City of Houston, Texas, Ordinance No. 96-911

AN ORDINANCE APPROVING THE PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN FOR REINVESTMENT ZONE NUMBER THREE, CITY OF HOUSTON, TEXAS (MARKET SQUARE AREA); AUTHORIZING THE CITY SECRETARY TO DISTRIBUTE SUCH PLANS; MAKING VARIOUS PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EMERGENCY.

* * * *

WHEREAS, the Board of Directors of Reinvestment Zone Number Three, City of Houston, Texas, (also known as the Market Square Zone) has approved the Project Plan and Reinvestment Zone Financing Plan attached hereto for the redevelopment of the Market Square Zone; and

WHEREAS, Harris County (the "County") has agreed to participate in the Market Square Zone and has authorized 100 percent of its tax increment in the Market Square Zone to be paid into the tax increment fund for the Market Square Zone; and

WHEREAS, Houston Independent School District ("HISD") has agreed to participate in the Market Square Zone for the purpose of the Rice Hotel Project described in the Project Plan and has authorized 100 percent of its tax increment, but not more than $410,000.00 per year, to be paid into the tax increment fund for the Market Square Zone; and

WHEREAS, the Project Plan and the Reinvestment Zone Financing Plan reflect the participation of the County and HISD, and;

WHEREAS, the City Council must approve the Project Plan and Reinvestment Zone Financing Plan; **NOW, THEREFORE,**

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

Section 1. That the Project Plan and Reinvestment Zone Financing Plan attached hereto for Reinvestment Zone Number Three, City of Houston, Texas, are hereby determined to be feasible and are approved.

Section 2. That the City Secretary is directed to provide copies of the Project Plan and Reinvestment Zone Financing Plan to each taxing unit levying ad valorem taxes in the Zone.

Section 3. That City Council officially finds, determines, recites and declares a sufficient written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code and that this meeting has been open to the public as required by law at all times during which this ordinance and the subject matter thereof has been discussed, considered and formally acted upon. That City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 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 11th **day of** September, 1996

APPROVED this __ day of _____, 19___.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is SEP 17 1996.

City Secretary

(Prepared by Legal Dept. BM RSZ JMZ)
(LKH/pas 09/14/92) Assistant City Attorney
(Requested by Robert M. Litke, Director, Planning and Development)
(L.D. File No. _____)

