Controller's Office

To the Honorable Mayor and City Council of the City of Houston:

I hereby certify, with respect to the money required for the contract, agreement, obligation or expenditure contemplated by the ordinance set out below that:

( ) Funds have been encumbered out of funds previously appropriated for such purpose.

( ) Funds have been certified and designated to be appropriated by separate ordinance to be approved prior to the approval of the ordinance set out below.

( ) Funds will be available out of current or general revenue prior to the maturity of any such obligation.

( ) No pecuniary obligation is to be incurred as a result of approving the ordinance set out below.

( ) The money required for the expenditure or expenditures specified below is in the treasury, in the fund or funds specified below, and is not appropriated for any other purposes.

( ) A certificate with respect to the money required for the expenditure or expenditures specified below is attached hereto and incorporated herein by this reference.

(X) Other - Contingent on receipt of tax increment

Janice D. Pardue
Madeleine B. Appel

Date: September 13, 2005 **City Controller of the City of Houston**

FUND REF: N/A **AMOUNT:** -0- **ENCUMB. NO.:** RF70033-06

RF 9.6.5

City of Houston, Texas, Ordinance No. 2005-1052

AN ORDINANCE APPROVING AND AUTHORIZING A FIRST AMENDMENT TO INTERLOCAL AGREEMENT BETWEEN THE CITY OF HOUSTON, HARRIS COUNTY AND REINVESTMENT ZONE NUMBER THREE, CITY OF HOUSTON, TEXAS (MAIN STREET MARKET SQUARE TIRZ) RELATING TO THE PARTICIPATION OF HARRIS COUNTY IN THE REINVESTMENT ZONE; AND DECLARING AN EMERGENCY.

* * * *

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON:

Section 1. That the City Council hereby approves and authorizes the contract,

agreement or other undertakings described in the title of this Ordinance, in substantially the form as shown in the document which is attached hereto and incorporated herein by this reference. The Mayor is hereby authorized to execute such document and all related documents on behalf of the City of Houston. The City Secretary is hereby authorized to attest to all such signatures and to affix the seal of the City to all such documents.

Section 2. That the Mayor is hereby authorized to take all actions necessary to effectuate the City's intent and objectives in approving such agreement, agreements or other undertaking described in the title of this ordinance, in the event of changed circumstances.

Section 3. That the City Attorney is hereby authorized to take all action necessary to enforce all legal obligations under said contracts without further authorization from Council.

Section 4. There exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 14th **day of** September, **2005.**

APPROVED this _____ day of _____, 2005.

_____

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is SEP 20 2005.

_____

City Secretary

CAPTION PUBLISHED IN DAILY COURT REVIEW DATE: SEP 20 2005

FORM 132.M
(Approving/Authorizing)

(Prepared by Legal Dept. _____)
(CSL:csl 9/9/05 Assistant City Attorney
(Requested by Marlene Gafrick, Director of Planning and Development)
(L.D. File No. 0619500030042)
U:\TIRZ'S\pavillion\county\ord1.rtf

AYE	NO	
✓		**MAYOR WHITE**
• • • •	• • • •	**COUNCIL MEMBERS**
✓		LAWRENCE
✓		GALLOWAY
✓		GOLDBERG
✓		EDWARDS
✓		WISEMAN
	ABSENT	KHAN
✓		HOLM
✓		GARCIA
✓		ALVARADO
✓		ELLIS
✓		QUAN
✓		SEKULA-GIBBS
	ABSENT-ON PERSONAL BUSINESS	GREEN
✓		BERRY
CAPTION	ADOPTED	

MAY 017 Rev. 1/04

FIRST AMENDMENT TO INTERLOCAL AGREEMENT BETWEEN HARRIS COUNTY, CITY OF HOUSTON, TEXAS, REINVESTMENT ZONE NUMBER THREE, CITY OF HOUSTON, TEXAS AND MAIN STREET MARKET SQUARE REDEVELOPMENT AUTHORITY

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

This First Amendment ("Amendment") to the Interlocal Agreement is made and entered into by and among **Harris County** on behalf of itself and the **Harris County Flood Control District**, the **Harris County Hospital District**, and the **Port of Houston Authority of Harris County, Texas** (collectively referred to as "County"), the **City of Houston, Texas** ("City"), a municipal corporation and home-rule city of the State of Texas principally situated in Harris County, acting by and through its governing body, the City Council, **Reinvestment Zone Number Three, City of Houston, Texas** ("Market Square Zone"), a reinvestment zone created by the City of Houston pursuant to Chapter 311 of the Texas Tax Code, acting by and through its Board of Directors, and **Main Street Market Square Redevelopment Authority** ("Redevelopment Authority"), a local government corporation created by the City of Houston pursuant to the chapter 431 of the Texas Transportation Code, acting by and through its Board of Directors. This Amendment is made pursuant to chapter 791 of the Texas Government Code and chapter 311 of the Texas Tax Code.

R E C I T A L S:

WHEREAS, on December 13, 1995, the City Council of the City of Houston, Texas, pursuant to chapter 311 of the Texas Tax Code, adopted Ordinance No. 95-1323, designating a certain area as Reinvestment Zone Number Three, City of Houston, Texas ("Market Square Zone") and described the boundaries of said Zone; and

WHEREAS, on July 9, 1996, the Commissioners Court of Harris County approved Harris County's participation in the original boundaries of the Market Square Zone as described in the City of Houston Ordinance No. 95-1323, on December 17, 1996 Harris County reaffirmed the order, and on March 20, 2001, the Commissioners Court of Harris County approved an Interlocal Agreement by and between the City, Harris County, the Market Square Zone, and the Redevelopment Authority, (the "Original Agreement"); and

WHEREAS, pursuant to Ordinance No. 98-1204, adopted on December 16, 1998, the City enlarged the Market Square Zone (the "Zone B Ordinance"); and

WHEREAS, pursuant to Ordinance No. 2005- _____, adopted on September __, 2005[1](the "Zone C Ordinance"), the City enlarged the Market Square Zone by an additional two blocks; and

WHEREAS, the County, the City, the Market Square Zone, and the Redevelopment Authority desire to amend the Original Agreement in order to modify the participation of Harris County in the original boundaries of the Market Square Zone and provide for its participation in a portion of the Market Square Zone, as enlarged by the Zone B Ordinance and the Zone C Ordinance, and as such participation is further described in this Amendment.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration and the mutual benefits expressed, the County, the City, the Market Square Zone, and the Redevelopment Authority agree as follows:

I.

Section II of the Original Agreement entitled "Definitions" is hereby amended by adding or substituting, as appropriate, the definitions in their appropriate alphabetical order to read as follows:

"Amendment" means all modifications to the Original Agreement agreed upon between the City, the County, the Market Square Zone, and the Redevelopment Authority herein.

"Amendment Term" is defined in Section V of this Amendment.

"Countersignature Date" means that date shown as the date that this Amendment is countersigned by the City Controller on page 11 of this Amendment.

"County Base Year" means the County-wide Entities' participation in Zones B and C, as described herein, beginning January 1, 2005.

"County-wide Entities" means Harris County, the Harris County Flood Control District, the Harris County Hospital District, and the Port of Houston Authority of Harris County, Texas and their successors and assigns.

"County-wide Tax Increment Participation" means with respect to Zone A, the amount of the payments of Harris County, the Harris County Flood Control District, the Harris County Hospital District, and the Port of Houston Authority of Harris County, Texas to the Market Square Zone pursuant to Section IV of the Agreement and with respect to Zone C, the amount of the payments of

[1] Ordinance number and date of the City ordinance enlarging the boundary of the Zone to be inserted by the City Secretary.

Harris County and the Harris County Flood Control District to the Market Square Zone pursuant to Section III of this Amendment.

"Disadvantaged Business," as used in section 311.0101 of the Texas Tax Code and this Amendment shall, for the purposes of the Zone and any Project Plan or Financing Plan related thereto, have the same meaning as Minority Business Enterprise or Women-Owned Business Enterprise as set out in Chapter 15 of the Code of Ordinances, City of Houston, Texas and be certified by the City's Affirmative Action office.

"Market Square Zone" means Reinvestment Zone Number Three, City of Houston, Texas, created by the City on December 13, 1995 by Ordinance No. 95-1323 and enlarged by the Zone B Ordinance and by the Zone C Ordinance, and includes its successors and assigns.

"Original Agreement," means the agreement between the County, the City, the Market Square Zone, and the Redevelopment Authority relating to Zone A, a copy of which is attached hereto as **Exhibit A.**

"Project Plan," shall mean the project plan and reinvestment zone financing plan for the Market Square Zone adopted by the board of directors of the Market Square Zone and approved by the City Council of the City on September 11, 1996, by City of Houston Ordinance No. 96-911, as amended by City of Houston Ordinance No. 98-1205 on December 16, 1998, Ordinance No. 1999-828 on August 11, 1999, and as amended by City Council on September ___, 2005, by City of Houston Ordinance No. 2005-_____[2], a copy of which is attached hereto as **Exhibit B**.

"Zone A" means the nine (9) block area that was initially created as Reinvestment Zone Number Three, City of Houston, Texas (also referred to as the Market Square Zone), created by City of Houston Ordinance No. 95-1323 and in which the Harris County Commissioners Court first approved its participation on July 9, 1996.

"Zone B" means the expanded area of the original Market Square Zone by the addition of approximately sixty-five (65) blocks primarily along the Main Street Corridor, as approved by the Zone B Ordinance.

"Zone C" means the two blocks added to the Market Square Zone by the Zone C Ordinance and two of the blocks that were added to the Market Square Zone by the Zone B Ordinance, totaling four blocks, three of which are bounded by Dallas Street to the north, Polk Street to the South, Main Street to the west, and Caroline Street to the east, and one of which is bounded by Polk Street to the north, Fannin Street to the east, Main Street to

[2] Ordinance number and date of the City Ordinance adopting the Third Amended Project Plan to be inserted by the City Secretary.

the west and Clay Street to the south; and such four blocks are also identified as City block numbers 272, 273, 274 and 295 in the Project Plan.

II.

Section III of the Original Agreement entitled "Background" is amended to read as follows:

On December 13, 1995, the City created the Market Square Zone, by adoption of City of Ordinance No. 95-1323, for the purposes of development and redevelopment in the Market Square Area, of a nine (9) block area, referred to as "Zone A." The County-wide Entities, made up of Harris County, the Harris County Flood Control District, the Harris County Hospital District, and the Port of Houston Authority of Harris County, Texas, participated in the Original Agreement and made a commitment of $8.5 million to the Tax Increment Fund.

On July 9, 1996, the Commissioners Court of Harris County approved an order for participation by the County-wide Entities in the original boundaries of the Market Square Zone, as described in City of Houston Ordinance No. 95-1323, to the extent of one hundred percent (100%) of their tax increment in the Market Square Zone. On December 17, 1996, the Commissioners Court of Harris County reaffirmed its prior order and approved an order that reiterated the participation at one hundred percent (100%) of the tax increment produced from the collection of ad valorem taxes on real property located in the Market Square Zone, as its boundaries existed on July 9, 1996.

The Market Square Zone was enlarged on December 16, 1998, by City of Houston Ordinance No. 98-1204, adding approximately sixty-five (65) blocks along the Main Street Corridor and increasing project costs. The enlarged boundaries are herein referred to as "Zone B." The County-wide Entities do not participate in Zone B.

The Board of Directors of the Market Square Zone initially adopted a Project Plan and Reinvestment Zone Financing Plan, which was approved on September 11, 1996, by City of Houston Ordinance No. 96-911, and amended on December 16, 1998, by City of Houston Ordinance No. 98-1205 and on August 11, 1999, by City of Houston Ordinance No. 1999-828. The City agreed to participate in the Market Square Zone by contributing its tax increment produced in the Market Square Zone to the Tax Increment Fund. Although the City agreed to participate in Zone B, the County-wide Entities declined to participate in Zone B, which expanded the scope of the Market Square Zone to sixty-five (65) additional blocks.

The City and the Market Square Zone entered into a contract, as amended, with Houston Housing Finance Corporation ("HHFC") which provided that for a twenty-five (25) year term, beginning January 1, 1997, the first seven hundred-fifty thousand dollars ($750,000.00) per year of tax increment generated in Zone A paid into the Tax Increment Fund from all participating taxing units (including the County-wide Tax

Increment Participation) would be paid to HHFC to finance the costs associated with certain public works and improvements.

Harris County and the Harris County Flood Control District (the "Zone C County-wide Entities") desire to participate in Zone C. The parties now desire to enter into an amendment to the Original Agreement pursuant to chapter 311 of the Texas Tax Code, to set forth the Zone C County-wide Entities participation in Zone C and to reallocate certain tax increments generated in Zone A by the County-wide Entities for Zone C as set out in Project Plan, to facilitate and support the publicly accessible improvements related to the development of a mixed use retail, residential and office complex (the "Pavilions Project").

III.

Section IV of the Original Agreement entitled "Obligations of Harris County" is amended to read as follows:

A. Tax Increment Participation by Harris County

For and in consideration of the agreements of the parties set forth in the Original Agreement, the parties agree that the County-wide Tax Increment Participation in the Market Square Zone is a payment, to the extent authorized by law, to the Tax Increment Fund during the term of the Original Agreement, of one hundred percent (100%) of the tax increment generated within the boundaries of the Market Square Zone as it existed on July 9, 1996, from the Captured Appraised Value in the Market Square Zone attributable to Harris County, the Harris County Flood Control District, the Harris County Hospital District, and the Port of Houston Authority of Harris County, Texas. The maximum amount of the County-wide Tax Increment Participation for Zone A is $8,500,000. Once the County-wide Tax Increment Participation for the original commitment of $8,500,000 for Zone A is paid by the County-wide Entities to the Tax Increment Fund, this Amendment for the additional commitment of funds to Zone C shall terminate as to both the Hospital District and the Port of Houston Authority of Harris County, Texas.

For and in consideration of the agreements of the parties set forth in this Amendment, the parties agree that the County-wide Tax Increment Participation in Zone C is a payment, to the extent authorized by law, to the Tax Increment Fund during the term of the Original Agreement, of one hundred percent of the tax increment generated in Zone C from up to $101,500,000 of the Captured Appraised Value attributable to Harris County and the Harris County Flood Control District for a period of forty-eight months beginning January 1, 2006, and beginning January 1, 2010, of fifty-one of the tax increment generated in Zone C from up to $200,700,000 of the Captured Appraised Value attributable to Harris County and the Harris County Flood Control District. The maximum amount of the County-wide Tax Increment Participation for Zone C is $8,500,000.

The parties agree that tax increments attributable to the County-wide Entities that are generated in Zone A may be used by the Market Square Zone and the Redevelopment Authority for projects in Zone C.

It is further agreed that should for any reason the City, the Market Square Zone or the Redevelopment Authority receive funds due to tax increment attributable to any of the County-wide Entities in excess of the payments agreed to in the Original Agreement or this Amendment, the Market Square Zone or the Redevelopment Authority shall reimburse within thirty (30) days of notification by Harris County such excess amount to Harris County; and such funds will be deemed not to have been deposited in the Tax Increment Fund. It is further agreed that the Harris County Flood Control District, the Harris County Hospital District, the Port of Houston Authority of Harris County, Texas, and all other taxing entities for which the County imposes taxes, either now or in the future, are third party beneficiaries of this Amendment and shall be able to enforce its terms.

In the event the City, the Market Square Zone or the Redevelopment Authority expends tax increment funds derived from Zone A or Zone C for projects that are inconsistent with the Project Plan or not permitted by Chapter 311, Texas Tax Code, as determined by a court of competent jurisdiction, the County shall notify the City, the Market Square Zone and the Redevelopment Authority of the breach, and the defaulting party shall have sixty days to cure the breach. In the event the breach is not cured within the sixty day period, the County, as well as all County-wide Entities, may suspend all tax increment payments until the breach is cured.

The County is not obligated to pay its share of the County-wide Tax Increment Participation from any other source other than taxes collected on the Captured Appraised Value for Zone A, the nine (9) blocks covered by the Original Agreement, and Zone C, the four (4) blocks covered by this Amendment. Furthermore, the County has no duty or obligation to pay its share of the County-wide Tax Increment Participation from any other County taxes or revenues, or until the County-wide Tax Increment Participation in the Market Square Zone is actually collected. Any portion of the taxes representing the County-wide Tax Increment Participation that are paid to a County-wide Entity and subsequently refunded pursuant to the provisions of the Texas Tax Code shall be offset against future payments to the Tax Increment Fund. The obligation to pay the County-wide Tax Increment Participation accrues as taxes representing the County-wide Tax Increment Participation are collected and payment shall be due as provided in the Texas Tax Code. No interest or penalty will be charged to the County-wide Entities for any late payment received; provided, however, that penalty and interest on any delinquent taxes received by the County-wide Entities on any delinquent taxes from the County-wide Tax Increment Participation shall be paid to the Tax Increment Fund in the amounts required by the Texas Tax Code. The County-wide Entities shall make payments once a year, by August 31st of each year, for the prior tax year, through tax year 2025, or until an aggregate of $17.0 million has been paid into the Tax Increment Fund by the County-wide Entities, whichever occurs first.

The funds to be paid to the Tax Increment Fund by the County and the Harris County Flood Control District to satisfy the $8.5 million County commitment to Zone C shall be used for publicly accessible improvements related to the development of the expanded Market Square Zone. Specifically, the County and the Harris County Flood Control District's participation and payment to the Tax Increment Fund shall be limited to rights of way expenses, interior pedestrian walkways and public access improvements, as well as ingress/egress improvements and public safety modifications. Harris County and the Harris County Flood Control District hereby agree that the Redevelopment Authority may elect to use revenues other than the County-wide Tax Increment Participation to pay the costs for Zone C projects described herein. If the Redevelopment Authority uses revenues other than the County-wide Tax Increment Participation then the Redevelopment Authority may use the County-wide Tax Increment Participation to pay other project costs consistent with the Project Plan.

Actual expenditures from the County-wide Tax Increment Participation may come from tax increment paid from the County-wide Entities' from the nine (9) blocks of the Original Zone, as agreed upon by the parties in the Original Agreement, or from the increment from Zone C.

B. Expansion of Market Square Zone

The obligation of Harris County, the Harris County Flood Control District, the Harris County Hospital District, and the Port of Houston Authority of Harris County, Texas to participate in Zone A is limited to the area shown in the City of Houston Ordinance No. 95-1323, as further described in Commissioners Court order dated December 17, 1996, and the obligation of Harris County and the Harris County Flood Control District to participate in Zone C is solely for the purpose of right of way expenses, interior pedestrian walkways and public access improvements, as well as ingress/egress improvements and public safety modifications. The participation of Harris County, the Harris County Flood Control District, the Harris County Hospital District, and the Port of Houston Authority of Harris County, Texas does not extend to Zone B (except for block numbers 272 and 295, which, for purposes of this Amendment, are included in Zone C), or any subsequent amendment of the Project Plan by the City and the Market Square Zone that would increase the total amount of project costs.

C. Board of Directors

Pursuant to the provisions of the Texas Tax Code, the Harris County Commissioners Court shall have the unequivocal right to appoint and thereafter at all times maintain one (1) member on the Market Square Zone Board of Directors. The Harris County Commissioners Court may also appoint and maintain as many non-voting ex officio members on the Market Square Zone Board of Directors as Harris County may desire.

IV.

Section V of the Original Agreement, entitled "Obligations of City, Market Square Zone and Redevelopment Authority" is hereby amended by amending Paragraph A and adding Paragraphs D, E, and F, and reads as follows:

A. Project Plan

Any member of the Harris County Commissioners Court may review and comment upon any amendment to the Project Plan before any amendments thereto are submitted to the City Council for City approval. The City agrees to provide the County with a copy of any proposed amendments at least fourteen (14) days prior to their submission to the City Council for approval. The County's participation in the Market Square Zone does not extend to any amendment to the Project Plan subsequent to the date of the order of Commissioners Court approving this Amendment unless the County agrees to further participate and amends its order accordingly.

D. Subsequent Changes to City Participation in the Market Square Zone

If the City reduces its rate of participation in Zone A or Zone C, the County-wide Entities may reduce their participation rate by a percentage equal to the City's reduction.

E. Administrative Fees

The County, the City, the Market Square Zone, and the Redevelopment Authority agree that the City will not receive more than five percent (5%) of any amounts paid into the Tax Increment Fund by the County-wide Entities for any and all administrative fees and/or City services (e.g., police service, sewer, etc.) for which the City may be entitled to reimbursement, whether by existing or future federal, state, or local statute, and whether deducted from tax increment funds as received from or reimbursed by the Market Square Zone at a later date.

F. Minority and Women-Owned Business Enterprise

It is the policy of the City to stimulate the growth of minority and women-owned business by encouraging their full participation in all phases of its procurement activities and by affording them a full and fair opportunity to compete for all City contracts and/or agreements.

The Redevelopment Authority agrees to use its best efforts to carry out this policy through award of contracts, subcontracts and aid to Disadvantaged Business enterprises to the extent consistent with the implementation of the Project Plan.

Without limiting the generality of the foregoing, the Redevelopment Authority agrees that it will make Good Faith Efforts (as defined by the City's Director of

Affirmative Action) to award the percentage of the value of contracts to Disadvantaged Businesses at the same rate as set forth in the City's Affirmative Action Program, as it may be in effect from time to time. While it is not a requirement of this Amendment that the Redevelopment Authority, in fact, meet or exceed these goals, it is a requirement that the Redevelopment Authority objectively demonstrate to the City that it has exerted Good Faith Efforts to meet these goals. To this end, the Redevelopment Authority shall maintain records showing (i) its subcontracts, supply agreements, and support with and to Disadvantaged Business enterprises, and (ii) specific efforts to identify and award subcontracts, supply agreements, and support with and to minority and women-owned business enterprises. The Redevelopment Authority shall submit quarterly reports of its Good Faith Efforts under this Section to the City's Director of Affirmative Action in such form and manner as the Director of Affirmative Action may prescribe.

