

OFFICIAL STATEMENT DATED JUNE 30, 2020

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE — BOOK ENTRY ONLY

Insured Rating: S&P: "AA" (stable outlook)
Underlying Rating: S&P: "BBB"
See "BOND INSURANCE" and
"MUNICIPAL BOND RATINGS" herein.

\$29,615,000

GULFGATE REDEVELOPMENT AUTHORITY

(A public not-for-profit local government corporation acting on behalf of the City of Houston, Texas)

**TAX INCREMENT CONTRACT REVENUE AND REFUNDING BONDS,
SERIES 2020**

Interest Accrual Date: Delivery Date

Due: September 1, as shown on the inside front cover

Gulfgate Redevelopment Authority, a public non-profit local government corporation (the "Authority"), was established by the City of Houston, Texas (the "City") to aid, assist, and act on behalf of the City in the performance of the City's governmental functions to promote the common good and general welfare of the area included within Reinvestment Zone Number Eight, City of Houston, Texas (the "Zone") and neighboring areas. The Zone was created by the City pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code, as amended (the "TIF Act") to promote the redevelopment of the land within its boundaries of the Zone, currently an approximately 8,035 acre area located in southeast Houston and bounded by Highway Loop 610 South on the north, Interstate 45 South on the east, Martin Luther King Boulevard on the west and Almeda Genoa Road on the south. The Zone is adjacent to William P. Hobby Airport and includes the retail center known as Gulfgate Center and property south and southwest of Gulfgate Center.

Interest on the Gulfgate Redevelopment Authority Tax Increment Contract Revenue and Refunding Bonds, Series 2020 (the "Bonds") accrues from the Delivery Date (defined below) and is payable each March 1 and September 1, commencing September 1, 2020, until the earlier of maturity or redemption. Principal and interest on the Bonds will be payable by Regions Bank, Houston, Texas, as initial paying agent/registrant (the "Paying Agent/Registrar").

The definitive Bonds will initially be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the book-entry-only system described herein. DTC will act as securities depository with respect to the Bonds. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to DTC's participants, which will make distributions of such amounts to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry-Only System" herein.

The Bonds are being issued pursuant to the terms and conditions of a Bond Resolution approved by the Board of Directors of the Authority on May 20, 2020, a Pricing Certificate authorized by such Bond Resolution, and an Indenture of Trust dated as of July 1, 2020, (the "Indenture"), between the Authority and Regions Bank, as trustee (the "Trustee"). The Bonds are the first series of bonds to be issued under the Indenture. All parity bonds issued under the Indenture, including the Bonds and any subsequently issued parity bonds (collectively, the "Contract Revenue Bonds"), will be equally and ratably secured under the Indenture.

Pursuant to the Indenture, the Authority has pledged the Contract Tax Increments (as defined herein) to payment of the Contract Revenue Bonds. The Contract Revenue Bonds are payable solely from the Contract Tax Increments, certain other funds on deposit with the Trustee or which may be deposited with the Trustee in the future, and earnings and investments thereon (the "Pledged Revenues"). See "SOURCE OF AND SECURITY FOR PAYMENT—Pledge of Revenues."

The Bonds are limited obligations of the Authority, payable solely from the Pledged Revenues. The Bonds are obligations of the Authority and do not constitute, within the meaning of any statutory or constitutional provision, an indebtedness, an obligation or a loan of credit of the City of Houston, Texas, Harris County, Texas, Houston Independent School District, the State of Texas, or any other municipality, county, or other municipal or political corporation or subdivision of the State of Texas. None of the City of Houston, Texas, Harris County, Texas, Houston Independent School District, nor the State of Texas is obligated to make payments on the Bonds. The Authority does not have the power to levy taxes or assess fees for any purpose, including payment of the Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this Official Statement. Prospective investors must read the entire Official Statement, including all appendices hereto, to obtain information essential to making an informed investment decision, paying particular attention to the matters discussed in "INVESTMENT CONSIDERATIONS."



