

**Main Street Market Square
Redevelopment Authority
D/B/A Downtown Redevelopment Authority**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

June 30, 2016



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Carr, Riggs & Ingram, LLC
Two Riverway, 15th Floor
Houston, TX 77056

(713) 621-8090
(713) 621-6907 (fax)
www.cricpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Houston, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Main Street Market Square Redevelopment Authority, d/b/a Downtown Redevelopment Authority (the Authority), a component of the City of Houston, Texas, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Main Street Market Square Redevelopment Authority, d/b/a Downtown Redevelopment Authority, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 and 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of operating expenses and capital expenditures for the year ended June 30, 2016 and the schedule of estimated project costs to actual costs for the period from July 6, 1999 (date of inception) through June 30, 2016, on pages 34 through 37, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Car, Riggs & Ingram, L.L.C.

Houston, Texas
October 11, 2016

Main Street Market Square Redevelopment Authority d/b/a Downtown Redevelopment Authority Management's Discussion and Analysis

GENERAL

This Management's Discussion and Analysis of Main Street Market Square Redevelopment Authority, d/b/a Downtown Redevelopment Authority (the Authority), provides an overview of the Authority's financial performance including comparative data for the year ended June 30, 2016 with the year ended June 30, 2015 and a brief explanation for significant changes between fiscal years. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting changes and current known facts, please read in conjunction with the Authority's basic financial statements and the footnotes.

FINANCIAL HIGHLIGHTS

- The Authority paid \$2,238,119 to the Buffalo Bayou Partnership in accordance with the economic development agreement for the continued operation of project facilities at Buffalo Bayou Park. The park project has been completed and is now fully open to the public. The park's usage has increased and the anticipated completion of the realignment of Allen Parkway in September 2016, which includes approximately 140 new parking spaces adjacent to the park, is expected to have a positive impact on the economic development of the area.
- The Authority paid \$15,501 for the 806 Main (aka JW Marriott) in accordance with a developer agreement to rebate City of Houston incremental ad valorem taxes over a 25 year period with payments beginning during the 2016 fiscal year.
- The Authority incurred expenditures related to several major capital improvement projects this fiscal year. First among those projects were upgrades to Main Street. Total expenditures for this project during the fiscal year 2016 were \$7,293,235. The largest portion of that amount was paid to Jerdon Enterprises in the amount of \$6,184,617 for construction. Work commenced on this project in June of 2015 and is scheduled to be completed in August of 2016.
- Second among the major capital improvement projects under construction by the Authority in this fiscal year were streetscape and infrastructure improvements to the shopping district primarily along Dallas Street. Total expenditures for this project for fiscal year 2016 were \$11,019,694. Major components of this expenditure included payments to Texas Sterling Construction in the amount of \$9,553,875 for construction. Work commenced on this project in February of 2015 and is scheduled to be completed in September of 2016.
- Finally, the third major capital improvement project initiated by the Authority was the Allen Parkway realignment. Total expenditures for this project for fiscal year 2016 were \$10,099,747. Major portions of this total were paid to Main Lane Industries for construction in the amount of \$8,873,263. Work commenced on this project in July of 2015 and is scheduled to be completed in September of 2016.
- The Authority paid \$980,000 in FY 2016 to the City of Houston (the "City") for Municipal Services in the Zone that were allocated to the City's Police Department Overtime Program as well as to maintenance and security at the Joe Jamail Skate Park.

Main Street Market Square Redevelopment Authority d/b/a Downtown Redevelopment Authority Management's Discussion and Analysis

- During fiscal year 2015, the Authority issued \$41,505,000 in Tax Increment Contract Revenue Bonds (Series 2015 Bonds). The bonds were issued at a premium of \$4,462,805 and have a series of maturities from 2022 through 2035. No principal payments were required in the current year, but the Authority recorded \$1,752,410 in interest expense, and amortized \$30,214 in issuance costs.
- During fiscal year 2016, the Authority paid \$1,895,000 in principal and recorded \$388,336 in interest expense related to the Series 2012 Bonds.
- During fiscal year 2016, the Authority paid \$500,000 in principal and recorded \$47,208 in interest payments to the City related to construction of the Rosemont Bridge in Buffalo Bayou Park.
- The Authority paid \$225,576 to GreenStreet during fiscal year 2016 for its annual installment due in connection with the economic development agreement entered into in 2006. The GreenStreet agreement was amended to carve out a portion of the original footprint for the Alessandra Hotel, a five star luxury hotel, and provide additional incentives for leasing soft goods retail. A separate economic development agreement was authorized to provide a ten year City of Houston ad valorem tax increment rebate for the Alessandra Hotel. Construction on the hotel began in February of 2015.
- The Authority entered into an agreement in 2014 with the HDT Hotels, LLC to provide an economic development grant for redevelopment of the Savoy Hotel into a full service Holiday Inn Hotel at 1616 Main Street. The agreement includes a reimbursement of up to \$500,000 for certain improvements at street level. This hotel project was completed and the street level reimbursement grant amount was paid out during fiscal year 2016. The agreement also includes a ten year City of Houston ad valorem tax increment rebate for the hotel.
- The Authority paid a total amount of \$119,000 to the historic façade reconstruction grant on Byrd's Lofts.
- The Authority paid out a total amount of \$2,000,000 for the historic façade reconstruction grant on the Alley Theatre. The Authority's grant was a portion of the Alley Theatre's \$46.5 million total cost of restoration of the building which was completed during fiscal year 2016.
- In 2012, the Authority created a new program called the Downtown Living Initiative (DLI) which is designed to incentivize residential development in the Zone. Developers are eligible to receive a rebate equal to 75% of the incremental City of Houston ad valorem taxes generated by the project upon completion for a fifteen year period up to a maximum of \$15,000 per unit. During fiscal year 2015, the first DLI project was completed and opened, SkyHouse Houston on block 350. The Authority paid the first installment on the SkyHouse Houston DLI reimbursement for a total of \$143,860 in the current year.

Main Street Market Square Redevelopment Authority d/b/a Downtown Redevelopment Authority Management's Discussion and Analysis

- Since creation of Reinvestment Zone Number Three (Main Street Market Square TIRZ) in 1995, and the expansion of the Zone in 1998, 2005, 2007 and 2011 the appraised value for real property located within the Zone has increased to approximately \$165 million, \$2.2 billion, \$92.5 million, and \$53.8 million for the original (Part A), and expanded zones (Part B, Part D, and Part F) areas, respectively. This increase of approximately \$143 million, \$2 billion, \$85 million, and \$26 million for Part A, Part B, Part D, and Part F respectively, over the base years has been generated due to multiple developments of housing and commercial projects in addition to increased land values throughout the Zone.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. According to the definition in Governmental Accounting Standards Board, the Authority qualifies as a special purpose government with one program – redevelopment of certain areas located in the Central Business District of the City of Houston, Texas.

Government-wide statements report information about the Authority as a whole using accounting methods similar to those used in private-sector companies. The Statement of Net Position includes all of the Authority's assets and liabilities, with the difference between assets and liabilities presented as net position. Over time, increases or decreases in the Authority's net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The fund financial statements report information about the Authority on the modified accrual basis, which only accounts for revenues that are measurable and available within the current period or soon enough thereafter to pay liabilities of the current period. Adjustments are provided to reconcile the government-wide statements to the fund statements. Explanations for the reconciling items are provided as part of the financial statements.

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. The following table reflects condensed information on the Authority's net position (deficit) at June 30:

	2016	2015
Assets		
Cash and investments	\$ 33,631,691	\$ 67,734,263
Tax increment and other receivables	11,767,958	890,751
Other assets	569,032	599,246
Total assets	45,968,681	69,224,260

**Main Street Market Square Redevelopment Authority
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Management's Discussion and Analysis**

	2016	2015
Liabilities		
Accounts payable and interest payable	\$ 4,429,832	\$ 1,873,500
Note payable - due in one year	525,000	500,000
Bonds payable - due in one year	1,950,000	1,895,000
Note payable - due after one year	-	525,000
Bonds payable - due after one year	59,037,475	61,210,616
Total liabilities	65,942,307	66,004,116
Net position (deficit)		
Restricted for debt service	8,657,838	8,244,905
Unrestricted	(28,631,464)	(5,024,761)
Total net position (deficit)	\$ (19,973,626)	\$ 3,220,144

Tax increment funds not needed for immediate operations are invested in a Texas public funds investment pools (TexStar or LOGIC) or money market funds. Project funds related to the 2015 Series Bond issuance are segregated and invested in a Repurchase Agreement through Bayerische Landesbank collateralized at 102% with U.S. Treasury Securities. All investments of the Authority are allowable under the Authority's investment policy and the Public Funds Investment Act. Total operating cash was \$244,568, debt service was \$7,955,799, project funds were \$13,479,113 and total investments were \$11,952,211 at June 30, 2016. Total operating cash was \$1,074,604, debt service was \$8,244,905, project funds were \$39,797,696 and total investments were \$18,617,057 at June 30, 2015.