Project Plan and Reinvestment Zone Financing Plan

MARKET SQUARE TAX INCREMENT REINVESTMENT ZONE #3
August 21, 1996

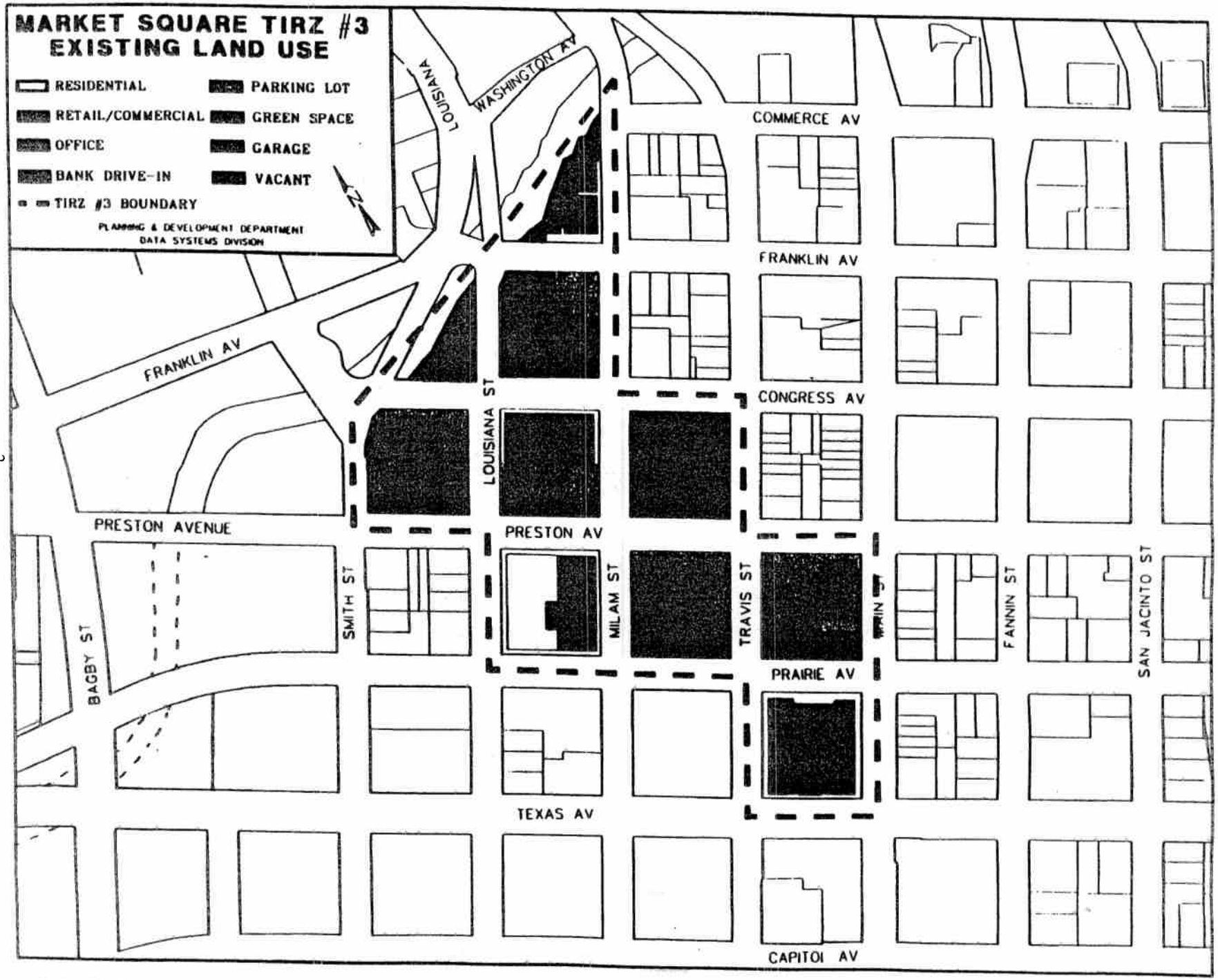
Part 1: Executive Summary

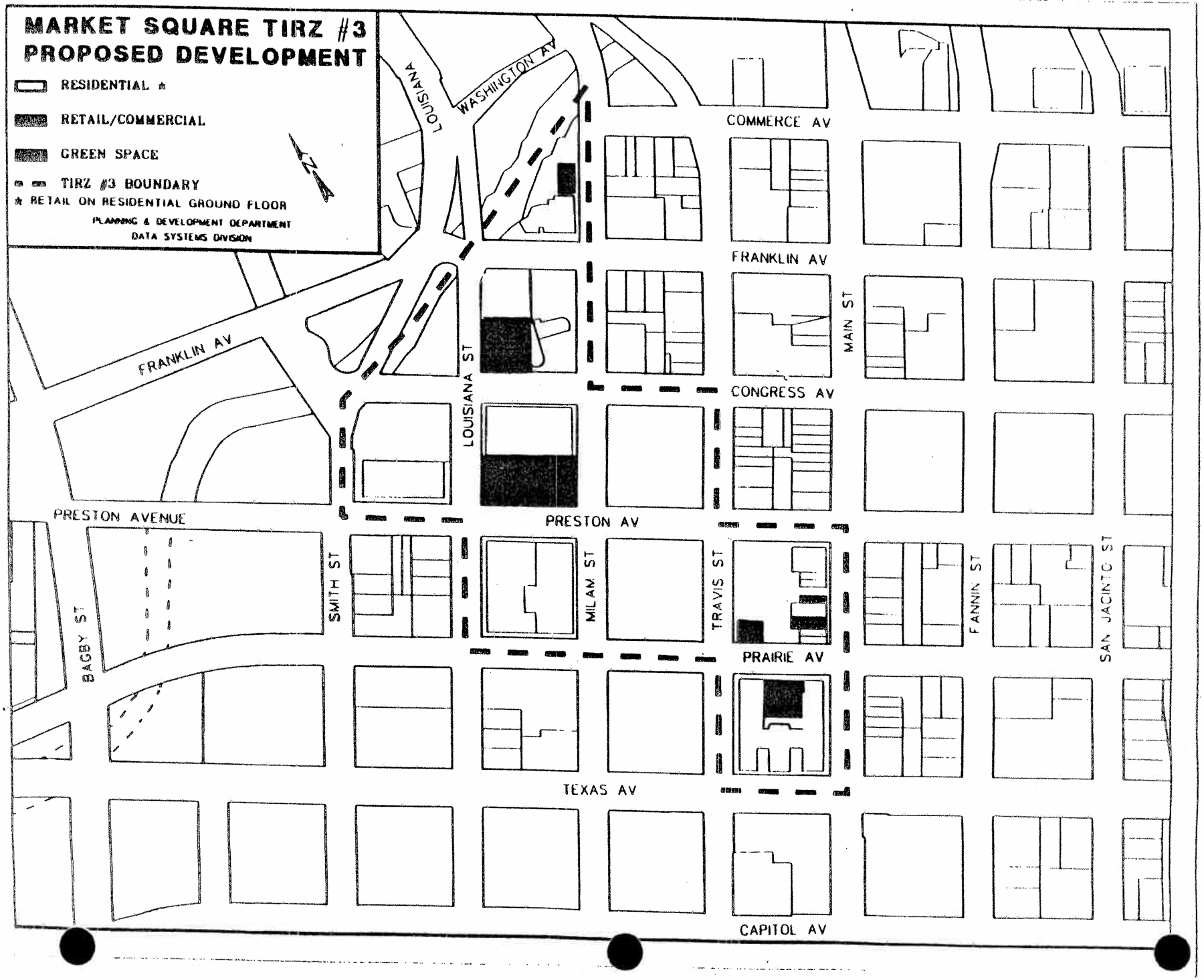
The Market Square tax increment reinvestment zone (TIRZ) is a tool to stimulate construction of new housing in downtown Houston, including the rehabilitation of the Rice Hotel into residential units. The Market Square TIRZ will help finance public improvements and services needed to support the zone'ss anticipated 905 housing units (including the Rice Hotel), and 188,000 square feet of supporting retail/ commercial/ office development. (Refer to Maps 1-4 and Table 1.)

