

**UPTOWN DEVELOPMENT AUTHORITY**

**FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

**For the Fiscal Year Ended June 30, 2020  
with Independent Auditor's Report**



**UPTOWN DEVELOPMENT AUTHORITY**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Uptown Development Authority  
Houston, Texas

### 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, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

To the Board of Directors  
Uptown Development Authority

## **Opinion**

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, 2020, 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.

## **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 3 through 10 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 Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Funds – Budget and Actual, and the Operating Expenditures, Capital Expenditures and Project Plan Reconciliation on pages 36 through 40 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Funds – Budget and Actual, and the Operating Expenditures, 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 Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Funds – Budget and Actual, and the Operating Expenditures, Capital Expenditures and Project Plan Reconciliation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Whitley Penn LLP*

Houston, Texas  
September 30, 2020

## **UPTOWN DEVELOPMENT AUTHORITY**

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

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, 2020.

The Authority is a special-purpose government and 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. The Authority's programs involve 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 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 the Authority's assets, liabilities and deferred 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 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.

#### **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 the funds of the Authority are considered governmental funds.

**UPTOWN DEVELOPMENT AUTHORITY**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

**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 Fund and the Debt Service Funds. All funds are major funds.

The Authority adopts an annual appropriated budget for all 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.

**Government-wide Financial Analysis**

In the government-wide statements, the difference between assets, deferred outflows, 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, 2020. The Authority continues to have a deficit net position because the Authority incurs long-term debt to pay for parks and general mobility improvements that are ultimately conveyed to the City of Houston, but the debt incurred to create them remains the responsibility of the Authority. The cumulative assets transferred for mobility and park improvements without the attendant debt totals over \$422 million. 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.



**UPTOWN DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

A comparative schedule of net position at June 30, 2020 and 2019 follows:

	<u>2020</u>	<u>2019<sup>2</sup></u>
Current and other assets	\$ 57,661,478	\$ 86,324,771
Capital assets, net	42,039,983	33,183,038
<b>Total Assets</b>	<u>99,701,461</u>	<u>119,507,809</u>
 <b>Deferred Outflows of Resources</b>		
Deferred charge on refunding	2,363,840	2,645,847
<b>Total deferred outflows of resources</b>	<u>2,363,840</u>	<u>2,645,847</u>
Accounts payable and other liabilities	28,101,734	33,519,776
Long-term liabilities	222,226,123	226,806,314
<b>Total Liabilities</b>	<u>250,327,857</u>	<u>260,326,090</u>
 <b>Net Position</b>		
Net investment in capital assets	25,987,828	18,127,283
Restricted for capital projects	-	21,026,198
Restricted for debt service	31,857,891	31,778,797
Unrestricted (deficit)	(206,108,275)	(209,104,712)
<b>Total Net Position (Deficit)<sup>1</sup></b>	<u>\$ (148,262,556)</u>	<u>\$ (138,172,434)</u>

<sup>1</sup>The deficit net position is due to project assets being conveyed to the City of Houston. The cumulative assets transferred to the City total over \$422 million (see page 40) for mobility and park improvements.

<sup>2</sup>During fiscal year 2020, the prior year capital assets and net investment in capital asset amounts were adjusted to add \$23,162,700 in construction in progress for the Uptown Transit Center and Transit Stations. See Note 13 for more information.

Total assets decreased by \$19,806,348 from the prior year due to funds expended for construction projects for the Authority, the City of Houston, and the Metropolitan Transit Authority of Harris County ("METRO"). Capital outlay on behalf of the City of Houston and METRO are not Authority assets and therefore will not be reflected in the Authority's statement of net position. Liabilities decreased by \$9,998,233 due to payments on long-term liabilities during the period as well as less amounts payable to vendors at the end of the year with decreasing construction projects.

**UPTOWN DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The total net deficit of the Authority increased by \$10,090,122 during the current fiscal year. A comparative summary of the Authority's statement of activities for the past two years is as follows:

	<u>2020</u>	<u>2019<sup>1</sup></u>
<b>Revenues</b>		
<b>Program Revenues:</b>		
Capital grants and contributions	\$ 4,718,640	\$ 23,798,868
<b>General Revenues:</b>		
Contract tax increment	46,207,109	45,587,872
Investment earnings	704,790	1,014,507
<b>Total Revenues</b>	<u>51,630,539</u>	<u>70,401,247</u>
<b>Expenses</b>		
General government	7,357,607	7,359,955
Affordable housing	13,751,894	13,567,548
Educational Facilities	5,746,202	5,379,296
Interest on long-term debt	7,765,255	8,755,848
Capital outlay on behalf of City of Houston	23,320,010	34,432,415
Capital outlay on behalf of TxDOT	-	10,070,000
Capital outlay on behalf of METRO	3,227,358	-
Depreciation	552,335	574,385
<b>Total Expenses</b>	<u>61,720,661</u>	<u>80,139,447</u>
Increase (decrease) in net position	(10,090,122)	(9,738,200)
<b>Net position (deficit) - beginning, as restated</b>	<u>(138,172,434)</u>	<u>(128,434,234)</u>
<b>Net position (deficit) - ending</b>	<u>\$ (148,262,556)</u>	<u>\$ (138,172,434)</u>

<sup>1</sup>The capital outlay on behalf of City of Houston and net position were adjusted for the 2019 presentation to add \$23,162,700 in construction in progress for the Uptown Transit Center and Transit Stations. See Note 13 for more information.

Contract tax increment revenues increased by \$619,237 from the previous year as fiscal year 2019 had larger than normal levels of adjustments for prior year taxes due to protests and settlements. Total expenses were \$61,720,661 in the current year, which is decrease of \$18,418,786 from the previous year due to decreased spending for capital projects due to completion of the Post Oak Boulevard. Additionally, the Central Connector project in Memorial Park is in the design phase. The municipal services fee included in the general government line above to the City of Houston is \$5.5 million.

**UPTOWN DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**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. 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 \$32,027,135 which was a \$23,318,518 decrease in comparison with the prior year. Approximately \$34.3 million is restricted for debt service. The Capital Projects fund balance deficit at the end of the fiscal year was \$2,610,475. This decrease is due to spending for capital projects in the year to support the completion of Post Oak Boulevard and the Transit Center, as well as continue the Memorial Park project. The Authority uses the capital projects fund for infrastructure improvements in the area.

The final budget to actual results for the capital program cost were \$5.7 million over budget. This is due to additional expenditures for the Post Oak Boulevard project south of Fairdale (after TxDOT completed their construction). Additionally, tax revenues were slightly lower due to property account litigation settlements and lower COH tax rate lower due to capped revenues.

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

	<b>2020</b>	<b>Increase (Decrease)</b>	<b>2019</b>	<b>Increase (Decrease)</b>	<b>2018</b>
Capital Projects	\$ (2,610,475)	\$ (23,555,292)	\$ 20,944,817	\$ (11,851,416)	\$ 32,796,233
Debt Service	32,210,442	208,551	32,001,891	3,828,661	28,173,230
Affordable Housing					
Special Revenue	312,328	230,947	81,381	27,396	53,985
Affordable Housing					
Debt Service	2,114,840	(202,724)	2,317,564	(19,861)	2,337,425
	<u>\$ 32,027,135</u>	<u>\$ (23,318,518)</u>	<u>\$ 55,345,653</u>	<u>\$ (8,015,220)</u>	<u>\$ 63,360,873</u>

**UPTOWN DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**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>2020</u>	<u>2019<sup>1</sup></u>
Capital assets not being depreciated:		
Land and improvements	\$ 17,100,865	\$ 17,100,865
Construction in progress	-	15,142,875
	<u>17,100,865</u>	<u>32,243,740</u>
Capital assets being depreciated:		
ATIS Equipment	898,317	898,317
Pedestrian Lights	5,117,275	5,117,275
Transit Center	18,490,240	-
Transit Stations	6,061,915	-
	<u>30,567,747</u>	<u>6,015,592</u>
Less accumulated depreciation	<u>(5,628,629)</u>	<u>(5,076,294)</u>
	<u>24,939,118</u>	<u>939,298</u>
Capital assets, net of accumulated depreciation	<u>\$ 42,039,983</u>	<u>\$ 33,183,038</u>

<sup>1</sup>As restated for the Uptown Transit Center. See Note 13 for more information.

