

TAX INCREMENT REINVESTMENT ZONES

The City of Houston accomplishes a portion of its Capital Improvement Program through a financing mechanism called a Tax Increment Reinvestment Zone, or "TIRZ". Each of the City's twenty-two TIRZ share common characteristics:

- Each zone is created by action of City Council pursuant to a financing plan embedded in a City Ordinance
- Each zone has defined geographical boundaries
- At the time each zone is created, the property taxes due to the City based on the current valuation of the property within the zone is "frozen" and for the life of the zone, any incremental property tax revenue resulting from revaluation of property is dedicated to public improvements within the zone
- Each TIRZ has a board of directors that is responsible for its activities
- Each TIRZ has a termination date incorporated into the ordinance that created it.

TIRZs are reinvestment zones created by the City that use tax increment revenue generated by increased value in the zone to promote development and redevelopment in that zone. As development occurs in each zone, the taxes generated by the increase in value attributable to those improvements, or "tax increment", are captured in separate funds set up for each TIRZ. TIRZ funds are then used to pay for approved project costs.

In December 2003, City Council approved the creation of two new tax increment reinvestment zones: Hardy/Near Northside TIRZ (No. 21), and Leland Woods TIRZ (No. 22). The 242 acre Hardy/Near Northside zone is located immediately north of the Central Business District, bisected by North Main, and centered around the old Union Pacific rail yard. Hardy Yard Partners plans to redevelop the 43 acre site as a high quality urban mixed-use development project that will be the catalyst for development throughout the full TIRZ. The 80 acre Leland Woods TIRZ is located in northeast Houston near Homestead Road and East Little York. The TIRZ will facilitate the development of 385 affordable single-family units. The affordable housing development is a partnership of the Greater Houston Builders Association (GHBA), GHBA CDC, Fannie Mae and the City of Houston.

A brief narrative of each zone with a budget summary is presented with each budget.

LAMAR TERRACE/ST. GEORGE PLACE (TIRZ #1)

The Lamar Terrace Zone was created through a petition process by City Council on 12/12/90 and has a forty-year life. The Project Plan and Financing Plan provided for a bond issuance in 1992 totaling \$2,220,000 to cover the cost of improvements to the zone, including demolition, paving, drainage, waterlines, sanitary sewers, street lighting, perimeter fencing, and landscaping. In FY00, Council approved the sale of Certificates of Obligation totaling \$5.3 million to fund infrastructure improvements on the zone's west side, and to reimburse a developer for costs associated with infrastructure improvements on the east side. In FY02, the St. George Place Redevelopment Authority issued \$3.6 million in Refunding Bonds, which were used to pay all debt associated with the initial bond sale and a portion of the Authority's bank debt. Two-thirds of the tax increment revenue generated is used to repay the bond indebtedness; the remaining one-third is set aside for affordable housing. To date, approximately 303 single family homes have been constructed in the zone. In FY06, set-aside revenues for low-income housing will be approximately \$594,946. The Authority will continue to eliminate outstanding debt associated with infrastructure improvements.

MIDTOWN REDEVELOPMENT AUTHORITY (TIRZ #2)

The Midtown Zone was created through a petition process in December 1994, subsequently expanded in 1999, and has a thirty-year life. In 1996, City Council created the Midtown Redevelopment Authority (MRA). The plan provides for infrastructure improvements to support development of single and multi-family housing, commercial development, redevelopment of Main Street, land assemblage, park improvements, and educational facilities. In December 1998, Council authorized the MRA to issue up to \$16 million in bonds and notes, and subsequently increased this level to \$26 million in June 2000. The total reimbursable TIRZ cost for all improvements is projected to be \$236 million. In FY02, the MRA sold \$17 million in bonds, and an additional \$13.5 million in FY04. The affordable housing set-aside financed through the proceeds of the third sale was \$3,036,907. The Authority will sell an additional \$22 million in bonds in FY06, with an affordable housing set-aside financed through the proceeds of \$5.4 million. Council approved a \$20 million additional bond authorization in April 2005, thereby increasing the aggregate bond authorization amount to \$59,500,000.