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

See MATURITY SCHEDULE on the inside front cover

The Bonds are offered by the Underwriters subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Bracewell LLP, Houston, Texas, Bond Counsel. Certain other matters will be passed upon on behalf of the Authority by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Certain matters will be passed upon on behalf of the Underwriters by West & Associates, L.L.P., Houston, Texas. Delivery of the Bonds is expected through the facilities of DTC on or about July 21, 2020 ("Delivery Date").

STIFEL

ESTRADA HINOJOSA

GULFGATE REDEVELOPMENT AUTHORITY
(A public not-for-profit local government corporation acting on behalf of the City of Houston, Texas)
TAX INCREMENT CONTRACT REVENUE AND REFUNDING BONDS
SERIES 2020

MATURITY SCHEDULE

CUSIP Prefix: 40263Q^(c)

\$22,760,000 Serial Bonds

Maturity September 1	Principal Amount	CUSIP Suffix ^(c)	Interest Rate	Initial Reoffering Yield ^(b)
2021	\$740,000	AA8	4.000%	0.950%
2022	770,000	AB6	4.000	1.020
2023	800,000	AC4	4.000	1.080
2024	835,000	AD2	4.000	1.180
2025	870,000	AE0	4.000	1.320
2026	905,000	AF7	4.000	1.510
2027	945,000	AG5	5.000	1.670
2028	995,000	AH3	5.000	1.820
2029	1,045,000	AJ9	5.000	1.910
2030	1,100,000	AK6	5.000	2.010
2031(a)	1,150,000	AL4	4.000	2.100
2032(a)	1,195,000	AM2	4.000	2.210
2033(a)	1,245,000	AN0	4.000	2.310
2034(a)	1,295,000	AP5	4.000	2.350
2035(a)	1,350,000	AQ3	4.000	2.400
2036(a)	1,405,000	AR1	4.000	2.440
2037(a)	1,460,000	AS9	4.000	2.480
2038(a)	1,510,000	AT7	2.625	2.820
2039(a)	1,550,000	AU4	2.750	2.860
2040(a)	1,595,000	AV2	2.750	2.890

\$6,855,000 Term Bonds

\$3,325,000 2.875% Term Bond due September 1, 2042^(a) CUSIP Suffix:^(c) AW0 Initial Reoffering Yield 2.970%^(b)

\$3,530,000 3.000% Term Bond due September 1, 2044^(a) CUSIP Suffix:^(c) AX8 Initial Reoffering Yield 3.030%^(b)

- (a) Bonds maturing on or after September 1, 2031, are subject to redemption in whole or from time to time in part, at the option of the Authority, on September 1, 2030, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. In addition, the Term Bonds are subject to mandatory redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
- (b) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriters for offers to the public and which may be subsequently changed by the Underwriters and is the sole responsibility of the Underwriters. The initial yields indicated here represent the lower of the yield resulting when priced to maturity or to the first optional call date.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of purchasers of the Bonds. None of the Authority, the Financial Advisor nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

BOARD OF DIRECTORS
**REINVESTMENT ZONE NUMBER EIGHT,
CITY OF HOUSTON, TEXAS**
and
GULFGATE REDEVELOPMENT AUTHORITY^(a)

Position	Name	Appointed to Zone By:	Title/Office
1	Alberto “Beto” P. Cardenas, Jr.	City	Director
2	Mary K. Vargo	City	Secretary
3	Tracy Stephens	City	Vice Chairman
4	M.E. “Sonny” Garza	City	Chairman
5	Gusta Booker III	City	Director
6	Hugo Alvarez	City	Director
7	Rodolfo M. Reyes	Houston Independent School District	Asst. Secretary

(a) The members of the Board of Directors of Reinvestment Zone Number Eight, City of Houston, Texas, have been appointed by the entity stated above, as provided in the TIF Act. Positions 1 through 5 on the Board of Directors of the Gulfgate Redevelopment Authority are appointed by the Mayor of the City with the consent and approval of the City Council. Positions 6 and 7 are reserved for nominees of the first two taxing units which appoint persons to the Zone. After a taxing unit nominates a person, the Mayor will appoint that person to the Board, subject to confirmation by the City Council. If a taxing unit does not nominate a person for position 6 or 7, the Mayor of the City, with the consent of the City Council, may appoint the person for that position without receiving a nominee.