The Authority completed the Uptown Transit Center and Transit Stations in fiscal year 2020 which resulted in the increase to depreciable assets. Additional information on the Authority's capital assets can be found in Note 4.

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, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Tax increment contract revenue bonds payable	\$ 76,575,000	\$ 79,495,000
Tax increment contract revenue bonds payable from direct borrowings and direct placements	125,675,000	132,305,000
Notes from direct borrowings and direct placements	5,644,135	2,600,000
Due to project development agreements	10,689,903	8,610,228
	<u>218,584,038</u>	<u>223,010,228</u>
Less unamortized discount on bonds payable	(75,316)	(100,108)
Plus unamortized premium on bonds payable	3,717,401	3,896,194
	<u>\$ 222,226,123</u>	<u>\$ 226,806,314</u>

Additional information on the Authority's long-term debt can be found in Note 5.

**UPTOWN DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**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 17<sup>th</sup> largest business district in the United States: comparable to Denver and Cleveland. With over 29 million square feet of total office space in its market area, Uptown accounts for over 13.7% of Houston MSA’s total ‘Class A’ office space with over 20 million square feet. There are 127,000 office employees in the Uptown market area. At the end of the fourth quarter, 2019 class A office space was 79.62% leased, similar to Houston’s total Class A office market with occupancy at 80.52%.

The 2019 certified values for the office sector were up slightly from the previous year. Zadok is constructing a 112,000 SF mixed-use development within TIRZ boundaries which includes 68,000 SF of office. It is expected to deliver early 2021. The Uptown market welcomed Park Place Tower, a 210,000 SF office tower. Also, in the market area 4411 San Felipe, an 80,000 SF officer tower, is expected to begin construction Q1 of 2021.

**Retail**

Uptown continues to be synonymous with high-end shopping and is known as a world-renowned center for retail. Ad valorem values for the retail sector for 2019 were up slightly from the previous year. Retail was 98% leased as of Q4 2019. This market maintained as The Galleria is the fourth largest retail center in the United States. Within the Uptown TIRZ, Zadok’s mixed-use development will deliver 44,000 SF of retail space in early 2021. Dinerstein’s project with retail at ground level, as well as other smaller projects will deliver 25,000 SF in 2021. Uptown Park continues extensive modernization of their retail center bringing in both new retail stores as well as restaurants. In the Uptown market area, Park Place Tower will add an additional 20,000SF to the market. 4411 San Felipe, construction beginning in Q1 2021, will have 15,000SF.

**Hotel**

Uptown now has 38 first quality hotels in the area, offering almost 8,300 rooms for guests. Landry’s 36 story mixed-use development, “The Post Oak” is now open and recently received Texas’ only AAA Double Five-Diamond hotel rating. In the market area, American Liberty Hospitality is constructing a dual-branded Staybridge Suites/ Holiday Inn Express with 319 rooms to deliver Q4 of 2020.

The area’s RevPAR (revenues per available room) for 2019 Q4 is \$101.78 in comparison to the Houston Central Business District at \$123.40. The RevPAR for Houston City-wide is \$64.19. Uptown Houston also boasts one of the highest occupancy rates in the city at 67.6%, while the Houston City-wide occupancy rate was 63% at the end of the fourth quarter, 2019.

**UPTOWN DEVELOPMENT AUTHORITY**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

**Residential**

In 2019, Uptown market saw residential projects delivered including The Reverie at River Hollow (304 apartment units) and the Gables Westcreek (302 apartment units). Now under construction is Bowen River Oaks, a 400 units project by Lennar. Within the TIRZ boundaries, the signature Aspire Post Oak apartments by Dinerstein (388 units) is under construction and scheduled to be delivered in 2021. Uptown Houston is one of the most prestigious and desirable areas to live.

The economic outlook is relatively stable in Uptown. There continues to be new development within the TIRZ boundaries and in the market area. 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 District.

**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 #1700, Houston, Texas 77056.

## **BASIC FINANCIAL STATEMENTS**

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**UPTOWN DEVELOPMENT AUTHORITY****STATEMENT OF NET POSITION***June 30, 2020***Assets**

Cash and temporary investments	\$ 29,672,846
Tax increment receivable	27,649,952
Due from other governments	123,372
Other receivables	215,308
Land	17,100,865
Other capital assets, net	<u>24,939,118</u>
Total Assets	<u>99,701,461</u>

**Deferred Outflows of Resources**

Deferred charge on refunding	<u>2,363,840</u>
Total deferred outflows of resources	<u>2,363,840</u>

**Liabilities**

Accounts payable and accrued expenses	10,935,119
Due to other governments	14,699,224
Accrued interest	2,467,391
Long-term liabilities:	
Due within one year	16,363,536
Due in more than one year	<u>205,862,587</u>
Total liabilities	<u>250,327,857</u>

**Net Position**

Net investment in capital assets	25,987,828
Restricted for debt service	31,857,891
Unrestricted (deficit)	<u>(206,108,275)</u>
Total net position (deficit)	<u>\$ (148,262,556)</u>

**UPTOWN DEVELOPMENT AUTHORITY**  
**STATEMENT OF ACTIVITIES**  
*For the Year Ended June 30, 2020*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue Capital Grants and Contributions</b>	<b>Net Expense</b>
General government	\$ 7,357,607	\$ -	\$ (7,357,607)
Affordable housing	13,751,894	-	(13,751,894)
Education Facilities	5,746,202	-	(5,746,202)
Interest and other charges	7,765,255	-	(7,765,255)
Uptown Transit Center Project	-	2,092,536	2,092,536
Capital outlay on behalf of the City of Houston	23,320,010	2,626,104	(20,693,906)
Capital outlay on behalf of METRO	3,227,358	-	(3,227,358)
Depreciation	552,335	-	(552,335)
<b>Totals</b>	<b>\$ 61,720,661</b>	<b>\$ 4,718,640</b>	<b>(57,002,021)</b>
<b>General revenues</b>			
Contract tax increment revenues			46,207,109
Unrestricted investment earnings			704,790
			<u>46,911,899</u>
Change in net position			(10,090,122)
Net position (deficit) - beginning, as restated			<u>(138,172,434)</u>
Net position (deficit) - ending			<u><u>\$ (148,262,556)</u></u>

