

**UPTOWN DEVELOPMENT AUTHORITY**

**FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

**Year Ended June 30, 2013  
with Independent Auditor's Report**



# UPTOWN DEVELOPMENT AUTHORITY

## FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Year Ended June 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Uptown Development Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Uptown Development Authority (the "Authority"), a component unit of the City of Houston, Texas, as of and for the year ended June 30, 2013, 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 of 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 respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the Authority adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of June 30, 2013. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 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. 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.

### *Supplementary 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 Combined Funds – Schedule of Revenues, Expenditures, and Changes in Fund Balances and the Operating Expenses, Capital Expenditures and Project Plan Reconciliation on pages 33 through 40 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combined Funds – Schedule of Revenues, Expenditures, and Changes in Fund Balances and the Operating Expenses, Capital Expenditures and Project Plan Reconciliation are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combined Funds – Schedule of Revenues, Expenditures, and Changes in Fund Balances and the Operating Expenses, Capital Expenditures and Project Plan Reconciliation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Whitley Penn LLP*

Houston, Texas  
October 13, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**UPTOWN DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2013**

As management of the Uptown Development Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2013.

The Authority is a special-purpose government engaged in a single governmental program. It is also a component unit of the City of Houston, Texas. The Authority reports its financial activities in accordance with required reporting standards for special-purpose governments engaged in a single governmental program. The Authority's single governmental program involves improving the general mobility in the Uptown Houston area.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Uptown Development Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Authority's assets, liabilities and deferred inflows and outflows, with the difference between the items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator regarding the financial position of the Authority. Other factors that are not included in the financial statements, such as increased tax base in the Authority's boundaries, should also be considered in evaluating the condition of the Authority's overall financial position.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by incremental tax revenues received from the City of Houston and Houston Independent School District. The governmental activities of the Authority are restricted to those objectives outlined in its project plan. The prominent activities include improving streets and intersections and creating a street grid network.

## UPTOWN DEVELOPMENT AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (*continued*)

Year Ended June 30, 2013

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Uptown Development Authority are considered governmental funds.

#### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the *Governmental Funds Balance Sheet* and the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains four individual governmental funds for both infrastructure and affordable housing. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* for the Affordable Housing Special Revenue Fund, the Capital Projects Fund, the Affordable Housing Capital Projects and the Debt Service Funds. All are considered to be major funds.

The Authority adopts an annual appropriated budget for all of its funds combined, which is approved by the City of Houston. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**UPTOWN DEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Year Ended June 30, 2013**

**Government-wide Financial Analysis**

In the government-wide statements, the difference between assets, deferred outflows and inflows, and liabilities is called net position. Net position is categorized based on their availability to provide financial resources for the Authority. Net position that is invested in capital assets represents the Authority's net investment in capital assets. "Restricted" net position represents amounts that are restricted for future debt service requirements. "Unrestricted" net position represents amounts available to meet the Authority's future obligations.

As noted earlier, changes in net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, net position was negative as of June 30, 2013. The Authority continues to have net asset deficits because the Authority incurs long-term debt for general mobility improvements that are ultimately conveyed to the City of Houston. The Authority then continues to accumulate resources for repayment of this long-term debt over an extended period of years until the debt is repaid.

A comparative schedule of net position at June 30, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 28,500,333	\$ 24,838,680
Capital assets	<u>12,858,407</u>	<u>13,379,301</u>
<b>Total Assets</b>	<u>41,358,740</u>	<u>38,217,981</u>
 <b>Deferred Outflows of Resources</b>		
Deferred charge on refunding	<u>353,280</u>	<u>388,608</u>
<b>Total deferred outflows of resources</b>	<u>353,280</u>	<u>388,608</u>
Accounts payable and other liabilities	14,400,789	12,686,644
Long-term liabilities	<u>62,758,480</u>	<u>66,237,855</u>
<b>Total Liabilities</b>	<u>77,159,269</u>	<u>78,924,499</u>
 <b>Net Position</b>		
Net investment in capital assets	12,858,407	13,379,301
Restricted for capital projects	5,190,244	3,073,936
Restricted for debt service	12,514,300	11,346,337
Unrestricted	<u>(66,010,200)</u>	<u>(68,117,484)</u>
<b>Total Net Position (Deficit)</b>	<u>\$ (35,447,249)</u>	<u>\$ (40,317,910)</u>

Total assets increased by \$3,140,759 from the prior year. Liabilities decreased \$1,466,242 which includes repayment of the Capital One short-term line of credit.

**UPTOWN DEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Year Ended June 30, 2013**

The total net deficit of the Authority decreased by \$4,870,661 during the current fiscal year. A comparative summary of the Authority's statement of activities for the past two years is as follows:

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
<b>Program Revenues:</b>		
Capital grants and contributions	\$ 3,122,823	\$ 6,326,733
<b>General Revenues:</b>		
Contract tax increment	26,077,434	22,816,773
Investment earnings	28,797	46,189
Miscellaneous	(19,100)	(26,507)
<b>Total Revenues</b>	<u>29,209,954</u>	<u>29,163,188</u>
<b>Expenses</b>		
General government	1,360,501	1,256,814
Affordable housing	7,292,584	6,250,000
Educational Facilities	3,873,524	3,744,055
Interest on long-term debt	3,348,792	3,548,977
Capital outlay on behalf of City of Houston	7,853,377	5,801,305
Depreciation and amortization	610,515	598,161
<b>Total Expenses</b>	<u>24,339,293</u>	<u>21,199,312</u>
Increase (decrease) in net position	4,870,661	7,963,876
<b>Net position - beginning , as restated</b>	<u>(40,317,910)</u>	<u>(48,281,786)</u>
<b>Net position - ending</b>	<u><u>\$ (35,447,249)</u></u>	<u><u>\$ (40,317,910)</u></u>

Contract tax increment revenues increased by \$3,260,661 from the previous year. This was due primarily to an increase in property values. Total expenses were \$24,339,293 in the current year. This is an increase of \$3,139,981 from the previous year. This was due to increased Affordable Housing payment and more spending for capital projects.

**UPTOWN DEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Year Ended June 30, 2013**

**Financial Analysis of the Government's Funds**

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$18,766,730 , a \$2,108,193 increase in comparison with the prior year. Approximately \$13.6 million is restricted for debt service. The Capital Projects fund balance at the end of the fiscal year was \$5,174,959. This is due to an increase in tax increment revenue for capital projects.