The Redevelopment Authority further agrees to require, in any agreement with the Developer/Builder of the Pavilions Project, that such developer shall, in the construction of the Pavilions Project, carry out this policy to the same extent and in the same manner required of the Redevelopment Authority under this Section.

V.

Subsection A "Agreement Term" of Section VI of the Original Agreement, entitled "Term and Termination," is hereby amended to read as follows:

A. Agreement Term

The term of the Original Agreement shall commence with the tax year beginning on January 1, 1997. The term of this Amendment shall commence with the tax year 2005 (calendar year beginning January 1, 2006). Unless earlier terminated by the parties hereto, the Original Agreement, as amended by this Amendment, shall terminate on the earlier of (a) the December 31, 2025 or (b) the date when an aggregate of $17.0 million has been paid into the Tax Increment Fund by the County-wide Entities.

VI.

Subsection D, "Notices," of Section VII of the Original Agreement, entitled "Miscellaneous," is hereby amended to read as follows:

All notices required or permitted hereunder shall be in writing and shall be deemed delivered when actually received or, if earlier, on the third (3rd) day following deposit in a United States Postal Service Post Office or receptacle with proper postage affixed (certified mail, return receipt requested) addressed to the respective other party at the address prescribed below or at such other address as the receiving party may have theretofore prescribed by notice to the sending party.

The initial addresses of the parties, which any party may change by giving written notice of its changed address to the other parties, are as follows:

City of Houston 611 Walker, 6th Floor Houston, Texas 77002 Attn: Director, Planning & Development Department		Harris County Harris County Community & Economic Development Department 8410 Lantern Pointe Drive Houston, Texas 77054 Attn: Director, Community & Economic Development Department
Reinvestment Zone Number Three, City of Houston, Texas 909 Fannin, Suite 1650 Houston, Texas 77010 Attn: Executive Director		Main Street/Market Square Redevelopment Authority 909 Fannin, Suite 1650 Houston, Texas 77010 Attn: Executive Director

VII.

This Amendment becomes effective as of the date of the final countersignature hereto.

Except as modified herein, the Original Agreement will remain in full force and effect. In the event of a conflict between the Original Agreement and this Amendment, this Amendment shall prevail. It is the intent of the parties that the County's participation in the Market Square Zone, or any expansion thereof, is limited to the terms stated herein. Nothing in this Amendment, however, limits the authority of the Harris County Commissioners Court to extend the term of the Original Agreement or this Amendment or increase the amount of the County-wide Tax Increment Participation in the Market Square Zone. Upon termination of the Agreement and this Amendment, the obligation of the County to contribute to the Tax Increment Fund for the Market Square Zone shall end. However, any refund obligations to the City and the Market Square Zone shall survive such termination.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment, in multiple copies, each of which shall be an original.

HARRIS COUNTY

ROBERT ECKELS
County Judge

APPROVED AS TO FORM:

RACHEL BOATES
Assistant County Attorney

APPROVED:

_____

Director, Date
Community and Economic
Development Department

CITY OF HOUSTON, TEXAS

_____

BILL WHITE
Mayor Date

ATTEST

_____

City Secretary Date

COUNTERSIGNED:

_____

City Controller Date

APPROVED AS TO FORM:

_____

Assistant City Attorney Date

REINVESTMENT ZONE NUMBER THREE,
CITY OF HOUSTON, TEXAS (Market Square Zone)

_____

Chair, Date
Board of Directors

ATTEST

_____

Secretary, Date
Board of Directors

MAIN STREET MARKET SQUARE
REDEVELOPMENT AUTHORITY

_____

Chair, Date
Board of Directors

ATTEST

_____

Secretary, Date
Board of Directors

EXHIBITS

FORM 132.M
(Approving/Authorizing)

Controller's Office

To the Honorable Mayor and City Council of the City of Houston:

I hereby certify, with respect to the money required for the contract, agreement, obligation or expenditure contemplated by the ordinance set out below that:

( ) Funds have been encumbered out of funds previously appropriated for such purpose.

( ) Funds have been certified and designated to be appropriated by separate ordinance to be approved prior to the approval of the ordinance set out below.

( ) Funds will be available out of current or general revenue prior to the maturity of any such obligation.

( ) No pecuniary obligation is to be incurred as a result of approving the ordinance set out below.

( ) The money required for the expenditure or expenditures specified below is in the treasury, in the fund or funds specified below, and is not appropriated for any other purposes.

( ) A certificate with respect to the money required for the expenditure or expenditures specified below is attached hereto and incorporated herein by this reference.

(X) Other - Contingent on sale of Authorized Bonds, issuance of obligations of the Zone or receipt of tax increment

Date: April 3, 2001 City Controller of the City of Houston

FUND REF: NA-70 AMOUNT: $0.00 ENCUMB. NO.: NF70002-01

City of Houston, Texas, Ordinance No. 2001-301

AN ORDINANCE APPROVING AND AUTHORIZING AN INTERLOCAL AGREEMENT BETWEEN THE CITY OF HOUSTON, HARRIS COUNTY AND REINVESTMENT ZONE NUMBER THREE, CITY OF HOUSTON, TEXAS (MARKET SQUARE ZONE) RELATING TO THE PARTICIPATION OF HARRIS COUNTY IN THE REINVESTMENT ZONE; AND DECLARING AN EMERGENCY.

* * * *

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON:

EXHIBIT
tabbies
17
1-20

FORM 132.M
(Approving/Authorizing)

(Prepared by Legal Dept. DEBORAH F. LADYE
(DFM:dfm 3/30/01 Senior Assistant City Attorney
(Requested by Robert Litke, Director of Planning and Development)
(L.D. File No. 0619500030023)
U:\WPFILES\ORD\TIRZ\MKTSQ\HARRISCO.WPD

AYE	NO	
✓		MAYOR BROWN
••••	••••	COUNCIL MEMBERS
✓		TATRO
✓		GALLOWAY
	ABSENT	GOLDBERG
	ABSENT	BONEY
	ABSENT	TODD
✓		ELLIS
✓		KELLER
	ABSENT	VASQUEZ
✓		CASTILLO
✓		PARKER
✓		QUAN
✓		SANCHEZ
✓		BELL
✓		ROBINSON
CAPTION	ADOPTED	

MAY 017 Rev. 1/00

EXHIBIT
A
3-20

City

Director, Planning and Development Department
City of Houston
P. O. Box 1562
Houston, Texas 77251

Harris County

Harris County
Harris County Administration Building
1001 Preston Avenue, Ninth Floor
Houston, Texas 77002
Attention: Director, Department of Management Services

Market Square Zone

Reinvestment Zone Number Three,
City of Houston, Texas
c/o Houston Downtown Management District
1111 Bagby, Suite 2600
Houston, Texas 77002
Attention: Vickie Rivers

Redevelopment Authority

Main Street Market Square Redevelopment Authority
1111 Bagby, Suite 2600
Houston, Texas 77002
Attention: Vickie Rivers

B. Index

The City, Harris County, the Market Square Zone and the Redevelopment Authority hereby agree to the terms and conditions of this Agreement. This Agreement consists of the following sections:

Section	Description	Page
I.	Parties	1
II.	Definitions	6
III.	Background	7
IV.	Obligations of Harris County	8
V.	Obligations of City, Market Square Zone and Redevelopment Authority	11
VI.	Term and Termination	13
VII.	Miscellaneous	13

C. Parts Incorporated

All of the above described sections and documents are hereby incorporated into this Agreement by this reference for all purposes.

EXHIBIT
A
5-20

APPROVED AS TO FORM:

MICHAEL A. STAFFORD
County Attorney

By _____
NICHOLAS J. LYKOS
Senior Assistant County Attorney

HARRIS COUNTY

By _____
ROBERT ECKELS
County Judge

Date Signed: MAR 20 2001

[The remainder of this page is intentionally left blank.]

EXHIBIT
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II. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set out below:

"Agreement" means this agreement between the City, Harris County, the Market Square Zone, and the Redevelopment Authority.

"Agreement Term" is defined in Section VI.

"Captured Appraised Value" means the captured appraised value of the Market Square Zone, as defined by Chapter 311, Texas Tax Code.

"City" is defined in Section I of this Agreement and includes its successors and assigns.

"Countersignature Date" means that date shown as the date that this Agreement is countersigned by the City Controller on the page 3 of this Agreement.

"County-wide entities" means Harris County, the Harris County Flood Control District, the Harris County Hospital District and the Port of Houston Authority of Harris County, Texas and their successors and assigns.

"County-wide Tax Increment Participation" means the amount of the contributions of Harris County, the Harris County Flood Control District, the Harris County Hospital District and the Port of Houston Authority of Harris County, Texas to the Market Square Zone pursuant to Section IV of this Agreement.

"Market Square Zone" means Reinvestment Zone Number Three, City of Houston, Texas, created by the City on December 13, 1995 by Ordinance No. 95-1323 and enlarged by Ordinance No. 98-1204 on December 16, 1998, and includes its successors and assigns.

"Project Plan" means the project plan and reinvestment zone financing plan for the Market Square Zone adopted by the board of directors of the Market Square Zone and approved by the City Council of the City on September 11, 1996, by City of Houston Ordinance No. 96-911, and as

EXHIBIT

17

9-30

at one hundred percent (100%) of the tax increment produced from the collection of ad valorem taxes on real property located in the Market Square Zone, as its boundaries existed on July 9, 1996.

The City and the Market Square Zone entered into a contract, as amended, with Houston Housing Finance Corporation ("HHFC") which provides that for a twenty-five (25) year term, beginning January 1, 1997, the first $750,000 per year of tax increments paid into the tax increment fund from all participating taxing units (including the Harris County Tax Increment Participation as defined herein) will be paid to HHFC to finance the costs associated with certain public works and improvements. The parties now desire to enter into an interlocal agreement pursuant to TEX. TAX CODE ANN. § 311.013(f).

IV. OBLIGATIONS OF HARRIS COUNTY

A. Tax Increment Participation by Harris County

For and in consideration of the agreements of the parties set forth herein, and subject to the remaining subsections of this section, the parties agree that the County-wide Tax Increment Participation in the Market Square Zone is a contribution, to the extent authorized by law, to the Tax Increment Fund during the term of this Agreement of one hundred percent (100%) of the tax increment within the boundaries of the Market Square Zone as it existed on July 9, 1996, attributed to the Captured Appraised Value in the Market Square Zone attributable to Harris County, the Harris County Flood Control District, the Harris County Hospital District and the Port of Houston Authority of Harris County, Texas. It is further agreed that should for any reason the City, the Market Square Zone or the Redevelopment Authority receive funds due to a tax increment attributable to any of the entities named in this paragraph in excess of the contribution as agreed in this paragraph, the City, the Market Square Zone or the Redevelopment Authority shall return,

EXHIBIT
tabbies
17
11-20

C. **Expansion of Market Square Zone**

The obligation of Harris County, the Harris County Flood Control District, the Harris County Hospital District and the Port of Houston Authority of Harris County, Texas to participate in the Market Square Zone is limited to the area shown in City of Houston Ordinance No. 95-1323 and further described in Commissioners Court's order dated December 17, 1996. The participation of Harris County, the Harris County Flood Control District, the Harris County Hospital District and the Port of Houston Authority of Harris County, Texas does not extend to the tax increment on the property added to the Market Square Zone by Ordinance No. 98-1204 or on any additional property added to the Market Square Zone by the City or any amendment of the Project Plan by Ordinances Nos. 98-1205 and 1999-828 or any subsequent amendment of the Project Plan by the Market Square Zone and the City that would increase the total amount of project costs unless the entity to which the increment is attributed specifically agrees to participate in the additional area or amendment of the Project Plan. In addition, the participation of Harris County, the Harris County Flood Control District, the Harris County Hospital District and the Port of Houston Authority of Harris County, Texas does not extend to any dedication of revenue from the Tax Increment Fund by the Market Square Zone for projects outside the Market Square Zone as shown in Ordinance No. 95-1323, unless the entity to which the increment is attributed agrees to participate in the dedication.

D. **Board of Directors**

Pursuant to the provisions of Section 311.009(a), Texas Tax Code, the Harris County Commissioners Court shall have the unequivocal right to appoint and thereafter at all times maintain one (1) member on the Board of Directors of the Market Square Zone. Harris County may also appoint and maintain as many non-voting ex officio members on the Board of Directors of the Market Square Zone as Harris County may desire.

EXHIBIT

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A

13-20

B. Disposition of Tax Increments

Upon termination of the obligation of Harris County, the Harris County Flood Control District, the Harris County Hospital District and the Port of Houston Authority of Harris County, Texas to participate in the Market Square Zone, and after all bonded indebtedness of that portion of the Market Square Zone for which Harris County, the Harris County Flood Control District, the Harris County Hospital District and the Port of Houston Authority of Harris County, Texas are obligated to participate has been paid, the City and the Market Square Zone shall pay to Harris County, the Harris County Flood Control District, the Harris County Hospital District and the Port of Houston Authority of Harris County, Texas within sixty (60) days of said termination, all monies remaining in the Tax Increment Fund that are attributable to the County-wide Tax Increment Participation paid by Harris County, the Harris County Flood Control District, the Harris County Hospital District and the Port of Houston Authority of Harris County, Texas into the Tax Increment Fund.

C. Audits

The City shall provide to Harris County a copy of each of the audits required by the Agreement by and between the City of Houston, Texas, Reinvestment Zone Number Three, City of Houston, Texas and the Main Street Market Square Redevelopment Authority approved by City of Houston Ordinance No. 2000-240, as it may be amended from time to time, within thirty (30) days of receipt of each audit. In addition, the City and the Redevelopment Authority shall provide to Harris County a copy of all reports, studies and analyses prepared by the City, the Houston Downtown Management District or others on their behalf that concern the expenditure of Tax Increment Funds of the Market Square Zone.

EXHIBIT A 15-20

County-wide entities nor any other party, shall have any liability for any incremental or other payments as may otherwise be provided for in this Agreement.

B. Entire Agreement

This Agreement merges the prior negotiations and understandings of the parties hereto and embodies the entire agreement of the parties, and there are no other agreements, assurances, conditions, covenants (express or implied) or other terms with respect to the covenants, whether written or verbal, antecedent or contemporaneous, with the execution hereof.

C. Written Amendment

Unless otherwise provided herein, this Agreement may be amended only by written instrument duly executed on behalf of each party.

D. Notices

All notices required or permitted hereunder shall be in writing and shall be deemed delivered when actually received or, if earlier, on the third (3rd) day following deposit in a United States Postal Service post office or receptacle with proper postage affixed (certified mail, return receipt requested) addressed to the respective other party at the address prescribed in Section I of this Agreement or at such other address as the receiving party may have theretofore prescribed by notice to the sending party.

E. Non-Waiver

Failure of any party hereto to insist on the strict performance of any of the agreements herein or to exercise any rights or remedies accruing hereunder upon default or failure of performance shall not be considered a waiver of the right to insist on, and to enforce by any appropriate remedy, strict compliance with any other obligation hereunder or to exercise any other right or remedy occurring as a result of any future default or failure of performance.

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Presented to Commissioners' Court

MAR 20 2001

APPROVE
Recorded Vol____ Page____

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

The Commissioners Court of Harris County, convened at a meeting of said Court at the Harris County Administration Building in the City of Houston, Texas, on the MAR 20 2001 day of March , 2001, with the following members present, to-wit:

Robert Eckels	County Judge
El Franco Lee	Commissioner, Precinct No. 1
James Fonteno	Commissioner, Precinct No. 2
Steve Radack	Commissioner, Precinct No. 3
Jerry Eversole	Commissioner, Precinct No. 4

and the following members absent, to-wit: none, constituting a quorum, when among other business, the following was transacted:

ORDER APPROVING TAX INCREMENT CONTRIBUTION AND AUTHORIZING EXECUTION OF INTERLOCAL AGREEMENT AMONG HARRIS COUNTY, CITY OF HOUSTON, REINVESTMENT ZONE NUMBER THREE, CITY OF HOUSTON, TEXAS AND MAIN STREET MARKET SQUARE REDEVELOPMENT AUTHORITY

Commissioner Lee introduced an order and made a motion that the same be adopted. Commissioner Eversole seconded the motion for adoption of the order. The motion, carrying with it the adoption of the order, prevailed by the following vote:

Vote of the Court:	Yes	No	Abstain
Judge Eckels	☐	☐	☐
Comm. Lee	☑	☐	☐
Comm. Fonteno	☑	☐	☐
Comm. Radack	☑	☐	☐
Comm. Eversole	☑	☐	☐

AYES:
NAYS:
ABSTENTIONS:

The County Judge thereupon announced that the motion had duly and lawfully carried and that the order had been duly and lawfully adopted. The order thus adopted follows:

RECITALS:

On or about December 13, 1995, the City Council of the City of Houston, Texas, pursuant to chapter 311 of the Texas Tax Code, adopted Ordinance No. 95-1323 designating the Market Square area within the central business district as Reinvestment Zone Number Three, City of Houston, Texas ("Market Square Zone") and describing the boundaries of the Market Square Zone; and

On or about July 9, 1996, the Commissioners Court of Harris County, pursuant to TEX. TAX CODE ANN. § 311.013(f), approved an order for participation in the original

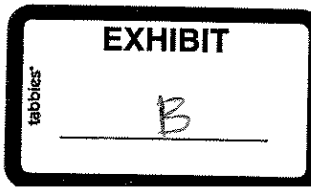
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19-20

REINVESTMENT ZONE NUMBER THREE, CITY OF HOUSTON, TEXAS

MARKET SQUARE TIRZ

Amended Project Plan and
Reinvestment Zone Financing Plan

September 7, 2005



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

Table of Contents

Introduction i
Exhibit 1 - Boundary Map - Original Area Market Square TIRZ ii

Part A: Project Plan and Reinvestment Zone Financing Plan (as adopted by Houston City Council on September 11, 1996
Executive Summary 1
- Project Plan Summary 1
- Reinvestment Zone Financing Plan 3
- Exhibit 2 - Market Square TIRZ Existing Land Use 6
- Exhibit 3 - Market Square TIRZ Proposed Development 7
- Exhibit 4- Market Square TIRZ Proposed Streetscape Improvements 8
- Exhibit 5- Market Square TIRZ Future Land Use 9
- Reinvestment Zone Financing Plan Analysis 10
- Exhibit 6 - Financing Analysis - Market Square TIRZ 11

Part B: Final Project Plan and Reinvestment Zone Financing Plan for Enlarged Market Square TIRZ
- General Summary 12
- Existing Uses and Conditions 13
- Proposed Improvements 13
- Proposed Uses 17
- Municipal Ordinances 18
- Non-Project Costs 18
- Relocation 19
- Amended Financing Plan 20
- Estimated Project Costs 21
- Exhibit 7 - Existing Land Uses 24
- Exhibit 8 - Blighted and Deteriorated Structures 25
- Exhibit 9 - Insufficient Retail Parking 25
- Exhibits 10 & 11 - Discontinuous Retail Environment with Dead Spaces 26
- Exhibit 12 - Downtown Sales Subject to Sales Tax 27
- Exhibit 13 - Deteriorated Sidewalks and Streets 28
- Exhibit 14 - Overburdened Sidewalk and Transit Stop 28
- Exhibit 15 - Street Level Retail 29
- Exhibit 16 - Downtown Transit Center 30
- Exhibit 17 - Superstop Location 30
- Exhibit 18 - Superstop Lobby 31
- Exhibit 19 - Tunnel Connections 31

EXHIBIT
tabbies
B

Exhibit 20 - Anticipated Land Use....32
Exhibit 21 - Streetscape Improvement Map....33
Exhibit 22 - Transit Improvements....34
Exhibit 23 - Retail Development Assistance....35
Exhibit 24a - Bayou Park Land Improvements....36
Exhibit 24b - Theater District, Cultural & Public Facility Improvements....37
Exhibit 25 - Economic Activity and Increment Revenue for Enlarged Area....38
Exhibit 26 - Annual Tax Increment Revenue for Expanded TIRZ....39
Exhibit 27 - Annual Cash Flow and Monetary Obligations....40-42

Part C: Project Plan and Reinvestment Zone Financing Plan, Reinvestment Zone # 3 (Main Street Market Square), City of Houston, Texas

Overview....43
Introduction....44
Amendments to Part A....45
Amendments to Part B....45
Part C
Proposed Expansion Area Zone Boundaries....46
Exhibit 28 - Houston Pavilions Project Site Map....47
Exhibit 29 - Existing Conditions - Allright Surface Parking Facility....48
Exhibit 30 - Convention Center Cooridor looking east from Main Street....48
Proposed Uses....49
Exhibit 31 - Land Use Map....50
Houston Pavilions....51
Pavilions Development and TIRZ Financing....52
Development Analysis....52
Other Part C Improvements....52
Other Project Plan Provisions....53
Exhibit 32 - Pavilions Project Value....54
Exhibit 33 - Development Value By Year....54
Exhibit 34 - Pavilions Development - City Increment Revenue....55
Exhibit 35 - Pavilions Development - County Increment Revenue....56
Exhibit 36a - Increment Revenue for Zone C....57
Exhibit 36b - Base Value....57
Exhibit 37 - Part A, B, & C Project Cost Amendments....58

EXHIBIT
tabbies
B

INTRODUCTION: THE PLAN FOR THE ENLARGED MARKET SQUARE TIRZ

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

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

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

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

EXHIBIT
tabbies
B
1-58

EXHIBIT 1: Boundary Map - Original Area

KEY :