**UPTOWN DEVELOPMENT AUTHORITY**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2020

	Capital Projects	Debt Service	Affordable Housing		Total Governmental Funds
			Special Revenue	Debt Service	
<b>Assets</b>					
Cash and temporary investments	\$ 11,829,295	\$ 16,568,382	\$ 83,489	\$ 1,191,680	\$ 29,672,846
Due from other funds	5,035	-	5,665,348	-	5,670,383
Tax increment receivable	2,786,206	15,647,095	8,293,491	923,160	27,649,952
Due from other governments	123,372	-	-	-	123,372
Other receivables	215,308	-	-	-	215,308
Total assets	<u>\$ 14,959,216</u>	<u>\$ 32,215,477</u>	<u>\$ 14,042,328</u>	<u>\$ 2,114,840</u>	<u>\$ 63,331,861</u>
<b>Liabilities:</b>					
Accounts payable	\$ 10,935,119	\$ -	\$ -	\$ -	\$ 10,935,119
Due to other funds	5,665,348	5,035	-	-	5,670,383
Due to other governments	969,224	-	13,730,000	-	14,699,224
Total liabilities	<u>17,569,691</u>	<u>5,035</u>	<u>13,730,000</u>	<u>-</u>	<u>31,304,726</u>
<b>Fund balances (deficits):</b>					
Restricted:					
Debt service	-	32,210,442	-	2,114,840	34,325,282
Affordable Housing	-	-	312,328	-	312,328
Unassigned	(2,610,475)	-	-	-	(2,610,475)
Total fund balances (deficits)	<u>(2,610,475)</u>	<u>32,210,442</u>	<u>312,328</u>	<u>2,114,840</u>	<u>32,027,135</u>
Total liabilities and fund balances (deficits)	<u>\$ 14,959,216</u>	<u>\$ 32,215,477</u>	<u>\$ 14,042,328</u>	<u>\$ 2,114,840</u>	<u>\$ 63,331,861</u>

**UPTOWN DEVELOPMENT AUTHORITY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
*June 30, 2020*

**Total fund balance, governmental funds** \$ 32,027,135

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

Land	\$ 17,100,865	
Other capital assets	30,567,747	
Less accumulated depreciation	(5,628,629)	
Change due to capital assets		<u>42,039,983</u>

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

Bonds payable	(202,250,000)	
Note payable to Regions	(5,644,135)	
Deferred charge on refunding	2,363,840	
Accrued interest	(2,467,391)	
Due to project development agreements	(10,689,903)	
Unamortized bond discount	75,316	
Unamortized bond premium	(3,717,401)	
Change due to long-term debt obligations		<u>(222,329,674)</u>

Net Position of Governmental Activities in the Statement of Net \$ (148,262,556)

**UPTOWN DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2020**

	<u>Affordable Housing</u>				<b>Total Governmental Funds</b>
	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Special Revenue</b>	<b>Debt Service</b>	
<b>Revenues</b>					
Incremental tax revenue	\$ 15,678,016	\$ 15,647,095	\$ 13,958,838	\$ 923,160	\$ 46,207,109
Investment earnings	351,944	312,960	24,003	15,883	704,790
Other private contributions	2,547,163	-	-	-	2,547,163
Intergovernmental revenue	2,171,477	-	-	-	2,171,477
Total revenues	<u>20,748,600</u>	<u>15,960,055</u>	<u>13,982,841</u>	<u>939,043</u>	<u>51,630,539</u>
<b>Expenditures</b>					
Current:					
Administration salaries	150,000	-	-	-	150,000
Office expenses	60,000	-	-	-	60,000
Insurance	87,017	-	-	-	87,017
Accounting	40,000	-	-	-	40,000
Auditor	19,000	-	-	-	19,000
Financial advisor	78,060	-	-	-	78,060
City of Houston, municipal charge	5,522,994	-	-	-	5,522,994
Legal	37,352	-	-	-	37,352
Parks project management	280,000	-	-	-	280,000
Other professional services	48,000	-	-	-	48,000
Educational facilities cost, transfer to other government	5,746,202	-	-	-	5,746,202
Affordable housing cost, transfer to other government	-	-	13,730,000	-	13,730,000
Other zone administration costs	1,480,261	-	-	-	1,480,261
Capital outlay on behalf of:					
Uptown Development Authority	9,409,280	-	-	-	9,409,280
City of Houston	19,865,056	-	-	-	19,865,056
METRO	3,227,358	-	-	-	3,227,358
Debt Service:					
Principal payments - bonds	-	8,650,000	-	900,000	9,550,000
Principal payments - notes	-	2,600,000	-	-	2,600,000
Interest - bonds	-	7,281,480	-	241,767	7,523,247
Interest and fees - notes	64,950	44,135	-	-	109,085
Other debt service charges	-	124	21,894	-	22,018
Developer/Project Reimbursements	1,008,262	-	-	-	1,008,262
Total expenditures	<u>47,123,792</u>	<u>18,575,739</u>	<u>13,751,894</u>	<u>1,141,767</u>	<u>80,593,192</u>
Excess of revenues over / (under) expenditures	(26,375,192)	(2,615,684)	230,947	(202,724)	(28,962,653)
<b>Other Financing Sources/Uses</b>					
Proceeds from issuance of new notes	2,819,900	180,100	-	-	3,000,000
Proceeds from issuance of rollover notes	-	2,644,135	-	-	2,644,135
Total other financing sources/uses	<u>2,819,900</u>	<u>2,824,235</u>	<u>-</u>	<u>-</u>	<u>5,644,135</u>
Net change in fund balances	(23,555,292)	208,551	230,947	(202,724)	(23,318,518)
Fund balances - beginning of year	20,944,817	32,001,891	81,381	2,317,564	55,345,653
Fund balances (deficits) - end of year	<u>\$ (2,610,475)</u>	<u>\$ 32,210,442</u>	<u>\$ 312,328</u>	<u>\$ 2,114,840</u>	<u>\$ 32,027,135</u>

**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, 2020*

Net change in fund balances - total governmental funds: \$ (23,318,518)

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 is allocated over their estimated lives as depreciation expense.

Capital outlay expenditures	\$ 9,409,280	
Depreciation expense	<u>(552,335)</u>	
Change due to capital assets		8,856,945

Governmental funds report the proceeds from the issuance of long term debt as other financing sources. In contrast, the Statement of Activities reports this as an addition to long-term liabilities. 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 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	12,150,000	
Proceeds from issuance of debt	(5,644,135)	
Decrease in accrued interest payable	73,267	
Discounts are amortized over the life of the bonds	(24,792)	
Premiums are amortized over the life of the bonds	178,793	
Deferred charge on refunding is amortized over the life of the bond	(282,007)	
Project development agreement expense	<u>(2,079,675)</u>	
		<u>4,371,451</u>
Change in net position of governmental activities		<u>\$ (10,090,122)</u>

**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**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 \$1,265,000,000 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 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

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 does not meet the definition of "restricted."



**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

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

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 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. Equipment has a useful life of 5-10 years and buildings have a useful life of 50 years.

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.

**Interfund Activity**

Transactions occur between individual funds during the normal course of operations. 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.

**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

**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.

The following fund balance classifications describe the relative strength of the spending constraints:

*Non-spendable fund balance* – amounts that are not in spendable form or are required to be maintained intact. The Authority does not have any non-spendable 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.

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.

**Deferred outflows of resources**

In addition to assets, 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.

**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

**New Accounting Standards**

In the current fiscal year, the Authority implemented the following new standard. The applicable provisions of the new standard are summarized below.

GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The Statement establishes criteria for identifying fiduciary activities with a focus generally on (1) whether an Authority controls the assets of the fiduciary activities and (2) the beneficiaries with whom a fiduciary relationship exists. Additional criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement had no effect on the Authority's operations or financial statements.