The following is a comparative summary of changes in fund balances for the prior two fiscal years:

	2013	Increase (Decrease)	2012	Increase (Decrease)	2011
Capital Projects	\$ 5,174,959	\$ 2,119,931	\$ 3,055,028	\$ 5,043,556	\$(1,988,528)
Debt Service	11,267,375	(11,387)	11,278,762	(377,221)	11,655,983
Affordable Housing Special Revenue	15,287	(3,621)	18,908	(739)	19,647
Affordable Housing Debt Service	2,309,109	3,270	2,305,839	(9,586)	2,315,425
	<u>\$18,766,730</u>	<u>\$ 2,108,193</u>	<u>\$16,658,537</u>	<u>\$ 4,656,010</u>	<u>\$12,002,527</u>

**UPTOWN DEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Year Ended June 30, 2013**

**Capital Asset and Debt Administration**

Capital assets held by the Authority at the end of the current and previous fiscal years are summarized as follows:

	<u>2013</u>	<u>2012</u>
Capital assets not being depreciated:		
Land and improvements	\$ 9,081,040	\$ 9,081,040
Capital assets being depreciated:		
ATIS Equipment	459,715	459,715
Pedestrian Lights	5,117,275	5,117,275
	<u>5,576,990</u>	<u>5,576,990</u>
Less accumulated depreciation	<u>(1,799,623)</u>	<u>(1,278,729)</u>
	<u>3,777,367</u>	<u>4,298,261</u>
Capital assets, net of accumulated depreciation	<u>\$ 12,858,407</u>	<u>\$ 13,379,301</u>

During the year, no additional assets were purchased.

The Authority issues debt or other financing to finance the capital improvement plan adopted by the City of Houston. In accordance with the Authority's agreement with the City of Houston, infrastructure improvements financed with this debt are the property of the City. All costs incurred by the Authority are primarily capital costs to execute the plan. Accordingly, street improvements and other infrastructure assets are not carried on the Authority's statements.

A comparative summary of the Authority's long-term liabilities as of June 30, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Tax increment contract revenue bonds payable	\$ 66,840,000	\$ 70,345,000
Less unamortized discount on bonds payable	<u>(476,520)</u>	<u>(512,526)</u>
	<u>\$ 66,363,480</u>	<u>\$ 69,832,474</u>

Additional information on the Authority's long-term debt can be found in Note 6.

## UPTOWN DEVELOPMENT AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (*continued*)

Year Ended June 30, 2013

#### **Economic Factors**

The Authority administers the operations of the Tax Increment Reinvestment Zone ("TIRZ") on behalf of the City of Houston (the "City"). The TIRZ is one of the nation's largest suburban districts, which boasts a unique blend of office, retail, hotel and residential sectors. The TIRZ includes approximately 1,010 acres of land within its original boundaries and approximately an additional 36 acres of land annexed in January 2008. In 2013, The Zone and the City approved a fourth amendment to the Zone to provide for the enhancement and improvements to an additional 1,769 acres of land that is primarily Memorial Park. All land lies within the boundaries of the City.

#### **Office Space**

Uptown Houston is one of the largest business districts outside a historic core in the United States. It is the 14<sup>th</sup> largest business district in the United States: comparable to Denver and Cleveland. With almost 24 million square feet of total office space, Uptown accounts for 16% of Houston's total 'Class A' office space with almost 17 million square feet. This is second to only Downtown Houston. There are over 200,000 office employees in the Uptown area. At the end of the fiscal year, class A office space was 90% leased.

Overall, 2013 certified ad valorem values for the office sector posted a healthy 34% increase compared to an 18% increase in the previous year. In June 2013, the BBVA Compass Plaza Tower opened. The newest office tower boasts 22 stories, 312,000 square feet and LEED Gold Certification. There are currently two Class A office buildings under construction in Uptown. The Redstone Group's office development on Post Oak Boulevard is a 22-story building with approximately 308,000 square feet. Skanska USA is constructing a 20-story office tower at 3009 Post Oak Boulevard with 302,000 square feet. This office tower is scheduled to open in October 2013. As of June 2013, they are almost 80% leased. In the first quarter of 2013, BHP Billiton Petroleum unveiled its plans to build a new world headquarters building. Located at Four Oaks Place, BHP Billiton expects to break ground on the 30-story office building in late 2013.

#### **Retail**

Uptown is synonymous with shopping and is known as a world-renowned center for retail. Ad valorem values for the retail sector increased 6% in 2013. Retail was 99% leased as of the fiscal year-end. This market maintained as The Galleria is now the fourth largest retail center in the United States. In early 2008, a 22-acre mixed-use development known as BLVD broke ground in the heart of Uptown. To date, approximately 70,000 square feet of retail and commercial construction has been completed. Tenants include the acclaimed RDG and Bar Annie restaurant as well as Festari, New Balance and Pickles & Ice Cream. Construction of Frost Bank and The Whole Foods Market is underway. Both projects are expected to open in the first quarter of 2014. The Galleria will be undergoing reconstruction at the corner of Westheimer and Sage. Once completed, an additional 100,000 square feet will be added to the mall.

## UPTOWN DEVELOPMENT AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (*continued*)

Year Ended June 30, 2013

#### **Hotel**

Uptown currently has 31 first quality hotels in the area, offering more than 7,100 rooms for guests. Ad valorem values for this sector increased 8% in 2013.

The area's RevPAR (revenues per available room) is the \$113.96 and comparable to the Houston Central Business District at \$114.68 The RevPAR for Houston City-wide is \$68.38. Uptown Houston also boasts one of the highest occupancy rates in the city at 77%, while the Houston City-wide occupancy rate was 68% at the end of the second quarter, 2013.

#### **Residential**

Seven new high-rise residential towers have been built in Uptown in the past eight years. Single-family properties are holding values with some properties increasing slightly. Multi-family properties have increased approximately 22% this year (the result of two new projects substantially complete at the beginning of the tax roll). There has been a resurgence of residential activity in the area. In addition to the six residential projects underway, in September 2013, Giorgio Borlenghi announced the Belfiore. This is a 46 unit 26-story luxury high-rise at the southeast corner of Post Oak Lane and South Wynden Drive. This area was annexed into the TIRZ in 2008. Uptown Houston is one of the most prestigious and desirable areas to live.

The economic outlook is robust in Uptown. In 2013, the ad valorem values were up 20% from the previous year. There are several projects underway and Uptown remains a viable district. The capital budget for the Authority is based on the increment value received from the City of Houston and new bond issues. While economic factors (property values, vacancy rates, future development, etc.) impact the size of debt issues, management takes a conservative approach to ensure that adequate resources are available to support the projects within the mandates of the Plan.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Uptown Development Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 1980 Post Oak Boulevard #1580, Houston, Texas 77056.