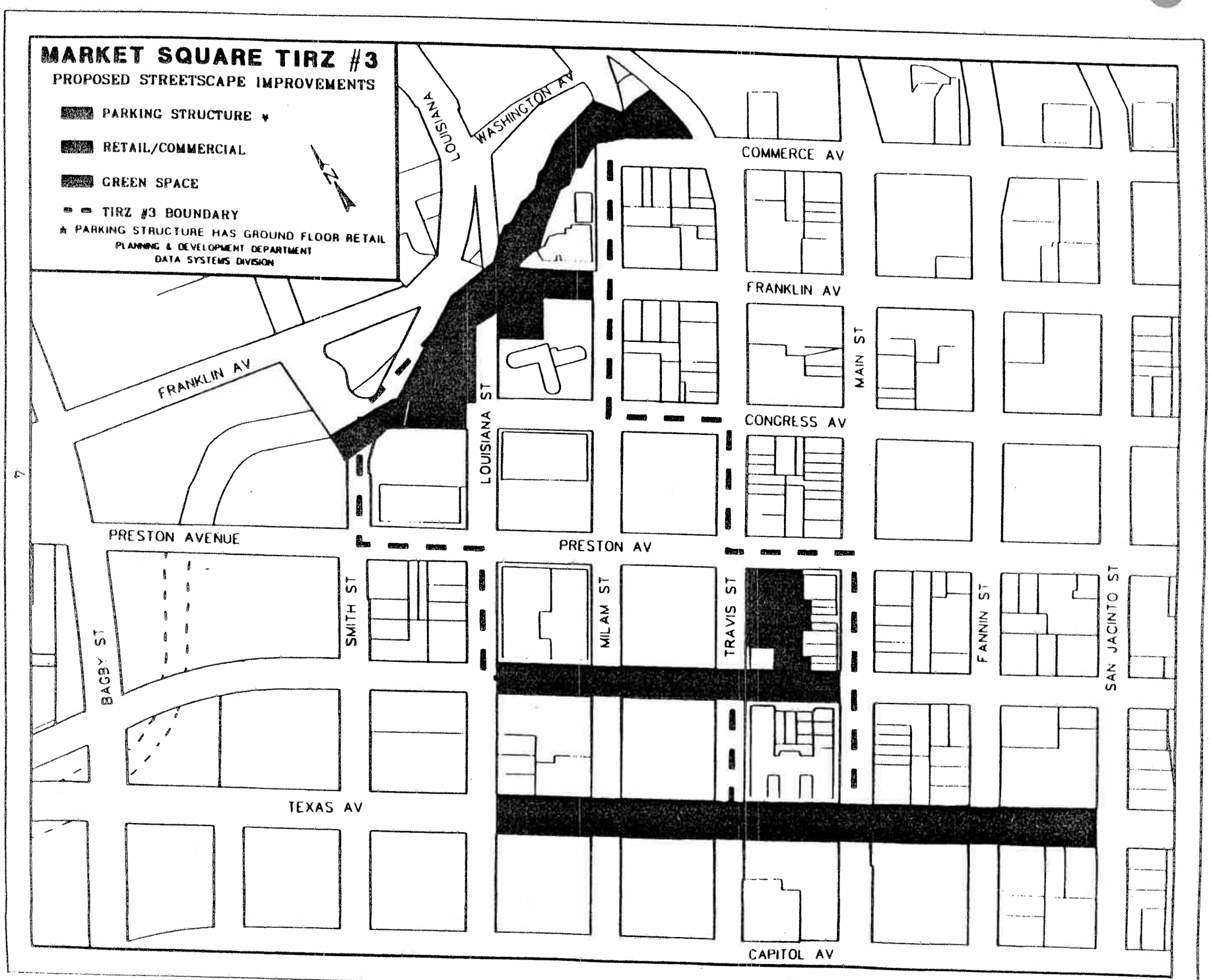
During its 30-year life, it is projected that the TIRZ will require the expenditure of $34 million for needed public improvements and services. These expenditures will be funded by tax increment funds generated from new development within the TIRZ. Major improvements to be financed by the TIRZ include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

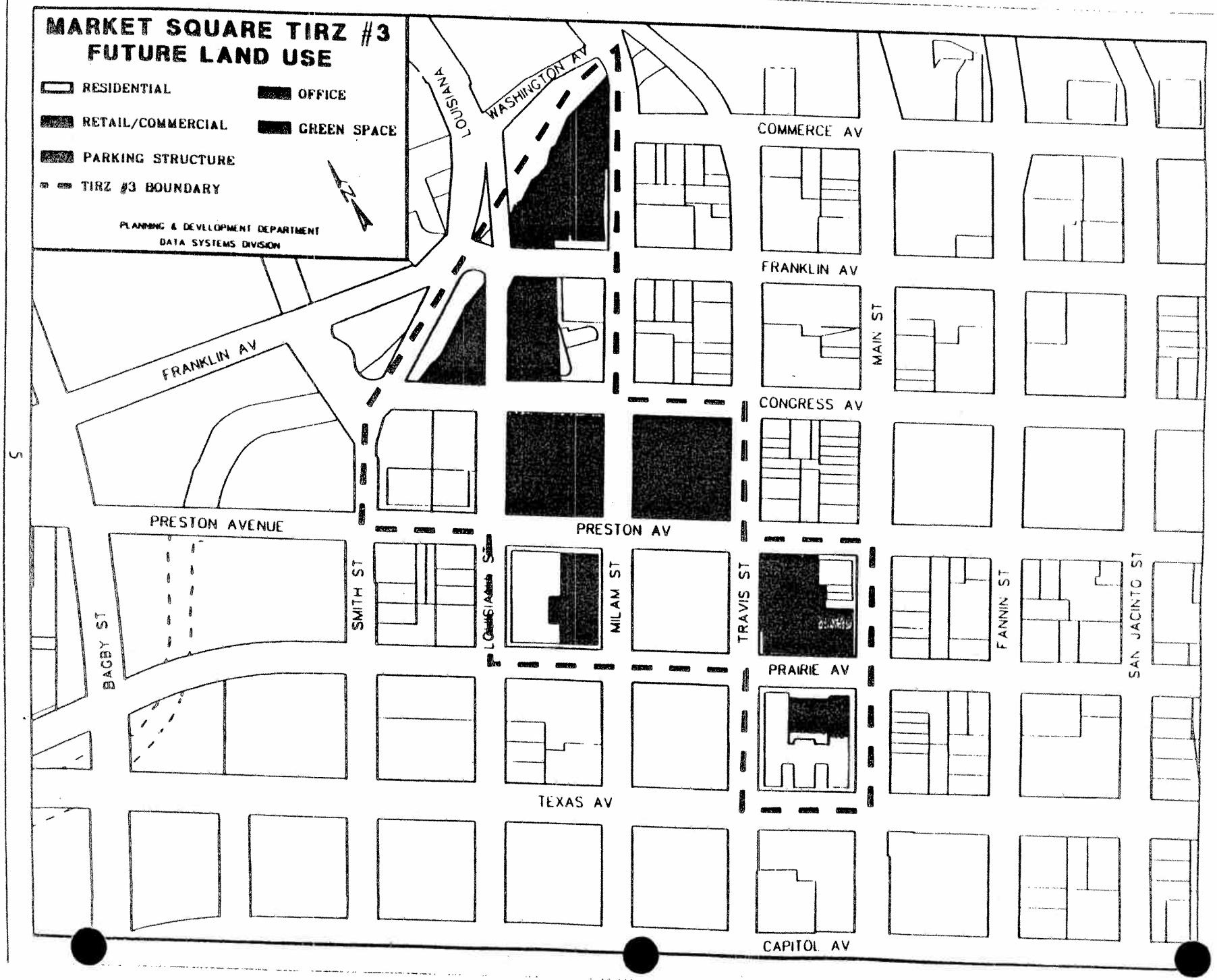
- streetscape enhancements (lighting, walks, landscaping, etc.)
- Buffalo Bayou greenbelt improvements (walkways, landscaping, etc.);
- improvement of sites for residential redevelopment; provision of housing;
- utility improvements; security enhancements;
- pedestrian and parking facilities (above and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