**Note 2 - Deposits and Investments**

Due to the immediate availability of the funds, the Authority's investments at June 30, 2020 are included in cash and temporary investments. At year end, the Authority's cash, temporary investments, and investments were comprised of the following:

	Capital Projects	Debt Service	Affordable Housing		Total
			Special Revenue	Debt Service	
Demand Deposits	\$ 396,636	\$ 352,303	\$ -	\$ -	\$ 748,939
Government Money					
Market Mutual Funds	11,432,659	16,216,079	83,489	1,191,680	28,923,907
<b>Total</b>	<u>\$ 11,829,295</u>	<u>\$ 16,568,382</u>	<u>\$ 83,489</u>	<u>\$ 1,191,680</u>	<u>\$ 29,672,846</u>

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments	Fair Market Value	Weighted Average Maturity (Days)	Fair Value Measurement	Standard & Poor's Rating
Government Money				
Market Mutual Funds	\$ 28,923,907	34	Level 1	AAAm
<b>Total Investments</b>	<u>\$ 28,923,907</u>	34		

**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

**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 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, 2020.

**Authorized Investments**

The Authority is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) (the "PFIA") 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 to the following: 1) Obligations of the United States or its agencies and instrumentalities including Fannie Mae, Freddie Mac and the Federal Home Loan Bank, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations (CMO's) directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; Authority does not need to invest in CMO's directly. In the event that the Authority would hire a professional money manager, CMO's may be suitable, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) certificates of deposit issued by a state or national bank, or a savings bank, or a state or federal credit union that is guaranteed or insured by the Federal Deposit Insurance Corporation or the national Credit Union Share Insurance Corporation or its successor; or issued under the Certificate of Deposit Account Registry Service (CDARS) program and secured by obligations that are authorized under the PFIA, (7) repurchase agreements that comply with the PFIA, (8) bankers' acceptances that comply with the PFIA, (9) commercial paper that complies with the PFIA, (10) No-load money market mutual funds that comply with the PFIA, (11) Investment pools, provided that they comply with the PFIA.

**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.

**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 3 - 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, 2040, 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, 2020, the Authority received in tax increment revenues as follows:

	<b>City of Houston</b>	<b>Houston ISD</b>	<b>Total</b>
Total tax increment	\$ 29,105,212	\$ 17,101,897	\$ 46,207,109
Retainage for administrative costs	(1,455,261)	(25,000)	(1,480,261)
Set-aside for educational facilities	-	(5,746,202)	(5,746,202)
Net received	<u>\$ 27,649,951</u>	<u>\$ 11,330,696</u>	<u>\$ 38,980,647</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.

**Note 4 - Capital Assets**

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

	<b>Beginning Balances<sup>1</sup></b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Ending Balances</b>
Capital assets not being depreciated:					
Land	\$ 17,100,865	\$ -	\$ -	\$ -	\$ 17,100,865
Construction in progress	15,142,875	9,409,280	-	(24,552,155)	-
Total capital assets not being depreciated	<u>32,243,740</u>	<u>9,409,280</u>	<u>-</u>	<u>(24,552,155)</u>	<u>17,100,865</u>
Capital assets being depreciated:					
Equipment	6,015,592	-	-	-	6,015,592
Transit center/stations	-	-	-	24,552,155	24,552,155
Less accumulated depreciation	(5,076,294)	(552,335)	-	-	(5,628,629)
Total capital assets being depreciated	<u>939,298</u>	<u>(552,335)</u>	<u>-</u>	<u>24,552,155</u>	<u>24,939,118</u>
Capital assets, net	<u>\$ 33,183,038</u>	<u>\$ 8,856,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,039,983</u>

<sup>1</sup>Amounts presented as restated. See Note 13 for more information.

Depreciation expense in the amount of \$552,335 has been recorded in the government wide statements.

**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 4 - Capital Assets (continued)**

In accordance with an agreement between the Authority and the City of Houston (“the City”), the Authority conveys all its infrastructure improvements to the City. However, some long-lived capital assets, primarily pedestrian lights, the Uptown Transit Center, and Transit Stations are recorded with the Authority. In this fiscal year, the Uptown Transit Center and Transit Stations were capitalized to be recorded in the Authority’s records.

During the reporting period, the Authority purchased parcels of land in the amount of \$1,959,676 on behalf of the City as an infrastructure improvement to be transferred to the City upon completion of the Post Oak Boulevard project, and therefore not recorded as a capital asset addition in the Authority’s Statement of Net Position. The land purchases have been recorded in the Capital Outlay on behalf of the City of Houston expenditure account in the Statement of Activities and in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.

**Note 5 - Long Term Liabilities**

As of June 30, 2020, the Authority’s long term liabilities are comprised of the following:

	<b>Total</b>	<b>Due Within One Year</b>	<b>Due Over One Year</b>
Tax increment contract revenue bonds payable	\$ 76,575,000	\$ 3,070,000	\$ 73,505,000
Tax increment contract revenue bonds payable from direct borrowings and direct placements	125,675,000	6,835,000	118,840,000
Notes from direct borrowings and direct placements	5,644,135	5,644,135	-
Unamortized discounts on bonds payable	(75,316)	-	(75,316)
Unamortized premium on bonds payable	3,717,401	-	3,717,401
Due to project development agreements	10,689,903	814,401	9,875,502
	<u>\$ 222,226,123</u>	<u>\$ 16,363,536</u>	<u>\$ 205,862,587</u>

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

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balances</b>
Tax increment contract revenue bonds payable	\$ 79,495,000	\$ -	\$ (2,920,000)	\$ 76,575,000
Tax increment contract revenue bonds payable from direct borrowings and direct placements	132,305,000	-	(6,630,000)	125,675,000
Notes from direct borrowings and direct placements	2,600,000	5,644,135	(2,600,000)	5,644,135
Unamortized discounts on bonds payable	(100,108)	-	24,792	(75,316)
Unamortized premium on bonds payable	3,896,194	-	(178,793)	3,717,401
Due to project development agreements	8,610,228	3,087,937	(1,008,262)	10,689,903
	<u>\$ 226,806,314</u>	<u>\$ 8,732,072</u>	<u>\$ (13,312,263)</u>	<u>\$ 222,226,123</u>

The Authority has outstanding notes and bonds from direct borrowings and direct placements related to governmental activities totaling \$131,319,135. This amount is comprised of \$125,675,000 in private placement Tax Increment Contract Revenue bonds and \$5,644,135 from Subordinate Lien Variable Rate Notes.

**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5 - Long Term Liabilities (continued)**

**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 \$220,000,000 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:

<b>Series</b>	<b>Amount Outstanding</b>	<b>Original Issue</b>	<b>Interest Rates</b>	<b>Beginning/Ending Maturity Dates</b>	<b>Interest Payment Dates</b>	<b>Call Dates</b>
<b>Affordable Housing Bonds</b>						
2001B	\$ 745,000	\$ 4,670,000	4.25% - 6.00%	Sep 1, 2002 - 2021	Mar 1, Sep 1	Sep 1, 2011
2002B	845,000	3,665,000	3.00% - 6.00%	Sep 1, 2003 - 2022	Mar 1, Sep 1	Sep 1, 2012
2004B	1,825,000	4,500,000	2.60% - 5.50%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004D	410,000	1,000,000	3.30% - 5.30%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
	<u>\$ 3,825,000</u>					
<b>Infrastructure Bonds</b>						
2009	4,345,000	42,260,000	2.90% - 5.50%	Sep 1, 2011 - 2029	Mar 1, Sep 1	Sep 1, 2019
2017A	37,405,000	37,405,000	4.00% - 5.00%	Sep 1, 2033 - 2040	Mar 1, Sep 1	Sep 1, 2026
2018	31,000,000	31,000,000	4.00% - 5.00%	Sep 1, 2031 - 2040	Mar 1, Sep 1	Sep 1, 2025
	<u>\$ 72,750,000</u>					
<b>Infrastructure Bonds, Direct Borrowings and Placements</b>						
2012A	2,780,000	10,755,000	2.750%	Sep 1, 2012 - 2022	Mar 1, Sep 1	N/A
2014	41,775,000	53,195,000	3.875%	Sep 1, 2014 - 2033	Mar 1, Sep 1	Sep 1, 2023
2015	27,125,000	35,000,000	2.730%	Sep 1, 2016 - 2030	Mar 1, Sep 1	Sep 1, 2030
2016	29,020,000	32,175,000	2.360%	Sep 1, 2017 - 2029	Mar 1, Sep 1	Sep 1, 2026
2017B	24,975,000	25,095,000	2.430%	Sep 1, 2019 - 2033	Mar 1, Sep 1	N/A
	<u>\$ 125,675,000</u>					

