

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

November 12, 2013

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 Jennifer Curley of the City of Houston; George Baugh of George Baugh III & Company; Lonnie Hoozeboom, Brett Debord, and Marisol Valero of Houston Downtown Management District; Jackie Traywick of Central Houston, Inc.; Linda Trevino of METRO; Ian Rosenberg and Anne Olsen of the Buffalo Bayou Partnership, Angus Hughes of 412 Main LP; and Captain Larry Satterwhite and Michelle Chavez of the Houston Police Department.

**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. He introduced the Board's newest Director, James Harrison.

**APPROVE MINUTES OF PREVIOUS MEETINGS**

The Board considered approving the minutes of September 10, 2013. Following discussion of minor punctuation errors, upon a motion made by Director Sabino and seconded

by Director Mandel, the Board voted unanimously to approve the minutes of September 10, 2013, contingent upon editing the discussed errors.

## **FINANCIAL REPORT**

### **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.

Following discussion, upon a motion made by Director Mandel and seconded by Director Hamm, the Board voted unanimously to approve the check register and ratify all expenses. A copy of the check register is attached to these minutes.

### **First Quarter Financial and Investment Reports**

Mr. Baugh presented the financial statements and investment reports for the first quarter ending September 30, 2013, copies of which are attached to these minutes. Upon a motion made by Director Keyser and seconded by Director Mandel, the Board voted unanimously to approve the First Quarter Financial and Investment Reports as presented.

## **HISTORIC PRESERVATION PROGRAM REQUESTS**

### **International Coffee Building Increase Funding Request**

Mr. Eury provided an overview of the Authority's involvement with the project and informed the Board that the previous construction cost proposal in 2009 had drastically increased. Director Keyser stated the increase funding request in the amount of \$117,397 had been vetted and approved by the Economic Development Committee (the "EDC").

Following discussion, Director Mandel moved that the Board approve an amendment of the prior authorization to reflect an amount not exceed \$913,077 in FY15 and the execution of the necessary agreements by the appropriate officers of the Authority. Director Hamm seconded and the motion carried unanimously.

### **412 Main Street Restructure Funding Request**

Mr. Eury provided a brief history of the project and presented the request to restructure the reimbursement grant and amend its conditions, such that the developer is not able to finance the project with the approved reimbursement conditions. Director Keyser informed the Board the project resides in a City-designated Historic District, which will offer the property the same protection as a Protected Landmark Status. She stated the restructure funding request had been vetted and approved by the EDC.

Following discussion, Director Sabino moved that the Board amend the prior authorization to reflect an amount not to exceed \$800K (FY14), \$500K (FY15) and \$204,660 (FY16) for a total grant of \$1,504,660; and the execution of the necessary agreements by the appropriate officers of the Authority. Director Hamm seconded and the motion carried unanimously.

**NEXT MEETING**

Chair Pena reported that the Board will not meet in December 2013. The 2014 Board and Committee Meeting dates were announced.

**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: September 2013

PAYEE	CHECK	MEMO	AMOUNT
Bee-Line Delivery Service	1503	Courier Service	\$ 53.82
Morris Architects	1504	Architectural Services: Main Street Improvements	\$ 40,317.44
Bee-Line Delivery Service	1505	Courier Service	\$ 136.58
Bracewell & Giuliani	1506	Legal Counsel	\$ 18,622.79
Treebeards	1507	Catering for BOD Meeting	\$ 360.00
		Total Outgoing Funds	\$ 59,490.63

DRA/ TIRZ #3 PAID INVOICE DETAIL: October 2013

PAYEE	CHECK	MEMO	AMOUNT
Bee-Line Delivery Service	1508	Courier Service	\$ 18.42
Gainer Donnelly & DesRoches	1509	FYE June 30, 2013 Audit Services	\$ 2,750.00
Houston Downtown Management District	1510	Administrative Fee (\$9,621.67)	\$ 9,621.67
Morris Architects	1511	Architectural Services: Main Street Improvements	\$ 23,843.79
NBC Universal Houston- (VOIDED)	1512	2012 Reimbursement (VOIDED)	\$ 108,000.00
Phoenicia Specialty Foods	1513	Catering for B&F Meeting	\$ 164.32
Verizon	1514	Cellular Service	\$ 108.89
Houston Downtown Management District	1515	Management Fee	\$ 11,316.00
Bee-Line Delivery Service	1516	Courier Service	\$ 42.50
Bracewell & Giuliani	1517	Legal Counsel	\$ 11,415.57
Houston Downtown Management District	1518	Reimbursement	\$ 1,856.13
NBC Universal Houston	1519	2012 Reimbursement	\$ 106,708.00
The Heritage Society	1520	Restoration Reimbursement	\$ 37,500.00
		Total Outgoing Funds	\$ 205,345.29