Tax increments are based on calendar year taxes which are then received the next fiscal year. Tax increment receivables of \$10,144,897 at June 30, 2016 represent an amount due from the City. Accounts receivable – other of \$1,623,061 at June 30, 2016 represents \$1,592,869 due from the City's Public Works department to reimburse the Authority for a portion of the water/sewer infrastructure in the Dallas Street project and \$30,192 in parking revenue due from the City and interest income receivable. The Authority believes both balances due are fully collectible.

Other assets include costs of premiums paid for credit enhancement insurance for the Series 2015 Bonds which are amortized over the life of the bonds (through fiscal year 2035). The net unamortized balance at June 30, 2016 was \$569,032.

Accounts payable at June 30, 2016 of \$3,634,866 represents accrued capital project expenses of \$2,184,074, accrued retainage payable on capital project expenses of \$1,406,872, and accounts payable to affiliates of \$42,131 for project staffing. Accrued interest at June 30, 2016 and 2015 totaled \$794,966 and \$424,751, respectively.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Management's Discussion and Analysis**

Unrestricted net position represents that which can be used to finance day-to-day operations without the constraints established by debt covenants. The Authority has used bond and loan proceeds to pay various project costs during previous fiscal years, and increased its debt for new projects with the Series 2015 bond issue, causing the Authority to have an accumulated deficit. At June 30, 2016 and June 30, 2015, the Authority has an unrestricted net deficit of \$19,973,626 and unrestricted net surplus of \$3,220,144, respectively. The Authority had net position restricted for debt service of \$8,657,838 and \$8,244,905 at June 30, 2016 and June 30, 2015, respectively.

Statement of Activities

The Statement of Activities presents the operating results of the Authority. The following table reflects condensed information on the Authority's operations for the years ended June 30:

	2016	2015
Revenues		
Tax increments	\$ 13,568,831	\$ 14,181,026
Investment and other income	1,934,784	523,068
Total revenues	15,503,615	14,704,094
Expenses		
Current	1,288,270	1,328,041
Capital outlay	35,238,155	10,213,976
Debt service	2,170,960	1,635,048
Total expenses	38,697,385	13,177,065
Change in net position	(23,193,770)	1,527,029
Net position - beginning of year	3,220,144	1,693,115
Net position (deficit) - end of year	\$ (19,973,626)	\$ 3,220,144

The City of Houston (the "City"), Harris County and Harris County Flood Control District, Harris County Hospital District, and Port of Houston (collectively, the "County") and Houston Independent School District ("HISD") have agreed, subject to certain limitations, to deposit to the Tax Increment Fund established for the Zone, a certain percentage of tax collections arising from their respective taxation of the increase, if any, in the appraised value of real property located in the Zone since a designated base year. Tax increments deposited into the Tax Increment Fund are based on the current tax rates or the portion of a tax rate that an entity has agreed to pay to the Zone. The City remits tax increments collected by the City, the County and HISD on an annual basis.

**Main Street Market Square Redevelopment Authority
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Management's Discussion and Analysis**

Project costs include the following for the years ended June 30:

	2016	2015
Capital Improvement Projects		
Shopping District Improvements (*)	\$ 11,636,556	\$ 3,415,519
Allen Parkway Reconstruction (*)	10,566,761	889,860
Main Street Upgrade Improvements (*)	7,616,231	1,670,326
Julia Ideson Central Library Plaza	1,815	10,119
Southern Downtown Park Project	1,150	8,001
TxDOT Sidewalk Project	-	101
Total Capital improvement projects	29,822,513	5,993,926
Historic Preservation		
Alley Theater	\$ 2,007,086	\$ 13,939
Byrds Lofts	121,195	-
JW Marriott/806 Main	18,725	2,363,274
1111 Rusk/Texaco Building	7,833	13,660
The International Coffee Building	1,283	-
Historic Façade Projects	23,551	22,449
Economic Development Agreements		
Buffalo Bayou Park	2,238,559	1,537,300
Holiday Inn/Savoy Hotel	501,487	2,503
GreenStreet	231,504	221,352
SkyHouse Houston	145,933	6,700
1111 Main/Sakowitz	100,821	17,765
Downtown Living Initiative Projects	12,873	15,537
Retail Development Projects	3,586	3,702
Hotel Alessandra	1,206	1,869
Total Project Costs	\$ 35,238,155	\$ 10,213,976

(*) Capital improvement project costs includes retainage payable

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Management's Discussion and Analysis**

Other current operating costs include the following for the years ended:

	2016	2015
Administrative services	\$ 200,643	\$ 164,151
Accounting and auditing	25,970	24,827
Legal fees	7,851	27,217
Consulting	7,650	30,735
Insurance	2,672	2,556
Office expense	16,276	24,763
Total other operating costs	\$ 261,062	\$ 274,249

In fiscal years 2016 and 2015, the Authority paid \$980,000 to the City under the Authority's Municipal Service Costs Agreement.

CAPITAL ASSETS

The Authority had no capital assets as of June 30, 2016 and 2015. Capital assets constructed by the Authority in the public domain are conveyed to the City of Houston upon completion.

GOVERNMENTAL FUNDS

At the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of approximately \$43.2 million which is approximately \$23.1 million less than the prior fiscal year due to spending on capital projects. Approximately 26% of the fund balances, or \$11.3 million, is restricted for various future capital projects entered into by the Authority. Approximately 37% of the fund balances, or \$16 million is committed or assigned to various historic preservation and economic development agreements entered into by the Authority. Approximately 16% or \$7.1 million is available for spending at the government's discretion provided expenditures are allowable by the Authority's project plan and other legal authorities. The remainder of the fund balance is restricted to indicate that it is committed to pay debt service in the amount of approximately \$8.7 million.

DEBT

In May of 2015, the Authority issued \$41,505,000 in Tax Increment Contract Revenue Bonds (Series 2015 Bonds). The bonds were issued at a premium of \$4,462,805 and have a series of maturities from 2022 through 2035. No payments for principal were required in the current year, but the Authority recorded \$1,752,410 in interest expense and amortized \$30,214 in premiums for credit enhancement insurance. Bonds maturing on or after September 1, 2016, are subject to redemption at the option of the Authority at a price equal to par value plus accrued interest. Additional insurance premiums are required if these bonds are not redeemed beginning in 2026.



Main Street Market Square Redevelopment Authority d/b/a Downtown Redevelopment Authority Management's Discussion and Analysis

During fiscal 2015, the Authority accrued \$226,217 in interest expense and amortized \$5,036 in issuance costs related to the insurance premiums. The remainder of issuance costs, in the amount of \$968,460, was expensed in fiscal year 2015.

The Authority issued \$22,745,000 of Tax Increment Contract Revenue Refunding Bonds Series 2012 in June 2012 for the purposes of refunding the Series 2002A and the Series 2009 Bonds in the amounts of \$8,371,036 and \$16,734,546 respectively, which includes both principal and interest.

During the 2016 and 2015 fiscal years the Authority accrued and paid \$338,336 and \$435,335 of interest payments related to the Series 2012 Bonds, respectively.

More detailed information about the Authority's debt is presented in the notes to the basic financial statements.