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


MARKET SQUARE TIRZ #3
EXISTING LAND USE
RESIDENTIAL
RETAIL/COMMERCIAL
OFFICE
BANK DRIVE-IN
TIRZ #3 BOUNDARY
PARKING LOT
GREEN SPACE
GARAGE
VACANT
PLANNING & DEVELOPMENT DEPARTMENT
DATA SYSTEMS DIVISION
LOUISIANA
WASHINGTON AV
COMMERCE AV
FRANKLIN AV
FRANKLIN AV
CONGRESS AV
LOUISIANA ST
PRESTON AVENUE
PRESTON AV
SMITH ST
MILAM ST
TRAVIS ST
FANNIN ST
SAN JACINTO ST
BAGBY ST
PRAIRIE AV
TEXAS AV
CAPITOL AV


MARKET SQUARE TIRZ #3
PROPOSED DEVELOPMENT
RESIDENTIAL ★
RETAIL/COMMERCIAL
GREEN SPACE
TIRZ #3 BOUNDARY
★ RETAIL ON RESIDENTIAL GROUND FLOOR
PLANNING & DEVELOPMENT DEPARTMENT
DATA SYSTEMS DIVISION
LOUISIANA
WASHINGTON AV
COMMERCE AV
FRANKLIN AV
MAIN ST
LOUISIANA ST
CONGRESS AV
PRESTON AVENUE
PRESTON AV
SMITH ST
MILAM ST
TRAVIS ST
FANNIN ST
SAN JACINTO ST
BAGBY ST
PRAIRIE AV
TEXAS AV
CAPITOL AV


MARKET SQUARE TIRZ #3
PROPOSED STREETSCAPE IMPROVEMENTS
PARKING STRUCTURE *
RETAIL/COMMERCIAL
GREEN SPACE
TIRZ #3 BOUNDARY
* PARKING STRUCTURE HAS GROUND FLOOR RETAIL
PLANNING & DEVELOPMENT DEPARTMENT
DATA SYSTEMS DIVISION
N
LOUISIANA
WASHINGTON AV
COMMERCE AV
FRANKLIN AV
MAIN ST
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BAGBY ST
TEXAS AV
CAPITOL AV


MARKET SQUARE TIRZ #3
FUTURE LAND USE
RESIDENTIAL
OFFICE
RETAIL/COMMERCIAL
GREEN SPACE
PARKING STRUCTURE
TIRZ #3 BOUNDARY
PLANNING & DEVELOPMENT DEPARTMENT
DATA SYSTEMS DIVISION
LOUISIANA
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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, obsolete platting; and, to encourage sound growth of residential development and supporting uses within the downtown area, the State Enterprise Zone, the Federal Enhanced Enterprise Community and the City of Houston. The project plan calls for 905 new residential units; retail, commercial and office development totaling approximately 188,000 square feet (this is in addition to other services, retail, restaurants, and entertainment places expected to be spun-off on properties outside of the zone); parking garage facilities containing 2,000 spaces; and, 0.25 acres of open space.

Current Site Conditions: The proposed zone consists of approximately nine city blocks extending north-northwest from the north-west corner of Texas Avenue and Main Street to Buffalo Bayou (see Map 1). Parking and drive-in bank facilities dominate land uses, occupying the approximate equivalent of five city blocks. A mixture of older buildings occupy an additional two and one-half blocks and the remaining one-and one-half blocks are occupied by Market Square Park (a city park) and the public easement along Buffalo Bayou. Currently, the park has been improved but surrounding streets and the easement along Buffalo Bayou are in poor condition.

Current Economic Activity: Much of the building stock in the area is vacant and deteriorating, with the Rice Hotel being the dominant vacant structure. Currently, several older commercial storefronts and several smaller, older office buildings are partially occupied. Surface parking lots and structures are utilized as overflow and contract parking by the daytime downtown work force. The total appraised value of taxable property in the zone is currently $22,314,700.

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 Bldg. has been redeveloped as a multi-family residential property containing 79 dwelling units. This plan proposes no change to this building's residential use.

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

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

Part 3: Reinvestment Zone Financing Plan

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

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

Public streetscape enhancements 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. CPTED (crime prevention through environmental design) principles with 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**

Provide 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**

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 Maps 1-3 for:

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

*Many parking garage units will be integrated with residential development

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 Table 1.) 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: Table 1 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.

Table 1: 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.

TO: Mayor via City Secretary

REQUEST FOR COUNCIL ACTION

SUBJECT: Ordinance Approving Project Plan & Reinvestment Zone Financing Plan for Reinvestment Zone Number Three, City of Houston, Texas (Market Square TIRZ)	Category #	Page 1 of ____	Agenda Item #

FROM (Department or other point of origin):	Origination Date	Agenda Date
Planning and Development Department	08-30-96	

DIRECTOR'S SIGNATURE:	Council District affected: I - John Castillo
For additional information contact: Robert M. Litke Phone: 754-0008	Date and Identification of prior authorizing Council action:

RECOMMENDATION: (Summary)

Adopt an ordinance approving the project plan and reinvestment zone and financing plan for Reinvestment Zone Number Three, City of Houston, Texas, also known as the Market Square tax increment reinvestment zone (TIRZ).