Sum of September and October

\$ 264,835.92

**DOWNTOWN REDEVELOPMENT AUTHORITY  
FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER AND PERIOD ENDED SEPTEMBER 30, 2013  
FISCAL YEAR 2014**

**DOWNTOWN REDEVELOPMENT AUTHORITY  
FINANCIAL STATEMENTS**

**TABLE OF CONTENTS**

Accountants' Compilation Report

Statement of Net Position	1
Statement of Activities	2-3
Project Cost Detail	4

**GEORGE BAUGH III & CO.**  
*Certified Public Accountants*

FOUNDERS  
GEORGE BAUGH III, CPA

2413 BLODGETT  
HOUSTON, TEXAS 77004  
(713) 528-3535  
FAX: (713) 529-0147

MEMBER  
AMERICAN INSTITUTE AND  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

**Independent Accountants' Compilation Report**

Board of Directors  
Downtown Redevelopment Authority  
Houston, Texas

We have compiled the accompanying statements of net position of Downtown Redevelopment Authority, as of September 30, 2013 and the related statements of activity for the three month period then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilations in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Organization's financial position, and changes in net position. Accordingly, these financial statements are not designed for those who are not informed about such matters.



George Baugh III & Company  
Certified Public Accountants  
Houston, Texas

October 31, 2013



**Downtown Redevelopment Authority**  
**Statement of Net Position**  
**September 30, 2013 and September 30, 2012**

	<u>2014</u> <u>YTD Balance</u>	<u>2013</u> <u>YTD Balance</u>
<b>Assets</b>		
Cash	\$ 75,169	\$ 250,446
Investments - Project Funds	612,799	972,918
Investments - Debt Service	825,019	314,126
Investments - General	12,144,595	11,136,077
Tax Increments Receivable	2,850,238	1,950,000
Other Receivables & Prepaid Expenses	-	31,374
Cost of Issuance	458,505	653,626
<b>Total Assets</b>	<u>\$ 16,966,324</u>	<u>\$ 15,308,566</u>
<b>Liabilities</b>		
Accounts Payable	\$ 9,300	\$ 129,335
Accrued Interest Payable	102,039	43,222
Notes Payable Due in One Year	450,000	-
Bonds Payable Due in One Year	-	-
Notes Payable Due After One Year	1,500,000	2,780,000
Bonds Payable Due After One Year	19,025,000	20,830,000
<b>Total Liabilities</b>	<u>21,086,339</u>	<u>23,782,557</u>
<b>Net Position</b>		
Net Position	(4,120,015)	(8,473,991)
<b>Total Liabilities &amp; Net Position</b>	<u>\$ 16,966,324</u>	<u>\$ 15,308,566</u>

