

**MINUTES OF REGULAR MEETING
OF
REINVESTMENT ZONE NUMBER THREE, CITY OF HOUSTON, TEXAS**

January 14, 2014

The Board of Directors (the "Board") of Reinvestment Zone Number Three, City of Houston (the "Zone") convened in regular session, open to the public, at the offices of Houston Downtown Management District, on the 12th day of November, 2013, and the roll was called of the duly constituted officers and members of the Board, to-wit:

F. Xavier Pena	Chair
Curtis B. Lampley	Vice-Chair
Deborah Keyser	Secretary
Curtis Flowers	Treasurer/Investment Officer
Michele Sabino	Director
Keith Edward Hamm	Director
Barry Mandel	Director
James Harrison	Director

and all of said persons were present except Directors Lampley and Flowers, thus constituting a quorum.

Also present were: Bob Eury, Executive Director and Brianna Garner, Administrative Assistant of the Authority; Clark Lord of Bracewell & Giuliani LLP; Ralph De Leon and Donna Capps of the City of Houston; George Baugh of George Baugh III & Company; Lonnie Hoogeboom and Heather Swift of Houston Downtown Management District (HDMD); Jackie Traywick of Central Houston, Inc.; Drew Masterson of First Southwest; Captain Larry Satterwhite of the Houston Police Department; Dean Gladden and Roger Plank of the Alley Theatre; and Glen Rosenbaum of Vincent and Elkins LLP.

DETERMINE QUORUM; CALL TO ORDER

Chair Pena noted that a quorum was present and called the meeting to order.

INTRODUCTION OF GUESTS AND PUBLIC COMMENTS

Chair Pena requested all meeting attendees to briefly introduce themselves and welcomed all.

APPROVE MINUTES OF PREVIOUS MEETINGS

The Board considered approving the minutes of November 12, 2013. Following discussion, upon a motion made by Director Sabino and seconded by Director Keyser, the Board voted unanimously to approve the minutes of November 12, 2013.

FINANCIAL REPORT

Second Quarter Financial and Investment Reports

Ms. Traywick presented the financial statements and investment reports for the second quarter ending December 31, 2013, copies of which are attached to these minutes. Upon a motion made by Director Keyser and seconded by Director Hamm, the Board voted unanimously to approve the Second Quarter Financial and Investment Reports as presented.

Check Register

Ms. Traywick reported that the expenditures listed on the check register were reoccurring operating expenses and anticipated expenses for approved projects and recommended full approval by the Board. She noted the move from Bank of America to JP Morgan Chase is now complete. A copy of the check register is attached to these minutes.

Following discussion, upon a motion made by Director Keyser and seconded by Director Hamm, the Board voted unanimously to approve the check register and ratify all expenses.

HISTORIC PRESERVATION/ THEATER DISTRICT IMPROVEMENTS

Alley Theatre Funding Request

Economic Development Committee (EDC) Chairman Keyser provided a brief history of the project and its funding request, which had been vetted and approved by the EDC. Dean Gladden, Managing Director of the Alley Theatre, presented the Alley's capital campaign goals which will finance facility updates and renovations for the first time in 45 years. The Alley Theatre is requesting TIRZ funding through a Historical Façade grant and a land purchase / leaseback; the draft term sheets have been in discussion among the theater and the Authority's legal counsel.

Chair Pena requested that the Board deliberate the project in Executive Session. After some discussion, upon a motion made by Director Keyser and seconded by Director Hamm, the Board unanimously voted to table the discussion until Executive Session by Texas Government Code § 551.087, § 551.071, and § 551.072.

RESIDENTIAL/ ECONOMIC DEVELOPMENT PROGRAMS

Downtown Living Grant Application: Block 35

Mr. Eury presented the BMS residential project DLP application with approximately 463 leasing units; to be located on Block 35, bordered by Preston, Congress, Milam, and Louisiana Street, adjacent to Market Square Park.

Mr. Hoogeboom informed the Board the project had been reviewed for program eligibility and Design Guideline compliance; staff determined the project met conditional approval. Mr. Eury explained the project's funding is contingent upon the City Council increasing the DLP's unit count cap, as there are currently 150 units left. The Council will make their decision at the next month's meeting.

After much discussion Director Hamm made a motion to enter into an agreement with BMS under the DLP; authorize the execution of the necessary agreements by the appropriate officers of the Authority; contingent upon meeting design guidelines, funding approval by the HDMD BOD, and subject to City Council increasing the program's unit count cap. Director Sabino seconded and the motion carried unanimously.