The Authority agreed in fiscal 2013 to assume \$2,780,000 in debt related to the construction of the Rosemont Bridge which provides pedestrian access connecting the Memorial and Allen Parkway sides over Buffalo Bayou Park. Annual payments of principal and interest to the City are approximately \$550,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Authority only receives and records amounts available for the portion of the project plan that the Authority will implement in the future. The Authority does not record tax increments from the original Zone which are designated for repayment of the HHFC loan which equal \$750,000 annually, nor does it record the amount set aside for HISD educational facilities which equaled \$2,453,331 and \$2,493,961 for the years June 30, 2016 and June 30, 2015 respectively. In addition, the City, County, and HISD charge an administrative fee prior to payment of their increments which totaled \$634,823 and \$665,085 for the years June 30, 2016 and June 30, 2015 respectively. These deductions have been netted out of gross increment revenue in the financial statements.

FUTURE PROJECTS

The Authority anticipates a 3% increase in the costs attributed to the operation and implementation of the TIRZ Project and Financing Plans. The TIRZ/Authority has an agreement with Central Houston, Inc. for administrative and professional services support.

The Authority anticipates the reimbursements of approximately \$3 million for several historic façade grant projects: 402 Main, 412 Main, 202 Travis, and the International Coffee Building. The International Coffee Building is nearing completion and its grant should be paid in late 2016.

The Authority has approved several new projects for development in fiscal year 2017. An historic façade grant in the amount of \$100,000 was awarded to the Heritage Society for the restoration of the exterior of the historic Kellum-Noble House in Sam Houston Park. The project should be completed and paid in fiscal year 2017.

Main Street Market Square Redevelopment Authority d/b/a Downtown Redevelopment Authority Management's Discussion and Analysis

The Authority also approved an historic façade grant to Zimmerman Interests for the restoration of three buildings located in the designated historic district of downtown Houston at 108, 110 and 114 Main Street. The total grant is for an amount not to exceed \$454,413. The project should be completed and paid in fiscal year 2017.

The Authority approved an economic development agreement with Supreme Bright Houston, LLC for the development of an AC Marriott hotel located at 723 Main Street. This grant will reimburse 50% of the City of Houston incremental ad valorem taxes collected on the project for a term of ten years in amount not to exceed \$1,171,750. The project will begin construction in January 2017 and is scheduled for completion in fiscal year 2018. This project will be the last piece of new development on an entire four corner key intersection in the middle of Main Street adjacent to the JW Marriott Hotel.

The Authority will receive an application for a historic façade restoration grant on the 1906 Reisner Building at 900 Commerce which will be the new home for the Architecture Center Houston/AIA. We anticipate that this grant request will be for an amount not to exceed \$500,000.

The Authority has budgeted \$600,000 to assist in the renovation of the Phase 1 of the Julia Ideson Central Library Plaza. Phase 1 is set to begin in August 2016. Reimbursement is expected on this project by December of 2016.

The Authority issued a Request for Qualifications (RFQ) for the development of 1111 Main and 1010 Lamar as part of the Shopping District series of projects beginning in fiscal year 2015. The project is still in early development and if it is successful and a mixed-use project is developed on the site, the Authority anticipates that public incentives may be needed to achieve a significant soft goods retail component in the project in fulfillment of the directives from the Mayor's Retail Task Force.

The Authority has closed the DLI program as of its expiration on June 30, 2016. All projects are currently in compliance with the timeline requirements of the program, with four projects currently actively under construction, two completed and one planned.

The Authority will complete its work on Main Street, Dallas and Allen Parkway in fiscal year 2017 and will initiate the process for development of property in the southern portion of downtown for a South Downtown Park.

The Authority has budgeted an increase in its Municipal Services Fee to the City of Houston in fiscal year 2017 of \$1,060,000.

The Authority will also continue to assist in economic development projects, historic facade restorations and preservation efforts.

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This financial report is designed to provide a general overview of the Main Street Market Square Redevelopment Authority's finances for all those with an interest in the government's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. Ryan Leach, Executive Director, 909 Fannin, Suite 1650, Houston, Texas 77010.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Governmental Funds Balance Sheet and
Statement of Net Position**

<i>June 30, 2016</i>	General Fund	Capital Projects Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash and cash equivalents	\$ 244,568	\$ 612,799	\$ 7,850	\$ 865,217	\$ -	\$ 865,217
Investments	11,952,211	12,866,314	7,947,949	32,766,474	-	32,766,474
Tax increment receivables	9,442,858	-	702,039	10,144,897	-	10,144,897
Other receivables	1,618,519	4,542	-	1,623,061	-	1,623,061
Other assets	-	-	-	-	569,032	569,032
Total assets	\$ 23,258,156	\$ 13,483,655	\$ 8,657,838	\$ 45,399,649	\$ 569,032	\$ 45,968,681
Liabilities						
Accounts payable	\$ 43,920	\$ 2,184,074	\$ -	\$ 2,227,994	\$ 1,406,872	3,634,866
Interest payable	-	-	-	-	794,966	794,966
Note payable - due in one year	-	-	-	-	525,000	525,000
Bonds payable - due in one year	-	-	-	-	1,950,000	1,950,000
Bonds payable - due after one year	-	-	-	-	59,037,475	59,037,475
Total liabilities	43,920	2,184,074	-	2,227,994	63,714,313	65,942,307
Fund balances						
Restricted	-	-	8,657,838	8,657,838	(8,657,838)	-
Committed	8,131,787	9,265,774	-	17,397,561	(17,397,561)	-
Assigned	7,966,193	2,033,807	-	10,000,000	(10,000,000)	-
Unassigned	7,116,256	-	-	7,116,256	(7,116,256)	-
Total fund balances	23,214,236	11,299,581	8,657,838	43,171,655	(43,171,655)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 23,258,156	\$ 13,483,655	\$ 8,657,838	\$ 45,399,649	\$ 20,542,658	\$ -
Net position						
Restricted for debt service					\$ 8,657,838	\$ 8,657,838
Unrestricted					(28,631,464)	(28,631,464)
Total net position					\$ (19,973,626)	\$ (19,973,626)
Total fund balance of governmental funds						\$ 43,171,655
Amounts reported for governmental activities in the Statement of Net Position are different because						
Long-term liabilities and related interest are not due and payable in the current period and therefore are not reported in the funds						(63,714,313)
Cost of issuance for the premiums on credit enhancement insurance are amortized of the life of the bonds in the government-wide statements						569,032
Net position of governmental activities						\$ (19,973,626)

The accompanying footnotes are an integral part of these financial statements.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Governmental Funds Revenues, Expenditures and Changes
In Fund Balances and Statement of Activities**

<i>For the year ended June 30, 2016</i>	General Fund	Capital Projects Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues						
Tax increments	\$ 10,137,055	\$ -	\$ 4,289,128	\$ 14,426,183	\$ (857,352)	\$ 13,568,831
Investment and other income	1,829,044	102,430	3,310	1,934,784	-	1,934,784
Total revenues	11,966,099	102,430	4,292,438	16,360,967	(857,352)	15,503,615
Expenditures/expenses						
Current						
Consultants	242,114	-	-	242,114	-	242,114
Administrative support/office expenses	16,276	-	-	16,276	-	16,276
Insurance	2,672	-	-	2,672	-	2,672
Municipal services	980,000	-	-	980,000	-	980,000
Principal payments on note payable	500,000	-	-	500,000	(500,000)	-
Interest expense on note payable	56,375	-	-	56,375	(9,167)	47,208
Capital outlay	5,812,783	28,018,500	-	33,831,283	1,406,872	35,238,155
Debt Service						
Principal payments on bonds	-	-	1,895,000	1,895,000	(1,895,000)	-
Interest expense	-	-	1,984,505	1,984,505	156,241	2,140,746
Costs of issuance	-	-	-	-	30,214	30,214
Total expenditures/expenses	7,610,220	28,018,500	3,879,505	39,508,225	(810,840)	38,697,385
Excess (deficiency) of revenues over expenditures	4,355,879	(27,916,070)	412,933	(23,147,258)	(46,512)	
Change in net position					(23,193,770)	(23,193,770)
Fund balances/net position:						
Beginning of year	18,858,357	39,215,651	8,244,905	66,318,913	(63,098,769)	3,220,144
End of year	\$ 23,214,236	\$ 11,299,581	\$ 8,657,838	\$ 43,171,655	\$ (63,145,281)	\$ (19,973,626)

The accompanying footnotes are an integral part of these financial statements.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Governmental Funds Revenues, Expenditures and Changes
In Fund Balances and Statement of Activities (Continued)**

Net change in total fund balances of governmental funds	\$ (23,147,258)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Tax increment revenues in the Statement of Activities that do not provide current financial resources are not reported in the funds	(857,352)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the Statement of Activities and are reported as interest expense	
Repayment of note payable principal	500,000
Repayment of bond principal	1,895,000
Amortization of bond premium	223,141
Cost of issuance	(30,214)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(1,777,087)
Change in net position of governmental activities	\$ (23,193,770)

The accompanying footnotes are an integral part of these financial statements.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 1: DESCRIPTION OF ORGANIZATION

Main Street Market Square Redevelopment Authority, d/b/a Downtown Redevelopment Authority (the Authority), is a not-for-profit local government corporation, created June 30, 1999 under the laws of the State of Texas, and operating under Chapter 431, Texas Transportation Code, and Chapter 394, Texas Local Government Code. The Authority was created by the City of Houston (the City) pursuant to Resolution No. 1999-39 to aid, assist and act on the behalf of the City in the performance of the City's obligations with respect to Reinvestment Zone Number Three, City of Houston, Texas (Main Street Market Square TIRZ or Zone).