In FY02, using a combination of tax increment revenue and a \$1.11 million U.S. Economic Development Administration Public Works Grant, the MRA completed the first phase of the Houston Technology Center, a high-technology business incubator. In FY03, EDA awarded the City and MRA an additional \$1.5 million grant to construct the second phase of HTC. Construction is expected to begin in FY06.

MARKET SQUARE (TIRZ #3)

The Market Square Zone was created by City Council on 12/19/95, subsequently expanded by 275 acres along Main St., and has a thirty-year life. The zone was originally created to finance the acquisition of the Rice Hotel. The Project Plan and Financing Plan provides for a total projected reimbursable cost of \$34 million for acquisition and rehabilitation of the Rice Hotel, streetscape enhancements, Main St. transit enhancements, and pedestrian and parking facilities. The Houston Housing Finance Corporation (HHFC) entered into an agreement with the TIRZ to provide capital for acquisition and rehabilitation of the Rice Hotel. Pursuant to an agreement with HHFC, the TIRZ will make annual payments to HHFC of \$750,000 until the loan is repaid.

In FY99, Council approved the creation of the Main Street-Market Square Redevelopment Authority. In FY02, the Authority issued \$12.8 million in bonds to fund costs associated with the Main Street redevelopment. In FY03, efforts focused on the Main Street enhancements and working with METRO to enhance the Super Stops for the Light Rail Line. The Authority has funded approximately \$10 million in street enhancements to the Light Rail project. In FY06, the RA will continue with Main Street enhancements, economic development activities, preservation/restoration of historic facades, and a feasibility study for a centralized public parking solution in the CBD.

THE VILLAGE ENCLAVE (TIRZ #4)

The Village Enclaves Zone, located east of Hwy. 6, and bisected by Briar Forest Dr., was created through a petition process by City Council on 10/01/96 and has a twenty-year life. Subsequently, the zone was expanded by City initiative on 05/07/97. The purpose of the zone is to facilitate residential and commercial development and to finance the construction of the Westside High School, a shared use high school facility. To date, a 4,000+ unit multi-family project and approximately 410 single family homes have been constructed in the zone. In FY06, set-aside revenues for low-income housing will be approximately \$2,576,978. Infrastructure projects in the zone have been completed.

MEMORIAL HEIGHTS REDEVELOPMENT AUTH. (TIRZ #5)

The Memorial-Heights Zone was created by City Council on 12/18/96, and has a twenty-year life. In January 1998, City Council created the Memorial-Heights Redevelopment Authority. The Project Plan and Financing Plan calls for the development of a mixed-use residential and supporting commercial development. The TIRZ will finance infrastructure improvements, including water, wastewater, storm sewer, lighting, streetscape enhancements, Spotts Park improvements, and access to a pedestrian walkway along Buffalo Bayou. Projected reimbursable TIRZ costs are estimated to be \$17.8 million. Infrastructure projects in the zone are near completion. The zone is built out.

EASTSIDE/OLD GALVESTON/HOWARD) (TIRZ #6)

The Memorial-Heights Zone was created by City Council on 12/18/96, and has a twenty-year life. In January 1998, City Council created the Memorial-Heights Redevelopment Authority. The Project Plan and Financing Plan calls for the development of a mixed-use residential and supporting commercial development. The TIRZ will finance infrastructure improvements, including water, wastewater, storm sewer, lighting, streetscape enhancements, Spotts Park improvements, and access to a pedestrian walkway along Buffalo Bayou. Projected reimbursable TIRZ costs are estimated to be \$17.8 million. Infrastructure projects in the zone are near completion. The zone is built out.