EXECUTIVE SESSION

Director Keyser moved that the Board convene in Executive Session. Director Hamm seconded the motion and it carried by unanimous vote. The Board went into Executive Session at 2:00 PM pursuant to Sections § 551.087, § 551.071, and § 551.072 of the Texas Government Code. Present for the Executive Session were the following: all present Board members noted in these minutes, Mr. Eury, Mr. Lord, Ms. Traywick, Ms. Garner, Ms. Capps and Mr. Leon.

RECONVENE IN OPEN SESSION AND TAKE ACTION ON MATTERS DISCUSSED IN EXECUTIVE SESSION

The Board reconvened in open session at approximately 2:40 PM. The Board approved the project for the Historic Façade Grant of up to \$2.0 million and to purchase the Alley Theatre site for \$6 million with simultaneous execution of a ground lease with a term of 25 years requiring annual lease payments of \$300,000 by the Alley; and authorized the staff and legal counsel to negotiate the incentives, terms, and conditions within the parameter discussed in Executive Session.

NEXT MEETING

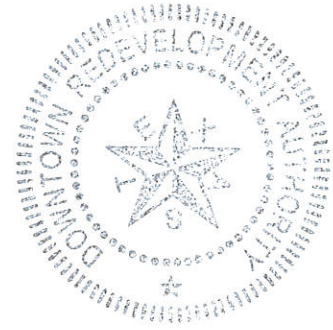
Tuesday, February 11 at noon.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned.

[Signature page follows]


Secretary, Board of Directors



DRA/ TIRZ #3 PAID INVOICE DETAIL: November 2013

PAYEE	CHECK	MEMO	AMOUNT
Bee-Line Delivery Service	1521	Courier Service	\$ 98.36
Houston Downtown Management District	1522	Management Fee	\$ 9,065.00
Houston Downtown Management District	1523	Administrative Fee VOID	\$ 9,823.30
Lockwood Andrews & Newnam, Inc	1524	Design Services: E/W Streets	\$ 453.75
Morris Architects	1525	Architectural Services: Main Street Improvements	\$ 38,250.00
Morris Architects	1526	Architectural Services: Main Street Improvements	\$ 1,460.90
Phoenicia Specialty Foods	1527	Catering	\$ 178.20
Verizon Wireless	1528	Wireless Service	\$ 121.71
Houston Downtown Management District	1529	Reimbursement:Credit Card- Lodging NYC	\$ 1,342.52
Houston Downtown Management District	1530	Administrative Fee	\$ 6,823.30
Bee-Line Delivery Service	1531	Courier Service	\$ 109.93
Bracewell & Giuliani	1532	Legal Services	\$ 14,951.12
Houston Downtown Management District	1533	Management Fees (\$9,065.00)	\$ 18,797.70
		Reimbursements & Admin Fees (\$9,732.70)	
		Total Outgoing Funds	\$ 91,652.49

DRA/ TIRZ #3 PAID INVOICE DETAIL: December 2013

PAYEE	CHECK	MEMO	AMOUNT
Bee-Line Delivery Service	1534	Courier Service	\$ 29.74
George Baugh III & Co.	1535	Accounting Services	\$ 9,300.00
Morris Architects	1536	Architectural Services: Main Street Improvements	\$ 38,262.72
Verizon Wireless	1537	Wireless Services	\$ 113.61
Bracewell & Giuliani	1538	Legal Counsel	\$ 6,761.25
Swayzer Engineering	1539	Fourth Ward Cottage Reimbursement VOID	\$ 37,500.00
Bee-Line Delivery Service	1540	Courier Service	\$ 48.16
Bracewell & Giuliani	1541	Legal Counsel	\$ 1,018.75
Houston Downtown Management District	1542	Reimbursement- Credit Card Catering Meeting	\$ 374.33
Swayzer Engineering	1543	E/W Streets (\$2512.32)	\$ 3,412.32
		Fourth Ward (\$900.00)	
The Heritage Society	1544	Fourth Ward Cottage Reimbursement	\$ 37,500.00
		Total Outgoing Funds	\$ 96,820.88

Sum of November and December

\$ 188,473.37

Downtown Redevelopment Authority
Statement of Net Position
December 31, 2013 and December 31, 2012

	<u>2014</u> <u>YTD Balance</u>	<u>2013</u> <u>YTD Balance</u>
Assets		
Cash	\$ 58,627	\$ 290,211
Investments - Project Funds	612,799	972,918
Investments - Debt Service	825,019	314,126
Investments - General	11,795,795	8,871,616
Tax Increments Receivable	5,700,476	3,900,000
Other Receivables & Prepaid Expenses	-	2,127
Cost of Issuance	458,505	653,626
Total Assets	<u>\$ 19,451,220</u>	<u>\$ 15,004,624</u>
Liabilities		
Accounts Payable	\$ 9,300	\$ 129,335
Accrued Interest Payable	247,283	172,888
Notes Payable Due in One Year	450,000	-
Bonds Payable Due in One Year	-	-
Notes Payable Due After One Year	1,500,000	2,375,000
Bonds Payable Due After One Year	19,025,000	20,830,000
Total Liabilities	<u>21,231,583</u>	<u>23,507,223</u>
Net Position		
Net Position	(1,780,362)	(8,502,599)
Total Liabilities & Net Position	<u>\$ 19,451,220</u>	<u>\$ 15,004,624</u>