Professional Consultants

David Hawes
Masterson Advisors LLC
Bracewell LLP
Governmental Financial Reporting, LLC
McCall Gibson Swedlund Barfoot PLLC
Equi-Tax, Inc.

Executive Director
Financial Advisor
General Counsel and Bond Counsel
Accountant
Auditor
Tax Consultant

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USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority.

All of the summaries of the statutes, financing documents, resolutions, contracts, engineering and other related reports referenced or described in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Authority, c/o Hawes Hill & Associates LLP, P. O. Box 22167, Houston, Texas 77227.

Neither the Authority nor the Underwriters, as defined herein, make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

The Underwriters, as defined herein, have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Regions Bank, in its capacities as Trustee and Paying Agent/Registrar, assumes no responsibility for the accuracy or completeness of the information concerning the Authority or any other party contained in this document or for any failure by the Authority or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and “APPENDIX D - Specimen Municipal Bond Insurance Policy.”

SALE AND DISTRIBUTION OF THE BONDS

The Underwriters

The Bonds are being purchased, subject to certain conditions, by Stifel, Nicolaus & Company, Incorporated, as representative (the “Representative”) of the underwriters named on the cover page (collectively, the “Underwriters”) pursuant to a bond purchase agreement with the Authority at a purchase price of \$32,126,476.51 (which represents the principal amount of the Bonds, plus net premium of \$2,687,020.80, and less an Underwriter’s discount of \$175,544.29). The Representative, on behalf of the Underwriters, will be obligated to purchase all of the Bonds, if any are purchased. The Bonds may be offered and sold to certain dealers and others at a price lower than public offering prices, and such public prices may be changed from time to time by the Underwriters. See “—Prices and Marketability” below.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the Authority of a certificate executed and delivered by the Underwriters on or before the Delivery Date of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term “public” shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler.

Otherwise, the Authority has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Authority has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Authority assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities, registration or qualification provisions in such other jurisdiction.

FORWARD-LOOKING STATEMENTS

This Official Statement contains, in part, forward-looking statements and projections, as well as estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Forward-looking statements and projections may be affected by known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance or achievements expressed or implied by such forward-looking statements. Investors are cautioned that actual results could differ materially from those set forth in the forward-looking statements.

Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Zone, or other matters described herein since the date hereof.

RELIANCE ON PAST FINANCIAL PERFORMANCE

Past financial performance does not necessarily predict future performance, which may be affected by numerous anticipated and unanticipated conditions which did not exist at the time of the prior financial performance. See “INVESTMENT CONSIDERATIONS—Impact of COVID-19 or Other Infectious Disease Outbreak.” **The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the COVID-19 Outbreak described herein and measures instituted to slow it. Accordingly, they are not necessarily indicative of the Authority’s future financial condition.**

OFFICIAL STATEMENT SUMMARY

This Official Statement Summary is subject in all respects to the more complete information and to the definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. No person is authorized to detach this summary statement from this Official Statement or to otherwise use it without the entire Official Statement.

The Authority and the Zone

The Authority

Gulfgate Redevelopment Authority (the “Authority”), a public non-profit local government corporation, was authorized to be established by the City of Houston, Texas (the “City”) in 1997 to aid, assist, and act on behalf of the City in the performance of the City’s governmental functions to promote the common good and general welfare of the area included within Reinvestment Zone Number Eight, City of Houston, Texas (the “Zone”) and neighboring areas. The Authority is governed by a Board of Directors (the “Board”), whose members are appointed by the City. The Authority is the administrator of the Zone. The duration of the Authority is perpetual.

Reinvestment Zone Number Eight, City of Houston, Texas

The Zone was created in December 1997 by the City Council of the City, pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code, as amended (the “TIF Act”), to promote the redevelopment of the land within its boundaries. The Zone currently consists of an approximately 8,035 acre area located in southeast Houston and bounded by Highway Loop 610 South on the north, Interstate 45 South on the east, Martin Luther King Boulevard on the west and Almeda-Genoa Road on the south. The Zone is adjacent to William P. Hobby Airport and includes the retail center known as Gulfgate Center and property south and southwest of Gulfgate.