**Downtown Redevelopment Authority**  
**Statement of Activities**  
**Three Months Ended September 30, 2013**

	2014 <u>Q1 Actual</u>	2014 <u>YTD Actual</u>	2014 <u>YTD Budget</u>	<u>Fav (Unfav) Variance</u>
<b>Revenues</b>				
Tax Increments	\$ 3,739,675	\$ 3,739,675	\$ 3,739,675	0
Other Revenues	-	-	-	-
Interest Income	1,398	1,398	4,678	(3,280)
<b>Total Revenues</b>	<u>\$ 3,741,073</u>	<u>\$ 3,741,073</u>	<u>\$ 3,744,353</u>	<u>\$ (3,280)</u>
<b>Transfers</b>				
HHFC Payment	187,500	187,500	187,500	-
Administrative Fees	129,329	129,329	129,329	0
HISD Adjustment	572,608	572,608	572,608	-
	<u>889,437</u>	<u>889,437</u>	<u>889,437</u>	<u>0</u>
<b>Net Revenues</b>	<u>\$ 2,851,636</u>	<u>\$ 2,851,636</u>	<u>\$ 2,854,916</u>	<u>\$ (3,280)</u>
<b>Expenses</b>				
Project Costs	198,618	198,618	305,991	107,373
Municipal Services	-	-	-	-
Accounting	-	-	3,000	3,000
Auditing	12,000	12,000	15,000	3,000
Administrative Contractor	25,227	25,227	27,202	1,975
Legal Fees	46,242	46,242	5,513	(40,730)
Insurance	501	501	656	156
Consulting Fees	2,675	2,675	5,043	2,368
Office Expense	2,313	2,313	2,071	(242)
Interest Expense - COH	26,813	26,813	26,813	-
Interest Expense - Bonds	125,921	125,921	124,049	(1,873)
Cost of Issuance Amortization	-	-	-	-
Special Obligation - Rosemont Bridge	-	-	-	-
<b>Total Expenses</b>	<u>\$ 440,310</u>	<u>\$ 440,310</u>	<u>\$ 515,336</u>	<u>\$ 75,027</u>
<b>Change in Net Position</b>	2,411,326	2,411,326	2,339,579	71,747
Net Position Beginning of Year		(6,531,341)	(6,531,341)	-
<b>Net Position End of Period</b>		<u>\$ (4,120,015)</u>	<u>\$ (4,191,762)</u>	<u>\$ 71,747</u>

**Downtown Redevelopment Authority**  
**Statement of Activities**  
**Three Months Ended September 30, 2013 and September 30, 2012**

	<u>2014</u> <u>YTD Actual</u>	<u>2013</u> <u>YTD Actual</u>	<u>Fav (Unfav)</u> <u>Variance</u>
<b>Revenues</b>			
Tax Increments	\$ 3,739,675	\$ 1,950,000	1,789,675
Other Revenues	-	18,732	(18,732)
Interest Income	1,398	3,110	(1,712)
<b>Total Revenues</b>	<u>\$ 3,741,073</u>	<u>\$ 1,971,842</u>	<u>\$ 1,769,231</u>
<b>Transfers</b>			
HHFC Payment	187,500	-	(187,500)
Administrative Fees	129,329	-	(129,329)
HISD Adjustment	572,608	-	(572,608)
	<u>889,437</u>	<u>-</u>	<u>(889,437)</u>
<b>Net Revenues</b>	<u>\$ 2,851,636</u>	<u>\$ 1,971,842</u>	<u>\$ 879,794</u>
<b>Expenses</b>			
Project Costs	198,618	114,509	(84,109)
Municipal Services	-	-	-
Accounting	-	-	-
Auditing	12,000	8,000	(4,000)
Administrative Contractor	25,227	22,848	(2,380)
Legal Fees	46,242	26,120	(20,123)
Insurance	501	1,054	554
Consulting Fees	2,675	6,680	4,006
Office Expense	2,313	2,460	146
Interest Expense - COH	26,813	-	(26,813)
Interest Expense - Bonds	125,921	139,886	13,965
Cost of Issuance Amortization	-	-	-
Special Obligation - Rosemont Bridge	-	2,780,000	2,780,000
<b>Total Expenses</b>	<u>\$ 440,310</u>	<u>\$ 3,101,557</u>	<u>\$ 2,661,247</u>
<b>Change in Net Position</b>	2,411,326	(1,129,715)	3,541,041
Net Position Beginning of Year	(6,531,341)	(7,344,276)	812,934
<b>Net Position End of Period</b>	<u>\$ (4,120,015)</u>	<u>\$ (8,473,991)</u>	<u>\$ 4,353,976</u>