Reinvestment Zone Number Three

Reinvestment Zone Number Three, City of Houston, Texas, also known as the Main Street Market Square Tax Increment Reinvestment Zone (the "Zone") was created by Houston City Council (the "City") on December 13, 1995 under Chapter 311, Texas Tax Code, as a tax increment reinvestment zone (TIRZ). The Zone originally consisted of nine city blocks around Market Square Park in Downtown Houston (Part A). In 1998, the City approved the expansion of the Zone by adding approximately 65 blocks primarily along Main Street (Part B), and in 1999, the City amended and restated the goals and objectives of the Part A and Part B Plans and incorporated changes regarding HISD's participation in the Zone (Part C). In 2005, the City approved the addition of two city blocks to facilitate and support the development of a mixed-use retail and office complex known as the GreenStreet project (Part D). In 2007, the Zone was expanded to include the city blocks encompassing City Hall, the Julia Ideson Building, the Central Library, City Hall Annex, Sam Houston Park, and certain Buffalo Bayou parkland east of Sabine Street (Part E). Finally, in 2011, the Zone was expanded to include approximately 300 acres of land, including the 158-acre existing City park extending west of Downtown from Sabine Street to Shepherd Drive and other areas to the northwest of Downtown (Part F). The fifth amendment in 2011 (Part F), also established an economic development program, as authorized by Chapter 380 of the Texas Local Government Code, to fund maintenance and operations for the project known as Buffalo Bayou Park.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these basic financial statements represent all the funds of the Main Street Market Square Redevelopment Authority, d/b/a Downtown Redevelopment Authority. The Authority is a component unit of the City of Houston. Component units are legally separate entities for which the primary government is financially accountable.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the reporting government as a whole. These statements are prepared on the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Authority’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flow. Annual assessments are recognized as revenues in the year for which they are levied. Expenses are recorded when liabilities are incurred.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues, and other non-exchange revenues and are usually reported in governmental and internal service funds. Business-type activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds. The Authority does not have any business-type activities.

Under the government-wide financial statements, net position is classified into the following two components:

Restricted – This component of net position consists of that on which constraints have been placed through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.

Unrestricted – This component of net position consists of that which does not meet the definition of “Restricted”.

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction that can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority considers all revenue available if it is collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Fund Accounting

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate entity with a self-balancing set of accounts. The funds the Authority uses are described below:

General Fund - The general fund is the general operating fund of the Authority. It accounts for all activities except those required to be accounted for in other funds.

Capital Projects Fund - The capital projects fund accounts for the construction of Authority's projects funded with bond proceeds.

Debt Service Fund - The debt service fund accounts for the accumulation of financial resources for the payment of principal and interest on bonds issued by the Authority. City tax increments from the expanded area of the TIRZ are pledged for the payment of principal and interest on the Authority's bonds.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable –amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Authority did not have any nonspendable resources as of June 30, 2016.

Restricted –amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the tax increment contract revenue bonds and are restricted through debt covenants. Capital Projects resources are also restricted through debt covenants.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed – amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Authority’s Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the Authority’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the Authority’s Executive Administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund.

The Authority would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Tax Increments and Participation Agreements

The City, Harris County (the County) and the Houston Independent School District (HISD) (each a Participant) has agreed to deposit to the Tax Increment Fund established for the Main Street Market Square TIRZ (the Tax Increment Fund) a certain percentage of tax collections arising from their taxation of the increase, if any, in the appraised value of real property (“Captured Appraised Value”) located in the Main Street Market Square TIRZ since January 1 of each respective year for the following areas within the Zone:

1995	Original Area (Part A)
1998	Expanded Area (Part B)
2005	Expanded Area (Part D)
2011	Expanded Area (Part F)

The land annexed to the Zone in 2007 for Part E is all publicly owned and is not presently taxed. Similarly, most of the land annexed in 2011 for Part F is publicly owned and only a small portion of the property annexed by the Zone is subject to property tax.

The amount of a Participant’s tax increment contribution for a year is the amount of property taxes levied by the Participant for that year on the Captured Appraised Value of real property taxable by the Participant and located in the Main Street Market Square TIRZ. Tax Increments must be deposited into the Tax Increment Fund established for the Main Street Market Square TIRZ no later than the 90th day after the delinquency date for the Participant’s property taxes. Thus, Tax Increments are due to be deposited by May 1st annually.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has agreed to pay 100% of their Tax Increments into the Tax Increment Fund for all parts of the Zone; however, the City is not obligated to pay to the Authority an amount that exceeds the budget approved by City Council for the then current fiscal year. For purposes of Part A of the Zone, Participants also include Harris County, Harris County Flood Control, Harris County Hospital District, Harris County Port of Houston Authority (the "County Authorities"), and HISD. The County Authorities have agreed to pay 100% of their Tax Increment to the Tax Increment Fund up to the earlier of the collection of the Tax Year 2025 payment or payment of a total contribution of \$8,500,000. HISD's participation ends with the collection of the Tax Year 2025 payment. In addition, Tax Increments arising from Part A of the Zone are pledged to the payment of amounts due under an agreement among the TIRZ, the City and the Houston Housing Finance Corporation (HHFC) dated September 11, 1996, as amended, to redevelop the historic Rice Hotel into residential units.

The City and HISD are Participants in Part B of the Zone. The County Authorities do not participate in Part B. HISD's participation ends with the collection of the Tax Year 2025 payment.

In addition to the City, Participants in expanded Part D of the Zone (the two GreenStreet blocks) include Harris County and Harris County Flood Control (the "County Authorities"). The County Authorities have agreed to pay 51% of their Tax Increment to the Tax Increment Fund up to the earlier of the collection of the Tax Year 2025 payment, payment of a total contribution of \$8,500,000, or a maximum Captured Appraised Value of \$200,700,000 is reached. HISD does not participate in Part D. The City's Tax Increments are based on \$.0231 per \$100 valuation of the Captured Appraised Value for Part D of the Zone rather than the current tax rate.

The City is the sole Participant in Part E and Part F of the Zone; however, as mentioned previously much of the land included in these expansions is publicly owned and not subject to property tax.

The Authority is dependent upon Tax Increments. Default by any of the governmental entities involved in the Zone would impact the Authority's ability to repay its outstanding bonds and other obligations.

Cash and Cash Equivalents and Investments

Cash and Cash Equivalents and Investments consist of demand and time deposits, money market investments in U.S. Government Securities, funds maintained in a public funds investment pool and funds invested in a repurchase agreement.

The Authority adopted Government Accounting Standards Board's Statement No. 72, *Fair Value Measurement and Application* in fiscal year 2016. This standard addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining fair value measurement for financial reporting purposes. The standard also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are reported at fair value. Fair values are based on published market rates. Investments consist of various U.S. Government securities and Local Government Investment Cooperative (LOGIC), a local government investment pool created under the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. LOGIC is administered by First Southwest Asset Management, Inc. and JPMorgan Chase Asset Management, Inc. The fair value of LOGIC is based on quoted market values of the underlying investments of the pool and/or fund.

Project funds related to the Tax Increment Contract Revenue Bonds, Series 2015 Bond issuance are segregated and invested in a Repurchase Agreement through Bayerische Landesbank collateralized at 102% with U. S. Treasury Securities. The fair value of the repurchase agreement is based on quoted market values of the underlying financial instruments.