## **BASIC FINANCIAL STATEMENTS**

**UPTOWN DEVELOPMENT AUTHORITY**

**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**

**June 30, 2013**

<b>Assets</b>	
Cash and investments	\$ 28,280,179
Due from other governmental agencies	220,154
Land	9,081,040
Other Capital assets, net	3,777,367
Total Assets	<u>\$ 41,358,740</u>
 <b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	\$ 353,280
Total deferred outflows of resources	<u>\$ 353,280</u>
 <b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 2,439,882
Due to other governments	7,292,584
Accrued interest	1,063,323
Long-term liabilities:	
Due within one year	3,605,000
Due in more than one year	62,758,480
Total liabilities	<u>\$ 77,159,269</u>
 <b>Net Position</b>	
Net investment in capital assets	\$ 12,858,407
Restricted for capital projects	5,190,244
Restricted for debt service	12,514,300
Unrestricted (deficit)	(66,010,200)
Total net position (deficit)	<u>\$ (35,447,249)</u>

See Notes to Financial Statements

**UPTOWN DEVELOPMENT AUTHORITY**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2013**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue Capital Grants and Contributions</b>	<b>Net Expense</b>
General government	\$ 1,360,501	\$ -	\$ (1,360,501)
Affordable housing	7,292,584	-	(7,292,584)
Education Facilities	3,873,524	-	(3,873,524)
Interest	3,348,792	-	(3,348,792)
Depreciation and amortization	610,515	-	(610,515)
Capital outlay on behalf of the City of Houston	7,853,377	3,122,823	(4,730,554)
<b>Totals</b>	<b><u>\$ 24,339,293</u></b>	<b><u>\$ 3,122,823</u></b>	<b><u>(21,216,470)</u></b>
 <b>General revenues</b>			
Contract tax increment revenues			\$ 26,077,434
Unrestricted investment earnings			28,797
Miscellaneous			(19,100)
			<u>26,087,131</u>
Change in net position			4,870,661
Net position (deficit) - beginning			(39,081,149)
Prior Period Adjustment			(1,236,761)
Net position (deficit) - ending			<u>\$ (35,447,249)</u>

**UPTOWN DEVELOPMENT AUTHORITY**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2013**

	<u>Affordable Housing</u>				
	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Govern- mental Funds</u>
<b>Assets</b>					
Cash and temporary investments	\$ 7,390,792	\$ 11,272,409	\$ 7,307,871	\$ 2,309,109	\$ 28,280,181
Due from other funds	5,034	-	-	-	5,034
Due from other governments	220,154	-	-	-	220,154
Total assets	<u>\$ 7,615,979</u>	<u>\$ 11,272,409</u>	<u>\$ 7,307,871</u>	<u>\$ 2,309,109</u>	<u>\$ 28,505,368</u>
<b>Liabilities and Fund Balance</b>					
Liabilities:					
Accounts payable	\$ 2,439,881	\$ -	\$ -	\$ -	\$ 2,439,881
Due to other funds		5,034	-	-	5,034
Due to other governments	-	-	7,292,584	-	7,292,584
Accrued interest	1,139	-	-	-	1,139
Total liabilities	<u>2,441,020</u>	<u>5,034</u>	<u>7,292,584</u>	<u>-</u>	<u>9,738,638</u>
Fund balances:					
Restricted:					
Debt service	-	11,267,375	-	2,309,109	13,576,484
Affordable Housing			15,287	-	15,287
Assigned	5,174,959	-	-	-	5,174,959
Total fund balances	<u>5,174,959</u>	<u>11,267,375</u>	<u>15,287</u>	<u>2,309,109</u>	<u>18,766,730</u>
Total liabilities and fund balances	<u>\$ 7,615,979</u>	<u>\$ 11,272,409</u>	<u>\$ 7,307,871</u>	<u>\$ 2,309,109</u>	<u>\$ 28,505,368</u>

See Notes to Financial Statements

**UPTOWN DEVELOPMENT AUTHORITY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**June 30, 2013**

**Total fund balance, governmental funds** \$ 18,766,730

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Land	\$ 9,081,040	
Other capital assets	5,576,990	
Less accumulated depreciation	<u>(1,799,623)</u>	
Change due to capital assets		12,858,407

Some liabilities and deferred inflow/outflow are not due and payable in the current period and are not included in the fund financial statements, but are included on the Statement of Net Position. These are as follows:

Bonds payable	(66,840,000)	
Deferred charge for loss on 2012 refunding	353,280	
Additional accrued interest	(1,062,186)	
Unamortized bond discount	<u>476,520</u>	
Change due to long term debt		<u>(67,072,386)</u>

Net Position of Governmental Activities in the Statement of Net Position \$ (35,447,249)

See Notes to Financial Statements

**UPTOWN DEVELOPMENT AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2013**

	<u>Affordable Housing</u>				
	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Govern- mental Funds</u>
<b>Revenues</b>					
Incremental tax revenue	\$ 12,070,995	\$ 5,572,392	\$ 7,295,613	\$ 1,138,434	\$ 26,077,434
Investment earnings	28,798	-	-	-	28,798
Intergovernmental revenue	3,122,823	-	-	-	3,122,823
Total revenues	<u>15,222,616</u>	<u>5,572,392</u>	<u>7,295,613</u>	<u>1,138,434</u>	<u>29,229,055</u>
<b>Expenditures</b>					
Current:					
Administration salaries	60,000	-	-	-	60,000
Office expenses	10,000	-	-	-	10,000
Insurance	74,132	-	-	-	74,132
Accounting	15,000	-	-	-	15,000
Auditor	14,265	-	-	-	14,265
City of Houston, Municipal charge	446,000	-	-	-	446,000
Legal	44,384	-	-	-	44,384
Legal, in-house	15,000	-	-	-	15,000
Educational facilities cost, transfer to other government	3,873,524	-	-	-	3,873,524
Affordable housing cost, transfer to other government	-	-	7,292,584	-	7,292,584
Other Zone Administration Cost	749,202	-	-	-	749,202
Capital Outlay	7,779,245	-	-	-	7,779,245
Debt Service:					
Principal	-	2,895,000	-	610,000	3,505,000
Interest and other charges	21,933	2,688,779	6,650	525,164	3,242,526
Total expenditures	<u>13,102,685</u>	<u>5,583,779</u>	<u>7,299,234</u>	<u>1,135,164</u>	<u>27,120,862</u>
Net change in fund balances	2,119,931	(11,387)	(3,621)	3,270	2,108,193
Fund balances - beginning of year	<u>3,055,028</u>	<u>11,278,762</u>	<u>18,908</u>	<u>2,305,839</u>	<u>16,658,537</u>
Fund balances - end of year	<u>\$ 5,174,959</u>	<u>\$ 11,267,375</u>	<u>\$ 15,287</u>	<u>\$ 2,309,109</u>	<u>\$ 18,766,730</u>

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds: \$ 2,108,193

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets are allocated over their estimated lives as depreciation expense.

Depreciation expense	\$ (520,894)	
Change due to capital assets		(520,894)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. Also governmental funds report issuance costs, premiums and discounts when the related debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal payments on debt	3,505,000	
Bond issuance costs are expensed in current year	(89,621)	
Accrued interest payable	(60,683)	
Refunded loss amortized over the life of the bond	(35,328)	
Discounts are amortized over the life of the bond	(36,006)	
	<u>3,283,362</u>	

Change in net position of governmental activities		<u>\$ 4,870,661</u>
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See Notes to Financial Statements

## **UPTOWN DEVELOPMENT AUTHORITY**

### **NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2013**

#### **Note 1 - Summary of Significant Accounting Policies**

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

#### **Creation of Authority**

The Uptown Development Authority (the "Authority") of the City of Houston, Texas, (the "City") a not-for-profit local government corporation, was created under Chapter 394 of the Texas Local Government Code and Chapter 431 of the Texas Transportation Code and the general laws of the State of Texas. The Authority was created to aid and assist in the development of the Uptown area by providing improvements for general mobility. These projects include an emphasis on minimizing traffic congestion through the financing of improvements to existing streets, a street grid network, improvements to intersections, a parking management program and a pedestrian network. The Authority is empowered to act on behalf of the City with respect to administering Reinvestment Zone Number Sixteen, City of Houston, Texas (the "Zone"). The purpose of the Zone is to provide funding for these mobility improvements.