**Downtown Redevelopment Authority  
Project Cost Detail  
Three Months Ended September 30, 2013**

Project Costs	<u>2014 YTD Actual</u>	<u>2014 YTD Budget</u>	<u>Fav (Unfav) Variance</u>
<b>Capital Improvement Projects</b>			
Market Square Park	\$ -	\$ -	\$ -
Julia Ideson Plaza	27,255	27,473	218
City Hall Sidewalk Improvements	-	-	-
East/West Street Improvements	55,146	-	(55,146)
Main Street Upgrades	40,317	50,000	9,683
TxDOT Sidewalk Improvements	-	-	-
<b>Total Capital Improvement Projects</b>	<u>122,718</u>	<u>77,473</u>	<u>(45,245)</u>
Sabine to Bagby Promenade	-	45,518	45,518
Buffalo Bayou Park	75,000	75,000	-
GreenStreet	-	-	-
International Coffee Building	-	-	-
The Heritage Society	-	-	-
402 Main	-	-	-
412 Main	-	-	-
806 Main	900	-	(900)
202 Travis	-	-	-
500 Fannin	-	-	-
HUD Section 108 Program	-	-	-
Comcast NBC Studios	-	-	-
Downtown Living Initiative	-	-	-
Economic Development/Retail Program	-	-	-
Alley Theater	-	-	-
Texaco Building	-	-	-
Club Quarters	-	-	-
SkyHouse Houston	-	-	-
<b>Total Developer/Project Reimbursements</b>	<u>75,900</u>	<u>120,518</u>	<u>44,618</u>
<b>Total Project Costs</b>	<u>198,618</u>	<u>197,991</u>	<u>(627)</u>

DOWNTOWN REDEVELOPMENT AUTHORITY  
 INVESTMENT REPORT  
 FOR THE FIRST QUARTER AND PERIOD ENDED SEPTEMBER 30, 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				
<b>PROJECT FUND</b>										
THE BANK OF NEW YORK	VARIOUS	N/A	13,817	13,817	-	-	13,817	-	-	-
TOTAL PROJECT FUND			13,817	13,817	-	-	13,817	-	-	-
<b>DEBT SERVICE FUND</b>										
THE BANK OF NEW YORK	VARIOUS	N/A	10	10	-	-	10	-	-	-
TOTAL DEBT SERVICE FUND			10	10	-	-	10	-	-	-
<b>DEBT SERVICE FUND (NEW)</b>										
THE BANK OF NEW YORK	VARIOUS	N/A	2,323,667	2,323,667	-	-	2,064,333	259,334	259,334	259,334
TOTAL DEBT SERVICE FUND			2,323,667	2,323,667	-	-	2,064,333	259,334	259,334	259,334
<b>SURPLUS FUND</b>										
THE BANK OF NEW YORK	VARIOUS	N/A	-	-	-	-	-	-	-	-
TOTAL SURPLUS FUND			-	-	-	-	-	-	-	-
<b>COST OF ISSUANCE</b>										
THE BANK OF NEW YORK	VARIOUS	N/A	-	-	565,685	-	-	565,685	565,685	565,685
TOTAL PLEDGED REVENUE			-	-	565,685	-	-	565,685	565,685	565,685
<b>PROJECT FUND (NEW)</b>										
THE BANK OF NEW YORK	VARIOUS	N/A	564,513	564,513	-	-	564,513	-	-	-
TOTAL PROJECT FUND			564,513	564,513	-	-	564,513	-	-	-
<b>COST OF ISSUANCE (NEW)</b>										
THE BANK OF NEW YORK	VARIOUS	N/A	-	-	-	-	-	-	-	-
TOTAL COST OF ISSUANCE			-	-	-	-	-	-	-	-
<b>PROJECT FUND (NEW)</b>										
THE BANK OF NEW YORK	VARIOUS	N/A	37,134	37,134	578,340	2,675	-	612,799	612,799	612,799
TOTAL PROJECT FUND			37,134	37,134	578,340	2,675	-	612,799	612,799	612,799
<b>COST OF ISSUANCE (NEW)</b>										
THE BANK OF NEW YORK	VARIOUS	N/A	-	-	-	-	-	-	-	-
TOTAL COST OF ISSUANCE			-	-	-	-	-	-	-	-
<b>TEXAS STAR FUND</b>										
VARIOUS	VARIOUS	N/A	12,343,197	12,343,197	1,398	200,000	1,398	12,144,595	12,144,595	12,144,595
TOTAL TEXAS STAR FUND			12,343,197	12,343,197	1,398	200,000	1,398	12,144,595	12,144,595	12,144,595
<b>OTHER</b>										
VARIOUS	VARIOUS	N/A	15,282,338	15,282,338	-	-	-	-	-	-
TOTAL INVESTMENTS			15,282,338	15,282,338	1,145,423	2,845,348	1,398	13,582,413	13,582,413	13,582,413

\* Average  est Rate 0.0474%, Year To Date Earnings \$1,398