (Includes Boundary Expansions)	\$57,002,700
Current Year Taxable Property Value Tax Year 2015	\$1,004,512,005
Historical Incremental Property Value through Tax Year 2015	\$947,509,305
Property Value Percentage Increase through Tax Year 2015	1662%

4. VILLAGE ENCLAVES

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	4. Village Enclaves
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	1997
First Year COH Increment Amount	\$5,366
Tax Year 2015 Increment	Terminated December 2013
COH Cumulative Increment From Inception thru Tax Year 2015	\$38,716,292
Number of Years of Accumulation	16
Average COH Increment Per Year	\$2,419,768
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	Terminated December 2013
Total Expenses for Fiscal 2016	Terminated December 2013
Total Fund Balance as of June 30, 2016	Terminated December 2013
Bonds Payable	Terminated December 2013
Loans\Notes Payable	Terminated December 2013
Total Debt as of June 30, 2016	Terminated December 2013
Administrative Fees-FY 2016	Terminated December 2013
Fees for Additional Services-FY 2016	Terminated December 2013
Municipal Services Charge FY 2017	Terminated December 2013
PROJECT PLAN	
Total Projected Costs	Terminated December 2013
Actual Costs (Through 6/30/2016)	Terminated December 2013
Percentage of Actual to Projected Plan Costs	Terminated December 2013
Percentage of Useful Life Expended	Terminated December 2013

5.

MEMORIAL HEIGHTS

5. MEMORIAL HEIGHTS

Creation Date: January 1, 1997

Termination Date: December 31, 2029

Zone Purpose: Create and support an environment attractive to private investments.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Educational Facilities – \$12.2 million – 28%
- (2) Infrastructure Improvements – \$9.9 million – 23%
- (3) Park Improvements – \$6.7 million – 15%
- (4) Affordable Housing – \$6.1 million – 14%
- (5) Professional Services/Administration – \$4.3 million – 10%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) White Oak Bayou Trail System – \$2.5 million
- (2) Olivewood Trailhead – \$1.4 million
- (3) Bryce Street Trailhead – \$0.7 million

Additional TIRZ Data Element Description:

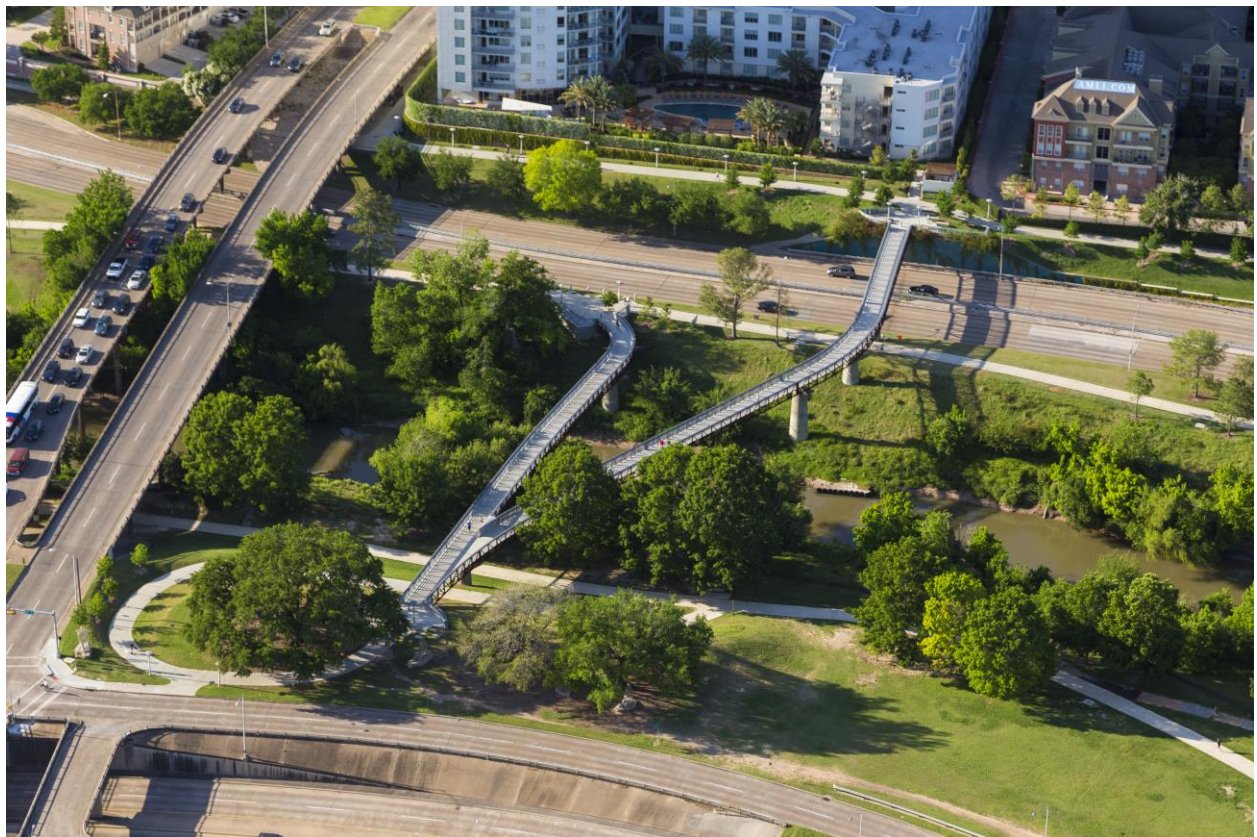
DATA ELEMENT DESCRIPTION	5. Memorial Heights
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	33
Useful Life Expended	20
Number of Boundary Adjustments	5
Years of Boundary Adjustments	2007, 2008, 2009, 2011, 2015
Total Acreage	1,423
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD
Base Year	1996
Base Year Property Value (Includes Boundary Expansions)	\$67,807,537
Current Year Taxable Property Value Tax Year 2015	\$703,850,810
Historical Incremental Property Value through Tax Year 2015	\$636,043,273
Property Value Percentage Increase through Tax Year 2015	938%

5. MEMORIAL HEIGHTS

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	5. Memorial Heights
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	1997
First Year COH Increment Amount	\$33,751
Tax Year 2015 Increment	\$3,808,739
COH Cumulative Increment From Inception thru Tax Year 2015	\$25,926,055
Number of Years of Accumulation	19
Average COH Increment Per Year	\$1,364,529
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$4,745,865
Total Expenses for Fiscal 2016	\$6,006,002
Total Fund Balance as of June 30, 2016	\$4,215,579
Bonds Payable	\$0
Loans\Notes Payable	\$0
Total Debt as of June 30, 2016	\$0
Administrative Fees-FY 2016	\$211,046
Fees for Additional Services-FY 2016	\$440,000
Municipal Services Charge FY 2017	\$160,652
PROJECT PLAN	
Total Projected Costs	\$169,776,630
Actual Costs (Through 6/30/2016)	\$43,709,158
Percentage of Actual to Projected Plan Costs	26%
Percentage of Useful Life Expended	61%







6.

EASTSIDE

6. EASTSIDE

Creation Date: January 1, 1998

Termination Date: December 31, 2027

Zone Purpose: Build a shared educational facility and encourage further industrial development within the zone. Chavez High School was built in 2000; HISD made the debt service payments until the TIRZ was able to make payments. Increment did not begin until 2012.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

(1) Shared Educational Facilities – \$45 million

(2) Financing costs \$38 million

Top Three Capital Improvement Plan Appropriations for FY 2017:

N\A

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	6. Eastside
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	30
Useful Life Expended	19
Number of Boundary Adjustments	0
Years of Boundary Adjustments	0
Total Acreage	770
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD
Base Year	1997
Base Year Property Value (Includes Boundary Expansions)	\$391,540,000
Current Year Taxable Property Value Tax Year 2015	\$680,308,347
Historical Incremental Property Value through Tax Year 2015	\$288,768,347
Property Value Percentage Increase through Tax Year 2015	74%

6. EASTSIDE

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	6. Eastside
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	2012
First Year COH Increment Amount	\$683,449
Tax Year 2015 Increment	\$1,730,633
COH Cumulative Increment From Inception thru Tax Year 2015	\$4,227,239
Number of Years of Accumulation	4
Average COH Increment Per Year	\$1,056,810
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	n\a-project complete and in debt service mode
Total Expenses for Fiscal 2016	n\a-project complete and in debt service mode
Total Fund Balance as of June 30, 2016	n\a-project complete and in debt service mode
Bonds Payable	
Loans\Notes Payable	\$83,166,999
Total Debt as of June 30, 2016	\$83,166,999
Administrative Fees-FY 2016	\$0
Fees for Additional Services-FY 2016	\$0
Municipal Services Charge FY 2017	\$0
PROJECT PLAN	
Total Projected Costs	\$46,842,500
Actual Costs (Through 6/30/2016)	\$45,000,000
Percentage of Actual to Projected Plan Costs	96%
Percentage of Useful Life Expended	63%



7.