As originally created, the Zone contained approximately 67 acres (the “Original Zone”). In 1999 the City approved the annexation of approximately 185 acres (the “1999 Annexed Area”) into the Zone. An additional 7,769 acres of land (the “2014 Annexed Area”) were annexed into the Zone in 2014, and an additional 13.55 acres were added to the Zone in 2018 (the “2018 Annexed Area” and collectively with the 1999 Annexed Area and the 2014 Annexed Area, the “Annexed Areas”). See “APPENDIX A—Boundary Map.”

Pursuant to the TIF Act, the ordinance of the City establishing the Zone also established a Board of Directors of the Zone (the “Zone Board”). Six members of the Zone Board are appointed by the City and one member is appointed by Houston Independent School District. See “GULFGATE REDEVELOPMENT – The Zone.”

The Zone is currently scheduled to terminate on December 31, 2044.

Project and Financing Plan

As required under the TIF Act, the Zone Board adopted, and the City Council of the City approved, a Project Plan and Reinvestment Zone Financing Plan, which has been amended four times (as amended, the “Plan”). The Plan sets out the public improvements, real estate acquisitions and other projects that are needed to induce development within the Zone (the “Public Improvements”). The cost of the Public Improvements, the cost of creation of the Zone, and related organizational costs (the “Project Costs”) constitute eligible project costs under the TIF Act. The Plan states that the Project Costs will be financed through the issuance of notes and bonds, as well as collaboration with developers and other entities for grant funding and partnerships.

Status of Development The Zone was created in 1997 as a means to redevelop the Gulfgate Shopping Center. The 1999 Annexed Area added property near the shopping center for redevelopment. This combined 252-acre tract now houses the Gulfgate Center and surrounding businesses. It has grown from a base taxable value of approximately \$25 million to a taxable value of almost \$137 million as of January 1, 2019.

In 2014 approximately 7,769 acres were added to the Zone. This property has increased by approximately \$415 million from January 1, 2014 to January 1, 2019. A 2018 annexation of 13.55 acres is not expected to add any material taxable value to the Zone. See “SCHEDULE 2: Breakdown of 2019 Taxable Values in the Zone by Type.”

The Bonds

Description The Gulfgate Redevelopment Authority Tax Increment Contract Revenue and Refunding Bonds, Series 2020 (the “*Bonds*”) are issued in the aggregate principal amount of \$29,615,000. The Bonds are offered in fully registered form in integral multiples of \$5,000 principal amount. Interest on the Bonds accrues from the date of delivery of the Bonds to the Underwriters (the “*Delivery Date*”) and is payable on each March 1 and September 1, commencing September 1, 2020, until the earlier of maturity or redemption. See “THE BONDS – Description.”

Authority for Issuance The Bonds are authorized pursuant to a Bond Resolution approved by the Board on May 20, 2020 (the “*Bond Resolution*”), a Pricing Certificate authorized by such Bond Resolution, and an Indenture of Trust dated as of July 1, 2020 (the “*Indenture*”), between the Authority and Regions Bank, as trustee (the “*Trustee*”).

Book-Entry Only System The Depository Trust Company (“*DTC*”), New York, New York, will act as securities depository of the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “THE BONDS—Book Entry Only System.”

Redemption Bonds maturing on or after September 1, 2031 are subject to redemption in whole, or from time to time in part, at the option of the Authority prior to their maturity dates on September 1, 2030 or on any date thereafter at a price equal to par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. In addition, the term bonds maturing on September 1 of the years 2042 and 2044 are subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

Use of Proceeds Proceeds of the Bonds will be used for the purpose of (1) defeasing and refunding the Refunded Debt (as defined herein); (2) financing Project Costs in accordance with the Plan; (3) making a deposit to the Debt Service Reserve Fund (as defined herein), to the extent required; and (4) paying costs of issuance, all under and pursuant to the authority of the TIF Act and all other applicable law. See “PLAN OF FINANCING—Authority and Purpose” and “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Bond Insurance and Reserve Fund Surety Policy Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“*AGM*” or the “*Bond Insurer*”) will issue its Municipal Bond Insurance Policy for the Bonds (the “*Policy*”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of policy included as Appendix D to this Official Statement. See “BOND INSURANCE.” The Bond Insurer will also issue a Reserve Fund Surety Policy (as defined herein) to fund a portion of the Reserve Requirement for the Bonds. See “SOURCE OF AND SECURITY FOR PAYMENT—Debt Service Reserve Fund.”