ORIGINAL BOUNDARY

DECEMBER 13, 1995 (TYPICAL) - - - - - - - -

PROPOSED ANNEXATION BOUNDARY

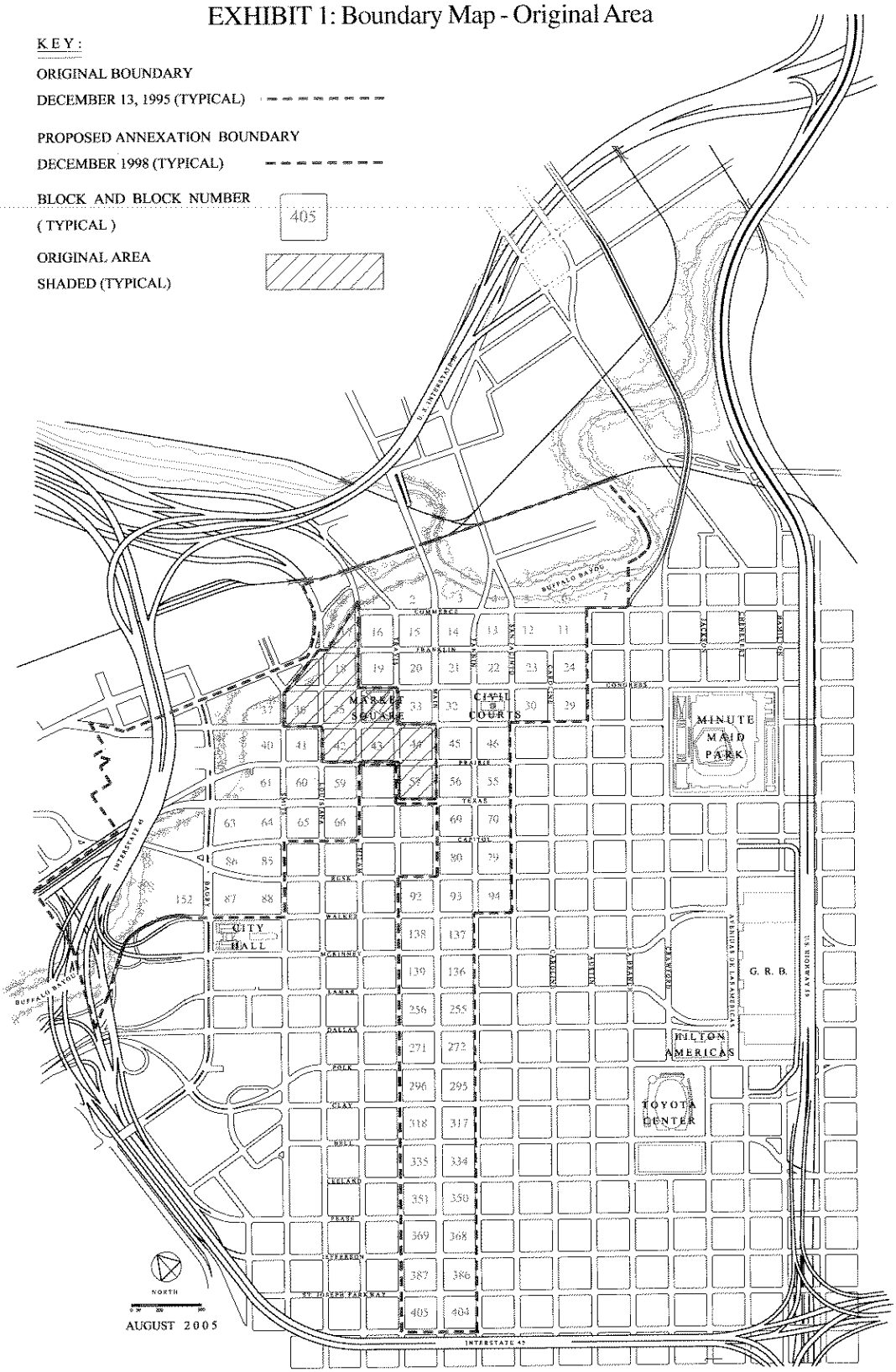
DECEMBER 1998 (TYPICAL) - - - - - - - -

BLOCK AND BLOCK NUMBER

(TYPICAL) 405

ORIGINAL AREA

SHADED (TYPICAL)



TAX INCREMENT REINVESTMENT ZONE (TIRZ)#3

BOUNDARY MAP - ORIGINAL AREA

EXHIBIT

B

11-58

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

Part 1: Executive Summary

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

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

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

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

Part 2: Project Plan Summary

The Market Square TIRZ is intended to provide the financing and management tool needed to help alleviate blight, deteriorated site conditions, and obsolete platting, and to encourage sound growth of residential development and supporting uses within the downtown area, the State Enterprise Zone, the Federal Enhanced Enterprise Community and the City of Houston. The project plan call for 905 new residential units; retail, commercial and office development totaling approximately 188,000 square feet (this is in addition to other services, retail, restaurant, and entertainment places expecting to be spun-off on properties outside of the zone); parking garage facilities containing 2,000 spaces; and, 0.25 acres of open

EXHIBIT
tabbies
B
1-59

space.

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

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

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

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

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

- METRO Transit Streets/Downtown District Betterments – These will improve Smith, Louisiana, Milam, Travis, Main, Congress and Preston Streets within the TIRZ boundaries.

- Buffalo Bayou Partnership Improvements – Current projects include Sesquicentennial Park (immediately to the west), Allen's Landing (to the east) and a bike trail on the north bank (just outside the TIRZ).

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

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

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

Part 3: Reinvestment Zone Financing Plan

EXHIBIT
tabbies
B
2-58

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

1. Streetscape Enhancements $2,000,000

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

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

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

2. Buffalo Bayou Riverwalk $4,000,000

Waterfront amenities and recreational greenbelts are key amenities for potential residents that were identified in market research. A riverwalk along the south bank of Buffalo Bayou will be created to take advantage of existing structures lining the stream in this area and to connect between Sesquicentennial Park and Allen's Landing. Improvements include but are not limited to walkways and access point landscaping.

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

3. Preparation of Residential Development Sites $5,000,000

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

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

4. Rice Hotel Financial Assistance $18,750,000

EXHIBIT
tabbies
B
3-5-8

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

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

5. Acquisition and Rehabilitation of Historic Structures $1,500,000

Ensure preservation and restoration of the smaller historic structures in the area through acquisition/resale and/or rehabilitation of roofs, other structural elements, and facades. These projects will also allow for retail and other services for area residents. No property will be acquired through condemnation.

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

6. Administration Cost $750,000

7. Additional Financing Cost (excluding Rice Hotel) $2,000,000

Total Project Plan Budget $34,000,000

Please refer to the Exhibits 2-5 for:

Units/Area Added

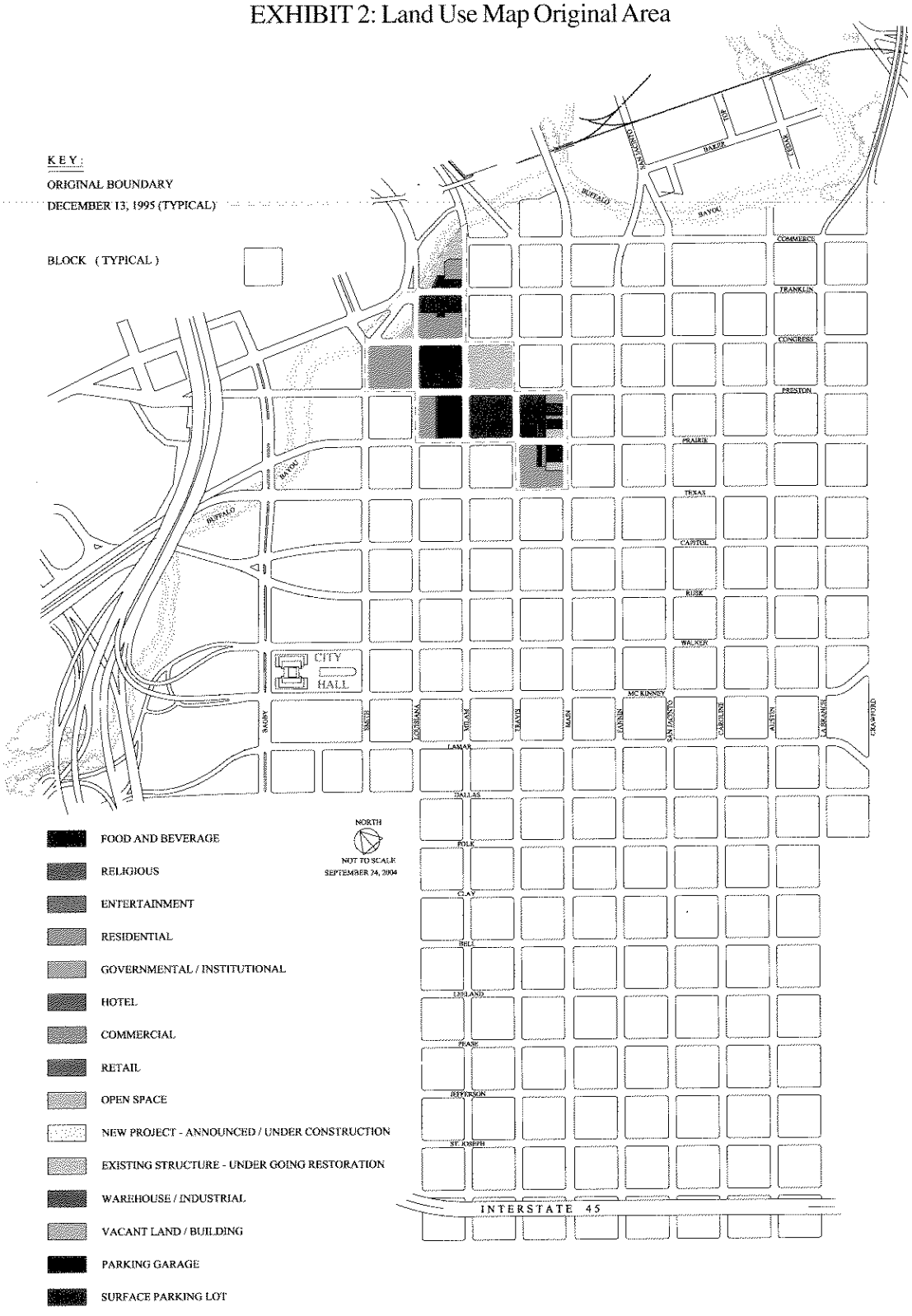
Exhibit 2	Existing Land Uses	
Exhibit 3	Proposed Land Uses (Project Plan)	
	• Residential (3+ stories)	905 du
	• Retail/Commercial/Office	188,000 sf
	• Banking Drive-Through	0 sf
	• Parking Structures* (w/ground floor retail in new facilities)	2,000 cars
	• Surface Parking	0 sf
	• Open Space	. 25 ac
	• Vacant Building (existing land use category only)	0 ac
Exhibit 4	Infrastructure Improvements (Project Plan)	
Exhibit 5	Private Development Sites (Project Plan)	
	• Greenbelt/Park/Riverwalk	

EXHIBIT
tabbies
B
4-5-9

- Streetscape
- Tunnel
- Residential Development Site (new and rehab)
- Retail/Commercial/Rehabilitation Site
- Parking Structure (with ground floor retail)
- Residential (3+ stories)
- Retail/Commerical
- Office
- Bank Drive-Through
- Parking Structure (w/ground floor retail in new facilities)
- Surface Parking
- Open Space
- Vacant Building (existing land use category only)
- Greenbelt/Park/Riverwalk
- METRO Transit Streets
- Related Improvements to Buffalo Bayou
- Many parking garage units will be integrated with residential development

EXHIBIT
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5-5-8

EXHIBIT 2: Land Use Map Original Area



TAX INCREMENT REINVESTMENT ZONE (TIRZ)#3

LAND USE MAP ORIGINAL AREA

EXHIBIT

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6-58

EXHIBIT 3: Market Square TIRZ # 3 Proposed Development

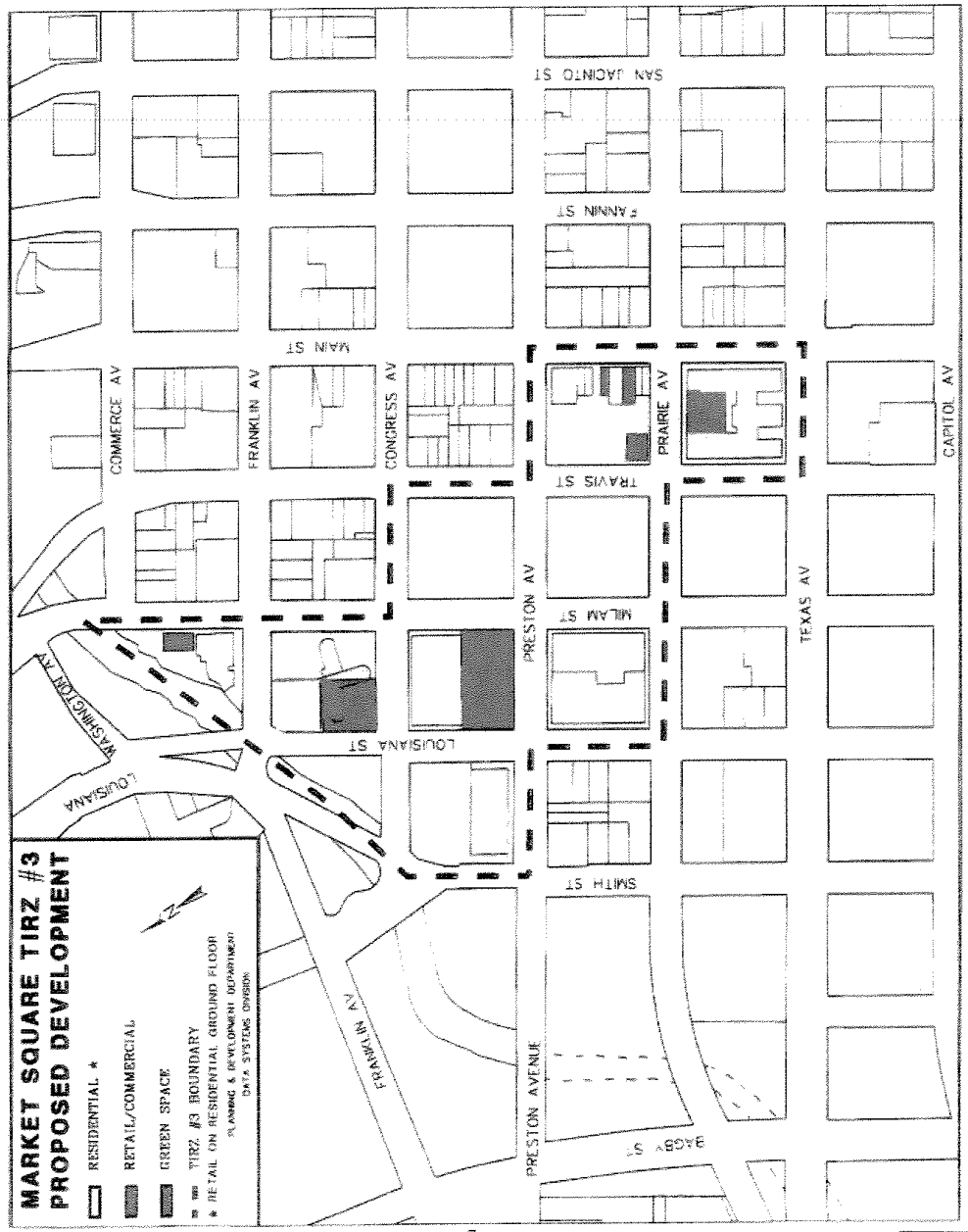


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EXHIBIT 4: Market Square TIRZ # 3 Proposed Streetscape Improvements

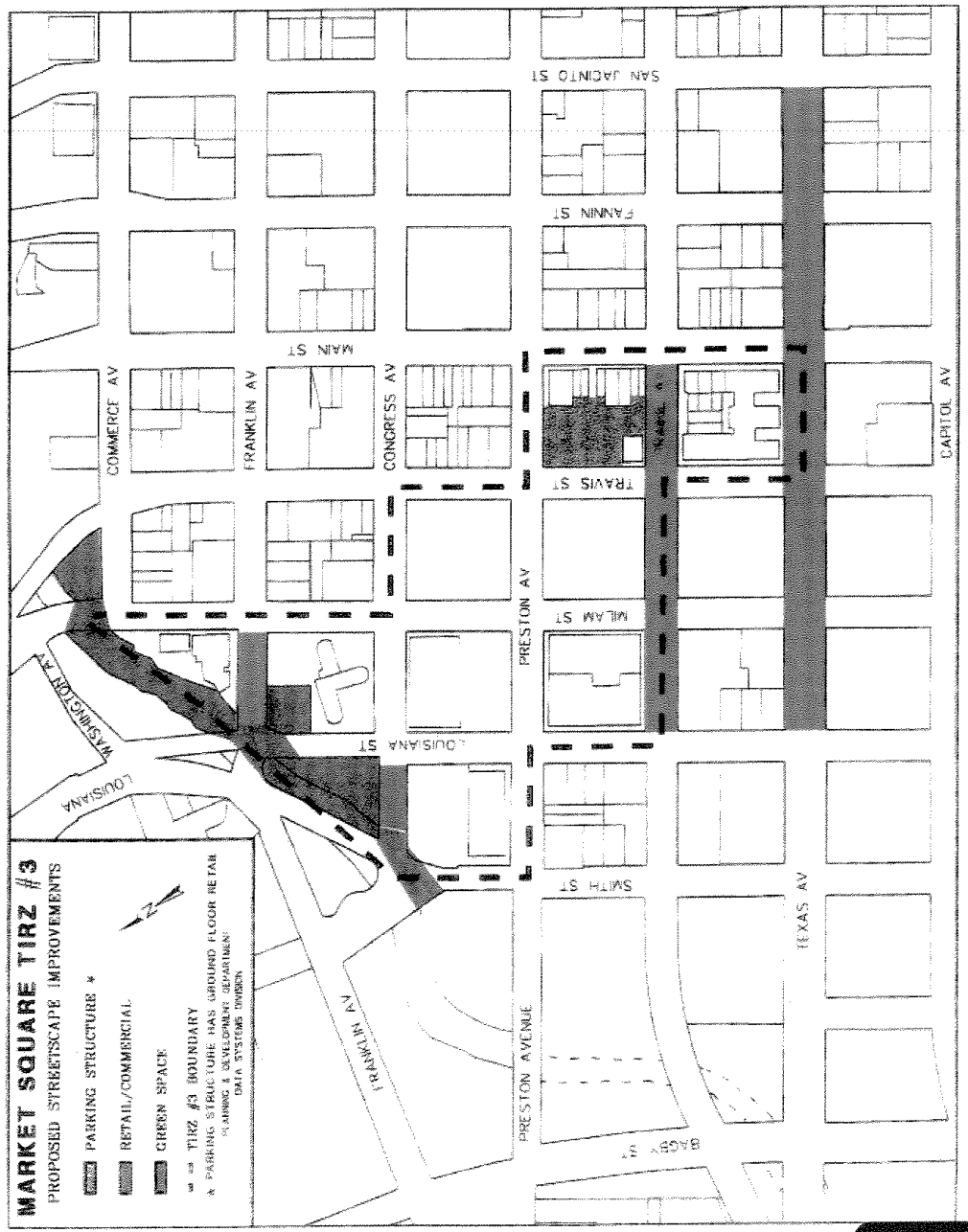


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8-56

EXHIBIT 5: Market Square TIRZ # 3 Future Land Use

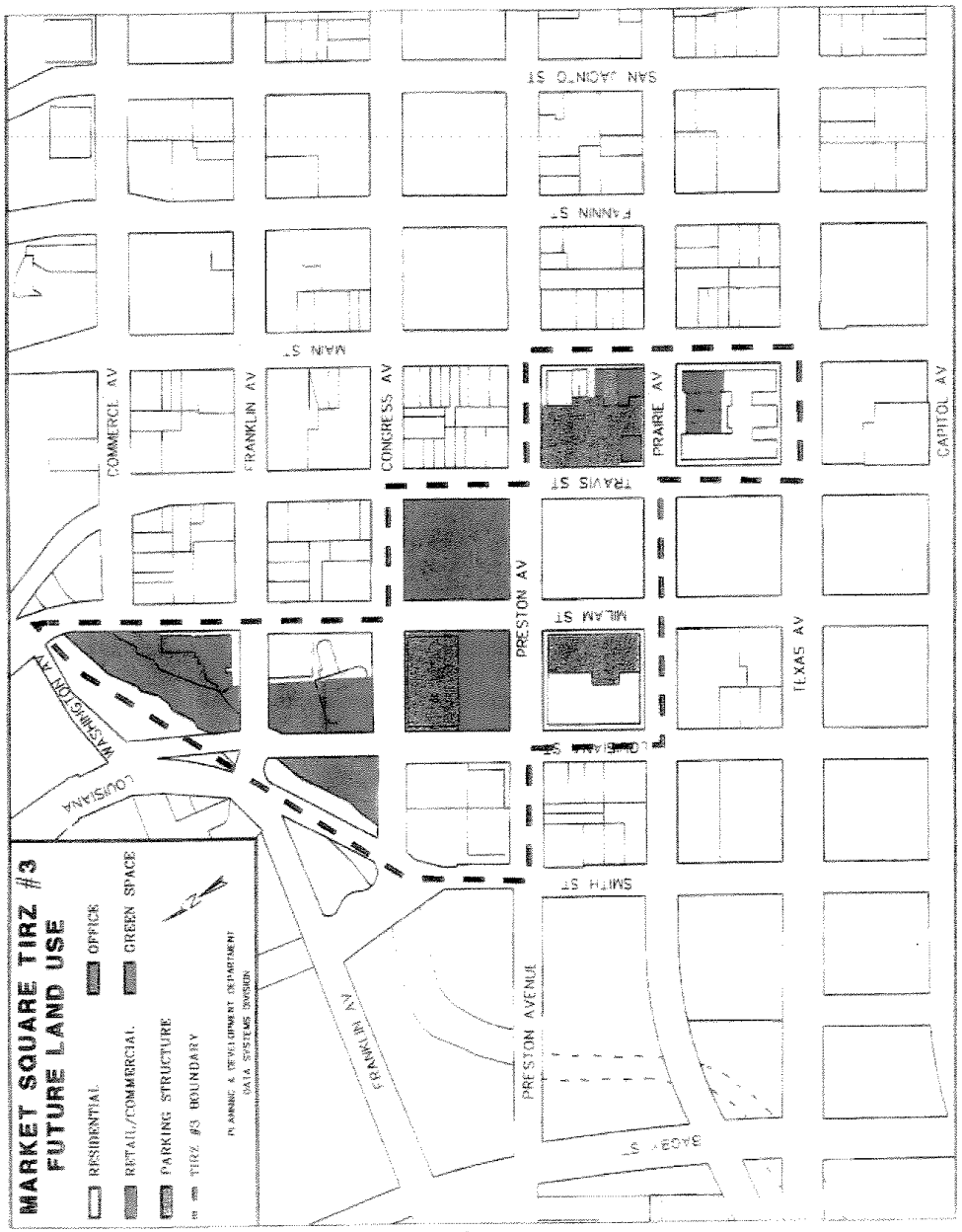


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Part 4: Reinvestment Zone Financing Plan Analysis