OST / ALMEDA

7. OST / ALMEDA

Creation Date: January 1, 1998

Termination Date: December 31, 2038

Zone Purpose: Encourage investment, stimulate commercial, industrial and residential development.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Park and Park Improvements – \$27.7 million – 31%
- (2) Infrastructure – \$16.0 million – 18%
- (3) School and Educational Facilities – \$12.2 million – 14%
- (4) Financing Cost – \$10.1 million – 11%
- (5) Public Facility Improvements – 8.2 million – 9%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) Emancipation Park & Community Center – \$9.3 million
- (2) OST & Griggs Landscape Project Phase 2 – \$2.5 million
- (3) Library at Griggs Road – \$2.2 million

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	7. OST / Almeda
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	6
Life of the TIRZ in Years	41
Useful Life Expended	19
Number of Boundary Adjustments	3
Years of Boundary Adjustments	1998, 2008, 2013
Total Acreage	1,729
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD; Harris County
Base Year	1997
Base Year Property Value (Includes Boundary Expansions)	\$178,029,180
Current Year Taxable Property Value Tax Year 2015	\$1,453,008,173
Historical Incremental Property Value through Tax Year 2015	\$1,274,978,993
Property Value Percentage Increase through Tax Year 2015	716%

7. OST / ALMEDA

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	7. OST / Almeda
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	1998
First Year COH Increment Amount	\$1,419
Tax Year 2015 Increment	\$7,400,151
COH Cumulative Increment From Inception thru Tax Year 2015	\$57,581,730
Number of Years of Accumulation	18
Average COH Increment Per Year	\$3,198,985
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$12,154,211
Total Expenses for Fiscal 2016	\$17,413,897
Total Fund Balance as of June 30, 2016	(\$3,249,160)
Bonds Payable	\$21,399,909
Loans\Notes Payable	\$0
Total Debt as of June 30, 2016	\$21,399,909
Administrative Fees-FY 2016	\$393,573
Fees for Additional Services-FY 2016	\$827,379
Municipal Services Charge FY 2017	\$887,566
PROJECT PLAN	
Total Projected Costs	\$182,391,694
Actual Costs (Through 6/30/2016)	\$89,911,645
Percentage of Actual to Projected Plan Costs	49%
Percentage of Useful Life Expended	46%

Parks & Public Spaces Improvements

Emancipation Park



Emancipation Park Improvements

3018 Dowling

Major renovation of Houston's oldest park on land acquired for former enslaved African American.



Public Facilities Public Library

Young Neighborhood Library

Griggs Road @ Martin Luther King Blvd.

Acquire site and fund the design and construction
Of a new state-of-art facility for the Young
Neighborhood Library adjacent to the
METRO Southeast Rail Line.



Public Facilities

Public Library

Young Neighborhood Library

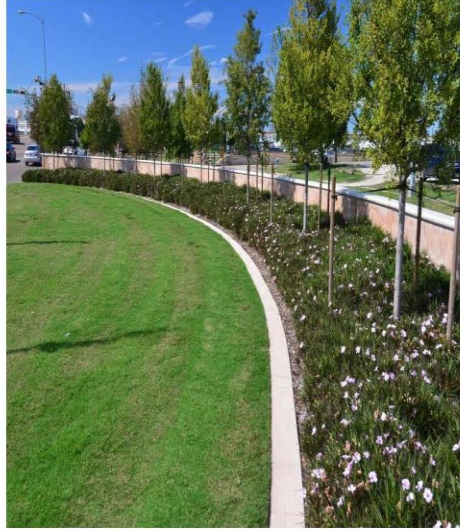
Griggs Road @ Martin Luther King Blvd.

Acquire site and fund the design and construction
Of a new state-of-art facility for the Young
Neighborhood Library adjacent to the
METRO Southeast Rail Line.



Public Works & Improvements

Old Spanish Trail & Griggs Landscape Project



Old Spanish Trail Improvements

Old Spanish Trail from SH 288 to Calhoun
Enhanced medians, expanded sidewalks, special crosswalks/ramps, street trees and other pedestrian amenities.



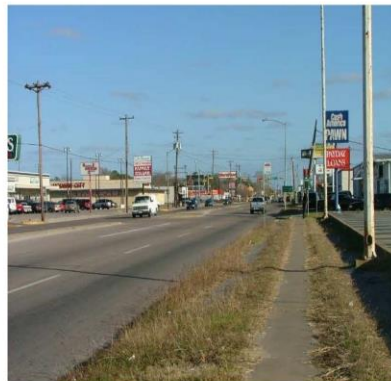
Public Works & Improvements

Old Spanish Trail & Griggs Landscape Project



Griggs Road Improvements

Griggs Road from OST to MLK
Enhanced medians, expanded sidewalks, special crosswalks/ramps, street trees and other pedestrian amenities.



8.

GULFGATE

8. GULFGATE

Creation Date: January 1, 1998

Termination Date: December 31, 2027

Zone Purpose: Acquiring and repositioning the Gulfgate Shopping Center, facilitate the redevelopment of surrounding areas.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Financing Costs – \$5.6 million – 29%
- (2) Property Acquisition – \$5.4 million – 28%
- (3) Educational Facilities – \$4.6 million – 24%
- (4) Zone Creation Fees – \$1.3 million – 7%
- (5) Refurbished Crosswalks – \$885,756 – 5%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) Broadway Corridor Improvement – \$500,000
- (2) Corridor Mobility Projects – \$150,000
- (3) Concrete Panel Replacement Program – \$52,000

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	8. Gulfgate
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	30
Useful Life Expended	19
Number of Boundary Adjustments	2
Years of Boundary Adjustments	1999, 2014
Total Acreage	8,266
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD; Harris County
Base Year	1997
Base Year Property Value (Includes Boundary Expansions)	\$1,087,436,470
Current Year Taxable Property Value Tax Year 2015	\$1,281,805,652
Historical Incremental Property Value through Tax Year 2015	\$194,369,182
Property Value Percentage Increase through Tax Year 2015	18%

8. GULFGATE

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	8. Gulfgate
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	1998
First Year COH Increment Amount	\$915
Tax Year 2015 Increment	\$1,106,398
COH Cumulative Increment From Inception thru Tax Year 2015	\$5,715,185
Number of Years of Accumulation	18
Average COH Increment Per Year	\$317,510
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$2,473,704
Total Expenses for Fiscal 2016	\$896,620
Total Fund Balance as of June 30, 2016	\$4,797,869
Bonds Payable	\$0
Loans\Notes Payable	\$2,953,480
Total Debt as of June 30, 2016	\$2,953,480
Administrative Fees-FY 2016	\$94,419
Fees for Additional Services-FY 2016	\$0
Municipal Services Charge FY 2017	\$507,330
PROJECT PLAN	
Total Projected Costs	\$119,536,828
Actual Costs (Through 6/30/2016)	\$19,101,424
Percentage of Actual to Projected Plan Costs	16%
Percentage of Useful Life Expended	63%





9.

SOUTH POST OAK

9. SOUTH POST OAK

Creation Date: January 1, 1998

Termination Date: December 31, 2022

Zone Purpose: Facilitate development of a community that includes commercial, recreational, and residential improvements of which 80% of residential homes were available as affordable housing.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Public Improvements – \$5.7 million – 34%
- (2) Developer Advances – \$4.5 million – 27%
- (3) Education Projects – \$4.0 million – 24%
- (4) On-Site Detention – \$0.5 million – 3%
- (5) Professional Fees for Creation of Zone – \$0.4 million – 2%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) No Capital Project Expenditures are planned. Budgeted expenditures are for debt Service.

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	9. South Post Oak
Petition (P) or Non Petition (N)	Petition
Total No. of Board Members	9
Life of the TIRZ in Years	25
Useful Life Expended	19
Number of Boundary Adjustments	0
Years of Boundary Adjustments	N/A
Total Acreage	411
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD; Harris County
Base Year	1997
Base Year Property Value (Includes Boundary Expansions)	\$13,580
Current Year Taxable Property Value Tax Year 2015	\$61,231,237
Historical Incremental Property Value through Tax Year 2015	\$61,217,657
Property Value Percentage Increase through Tax Year 2015	450793%

9. SOUTH POST OAK

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	9. South Post Oak
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	1998
First Year COH Increment Amount	\$5
Tax Year 2015 Increment	\$358,497
COH Cumulative Increment From Inception thru Tax Year 2015	\$4,190,834
Number of Years of Accumulation	18
Average COH Increment Per Year	\$232,824
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$970,003
Total Expenses for Fiscal 2016	\$79,858
Total Fund Balance as of June 30, 2016	\$287,024
Bonds Payable	\$0
Loans\Notes Payable	\$0
Total Debt as of June 30, 2016	\$0
Administrative Fees-FY 2016	\$43,310
Fees for Additional Services-FY 2016	\$0
Municipal Services Charge FY 2017	\$12,095
PROJECT PLAN	
Total Projected Costs	\$56,454,355
Actual Costs (Through 6/30/2016)	\$16,697,051
Percentage of Actual to Projected Plan Costs	30%
Percentage of Useful Life Expended	76%