Property within the Zone is located on the west side of Houston, near the interchange of the I-610 and US 59 freeways. The Authority is governed by a nine member Board of Directors, five of whom are appointed by the City.

The Authority's project and financing plan was amended in 2008 to annex North and South Wynden, Huntley Street and adjacent properties to be redeveloped. The annexed area has several of the same characteristics as property in the existing boundaries. In 2013, the project and financing plan was amended again to 1) extend the life of the Zone to 2040 and 2) expand the Zone boundaries to include an additional 1,768 acres that is primarily the Memorial Park area. This fourth amendment to the Plan provides for a total project plan of \$1,265,000 which is \$612,250,000 over the previous project plan costs. Plan costs include an Affordable Housing component of \$452,000,000 and \$100,000,000 for infrastructure improvements in Houston's Memorial Park.

#### **Reporting Entity**

The Authority's financial statements include the accounts of all the Authority's operations. In conformity with generally accepted accounting principles, the Authority is considered a component unit of the City of Houston.

Additionally, as required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the Authority's financial reporting entity. Based on these considerations, no other entities, organizations or functions have been included in the Authority's financial reporting entity.



## UPTOWN DEVELOPMENT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (*continued*)

#### Note 1 - Summary of Significant Accounting Policies (*continued*)

##### Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information about the Authority as a whole. These statements focus on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. For the most part, the effect of interfund activity has been removed from these statements.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. These fund financial statements are the *Governmental Funds- Balance Sheet* and the *Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances*.

The Authority reports the following major governmental funds:

The *Capital Projects Fund* is used to account for construction of the Authority's general mobility improvement projects. The principal source of revenue is contract tax increment revenues. Expenditures include administrative costs, as well as infrastructure improvement expenditures.

The *Debt Service Fund* is used to account for the payment of interest and principal on the infrastructure improvement long-term debt of the Authority. The primary source of revenue is provided by contract tax increment revenues. Expenditures are principal and interest payments.

The *Affordable Housing Special Revenue Fund* is used to account for the receipt of contract tax revenues for the City's affordable housing program. Expenditures consist of transfers to the City of Houston.

The *Affordable Housing Debt Service Fund* is used to account for the payment of principal and interest on the Authority's affordable housing bonds. The principal source of revenue is contract tax increment revenue. Expenditures are principal and interest payments.

##### Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contract tax increment revenues are recognized as revenues in the year for which they are levied

## UPTOWN DEVELOPMENT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### Note 1 - Summary of Significant Accounting Policies *(continued)*

##### Measurement Focus and Basis of Accounting *(continued)*

The Authority's government-wide net position are categorized as follows:

- Net Investment in capital assets - This component of net position consists of capital assets net of accumulated depreciation.
- Restricted - This component of net position consists of constraints placed on net asset use 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 net position - This component of net position consists of net position that do not meet the definition of "restricted."

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

##### Cash and Investments

The Authority's cash and investments consist of demand deposits and funds maintained by a trustee in a no-load money market mutual fund, as mandated by the Authority's Bond Indentures and Resolutions.

##### Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Authority's receivables consist of amounts due from the City of Houston and Houston Independent School District for contract tax increment revenues. These amounts are considered collectible and, accordingly, an allowance for uncollectible accounts has not been recorded.

##### Capital Assets

Capital assets are reported in the government-wide financial statements. The Authority defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated over their remaining useful lives (i.e., five years) using the straight-line method.

## UPTOWN DEVELOPMENT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (*continued*)

#### Note 1 - Summary of Significant Accounting Policies (*continued*)

##### **Interfund Activity**

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

##### **Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

##### **Fund Balance / Restricted Assets**

The Authority records restrictions for all or portions of governmental fund balances which are legally segregated for specific future use or which do not represent available spendable resources and therefore not available for appropriation. Unassigned fund balance indicates the portion of fund balance which is available for appropriation in future periods. The restricted fund balances for governmental funds represent the amount that has been identified for specific purposes.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Beginning with fiscal year 2011, the Authority implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

*Nonspendable fund balance* – amounts that are not in spendable form or are required to be maintained intact. The Authority does not have any nonspendable Fund Balance.

*Restricted fund balance* – Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

*Committed fund balance* – amounts constrained to specific purposes by the Authority itself, using its highest level of decision-making authority (i.e. the Board of Directors). To be reported as committed, amounts cannot be used for any other purposes unless the Authority takes the same highest level of action to remove or change the constraint.

*Assigned fund balance* – amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Authority or by an official or body to which the Board of Directors delegates the authority.

*Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the general fund. The Authority does not have a general fund.

**UPTOWN DEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Fund Balance / Restricted Assets (continued)**

The Authority establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds. The Authority has only restricted, assigned, and unassigned fund balances as of June 30, 2013.

**Deferred outflows/inflows of resources**

Effective June 30, 2013, the Authority implemented GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* as well as GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 63 provides guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. As a result, the term “net assets” (a residual measure) has been renamed to “net position”. Furthermore, the objective of GASB Statement No. 65 is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These determinations are based on the definitions of those elements in Concepts Statement No. 4, *Elements of Financial Statements*.

With the implementation of these two statements, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Authority only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

	2013	2012
Deferred charge on refunding bonds Beginning	\$ 388,608	\$ -
Current year amortization	(35,238)	388,608
Deferred charge on refunding bonds Ending	\$ 353,370	\$ 388,608

In addition to liabilities, the statement of financial position 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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has no item that qualifies for reporting in this category, which arise only under a modified accrual basis of accounting.

**UPTOWN DEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits and Investments**

At year end, the Authority’s cash was comprised of the following:

	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Affordable Housing</b>		<b>Total</b>
			<b>Special Revenue</b>	<b>Debt Service</b>	
Money market funds	\$ 245,800	\$ -	\$ -	\$ -	\$ 245,800
<b>Total</b>	<b>\$ 245,800</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 245,800</b>

At year end the Authority’s investments was comprised of the following:

	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Affordable Housing</b>		<b>Total</b>
			<b>Special Revenue</b>	<b>Debt Service</b>	
Money market mutual funds	\$ 7,144,991	\$ 11,272,409	\$ 7,307,870	\$ 2,309,109	\$ 28,034,379
<b>Total</b>	<b>\$ 7,144,991</b>	<b>\$ 11,272,409</b>	<b>\$ 7,307,870</b>	<b>\$ 2,309,109</b>	<b>\$ 28,034,379</b>

The Authority’s investments in money market mutual funds have a weighted average maturity of 43 days and are rated AAAM by Standard and Poor’s.