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

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

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

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

EXHIBIT
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10-59

EXHIBIT 6: Financing Analysis - Market Square TIRZ

FINANCING ANALYSIS -- MARKET SQUARE TIRZ

100% Participation of City, County and HISD; 905 apts., 188,000 sf retail/ services

(Reflects a $410,000 per year cap on HISD's contribution to the increment fund)

	RESIDENTIAL			NONRESIDENTIAL			RESID. + NONRESID.			
	DUs	Annual Value	Cumulative Value	Square Feet	Annual Value	Cumulative Value	Annual City Increment	Annual CO Increment	Annual HISD Increm.	Total Increment
1996		0	0		0	0	0	0	0	0
1997	155	10,850,000	10,850,000		0	0	72,153	67,270	150,164	289,587
1998	200	14,000,000	24,850,000	40,000	1,800,000	1,800,000	177,223	165,230	368,836	711,289
1999		0	24,850,000		0	1,800,000	177,223	165,230	368,836	711,289
2000	100	7,000,000	31,850,000		0	1,800,000	223,773	208,630	410,000	842,403
2001		0	31,850,000	20,000	900,000	2,700,000	229,758	214,210	410,000	853,968
2002	100	7,000,000	38,850,000		0	2,700,000	276,308	257,610	410,000	943,918
2003		0	38,850,000		0	2,700,000	276,308	257,610	410,000	943,918
2004	100	7,000,000	45,850,000	40,000	1,800,000	4,500,000	334,828	312,170	410,000	1,056,998
2005		0	45,850,000		0	4,500,000	334,828	312,170	410,000	1,056,998
2006	145	10,150,000	56,000,000		0	4,500,000	402,325	375,100	410,000	1,187,425
2007		0	56,000,000	20,000	900,000	5,400,000	408,310	380,680	410,000	1,198,990
2008	105	7,350,000	63,350,000		0	5,400,000	457,188	426,250	410,000	1,293,438
2009		0	63,350,000		0	5,400,000	457,188	426,250	410,000	1,293,438
2010		0	63,350,000	40,000	1,800,000	7,200,000	469,158	437,410	410,000	1,316,568
2011		0	63,350,000		0	7,200,000	469,158	437,410	410,000	1,316,568
2012		0	63,350,000		0	7,200,000	469,158	437,410	410,000	1,316,568
2013		0	63,350,000	28,000	1,260,000	8,460,000	477,537	445,222	410,000	1,332,759
2014		0	63,350,000		0	8,460,000	477,537	445,222	410,000	1,332,759
2015		0	63,350,000		0	8,460,000	477,537	445,222	410,000	1,332,759
2016		0	63,350,000		0	8,460,000	477,537	445,222	410,000	1,332,759
2017		0	63,350,000		0	8,460,000	477,537	445,222	410,000	1,332,759
2018		0	63,350,000		0	8,460,000	477,537	445,222	410,000	1,332,759
2019		0	63,350,000		0	8,460,000	477,537	445,222	410,000	1,332,759
2020		0	63,350,000		0	8,460,000	477,537	445,222	410,000	1,332,759
2021		0	63,350,000		0	8,460,000	477,537	445,222	410,000	1,332,759
2022		0	63,350,000		0	8,460,000	477,537	445,222	410,000	1,332,759
2023		0	63,350,000		0	8,460,000	477,537	445,222	410,000	1,332,759
2024		0	63,350,000		0	8,460,000	477,537	445,222	410,000	1,332,759
2025		0	63,350,000		0	8,460,000	477,537	445,222	410,000	1,332,759
Total:	905	63,350,000		188,000	8,460,000		9,055,172	8,442,416	9,497,836	33,659,217

Assumptions

Value per Residential Unit:	$70,000
Value per Nonresid. Sq Ft:	$45
Applic. City Tax Rate/ $100:	0.665
Applic. County Tax Rate/ $100:	0.620
Applic. HISD Tax Rate/ $100:	1.384

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

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EXHIBIT
8-5-11
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Part B: Amended Project Plan and Reinvestment Zone Financing Plan for Enlarged Market Square TIRZ

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

General Summary

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

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

1) The creation of a pedestrian friendly environment through the reconstruction of streets and sidewalks amply provided with lighting, shade trees, planting, benches and other street furniture and amenities;

2) The establishment of seamless connections between the eastern and western portions of downtown by changing the environment along Main Street;

3) The reinforcement of pedestrian attractive retail activities along Main Street with special emphasis on the area adjacent to Foley's department store to help anchor that facility, which is essential to a vibrant economic renewal of downtown;

4) The restructuring of the transit system serving downtown;

5) The economic development and redevelopment of vacant or under utilized buildings for a variety of residential and commercial uses that will contribute to a vibrant downtown and provide long term added value to the city's tax base;

6) The establishment of educational facilities that will help provide qualified, well-trained employees for existing and new retail, lodging, and commercial uses.

7) The completion of walkways, pathways and park lands along Buffalo Bayou at the north end of the area.

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

EXHIBIT
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12-590

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

Existing Uses and Conditions

The existing land uses of the enlarged zone are shown on Exhibit 7 (page 24). The total 1998 assessed value of taxable property within the added area of the Market Square TIRZ is $187,769,310, which is less than 8% of the entire CBD tax base. The Main Street corridor contains a mix of commercial uses with varying degrees of activity and tenancy. Much of the building stock is underutilized and deteriorating. Along Main Street itself, 63.8% of the office space is vacant and property values have declined by 72% over the last decade, in contrast to a decline for the entire CBD during that same period of 40%. Main Street retains some vestiges of its old role as a retail street, but most of the street level retail space is either marginal or vacant. Of the total 857,649 square feet of retail space along the entire length of Main Street (in CBD), 47.8% is vacant. Foley's accounts for more than 41.5% of the occupied retail space. The excessively high vacancy rate is reflected in dilapidated facades and the decaying street environment, brought about by years of neglect and overuse.

Negative street conditions combined with deteriorating facades, lack of visitor parking and weak connections between retail anchors like Foley's and the Park Shops (immediately outside the TIRZ) have also contributed to the steady decline of downtown retailing during the last few decades. See Exhibits 8-11on pages 25 and 26 for photographed conditions. Since 1984 downtown retail sales subject to sales taxes declined by 61% (inflation adjusted), resulting in an annual loss of $3.3 million revenues to the City (See Exhibit 12; page 27). During this same period, more than half of downtown's clothing stores closed.

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

The state of Main Street has been a cause of concern for investors for over twenty years. Its deteriorating physical condition creates a void that divides downtown—east from west. Compounding the problem is the fact that Main Street disproportionately shoulders the burden of heavy all-day bus traffic. Overburdened and decaying streets, sidewalks and bus shelters impede business development and investment along Main and discourage transit use through inconvenience to METRO patrons. (See Exhibits 13-14 page 28) for photographs.

Proposed Improvements

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

EXHIBIT
tabbies
B
13-58

follows:

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

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

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

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

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

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

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

EXHIBIT
tabbies
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14-58

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

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

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

The retention of existing retail and the expansion of retail along Main Street with special emphasis on strengthening the remaining retail core surrounding Foley's around Dallas, Travis, Lamar, and San Jacinto requires more than an investment in upgrading the streetscape (See Exhibit 15; page 29). A variety of strategic plans and programs must be put into effect as appropriate to attract and retain a viable retail base in downtown. A key strategy to achieve this goal is the provision of adequate parking for visitors, shoppers and workers.

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

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

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

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

EXHIBIT
tabbies
B
15-58

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

(a) Downtown Transit Center: This facility is programmed for a site owned by METRO at the southern end of the Main Street corridor. See Exhibit 16 (page 30). The present METRO development schedule calls for this $17 million facility to begin construction in July 2002, with completion in July 2004.

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

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

(b) Transit-to-Tunnel Superstop: The concept of a superstop in the center of the downtown business district in the block bounded by Travis, McKinney, Main and Lamar (see Exhibit 17; page 30) is to integrate bus service to downtown destinations (as distinct from transfers to other destinations in the region that will be focused at the downtown transit center at the southern end of Main). This superstop will be integrated into a major office development planned for the subject block. The superstop will provide passengers immediate access to the downtown tunnel system achieving a long-sought goal for downtown revitalization: open and easy access to the street and tunnel system for all people and the integration of tunnel and street level retail at one central point. Importantly, this superstop concept will also provide tunnel and street level links to the all important retail anchor in downtown—Foley's (See Exhibits 18-19 on page 31, depicting plans and views of the superstop). This superstop offers an enhanced retail environment, cements a development concept that will not be executed if not for the TIRZ #3, and offers improved and convenient transit service thereby reducing demand for automobile access and parking in downtown.

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

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

EXHIBIT
tabbies
B
16-58

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

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

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

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

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

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

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

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

Proposed Uses

The various land uses that are anticipated to be developed as a result of the improvements set out above are shown as generalized land uses and opportunities on Exhibit 20; page 32.

EXHIBIT
tabbies
B
17-56

Municipal Ordinances

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

Non-Project Costs

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

EXHIBIT
tabbies
B
18-58

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

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

Non-Project Capital Costs

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

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

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

Relocation

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

EXHIBIT
tabbies
B
19-580

Amended Financing Plan

Part B Proposed Improvements. The nature of the improvements proposed for the enlarged area added to the Market Square TIRZ is described in detail under the section noted "PROJECT IMPROVEMENTS." The estimated costs for these improvements and activities are set forth in the list below. Exhibits 21-24 on pages 33-37 depict the locations of these proposed improvements.

Streetscape Enhancements $11,675,000
Streets that are programmed for the enhancements and areas where sidewalk vault improvements are needed are shown in Exhibit 15. These streets are not included in Transit Streets or Cotswold. Pocket parks are shown for illustrative purposes. The location will depend on planned developments, land costs, and other factors that must be examined on a case basis.

Transit Streets $16,000,000
Main Street will be improved through Market Square TIRZ funding are shown on Exhibit 22.

Transit Center and Super-Stop $6,775,000
The locations of the transit center and the Superstop are shown in Exhibit 22.

Public Parking Facilities $15,000,000
The areas in which retail oriented or joint use public parking facilities will be most critical to the retail success of the zone. TIRZ funding will supplement garage development (See Exhibit 23).

Acquisition/Rehabilitation of Historic Structures $15,000,000
The exact location of older or historic structures to be acquired and restored redeveloped will be determined on a case basis within the area shown on Exhibit 23.

Education Facilities $82,541,820
Educational facilities improvements will be as provided in Chapter 311 of the Texas Tax Code and may be located inside or outside the Zone pursuant thereto. These facilities will be provided by HISD using a portion of the HISD tax increment as provided by the Interlocal Agreement with HISD.

Buffalo Bayou Improvements $6,000,000
The sections of the bayou to be extended from Part A improvements as a continuous riverwalk and park area are shown in Exhibit 24a.

Theater District Improvements $11,500,000
The area where improvements to streets, streetscape, parks and plazas are proposed is shown in Exhibit 24b.

Estimated Project Costs. The chart of page 45 list the estimated project costs for: (i) the activities described in detail under the Project Improvements section of this Part B; (ii) the activities described in Part A of this amended plan with the exception of $2 million in streetscape enhancements that are now being funded through the City's Cotswold 2000 Project; and (iii) the combined total project costs for the enlarged Market Square TIRZ. Actual costs may be above or below these estimated costs. Priority will be given to improvements in the Main Street corridor.

EXHIBIT
tabbies
B
20-58

ESTIMATED PROJECT COSTS

Part A

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

Part B

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

Administration

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

PROJECT PLAN TOTAL **$195,607,820**

EXHIBIT
tabbies
B
21-58

Economic Feasibility. Exhibit 25 (p.38) provides projected economic development activity for the Plan B area and provides total anticipated revenue for the Plan B area and Exhibit 26 (p.39) provides total anticipated revenue for Plan A and Plan Bcombined. Market absorption rates are corroborated by current market trends and the findings of several market studies conducted for the downtown/central Houston area.

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

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

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

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

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

Timing of Monetary Obligations. Monetary obligations will be incurred over a twenty (20) year period with the predominance of the obligations occurring within the next four years. (See Exhibit 27; pp. 40-42)

Description of Methods of Financing and Sources of Revenue. The Market Square TIRZ will use four methods of financing. The first as described in Part A of the plan for the Rice

EXHIBIT
tabbies
B
22-58

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

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

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

Duration of Zone. The duration of the zone is thirty years from its original creation date or until 2025. The Market Square TIRZ is intended to be in existence until all debt obligations for Market Square TIRZ projects are retired. Cash flow analyses indicate that the Market Square TIRZ will likely complete all projects and retire all Zone debt before 2025. If this is true, the Market Square TIRZ may contract a portion of the tax increment fund revenues to the City's general fund, Harris County, and HISD until its termination date.

Estimated Captured Future Value of Real Property. Exhibit 26 on page 39 provides the captured property taxes projected for the life of Market Square TIRZ. Total projected tax increment for the entire zone is $280,918,039. This is deemed to be a conservative figure, partly because an increase in the value of existing structures and land was not factored in, but could nonetheless be reasonably expected during the plan's 30-year time frame. However, it should be noted that the tax increment revenues forecasted reflect historic tax exemptions for the Hogg Palace and the Humble Building only and not any exemptions that might be granted in the future to properties within the Market Square TIRZ.

EXHIBIT
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6
23-58

EXHIBIT 7:Existing Land Uses

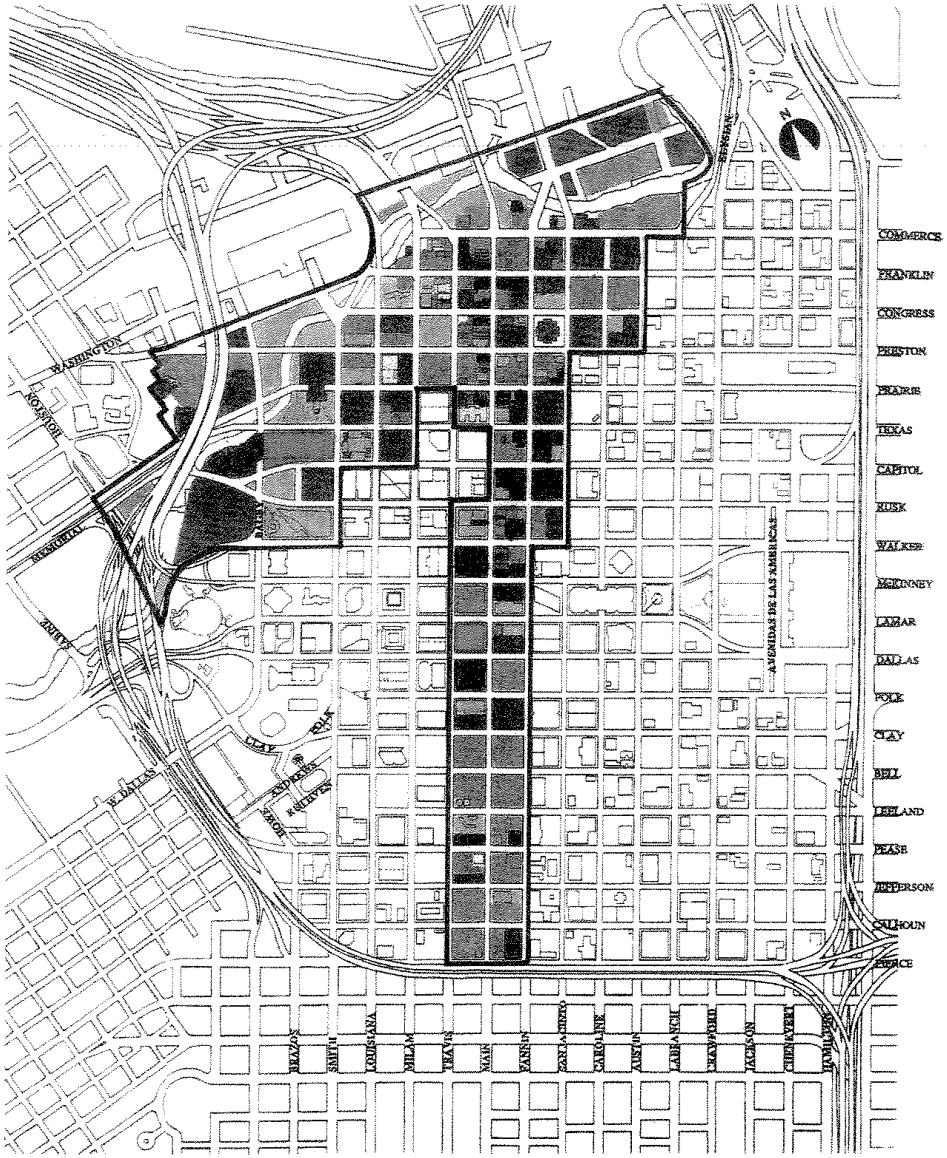


Exhibit 7: Existing Land Uses

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

EXHIBIT
B
24-59

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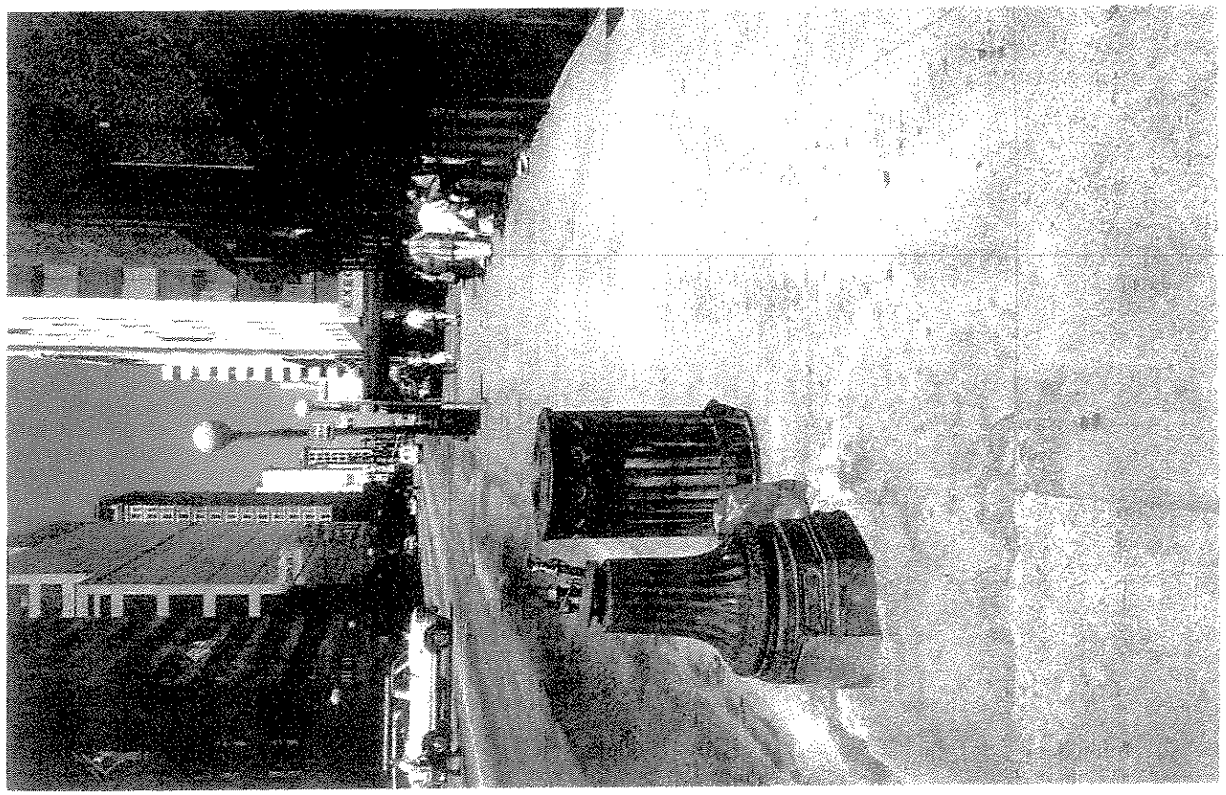