10.
LAKE HOUSTON

10. LAKE HOUSTON

Creation Date: January 1, 1998

Termination Date: December 31, 2027

Zone Purpose: Provide plans and programs to facilitate planned residential and community developments.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Education Facilities – \$98.0 million – 72%
- (2) Developer-Built Infrastructure – \$20.5 million – 15%
- (3) Cultural and Public Facilities – \$8.3 million – 6%
- (4) Street Reconstruction – \$3.8 million – 3%
- (5) Financing Costs – \$3.5 million – 2%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) Northpark Drive/UPPR Grade Separation – \$2.9 million
- (2) Intersection/Pedestrian Safety Improvements – \$1.3 million
- (3) Concrete Panel Program – \$0.045 million

Additional TIRZ Data Element Description:

	10. Lake Houston
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	30
Useful Life Expended	19
Number of Boundary Adjustments	3
Years of Boundary Adjustments	1999, 2011, 2014
Total Acreage	3,668
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Humble ISD
Base Year	1997
Base Year Property Value (Includes Boundary Expansions)	\$188,602,155
Current Year Taxable Property Value Tax Year 2015	\$967,765,300
Historical Incremental Property Value through Tax Year 2015	\$779,163,145
Property Value Percentage Increase through Tax Year 2015	413%

10. LAKE HOUSTON

Additional TIRZ Data Element Description (cont'd)

	10. Lake Houston
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	1998
First Year COH Increment Amount	\$51,006
Tax Year 2015 Increment	\$4,603,713
COH Cumulative Increment From Inception thru Tax Year 2015	\$39,087,933
Number of Years of Accumulation	18
Average COH Increment Per Year	\$2,171,552
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$16,517,720
Total Expenses for Fiscal 2016	\$16,596,408
Total Fund Balance as of June 30, 2016	(\$12,426,298)
Bonds Payable	\$0
Loans\Notes Payable	\$16,662,713
Total Debt as of June 30, 2016	\$16,662,713
Administrative Fees-FY 2016	\$0
Fees for Additional Services-FY 2016	\$490,000
Municipal Services Charge FY 2017	\$205,530
PROJECT PLAN	
Total Projected Costs	\$224,720,490
Actual Costs (Through 6/30/2016)	\$136,073,056
Percentage of Actual to Projected Plan Costs	61%
Percentage of Useful Life Expended	63%





11.
GREATER GREENSPPOINT

11. GREATER GREENSPPOINT

Creation Date: January 1, 1999

Termination Date: December 31, 2027

Zone Purpose: Facilitate the revitalization of Greenspoint area to a viable mixed-use community through the financing of public infrastructure, parks and recreational projects, public parking, flood control, workforce housing and environmental mitigation projects.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Infrastructure Improvements – \$44.7 million – 41%
- (2) Educational Facilities – \$18.2 million – 17%
- (3) Parks and Recreation Facilities – \$17.1 million – 16%
- (4) Financing Costs – \$10.9 million – 10%
- (5) Public Safety Facilities – \$7.3 million – 7%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) North Houston Bike Park and Trails – \$7.4 million
- (2) Land Acquisition – \$1.5 million
- (3) North Houston Skate Park Maintenance – \$500,000

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	11. Greater Greenspoint
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	8
Life of the TIRZ in Years	29
Useful Life Expended	18
Number of Boundary Adjustments	2
Years of Boundary Adjustments	1999, 2011
Total Acreage	3,397
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Harris County; Aldine ISD; Spring ISD; Lone Star College
Base Year	1998
Base Year Property Value (Includes Boundary Expansions)	\$533,228,330
Current Year Taxable Property Value Tax Year 2015	\$1,233,236,043
Historical Incremental Property Value through Tax Year 2015	\$700,007,713
Property Value Percentage Increase through Tax Year 2015	131%

11. GREATER GREENSPPOINT

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	11. Greater Greenspoint
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	1999
First Year COH Increment Amount	\$492,897
Tax Year 2015 Increment	\$4,127,937
COH Cumulative Increment From Inception thru Tax Year 2015	\$41,373,884
Number of Years of Accumulation	17
Average COH Increment Per Year	\$2,433,758
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$10,991,410
Total Expenses for Fiscal 2016	\$3,952,958
Total Fund Balance as of June 30, 2016	\$25,360,682
Bonds Payable	\$27,085,208
Loans\Notes Payable	\$0
Total Debt as of June 30, 2016	\$27,085,208
Administrative Fees-FY 2016	\$289,131
Fees for Additional Services-FY 2016	\$0
Municipal Services Charge FY 2017	\$2,561,519
PROJECT PLAN	
Total Projected Costs	\$300,000,150
Actual Costs (Through 6/30/2016)	\$108,475,049
Percentage of Actual to Projected Plan Costs	36%
Percentage of Useful Life Expended	62%



12.

CITY PARK

12. CITY PARK

Creation Date: January 1, 1999

Termination Date: December 31, 2028

Zone Purpose: Facilitate construction of residential, retail and commercial development and associated roadway and street reconstructions.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) East T.C. Jester Blvd./Bevis St. Construction – \$5.2 million – 42%
- (2) Education Project Costs – \$3.1 million – 26%
- (3) Zone Creation and Administration – \$1.4 million – 11%
- (4) Area Beautification and Park Facilities – \$1.2 million – 10%
- (5) Financing Costs – \$1.0 – 8%

Top Three Capital Improvement Plan Appropriations for FY 2017:

N/A

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	12. City Park
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	30
Useful Life Expended	18
Number of Boundary Adjustments	0
Years of Boundary Adjustments	N\A
Total Acreage	92
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD
Base Year	1998
Base Year Property Value (Includes Boundary Expansions)	\$2,410,450
Current Year Taxable Property Value Tax Year 2015	\$73,330,380
Historical Incremental Property Value through Tax Year 2015	\$70,919,930
Property Value Percentage Increase through Tax Year 2015	2942%

12. CITY PARK

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	12. City Park
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	2000
First Year COH Increment Amount	\$15,192
Tax Year 2015 Increment	\$424,353
COH Cumulative Increment From Inception thru Tax Year 2015	\$3,773,282
Number of Years of Accumulation	16
Average COH Increment Per Year	\$235,830
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$604,455
Total Expenses for Fiscal 2016	\$208,027
Total Fund Balance as of June 30, 2016	(\$1,878,818)
Bonds Payable	\$0
Loans\Notes Payable	\$3,136,225
Total Debt as of June 30, 2016	\$3,136,225
Administrative Fees-FY 2016	\$46,289
Fees for Additional Services-FY 2016	\$0
Municipal Services Charge FY 2017	\$11,579
PROJECT PLAN	
Total Projected Costs	\$16,723,716
Actual Costs (Through 6/30/2016)	\$12,197,586
Percentage of Actual to Projected Plan Costs	73%
Percentage of Useful Life Expended	60%



b







13.
OLD SIXTH WARD

13. OLD SIXTH WARD

Creation Date: January 1, 1999

Termination Date: December 31, 2028

Zone Purpose: Provide assistance mechanisms to reposition Old Sixth Ward into a viable residential community.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Affordable Housing – \$4.5 million – 31%
- (2) Public Utilities – \$3.6 million – 25%
- (3) Education Related Projects – \$1.7 million – 17%
- (4) Financing Costs – \$1.2 million – 9%
- (5) Historic Preservation – \$1.0 million – 7%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) Sanitary Sewer Rehabilitation / Substitute Service – \$0.535 million
- (2) Hemphill Road – \$0.3 million
- (3) Dow School Park – \$0.220 million

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	13. Old Sixth Ward
Petition (P) or Non Petition (N)	Petition
Total No. of Board Members	9
Life of the TIRZ in Years	30
Useful Life Expended	18
Number of Boundary Adjustments	1
Years of Boundary Adjustments	2012
Total Acreage	250
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD
Base Year	1998
Base Year Property Value (Includes Boundary Expansions)	\$106,398,121
Current Year Taxable Property Value Tax Year 2015	\$344,266,983
Historical Incremental Property Value through Tax Year 2015	\$237,868,862
Property Value Percentage Increase through Tax Year 2015	224%

13. OLD SIXTH WARD

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION ▾	13. Old Sixth Ward ▾
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	1999
First Year COH Increment Amount	\$46,810
Tax Year 2015 Increment	\$1,379,218
COH Cumulative Increment From Inception thru Tax Year 2015	\$9,645,372
Number of Years of Accumulation	17
Average COH Increment Per Year	\$567,375
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$916,528
Total Expenses for Fiscal 2016	\$765,123
Total Fund Balance as of June 30, 2016	(\$1,072,801)
Bonds Payable	\$0
Loans\Notes Payable	\$2,221,713
Total Debt as of June 30, 2016	\$2,221,713
Administrative Fees-FY 2016	\$26,303
Fees for Additional Services-FY 2016	\$40,000
Municipal Services Charge FY 2017	\$142,891
PROJECT PLAN	
Total Projected Costs	\$67,565,970
Actual Costs (Through 6/30/2016)	\$14,249,347
Percentage of Actual to Projected Plan Costs	21%
Percentage of Useful Life Expended	60%