Other Assets

Costs of issuance for the premiums on credit enhancement insurance related to the Tax Increment Contract Revenue Bonds, Series 2015, are being amortized using the straight-line method over the life of the bonds in the government-wide statements.

Debt

All debts to be repaid from governmental resources are reported as liabilities in the government-wide statements. Debt consists of Tax Increment Contract Revenue Bonds and a note payable.

Debt for the governmental funds is not reported as a liability in the fund financial statements. The debt proceeds and premiums received are reported as other financing sources and payment of principal and interest is reported as expenditures. Bond premiums are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium. Debt issuance costs, net of unamortized premiums for credit enhancement insurance, are reported as an expenditure.

Deferred Inflows of Resources

In addition to liabilities, the governmental funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred tax increment revenue is only reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.



**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the Authority's financial statements in conformity with accounting principles generally accepted in the United States of America requires the Authority's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Estimates that have the most impact on financial position and results of operations primarily relate to the collectability of tax increment receivables and certain accrued liabilities. The Authority's management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the basic financial statements.

Federal Income Tax

The Authority is exempt from Federal income taxes under section 501 (a) as an organization described in Section 501 (c)3 of the Internal Revenue Code. Furthermore, the Internal Revenue Service has ruled that the Authority is a publicly-supported organization and is not a private foundation. Under the provisions of Internal Revenue Procedure 95-48, the Authority is not required to file public information returns on Form 990.

NOTE 3: AUTHORIZED INVESTMENTS

The Board of Directors has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act of 1997 (the Act) (Chapter 2256, Texas Government Code). Such investments include (1) obligations of the United States or its agencies; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies; (4) certificates of deposit; (5) commercial paper that complies with the Act; and (6) repurchase agreements that complies with the Act.

NOTE 4: DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At June 30, 2016, cash deposits totaled \$244,568 and bank balances totaled \$2,520,653, which approximates fair value. Of the bank balance, \$250,000 was covered by federal depository insurance and \$2,270,653 was uninsured and uncollateralized.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

In addition, at June 30, 2016, the Authority held \$11,952,210 in an investment pool. Project funds related to the 2015 Series Bonds totaling \$12,862,647 are segregated and invested in a Repurchase Agreement through Bayerische Landesbank collateralized at 102% with U.S. Treasury Securities. Both the investment pool and the repurchase agreement are eligible investments pursuant to the provision of the Public Funds Investment Act, the Tri-Party Agreement, and the Authority's administrative policy. The debt service reserves of \$7,955,799 have been invested in the Morgan Stanley ILF Govt/Inst Money Market Fund, also an eligible investment under the Texas Public Funds Investment Act and do not require collateralization.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. In accordance with the Authority's investment policy, the Authority limits its exposure to interest rate risk by structuring its portfolio to provide safety and liquidity of funds while maximizing yields for operating funds not immediately needed. The investment policy limits the maximum maturity on any investments to three (3) years. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Authority's investment policy does not limit the amount of funds that may be invested in any authorized investment.

Investments that are obligations of or guaranteed by the U.S. Government do not require disclosure of credit quality. The Authority's investment in LOGIC fund is rated AAAM by Standard & Poors and maintains a weighted average maturity of 60 days or less, with a maximum weighted average maturity of 13 months for any individual security. The Authority considers the investments in LOGIC to have maturities of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the Authority, unless there has been a significant change in value.

NOTE 5: RESTRICTED ASSETS

Certain amounts of cash and investments are restricted by covenants set forth in the indenture for the Series 2012 and 2015 Bonds. A summary of these restricted assets held in cash, U.S. Government Securities and a Repurchase Agreement at June 30, 2016 are as follows:

	Cash and Cash Equivalents	Money Market Fund	Repurchase Agreement	Total
Project funds	\$ 612,799	\$ -	\$ 12,866,314	\$ 13,479,113
Debt service funds	7,850	7,947,949	-	7,955,799
	<u>\$ 620,649</u>	<u>\$ 7,947,949</u>	<u>\$ 12,866,314</u>	<u>\$ 21,434,912</u>

In August 2016, upon receipt of the City's tax increments, an additional \$702,039 was transferred into the debt service fund.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 6: NOTE PAYABLE

In July 2012, the Authority took responsibility for Rosemont Bridge and assumed the remaining related debt totaling \$2.78 million. Annual principal and interest payments are made to the City. The note bears interest at 5.5%, matures in March 2017, and has semi-annual interest payments on March 1 and September 1. A summary of changes in the note payable follows:

Balance at July 1, 2015	\$	1,025,000
Additions		-
Retirements		(500,000)
Balance at June 30, 2016		525,000
Current portion		\$ 525,000

Principal and interest payments are due as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 525,000	\$ 28,875	\$ 553,875
		\$ 525,000	\$ 28,875
		\$ 525,000	\$ 28,875

NOTE 7: TAX INCREMENT CONTRACT REVENUE BONDS

A summary of changes in Tax Increment Contract Revenue Bonds follows:

Balance at July 1, 2015	\$	58,680,000
Additions		-
Retirements		(1,895,000)
Balance at June 30, 2016		56,785,000
Current portion		\$ 1,950,000

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 7: TAX INCREMENT CONTRACT REVENUE BONDS (Continued)

Tax Increment Contract Revenue Bonds at June 30, 2016 consist of the following:

Date Series Issued	Outstanding Balance
2012	\$ 15,280,000
2015	41,505,000
Total principal payable	56,785,000
Unamortized premium	4,202,475
Total bonds payable	\$ 60,987,475

In May of 2015, the Authority issued \$41,505,000 in Tax Increment Contract Revenue Bonds (Series 2015 Bonds). The bonds were issued at a premium of \$4,462,805 and have a series of maturities from 2022 through 2035. No payments for principal were required in the current year, but the Authority incurred \$1,752,410 in interest expense and amortized \$30,214 in issuance costs.

Bonds maturing on or after September 1, 2016, are subject to redemption at the option of the Authority at a price equal to par value plus accrued interest. Additional insurance premiums are required if these bonds are not redeemed beginning in 2026. The Series 2015 Bonds bear interest at rates between 4% and 5%, resulting in an average interest rate of 4.14% and have semi-annual interest payments due March 1 and September 1. Principal payments begin in 2022. Principal and interest payments are due as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ -	\$ 1,975,550	\$ 1,975,550
2018	-	1,975,550	1,975,550
2019	-	1,975,550	1,975,550
2020	-	1,975,550	1,975,550
2021	-	1,975,550	1,975,550
2022-2026	6,560,000	9,445,875	16,005,875
2027-2031	15,335,000	6,476,375	21,811,375
2032-2036	19,610,000	2,205,525	21,815,525
	\$ 41,505,000	\$ 28,005,525	\$ 69,510,525

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 7: TAX INCREMENT CONTRACT REVENUE BONDS (Continued)

In June 2012, the Authority issued Tax Increment Contract Revenue Refunding Bonds Series 2012 (the 2012 Bonds) in the aggregate principal amount of \$22,745,000. The 2012 Bonds mature serially September 1, in each year 2012 through 2023. The 2012 Bonds are callable in whole or in part any date beginning September 1, 2021 at par. The 2012 Bonds bear interest at 2.49% and have semi-annual interest payments due on March 1 and September 1.

Net proceeds from the Series 2012 Bonds totaling \$22,057,231 along with \$3,048,351 from the Authority's debt service and debt service reserve accounts were used to refund the Series 2002A and Series 2009 Bonds with a total principal amount of \$26,345,000 and an average interest rate of 5.7%. The net proceeds were deposited into an irrevocable trust with an escrow agent to provide for the debt service payments on the refunded bonds. Debt service on the refunded bonds was paid in full on June 13, 2012. The refunding was undertaken to reduce total debt service payments over the next 12 years by \$2,067,006 and resulted in an economic gain of \$982,679.