EXHIBIT 8: Blighted and Deteriorated Streets

EXHIBIT 9: Insufficient Retail Parking

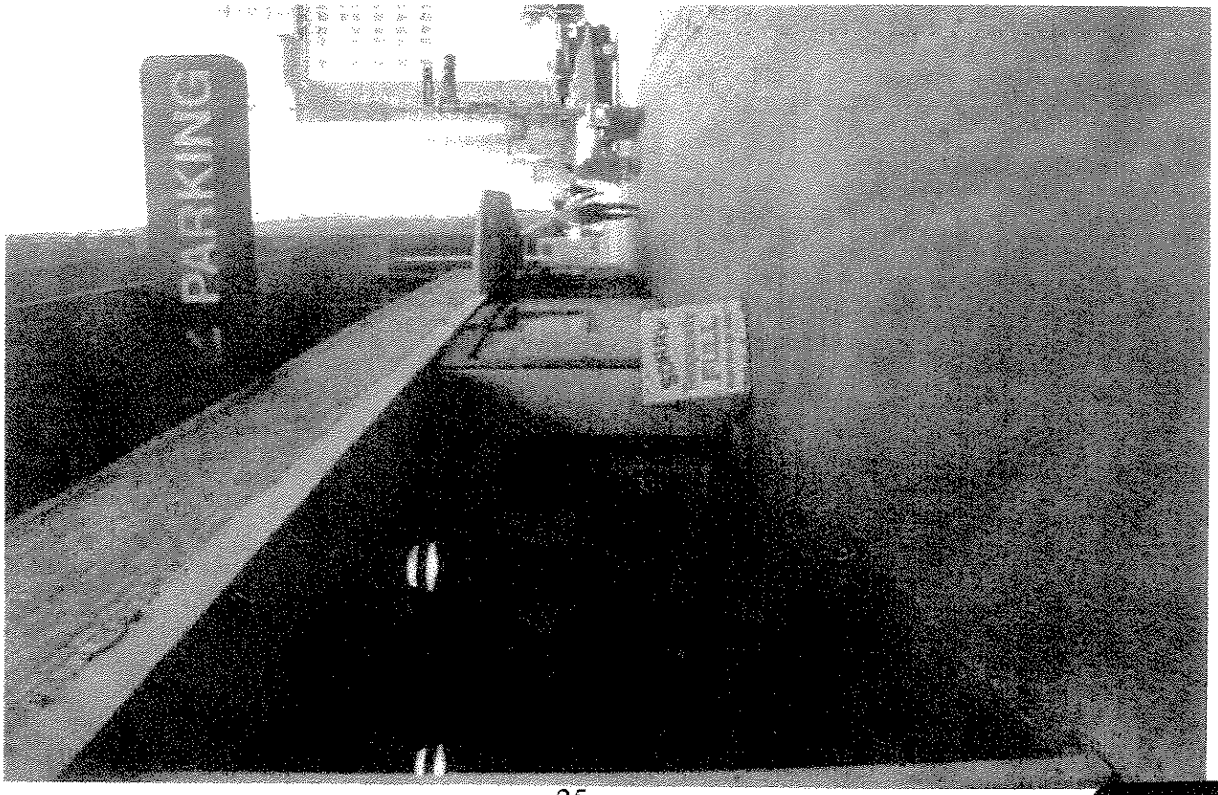


EXHIBIT
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25-58

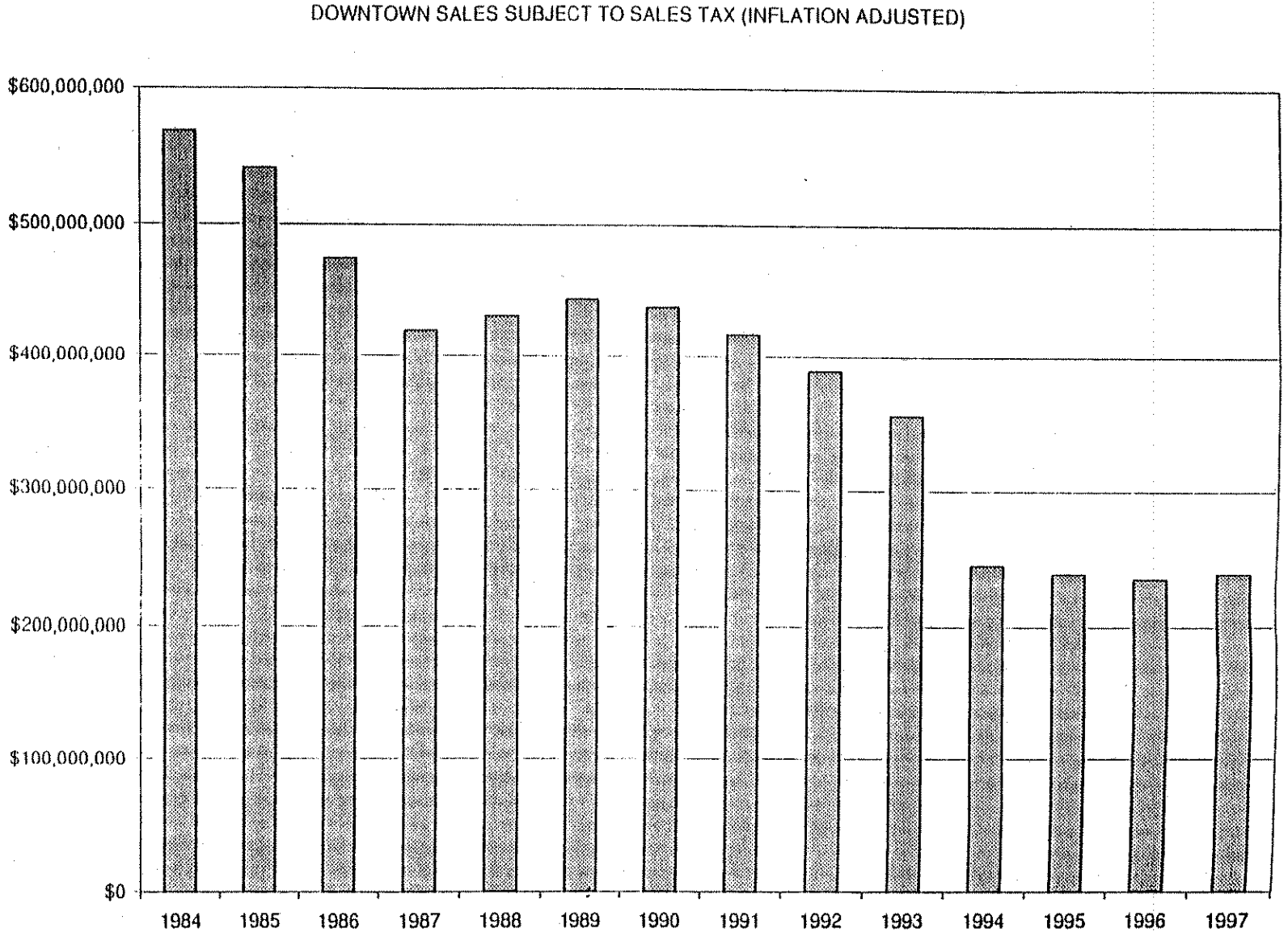


EXHIBITs 10 & 11: Discontinuous Retail Environment with Many Dead Spaces



EXHIBIT
B
26-58

EXHIBIT 12: Downtown Sales Subject to Sales Tax (Inflation Adjusted)



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EXHIBIT
8
2-27-98

EXHIBIT 13: Deteriorated Sidwalk andStreet; inadequate Transit Amenities

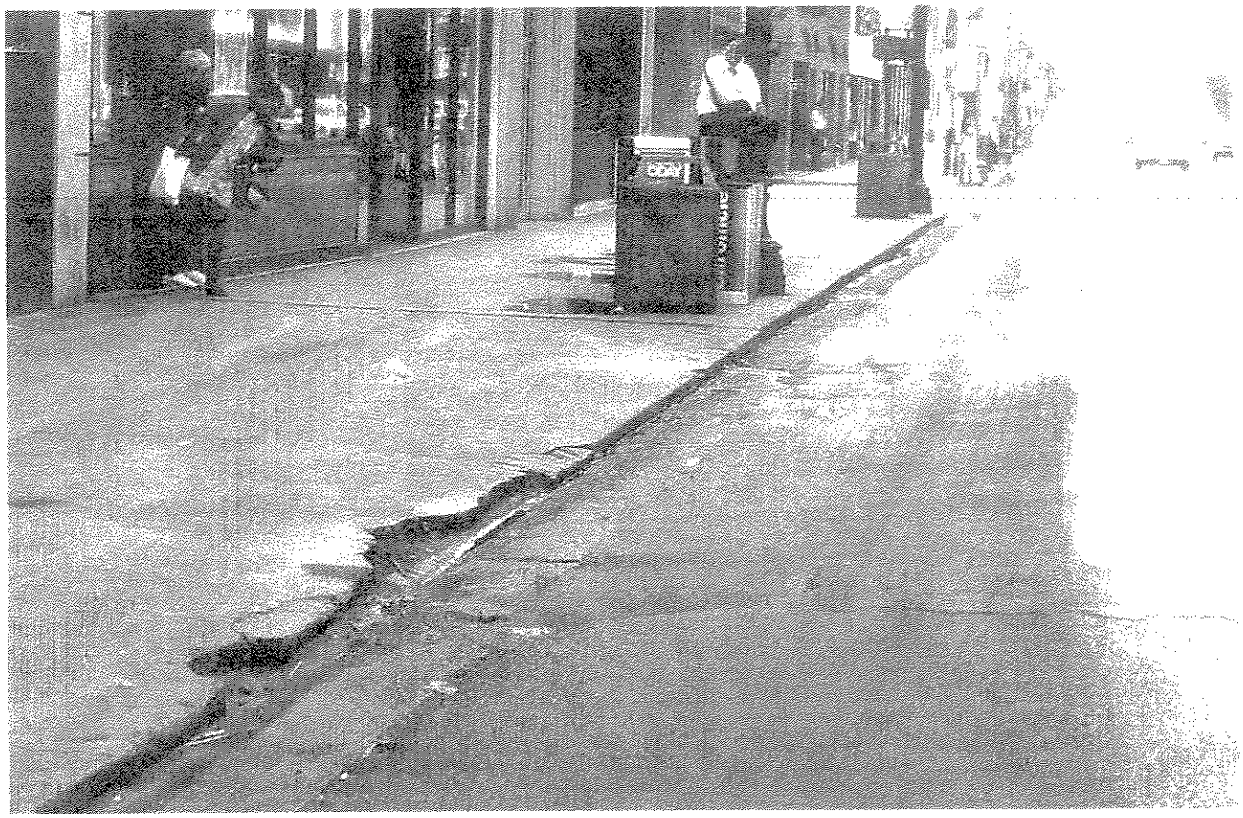


EXHIBIT 14: Overburdened Sidewalk and Transit Stop



EXHIBIT
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B
28-58

EXHIBIT 15: Street Level Retail

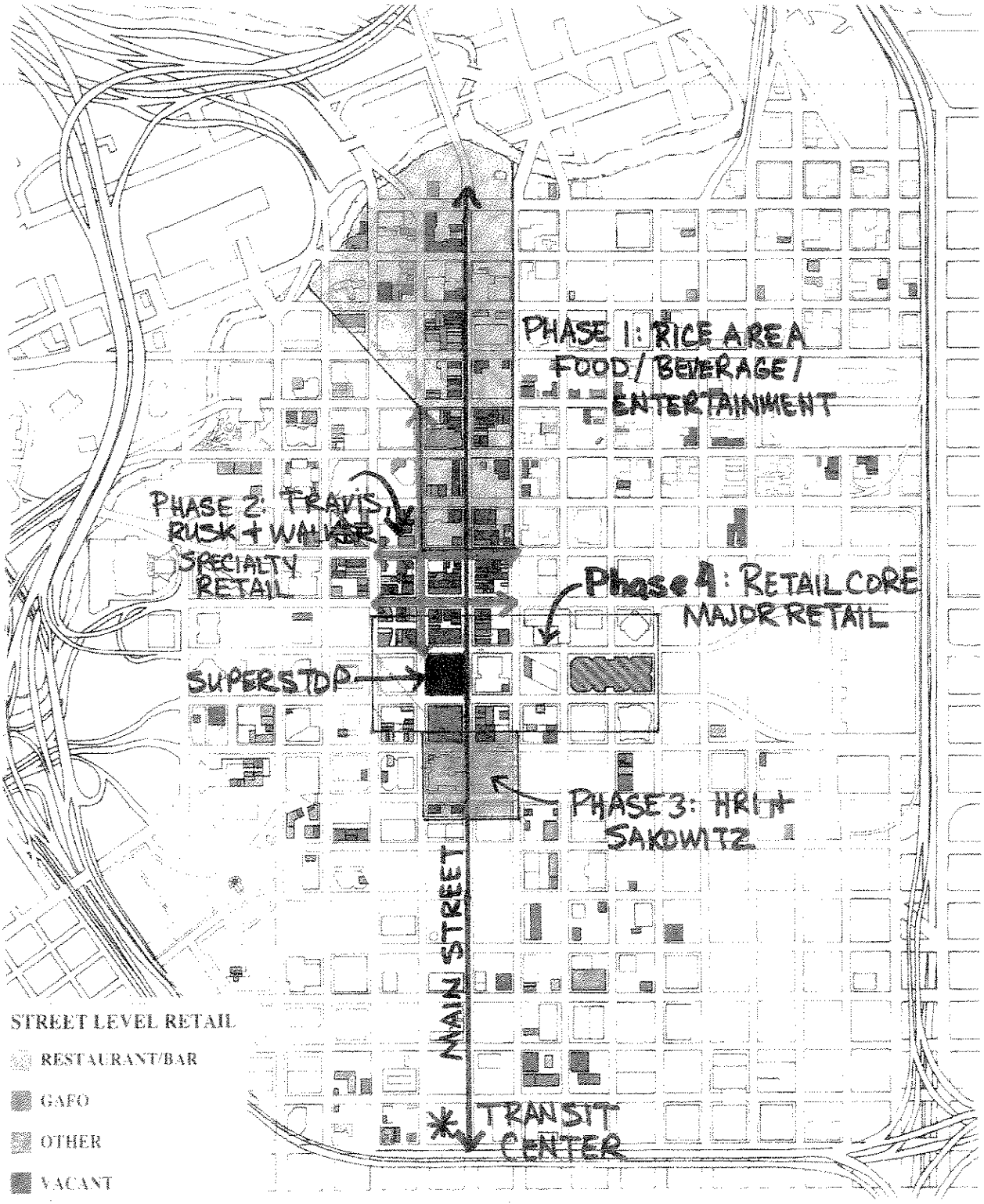


EXHIBIT
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29-58

EXHIBIT 16: Downtown Transit Center

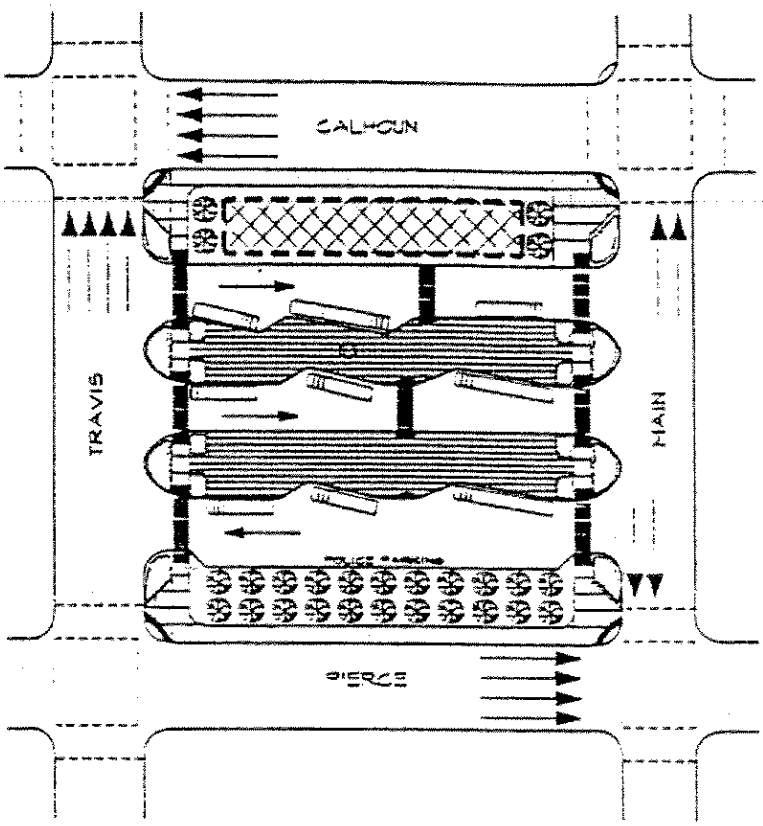


EXHIBIT 17: Superstop Location

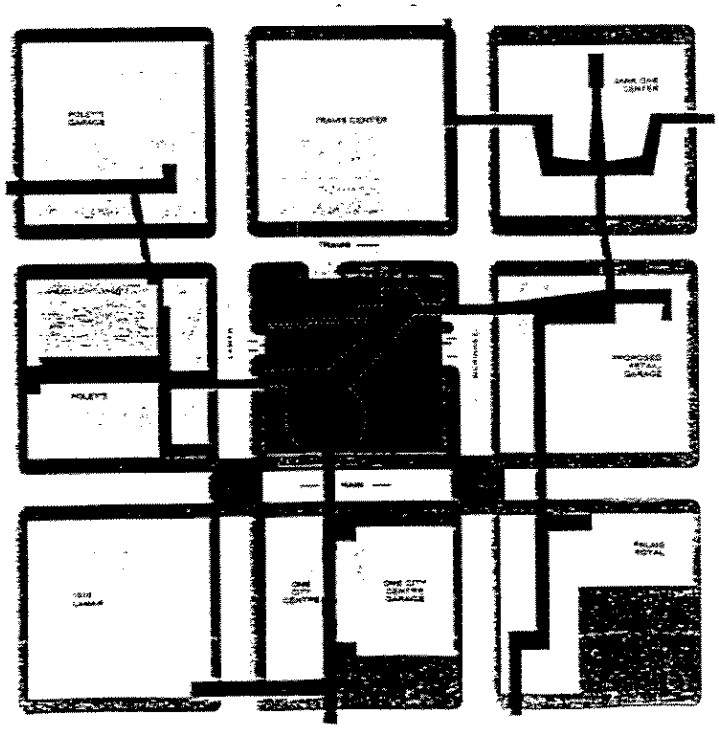
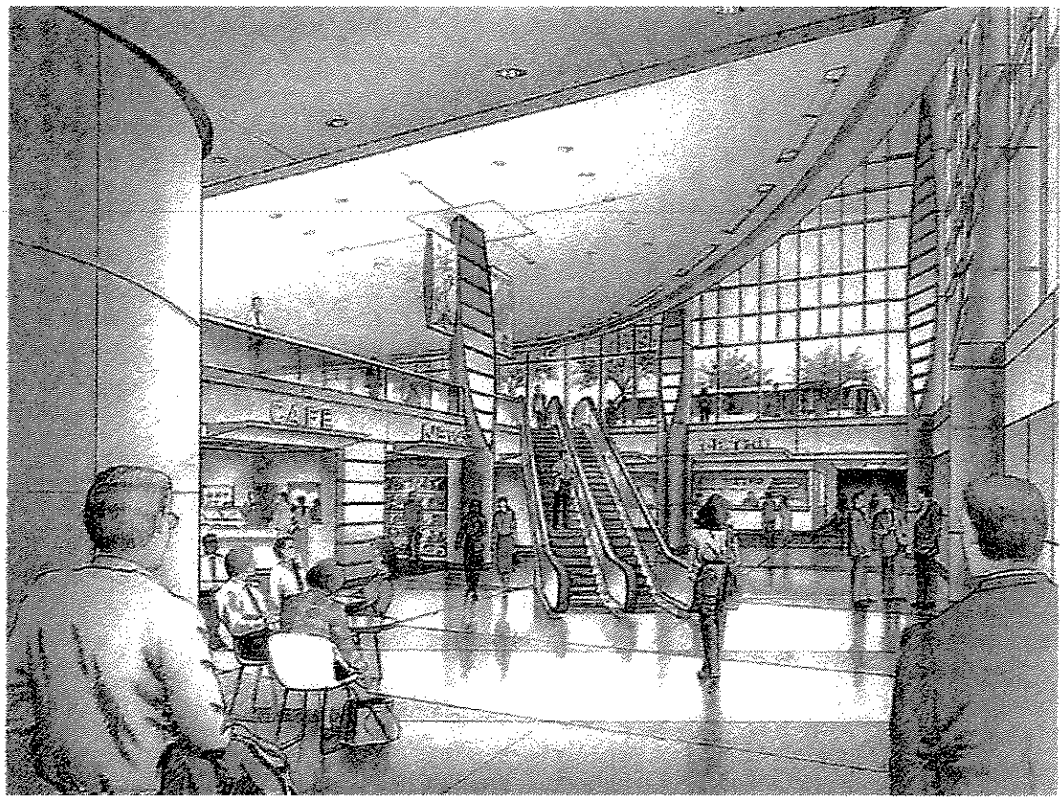