*Municipal Bond
Ratings*

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Bond Insurer"). The Bonds have an underlying rating of "BBB" by S&P, based on the Authority's underlying credit rating. The rating fee of S&P will be paid by the Authority; payment of any other rating fee will be the responsibility of the Underwriters. See "MUNICIPAL BOND RATINGS."

Security and Source of Payment

Tax Increments

The City has agreed to deposit to the Tax Increment Fund for the Zone in the City's Treasury (the "Tax Increment Fund") certain of its tax collections resulting from its taxation of the increase, if any, in the appraised taxable value of real property located in the Zone since a designated base year. Houston Independent School District ("HISD") has agreed pursuant to the HISD Interlocal Agreement (as defined herein) and subject to certain limitations, to transfer to the City for deposit to the Tax Increment Fund a certain percentage of tax collections arising from its taxation of the increase, if any, in the appraised taxable value of certain real property located in the Original Zone and the 1999 Annexed Area since a designated base year. Harris County, Texas (the "County") also entered into an agreement with the City and Zone to deposit a portion of its tax collections into the City's Tax Increment Fund for the Original Zone and 1999 Annexed Area, but the County satisfied its contractual commitment in fiscal year 2017 and is no longer making deposits into the Tax Increment Fund.

The base year for the Original Zone is 1997 and the base year for the Annexed Areas are 1999, 2014 and 2018, respectively. The City, the Authority and the Zone have entered into the Tri-Party Agreement (as defined herein) which sets forth, among other things, the agreement of the City, on behalf of itself and the Zone, to pay to the Authority the tax collections deposited to the Tax Increment Fund minus any expenses incurred by the City in connection with the collection of the Tax Increments and subject to the retention of (i) a reserve of up to five percent of the moneys then available in the Tax Increment Fund and (ii) certain Tax Increments reserved for educational facilities project costs to be paid to HISD (the Tax Increments net of such deductions and reserves referred to herein as the "Contract Tax Increments"). See "SOURCE OF AND SECURITY FOR PAYMENT—Tri-Party Agreement."

Pledged Revenues

The Bonds are the first series of bonds being issued under the Indenture. They are secured on an equal and ratable basis with all bonds subsequently issued as parity bonds under the Indenture (the Bonds, and any subsequently issued parity bonds referred to collectively as the "Contract Revenue Bonds"). See "THE TRUST INDENTURE."

The Authority has pledged the Contract Tax Increments to payment of the Contract Revenue Bonds. The Indenture provides that the Authority will transfer to the Trustee all Contract Tax Increments once they are received from the City. After the Trustee has set aside debt service on the Contract Revenue Bonds for the succeeding twelve-month period, the Debt Service Reserve Fund has been fully funded, the Trustee's and Paying Agent/Registrar's fees have been paid, and to the extent required, monies directed by the Authority to be deposited in the Rebate Fund have been deposited, the Trustee will remit any surplus Contract Tax Increments to the Authority for deposit to the Surplus Fund to be used for any lawful purpose under the TIF Act, subject to the direction of the Authority to transfer money to the Project Fund pursuant to the Indenture. The Contract Revenue Bonds are payable solely from the Contract Tax Increments, certain other funds on deposit with the Trustee or which may be deposited with the Trustee in the future, and earnings and investments thereon (the "Pledged Revenues"). See "SOURCE OF AND SECURITY FOR PAYMENT—Pledge of Revenues."