On August 22, 2018, the Authority authorized the issuance of \$27,000,000 Subordinate Lien Tax Increment Contract Revenue Variable Rate Notes. The method is a private placement note with the net proceeds being used primarily for Memorial Park improvements. The funds related to the Note are used for the purpose of (a) financing Infrastructure Project Costs, (b) paying the costs and expenses of issuance of the Notes, including fees for professional services, (c) funding the Notes Debt Service Reserve Fund and (d) refinancing, renewing or refunding Notes and any accrued interest thereon. The notes are issued, sold, and delivered from time to time in subseries and carry an interest rate of 79% of the LIBOR Rate plus 0.72%. During the year, the activity of the note is summarized as follows:

<b>Draw</b>	<b>Issuance Date</b>	<b>Maturity Date</b>	<b>Original Issuance Amount</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
1	10/18/2018	10/18/2019	\$600,000	\$ 600,000	\$ -	\$ (600,000)	\$ -
2	5/1/2019	4/30/2020	\$2,000,000	2,000,000	-	(2,000,000)	-
3	10/18/2019	10/17/2020	\$600,000	-	600,000	-	600,000
4	2/13/2020	2/12/2021	\$3,000,000	-	3,000,000	-	3,000,000
5	4/30/2020	4/30/2021	\$2,044,135	-	2,044,135	-	2,044,135
				<u>\$ 2,600,000</u>	<u>\$ 5,644,135</u>	<u>\$ (2,600,000)</u>	<u>\$ 5,644,135</u>

**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5 - Long Term Liabilities (continued)**

All the Authority’s bonds, including direct placements and borrowings, are secured by the Authority’s pledge of certain tax increment payments received from the City of Houston and Houston Independent School District.

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:

<b>Infrastructure Bonds, All Series</b>				
<b>Year</b>	<b>2009</b>		<b>2017A</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 2,120,000	\$ 161,070	\$ -	\$ 1,721,960
2022	2,225,000	55,625	-	1,721,960
2023	-	-	-	1,721,960
2024	-	-	-	1,721,960
2025	-	-	-	1,721,960
2026	-	-	-	1,721,960
2027	-	-	-	1,721,960
2028	-	-	-	1,721,960
2029	-	-	-	1,721,960
2030	-	-	-	1,721,960
2031	-	-	-	1,721,960
2032	-	-	-	1,721,960
2033	-	-	-	1,721,960
2034	-	-	3,960,000	1,721,960
2035	-	-	4,145,000	1,357,650
2036	-	-	4,345,000	1,150,400
2037	-	-	4,565,000	922,150
2038	-	-	4,770,000	731,350
2039	-	-	4,965,000	532,750
2040	-	-	5,195,000	273,000
2041	-	-	5,460,000	136,500
	<u>\$ 4,345,000</u>	<u>\$ 216,695</u>	<u>\$ 37,405,000</u>	<u>\$ 29,211,240</u>



**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5 - Long Term Liabilities (continued)**

<b>Infrastructure Bonds, All Series (continued)</b>			
<b>Year</b>	<b>2018</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2021	\$ -	\$ 1,469,638	\$ 5,472,668
2022	-	1,469,638	5,472,223
2023	-	1,469,638	3,191,598
2024	-	1,469,638	3,191,598
2025	-	1,469,638	3,191,598
2026	-	1,469,638	3,191,598
2027	-	1,469,638	3,191,598
2028	-	1,469,638	3,191,598
2029	-	1,469,638	3,191,598
2030	-	1,469,638	3,191,598
2031	-	1,469,638	3,191,598
2032	225,000	1,465,138	3,412,098
2033	235,000	1,455,938	3,412,898
2034	-	1,451,238	7,133,198
2035	3,755,000	1,357,363	10,615,013
2036	3,950,000	1,164,738	10,610,138
2037	4,150,000	962,238	10,599,388
2038	4,365,000	749,363	10,615,713
2039	4,570,000	545,981	10,613,731
2040	4,770,000	350,363	10,588,363
2041	4,980,000	124,500	10,701,000
	<u>\$ 31,000,000</u>	<u>\$ 25,792,869</u>	<u>\$ 127,970,804</u>

<b>Affordable Housing Bonds, All Series</b>						
<b>Year</b>	<b>2001B</b>		<b>2002B</b>		<b>2004B</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 360,000	\$ 35,313	\$ 265,000	\$ 42,750	\$ 265,000	\$ 90,250
2022	385,000	12,032	280,000	26,400	280,000	76,080
2023	-	-	300,000	9,000	295,000	60,872
2024	-	-	-	-	310,000	44,612
2025	-	-	-	-	330,000	27,412
2026	-	-	-	-	345,000	9,272
	<u>\$ 745,000</u>	<u>\$ 47,345</u>	<u>\$ 845,000</u>	<u>\$ 78,150</u>	<u>\$ 1,825,000</u>	<u>\$ 308,498</u>

**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5 - Long Term Liabilities (continued)**

<b>Affordable Housing Bonds, All Series (continued)</b>			
<b>2004D</b>			
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 60,000	\$ 19,998	\$ 1,138,311
2022	65,000	16,779	1,141,291
2023	65,000	13,383	743,255
2024	70,000	9,805	434,417
2025	75,000	5,963	438,375
2026	75,000	1,988	431,260
	<u>\$ 410,000</u>	<u>\$ 67,916</u>	<u>\$ 4,326,909</u>

<b>Infrastructure Bonds, Direct Borrowings and Placements</b>						
<b>Year</b>	<b>2012A</b>		<b>2014</b>		<b>2015</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 1,165,000	\$ 60,431	\$ 2,305,000	\$ 1,574,122	\$ 2,150,000	\$ 711,165
2022	1,195,000	27,981	2,395,000	1,483,059	2,205,000	651,720
2023	420,000	5,775	2,485,000	1,388,509	2,265,000	590,704
2024	-	-	2,580,000	1,290,375	2,330,000	527,982
2025	-	-	2,680,000	1,188,463	2,390,000	463,554
2026	-	-	2,785,000	1,082,578	2,455,000	397,420
2027	-	-	2,895,000	972,528	2,525,000	329,443
2028	-	-	3,005,000	858,216	2,595,000	259,555
2029	-	-	3,120,000	739,544	2,665,000	187,756
2030	-	-	3,245,000	616,222	2,735,000	114,046
2031	-	-	3,370,000	488,056	2,810,000	38,357
2032	-	-	3,500,000	354,950	-	-
2033	-	-	3,635,000	216,710	-	-
2034	-	-	3,775,000	73,141	-	-
	<u>\$ 2,780,000</u>	<u>\$ 94,187</u>	<u>\$ 41,775,000</u>	<u>\$ 12,326,473</u>	<u>\$ 27,125,000</u>	<u>\$ 4,271,702</u>