14.
FOURTH WARD

14. FOURTH WARD

Creation Date: January 1, 2000

Termination Date: December 31, 2029

Zone Purpose: Facilitate revitalization of Fourth Ward neighborhood into a viable residential community with supporting commercial, development, affordable housing, infrastructure improvements, educational facilities, parks etc. and restoration of historic structures.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Affordable Housing Improvements – \$13.1 million – 31%
- (2) Educational Facilities Improvements – \$9.0 million – 21%
- (3) Historic Preservation and Property Acquisition – \$5.9 million – 14%
- (4) Parks and Recreational Facilities – \$5.3 million – 13%
- (5) Zone Administration / Operations – \$3.5 million – 8%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) Fourth Ward Street Reconstruction Project – \$2.9 million
- (2) Affordable Housing – \$1.4 million
- (3) Gillette – Genesse Street Pedestrian Amenities and Landscaping - \$491,351

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	14. Fourth Ward
Petition (P) or Non Petition (N)	Petition
Total No. of Board Members	9
Life of the TIRZ in Years	30
Useful Life Expended	17
Number of Boundary Adjustments	2
Years of Boundary Adjustments	2007, 2013
Total Acreage	158
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD
Base Year	1999
Base Year Property Value (Includes Boundary Expansions)	\$34,286,680
Current Year Taxable Property Value Tax Year 2015	\$470,498,773
Historical Incremental Property Value through Tax Year 2015	\$436,212,093
Property Value Percentage Increase through Tax Year 2015	1272%

14. FOURTH WARD

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	14. Fourth Ward
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	2000
First Year COH Increment Amount	\$116,974
Tax Year 2015 Increment	\$2,555,293
COH Cumulative Increment From Inception thru Tax Year 2015	\$20,625,615
Number of Years of Accumulation	16
Average COH Increment Per Year	\$1,289,101
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$2,468,320
Total Expenses for Fiscal 2016	\$692,961
Total Fund Balance as of June 30, 2016	\$14,324,474
Bonds Payable	\$0
Loans\Notes Payable	\$0
Total Debt as of June 30, 2016	\$0
Administrative Fees-FY 2016	\$151,382
Fees for Additional Services-FY 2016	\$446,000
Municipal Services Charge FY 2017	\$98,501
PROJECT PLAN	
Total Projected Costs	\$138,282,132
Actual Costs (Through 6/30/2016)	\$41,885,414
Percentage of Actual to Projected Plan Costs	30%
Percentage of Useful Life Expended	57%

15.
EAST DOWNTOWN

15. EAST DOWNTOWN

Creation Date: July 7, 1999

Termination Date: December 31, 2040

Zone Purpose: Facilitate development of public infrastructure improvements, parking facilities and assist with revitalization of old Chinatown.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Cultural and Public Facilities – \$24.4 million – 61%
- (2) Roadway and Sidewalk Improvements – \$5.9 million – 15%
- (3) Zone Creation and Administration – \$2.9 million – 7%
- (4) Financing Costs – \$1.7 million – 4%
- (5) Public Utilities – \$0.7 million – 2%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) Phase I – Roadway and Utility Reconstruction – \$7.9 million
- (2) Property Acquisition – \$7.5 million
- (3) Roadway and Utility Improvements – \$1.1 million

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	15. East Downtown
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	42
Useful Life Expended	17
Number of Boundary Adjustments	1
Years of Boundary Adjustments	2007
Total Acreage	387
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD; Harris County
Base Year	1999
Base Year Property Value (Includes Boundary Expansions)	\$121,026,714
Current Year Taxable Property Value Tax Year 2015	\$459,217,730
Historical Incremental Property Value through Tax Year 2015	\$338,191,016
Property Value Percentage Increase through Tax Year 2015	279%

15. EAST DOWNTOWN

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	15. East Downtown
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	2000
First Year COH Increment Amount	\$45,340
Tax Year 2015 Increment	\$1,968,995
COH Cumulative Increment From Inception thru Tax Year 2015	\$12,658,640
Number of Years of Accumulation	16
Average COH Increment Per Year	\$791,165
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$4,438,236
Total Expenses for Fiscal 2016	\$18,332,488
Total Fund Balance as of June 30, 2016	(\$9,874,007)
Bonds Payable	\$0
Loans\Notes Payable	\$18,720
Total Debt as of June 30, 2016	\$18,720
Administrative Fees-FY 2016	\$124,633
Fees for Additional Services-FY 2016	\$0
Municipal Services Charge FY 2017	\$313,726
PROJECT PLAN	
Total Projected Costs	\$152,787,949
Actual Costs (Through 6/30/2016)	\$40,155,126
Percentage of Actual to Projected Plan Costs	26%
Percentage of Useful Life Expended	40%







16.

UPTOWN

16. UPTOWN

Creation Date: July 7, 1999

Termination Date: December 31, 2040

Zone Purpose: Redevelopment plan and programs through the financing of mobility enhancements, public infrastructure and roadway improvements, affordable housing and educational facilities improvements.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Infrastructure – \$148.0 million – 44%
- (2) Affordable Housing – \$100.1 million – 30%
- (3) Education – \$41.1 million – 12%
- (4) Land Acquisition – \$14.5 million – 4%
- (5) Memorial Park Improvements – \$10.8 million – 3%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) Post Oak Boulevard – \$24.0 million
- (2) Right of Way Acquisition – \$15.5 million
- (3) Bellaire Uptown Transit Center – \$5.5 million

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	16. Uptown
Petition (P) or Non Petition (N)	Petition
Total No. of Board Members	9
Life of the TIRZ in Years	42
Useful Life Expended	17
Number of Boundary Adjustments	2
Years of Boundary Adjustments	2008, 2013
Total Acreage	2,758
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD
Base Year	1999
Base Year Property Value (Includes Boundary Expansions)	\$1,964,576,187
Current Year Taxable Property Value Tax Year 2015	\$6,799,776,469
Historical Incremental Property Value through Tax Year 2015	\$4,835,200,282
Property Value Percentage Increase through Tax Year 2015	246%

16. UPTOWN

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	16. Uptown
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	2000
First Year COH Increment Amount	\$1,218,082
Tax Year 2015 Increment	\$28,816,814
COH Cumulative Increment From Inception thru Tax Year 2015	\$170,669,075
Number of Years of Accumulation	16
Average COH Increment Per Year	\$10,666,817
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$43,592,983
Total Expenses for Fiscal 2016	\$64,155,878
Total Fund Balance as of June 30, 2016	(\$49,439,612)
Bonds Payable	\$140,361,498
Loans\Notes Payable	\$0
Total Debt as of June 30, 2016	\$140,361,498
Administrative Fees-FY 2016	\$1,540,000
Fees for Additional Services-FY 2016	\$446,000
Municipal Services Charge FY 2017	\$5,522,994
PROJECT PLAN	
Total Projected Costs	\$1,265,000,000
Actual Costs (Through 6/30/2016)	\$334,547,656
Percentage of Actual to Projected Plan Costs	26%
Percentage of Useful Life Expended	40%





17.
MEMORIAL CITY

17. MEMORIAL CITY

Creation Date: July 21, 1999

Termination Date: December 31, 2029

Zone Purpose: Provide plans and programs needed to address blighted conditions in the Memorial City area.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Roadway and Sidewalk Improvements – \$34.9 million – 36%
- (2) Public Utility Improvements – \$33.1 million – 34%
- (3) Financing Costs – \$23.9 million – 25%
- (4) Creation and Administration Costs – \$4.7 million – 5%
- (5) Park and Recreational Facilities – \$0.3 million – 0%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) W140 Channel Improvements – \$5.6 million
- (2) N. Gessner Drainage and Mobility Improvement – Phase I – \$4.1 million
- (3) Town and Country West Drainage and Mobility Improvements – \$3.5 million

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	17. Memorial City
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	30
Useful Life Expended	17
Number of Boundary Adjustments	2
Years of Boundary Adjustments	2011, 2014
Total Acreage	985
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston
Base Year	1999
Base Year Property Value (Includes Boundary Expansions)	\$512,233,058
Current Year Taxable Property Value Tax Year 2015	\$2,904,576,436
Historical Incremental Property Value through Tax Year 2015	\$2,392,343,378
Property Value Percentage Increase through Tax Year 2015	467%

17. MEMORIAL CITY

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	17. Memorial City
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	2000
First Year COH Increment Amount	\$42,341
Tax Year 2015 Increment	\$14,278,672
COH Cumulative Increment From Inception thru Tax Year 2015	\$74,404,481
Number of Years of Accumulation	16
Average COH Increment Per Year	\$4,650,280
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$13,177,396
Total Expenses for Fiscal 2016	\$13,811,574
Total Fund Balance as of June 30, 2016	(\$3,287,072)
Bonds Payable	\$39,325,000
Loans\Notes Payable	\$0
Total Debt as of June 30, 2016	\$39,325,000
Administrative Fees-FY 2016	\$655,626
Fees for Additional Services-FY 2016	\$0
Municipal Services Charge FY 2017	\$2,256,619
PROJECT PLAN	
Total Projected Costs	\$136,865,814
Actual Costs (Through 6/30/2016)	\$96,930,861
Percentage of Actual to Projected Plan Costs	71%
Percentage of Useful Life Expended	57%