**Deposit Custodial Credit Risk**

Custodial credit risk as it applies to deposits is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The Public Funds Collateral Act (Chapter 2257, Texas Government Code) requires that all of the Authority’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The Authority has adopted a written investment policy, which establishes additional requirements for collateralization of deposits. The Authority’s deposits were adequately collateralized as of June 30, 2013.

**Authorized Investments**

The Authority is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The Authority has adopted a written investment policy to establish the principles by which the Authority’s investment program should be managed. This policy further restricts the Authority’s allowable investments.

**UPTOWN DEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits and Investments (continued)**

**Investment Credit and Interest Rate Risk**

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The Authority's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

**Note 3 - Deferred Charges**

Deferred charges consist of a loss associated with the Authority's 2012 Refunding Tax Increment Contract Revenue bonds. This cost is being amortized over the life of the bonds. Total expense for the year was \$35,328.

**Note 4 - Capital Assets**

During the year, the Authority's capital assets changed as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 9,081,040	\$ -	\$ -	\$ 9,081,040
Capital assets being depreciated:				
Equipment	\$ 5,576,990	\$ -	\$ -	\$ 5,576,990
Less accumulated depreciation	(1,278,729)	(520,894)	-	(1,799,623)
	<u>4,298,261</u>	<u>(520,894)</u>	<u>-</u>	<u>3,777,367</u>
Capital assets, net	<u>\$ 13,379,301</u>	<u>\$ (520,894)</u>	<u>\$ -</u>	<u>\$ 12,858,407</u>

Depreciation expense in the amount of \$520,894 has been recorded in the government wide statements.

In accordance with an agreement between the Authority and the City of Houston ("the City"), the Authority conveys all of its infrastructure improvements to the City. However, some long-lived capital assets, primarily pedestrian lights, are recorded with the Authority. In this fiscal year, there were no capital assets purchased.

**Note 5 - Current Liabilities**

During the year, the Authority established a line of credit with Capital One Bank in which the Authority could borrow up to \$3.5 million which is to be 'cleaned up' with one-year. During the 2013 fiscal year, the Authority was advanced \$805,000.

**UPTOWN DEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 6 - Long Term Liabilities**

As of June 30, 2013, the Authority's long term liabilities are comprised of the following:

	<u>Total</u>	<u>Due Within One Year</u>	<u>Due Over One Year</u>
Tax increment contract revenue bonds payable	\$ 66,840,000	\$ 3,605,000	\$ 63,235,000
Unamortized discounts on bonds payable	(476,520)	-	(476,520)
	<u>\$ 66,363,480</u>	<u>\$ 3,605,000</u>	<u>\$ 62,758,480</u>

During the year, the Authority's long-term liabilities changed as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Tax increment contract revenue bonds payable	\$ 70,345,000	\$ -	\$ (3,505,000)	\$ 66,840,000
Unamortized discounts on bonds payable	(512,526)	-	36,006	(476,520)
	<u>\$ 69,832,474</u>	<u>\$ -</u>	<u>\$ (3,468,994)</u>	<u>\$ 66,363,480</u>

***Tax Increment Contract Revenue Bonds***

The Authority issues Tax Increment Contract Revenue bonds in order to construct infrastructure improvement facilities and the City of Houston's affordable housing facilities. The City of Houston has authorized the Authority to issue bonds and notes with aggregate principal amounts not to exceed \$75,000,000 outstanding at any time. The maximum authorization for short-term debt is \$27,000,000 outstanding at any time.

Bonds payable are comprised of the following individual issues:

<u>Series</u>	<u>Amount Outstanding</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Beginning/Ending Maturity Dates</u>	<u>Interest Payment Dates</u>	<u>Call Dates</u>
2001B	\$ 2,745,000	\$ 4,670,000	4.25% - 6.25%	Sep 1, 2002 - 2021	Mar 1, Sep 1	Sep 1, 2011
2002A	-	7,280,000	3.00% - 6.00%	Sep 1, 2003 - 2022	Mar 1, Sep 1	Sep 1, 2012
2002B	2,310,000	3,665,000	3.00% - 6.00%	Sep 1, 2003 - 2022	Mar 1, Sep 1	Sep 1, 2012
2004A	6,715,000	9,000,000	2.60% - 5.375%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004B	3,360,000	4,500,000	2.60% - 5.50%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004C	1,500,000	2,000,000	3.30% - 5.30%	Sep 1, 2006 - 2025	Mar 1, Sep 1	
2004D	750,000	1,000,000	3.30% - 5.30%	Sep 1, 2006 - 2025	Mar 1, Sep 1	
2009A	39,355,000	42,260,000	2.90% - 5.50%	Sep 1, 2011 - 2029	Mar 1, Sep 1	
2012A	10,105,000	10,755,000	2.750%	Sep 1, 2012 - 2022	Mar 1, Sep 1	
	<u>\$ 66,840,000</u>					

The Series 2002A, 2004A and 2004C were issued in order to construct infrastructure improvement facilities. The Authority issued Tax Increment Contract Revenue Refunding Bonds, Series 2012A in fiscal year 2012. The Series 2001B, 2002B, 2004B and 2004D were issued for the City of Houston's affordable housing facilities. All of the Authority's bonds are secured by the Authority's pledge of certain tax increment payments received from the City and Houston Independent School District. As a result of the Tax Increment Contract Revenue Refunding Bonds, Series 2012A, the Authority has defeased bonds outstanding in the amount of \$4,595,000.

**UPTOWN DEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 6 - Long Term Liabilities (continued)**

The bond indentures and resolutions stipulate the Authority will establish separate reserve funds for the infrastructure improvement facilities Tax Increment Contract Revenue Bonds and the affordable housing Tax Increment Contract Revenue Bonds. Each reserve fund will be maintained in an amount equal to the lesser of (1) 1.25 times the average annual debt service requirements, (2) maximum annual debt service or (3) 10% of the stated principal amount of the bonds or 10% of the issue price of the bonds if they were issued with more than a minimum amount of original issue discount. These reserves are maintained within the Debt Service Fund. The Authority was in compliance with these reserve requirements.