**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5 - Long Term Liabilities (continued)**

<b>Infrastructure Bonds, Direct Borrowings and Placements (continued)</b>						
<b>Year</b>	<b>2016</b>		<b>2017B</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>		
2021	\$ 1,095,000	\$ 671,951	\$ 120,000	\$ 605,435	\$ 10,458,104	
2022	1,125,000	645,755	130,000	602,407	10,460,922	
2023	3,490,000	591,298	910,000	589,761	12,736,047	
2024	3,575,000	507,931	1,360,000	562,181	12,733,469	
2025	3,665,000	422,499	1,400,000	528,647	12,738,163	
2026	3,765,000	334,825	1,410,000	494,505	12,724,328	
2027	2,960,000	255,470	2,330,000	449,064	12,716,505	
2028	3,040,000	184,670	2,390,000	391,716	12,724,157	
2029	3,110,000	112,100	2,450,000	332,910	12,717,310	
2030	3,195,000	37,701	2,500,000	272,768	12,715,737	
2031	-	-	3,245,000	202,966	10,154,379	
2032	-	-	3,325,000	123,140	7,303,090	
2033	-	-	3,405,000	41,371	7,298,081	
2034	-	-	-	-	3,848,141	
	<u>\$ 29,020,000</u>	<u>\$ 3,764,200</u>	<u>\$ 24,975,000</u>	<u>\$ 5,196,871</u>	<u>\$ 151,328,433</u>	

**Deferred Charges**

Deferred charges consist of losses associated with the Authority’s 2012 Refunding Tax Increment Contract Revenue Refunding Bonds and the Series 2016 Tax Increment Contract Revenue Refunding Bonds. This cost is being amortized over the life of the bonds. Total expense for the year was \$282,007.

<b>Deferred Charge on Refunding</b>	<b>2020</b>
Beginning balance	\$ 2,645,847
Current year amortization	(282,007)
Ending Balance	<u>\$ 2,363,840</u>

**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5 - Long Term Liabilities (continued)**

**Developer Agreements**

During the year, the Authority’s amounts due to developers changed as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Harris County Improvement District #1	\$ 7,719,737	\$ -	\$ (631,644)	\$ 7,088,093	\$ 635,563
Rice Avenue Retail Partners, L.P.	890,491	-	(176,618)	713,873	178,838
Houston Arboretum and Nature Center (HANC)	-	3,087,937	(200,000)	2,887,937	-
	<u>\$ 8,610,228</u>	<u>\$ 3,087,937</u>	<u>\$ (1,008,262)</u>	<u>\$ 10,689,903</u>	<u>\$ 814,401</u>

***Harris Authority Improvement District #1***

The Authority has entered into a financing agreement with the Harris Authority Improvement District #1 for advancing funds to the Authority for the purpose of financing the construction of public works and improvements (Hollyhurst and Post Oak Lane). Under the agreement, the District will fund the construction of these certain facilities and improvements within the Zone. These facilities and improvements will be conveyed to the City or other governmental entity upon completion of construction and inspection and acceptance by the City or other governmental entity. The District will be reimbursed from available tax increment attributable to the Hollyhurst and Post Oak Lane projects. The Authority agrees to repay 100% of all funds advanced including cost of issuance and interest on bonds issued to fund the projects. The District issued \$8,150,000 in bonds for this purpose.

***Rice Avenue Retail Partners, L.P.***

The Authority has entered into a financing agreement with developer, Rice Avenue Retail Partners, L.P. for the financing of the design, expansion and rehabilitation of 1,400 feet of South Rice Avenue. Under the agreement, the Developer will fund these improvements within the Zone. These facilities and improvements will be conveyed to the City upon completion of construction and inspection and acceptance by the City. The Developer will be reimbursed from the Tax Increment Revenue Fund located in the project area. Amounts are due and payable for the project development agreement are not recorded on the Authority’s financial statements until the project has been accepted by the City and tax increment is generated. The maximum reimbursement amount is \$1,446,612, which includes Developer interest. The Authority will continue to reimburse the Developer until the earlier of 10 years from the effective date or until the maximum cost-plus interest has been paid in full.

***Houston Arboretum & Nature Center (HANC)***

The Authority has entered into a financing agreement with The Houston Arboretum & Nature Center (HANC) to reimburse HANC for project costs up to \$3,585,000. Under the agreement, HANC will fund the construction of certain facilities and improvements within the Zone. These facilities and improvements will be conveyed to the City or other governmental entity upon completion of construction and inspection and acceptance by the City or other governmental entity. HANC will be reimbursed from available tax increment. Amounts due to HANC for construction projects were recorded on the Authority’s financial statements upon completion of the project.

**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 6 - Commitments and Contingencies**

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 the 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 Authority Improvement District No. 1***

The Authority and the Harris Authority 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, 2020, the Authority remitted \$1,270,000 to the District. This amount consisted of \$250,000 for operating and administrative costs, \$200,000 for traffic control and mobility, \$540,000 for capital project management and \$280,000 for Memorial Park project management.

***Memorial Park Conservancy***

The Authority entered into a development, construction, operations, maintenance and concession agreement with the City of Houston, Texas, and Memorial Park Conservancy, Inc. ("MPC"). The purpose of the agreement is to fulfill the Master Plan developed by all Parties for the restoration, enhancement and redevelopment of Memorial Park in a manner appropriate to meet the demands of the more than four million current annual Park visitors. Under the terms of the current amended and restated agreement (as of May 10, 2018), the Authority shall pay \$500,000 each year for Ecological Restoration Projects through 2028 along with a payment of \$4,500,000 in fiscal year 2025. Beginning in fiscal year 2019 and continuing each year through 2048, the Authority shall pay \$200,000 to MPC for operations of the running center. Beginning in fiscal year 2019 and continuing through 2041, the Authority shall pay \$400,000 for the greenspace maintenance TIRZ funding in lieu of the Houston Parks and Recreation Department. Lastly, beginning in fiscal year 2019 and continuing through fiscal year 2041, the Authority shall pay a varying amount on average of approximately \$550,000 for TIRZ contributions for greenspace maintenance. Beginning in fiscal year 2019, the Authority began contributing its share of the \$50,000,000 of capital costs of the Ten-Year Plan as outlined in the agreement. These costs are incurred by the Authority through payment for construction on the project and amounts are reimbursed by MPC for their share in accordance with the agreement. The Authority is responsible for approximately 43% of the Plan and MPC is responsible for 57% of the Plan. Additionally, beginning in the Authority's Fiscal Year 2021, the UDA commits to guarantee sufficient maintenance funds for the new capital improvements in the park. The funding amount shall be determined based on the MPC maintenance annual target compared to the funds/sources available to meet the target. The Standards Committee shall conduct an annual reconciliation process to determine any deficit/surplus.

**Note 7 - 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.

**UPTOWN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 8 - Legal Matters**

The Authority has been involved in various lawsuits and other claims during the construction of the Post Oak Boulevard project. The Authority and its legal counsel believe that the outcome of any present legal proceedings will not have any adverse effects on the financial statements. In the opinion of the Authority, there are neither significant contingent liabilities related to fiscal year 2020, nor future costs that will have a material effect on the financial statements of the Authority.

**Note 9 - Fund Balance Deficit**

At the end of the fiscal year, the Authority had a deficit fund balance of \$2,610,475 in the Capital Projects Fund. This reason for the deficit is due to the timing of the issuance of a subseries of the Subordinate Lien Tax Increment Contract Revenue Notes in the amount of \$6,000,000. The deficit will be eliminated as these resources are obtained from the issuance on July 30, 2020.