18.
FIFTH WARD

18. FIFTH WARD

Creation Date: July 21, 1999

Termination Date: December 31, 2029

Zone Purpose: Facilitate the revitalization of the historic Fifth Ward.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Administrative Costs/Professional Services – \$1.3 million – 36%
- (2) Education Facilities – \$0.8 million – 23%
- (3) Affordable Housing – \$0.7 million – 20%
- (4) Lyons Avenue Improvements – \$0.4 million – 12%
- (5) Park and Recreation Facilities – \$0.1 million – 3%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) Affordable Housing Land Acquisition – \$115,000
- (2) Lyons Avenue Streetscape – \$105,000
- (3) Deluxe Theater – \$100,000

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	18. Fifth Ward
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	30
Useful Life Expended	17
Number of Boundary Adjustments	2
Years of Boundary Adjustments	2008, 2015
Total Acreage	973
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD
Base Year	1999
Base Year Property Value (Includes Boundary Expansions)	\$45,855,979
Current Year Taxable Property Value Tax Year 2015	\$113,496,612
Historical Incremental Property Value through Tax Year 2015	\$67,640,633
Property Value Percentage Increase through Tax Year 2015	148%

18. FIFTH WARD

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	18. Fifth Ward
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	2000
First Year COH Increment Amount	\$3,112
Tax Year 2015 Increment	\$321,852
COH Cumulative Increment From Inception thru Tax Year 2015	\$1,932,223
Number of Years of Accumulation	16
Average COH Increment Per Year	\$120,764
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$516,090
Total Expenses for Fiscal 2016	\$313,343
Total Fund Balance as of June 30, 2016	\$868,166
Bonds Payable	\$0
Loans\Notes Payable	\$0
Total Debt as of June 30, 2016	\$0
Administrative Fees-FY 2016	\$42,344
Fees for Additional Services-FY 2016	\$0
Municipal Services Charge FY 2017	\$97,358
PROJECT PLAN	
Total Projected Costs	\$72,246,679
Actual Costs (Through 6/30/2016)	\$3,539,984
Percentage of Actual to Projected Plan Costs	5%
Percentage of Useful Life Expended	57%



19.
UPPER KIRBY

19. UPPER KIRBY

Creation Date: July 21, 1999

Termination Date: December 31, 2040

Zone Purpose: Provide plans and programs needed to support an environment attractive to private investment needed to attract development in the Upper Kirby area.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Utility System Improvements – \$57.4 million – 48%
- (2) Public Recreation / Public Service Improvements – \$25.4 million – 21%
- (3) Traffic Mobility Improvements – \$14.4 million – 12%
- (4) Financing Costs – \$13.1 million – 11%
- (5) Education Costs – \$6.6 million – 5%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) Westheimer Drainage – \$11 million
- (2) Upper Kirby Civic Complex – \$10.3 million
- (3) Bissonnet Reconstruction – \$7.5 million

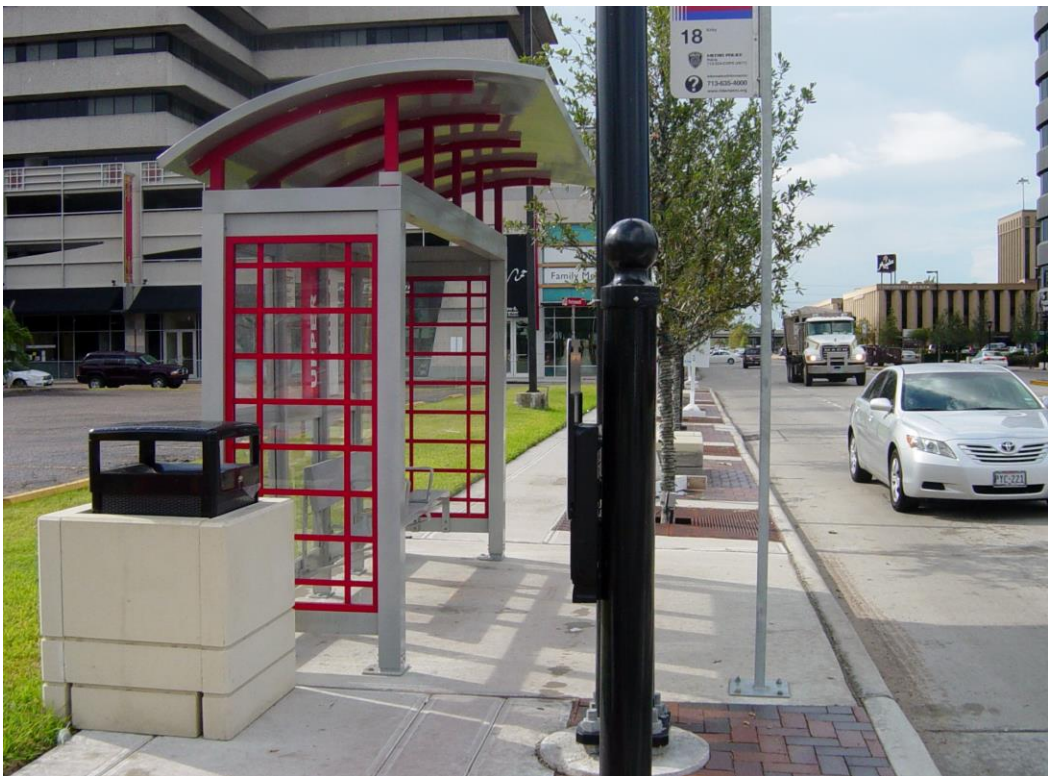
Additional TIRZ Data Element Description:

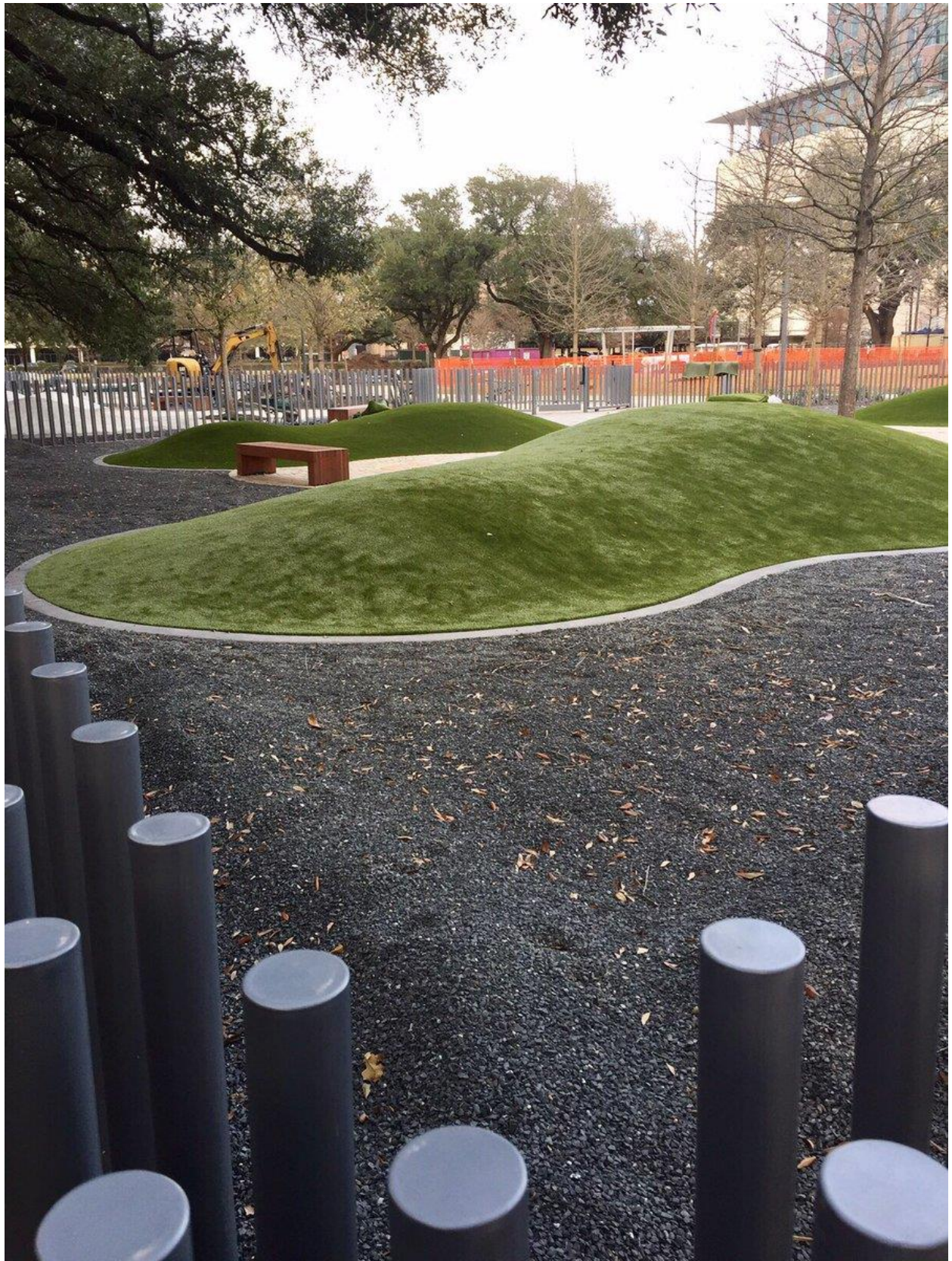
DATA ELEMENT DESCRIPTION	19. Upper Kirby
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	41
Useful Life Expended	17
Number of Boundary Adjustments	1
Years of Boundary Adjustments	2015
Total Acreage	839
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Houston ISD
Base Year	1999
Base Year Property Value (Includes Boundary Expansions)	\$683,628,290
Current Year Taxable Property Value Tax Year 2015	\$2,682,285,129
Historical Incremental Property Value through Tax Year 2015	\$1,998,656,839
Property Value Percentage Increase through Tax Year 2015	292%