EXHIBIT
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6
30-58

EXHIBIT 18: Superstop Lobby



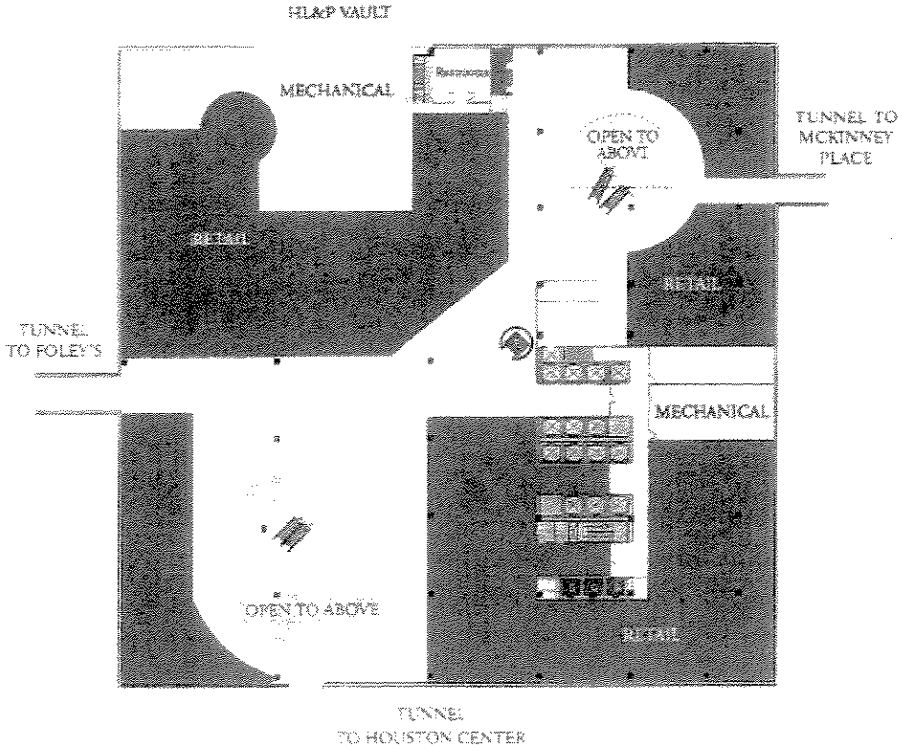
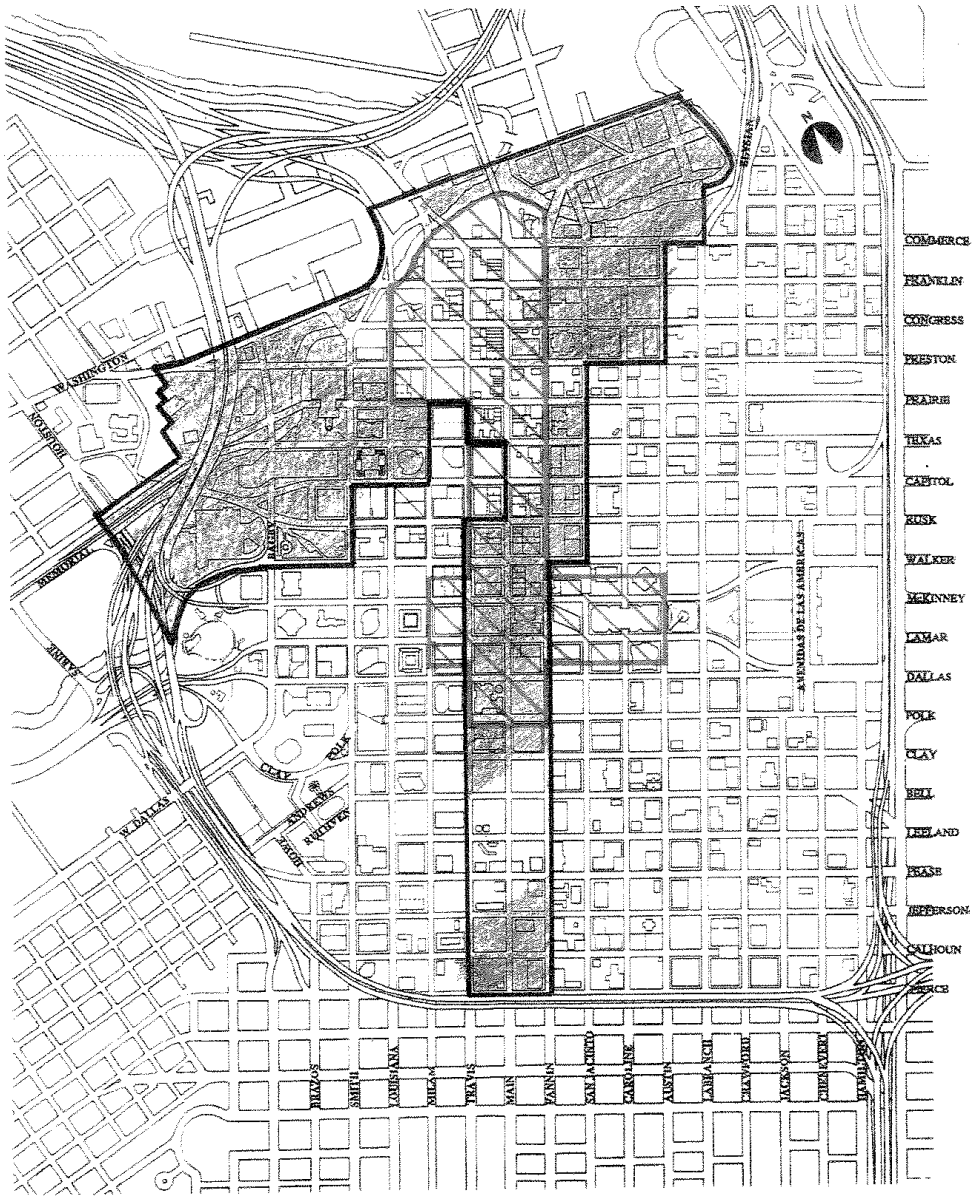


EXHIBIT 19: Tunnel Connections

EXHIBIT
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31-58

EXHIBIT 20: Anticipated Land Uses

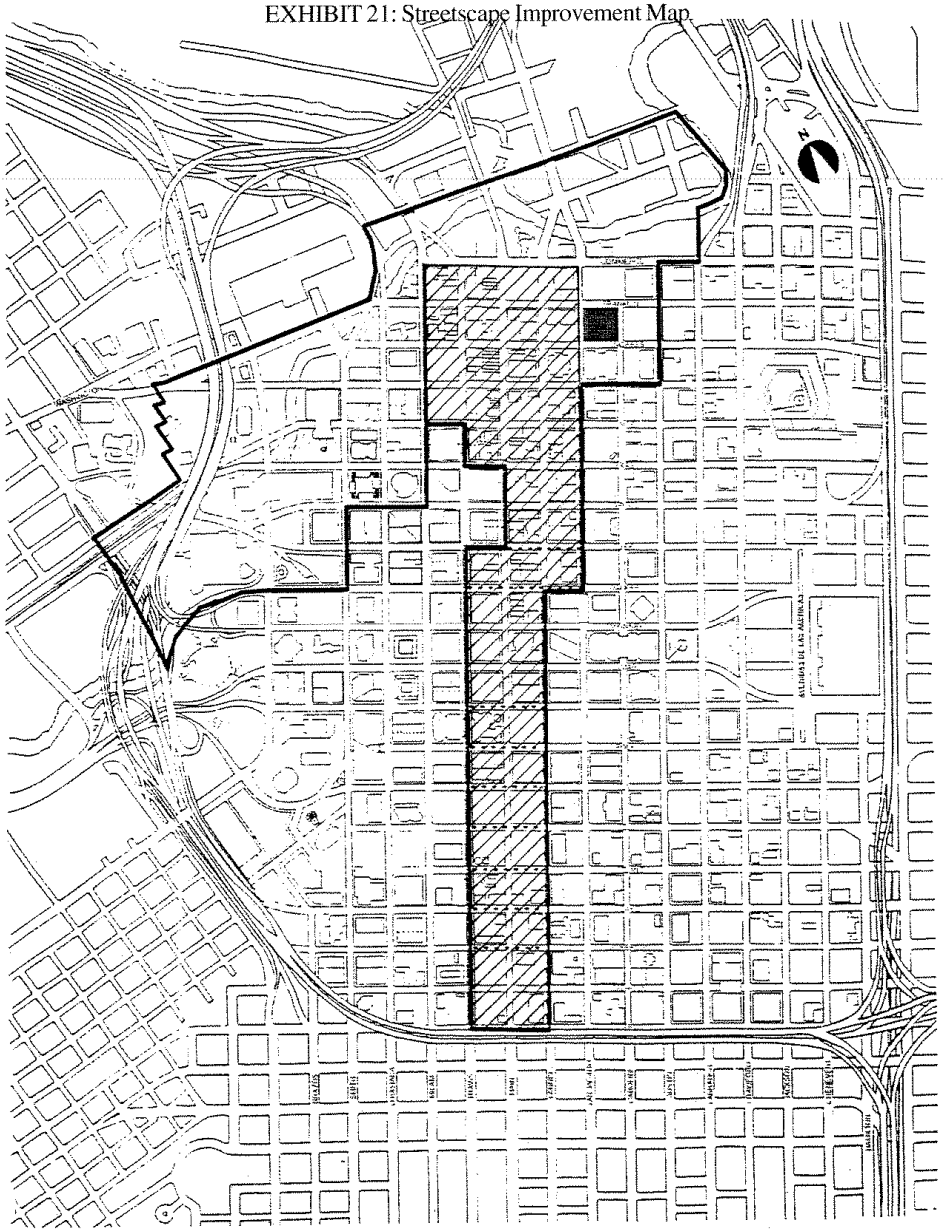


Anticipated Land Uses

Residential
Institutional
Hotel
Street-Level Retail
Office

EXHIBIT
tabbies
B
32-58

EXHIBIT 21: Streetscape Improvement Map



: Streetscape / Pedestrian Improvements

------ Streetscape Improvements

Vaults

Parks

EXHIBIT

tabbies

B

33-58

EXHIBIT 22: Transit Improvements

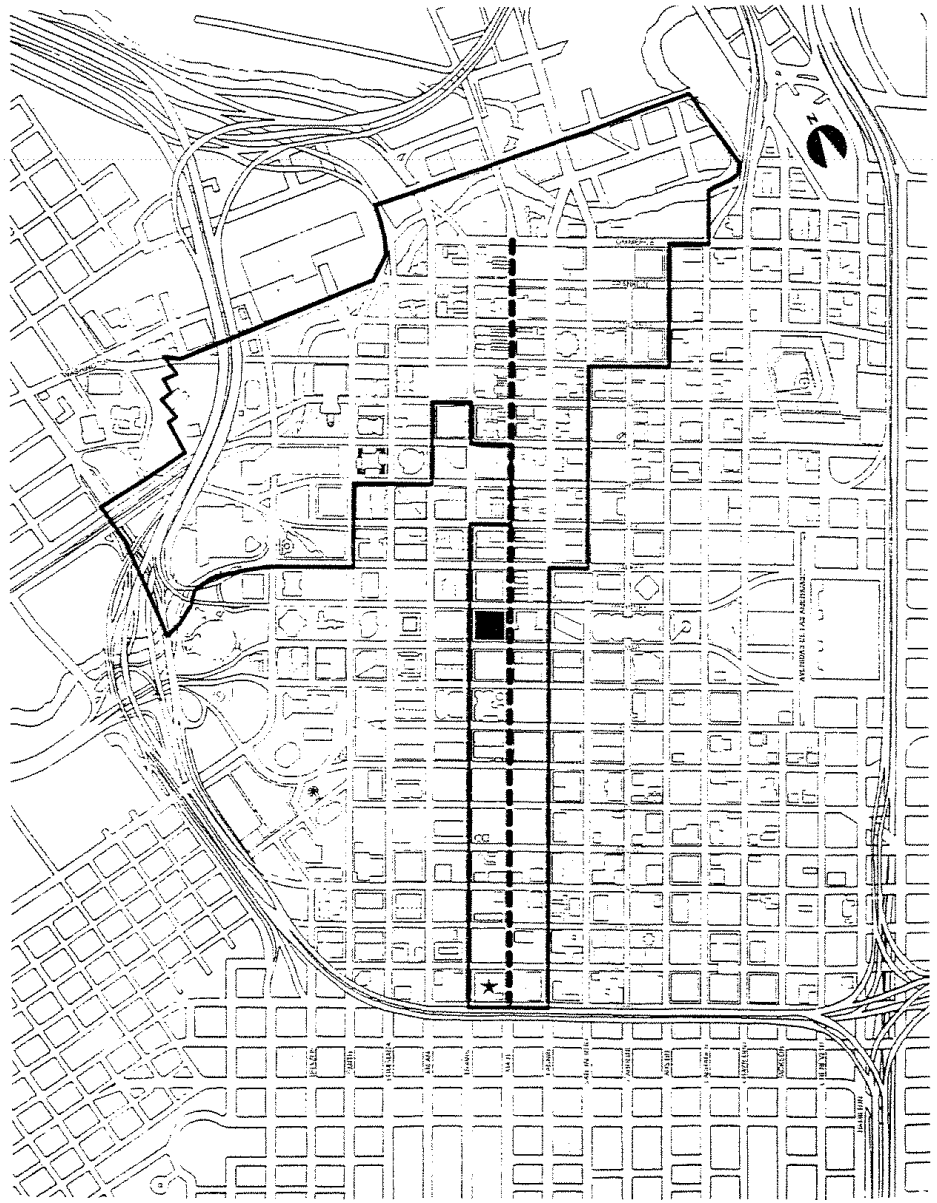
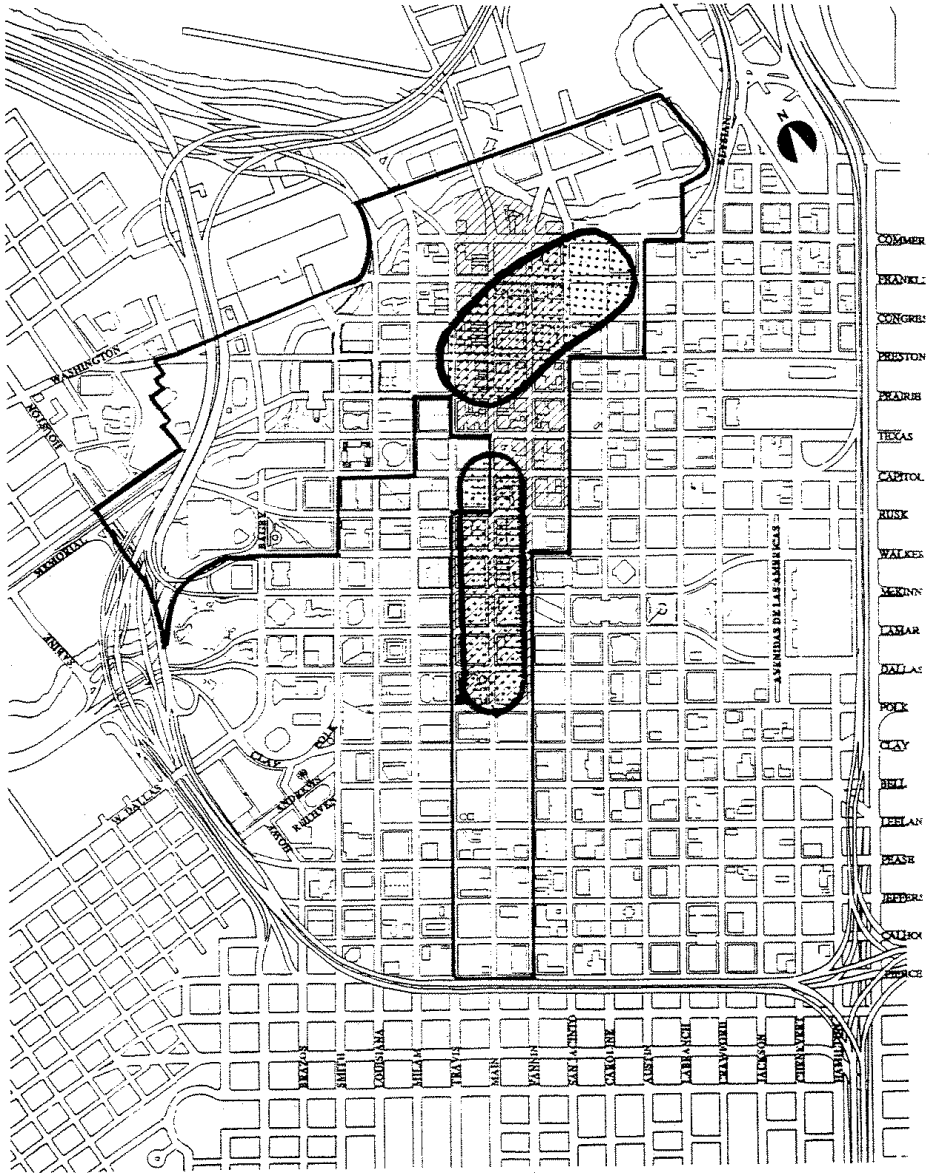


EXHIBIT
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34-58

EXHIBIT 23: Retail Development Assistance



: Retail Development Assistance

Retail Parking Facilities Acquisition/Rehabilitation of Historic Structures

EXHIBIT
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35-59

EXHIBIT 24a: Bayou Park-Land Improvements

KEY:

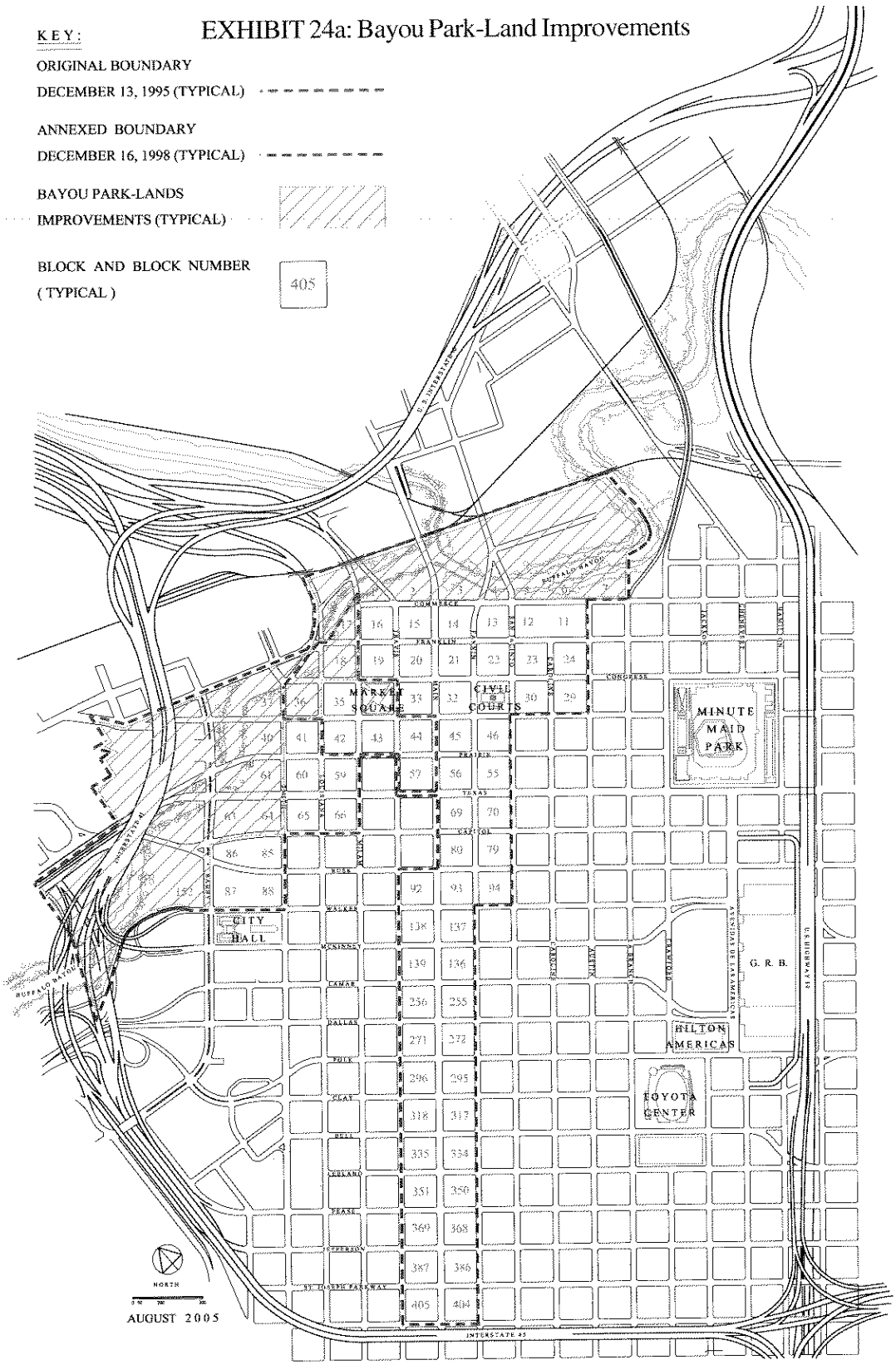
ORIGINAL BOUNDARY
DECEMBER 13, 1995 (TYPICAL)

ANNEXED BOUNDARY
DECEMBER 16, 1998 (TYPICAL)

BAYOU PARK-LANDS
IMPROVEMENTS (TYPICAL)

BLOCK AND BLOCK NUMBER
(TYPICAL)