**Note 10 – Interfund Balances**

The Authority’s interfund balances are due to the timing of the tax increment and will be eliminated in the following year. At the end of the fiscal year, the Authority had the following interfund balances outstanding:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Major Funds:</b>		
Capital Projects	\$ 5,035	\$ 5,665,348
Debt Service	-	5,035
Affordable Housing Special Revenue	5,665,348	-
<b>Total</b>	<u>\$ 5,670,383</u>	<u>\$ 5,670,383</u>

**Note 11 - Subsequent Events**

On July 30, 2020, the Authority issued a subseries of the Subordinate Lien Tax Increment Contract Revenue Notes in the amount of \$6,000,000. The funds related to the subseries will be used for the purpose of (a) financing Infrastructure Project Costs, (b) paying the costs and expenses of issuance of the Notes, including fees for professional services, (c) and funding the Notes Debt Service Reserve Fund. The notes carry an interest rate of 79% of the LIBOR Rate plus 0.72%.

**Note 12 - Prior Period Adjustment**

In prior years, the Authority incurred expenditures for the construction of the Uptown Transit Center and sixteen Transit Stations. These expenditures were originally recorded as capital outlay on behalf of the City of Houston. The projects were completed in fiscal year 2020 and it was determined that the capital assets would be maintained by the Authority. Therefore, an adjustment was made in the amount of \$23,162,700 to record construction in progress as of June 30, 2019.

	<u>Governmental Activities</u>
Beginning net position, as originally presented	\$ (161,335,134)
Prior period adjustment	23,162,700
Beginning net position, as restated	<u>\$ (138,172,434)</u>

**OTHER SUPPLEMENTARY INFORMATION**

**UPTOWN DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUNDS – BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive / (Negative)</u>
Budgetary fund balance, beginning of the year	\$ 43,565,343	\$ 43,565,343	\$ 55,345,653	\$ 11,780,310
Revenues				
Incremental property tax	48,460,585	48,460,585	46,207,109	(2,253,476)
Interest income	300,000	300,000	704,790	404,790
Other private contributions	3,420,000	3,420,000	2,547,163	(872,837)
Grant proceeds	4,800,000	4,800,000	2,171,477	(2,628,523)
Total revenues and budgetary fund balance	<u>100,545,928</u>	<u>100,545,928</u>	<u>106,976,192</u>	<u>6,430,264</u>
Expenditures				
Management and consulting services	708,000	708,000	799,429	(91,429)
Project costs and capital expenditures	28,400,000	28,400,000	32,501,694	(4,101,694)
Zone Administration	1,585,695	1,585,695	1,480,261	105,434
Debt service:				
Principal payments - bonds	9,550,000	9,550,000	9,550,000	-
Principal payments - notes	-	-	2,600,000	(2,600,000)
Interest and fees - bonds	7,528,248	7,528,248	7,523,247	5,001
Interest and fees - notes	-	-	109,085	(109,085)
Other debt service charges	-	-	22,018	(22,018)
Developer/Project Reimbursements	801,037	801,037	1,008,262	(207,225)
Educational facilities transfer	5,760,381	5,760,381	5,746,202	14,179
Affordable housing transfer	15,011,761	15,011,761	13,730,000	1,281,761
Municipal services charges	5,522,994	5,522,994	5,522,994	-
Total expenditures	<u>74,868,116</u>	<u>74,868,116</u>	<u>80,593,192</u>	<u>(5,725,076)</u>
Other Financing Sources/Uses				
Proceeds from issuance of notes	8,500,000	8,500,000	5,644,135	(2,855,865)
Total other financing sources/uses	<u>8,500,000</u>	<u>8,500,000</u>	<u>5,644,135</u>	<u>(2,855,865)</u>
Budgetary fund balance, end of year	<u>\$ 34,177,812</u>	<u>\$ 34,177,812</u>	<u>\$ 32,027,135</u>	<u>\$ (2,150,677)</u>
<u>Explanation of Differences between Budgetary Inflows and GAAP Revenues</u>				
Actual Amounts (Budgetary Basis)				\$ 106,976,192
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				<u>(55,345,653)</u>
Total Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Total Governmental Funds				<u>\$ 51,630,539</u>



**UPTOWN DEVELOPMENT AUTHORITY**  
**OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND**  
**PROJECT PLAN RECONCILIATION**  
**For the Year Ended June 30, 2020**

**TIRZ #16 Uptown Development Authority**

**FY20 OPERATING EXPENDITURES**

<u>Category</u>	<u>Vendor</u>	<u>Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
<b>TIRZ ADMINISTRATION AND OVERHEAD</b>				
Administration (salary and benefits)	HCID No. 1	\$ 150,000	\$ 150,000	\$ -
Office Expenses	HCID No. 1	60,000	60,000	-
Insurance	Highpoint Insurance	75,000	87,017	12,017
Accounting	HCID No. 1	40,000	40,000	-
Auditor	Whitley Penn, LLP	18,000	19,000	1,000
COH Municipal Charge		5,522,994	5,522,994	-
Bond Trustee	BNYM / PFM Asset Mgmt	-	61,810	61,810
Financial Advisor	TKG Associates	-	11,250	11,250
Financial Advisor	RBC Capital Markets, LLC	-	5,000	5,000
<b>Subtotal</b>		<b>\$ 5,865,994</b>	<b>\$ 5,957,071</b>	<b>\$ 91,077</b>
<b>PROGRAM AND PROJECT CONSULTANTS</b>				
Legal	Allen Boone Humphries	\$ 85,000	\$ 37,352	\$ (47,648)
Parks Project Management		280,000	280,000	-
Other Professional Services / MPC Marketing		-	48,000	48,000
<b>Subtotal</b>		<b>\$ 365,000</b>	<b>\$ 365,352</b>	<b>\$ 352</b>
<b>Total Zone Administration / Operations</b>		<b>\$ 6,230,994</b>	<b>\$ 6,322,423</b>	<b>\$ 91,429</b>

**FY20 CAPITAL EXPENDITURES**

<u>Project</u>	<u>Vendor</u>	<u>Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
<b>Project T1626: Richmond Phase 1 Reconstruction</b>				
Engineering Services	TEDSI		73,687	
<b>Subtotal</b>		<b>\$ 300,000</b>	<b>\$ 73,687</b>	<b>\$ (226,313)</b>
<b>Project T1608: Advance Traveler Information System</b>				
Other Professional Services	TEAL Engineering		51,418	
Other Professional Services			15,889	
<b>Subtotal</b>		<b>\$ 50,000</b>	<b>\$ 67,307</b>	<b>\$ 17,307</b>
<b>Project T1609: Area Intersection and Signalization</b>				
<b>Subtotal</b>		<b>\$ 50,000</b>	<b>\$ -</b>	<b>\$ (50,000)</b>
<b>Project T1625: Lynn Street</b>				
<b>Subtotal</b>		<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ (100,000)</b>
<b>Project T1611/1633B: Right of Way</b>				
Construction Costs	Parcel Purchases		1,959,676	
Other Professional Services	Hunton Andrews Kurth		343,797	
Other Professional Services	Spencer Fane		5,984	
Other Professional Services	Phelps Dunbar LLP		18,675	
Other Professional Services	Deal Sikes		76,285	
Other Professional Services	Gunda Corporation		26,580	
<b>Subtotal</b>		<b>\$ 900,000</b>	<b>\$ 2,430,997</b>	<b>\$ 1,530,997</b>
<b>Project T1636: UTC Terminal</b>				
Engineering Services / Construction Management	Gunda		143,297	
Engineering Services / Construction Management	Aviles		111,162	
Engineering Services / Construction Management	Dannenbaum		14,872	
Engineering Services / Construction Management	Lupher		3,455	
Engineering Services / Construction Management	Parsons		18,081	
Project Management	HCID #1		370,000	
Construction Costs	Webber		7,276,362	
<b>Subtotal</b>		<b>\$ 7,300,000</b>	<b>\$ 7,937,229</b>	<b>\$ 637,229</b>