OLD SPANISH TRAIL/ALMEDA CORRIDORS (TIRZ #7)

The Old Spanish Trail/Alameda Corridors Zone was created by City Council on 05/07/97 and has a thirty-year life. Council approved an expansion of the zone and amendments to the Project Plan and Financing Plan on 12/09/98. Council also approved a subsequent amendment to the plan in August 1999. The Project Plan and Financing Plan provides for capital costs of approximately \$18 million associated with the redevelopment of Alameda, OST, and Griggs Road corridors. In FY99, Council created the OST/Alameda Corridors Redevelopment Authority.

In FY01, Council approved a \$5.8 million CIP street reconstruction project for Alameda Road (from Alabama to Hermann Drive). During FY02, the Authority funded related street enhancements for Alameda Road (e.g., street pavers and landscaping treatments) through the zone's tax increment revenue and completed the work during FY03. In FY02, Council also authorized the Authority to issue up to \$12 million dollars in bonds; subsequently, \$8.25 million was sold in tax increment contract revenue bonds. In FY05, the City and the Authority began the design of \$1,568,657 in pedestrian-related transportation enhancements along the OST and Griggs Rd. commercial corridors (e.g., sidewalks, tree planting, and landscaping). The Authority will contribute 20% of the design cost pursuant to a TxDOT Statewide Transportation Enhancement Award (STEP). The Authority anticipates issuing \$8,000,000 in bonds for zone-related capital improvements in FY06, subject to Council approval.

GULFGATE REDEVELOPMENT AUTHORITY (TIRZ #8)

The Gulfgate Zone was created by City Council on 12/10/97, and has a thirty-year life. In December 1997, Council created the Gulfgate Redevelopment Authority (GRA). In December 1997, Council approved a Loan Agreement between the Houston Housing Finance Corporation (HHFC) and the developer for \$1,600,000 for the acquisition of Gulfgate Mall. HHFC provided up to \$950,000 in additional capital and owns a 50% interest in

the entity that was created to co-own the mall. The tax increment revenue from the redevelopment project will repay outstanding loans. The total redevelopment cost for the regional power center is estimated at \$50 million.

In FY00, Council approved an annexation of approximately 185 acres, west of Woodridge St., increased the zone's project costs by \$4.6 million for infrastructure improvements, and added HISD educational facilities costs. Major projects completed include name brand discount stores, a Home Depot, a Lowe's Home Improvement, an HEB Grocery Store, and two multi-family apartment projects. In FY05, the City and the Authority began the design of \$2,025,936 in streetscape, and pedestrian-related transportation enhancements, including the renovation of a pedestrian bridge across Loop 610 South. The Authority will contribute a 20% match pursuant to a TxDOT Statewide Transportation Enhancement Award (STEP).

SOUTH POST OAK (TIRZ #9)

The South Post Oak Zone, located near South Post Oak Road and West Orem, was created through a petition process by City Council on 12/17/97, and has a twenty-five year life. The total projected TIRZ cost of all improvements is estimated to be \$6 million, with the Zone and Redevelopment Authority contractually obligated to reimburse Pyramid Builders, an entity of Pyramid CDC. Pyramid Builders is developing the 450 single family unit Corinthian Pointe development and financing the infrastructure for the project through a bank loan from JP Morgan Chase Bank.

The Project Plan calls for the development of approximately 247 acres, of which 105 acres will be for single family use, including a one-acre neighborhood park, and supporting commercial development. In FY00, Council approved the creation of the South Post Oak Redevelopment Authority. The Project Plan calls for 80% (or 360 units) of the homes to be sold at an "affordable" price range. To date, the project has created \$28 million in residential value. Approximately 425 single family units have been constructed. The final phase of Corinthian Pointe is currently under construction.