Annual debt service requirements to retire these outstanding bonds are as follows:

Year	Infrastructure Bonds, All Series								Total
	2004A		2004C		2009A		2012A		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2014	380,000	333,073	85,000	74,294	1,535,000	1,960,084	960,000	264,688	5,592,139
2015	395,000	315,873	90,000	70,180	1,605,000	1,893,220	990,000	237,875	5,597,148
2016	415,000	297,388	95,000	65,763	1,670,000	1,824,781	1,015,000	210,306	5,593,238
2017	435,000	277,351	95,000	61,155	1,745,000	1,749,931	1,050,000	181,913	5,595,350
2018	455,000	255,536	100,000	56,328	1,830,000	1,669,281	1,075,000	152,694	5,593,839
2019	480,000	232,161	105,000	51,203	1,920,000	1,575,681	1,100,000	122,788	5,586,833
2020	505,000	207,221	115,000	45,703	2,020,000	1,477,481	1,135,000	92,056	5,597,461
2021	530,000	180,500	120,000	39,738	2,120,000	1,377,311	1,165,000	60,431	5,592,980
2022	560,000	152,160	125,000	33,429	2,225,000	1,271,866	1,195,000	27,981	5,590,436
2023	590,000	121,744	130,000	26,765	2,340,000	1,157,741	420,000	5,775	4,792,025
2024	620,000	89,225	140,000	19,610	2,460,000	1,036,511	-	-	4,365,346
2025	655,000	54,959	145,000	12,058	2,590,000	905,794	-	-	4,362,811
2026	695,000	18,678	155,000	4,108	2,735,000	764,303	-	-	4,372,089
2027	-	-	-	-	2,885,000	611,463	-	-	3,496,463
2028	-	-	-	-	3,050,000	448,250	-	-	3,498,250
2029	-	-	-	-	3,220,000	275,825	-	-	3,495,825
2030	-	-	-	-	3,405,000	93,638	-	-	3,498,638
	<u>\$ 6,715,000</u>	<u>\$ 2,535,869</u>	<u>\$1,500,000</u>	<u>\$ 560,334</u>	<u>\$ 39,355,000</u>	<u>\$ 20,093,161</u>	<u>\$10,105,000</u>	<u>\$ 1,356,506</u>	<u>\$ 82,220,870</u>

Year	Affordable Housing Bonds, All Series								Total
	2001B		2002B		2004B		2004D		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2014	240,000	158,428	175,000	131,120	190,000	166,666	40,000	37,220	1,138,434
2015	250,000	144,583	185,000	121,308	200,000	158,010	45,000	35,221	1,139,122
2016	265,000	129,773	195,000	110,760	205,000	148,769	45,000	33,073	1,132,375
2017	285,000	113,538	205,000	99,150	215,000	138,869	50,000	30,768	1,137,325
2018	300,000	95,988	220,000	86,400	230,000	127,959	50,000	28,293	1,138,640
2019	320,000	77,188	235,000	72,750	240,000	116,209	55,000	25,668	1,141,815
2020	340,000	56,975	250,000	58,200	255,000	103,674	55,000	22,918	1,141,767
2021	360,000	35,313	265,000	42,750	265,000	90,250	60,000	19,998	1,138,311
2022	385,000	12,031	280,000	26,400	280,000	76,080	65,000	16,779	1,141,290
2023	-	-	300,000	9,000	295,000	60,872	65,000	13,383	743,255
2024	-	-	-	-	310,000	44,613	70,000	9,805	434,418
2025	-	-	-	-	330,000	27,413	75,000	5,963	438,376
2026	-	-	-	-	345,000	9,272	75,000	1,988	431,260
2027	-	-	-	-	-	-	-	-	-
	<u>\$ 2,745,000</u>	<u>\$ 823,817</u>	<u>\$2,310,000</u>	<u>\$ 757,838</u>	<u>\$ 3,360,000</u>	<u>\$ 1,268,656</u>	<u>\$ 750,000</u>	<u>\$ 281,077</u>	<u>\$ 12,296,388</u>



**UPTOWN DEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7 - Prior Period Adjustment to Net Position**

The implementation of GASB 65 required that the previous year’s government-wide financial statements net assets be adjusted to the deferred bond issue costs carried from previous bond issues. Accordingly, beginning government-wide net assets for the year ended June 30, 2012 have been restated and are \$1,236,761 less than previously reported:

Beginning net position, as reported	\$ (39,081,149)
Change due to implementation of GASB 65	<u>(1,236,761)</u>
Beginning net position, as restated	<u><u>\$ (40,317,910)</u></u>

**Note 8 - Contract Tax Increment Revenues**

On December 15, 1999, the City of Houston (the “City”) acting under provisions of Chapter 311, Texas Tax Code, created the Tax Increment Reinvestment Zone No. 16 (the “Zone”) to promote development of the Uptown area. The Zone terminates December 31, 2029, or earlier, if all outstanding debt has been paid in full. Incremental ad valorem taxes on property located in the Zone are deposited into a “Tax Increment Fund” at the City. These funds are used to repay bonds sold to fund improvements that will significantly enhance the values of taxable real property in the Zone. The City, on behalf of the Zone, remits all monies in the Tax Increment Fund less administrative fees to the Authority by July 1st of each year.

During the year ended June 30, 2013, the Authority received \$26,077,434 in tax increment revenues as follows:

**Tax Increment Revenues**

	<u>City of Houston</u>	<u>Houston ISD</u>	<u>Total</u>
Total tax increments	\$ 14,484,045	\$ 11,593,389	\$ 26,077,434
Retainage for administrative costs	(724,202)	(25,000)	(749,202)
Set-aside for educational facilities	-	(3,873,524)	(3,873,524)
Net received	<u>\$ 13,759,843</u>	<u>\$ 7,694,866</u>	<u>\$ 21,454,709</u>

As required by statute, the City dedicates one-third of the tax increments for affordable housing in other areas of the City during the term of the Zone. This affordable housing activity is considered a part of the general mobility plan of the Authority.

The Authority is dependent upon the tax increments revenues.

## UPTOWN DEVELOPMENT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### **Note 9 - Contracts**

The Authority has entered into various contracts in the course of performing its duties. Summaries of the Authority's significant contracts follow:

##### ***Tri Party Agreement***

In 1999 an agreement between the City, the Zone and the Authority was approved and executed by each of the parties. This agreement sets forth the duties and responsibilities of each party. The Authority agrees to manage the affairs and activities of the Zone. It also has the authority to acquire and develop land and to issue bonds, notes or other obligations. The Authority is required to use all monies received from the Zone to 1) pay principal and interest on any obligations and 2) pay administrative costs. The City and the Zone are required to establish a Tax Increment Fund and deposit into it appropriate tax increment revenues. These funds are required to be remitted to the Authority no later than July 1st of each year.

##### ***Agreement with Harris County Improvement District No. 1***

The Authority and the Harris County Improvement District No. 1 (the "District") have entered into an agreement whereby the District provides administrative, management and special services to the Zone and the Authority. During the year ended June 30, 2013, the Authority remitted \$455,216 to the District. This amount consisted of \$100,008 for operating and administrative costs, \$200,000 for traffic control and mobility and \$155,207 for project management.

#### **Note 10 - 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; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage and no settlements.

#### **Note 11 - Commitments**

At year-end, the Authority had commitments outstanding in the form of contracts of approximately \$5 million for construction projects including Guilford Street reconstruction, new intersections on Post Oak Boulevard and pedestrian improvements.