Amount of Funding:	F&A Budget:

SOURCE OF FUNDING: [ ] General Fund [ ] Grant Fund [ ] Enterprise Fund

[ ] Other (Specify)

SPECIFIC EXPLANATION: On August 21, 1996, the Market Square TIRZ Board of Directors formally adopted the attached project plan and reinvestment zone financing plan, and forwarded these to City Council for its consideration. Staff has reviewed these plans and makes the following findings: that the plan complies with the requirements of Texas Tax Code Ch. 311; that the plan is feasible; and, that the plan is as consistent as possible with the preliminary plan approved by City Council on December 13, 1996. The project plan calls for the construction of 905 housing units and 188 thousand square feet of retail/ office space. This development, valued at approximately $72 million, is expected to generate a cumulative tax increment of $34 million. The centerpiece of the TIRZ is the renovation of the Rice Hotel. The project plan anticipates 345 loft apartments to be developed in the Rice Hotel (although approximately 375 units could be accommodated, increasing the project's economic feasibility). The project plan forecasts the expenditure of $34 million in eligible project costs, including the following public improvements:

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

The zone was created for a duration of 30 years. Harris County and the Houston Independent School District have indicated a commitment to participate in the TIRZ. The TIRZ is not eligible to adopt land use controls, nor does its project plan call for condemnation actions.

Attachment: project plan and reinvestment zone financing plan

cc: Dan Jones, Agenda Director
Jimmie Schindewolf, Chief of Staff
Richard Lewis, F&A Director
Gene L. Locke, City Attorney
Anna Russell, City Secretary

dh:mktsq4.rca

REQUIRED AUTHORIZATION

F&A Director:	Other Authorization:	Other Authorization:

F&A 011.A REV. 12/94
7520-0100407-00

MARKET SQUARE TAX INCREMENT REINVESTMENT ZONE
City of Houston TIRZ #3

Project and Financing Plan

- Executive Summary
- Map 1: Existing Land Use
- Map 2: Proposed Development
- Map 3: Proposed Streetscape Improvements
- Map 4: Future Land Use
- Project Plan
- Financing Plan
- Table 1: Financing Analysis

Market Square TIRZ Board of Directors
Houston Downtown Management District
City of Houston