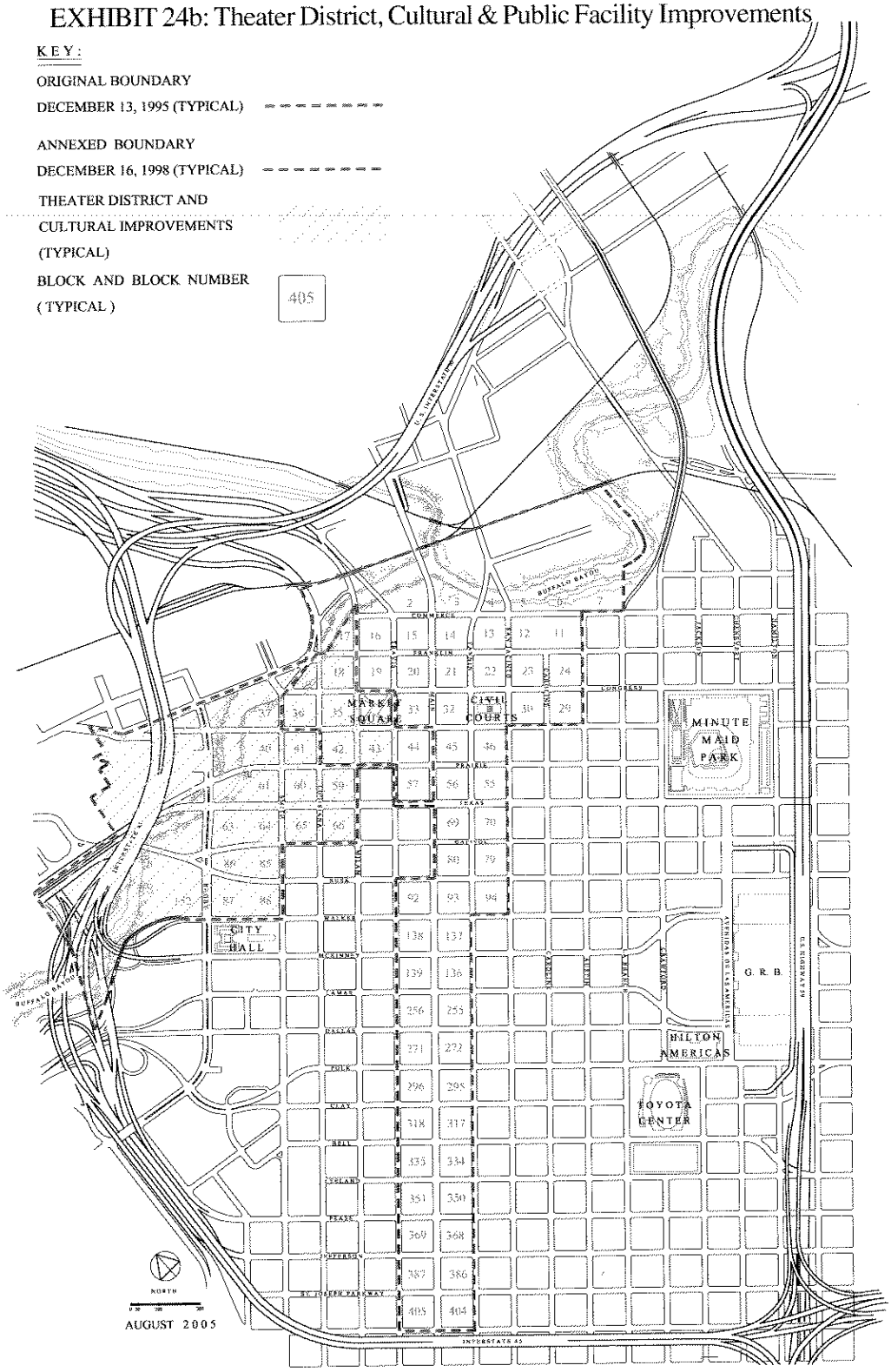
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TAX INCREMENT REINVESTMENT ZONE (TIRZ)#3
BAYOU PARK-LANDS IMPROVEMENT MAP

EXHIBIT
B
36-58

EXHIBIT 24b: Theater District, Cultural & Public Facility Improvements



TAX INCREMENT REINVESTMENT ZONE (TIRZ)#3

THEATER DISTRICT AND CULTURAL IMPROVEMENT MAP

EXHIBIT

B

37-58

EXHIBIT 25:Economic Activity and Increment Revenue for Enlarged Area (excluding original area) - Market Square TIRZ

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

	future residential		*future hotel rooms*		*future retail*		*future office space*		*annual tax increment*				*tax revenue*
									City*	County*	HISD Increment*		TOTAL
	units	value	rooms	value	sq. feet	value	sq. feet	value	Increment	Increment	General	Dedicated**	REVENUE
1999		$0		$0		$0		$0	$0	$0	$0	$0	$0
2000	**25**	**$4,000,000**		$0		$0		**$2,000,000**	$39,900	$38,504	$38,400	$49,140	$78,404
2001	**215**	**$20,000,000**		$0	20000	$1,100,000	**1478000**	**$68,000,000**	$632,415	$610,285	$608,640	$778,869	$2,630,209
2002	100	$7,500,000	300	$15,000,000	10000	$550,000	**800000**	**$140,000,000**	$1,716,698	$1,656,626	$1,652,160	$2,114,249	$7,139,732
2003		$0	200	$10,000,000		$0		$0	$1,783,198	$1,720,799	$1,716,160	$2,196,149	$7,416,305
2004	150	$11,250,000		$0	20000	$1,100,000		$0	$1,865,325	$1,800,053	$1,795,200	$2,297,295	$7,757,873
2005		$0		$0		$0		$0	$1,865,325	$1,800,053	$1,795,200	$2,297,295	$7,757,873
2006	100	$7,500,000		$0	10000	$550,000		$0	$1,918,858	$1,851,712	$1,846,720	$2,363,225	$7,980,514
2007		$0		$0		$0		$0	$1,918,858	$1,851,712	$1,846,720	$2,363,225	$7,980,514
2008	102	$7,650,000		$0	20000	$1,100,000		$0	$1,977,045	$1,907,863	$1,902,720	$2,434,887	$8,222,515
2009	**80**	**$6,000,000**	**500**	**$34,000,000**		$0		$0	$2,243,045	$2,164,555	$2,158,720	$2,762,487	$9,328,807
2010	175	$13,125,000		$0	20000	$1,100,000		$0	$2,337,641	$2,255,841	$2,249,760	$2,878,990	$9,722,232
2011		$0		$0		$0		$0	$2,337,641	$2,255,841	$2,249,760	$2,878,990	$9,722,232
2012		$0		$0		$0		$0	$2,337,641	$2,255,841	$2,249,760	$2,878,990	$9,722,232
2013	100	$7,500,000	200	$10,000,000	40000	$2,200,000		$0	$2,468,646	$2,382,262	$2,375,840	$3,040,333	$10,267,081
2014		$0		$0		$0		$0	$2,468,646	$2,382,262	$2,375,840	$3,040,333	$10,267,081
2015		$0		$0		$0		$0	$2,468,646	$2,382,262	$2,375,840	$3,040,333	$10,267,081
2016		$0		$0		$0		$0	$2,468,646	$2,382,262	$2,375,840	$3,040,333	$10,267,081
2017	50	$3,750,000		$0	20000	$1,100,000		$0	$2,500,899	$2,413,386	$2,406,880	$3,080,054	$10,401,219
2018		$0		$0		$0		$0	$2,500,899	$2,413,386	$2,406,880	$3,080,054	$10,401,219
2019		$0	100	$5,000,000		$0		$0	$2,534,149	$2,445,473	$2,438,880	$3,121,004	$10,539,506
2020		$0		$0	20000	$1,100,000		$0	$2,541,464	$2,452,532	$2,445,920	$3,130,013	$10,569,929
2021	200	$15,000,000		$0		$0		$0	$2,641,214	$2,548,791	$2,541,920	$3,252,863	$10,984,788
2022		$0		$0		$0		$0	$2,641,214	$2,548,791	$2,541,920	$3,252,863	$10,984,788
2023		$0		$0		$0		$0	$2,641,214	$2,548,791	$2,541,920	$3,252,863	$10,984,788
2024		$0		$0		$0		$0	$2,641,214	$2,548,791	$2,541,920	$3,252,863	$10,984,788
2025		$0		$0		$0		$0	$2,641,214	$2,548,791	$2,541,920	$3,252,863	$10,984,788
		$103,275,000		$74,000,000		$9,900,000		$210,000,000	$56,131,653	$54,167,467	$54,021,440	$69,130,562	$233,363,581

Assumptions

-977 future residential units valued at $75,000 each plus current projects
-800 future hotel rooms valued at $50,000 each plus current projects
-180,000 sq. feet of new retail valued at $55/sq. foot
-Humble Building tax exempt until 2009

Current Projects (Indicated in bold)

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

****In accordance with the Interlocal Agreements between the City, the Zone, and the Taxing Jurisdictions, each Taxing Jurisdiction participants in the Zone at 100% of its tax rate.***

The tax rate of the Taxing Jurisdictions are established annually and may be increased or decreased by the Taxing Jurisdictions in any year.

*****Dedicated to educational facilities.***

tabbies
EXHIBIT
B
38-39

EXHIBIT 26: Annual Tax Revenue for Expanded Market Square TIRZ

Annual Tax Increment Revenue for Expanded Market Square TIRZ

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

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

EXHIBIT
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B
34-58

EXHIBIT 27-Page 1: Annual Cash Flow and Monetary Obligations - Market Square TIRZ

Annual Cash Flow and Monetary Obligations - Market Square TIRZ

Page 1	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
REVENUE												
Increment	$0	$289,587	$711,289	$737,067	$1,009,072	$3,585,768	$8,288,892	$8,565,465	$9,150,418	$9,150,418	$9,653,780	$9,678,672
Short Term Obligations				$1,000,000								
A-Bond Proceeds					$33,240,720							
B-Bond Proceeds								$11,475,000				
Metro Reimbursement									$3,500,000			
Balance Carryover		-$750,000	-$1,270,413	-$1,439,124	-$783,767	$2,068,617	$401,143	$1,506,450	$1,286,429	$1,262,211	$992,993	$579,079
TOTAL	$0	-$460,413	-$559,124	$297,943	$33,466,025	$5,654,385	$8,690,035	$21,546,915	$13,936,847	$10,412,629	$10,646,772	$10,257,751
EXPENSES												
Admin	$0	$0	$10,000	$160,000	$225,000	$120,000	$123,000	$143,000	$123,000	$118,000	$117,000	$112,000
Rice Debt	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000
Interest		$60,000	$120,000	$171,710	$176,370	$158,129						
Superstop					**$2,500,000**							
Transit Center					**$4,250,000**							
Main Street					**$16,000,000**							
Streetscape/Parks					**$3,000,000**			**$3,175,000**	$1,000,000		$500,000	
Res. Dev. Assist.							$500,000	$500,000	$1,000,000	$500,000	$500,000	$500,000
Retail Parking								**$7,500,000**				
Building Rehabilitation							$500,000	$2,000,000	$1,250,000	$500,000	$1,000,000	$1,000,000
Educational Facilities					*$168,598*	*$1,061,833*	*$2,454,544*	*$2,536,444*	*$2,709,662*	*$2,709,662*	*$2,858,720*	*$2,866,091*
Buffalo Bayou									$2,000,000	$500,000		
Theater District										$500,000	$500,000	$500,000
Capitalized Interest*					**$1,997,280**	**$1,997,280**						
Bond Soft Costs**					**$2,330,160**			**$800,000**				
Short Term Obligation Payment***						**$1,166,000**						
A-Bond Payment****							$2,856,042	$2,856,042	$2,856,042	$2,856,042	$2,856,042	$2,856,042
B-Bond Payment****									$985,932	$985,932	$985,932	$985,932
TOTAL	$750,000	$810,000	$880,000	$1,081,710	$31,397,408	$5,253,242	$7,183,586	$20,260,486	$12,674,636	$9,419,636	$10,067,694	$9,570,065
CASH BALANCE	-$750,000	-$1,270,413	-$1,439,124	-$783,767	$2,068,617	$401,143	$1,506,450	$1,286,429	$1,262,211	$992,993	$579,079	$687,686

*6% interest rate
**7% bond soft costs
***Two year loan at 8%
****6% interest rate, 20 year term
Bold figures indicate bond financed costs *Educational Facilities indicated in italics funded by dedicated HISD increment*

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EXHIBIT
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EXHIBIT 27- Page 2: Annual Cash Flow and Monetary Obligations - Market Square TIRZ

Annual Cash Flow and Monetary Obligations - Market Square TIRZ

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

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EXHIBIT
23-14
9

EXHIBIT 27-Page 3: Annual Cash Flow and Monetary Obligations - Market Square TIRZ

Annual Cash Flow and Monetary Obligations - Market Square TIRZ

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

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EXHIBIT
23-24
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Part C: Project Plan and Reinvestment Zone Financing Plan, Reinvestment Zone Number Three (Main Street Market Square), City of Houston, Texas

Overview

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

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

This Third Amended Plan, Part C, approved by the Main Street Market Square Redevelopment Authority and the TIRZ Board of Directors, provides for an enlargement of the zone by the addition of two city blocks currently used as surface parking lots bounded by Dallas St. to the north, Polk St. to the south, Fannin St. to the west, and Caroline St. to the east (see Exhibits 19 and 20 on page 35) and a reallocation of project costs as set out in the 1995 Part A and the 1998 Part B Final Project Plan & Reinvestment Financing Plan. The purpose of the enlargement of the zone is to facilitate and support the development of a mixed use retail, residential and office complex aimed at stimulating major investment in the south eastern portion of the central business district.

2005 amendments to Parts A and B are intended to clearly articulate project plan and reinvestment zone financing plan elements as described in the following:

- Better integration of streetscape improvements with roadway infrastructure;
- More flexibility for expenditures in the Theater District;
- Inclusion of Affordable Housing in Part C to address the needs for workforce housing in Downtown and in the TIRZ;

EXHIBIT
tabbies
B
43-53

- Realignment and modification of various Project Costs in Part B (see page 19 of the 1999 Second Amended Plan). Some Part B project costs have been reduced: Streetscape Enhancements (modified to include related roadway improvements and all parks) and Acquisition/Rehabilitation of Historic Structures.
- Transfer from Part B to Part C of certain Project Costs to better coordinate TIRZ improvements with those of other agencies, including most remaining funding in Transit Streets, Transit Improvements and Retail Parking Facilities (now Pubic Parking Facilities).
- Better documentation of the estimated costs of financing to be incurred by the zone

Introduction

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

The Market Square TIRZ was created by City Council on December 13, 1995 covering a nine-block area. A Project Plan and Reinvestment Zone Financing Plan ("Original Financing Plan") for that nine block zone was adopted by City Council on September 11, 1996. On November 11, 1998 the Board of Directors of the Market Square TIRZ recommended that city council approve the annexation of approximately 65 blocks into the Zone and adopt an amended Final Project Plan and Reinvestment Zone Financing Plan ("Amended Plan") for the enlarged Zone. The enlargement of the Zone and the Amended Project Plan and Reinvestment Zone Financing Plan was adopted by the City on December 16, 1998. On August 9, 1999 the Board of Directors of the Market Square TIRZ recommended additional amendments (Second Amendment) to the Project Plan necessitated by modifications made in the general session of the 76th Texas Legislature to the state laws governing TIRZs. Such amendments were approved by the City Council on August 11, 1999 by Ordinance 1999-828.

Overview of Plan Amendments

This third amendment to the Final Project Plan and Reinvestment Zone Financing Plan is referenced as Part C and describes the changes to the zone project plan, including Parts A and B. Part A, the original Project Plan and Financing Plan, covered a nine-block area of the Zone, and Part B covered the first expansion of the zone and highlights the relevant synergies and differences from the original financing plan.

Parts A, B and C, together, provide the programs and investment strategies to help revitalize the central business district, improve infrastructure and alleviate deteriorated street and site conditions, obsolete transit services and facilities and encourage the sound growth of residential, retail, hotel, office and other commercial development within the area. In addition, the Main Street Market Square TIRZ and Redevelopment Authority will provide the public investment and development financing tools necessary to reinforce pedestrian retail activities along the Main St. light rail corridor, and create a seamless east-west linkage between Main St., the Toyota Center, the George R. Brown Convention Center and the Hilton Americas Convention Center Hotel.

EXHIBIT
tabbies
B
44-58

Amendments to Part A

Part A Goals remain the same. The Reinvestment Zone Financing Plan for Part A is amended as follows. Resulting projects and budgets are described in Exhibit 37.

1. Streetscape Enhancements: Remain deleted as described in the Second Amended Plan dated August 9, 1999.

2. Buffalo Bayou Riverwalk: Improvement scope remains unchanged; however, the budget no longer includes the specific line items: Channel Edge/Structures; Waterfront Park; Walkway/ Access; and Lighting Amenities so that TIRZ-funded improvements can be better coordinated with investments by other public and non-profit agencies.

3. Preparation of Residential Development Sites: Scope of improvements remains unchanged; however, the budget no longer includes the specific line items: Utilities; and Parking.

4. Rice Hotel Financial Assistance: Scope of improvements remains unchanged; however, the budget no longer includes the specific line items: Acquisition; Tunnel Link; Asbestos/Lead Paint Abatement; Demolition/Parking; and Finance Charges.

5. Acquisition and Rehabilitation of Historic Structures: The scope of improvements remains the same, but the budget no longer includes the specific line items: Acquisition/Resale (net) and Rehabilitation.

6. Administration Cost: Is now included in a total for Parts A, B and C as described in Exhibit 37.

7. Additional Financing Cost (excluding Rice Hotel): Is now included in an overall Estimated Financing Cost for parts A, B and C as described in Exhibit 37. Bond sales for Part A improvements totaling $2,000,000 are included in bond sales described in Exhibit 37 as these sales have not yet occurred.

Amendments to Part B

Part B Goals remain unchanged. Proposed Improvements for Part B are amended as follows. Resulting projects and budgets are described in Exhibit 37.

1. Streetscape Enhancements: Now include related roadway improvements, such as storm sewer inlets and leads, curbs/gutters and pavement resurfacing. Pocket parks are defined to include parks. The overall budget for this line is reduced to $7,100,000, and Exhibits 15 and 16 of the 1999 Plan continue to designate where these improvements are to be made.

2. Transit Streets: Budget is reduced to $10,000,000, but focus is still on Main Street.

EXHIBIT
tabbies
B
45-5-8

3. Transit Center and Superstop: Modified to delete the transit center component, and the budget is reduced to $2,500,000.

4. Retail Parking Facilities: Removed from Part B. Two lines in Part C provide for equivalent improvements.

5. Acquisition/Rehabilitation of Historic Structures: Budget is reduced to $12,000,000.

6. Theater District Improvements: Modified to be "Theater District, Cultural and Public Facility Improvements", and the scope of these improvements includes improvements to streets; streetscape; parks; plazas; and theater, cultural and public buildings.

7. Estimated Amount of Bonded Indebtedness: Modified to include one bond sale in FY 2002, totaling approximately $12,800,000. Additional bond sales to fund Part B improvements will be included in bond sales described in Part C.

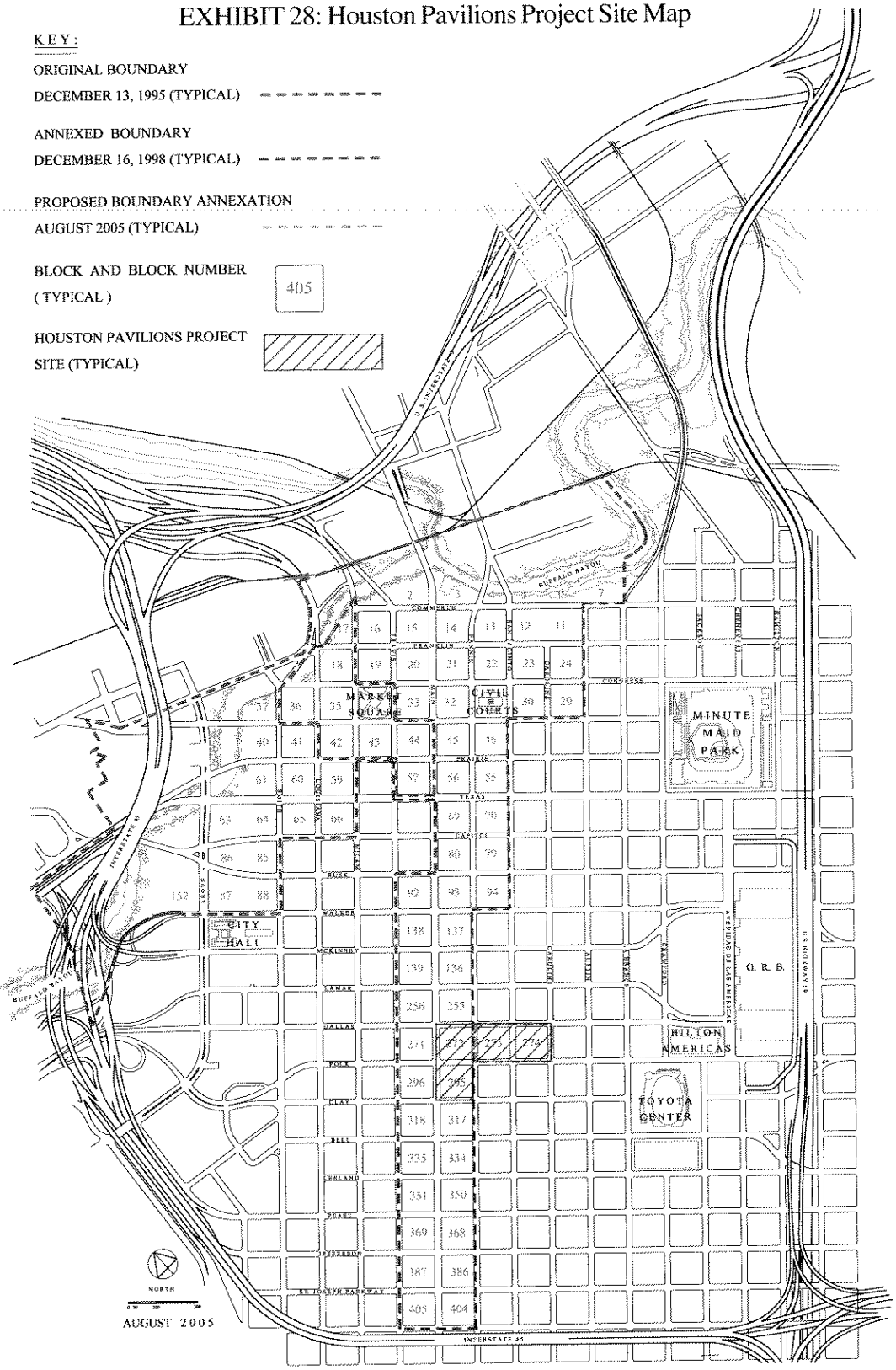
Part C

Part C encompasses all of the geographic areas of Part A and part B plus two annexed blocks described below.