Principal and interest payments are due as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 1,950,000	\$ 356,195	\$ 2,306,195
2018	1,995,000	307,079	2,302,079
2019	2,045,000	256,782	2,301,782
2020	2,100,000	205,176	2,305,176
2021	2,145,000	152,325	2,297,325
2022-2024	5,045,000	169,507	5,214,507
	<u>\$ 15,280,000</u>	<u>\$ 1,447,064</u>	<u>\$ 16,727,064</u>

The Series 2015 issuance required a Debt Service Reserve Fund in the amount of \$4,368,243 in addition to the Debt Service Fund of \$4,281,475 required at June 30, 2016 for short term principal and interest payments due on both the 2015 and 2012 bond obligations.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 8: FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

	General Fund	Capital Projects Fund	Debt Service Fund	Total
Restricted for				
Debt service	\$ -	\$ -	\$ 8,657,838	\$ 8,657,838
Committed to				
Roadways and streets		5,881,999	-	5,881,999
Infrastructure/mobility		2,783,775	-	2,783,775
Real property improvements	750,000		-	750,000
Historic preservation	4,073,352		-	4,073,352
Retail/economic development	3,308,435		-	3,308,435
Institutional facilities		600,000	-	600,000
Assigned to				
Infrastructure/mobility	400,000		-	400,000
Parks and recreation	7,566,193	2,033,807	-	9,600,000
Unassigned	7,116,256		-	7,116,256
	\$ 23,214,236	\$ 11,299,581	\$ 8,657,838	\$ 43,171,655

NOTE 9: TAX INCREMENTS

The Authority's tax increment revenue, as reflected in the Statement of Activities, was received from the following Participants:

	Gross Increment	Transfers			Net Increments
		Administrative Fee	HHFC Payment	Educational Facilities	
City of Houston	\$ 11,097,275	\$ (554,864)	\$ (395,624)	\$ -	\$ 10,146,787
Houston Independent School District	5,210,516	(25,000)	(354,376)	(2,453,331)	2,377,809
Harris County - County Flood Control, Port Authority and Hospital District	1,099,195	(54,960)	-	-	1,044,235
Total tax increments	\$ 17,406,986	\$ (634,824)	\$ (750,000)	\$ (2,453,331)	\$ 13,568,831

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 9: TAX INCREMENTS (Continued)

The Authority's tax increment revenues, as reflected in the governmental funds, was received from the following Participants:

	Gross Increment	Transfers			Net Increments
		Administrative Fee	HHFC Payment	Educational Facilities	
City of Houston	\$ 11,097,275	\$ (554,864)	\$ (395,624)	\$ -	\$ 10,146,787
Houston Independent School District	5,210,516	(25,000)	(354,376)	(2,453,331)	2,377,809
Harris County - County Flood Control, Port Authority and Hospital District	1,099,195	(54,960)	-	-	1,044,235
Harris County - County Flood Control, Port Authority and Hospital District (Tax Year 2014)	902,476	(45,124)	-	-	857,352
Total tax increments	\$ 18,309,462	\$ (679,948)	\$ (750,000)	\$ (2,453,331)	\$ 14,426,183

NOTE 10: HOUSTON HOUSING FINANCE CORPORATION AGREEMENT

The Houston Housing Finance Corporation (HHFC) Agreement between the TIRZ, the City, and HHFC calls for the City and the TIRZ to pay HHFC the sum of \$750,000 per year, to the extent it receives Tax Increments derived from the original area of the Zone. If Tax Increments from the original area are insufficient to pay the annual sum, the sum accrues interest and is payable when Tax Increments from the original area are available to pay it. The 2015 tax increments from the original area of the Zone were sufficient to pay the \$750,000 HHFC payment in fiscal year 2016. The Authority's commitment under this agreement totals \$18,750,000 and is payable through fiscal year 2026 (tax year 2025). As of June 30, 2016, the Authority has remitted \$15,000,000 to HHFC under this agreement.

NOTE 11: COMMITMENTS AND CONTINGENCIES

The Authority has entered into various developer agreements whereby the developers agreed to advance money to renovate and operate historic structures, pedestrian stairways and other projects. All property is owned by the developers.

Municipal Service Costs Agreement

The Authority, the Zone, and the City entered into an agreement whereby the Authority will pay to the City incremental costs of providing increased municipal services incurred as a result of the creation of the Zone or the development or redevelopment of the land in the Zone. Payment of the incremental service costs is from the City's Tax Increment and is limited to the available Tax Increment received by the Authority as defined in the agreement and the amount included in the Authority's annual approved budget. If the City's available Tax Increment is not sufficient in any year to pay the amount included in the approved budget, the amount due will accrue without interest. The agreement renews annually on June 30.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 11: COMMITMENTS AND CONTINGENCIES (Continued)

GreenStreet

In August 2006, the Authority entered into a development agreement with Houston Pavilions, L.P. (the Developer) to develop a three block entertainment, retail and office facility. The Authority will contribute approximately \$14.3 million to this project from certain tax increments generated from the County and the City to enhance the public space and infrastructure of this project. The agreement allows for a maximum of \$1.6 million payable to the developer for reimbursement of fee payments to the City and \$130,000 for reimbursement of legal fees. The Authority has expended approximately \$1.6 million under this part of the agreement.

Additional Authority contributions will be funded as follows: (1) construction payments totaling \$3.3 million will be made to an escrow account during construction of the facility; (2) a post construction payment not to exceed \$3.9 million will be made at completion of the project, with the payments commencing November 2009 paid annually from County Tax Increments through 2025. The annual payment will not exceed \$417,000 and is limited to the ratio of actual value to projected value and cannot exceed the actual amount of Tax Increment received from the County for Part D of the Zone. The Authority remitted the final construction payment of \$1.35 million during fiscal year 2011 which fulfills the Authority's obligations under the construction and post construction phases of the agreement. The Authority and the Developer reviewed calculations for previous annual payments during 2012 and determined there was an overpayment of \$266,240. This overpayment was fully recovered and regular payments resumed in October of 2013.

In May 2011, the development agreement was amended in order to eliminate certain provisions in the agreement, to allow for the financing of certain construction payments to the Developer at specified interest rates and set forth additional covenants and specifications of the project. Under the amended agreement, the Authority will fund \$1.95 million to an escrow account for the Developer's use during construction. The construction payments bear interest at rates specified in the agreement. In conjunction with this amendment, the Developer also entered into an advance promissory note with the Authority in accordance with the terms of the agreement. In the third amendment, executed in 2012, the promissory note was cancelled. The Developer has satisfied all the terms and conditions related to the funds escrowed for construction.

During fiscal year 2013, the Houston Pavilions property was purchased by Canyon-Johnson Urban Funds and has rebranded the property as "GreenStreet" and accelerated efforts to bring in new tenants. Future plans include refreshing the exterior streetscape, lighting, landscaping, and overall property presentation and those improvements were completed in the summer of 2014.

The GreenStreet agreement was amended via its fourth amendment in August 2014 to carve out a portion of the original footprint for the Alessandra Hotel. Construction on the hotel began in February of 2015.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 11: COMMITMENTS AND CONTINGENCIES (Continued)

Two subsequent fifth and sixth amendments were entered into in August of 2015 with no substantial alterations to the terms of the original Agreement other than clarifying language, addressing inconsistencies among the myriad amendments, and recognizing a change of ownership in which the interest held by Canyon-Johnson Urban Funds was purchased by Lionstone Investments.

Buffalo Bayou Partnership

In January 2012, the Authority, Buffalo Bayou Partnership (the Partnership), Harris County Flood Control District and the City entered into a Project Facilities Agreement (the Agreement). The Authority is obligated under this Agreement for start-up costs totaling \$581,000 and annual City Project Facility Fees (annual fee) through December 31, 2043. The annual fee is \$2,063,653 and will be increased annually based on increases in the Employment Cost Index. The Authority will pay the Partnership, upon substantial completion of project segments as defined by the Agreement, a pro-rated portion of the start-up fee and the annual fee in the year in which substantial completion of 50% of the Parkland is achieved. All payments subsequent to the initial payment will be paid semi-annually no later than January 10 and July 10 of each calendar year. The Park opened in October of 2015, and full payment of the annual fee commenced in January 2016.

Downtown Living Initiative

In 2012, the Authority created a new program called the Downtown Living Initiative which is designed to incentivize residential development in the Zone. Developers are eligible to receive a rebate equal to 75% of the incremental City of Houston ad valorem taxes generated by the project upon completion for a fifteen year period up to a maximum of \$15,000 per unit. The program closed out in accordance with the ordinance which created it on June 30, 2016.