August 21, 1996

Project and Financing Plan

MARKET SQUARE TAX INCREMENT REINVESTMENT ZONE #3
August 21, 1996

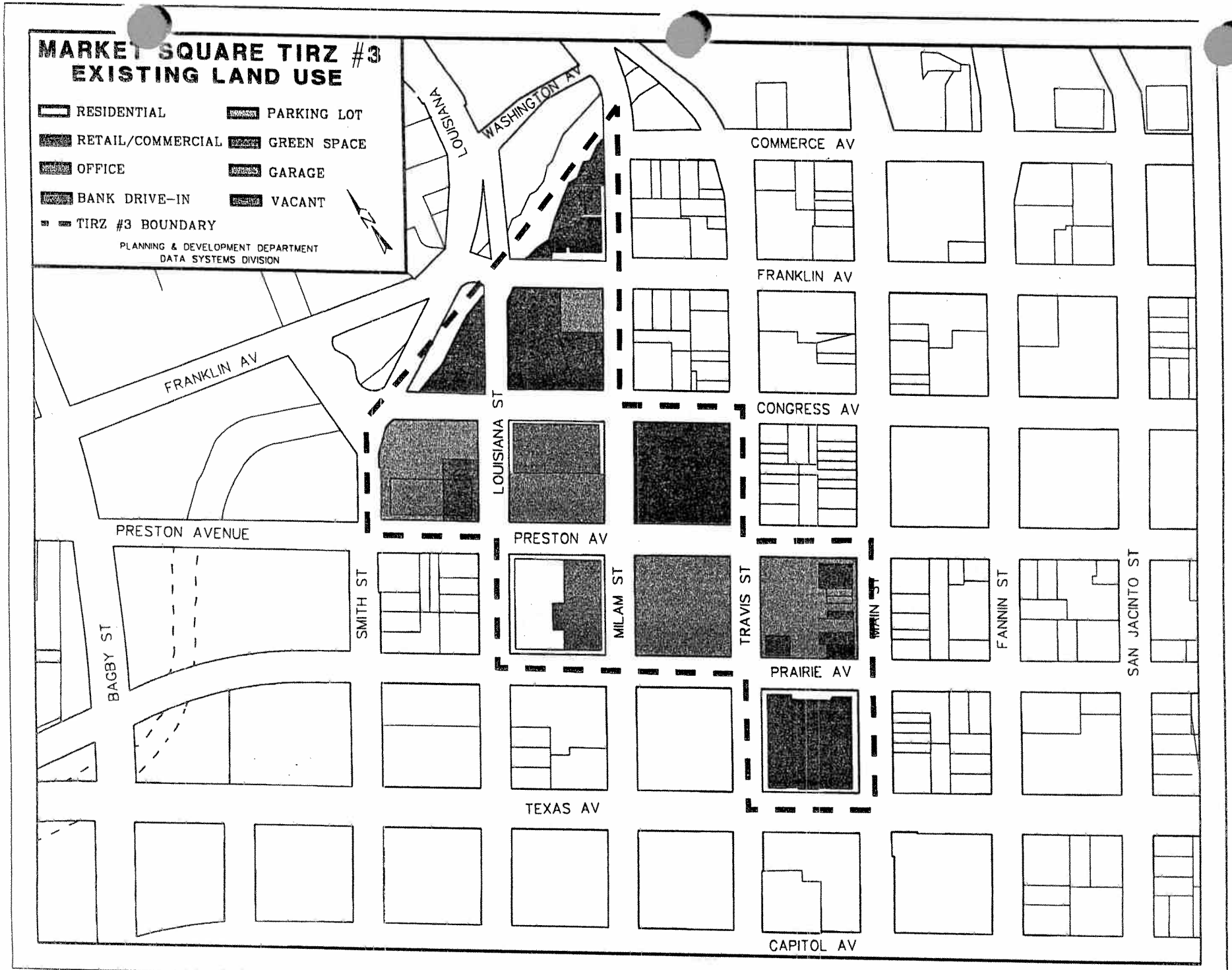
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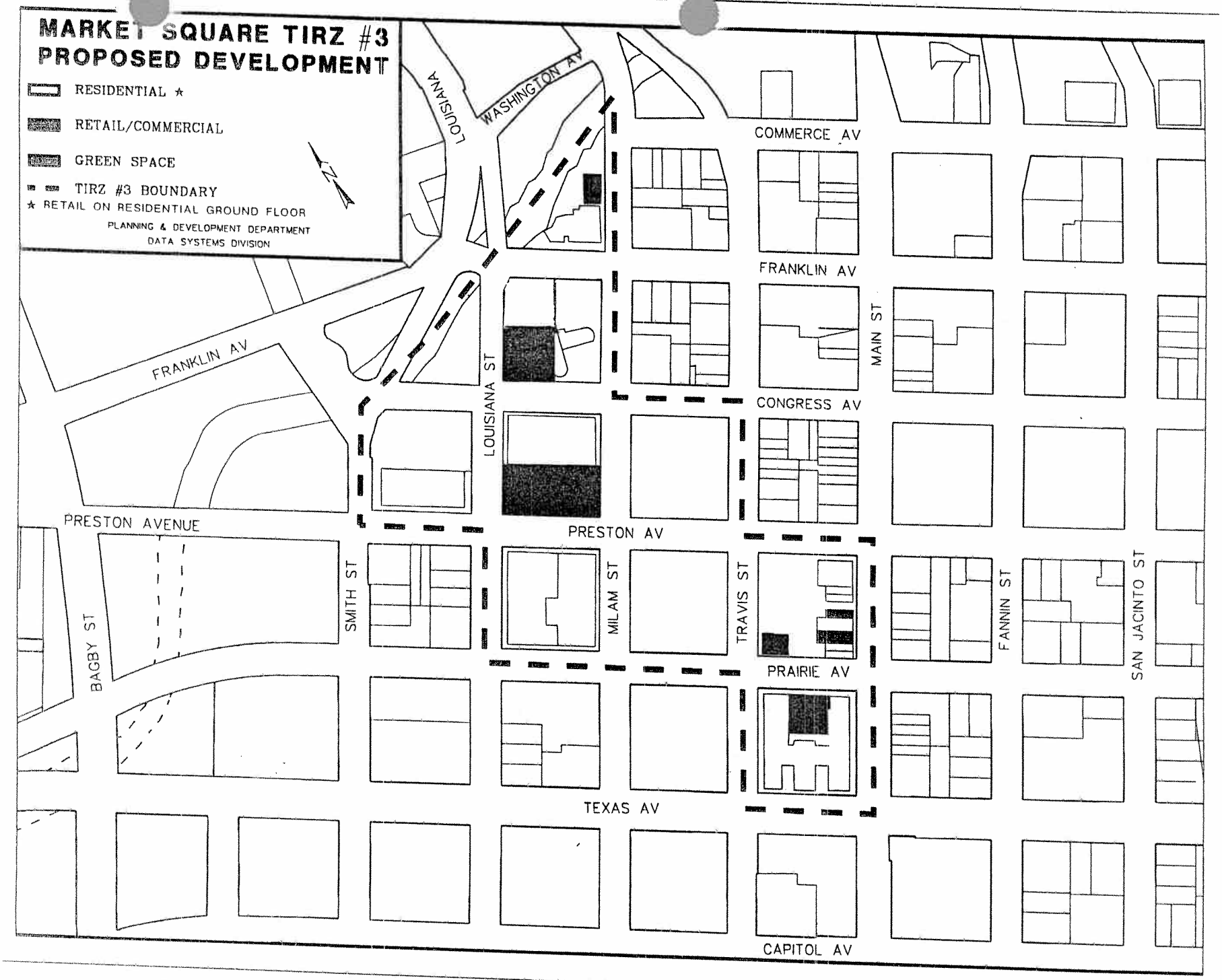
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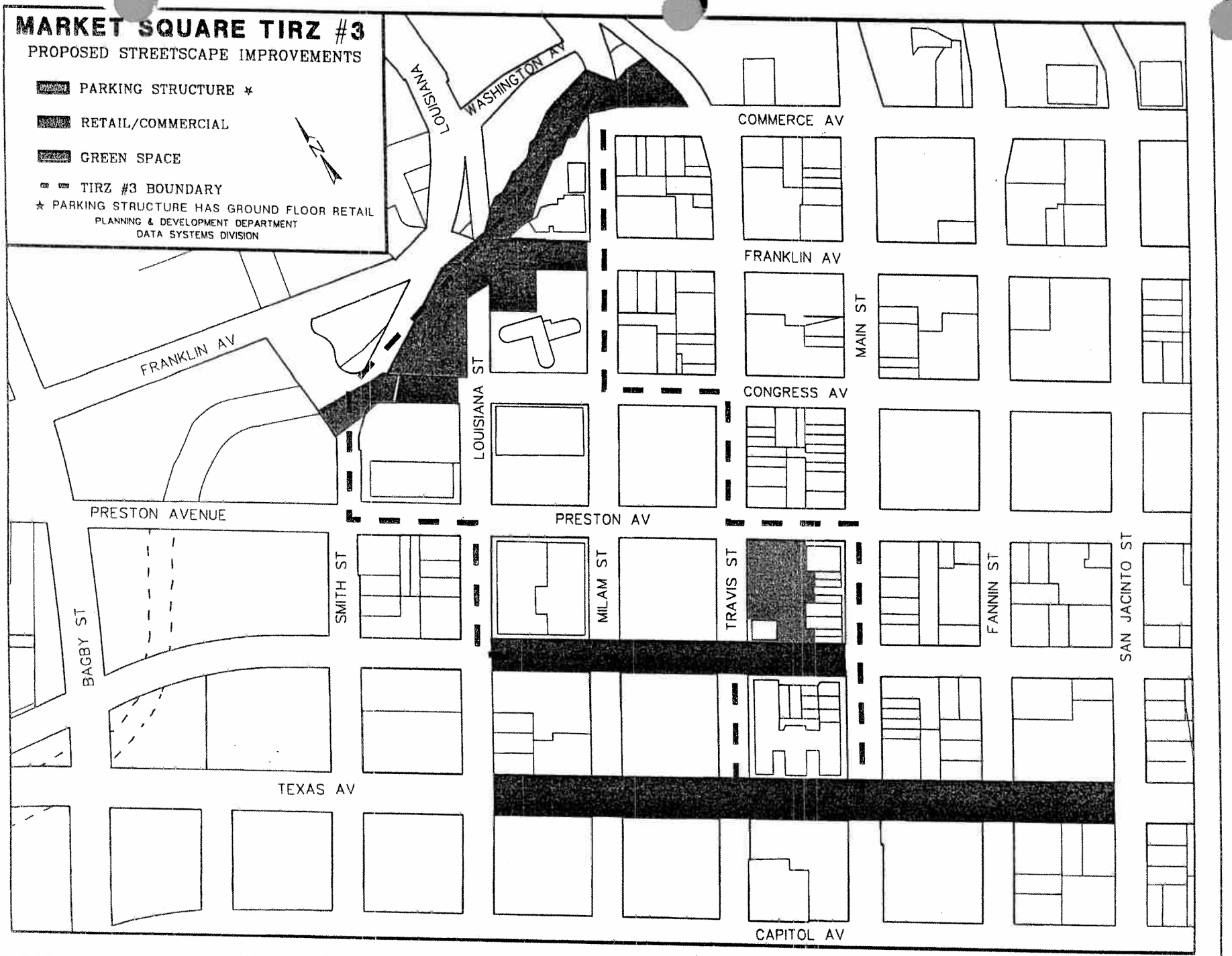
During its 30-year life, it is projected that the TIRZ will require the expenditure of $34 million for needed public improvements and services. These expenditures will be funded by tax increment funds generated from new development within the TIRZ. Major improvements to be financed by the TIRZ include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