Downtown Redevelopment Authority
Statement of Activities
Six Months Ended December 31, 2013

	2014 Q2 Actual	2014 YTD Actual	2014 YTD Budget	Fav (Unfav) Variance
Revenues				
Tax Increments	\$ 3,739,675	\$ 7,479,350	\$ 7,479,349	0
Other Revenues	27,468	27,445	-	27,445
Interest Income	1,200	2,598	9,356	(6,758)
Total Revenues	\$ 3,768,343	\$ 7,509,393	\$ 7,488,705	\$ 20,687
Transfers				
HHFC Payment	187,500	375,000	375,000	-
Administrative Fees	129,329	258,658	258,658	0
HISD Adjustment	572,608	1,145,216	1,145,216	-
	889,437	1,778,874	1,778,874	0
Net Revenues	\$ 2,878,906	\$ 5,730,519	\$ 5,709,831	\$ 20,688
Expenses				
Project Costs	287,691	486,309	2,077,082	1,590,773
Municipal Services	-	-	-	-
Accounting	9,300	9,300	6,000	(3,300)
Auditing	2,750	14,750	15,000	250
Administrative Contractor	55,624	80,851	54,404	(26,447)
Legal Fees	34,147	80,389	11,025	(69,364)
Insurance	-	501	1,313	812
Consulting Fees	-	2,675	10,085	7,411
Office Expense	4,475	6,788	4,143	(2,646)
Interest Expense - COH	26,813	53,625	53,625	-
Interest Expense - Bonds	118,431	244,352	248,097	3,745
Cost of Issuance Amortization	-	-	-	-
Special Obligation - Rosemont Bridge	-	-	-	-
Total Expenses	\$ 539,230	\$ 979,540	\$ 2,480,773	\$ 1,501,233
Change in Net Position	2,339,676	4,750,979	3,229,059	1,521,921
Net Position Beginning of Year		(6,531,341)	(6,531,341)	-
Net Position End of Period		\$ (1,780,362)	\$ (3,302,283)	\$ 1,521,921

Downtown Redevelopment Authority
Statement of Activities
Six Months Ended December 31, 2013 and December 31, 2012

	<u>2014</u> <u>YTD Actual</u>	<u>2013</u> <u>YTD Actual</u>	<u>Fav (Unfav)</u> <u>Variance</u>
Revenues			
Tax Increments	\$ 7,479,350	\$ 3,900,000	3,579,350
Other Revenues	27,445	18,732	8,714
Interest Income	2,598	7,650	(5,052)
Total Revenues	<u>\$ 7,509,393</u>	<u>\$ 3,926,382</u>	<u>\$ 3,583,011</u>
Transfers			
HHFC Payment	375,000	-	(375,000)
Administrative Fees	258,658	-	(258,658)
HISD Adjustment	1,145,216	-	(1,145,216)
	<u>1,778,874</u>	<u>-</u>	<u>(1,778,874)</u>
Net Revenues	<u>\$ 5,730,519</u>	<u>\$ 3,926,382</u>	<u>\$ 1,804,137</u>
Expenses			
Project Costs	486,309	1,734,660	1,248,350
Municipal Services	-	-	-
Accounting	9,300	-	(9,300)
Auditing	14,750	11,000	(3,750)
Administrative Contractor	80,851	65,539	(15,311)
Legal Fees	80,389	61,716	(18,673)
Insurance	501	527	27
Consulting Fees	2,675	4,485	1,811
Office Expense	6,788	4,325	(2,463)
Interest Expense - COH	53,625	152,900	99,275
Interest Expense - Bonds	244,352	269,552	25,200
Cost of Issuance Amortization	-	-	-
Special Obligation - Rosemont Bridge	-	2,780,000	2,780,000
Total Expenses	<u>\$ 979,540</u>	<u>\$ 5,084,705</u>	<u>\$ 4,105,165</u>
Change in Net Position	<u>4,750,979</u>	<u>(1,158,323)</u>	<u>5,909,302</u>
Net Position Beginning of Year	(6,531,341)	(7,344,276)	812,934
Net Position End of Period	<u>\$ (1,780,362)</u>	<u>\$ (8,502,599)</u>	<u>\$ 6,722,237</u>