**OTHER SUPPLEMENTARY INFORMATION**

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**UPTOWN DEVELOPMENT AUTHORITY**

**COMBINED FUNDS - BUDGET TO ACTUAL**

**June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Budgetary fund balance, beginning of the year	\$ 15,056,311	\$ 15,056,311	\$ 16,658,535	\$ 1,602,224
<b>Resources</b>				
Incremental property tax	24,452,161	24,452,161	26,077,435	1,625,274
Miscellaneous	50,000	50,000	75,660	25,660
Grant proceeds	5,603,688	5,603,688	3,075,961	(2,527,727)
Line of credit (HCID #1 to UDA)	3,500,000	3,500,000	805,000	(2,695,000)
Total revenues/other resources	<u>48,662,160</u>	<u>48,662,160</u>	<u>46,692,591</u>	<u>(1,969,569)</u>
<b>Expenditures</b>				
Management and consulting services	655,000	655,000	678,781	23,781
Project costs and capital expenditures	10,310,535	10,310,535	7,801,178	(2,509,357)
Zone Administration	670,082	670,082	749,202	79,120
Debt service:				
Principal	3,530,000	3,530,000	3,505,000	(25,000)
Interest	3,194,295	3,194,295	3,195,224	929
Line of credit	3,500,000	3,500,000	-	(3,500,000)
Educational facilities transfer	3,859,840	3,859,840	3,873,524	13,684
Affordable housing transfer	7,015,556	7,015,556	7,292,584	277,028
Total use of resources	<u>32,735,308</u>	<u>32,735,308</u>	<u>27,095,493</u>	<u>(5,639,815)</u>
Budgetary fund balance, end of year	<u>\$ 15,926,852</u>	<u>\$ 15,926,852</u>	<u>\$ 19,597,098</u>	<u>\$ 3,670,246</u>

Explanation of Differences between Budgetary Inflows and GAAP Revenues

Sources/Inflows of Resources:

Actual Amounts (Budgetary Basis)	\$ 46,692,591
Differences - Budget to GAAP:	
The Fund Balance at the Beginning of the Year is a Budgetary Resource but is not a Current Year Revenue for Financial Reporting Purposes	(16,658,535)
Budgetary Revenues include Line of Credit from Capital One Bank while the Authority's Funds Report Revenues Net of This Transfer	<u>(805,000)</u>

Total Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Total Governmental Funds

\$ 29,229,055

Uses/Outflows of Resources:

Actual Amounts (Budgetary Basis)	\$ 27,095,493
Differences - Budget to GAAP:	
Debt Servicing Fees	25,369
Budgetary Expenditures include Line of Credit from Harris County Improvement District #1 while the Authority's Funds Report Expenditures Net of This Transfer	<u>-</u>

Total Expenditures as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Total Governmental Funds

\$ 27,120,862

**UPTOWN DEVELOPMENT AUTHORITY**

**OPERATING EXPENSES, CAPITAL EXPENDITURES AND PROJECT PLAN  
RECONCILIATION**

**For the Year Ended June 30, 2013**

**TIRZ #16 Uptown Development Authority**

**FY13 OPERATING EXPENSES**

<i>Category</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>TIRZ ADMINISTRATION AND OVERHEAD</b>				
Administration (salary and benefits)	HCID No. 1	\$ 60,000	\$ 60,000	\$ -
Administration Consultant				
Office Expenses	HCID No. 1	10,000	10,000	-
Insurance	Highpoint Insurance	75,000	74,132	(868)
Accounting	HCID No. 1	15,000	15,000	-
Auditor	Whitley Penn, LLP	14,000	14,265	265
Property Account Consultant		-	-	-
COH Municipal Charge		446,000	446,000	-
Bond Trustee		-	-	0
Financial Advisor		-	-	0
<b>Subtotal</b>		<b>\$ 620,000</b>	<b>\$ 619,397</b>	<b>\$ (603)</b>
<b>PROGRAM AND PROJECT CONSULTANTS</b>				
Legal	Seachrist & Duckers	15,000	44,384	29,384
	Allen Boone Humphries	-	-	-
In-House Legal Counsel		15,000	15,000	-
Architect Consultants		-	-	-
Engineering Consultants		-	-	-
Project Management Consultants		-	-	-
Construction Audits		5,000	-	(5,000)
Other Professional Services		-	-	-
<b>Subtotal</b>		<b>\$ 35,000</b>	<b>\$ 59,384</b>	<b>\$ 24,384</b>
<b>Total Management Consulting Services</b>		<b>\$ 655,000</b>	<b>\$ 678,781</b>	<b>\$ 23,781</b>

**UPTOWN DEVELOPMENT AUTHORITY**

**OPERATING EXPENSES, CAPITAL EXPENDITURES AND PROJECT PLAN  
RECONCILIATION (continued)**

**For the Year Ended June 30, 2013**

<i>Project</i>	<i>Vendor</i>	<b>FY13 CAPITAL EXPENDITURES</b>		
		<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>Project 1: Advance Traveler Information System</b>				
		\$ 50,000	\$ -	\$ -
Engineering Services		-	-	-
Architectural Services		-	-	-
Construction Management	Walter P Moore	-	8,960	-
Construction Costs	Transcore	-	-	-
Project Management	HCID No. 1	-	-	-
Program Financing		-	-	-
Other Professional Services		-	-	-
<b>Subtotal</b>		<b>\$ 50,000</b>	<b>\$ 8,960</b>	<b>\$ (41,040)</b>
<b>Project 2: Area Intersection and Signalization</b>				
		2,200,000	-	
Engineering Services	Gerry DeCamp	-	-	
	TEAL Engineering	-	9,297	
	Walter P Moore	-	-	
	Gunda	-	-	
	Lina T. Ramey	-	-	
	SWA Group	-	-	
Architectural Services				
Construction Management	Gunda	-	47,804	
Construction Costs	Reytec Construction	-	109,398	
	Jerdon Enterprise LLC	-	240,422	
	Traffic Systems Construction	-	-	
Project Management	HCID No. 1	-	22,523	
Program Financing				
Other Professional Services				
<b>Subtotal</b>		<b>\$ 2,200,000</b>	<b>\$ 429,444</b>	<b>\$ (1,770,556)</b>

**UPTOWN DEVELOPMENT AUTHORITY**

**OPERATING EXPENSES, CAPITAL EXPENDITURES AND PROJECT PLAN  
RECONCILIATION (continued)**

**For the Year Ended June 30, 2013**

<i>Project</i>	<i>Vendor</i>	<b>FY13 CAPITAL EXPENDITURES</b>		
		<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>Project 3: Right of Way</b>		\$ 200,000	\$ -	\$ -
Engineering Services		-	-	-
Architectural Services		-	-	-
Construction Management		-	-	-
Construction Costs		-	-	-
Program Financing		-	-	-
Other Professional Services	Andrews Kurth	-	59,489	-
	Fulbright & Jaworski	-	-	-
	Lina T. Ramey & Assoc(surveying)	-	-	-
	Integra Realty Resources	-	-	-
	Lewis Realty	-	-	-
	Stewart Title	-	20,123	-
	Houston Chjronicle	-	43,984	-
<b>Subtotal</b>		<b>\$ 200,000</b>	<b>\$ 123,596</b>	<b>\$ (76,404)</b>
<b>Project 4: Guilford Reconstruction</b>		1,100,000	-	-
Engineering/Design Services	Kirst Kosmoski	-	10,341	-
	SWA Group	-	3,640	-
Architectural Services				
Construction Management	Cobb Fendley	-	52,929	-
Construction Costs	Reytec Construction	-	795,245	-
	Traffic Systems	-	-	-
	City of Houston	-	4,162	-
Project Management	HCID No. 1	-	67,658	-
Program Financing		-	-	-
Other Professional Services		-	-	-
<b>Subtotal</b>		<b>\$ 1,100,000</b>	<b>\$ 933,975</b>	<b>\$ (166,025)</b>