19. UPPER KIRBY

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	19. Upper Kirby
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	2000
First Year COH Increment Amount	\$692,640
Tax Year 2015 Increment	\$11,729,586
COH Cumulative Increment From Inception thru Tax Year 2015	\$71,653,930
Number of Years of Accumulation	16
Average COH Increment Per Year	\$4,478,371
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$12,537,415
Total Expenses for Fiscal 2016	\$16,207,979
Total Fund Balance as of June 30, 2016	(\$1,075,409)
Bonds Payable	\$0
Loans\Notes Payable	\$39,215,987
Total Debt as of June 30, 2016	\$39,215,987
Administrative Fees-FY 2016	\$559,560
Fees for Additional Services-FY 2016	\$392,000
Municipal Services Charge FY 2017	\$3,025,573
PROJECT PLAN	
Total Projected Costs	\$271,866,927
Actual Costs (Through 6/30/2016)	\$119,315,524
Percentage of Actual to Projected Plan Costs	44%
Percentage of Useful Life Expended	41%







LEVYPARK



LEVYPARK

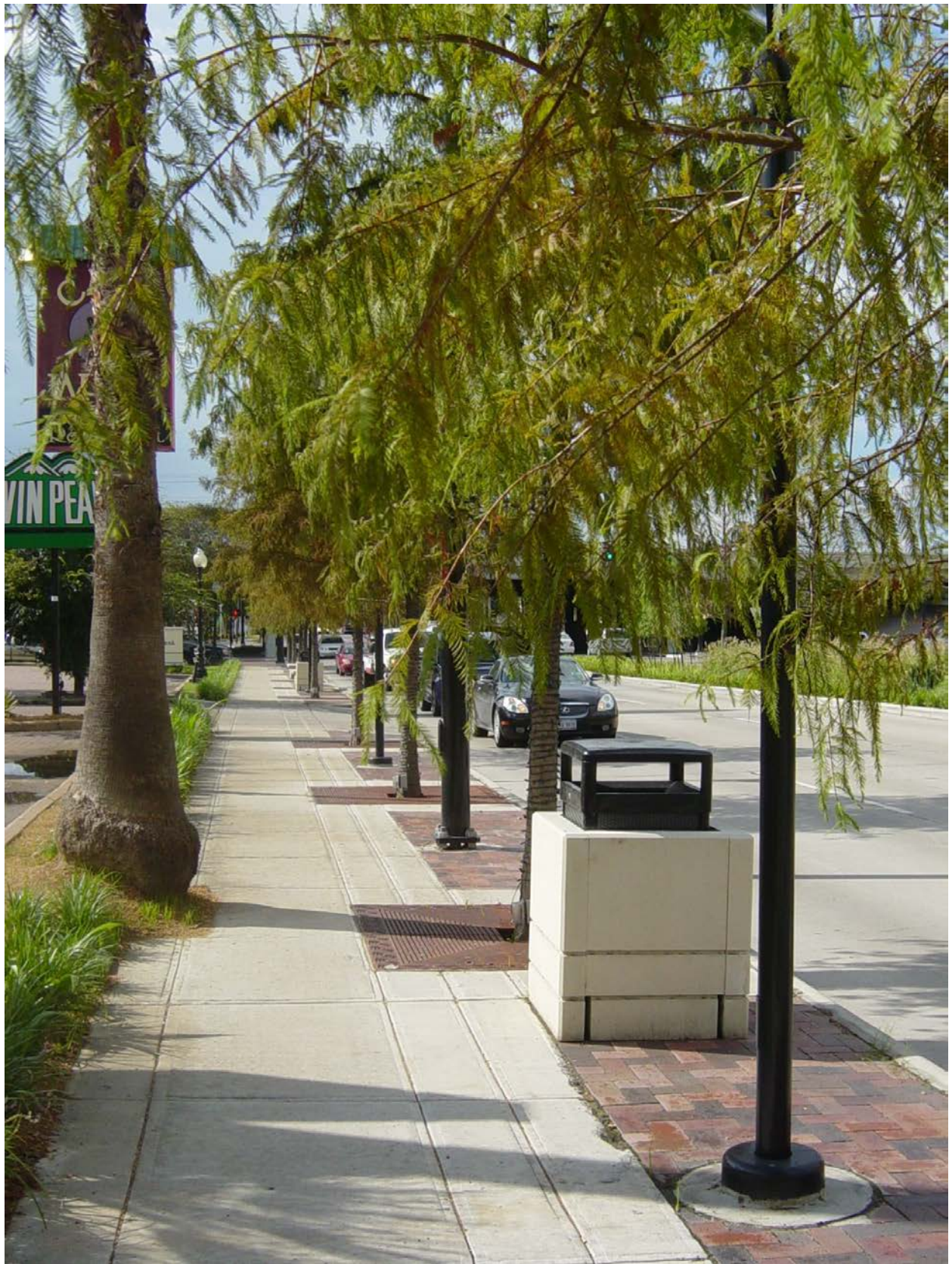
Welcome to Levy Park, a City of Houston public park left through bequest by Leon Levy in 1941. The following inscription memorializes Leon Levy's love for family and his generosity toward Houston communities and our visitors.

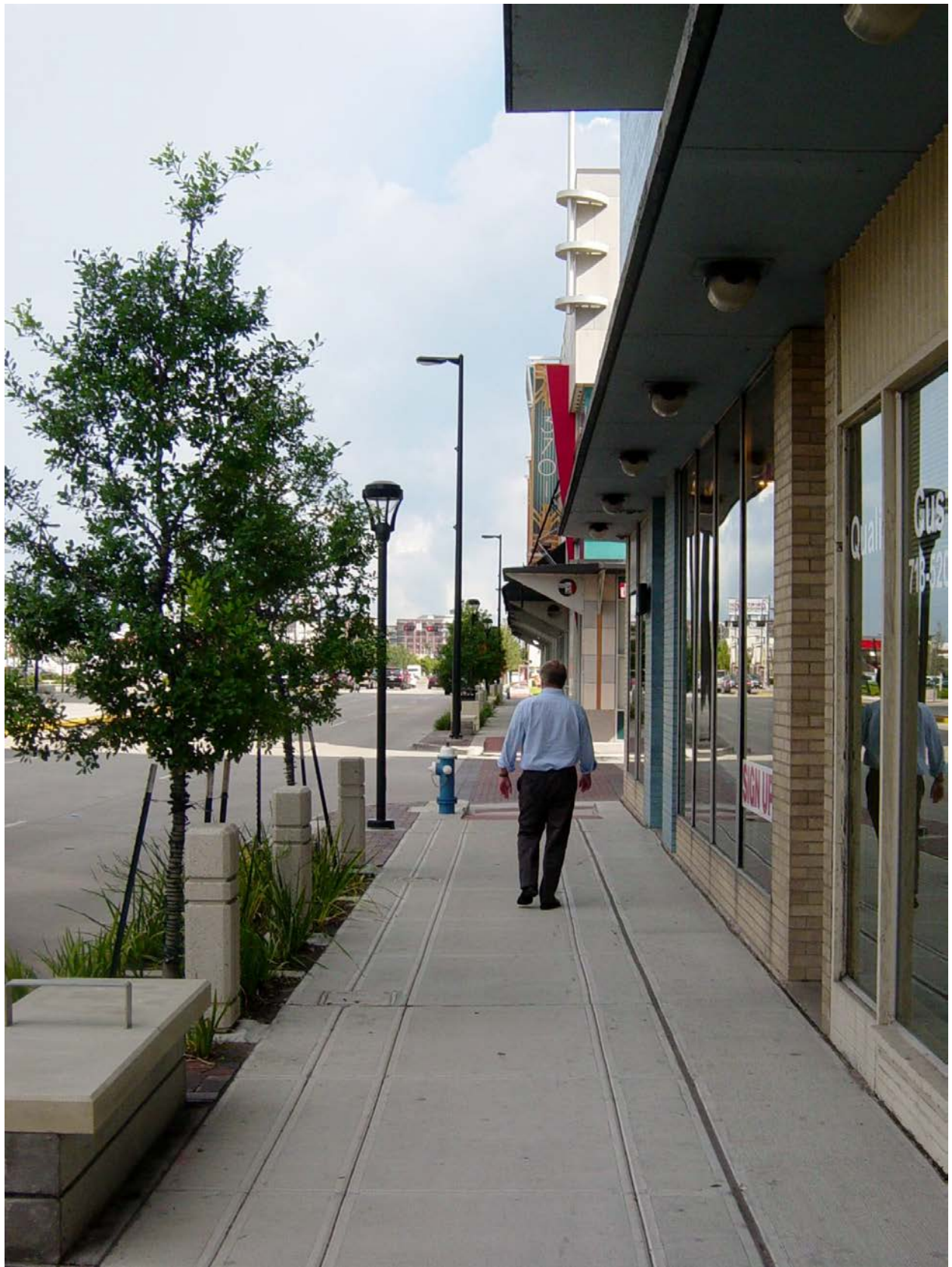
"This park given to the City of Houston by Leon Levy in fond respect for his parents and brothers and sisters; Namely: Jacob and Regina Levy, Fanny Levy Wolf, Mayer Levy, Simon Levy, Julius Levy, Salmon Levy, Caroline Levy, Lena Levy Hirsch, Jonas Levy."