Seven Downtown Living Initiative agreements were executed from the program's inception in 2012 through the end of fiscal year 2016. The first grant was approved by the Authority under this program to the Novare Group-SkyHouse Houston for development of a 24-story, 336 unit high-rise residential tower on Block 350. The maximum grant available for this project over the term of the grant is approximately \$5 million. Construction was completed on this project and it opened in July of 2014. The Authority paid the first installment of the Downtown Living Initiative incentive to SkyHouse Houston in 2016.

A second grant was approved under the Downtown Living Initiative and a historic preservation grant was given to Provident Realty Advisors, Inc. for redevelopment of the 97 year-old Texas Company building at 1111 Rusk aka "The Star" into 323 luxury apartment units. The maximum grant available for this project over the term of the grant is approximately \$12.1 million. The project is slated for completion in the fall of 2016.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 11: COMMITMENTS AND CONTINGENCIES (Continued)

A third grant was approved under the Downtown Living Initiative to Alliance Realty Partners, LLC for a 207 unit midrise multifamily residential building located on Block 334. The maximum grant available for this project over the term of the grant is approximately \$3.1 million. The project was completed in April 2016.

A fourth grant was authorized in 2014 under the Downtown Living Initiative program for development of a 33-story, 289 unit high rise residential tower by Hines at Market Square Park with an estimated completion date of the summer of 2017. The maximum grant available for this project over the term of the grant is approximately \$4.3 million.

A fifth grant was approved under the Downtown Living Initiative to BMS Market Square for development of a 40-story, 453 unit high rise residential building with an estimated completion date of May of 2017. The maximum grant available for this project over the term of the grant is approximately \$6.9 million.

A sixth grant was approved in fiscal year 2015 under this program to Skyhouse Main (Skyhouse Houston II, LLC) for the development of a 336 unit high rise residential tower on block 368. The maximum grant available for this project over the term of the grant is approximately \$5 million. The project was completed in August of 2016.

A seventh grant was approved by the Authority under this program to FF Realty II LLC for the development of a 290 unit midrise residential tower on block 387. The maximum grant available for this project over the term of the grant is approximately \$4.4 million. The project has not broken ground yet but is still in compliance with the timeline required in the grant agreement.

All projects are currently in compliance with the timeline requirements of the program, with four projects currently actively under construction. Some agreements have been amended to adjust for delays in construction due to weather, etc. and the program has now closed at its original expiration date of June 30, 2016.

1616 Main Street/Holiday Inn Hotel

The Authority entered into a developer agreement with HDT Hotel, LLC for renovation of the former Savoy Hotel. The Authority has reimbursed \$500,000 in street level improvements and will provide an incremental tax rebate over a 10 year period for development of a full service Holiday Inn at 1616 Main. The project completed in the fall of 2015. The total amount of incremental tax rebate is estimated to be \$5 million over the term of the grant.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 11: COMMITMENTS AND CONTINGENCIES (Continued)

806 Main JW Marriott Hotel

The Authority entered into a developer agreement with Pearl Hospitality to reimburse up to \$2.3 million in infrastructure improvements and to provide an incremental tax rebate over a 25 year period for development of a 323 room JW Marriott hotel at 806 Main on the corner of Main and Rusk. The project was completed and the infrastructure payment was made during the fiscal year ended June 30, 2015. The total amount of incremental tax rebate is estimated to be \$9.5 million over the term of the grant. The first payment was made in the amount of \$15,501 during fiscal year 2016.

723 Main Street

In June 2016 the Authority entered into an Economic Development Agreement with Supreme Bright Houston, LLC for the development of an AC Hotel located at 723 Main Street. The grant is a reimbursement of 50% of the City portion of the incremental ad valorem taxes for a time period of ten years or an amount not to exceed \$1,171,750. The terms require proof of payment of ad valorem taxes, certification of the creation of at least fifty (50) full time jobs in the preceding year, that the project retain the AC Marriott flag or an equivalent approved by the Authority's Board of Directors, and compliance with the City and Authority approved construction terms. Construction on the project is set to commence in January 2017 and a completion date estimated to be January 2018.

Historic Preservation and Restoration Reimbursement Agreements

The Authority has entered into certain agreements with developers for the restoration of facades of historic structures located within the boundaries of the Zone. The Authority will reimburse the developers for actual project costs incurred upon completion of the projects in accordance with the terms of the agreements. As of June 30, 2016, the Authority had entered into reimbursement agreements for 412 Main Street in the amount of \$1,504,600, 402 Main Street in the amount of \$257,571, 202 Travis Street in the amount of \$300,000, and the International Coffee Building in the amount of \$958,230. The Authority also entered into new agreements for restoration with the Heritage Society in the amount of \$100,000 for the Kellum-Noble House. A second agreement was entered into with Zimmerman Interests for the restoration of 108, 110 and 114 Main Street for an amount not to exceed \$454,417.

Rosemont Bridge

In July 2012, as part of the expansion of its boundaries, the Authority entered into an Assignment and Assumption Agreement (the Agreement) for the financing of public infrastructure improvements with Reinvestment Zone Number Five (Memorial-Heights Redevelopment Authority or Zone Five).

The Memorial-Heights Redevelopment Authority previously entered into a financing agreement for the Rosemont Pedestrian Bridge, which was located within the boundaries of Zone Five. As the Rosemont Bridge is now within the boundaries of the Authority, the Agreement was entered into to transfer all rights, title and interest to the Authority related to the Rosemont Bridge.



**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Notes to Basic Financial Statements**

NOTE 11: COMMITMENTS AND CONTINGENCIES (Continued)

Repayment of the remaining obligation totaling \$2.78 million was assumed by the Authority. The Authority remits payments on the obligation in accordance with the terms of the agreement from available revenues as defined by the agreement. Should the Authority not have sufficient available revenues to pay all or a portion of the obligation, the amount of any unpaid obligation shall accrue annually and be payable when sufficient revenues are available. The final payment on this project should be due in fiscal year 2017.

Consultants

The Authority has entered into agreements with various consultants to provide professional services.

NOTE 12: ADMINISTRATIVE AGREEMENT

The Authority has entered into an administrative agreement with Central Houston, Inc. for executive management, general administrative support, project management and development, construction management and other services as may be deemed necessary by the Authority's Board of Directors in the course of its various activities. The Authority paid Central Houston, Inc. \$518,975 for these services for the year ended June 30, 2016.

NOTE 13: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; personal injuries; and natural disasters. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage and no settlements.



**REQUIRED SUPPLEMENTARY INFORMATION
AND
OTHER INFORMATION**

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Schedule of Revenues, Expenditures, and Change in Fund Balance –
Budget to Actual – All Funds**

<i>For the year ended June 30, 2016</i>	Original and final budgeted amounts	Actual amounts (budgetary basis)	Variance with final budget
Budgetary fund balances - beginning of year	\$ 57,838,452	\$ 66,318,913	\$ 8,480,461
Resources			
Tax increments	20,892,073	18,254,744	(2,637,329)
Miscellaneous revenue	100,000	143,959	43,959
Grant proceeds	1,672,520	1,596,364	(76,156)
Interest income	71,546	194,461	122,915
Total available resources	80,574,591	86,508,441	5,933,850
Expenses			
Management consulting services	237,550	261,062	(23,512)
Project costs and capital expenditures	46,060,347	33,831,283	12,229,064
Debt service	3,879,505	3,879,505	-
Other interfund transfers:			
HISD educational facilities	4,299,405	2,453,331	1,846,074
Municipal services - public safety	980,000	980,000	-
Administrative fees	714,953	625,230	89,723
Certificate of obligation	556,375	556,375	-
HHFC payment	750,000	750,000	-
Total uses of resources	57,478,135	43,336,786	14,141,349
Budgetary fund balances - end of year	\$ 23,096,456	\$ 43,171,655	\$ 20,075,199
Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenses			
Sources/inflows of resources:			
Actual amounts (budgetary basis)			\$ 86,508,441
Differences - budget to GAAP			
The fund balance at the beginning of the year is a budgetary resource			
current year revenue for financial reporting purposes			(66,318,913)
Budgeted revenues include HISD educational facilities transfers, City administrative			
charges and the annual payment to HHFC, while the Authority's funds report			
revenues net of these transfers			(3,828,561)
Total revenues as reported on the statement of revenues, expenditures and			
changes in fund balances			\$ 16,360,967
Uses/outflows of resources			
Actual amounts (budgetary basis)			\$ 43,336,786
Differences - budget to GAAP			
Budgeted expenditures include HISD educational facilities transfers, city administrative			
charges and the annual payment to HHFC, while the Authority's funds report			
revenues net of these transfers			(3,828,561)
Total expenditures as reported on the statement of revenues, expenditures and			
changes in fund balances			\$ 39,508,225