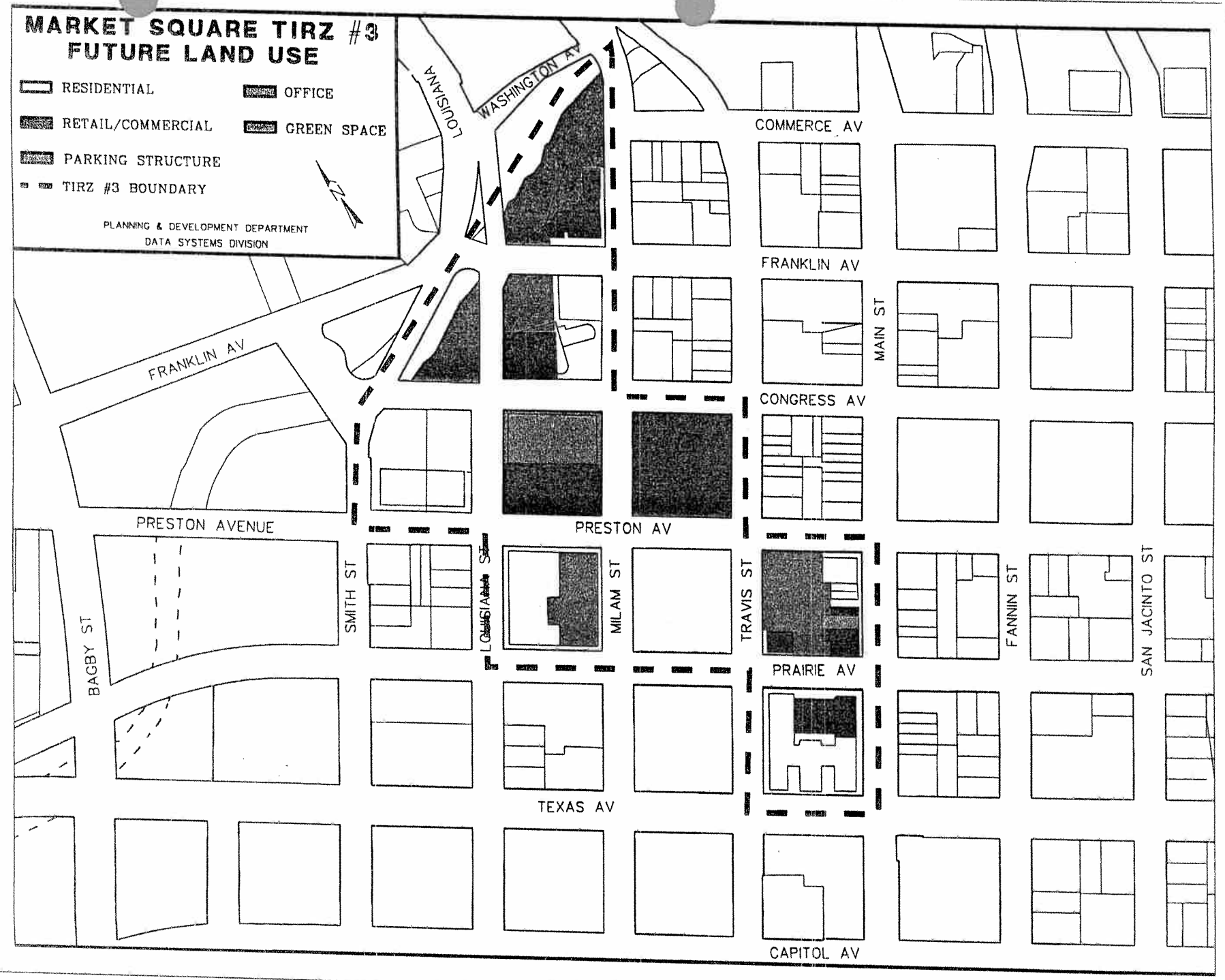
- streetscape enhancements (lighting, walks, landscaping, etc.)
- Buffalo Bayou greenbelt improvements (walkways, landscaping, etc.);
- improvement of sites for residential redevelopment; provision of housing;
- utility improvements; security enhancements;
- pedestrian and parking facilities (above and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