**UPTOWN DEVELOPMENT AUTHORITY**

**OPERATING EXPENSES, CAPITAL EXPENDITURES AND PROJECT PLAN  
RECONCILIATION (continued)**

**For the Year Ended June 30, 2013**

		<b>FY13 CAPITAL EXPENDITURES</b>		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>Project 5: Area Pedestrian Improvements</b>		\$ 5,485,535	\$ -	\$ -
Engineering Services	Kirst Kosmoski		5,247	-
	Lina T Ramey	-	-	-
Architectural Services	SWA Group	-	-	-
Construction Management	SWA Group	-	374,250	-
	Cobb Fendley	-	50,937	-
	Gunda	-	325,831	-
	John A Horton	-	1,181	-
Construction Costs	Jerdon Enterprises LLC	-	1,884,302	-
	Reytec Construction	-	2,296,517	-
	Pfeiffer & Sons	-	69,541	-
	Tyco Electric	-	-	-
	Utility Companies	-	4,881	-
Project Management	HCID No. 1	-	337,841	-
Program Financing		-	21,933	-
Other Professional Services	Goodman	-	31,300	-
		-	-	-
	<b>Subtotal</b>	<b>\$ 5,485,535</b>	<b>\$ 5,403,761</b>	<b>\$ (81,774)</b>
<b>Project 6: Post Oak Boulevard Reconstruction</b>		100,000	-	-
Design Services	SWA Group	-	115,644	-
	Stantec	-	13,658	-
Traffic Engineering Design	Gunda Corp	-	51,575	-
Architectural Services		-	-	-
Construction Management		-	-	-
Project Management	HCID No. 1	-	22,523	-
Construction Costs	Reytec Construction	-	145,465	-
Other Professional Services	Euclid	-	4,500	-
	Goodman	-	64,659	-
	Bill Lee Land Consulting	-	36,000	-
	<b>Subtotal</b>	<b>\$ 100,000</b>	<b>\$ 454,024</b>	<b>\$ 354,024</b>
<b>Project 7: Woodway Drainage</b>		750,000	-	-
Engineering Services	AECOM	-	20,107	-
Architectural Services		-	-	-
Construction Management	Cobb Fendley & Associates	-	-	-
Construction Costs	Gulfcoast Pavers	-	89,962	-

**UPTOWN DEVELOPMENT AUTHORITY**

**OPERATING EXPENSES, CAPITAL EXPENDITURES AND PROJECT PLAN  
RECONCILIATION (continued)**

**For the Year Ended June 30, 2013**

		<b>FY13 CAPITAL EXPENDITURES</b>		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Program Financing				
Other Professional Services	Kirst Kosmoski	-	19,277	-
	John Horton	-	1,314	-
<b>Subtotal</b>		<b>\$ 750,000</b>	<b>\$ 130,660</b>	<b>\$ (619,340)</b>
		<b>FY13 CAPITAL EXPENDITURES</b>		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>Project 8: Lynn Street</b>		\$ 75,000	\$ -	\$ -
Engineering Services	Walter P Moore	-	-	-
	Kirst Kosmoski	-	-	-
Architectural Services				
Construction Management				
Construction Costs	PDV Partners	-	-	-
Other Professional Services	SWA Group	-	-	-
<b>Subtotal</b>		<b>\$ 75,000</b>	<b>\$ -</b>	<b>\$ (75,000)</b>
<b>Project 9: Water Wall Park</b>		350,000	-	-
Engineering /Design Services	SWA Group	-	67,732	-
	Comm Arts	-	-	-
Architectural Services		-	-	-
Construction Management		-	-	-
Construction Costs/ Purchase		-	-	-
Maintenance/Operation		-	249,026	-
Other Professional Services		-	-	-
<b>Subtotal</b>		<b>\$ 350,000</b>	<b>\$ 316,758</b>	<b>\$ (33,242)</b>
<b>Total Capital Expenditures</b>		<b>\$ 10,310,535</b>	<b>\$ 7,801,178</b>	<b>\$ (2,509,357)</b>

**UPTOWN DEVELOPMENT AUTHORITY**

**OPERATING EXPENSES, CAPITAL EXPENDITURES AND PROJECT PLAN  
RECONCILIATION (continued)**

**For the Year Ended June 30, 2013**

**PROJECT PLAN RECONCILIATION**

	<i>*Project Plan Amount</i>	<i>Beginning</i>	<i>Current Year Expenditures</i>	<i>Expenditures to Date</i>	<i>Variance</i>
<b>Non-Education Projects</b>					
<b>Improve Existing Streets</b>	\$ 66,000,000	\$ 65,872,460	\$ -	\$ 65,872,460	\$ 127,540
<b>Create Street Grid Network</b>	15,000,000	14,011,162	-	14,011,162	988,838
<b>Improve Intersections</b>	12,000,000	11,147,748	-	11,147,748	852,252
<b>Parking Management Program</b>	52,000,000	-	-	-	52,000,000
<b>Pedestrian Network</b>	20,000,000	19,510,975	-	19,510,975	489,025
<b>Roadways, Streets, Sidewalks, Lighting</b>	186,000,000	-	7,484,420	7,484,420	178,515,580
<b>Public Utilities</b>	94,000,000	-	-	-	94,000,000
<b>Land Acquisition</b>	37,000,000	-	-	-	37,000,000
<b>Cultural and Public Facility Improvemen</b>	46,000,000	-	-	-	46,000,000
<b>Memorial Park Improvements</b>	100,000,000	-	-	-	100,000,000
<b>Parks</b>	41,000,000	9,422,124	316,758	9,738,882	31,261,118
<b>Subtotal</b>	<b>\$ 669,000,000</b>	<b>\$ 119,964,469</b>	<b>\$ 7,801,178</b>	<b>\$ 127,765,647</b>	<b>\$ 541,234,353</b>
<b>Education Projects</b>	\$ 129,000,000	\$ 24,042,516	\$ 3,873,524	\$ 27,916,040	\$ 101,083,960
<b>Affordable Housing</b>	\$ 452,000,000	\$ 59,877,675	\$ 7,292,584	\$ 67,170,259	\$ 384,829,741
<b>Zone Administration / Operations</b>	\$ 15,000,000	\$ 4,180,483	\$ 678,781	\$ 4,859,264	\$ 10,140,736
<b>Total Project Plan</b>	<b>\$ 1,265,000,000</b>	<b>\$ 208,065,143</b>	<b>\$ 19,646,067</b>	<b>\$ 227,711,210</b>	<b>\$ 1,037,288,790</b>

\* Project Plan Amendment in February 2013