**UPTOWN DEVELOPMENT AUTHORITY**  
**OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND**  
**PROJECT PLAN RECONCILIATION**  
**For the Year Ended June 30, 2020**

FY20 CAPITAL EXPENDITURES				
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditures</i>	<i>Variance</i>
<b>Project T1633:Post Oak Boulevard Reconstruction</b>		<b>\$ 9,000,000</b>		
Planning Preliminary / Design Services	SWA Group		50,878	
Final Design/ Construction Phase Services	Gunda Corporation		87,540	
Final Design/ Construction Phase Services	LTRA		59,735	
Final Design/ Construction Phase Services	Hunt & Hunt Engineering		11,800	
Final Design/ Construction Phase Services	Walter P Moore		43,435	
Construction Management	Aurora		161,088	
Construction Management / Transit Stations	ARUP		92,134	
Construction Management	Aviles		22,434	
Construction Management	HVJ		4,334	
Construction Management / Transit Stations	Lupher LLC		46,482	
Construction Management	Lupher LLC		19,737	
Construction Management	Gunda Corporation		92,208	
Construction Management	Uprising Consultant		143,728	
Project Management	HCID No. 1		370,000	
Project Management	Flowers Consulting		86,451	
Construction Costs	Zayo Group LLC		57,917	
Construction Costs	Environmental Design		31,500	
Construction Costs	Iron Access		6,825	
Construction Costs	Harper Brothers Construction		168,740	
Construction Costs	Reytec Construction		4,062,593	
Construction Costs	SER Construction		3,554,256	
Construction Costs / Transit Stations	Reytec Construction		613,875	
Construction Costs / Transit Stations	SER Construction		934,611	
Construction Costs / Transit Stations	Harper Brothers Construction		105,164	
Construction Costs / Transit Stations	D&D Weld		52,653	
Other Professional Services/METRO Communications	Reytec Construction		3,227,358	
<b>Subtotal</b>		<b>\$ 9,000,000</b>	<b>\$ 14,107,476</b>	<b>\$ 5,107,476</b>
<b>Project TXXX:Capital Costs Not Programmed</b>		<b>\$ -</b>		
Developer Agreements	Rice Partners		176,617	
Developer Agreements	HCID #1		631,644	
<b>Subtotal</b>		<b>\$ -</b>	<b>\$ 808,261</b>	<b>\$ 808,261</b>
<b>Project T1635: Memorial Park</b>		<b>\$ 1,400,000</b>		
Construction Costs	Memorial Park Conservancy - Ecological Restoration		500,000	
Construction Costs	Memorial Park Conservancy - Greenspace Maintenance		900,000	
<b>Subtotal</b>		<b>\$ 1,400,000</b>	<b>\$ 1,400,000</b>	<b>\$ -</b>
<b>Project T1635A: Memorial Park Connectivity Projects</b>		<b>\$ 1,200,000</b>		
Engineering /Design Services	Design Workshop		62,126	
Developer Agreements	HANC direct payment / Forney Cons.		200,000	
<b>Subtotal</b>		<b>\$ 1,200,000</b>	<b>\$ 262,126</b>	<b>\$ (937,874)</b>

**UPTOWN DEVELOPMENT AUTHORITY**  
**OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND**  
**PROJECT PLAN RECONCILIATION**  
**For the Year Ended June 30, 2020**

FY20 CAPITAL EXPENDITURES				
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditures</i>	<i>Variance</i>
<b>Project T1635B: Memorial Park</b>				
<b>Infrastructure Phase I</b>				
		<b>\$ 6,500,000</b>		
Preliminary Engineering	Berg Oliver		62,975	
Preliminary Engineering	Goodman		20,434	
Preliminary Engineering	Walter P Moore		13,723	
Preliminary Engineering	Lupher LLC		37,487	
Engineering /Design Services	Frayre Consulting		13,013	
Engineering /Design Services	Gunda		3,805,830	
Engineering /Design Services	Aurora		26,958	
Construction/ Project Management	ARUP		325,447	
Construction Costs	Tellepsen (Land Bridge)		149,846	
Other	Utilities (Reliant/ COH Water)		16,318	
Other	Sechrist Duckers		13,314	
Program Financing	Regions		22,794	
	<b>Subtotal</b>	<b>\$ 6,500,000</b>	<b>\$ 4,508,139</b>	<b>\$ (1,991,861)</b>
<b>Project T1640: Drainage Project</b>				
		<b>\$ 350,000</b>		
Engineering / Planning	Kirst Kosmoski		100,622	
	<b>Subtotal</b>	<b>\$ 350,000</b>	<b>\$ 100,622</b>	<b>\$ (249,378)</b>
<b>Project T1641: Westpark</b>				
		<b>\$ 1,000,000</b>		
Engineering / Planning	Gunda Corporation		45,023	
Engineering / Planning	TEDSI		16,000	
Construction Management	Lupher LLC		42,083	
Construction Management	Aurora		32,678	
Construction Costs	Harper Brothers		1,475,673	
	<b>Subtotal</b>	<b>\$ 1,000,000</b>	<b>\$ 1,611,457</b>	<b>\$ 611,457</b>
<b>Project T1622: Parks</b>				
		<b>\$ 250,000</b>		
Design / Planning	Terrain		5,125	
Maintenance / Operation			262,480	
	<b>Subtotal</b>	<b>\$ 250,000</b>	<b>\$ 267,605</b>	<b>\$ 17,605</b>
<b>Total Capital Expenditures</b>		<b>\$ 28,400,000</b>	<b>\$ 33,574,906</b>	<b>\$ 5,174,906</b>

**UPTOWN DEVELOPMENT AUTHORITY**  
**OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND**  
**PROJECT PLAN RECONCILIATION**  
*For the Year Ended June 30, 2020*

**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	20,059,655	-	20,059,655	(59,655)
<b>Roadways, Streets, Sidewalks, Lighting</b>	186,000,000	168,861,011	24,605,417	193,466,428	(7,466,428)
<b>Public Utilities</b>	94,000,000	13,233,187	100,622	13,333,809	80,666,191
<b>Land Acquisition</b>	37,000,000	54,607,037	2,430,997	57,038,034	(20,038,034)
<b>Cultural and Public Facility Improvements</b>	46,000,000	-	-	-	46,000,000
<b>Memorial Park Improvements</b>	100,000,000	27,930,733	6,170,265	34,100,998	65,899,002
<b>Parks</b>	41,000,000	12,729,050	267,605	12,996,655	28,003,345
<b>Subtotal</b>	<b>\$ 669,000,000</b>	<b>\$ 388,452,043</b>	<b>\$ 33,574,906</b>	<b>\$ 422,026,949</b>	<b>\$ 246,973,051</b>
<b>Education Projects</b>	\$ 129,000,000	\$ 51,584,744	\$ 5,746,202	\$ 57,330,946	\$ 71,669,054
<b>Affordable Housing</b>	\$ 452,000,000	\$ 127,387,259	\$ 13,730,000	\$ 141,117,259	\$ 310,882,741
<b>Zone Administration / Operations</b>	\$ 15,000,000	\$ 19,377,219	* \$ 6,322,423	\$ 25,699,642	\$ (10,699,642)
<b>Total Project Plan</b>	<b>\$ 1,265,000,000</b>	<b>\$ 586,801,265</b>	<b>\$ 59,373,531</b>	<b>\$ 646,174,796</b>	<b>\$ 618,825,204</b>

\* Project Plan Amendment in February 2013

\*\* City of Houston New Municipal Services Fee

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Uptown Development Authority  
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 30, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors  
Uptown Development Authority

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, professional style.

Houston, Texas  
September 30, 2020