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


MARKET SQUARE TIRZ #3
EXISTING LAND USE
RESIDENTIAL
RETAIL/COMMERCIAL
OFFICE
BANK DRIVE-IN
TIRZ #3 BOUNDARY
PARKING LOT
GREEN SPACE
GARAGE
VACANT
PLANNING & DEVELOPMENT DEPARTMENT
DATA SYSTEMS DIVISION
LOUISIANA
WASHINGTON AV
COMMERCE AV
FRANKLIN AV
CONGRESS AV
LOUISIANA ST
PRESTON AVENUE
PRESTON AV
SMITH ST
MILAM ST
TRAVIS ST
MAIN ST
FANNIN ST
SAN JACINTO ST
BAGBY ST
PRAIRIE AV
TEXAS AV
CAPITOL AV


MARKET SQUARE TIRZ #3
PROPOSED DEVELOPMENT
RESIDENTIAL ★
RETAIL/COMMERCIAL
GREEN SPACE
TIRZ #3 BOUNDARY
★ RETAIL ON RESIDENTIAL GROUND FLOOR
PLANNING & DEVELOPMENT DEPARTMENT
DATA SYSTEMS DIVISION
N
LOUISIANA
WASHINGTON AV
COMMERCE AV
FRANKLIN AV
MAIN ST
CONGRESS AV
LOUISIANA ST
PRESTON AVENUE
PRESTON AV
SMITH ST
MILAM ST
TRAVIS ST
FANNIN ST
SAN JACINTO ST
BAGBY ST
PRAIRIE AV
TEXAS AV
CAPITOL AV


MARKET SQUARE TIRZ #3
PROPOSED STREETSCAPE IMPROVEMENTS
PARKING STRUCTURE *
RETAIL/COMMERCIAL
GREEN SPACE
TIRZ #3 BOUNDARY
* PARKING STRUCTURE HAS GROUND FLOOR RETAIL
PLANNING & DEVELOPMENT DEPARTMENT
DATA SYSTEMS DIVISION
N
LOUISIANA
WASHINGTON AV
COMMERCE AV
FRANKLIN AV
MAIN ST
CONGRESS AV
LOUISIANA ST
PRESTON AVENUE
PRESTON AV
SMITH ST
MILAM ST
TRAVIS ST
FANNIN ST
SAN JACINTO ST
BAGBY ST
TEXAS AV
CAPITOL AV


MARKET SQUARE TIRZ #3
FUTURE LAND USE
RESIDENTIAL
OFFICE
RETAIL/COMMERCIAL
GREEN SPACE
PARKING STRUCTURE
TIRZ #3 BOUNDARY
PLANNING & DEVELOPMENT DEPARTMENT
DATA SYSTEMS DIVISION
LOUISIANA
WASHINGTON AV
COMMERCE AV
FRANKLIN AV
MAIN ST
CONGRESS AV
FRANKLIN AV
PRESTON AVENUE
PRESTON AV
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PRAIRIE AV
TEXAS AV
CAPITOL AV

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, obsolete platting; and, to encourage sound growth of residential development and supporting uses within the downtown area, the State Enterprise Zone, the Federal Enhanced Enterprise Community and the City of Houston. The project plan calls for 905 new residential units; retail, commercial and office development totaling approximately 188,000 square feet (this is in addition to other services, retail, restaurants, and entertainment places expected to be spun-off on properties outside of the zone); parking garage facilities containing 2,000 spaces; and, 0.25 acres of open space.

Current Site Conditions: The proposed zone consists of approximately nine city blocks extending north-northwest from the north-west corner of Texas Avenue and Main Street to Buffalo Bayou (see Map 1). Parking and drive-in bank facilities dominate land uses, occupying the approximate equivalent of five city blocks. A mixture of older buildings occupy an additional two and one-half blocks and the remaining one-and one-half blocks are occupied by Market Square Park (a city park) and the public easement along Buffalo Bayou. Currently, the park has been improved but surrounding streets and the easement along Buffalo Bayou are in poor condition.

Current Economic Activity: Much of the building stock in the area is vacant and deteriorating, with the Rice Hotel being the dominant vacant structure. Currently, several older commercial storefronts and several smaller, older office buildings are partially occupied. Surface parking lots and structures are utilized as overflow and contract parking by the daytime downtown work force. The total appraised value of taxable property in the zone is currently $22,314,700.

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 Bldg. 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.

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 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. CPTED (crime prevention through environmental design) principles with 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**

Provide 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**

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 Maps 1-3 for:

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

- o Greenbelt/Park/Riverwalk
- o Streetscape
- o Tunnel
- o Residential Development Site (new and rehab)
- o Retail/Commercial Rehabilitation Site
- o Parking Structure (with ground floor retail)
- o Residential (3+ stories)
- o Retail/Commercial
- o Office
- o Banking Drive-Through
- o Parking Structure (w/ ground floor retail in new facilities)
- o Surface Parking
- o Open Space
- o Vacant Building (existing land use category only)
- o Greenbelt/Park/Riverwalk
- o Streetscape
- o Tunnel
- o Residential Development Site (new and rehab)
- o Retail/Commercial/Rehabilitation Site
- o Parking Structure (with ground floor retail)
- o METRO Transit Streets
- o Related Improvements to Buffalo Bayou

*Many parking garage units will be integrated with residential development

Part 3: Reinvestment Zone Financing Plan

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 Table 1.) 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: Table 1 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.

Table 1: 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
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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21–Aug–96