See independent auditor's report.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Schedule of Operating Expenses and Capital Expenditures**

<i>For the year ended June 30, 2016</i>	Vendor	Budget	Actual Expenditures	Variance
<u>Management Consulting Services</u>				
Administrative Support	Central Houston, Inc.	\$ 150,000	\$ 200,643	\$ (50,643)
Office Expenses	Various	25,000	16,276	8,724
Insurance	W. M. Jones & Co.	2,625	2,672	(47)
Accounting	Melissa Morton, CPA	10,000	10,370	(370)
Auditor	Carr, Riggs & Ingram, LLC	15,500	15,600	(100)
Bond Services	Bank of New York Mellon	6,825	4,050	2,775
Financial Advisor	First Southwest	-	-	-
Taxroll Advisor (ITM)	Marvin Warren	2,100	3,600	(1,500)
Total administration and overhead		212,050	253,211	(41,161)
Legal	Bracewell	25,500	7,851	17,649
Total management consulting services		\$ 237,550	\$ 261,062	\$ (23,512)

Capital Expenditures and Developer/Project Reimbursements

Developer/Project Reimbursements:

GreenStreet	GreenStreet		\$ 225,576	
	Central Houston, Inc.		5,928	
Total GreenStreet		\$ 231,124	231,504	\$ (380)
Comcast NBC Universal	Central Houston, Inc.	-	581	(581)
402 Main	Central Houston, Inc.	257,571	7,545	250,026
412 Main	Central Houston, Inc.	-	8,433	(8,433)
202 Travis	Central Houston, Inc.	300,000	7,573	292,427
International Coffee Building	Central Houston, Inc.	958,230	1,283	956,947
Buffalo Bayou Park	Buffalo Bayou Partnership		2,238,119	
	Central Houston, Inc.		440	
Total Buffalo Bayou Park		2,275,596	2,238,559	37,037
Alley Theater	Matrix Structural Engineers		3,000	
	Alley Theatre		2,000,000	
	Central Houston, Inc.		4,086	
Total Alley Theater		-	2,007,086	(2,007,086)

See independent auditor's report.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Schedule of Operating Expenses and Capital Expenditures (Continued)**

<i>For the year ended June 30, 2016</i>	Vendor	Budget	Actual Expenditures	Variance
Texaco Building	Matrix Structural Engineers Central Houston, Inc.		\$ 5,000 2,833	
Total Texaco Building		\$ -	7,833	\$ (7,833)
806 Main	806 Main Central Houston, Inc.		15,501 3,224	
Total 806 Main		481,423	18,725	462,698
Downtown Living Initiative	Central Houston, Inc.		9,117	(9,117)
Younan Square Development/1111 Main	Central Houston, Inc. Fransen Company Bracewell		7,710 89,338 3,773	
Total Younan Square Development/1111 Main		-	100,821	(100,821)
Economic Development Retail	Central Houston, Inc.		3,005	(3,005)
SkyHouse Houston Residential	Skyhouse Houston	321,930	143,860	178,070
SkyHouse Main Residential	Central Houston, Inc.		2,073	(2,073)
Alliance Block 334 Residential	Central Houston, Inc.		1,213	(1,213)
Hotel Allessandra	Central Houston, Inc.		1,206	(1,206)
Holiday Inn/Savoy	Holiday Inn Central Houston, Inc.		500,000 1,487	(500,000) (1,487)
Total Holiday Inn/Savoy		-	501,487	(501,487)
Fairfield Residential	Central Houston, Inc.		2,543	(2,543)
Byrds Lofts	Central Houston, Inc. Byrd's Lofts		2,195 119,000	
Total Byrds Lofts		119,000	121,195	(2,195)
Future Project Development		500,000	-	500,000
Total Developer/ Project Reimbursements		5,444,874	5,415,642	29,232

See independent auditor's report.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Schedule of Operating Expenses and Capital Expenditures (Continued)**

<i>For the year ended June 30, 2016</i>	Vendor	Budget	Actual Expenditures	Variance
<i>Capital Improvement Projects:</i>				
T-0307 Southern Downtown Pocket Park	Bracewell	\$ 9,600,000	\$ 1,150	\$ 9,598,850
T-0312 Main Street Upgrades	Bega US Inc.		42,600	
	Blumenthal		45,211	
	Color Specialists		108,234	
	Environmental Design		60,507	
	Houston Downtown Management			
	District		88,888	
	HVJ Associates		22,410	
	Morris Architects		131,532	
	Jerdon Enterprises		6,184,617	
	Project Surveillance, Inc.		78,482	
	Victor Stanley		43,568	
	Various		412,888	
	Central Houston, Inc.		74,298	
Total T-0312 Main Street Upgrades		8,800,000	7,293,235	1,506,765
T-0313 Jesse H. Jones Library Plaza	Central Houston, Inc.	615,473	1,815	613,658
T-0314 Shopping District Upgrades	Centerpoint		420,531	
	HVJ Associates		105,529	
	Project Surveillance, Inc.		148,939	
	Texas Sterling Construction		9,553,875	
	Various		208,146	
	AECOM		163,605	
	Bega US Inc.		215,875	
	AT&T		71,216	
	Environmental Design, Inc.		60,505	
	Central Houston, Inc.		71,473	
Total T-0314 Shopping District Upgrades		10,000,000	11,019,694	(1,019,694)
T-0319 Allen Parkway	Bartlett Tree		46,354	
	Centerpoint		23,612	
	HVJ Associates		109,281	
	Main Lane Industries		8,873,263	
	Project Surveillance, Inc.		145,508	
	Thomas Printworks		12,934	
	Wholesale Electric		144,321	
	Varioius		22,167	
	Central Houston, Inc.		87,558	
	SWA Group		120,082	
	Walter P. Moore		505,244	
	Gandy		9,423	
Total T-0319 Allen Parkway		11,200,000	10,099,747	1,100,253
T-0323 TxDOT Southeast Sidewalks	Central Houston, Inc.	400,000	-	400,000
Total Capital Expenditures		40,615,473	28,415,641	12,199,832
Total Capital Expenditures and Developer/Project Reimbursements		\$ 46,060,347	\$ 33,831,283	\$ 12,229,064

See independent auditor's report.

**Main Street Market Square Redevelopment Authority
d/b/a Downtown Redevelopment Authority
Schedule of Estimated Project Costs to Actual Costs
July 6, 1999 (Date of Inception) through June 30, 2016**

	Estimated Total Costs	Total Expenditures	Remaining Balance
Project costs			
Infrastructure improvements			
Roadways and streets	\$ 22,500,000	\$ 28,203,813	\$ (5,703,813)
Infrastructure, mobility, transit improvements	18,334,450	24,425,578	(6,091,128)
Total Infrastructure improvements	40,834,450	52,629,391	(11,794,941)
Real property improvements	57,520,266	19,758,437	37,761,829
Parking facilities	10,156,417	-	10,156,417
Historic preservation improvements	26,351,008	9,629,610	16,721,398
Parks and recreational	32,044,167	4,817,574	27,226,593
Theater district improvements	11,504,799	4,314,727	7,190,072
Cultural and public facility improvements	10,000,000	1,503,555	8,496,445
Economic development programs	166,800,000	15,880,923	150,919,077
Institutional facilities	22,000,000	10,065,828	11,934,172
Total project costs	377,211,107	118,600,045	258,611,062
Operating and financing costs			
Financing costs	21,650,000	15,424,854	6,225,146
Administration	6,934,426	5,046,732	1,887,694
Total operating and financing costs	28,584,426	20,471,586	8,112,840
Educational facilities	82,541,820	36,181,827	46,359,993
Project plan total	\$ 488,337,353	\$ 175,253,458	\$ 313,083,895

See independent auditor's report.