LAKE HOUSTON (TIRZ #10)

The Lake Houston Zone, located adjacent to Lake Houston in the Kingwood area, was created by City Council on 12/23/97 and has a thirty-year life. The zone includes approximately 1,351 acres. The Project Plan and Financing Plan currently provides for the development of some 1,479 single-family units with supporting commercial properties. In FY00, Council approved an annexation of 428 acres into the zone. In August 1999, the zone's project plan was amended to increase Humble ISD's participation rate. The Zone will reimburse over \$31 million in developer costs for water, wastewater and drainage facilities.

To date, approximately 993 single family homes have been constructed. In FY02, the City issued public improvement bonds using the authorized but unissued MUD debt from previously annexed MUDs, consistent with the terms of the City's 1996 Kingwood annexation agreement. Proceeds from the bond sale are being used to reimburse Friendswood and Kingwood Partners for costs associated with the construction of drainage infrastructure in the zone as work is completed. Increments generated by these developments will be used to pay back the bonds. In FY03, Council created the Lake Houston Redevelopment Authority. In FY06, it is expected that the developers in the annexed zone will generate increment revenue for developer reimbursements to begin.

GREENSPPOINT (TIRZ #11)

The Greenspoint Zone was created by City Council on 08/26/98, and has a 30-year life. The zone was created to assist in redevelopment efforts for Greenspoint Mall, the Airline Dr. corridor, and renovation or development of multi-family housing. Project costs are estimated at \$62.3 million and will include roadway and bridge construction streetscape and park improvements, community facilities, and infrastructure to support residential/commercial development. New construction and redevelopment is expected to increase the taxable

appraised value within the zone by \$532.4 million. In FY00, Council created the Greater Greenspoint Redevelopment Authority (GRA). In FY03, the Redevelopment Authority issued \$20 million in bonds used to pay developer reimbursements and fund various capital improvements in the zone (street, trails and park projects). In FY06, there are plans for streetscape/beautification, Benmar Bridge construction, mall improvements and Airline Corridor redevelopment.

CITY PARK (TIRZ #12)

The City Park Zone is located between West 11th St. and West 18th St., along the East T.C. Jester and White Oak Bayou right-of-way. This zone was created by City Council on 12/02/98 for a period of thirty years. Major infrastructure improvements include the construction of East T.C. Jester Blvd., a major thoroughfare and the development of a Little League baseball field complex, completed in FY04. Other infrastructure improvements include the reconstruction of the West 18th St. and East T.C. Jester Blvd. intersection, and the reconstruction and completion of Bevis St.

In FY03, Council approved an ordinance increasing the Redevelopment Authority's authorization to issue notes from \$1 million to \$2 million. Major projects that have been completed include a 308 multi-family unit project, retail development, and sixty-three Perry Homes town homes. With planned development completed in FY 05, FY 06 tax incremental revenues generated will be used to pay the bank note and developer reimbursement.

OLD SIXTH WARD (TIRZ #13)

The Old Sixth Ward Zone was created through a petition process by City Council on 12/22/98, and has a life of thirty years. Improvements to be financed by the zone include street and drainage reconstruction, streetscape improvements, and the acquisition and preservation of historic properties. Residential development projects are expected to increase appraised values by \$34 million. In FY01, City Council created the Old Sixth Ward Redevelopment Authority. In FY04, the City of Houston acquired the Dow School to preserve this historic structure, with the RA financing the acquisition. The building was conveyed to MECA for use as a multicultural educational facility. In FY06, City set-aside revenues for low-income housing will be approximately \$205,916.

FOURTH WARD REDEVELOPMENT AUTHORITY (TIRZ # 14)

The Fourth Ward Zone was created through a petition process by City Council on 6/9/99 for a thirty-year period and covers 109 acres. The Project Plan calls for the development of 2,200 housing units, consisting of approximately 550 affordable homes and rental units for families and senior citizens, and 1,700 market rate single-family and multi-family units, with supporting commercial/retail uses. Reimbursable project costs totaling \$21.9 million include storm and sanitary sewers, paving, streetlights, parks, streetscapes, and other project costs such as historic preservation and property acquisition. The Fourth Ward Redevelopment Authority was created in FY00 to facilitate the redevelopment of the area. One-third of the tax increment revenue is directed to affordable housing. In FY06, City set-aside revenues for low-income housing will be approximately \$870,642.