LEVY
PARK













20.
SOUTHWEST HOUSTON

20. SOUTHWEST HOUSTON

Creation Date: December 15, 1999

Termination Date: December 31, 2040

Zone Purpose: Address failing infrastructure, lack of utility capacity, increased traffic congestion, declining sales and significant social and economic stress along the Bellaire Corridor and greater Sharpstown Mall area.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Roadway & Infrastructure Improvements – \$63.1 million – 71%
- (2) Financing Costs – \$14.8 million – 17%
- (3) Cultural & Public Facility Improvements – \$3.9 million – 4%
- (4) Creation & Administration Costs – \$3.0 million – 3%
- (5) Land Assembly – \$1.7 million – 2%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) Fondren Access Management Mobility Improvements – \$9.9 million
- (2) Sharpstown Park Redevelopment – \$1.0 million
- (3) Oak Park Road Construction – \$845,000

Additional TIRZ Data Element Description:

	20. Southwest Houston
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	41
Useful Life Expended	17
Termination Reason	N/A
Zone Purpose	Address failing infrastructure, lack of utility capacity, increased traffic congestion, declining sales and significant social and economic stress along the Bellaire Corridor and greater Sharpstown Mall area
Number of Boundary Adjustments	2
Years of Boundary Adjustments	2011, 2015
Total Acreage	4,461
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston
Base Year	1999
Base Year Property Value (Includes Boundary Expansions)	\$978,685,232
Current Year Taxable Property Value Tax Year 2015	\$2,218,691,250
Historical Incremental Property Value through Tax Year 2015	\$1,240,006,018
Property Value Percentage Increase through Tax Year 2015	127%

20. SOUTHWEST HOUSTON

Additional TIRZ Data Element Description (cont'd)

	20. Southwest Houston
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	2000
First Year COH Increment Amount	\$564,707
Tax Year 2015 Increment	\$7,298,308
COH Cumulative Increment From Inception thru Tax Year 2015	\$60,263,816
Number of Years of Accumulation	16
Average COH Increment Per Year	\$3,766,489
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$6,349,239
Total Expenses for Fiscal 2016	\$18,385,921
Total Fund Balance as of June 30, 2016	(\$25,385,442)
Bonds Payable	\$44,255,000
Loans\Notes Payable	\$0
Total Debt as of June 30, 2016	\$44,255,000
Administrative Fees-FY 2016	\$327,970
Fees for Additional Services-FY 2016	\$446,000
Municipal Services Charge FY 2017	\$3,441,109
PROJECT PLAN	
Total Projected Costs	\$192,750,000
Actual Costs (Through 6/30/2016)	\$88,304,255
Percentage of Actual to Projected Plan Costs	46%
Percentage of Useful Life Expended	41%

\

21.

HARDY / NEAR NORTHSIDE

21. HARDY / NEAR NORTHSIDE

Creation Date: December 17, 2003

Termination Date: December 31, 2040

Zone Purpose: Reposition a former Union Pacific rail yard site into a mixed-use development to promote affordable housing development and mobility improvements.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

- (1) Roadway and Sidewalk Improvements – \$10.1 million – 89%
- (2) Affordable Housing – \$0.8 million – 7%
- (3) Zone Creation and Administration – \$0.4 million – 4%

Top Three Capital Improvement Plan Appropriations for FY 2017:

- (1) Pedestrian Pathways / Hike and Bike Trails – \$0.4 million

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	21. Hardy / Near Northside
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	37
Useful Life Expended	13
Number of Boundary Adjustments	0
Years of Boundary Adjustments	N/A
Total Acreage	326
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston
Base Year	2003
Base Year Property Value (Includes Boundary Expansions)	\$40,313,080
Current Year Taxable Property Value Tax Year 2015	\$91,305,613
Historical Incremental Property Value through Tax Year 2015	\$50,992,533
Property Value Percentage Increase through Tax Year 2015	126%

21. HARDY / NEAR NORTHSIDE

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION ▾	21. Hardy / Near Northside ▾
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	2004
First Year COH Increment Amount	\$20,723
Tax Year 2015 Increment	\$299,078
COH Cumulative Increment From Inception thru Tax Year 2015	\$2,623,867
Number of Years of Accumulation	12
Average COH Increment Per Year	\$218,656
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$3,587,985
Total Expenses for Fiscal 2016	\$10,012,234
Total Fund Balance as of June 30, 2016	\$1,252,907
Bonds Payable	\$0
Loans\Notes Payable	\$0
Total Debt as of June 30, 2016	\$0
Administrative Fees-FY 2016	\$0
Fees for Additional Services-FY 2016	\$0
Municipal Services Charge FY 2017	\$80,324
PROJECT PLAN	
Total Projected Costs	\$78,724,874
Actual Costs (Through 6/30/2016)	\$11,294,655
Percentage of Actual to Projected Plan Costs	14%
Percentage of Useful Life Expended	35%











22.
LELAND WOODS

22. LELAND WOODS

Creation Date: December 23, 2003

Termination Date: December 31, 2033

Zone Purpose: Provide plans and programs needed to design and construct affordable housing and related public green space.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

(1) Land Cost – \$0.9 million – 66%

(2) Zone Creation / Administration – \$0.5 million – 34%

Top Three Capital Improvement Plan Appropriations for FY 2017:

None

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	22. Leland Woods
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	30
Useful Life Expended	13
Number of Boundary Adjustments	0
Years of Boundary Adjustments	N/A
Total Acreage	80
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston
Base Year	2003
Base Year Property Value (Includes Boundary Expansions)	\$730,340
Current Year Taxable Property Value Tax Year 2015	\$7,562,324
Historical Incremental Property Value through Tax Year 2015	\$6,831,984
Property Value Percentage Increase through Tax Year 2015	935%

22. LELAND WOODS

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	22. Leland Woods
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	2005
First Year COH Increment Amount	\$736
Tax Year 2015 Increment	\$40,584
COH Cumulative Increment From Inception thru Tax Year 2015	\$216,500
Number of Years of Accumulation	11
Average COH Increment Per Year	\$19,682
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	\$2,439,704
Total Expenses for Fiscal 2016	\$90,110
Total Fund Balance as of June 30, 2016	\$2,675,480
Bonds Payable	\$0
Loans\Notes Payable	\$788,500
Total Debt as of June 30, 2016	\$788,500
Administrative Fees-FY 2016	\$2,006
Fees for Additional Services-FY 2016	\$0
Municipal Services Charge FY 2017	\$2,242
PROJECT PLAN	
Total Projected Costs	\$8,557,485
Actual Costs (Through 6/30/2016)	\$1,321,173
Percentage of Actual to Projected Plan Costs	15%
Percentage of Useful Life Expended	43%

23.

HARRISBURG

23. HARRISBURG

Creation Date: October 19, 2011

Termination Date: December 31, 2040

Zone Purpose: Provide plans and programs needed to reposition Houston's East End. To include improvements in public utilities, roadways, street enhancements, parks and recreational facilities, cultural and public facilities and economic development.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

None

Top Three Capital Improvement Plan Appropriations for FY 2017:

None

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	23. Harrisburg
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	29
Useful Life Expended	5
Number of Boundary Adjustments	0
Years of Boundary Adjustments	N/A
Total Acreage	1,600
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston
Base Year	2011
Base Year Property Value (Includes Boundary Expansions)	\$332,125,839
Current Year Taxable Property Value Tax Year 2015	\$424,952,933
Historical Incremental Property Value through Tax Year 2015	\$92,827,094
Property Value Percentage Increase through Tax Year 2015	28%

23. HARRISBURG

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	23. Harrisburg
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	2012
First Year COH Increment Amount	\$5,476
Tax Year 2015 Increment	\$507,726
COH Cumulative Increment From Inception thru Tax Year 2015	\$703,210
Number of Years of Accumulation	4
Average COH Increment Per Year	\$175,802
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	No financial statements
Total Expenses for Fiscal 2016	No financial statements
Total Fund Balance as of June 30, 2016	No financial statements
Bonds Payable	No financial statements
Loans\Notes Payable	No financial statements
Total Debt as of June 30, 2016	No financial statements
Administrative Fees-FY 2016	\$27,414
Fees for Additional Services-FY 2016	Requested from City 1-23-17
Municipal Services Charge FY 2017	\$325,016
PROJECT PLAN	
Total Projected Costs	\$128,908,488
Actual Costs (Through 6/30/2016)	No financial statements
Percentage of Actual to Projected Plan Costs	No financial statements
Percentage of Useful Life Expended	17%

24.