**Downtown Redevelopment Authority
Project Cost Detail
Six Months Ended December 31, 2013**

Project Costs	2014 YTD Actual	2014 YTD Budget	Fav (Unfav) Variance
Capital Improvement Projects			
Market Square Park	\$ -	\$ -	\$ -
Julia Ideson Plaza	27,255	115,473	88,218
City Hall Sidewalk Improvements	-	-	-
East/West Street Improvements	58,112	-	(58,112)
Main Street Upgrades	142,435	100,000	(42,435)
TxDOT Sidewalk Improvements	-	-	-
Total Capital Improvement Projects	227,801	215,473	(12,328)
Sabine to Bagby Promenade	-	91,038	91,038
Buffalo Bayou Park	75,000	150,000	75,000
GreenStreet	-	100,000	100,000
International Coffee Building	-	-	-
The Heritage Society	75,000	-	(75,000)
402 Main	-	257,571	257,571
412 Main	-	800,000	800,000
806 Main	900	-	(900)
202 Travis	-	300,000	300,000
500 Fannin	-	-	-
HUD Section 108 Program	-	-	-
Comcast NBC Studios	106,708	108,000	1,292
Downtown Living Initiative	-	-	-
Economic Development/Retail Program	-	-	-
Alley Theater	-	-	-
Houston Ballet Bridge	900	-	(900)
Texaco Building	-	-	-
Club Quarters	-	-	-
SkyHouse Houston	-	-	-
Total Developer/Project Reimbursements	258,508	1,806,609	1,548,101
Total Project Costs	486,309	2,022,082	1,535,773

DOWNTOWN REDEVELOPMENT AUTHORITY INVESTMENT REPORT
 FOR THE SECOND QUARTER AND PERIOD ENDED DECEMBER 31, 2013
 FISCAL YEAR 2014

INVESTMENT TYPE	DATE OF PURCHASE	DATE OF MATURITY	BEGINNING BOOK VALUE	ENDING BOOK VALUE	CHANGES		INCOME RECEIVED THIS PERIOD	ENDING BOOK VALUE	ENDING MARKET VALUE	MATURITY VALUE
					PURCHASES	SALES & REDEMPTIONS				
PROJECT FUND THE BANK OF NEW YORK TOTAL PROJECT FUND	VARIOUS	N/A	-	-	-	-	-	-	-	-
DEBT SERVICE FUND THE BANK OF NEW YORK TOTAL DEBT SERVICE FUND	VARIOUS	N/A	-	-	-	-	-	-	-	-
DEBT SERVICE FUND (NEW) THE BANK OF NEW YORK TOTAL DEBT SERVICE FUND	VARIOUS	N/A	259,334 259,334	259,334 259,334	-	-	-	259,334 259,334	259,334 259,334	259,334 259,334
SURPLUS FUND THE BANK OF NEW YORK TOTAL SURPLUS FUND	VARIOUS	N/A	-	-	-	-	-	-	-	-
COST OF ISSUANCE THE BANK OF NEW YORK TOTAL COST OF ISSUANCE	VARIOUS	N/A	-	-	-	-	-	-	-	-
PLEGDED REVENUE THE BANK OF NEW YORK TOTAL PLEDGED REVENUE	VARIOUS	N/A	565,685 565,685	565,685 565,685	-	-	-	565,685 565,685	565,685 565,685	565,685 565,685
PROJECT FUND (NEW) THE BANK OF NEW YORK TOTAL PROJECT FUND	VARIOUS	N/A	-	-	-	-	-	-	-	-
COST OF ISSUANCE (NEW) THE BANK OF NEW YORK TOTAL COST OF ISSUANCE	VARIOUS	N/A	-	-	-	-	-	-	-	-
PROJECT FUND (NEW) THE BANK OF NEW YORK TOTAL PROJECT FUND	VARIOUS	N/A	612,799 612,799	612,799 612,799	-	-	-	612,799 612,799	612,799 612,799	612,799 612,799
COST OF ISSUANCE (NEW) THE BANK OF NEW YORK TOTAL COST OF ISSUANCE	VARIOUS	N/A	-	-	-	-	-	-	-	-
TEXAS STAR FUND TEXSTAR TOTAL TEXSTAR FUND	VARIOUS	N/A	12,144,595 12,144,595	11,795,795 11,795,795	1,200 1,200	350,000 350,000	1,200 1,200	11,795,795 11,795,795	11,795,795 11,795,795	11,795,795 11,795,795
OTHER TOTAL INVESTMENTS	VARIOUS	N/A	13,582,413	13,233,613	-	350,000	1,200	13,233,613	13,233,613	13,233,613

*Average interest rate 0.0474%, Year to Date Earnings \$2,598