Over 70 affordable housing homes were built in the area as well as many market rate homes. To date, approximately 372 single family homes have been constructed in the zone. The focus for FY05 is street and utility improvements, and community planning for the zone. The Federal Reserve Bank (FRB) is currently under

construction and is projected to have a completion value of \$90 million. Camden Development is expected to break ground in FY 05 on a luxury apartment project. In FY06, there are plans for infrastructure improvements, development agreement and land acquisition.

EAST DOWNTOWN REINVESTMENT ZONE (TIRZ #15)

The East Downtown zone was created by City Council on 7/7/99 for a thirty-year period and covers a 66 acres east of the CBD, U.S. Hwy. 59, and Minute Maid Field, in the City's original Chinatown area. Infrastructure improvement project costs are estimated to be \$47 million and include street and sidewalk improvements, water, sanitary sewer/storm sewer improvements, parking facilities, and brownfield remediation. It is anticipated

that commercial and residential development within the zone will increase appraised values by \$158.8 million. Completed major projects include the Lofts at the Ballpark Apartments (375 units) and Stanford Development Lofts. The Herrin Lofts project is currently under renovation. In FY03, HNTB Corp. and Economic Research Associates completed a comprehensive infrastructure, urban, design, and economic development opportunities study that made recommendations for the prioritization of infrastructure construction and development opportunities. In FY 06, the RA will target improvements to Chartres Street from Polk to Texas St. (sidewalks, landscaping/sodding, irrigation systems, trees). Street resurfacing will begin on St. Emanuel and green space improvements for Bastrop ROW.

UPTOWN DEVELOPMENT AUTHORITY (TIRZ #16)

The Uptown Zone was created through a petition process and approved by City Council on 7/7/99. The zone includes 1,010 acres of developed land in the City's Galleria area. The Project Plan calls for major public infrastructure improvements that include widening and improving existing streets, creating a street grid system by constructing 15 lane-miles of new streets, developing a parking management program including new parking facilities, creating a pedestrian friendly environment, and improving access to the transit system. Total project costs are estimated at \$235 million. New development is expected to increase taxable property values in the zone by \$1.1 billion. In FY00, City Council approved the creation of the Uptown Development Authority (UDA).

In FY01, UDA sold over \$14 million in bonds to finance work on the transportation infrastructure. Slightly more than \$3.7 million in proceeds from this bond sale were forwarded to the City for use in the City's affordable housing program. In FY02, UDA sold over \$10 million in bonds to continue the financing of the zone's transportation infrastructure. The City's affordable housing program received \$3 million in proceeds from this bond sale. In FY03, City Council approved an increase in UDA's bond authorization from \$25 million to \$60 million. In FY04, \$9 million in bonds were issued by UDA to continue financing mobility projects, and \$4.5 million in bonds to support the City's affordable housing program. In FY05, \$2 million in bonds were issued to finance mobility improvements and \$1 million in affordable housing bonds. In FY06, City set-aside revenues for low-income housing will be approximately \$3,098,581.

MEMORIAL CITY (TIRZ #17)

The Memorial City zone was created by City Council on 7/21/99 and includes 988 acres of developed and undeveloped land, bisected by the Katy Freeway, in the Memorial City Mall and Town & Country Mall area. An estimated \$97 million is planned for proposed road and street improvements, traffic signalization improvements, water/sewer/drainage improvements, safety walls, walkways and noise attenuation improvements. Over \$1 billion in new development is projected during its thirty-year duration. Redevelopment at Memorial City Mall is currently ongoing. In FY03, W.P. Moore & Associates completed detailed studies on traffic, transportation, and drainage and made recommendations for the prioritization of capital improvements to be undertaken by the zone. In FY03, Council approved the creation of the Memorial City Redevelopment Authority. The Authority received TxDOT project funding in FY05, with a local match contribution from the TIRZ, to reconstruct the Gessner Dr. segment, south of I-10. The Authority anticipates issuing \$11 million in bonds in FY06 to finance transportation and drainage improvements, subject to City Council approval.