GREATER HOUSTON

24. GREATER HOUSTON

Creation Date: December 12, 2012

Termination Date: December 31, 2042

Zone Purpose: Bring benefits to the City and County. Increase real property tax revenues, employment, create construction and permanent jobs, and revitalize the area with quality sustainable development which increases ridership for transit related facilities.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

None

Top Three Capital Improvement Plan Appropriations for FY 2017:

None

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	24. Greater Houston
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	30
Useful Life Expended	4
Number of Boundary Adjustments	1
Years of Boundary Adjustments	2015
Total Acreage	7,588
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Harris County
Base Year	2012
Base Year Property Value (Includes Boundary Expansions)	\$2,621,988,620
Current Year Taxable Property Value Tax Year 2015	\$3,554,809,524
Historical Incremental Property Value through Tax Year 2015	\$932,820,904
Property Value Percentage Increase through Tax Year 2015	36%

24. GREATER HOUSTON

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	24. Greater Houston
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	2013
First Year COH Increment Amount	\$69,152
Tax Year 2015 Increment	\$276,219
COH Cumulative Increment From Inception thru Tax Year 2015	\$506,296
Number of Years of Accumulation	3
Average COH Increment Per Year	\$168,765
FINANCIAL INFORMATION	This Financial Information is as of February 29, 2016 as this is the fiscal year end for this TIRZ
Total Revenue for Fiscal 2016	\$1,243,963
Total Expenses for Fiscal 2016	\$710,456
Total Fund Balance as of June 30, 2016	\$533,507
Bonds Payable	\$0
Loans\Notes Payable	\$710,456
Total Debt as of June 30, 2016	\$710,456
Administrative Fees-FY 2016	\$10,292
Fees for Additional Services-FY 2016	\$0
Municipal Services Charge FY 2017	\$0
PROJECT PLAN	
Total Projected Costs	\$363,808,000
Actual Costs (Through 6/30/2016)	\$0
Percentage of Actual to Projected Plan Costs	0%
Percentage of Useful Life Expended	13%

25.

**HIRAM CLARK /
FT. BEND HOUSTON**

25. HIRAM CLARK / FT. BEND HOUSTON

Creation Date: August 7, 2013

Termination Date: December 31, 2042

Zone Purpose: Leverage the expenditure of public funds for eligible project costs including the planning, engineering and construction of new streets, water distribution facilities, wastewater collection facilities, storm drainage improvements, roadway and street reconstruction projects, cultural and public facility improvements, park and other related improvements.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

None

Top Three Capital Improvement Plan Appropriations for FY 2017:

None

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	25. Hiram Clarke / Ft. Bend Houston
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	29
Useful Life Expended	3
Number of Boundary Adjustments	0
Years of Boundary Adjustments	N/A
Total Acreage	5,736
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston; Fort Bend
Base Year	2013
Base Year Property Value (Includes Boundary Expansions)	\$232,463,210
Current Year Taxable Property Value Tax Year 2015	\$278,661,020
Historical Incremental Property Value through Tax Year 2015	\$46,197,810
Property Value Percentage Increase through Tax Year 2015	20%

25. HIRAM CLARK / FT. BEND HOUSTON

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	25. Hiram Clarke / Ft. Bend Houston
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	2014
First Year COH Increment Amount	\$28,665
Tax Year 2015 Increment	\$247,157
COH Cumulative Increment From Inception thru Tax Year 2015	\$275,821
Number of Years of Accumulation	2
Average COH Increment Per Year	\$137,911
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	No financial statements
Total Expenses for Fiscal 2016	No financial statements
Total Fund Balance as of June 30, 2016	No financial statements
Bonds Payable	No financial statements
Loans\Notes Payable	No financial statements
Total Debt as of June 30, 2016	No financial statements
Administrative Fees-FY 2016	No financial statements
Fees for Additional Services-FY 2016	No financial statements
Municipal Services Charge FY 2017	\$130,446
PROJECT PLAN	
Total Projected Costs	\$141,090,000
Actual Costs (Through 6/30/2016)	No financial statements
Percentage of Actual to Projected Plan Costs	No financial statements
Percentage of Useful Life Expended	10%

26.
SUNNYSIDE

26. SUNNYSIDE

Creation Date: November 10, 2015

Termination Date: November 31, 2045

Zone Purpose: Finance construction of public infrastructure necessary to facilitate residential and commercial development and redevelopment within the Zone boundaries.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

None-Created Fiscal Year 2016

Top Three Capital Improvement Plan Appropriations for FY 2017:

None-Created Fiscal Year 2016

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	26. Sunnyside
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	30
Useful Life Expended	1
Number of Boundary Adjustments	0
Years of Boundary Adjustments	N/A
Total Acreage	3,142
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston\New TIRZ
Base Year	2015
Base Year Property Value (Includes Boundary Expansions)	200,180,051
Current Year Taxable Property Value Tax Year 2015	200,180,051
Historical Incremental Property Value through Tax Year 2015	\$0
Property Value Percentage Increase through Tax Year 2015	N\A

26. SUNNYSIDE

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	26. Sunnyside
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	Created FY 2016
First Year COH Increment Amount	Created FY 2016
Tax Year 2015 Increment	Created FY 2016
COH Cumulative Increment From Inception thru Tax Year 2015	Created FY 2016
Number of Years of Accumulation	Created FY 2016
Average COH Increment Per Year	Created FY 2016
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	Created FY 2016
Total Expenses for Fiscal 2016	Created FY 2016
Total Fund Balance as of June 30, 2016	Created FY 2016
Bonds Payable	Created FY 2016
Loans\Notes Payable	Created FY 2016
Total Debt as of June 30, 2016	\$0
Administrative Fees-FY 2016	Created FY 2016
Fees for Additional Services-FY 2016	Created FY 2016
Municipal Services Charge FY 2017	\$35,808
PROJECT PLAN	
Total Projected Costs	\$12,462,000
Actual Costs (Through 6/30/2016)	\$0
Percentage of Actual to Projected Plan Costs	0%
Percentage of Useful Life Expended	3%

27.
MONTROSE

27. MONTROSE

Creation Date: December 9, 2015

Termination Date: December 31, 2045

Zone Purpose: Repairing and enhancing Montrose infrastructure, such as new sidewalks and repairs to the drainage system.

Top Five Project Plan Expenditures Cumulative Through 6/30/2016:

None-Created Fiscal Year 2016

Top Three Capital Improvement Plan Appropriations for FY 2017:

None-Created Fiscal Year 2016

Additional TIRZ Data Element Description:

DATA ELEMENT DESCRIPTION	27. Montrose
Petition (P) or Non Petition (N)	Non-Petition
Total No. of Board Members	7
Life of the TIRZ in Years	30
Useful Life Expended	1
Number of Boundary Adjustments	0
Years of Boundary Adjustments	N/A
Total Acreage	598
PROPERTY VALUES	
Participating Tax Jurisdictions	City of Houston\New TIRZ
Base Year	2015
Base Year Property Value (Includes Boundary Expansions)	1,198,972,760
Current Year Taxable Property Value Tax Year 2015	1,198,972,760
Historical Incremental Property Value through Tax Year 2015	\$0
Property Value Percentage Increase through Tax Year 2015	N\A

27. MONTROSE

Additional TIRZ Data Element Description (cont'd)

DATA ELEMENT DESCRIPTION	27. Montrose
CITY OF HOUSTON INCREMENT	
First Year of COH Increment	Created FY 2016
First Year COH Increment Amount	Created FY 2016
Tax Year 2015 Increment	Created FY 2016
COH Cumulative Increment From Inception thru Tax Year 2015	Created FY 2016
Number of Years of Accumulation	Created FY 2016
Average COH Increment Per Year	Created FY 2016
FINANCIAL INFORMATION	
Total Revenue for Fiscal 2016	Created FY 2016
Total Expenses for Fiscal 2016	Created FY 2016
Total Fund Balance as of June 30, 2016	Created FY 2016
Bonds Payable	Created FY 2016
Loans\Notes Payable	Created FY 2016
Total Debt as of June 30, 2016	\$0
Administrative Fees-FY 2016	Created FY 2016
Fees for Additional Services-FY 2016	Created FY 2016
Municipal Services Charge FY 2017	\$214,470
PROJECT PLAN	
Total Projected Costs	Agreements Pending
Actual Costs (Through 6/30/2016)	\$0
Percentage of Actual to Projected Plan Costs	0%
Percentage of Useful Life Expended	3%