Proposed Expansion Area Zone Boundaries: The third amended zone boundaries (Refer to Exhibit 28 on page 47) reflect the inclusion of two city blocks totaling 2.9 acres currently used as surface parking lots bounded by Dallas St. to the north, Polk St. to the south, Fannin St. to the west, and Caroline St. to the east. None of these properties are used for residential use (refer to Exhibits 29 and 30 on page 48) and the inclusion of such properties does not result in the inclusion within all tax increment reinvestments zones created by the City Council of more than 15% of the total appraised value of taxable real property in the municipality and its industrial districts.

EXHIBIT
tabbies
B
46-58

EXHIBIT 28: Houston Pavilions Project Site Map



TAX INCREMENT REINVESTMENT ZONE (TIRZ)#3

HOUSTON PAVILIONS PROJECT SITE MAP

EXHIBIT

B

47-58

Exhibit 29: Existing Conditions – Allright Surface Parking Facility



Exhibit 30: Convention Center Corridor looking east from Main Street

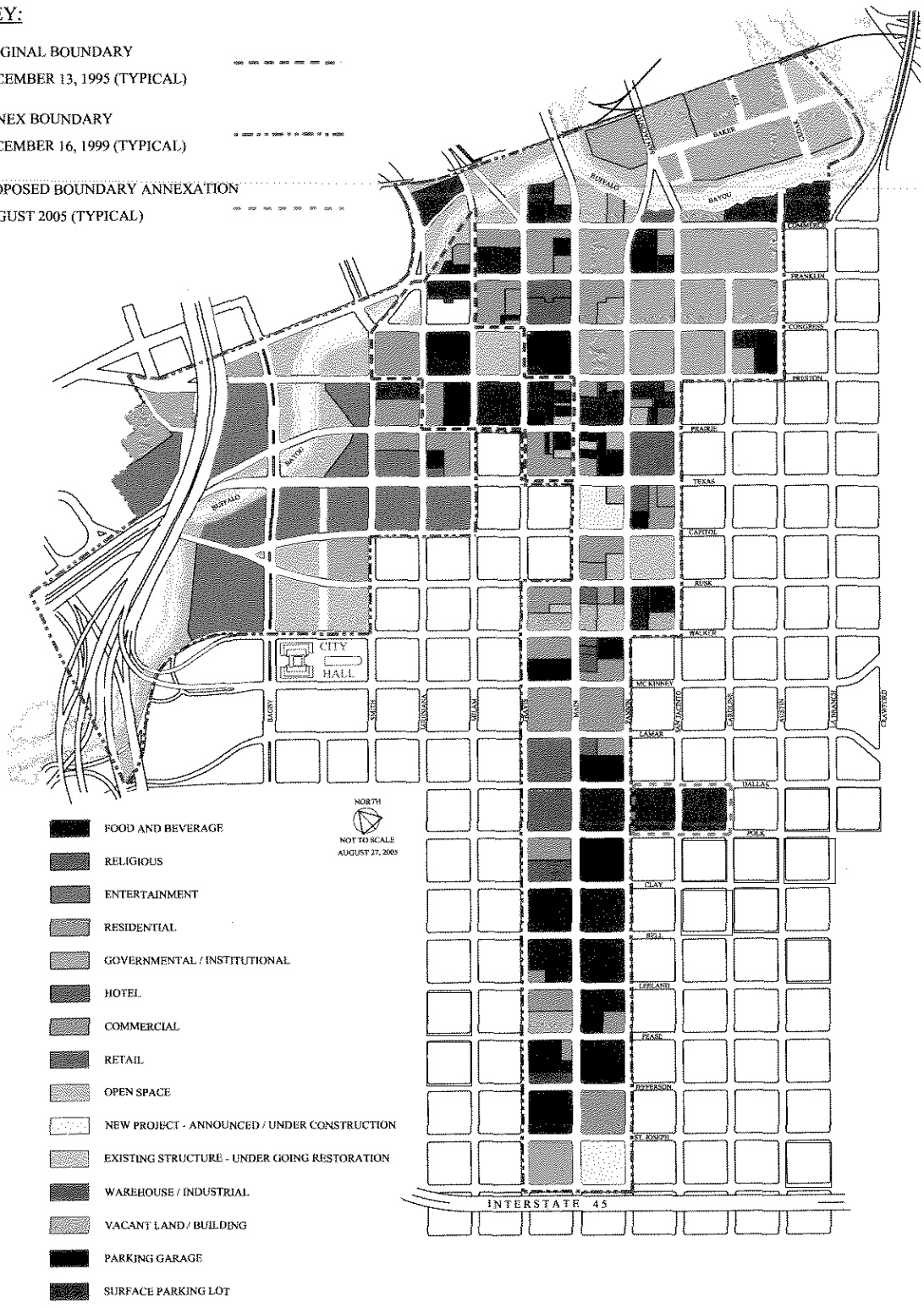


EXHIBIT
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B
48-58

Proposed Uses : The plan anticipates redevelopment within a four block area bounded by Main on the west, Dallas on the north, Caroline on the east, and Clay on the south. The two blocks fronting Main Street already are within the Reinvestment Zone. The two blocks bounded by Fannin, Dallas, Caroline, and Polk are to be annexed into the zone (Refer to Exhibit 31 for current 2005 land use).

EXHIBIT
tabbies
B
49-58

EXHIBIT 31: 2005 LAND USE MAP



TAX INCREMENT REINVESTMENT ZONE(TIRZ) #3
2005 LAND USE MAP

EXHIBIT
tabbies
B
50-53

Houston Pavilions

A primary goal of this Part C amendment is to facilitate further progress towards implementing the goals of the Market Square/Main Street TIRZ through the development of a mixed use project to be known as the Houston Pavilions, consisting of four distinct components:

- a three level, 350,000-360,000 square foot destination retail/entertainment complex;
- a loft office tower containing approximately 194,000 square feet of office space constructed above the retail pavilion;
- 200+ high-rise residential condominium units to be located in one or two towers above the retail pavilion with parking provided in the basement of the pavilion complex.
- the upgrade of an existing 1,600 car parking garage at Main & Polk, including improvements to ensure pedestrian accessibility and safety for 1,400 of those spaces and a pedestrian overpass connecting the garage to the pavilion retail complex.

As a destination retail/entertainment complex, the facility will serve as a magnet for virtually every age group and consumer type in the greater Houston area. With a varied and mixed group of retailers, the project will revitalize the retail market in the Central Business District. The project offers a strong prospect of becoming a major attraction and a destination for visiting conventioneers, as the City becomes the location of choice for future convention business. Consequently, the project will attract the CBD workforce, anyone with easy access to the Main Street light rail line, families from all over Houston, art and music enthusiasts attracted by the project's music venues, and many who are simply attracted by the shopping and dining opportunities and the general excitement of a major complex teeming with people.

The three block pavilions development will include mid-block pedestrian promenades providing access to interior businesses and escalator access to second and third floor retail activities plus active sidewalk areas along adjacent streets. The ground floor venues will provide an openness to the public unique to Houston's downtown. Open-air sky bridges over Fannin and San Jacinto with signature architectural elements at the second and third levels will link each of the blocks into a single project that will make the Houston Pavilions different and distinct from any other commercial venue in the gulf coast area.

Redevelopment of the three blocks currently used as surface parking lots will continue the efforts underway to reposition the Central Business District through the:

- Creation of a mixed use commercial, residential, and office complex that will further stimulate and catalyze redevelopment of the Downtown Area;
- Creation of a destination entertainment complex that will further enhance and sustain the pedestrian friendly improvements undertaken by the City and Metro with the redevelopment of Main Street;
- Provision of a strong marketing tool for the continued marketing of the City convention business;
- Function of serving as a connector between the City's Main Street corridor and the Convention Center and Hotel complex;

EXHIBIT
tabbies
B
51-58

- Creation of an estimated 1,850 new jobs in the Central Business District with an annual payroll in the $35-$45 Million range.
- Generation of a new economic engine that will provide new sales tax revenues stream projected to begin in FY2008.

Pavilions Development and TIRZ Financing: This Plan C amendment provides for the potential support of up to $ 14.3 million, exclusive of financing costs and/or annual reimbursements to Houston Pavilions, to facilitate the development of Houston Pavilions project through public infrastructure improvements, streetscape improvements, interior/exterior walkways and escalators, parking garage renovation upgrades and an economic development grant for the retail and visitor parking garage component of the project. In accordance with Section 311.010 (h), Texas Tax Code, the TIRZ will develop and submit for city council approval a program for the public purposes of developing and diversifying the economy of the zone and developing and expanding business and commercial activity in the zone. Such a program will provide for grant or loan programs to support the development of this Part C of the project plan.

Development Analysis: Project improvements and publicly accessible improvements related to the pavilions development include:

- Right of Way Expenses including utilities, curbs, pavement, sidewalk and landscaping: $639,000

- Upgrades to the garage to retail standards for safety and welfare of general public including air rights access connections (pedestrian bridge) and safety lighting, interior way finding, landscaping and ingress/egress modifications: $685,000.

- Interior Pedestrian Walkways and public access improvements including landscaping, decorative lighting, graphics and way finding signage, walkway paving, elevator and escalator access to upper level retail and entertainment venues: $4,200,000.

The balance of the proposed Part C zone expenditures related to Houston Pavilions pursuant to the economic development program to be submitted to city council for approval will total $8,800,000, exclusive of financing costs.

Development of the Houston Pavilions is projected to generate property tax increment revenue as shown in the following tables (Exhibits 32 – 36). The agreements with the developer will specify a formula that ties the value of the reimbursement to the Houston Pavilions project to the actual revenues received. Exhibits 4-9 are estimates based on projections of tax increment revenues.

Other Part C Improvements

Because Part C includes all areas of Part A and Part B plus two annexed blocks, the ability of TIRZ #3 to coordinate with other public entities will be enhanced if certain public infrastructure improvements whose locations have not yet been determined are included in Part C. In addition, affordable housing is added to the scope of work of the TIRZ. Part C improvements also include:

EXHIBIT
tabbies
B
52-58

1. Transit Streets and Facilities: $5,500,000

As provided for in the Part B of the Project Plan dated August 9, 1999, a primary goal of the TIRZ is to allow for a coordinated strategy of public investments as transit improvements that serve the TIRZ are made. Building upon the success of this approach on Main Street, these improvements could include roadway infrastructure, utilities, site preparation, and related right-of-way acquisition associated with transit improvements.

2. Public Parking Facilities: $3,100,000

As provided for in the Part B of the Project Plan dated August 9, 1999, public parking facilities designed to serve visitors to downtown are a primary goal of the TIRZ. The Houston Pavilions project is providing one of the two parking facilities originally identified by Part B of the Project Plan to serve the retail core. Part C provides funding for a second parking facility in another area of the TIRZ, including the area described by Part A.

3. Affordable Housing: $2,375,000

Affordable housing for the downtown workforce has emerged as an important public policy goal since the date of the last amended plan. Funding is provided to allow the TIRZ to work with private, public, and non-profit developers to integrate affordable housing into ongoing residential development in the downtown area.

Other Project Plan Provisions

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

Estimated Bonded Indebtedness: In addition to bonds issued in FY 2002, two additional bond issues are projected. In FY 2006 bonds valued at approximately $11,500,000 are projected and in FY 2009, bonds valued at approximately $9,000,000 are projected.

Project Plan Impacts: No displacement or relocation of residents is anticipated based on the vacant land use of the two block expansion of the zone project site.

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

Taxing Jurisdiction Participation: The city will participate in the expanded zone at a level sufficient to support the economic development program approved by the TIRZ and the city. It is anticipated that the tax rate participation by Harris County may be adjusted by amendments to the Interlocal Agreement between the City of Houston, Harris County, and Reinvestment Zone No. Three (Main Street Market Square TIRZ). The participation agreement with HISD will not be affected by this Part C amendment.

EXHIBIT
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B
53-58

EXHIBIT 32

Project Value	Land	Improvements	Total
Retail	11,364,680	90,082,588	101,447,268
Office	7,425,000	25,540,094	32,965,094
Residential	11,210,320	31,450,776	42,661,096
Pavilions	**$ 30,000,000**	**$ 147,073,458**	**$ 177,073,458**
Garage			23,577,300
Total Project			**200,650,758**

Base Value	**City**		**County**	
Block 295	$ 2,815,520	1998 Value	$ 8,577,300	2005 Value
Block 272	$ 1,563,510	1998 Value	$ 3,758,500	2005 Value
Block 273	$ 3,782,640	2005 Value	$ 3,782,640	2005 Value
Block 274	$ 3,812,100	2005 Value	$ 3,812,100	2005 Value
	$ 11,973,770		**$ 19,930,540**	

EXHIBIT 33

Development Value By Year			**2006**	**2007**	**2008**	**2009**	**Total**
Retail							
Value By block	*Sq Ft*						
Block 272	90,415	25.0%	$ 6,018,029	$ 9,555,206	$ 9,784,375	$ -	$ 25,357,610
Block 273	123,613	34.2%	$ 8,227,690	$ 13,063,626	$ 13,376,939	$ -	$ 34,668,255
Block 274	147,692	40.8%	$ 9,830,390	$ 15,608,334	$ 15,982,678	$ -	$ 41,421,403
Garage							
Block 295			$ 8,577,300	$ -	$ 5,000,000	$ 10,000,000	$ 23,577,300
Office							
Block 273			$ 7,425,000	$ 12,770,047	$ 12,770,047	$ -	$ 32,965,094
Residential							
Block 272			$ 5,605,160	$ -	$ 7,862,694	$ 7,862,694	$ 21,330,548
Block 274			$ 5,605,160	$ -	$ 7,862,694	$ 7,862,694	$ 21,330,548

EXHIBIT
tabbies
B
54-58

EXHIBIT 34:

Pavilions Development - City Increment Revenue

Tax Year	Increment Value: Retail	Parking Garage	Office	Residential	Project Total	Tax Revenue: Retail	Parking Garage	Office	Residential	Project Total
Base:	5,246,859	2,815,520	1,989,596	1,921,795	11,973,770					
2005	-	5,761,780	-	-	-	-	-	-	-	
2006	18,829,251	5,761,780	5,435,404	9,288,525	39,314,960	-	37,452	-	-	$ 37,452
2007	57,056,417	5,761,780	18,205,451	9,288,525	90,312,173	122,390	37,452	35,330	60,375	$ 255,547
2008	96,200,409	10,761,780	30,975,498	25,013,913	162,951,600	370,867	37,452	118,335	60,375	$ 587,029
2009	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	69,952	201,341	157,713	$ 1,054,308
2010	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2011	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2012	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2013	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2014	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2015	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2016	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2017	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2018	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2019	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2020	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2021	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2022	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2023	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2024	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
2025	96,200,409	20,761,780	30,975,498	40,739,301	188,676,988	625,303	134,952	201,341	256,861	$ 1,218,456
						$11,123,402	$ 2,304,080	$ 3,576,458	$ 4,388,244	**23,114,636**

Notes:

(1) City Tax Rate is .65 cents.

(2) Collection rate is 100% for retail, parking garage, and office (developer to stipulate value); 97% for residential.

(3) Actual revenues subject to participation rates set by City Council.

tabbies
EXHIBIT
55-58
B

EXHIBIT: 35

Pavilions Development - County Increment Revenue

Tax Year	Increment Value: Retail	Parking Garage	Office	Residential	Project Total	Tax Revenue: Retail	Parking Garage	Office	Residential	Project Total
Base:	6,504,392	8,577,300	1,559,851	3,288,997	19,930,540					
2005	-	-	-	-	-	-	-	-	-	$ -
2006	17,571,718	-	5,865,149	7,921,323	31,358,190	-	-	-	-	$ -
2007	55,798,884	-	18,635,196	7,921,323	82,355,403	76,093	-	25,398	34,302	$ 135,794
2008	94,942,876	5,000,000	31,405,243	23,646,711	154,994,830	241,631	-	80,698	34,302	$ 356,632
2009	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	32,500	135,997	99,328	$ 678,966
2010	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2011	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2012	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2013	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2014	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2015	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2016	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2017	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2018	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2019	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2020	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2021	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2022	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2023	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2024	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
2025	94,942,876	15,000,000	31,405,243	39,372,099	180,720,218	411,141	97,500	135,997	165,382	$ 810,020
						$ 7,307,115	$ 1,592,500	$ 2,418,050	2,814,045	**$ 14,131,710**

Notes:

(1) County Tax Rate is 43.304 cents.

(2) Collection rate is 100% for retail, parking garage, and office (developer to stipulate value); 97% for residential.

(3) Actual revenues subject to participation rates set by Interlocal Agreement.

tabbies
EXHIBIT
8-25-05
B

EXHIBIT 36a:

Increment Revenue for Zone C

(Two Additional Blocks)

Tax Year	Increment Value	City Tax Revenue	County Tax Revenue	Total Part C
Tax rate:		65 cents	43.304 cents	
2005	**Base**			
2006	23,493,501	$ -	$ -	$ -
2007	64,935,508	$ 152,708	$ 101,736	$ 254,444
2008	115,986,188	$ 422,081	$ 281,197	$ 703,278
2009	123,496,108	$ 753,910	$ 502,267	$ 1,256,177
2010	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2011	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2012	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2013	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2014	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2015	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2016	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2017	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2018	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2019	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2020	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2021	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2022	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2023	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2024	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
2025	123,496,108	$ 802,725	$ 534,788	$ 1,337,512
		$ 14,172,294	**$ 9,441,800**	**$ 23,614,094**

Notes:

(1) Increment value represents development attributable to the entire project, retail, office, and residential occuring only on the two additional blocks to the zone.

(2) Participation rate to be determined later.

(3) Actual revenues subject to participation rates set by City Council.

EXHIBIT 36b:

	Base Value City		Base Value County	
Block 295 (Parking Garage)	$ 2,815,520	1998 Value	$ 8,577,300	2005 Value
Block 272 (In Part B)	$ 1,563,510	1998 Value	$ 3,758,500	2005 Value
Block 273 (Annexed block)	$ 3,782,640	2005 Value	$ 3,782,640	2005 Value
Block 274 (Annexed block)	$ 3,812,100	2005 Value	$ 3,812,100	2005 Value
	$ 11,973,770		**$ 19,930,540**	

EXHIBIT
tabbies
B
57-58

EXHIBIT 37:

Project Cost Amendments: The following table (Exhibit 27) includes the approved project costs for Part A and Part B and the changes made to those budgets through this Part C amendment:

Part A	Estimated Costs: 1999 Plan	Estimated Costs: 2006 Plan	Delta
Buffalo Bayou Riverwalk	$4,000,000	$4,000,000	$0
Residential Development Sites	$5,000,000	$5,000,000	$0
Rice Hotel Financial Asst.	$18,750,000	$18,750,000	$0
Acquisition/Rehabilitation of Historic Structures	$1,500,000	$1,500,000	$0
Sub-Total for Part A	**$29,250,000**	**$29,250,000**	**$0**
Part B			
Streetscape Enhancements, Related Roadways and Parks	$11,675,000	$7,100,000	($4,575,000)
Transit Streets	$16,000,000	$10,000,000	($6,000,000)
Retail Parking Facilities	$15,000,000	$0	($15,000,000)
Transit Improvements	$6,750,000	$2,500,000	($4,250,000)
Acqusition/Rehabilitation of Historic Structures	$15,000,000	$12,000,000	($3,000,000)
Educational Facilities (Educational Facilities paid directly to HISD ($82,541,820)	$82,541,820	$82,541,820	$0
Buffalo Bayou Improvements (Bayou to be extended from Original Zone as a riverwalk and park area)	$6,000,000	$6,000,000	$0
Theater District, Cultural & Public Facility Improvements	$11,500,000	$11,500,000	$0
Sub-Total for Part B	**$164,466,820**	**$131,641,820**	**($32,825,000)**
Part C			
Economic Development Grant (see note 2): For retail projects providing parking that is accessible to the public	$0	$8,800,000	$8,800,000
Retail Project (see note 2): Funding for infrastructure providing pedestrian access to the public	$0	$5,500,000	$5,500,000
Public Parking Facilities	$0	$3,100,000	$3,100,000
Transit Streets and Transit Center	$0	$5,500,000	$5,500,000
Affordable Housing	$0	$2,375,000	$2,375,000
Sub-Total for Part C	**$0**	**$25,275,000**	**$25,275,000**
Estimated Financing Costs (The Rice not included)	**see note 1**	**$21,650,000**	**$21,650,000**
Estimated Administration Costs	**$1,891,000**	**$1,891,000**	**$0**
PROJECT PLAN TOTAL	**$195,607,820**	**$209,707,820**	**$14,100,000**

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

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

EXHIBIT
tabbies
B
58-58