FIFTH WARD REINVESTMENT ZONE (TIRZ #18)

The Fifth Ward zone was created by City Council on July 21, 1999 and is bisected by Lyons Avenue and I-10 East. Infrastructure development costs are estimated at \$6.9 million and consist of street and sidewalk improvements, water and sanitary sewer improvements, street lights, parks and streetscape improvements, brownfield remediation, historic preservation and property acquisition. The total projected investment is estimated at \$36.6 million during the thirty-year life of the zone. In FY01, Council approved the creation of the Fifth Ward Redevelopment Authority. No improvements have been constructed to date.

UPPER KIRBY REINVESTMENT ZONE (TIRZ #19)

The Upper Kirby Zone was created by City Council on July 21, 1999 and includes 515 acres of land in the Upper Kirby (Kirby Drive) area from San Felipe to Bissonnet. The Project Plan calls for \$10.6 million in improvements to the existing storm drainage system, creating traffic turn lanes and bus turnouts on major thoroughfares, constructing esplanades on Kirby Drive, reconstructing West Alabama and South Shepherd Streets and widening Wakeforest Street, improving sidewalks/pedestrian crosswalks, and renovating Levy Park. New development is estimated to increase taxable property values by \$121.4 million during the fifteen year life of the zone. In FY02, the Upper Kirby Redevelopment Authority was approved by Council. Phase I of Levy Park was completed in FY03, and Phase II completed in FY05. The street improvements are slated to begin in FY06.

SOUTHWEST HOUSTON REINVESTMENT ZONE (TIRZ #20)

The Southwest Houston Zone was created on December 15, 1999 and includes 2,052 acres of land in the Sharpstown Mall/US Hwy 59/Beltway 8 area. The Project Plan anticipates the development of approximately 2 million sq. ft. of new commercial development, including retail, office, and warehouse developments. The Plan also provides for infrastructure improvements for the repositioning of Sharpstown Mall. Also, there are plans for \$41.6 million in infrastructure improvements to support development along the commercial corridors in the mall area (replacement of water lines, storm/sanitary sewers, street paving and transportation improvements, and streetlights). The Plan projects an increase in total taxable value of \$264.6 million at the end of the thirty-year life of the zone.

Additional zone improvements planned include a park, landscaping/tree relocation, and streetscape improvements. In FY01, City Council approved the creation of the Southwest Houston Redevelopment Authority. In FY03, Council authorized the Authority to issue up to \$13.2 million in bonds for zone improvements. In FY06, construction is planned for improvements to the Bellaire-Fondren intersection.

HARDY PLACE/NEAR NORTHSIDE (#21)

In December 2003, City Council approved the creation of the Hardy/Near Northside TIRZ (No. 21). The 242 acre Hardy/Near Northside zone is located immediately north of the Central Business District, bisected by North Main, and is centered around the old Union Pacific rail yard. Developers plan to redevelop the 43-acre site as a high quality urban mixed-use development project that will be the catalyst for development throughout the North Main area.

LELAND WOODS (#22)

In December 2003, City Council approved the creation of the Leland Woods TIRZ (No. 22). The 80 acre Leland Woods TIRZ is located in northeast Houston near Homestead Road and East Little York. The TIRZ will facilitate the development of 385 affordable single-family units. The affordable housing development is a partnership of the Greater Houston Builders Association (GHBA), GHBA CDC, Fannie Mae and the City of Houston. In FY06, infrastructure improvements are planned for 19 acres to supplement 81 single-family residential lots.