<i>Additional Parity Bonds</i>	The Authority has reserved the right to issue additional bonds payable from the Pledged Revenues on an equal and ratable basis with the Bonds (the “ <i>Additional Parity Bonds</i> ”), but only on the terms and conditions set out in the Indenture, including a debt service coverage test for Additional Parity Bonds other than those issued for refunding purposes that have the result of reducing or not increasing the annual debt service requirements on the remaining Contract Revenue Bonds. See “SOURCE OF AND SECURITY FOR PAYMENT – Additional Parity Bonds.”
<i>Limited Obligations</i>	The Bonds are limited obligations of the Authority, payable solely from the Pledged Revenues. The Bonds are obligations of the Authority and do not constitute, within the meaning of any statutory or constitutional provision, an indebtedness, an obligation or a loan of credit of the City, the County, HISD, the State of Texas, or any other municipality, county, or other municipal or political corporation or subdivision of the State of Texas. None of the City, the County, HISD, nor the State of Texas is obligated to make payments on the Bonds. The Authority does not have the power to levy taxes or assess fees for any purpose, including payment of the Bonds.
<i>Investment Considerations</i>	THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, PARTICULARLY THE SECTION CAPTIONED “INVESTMENT CONSIDERATIONS.”

Schedule 1: Selected Financial Information (unaudited)

	<u>City</u>	<u>HISD</u>
Tax Increment Base (a)		
Original Area	\$ 9,728,120	\$ 9,728,120
Annexed Area 1999	15,399,720	15,399,720
Annexed Area 2014	<u>1,062,308,630</u>	<u>-</u>
Total	\$ 1,087,436,470	\$ 25,127,840
2019 Certified Taxable Value (b)		
Original Area	\$ 61,706,531	\$ 61,706,531
Annexed Area 1999	75,097,531	75,070,308
Annexed Area 2014	<u>1,477,201,386</u>	<u>-</u>
Total	\$ 1,614,005,448	\$ 136,776,839
2019 Certified Incremental Appraised Value		
Original Area	\$ 51,978,411	\$ 51,978,411
Annexed Area 1999	59,697,811	59,670,588
Annexed Area 2014	<u>414,892,756</u>	<u>-</u>
Total	\$ 526,568,978	\$ 111,648,999
2019 Certified Captured Appraised Value		
Original Area	\$ 51,978,411	\$ 51,978,411
Annexed Area 1999	59,697,811	49,310,790 (c)
Annexed Area 2014	<u>414,892,756</u>	<u>-</u>
Total	\$ 526,568,978	\$ 101,289,201
2019 Total Tax Rate Contribution (d)		
Original Area	0.56792	1.13670
Annexed Area 1999	0.56792	0.96000
Annexed Area 2014	0.56792	
Tax Rate Contribution to be Used to Produce Contract		
Tax Increments Constituting Pledged Revenues	0.56792	0.64000
Estimated Collection Rate (e)		
Original Area	100.00%	100.00%
Annexed Area 1999	97.07%	97.95%
Annexed Area 2014	97.67%	
City Administrative Fee	5%	\$ 25,000
Contract Tax Increments Constituting Pledged Revenues FYE 6/30/2021 (f)	\$2,779,360	\$ 616,780
Total Pledged Revenues for FYE 6/30/21 (f)		\$ 3,396,140
Outstanding Debt		\$ 29,615,000
Average Annual Debt Service (2021-2045)		1,771,901
Maximum Annual Debt Service (2044)		1,819,800
Coverage of Pledged Revenues from City and HISD to:		
Average Annual Debt Service (2021-2045)		192%
Maximum Annual Debt Service (2044)		187%
Coverage of Pledged Revenues from City to:		
Average Annual Debt Service (2021-2045)		157%
Maximum Annual Debt Service (2044)		153%
2019 Captured Appraised Value to Total Appraised Value in Zone	32.6%	81.6% (g)
Debt Service Reserve Fund Requirement		\$ 1,819,800 (h)

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- (a) Base year for the Original Zone is 1997, the base year for the 1999 Annexed Area is 1999, the base year for the 2014 Annexed Area is 2014, and the base year for the 2018 Annexed Area is 2018. The 2018 Annexed Area contains virtually no taxable property and therefore will produce no significant Captured Appraised Value. Is it not included in this Schedule 1.
- (b) Certified appraised values are established annually by the Harris County Appraisal District (the “Appraisal District”) for the current tax year, but are subject to change for a number of years thereafter. The City of Houston, Texas (the “City”) and Houston Independent School District (“HISD”) (each a “Participant,” and collectively the “Participants”) have different exemptions from taxation, which also affect the taxable value. The 2019 certified taxable value shown is based on data provided by the Appraisal District and includes uncertified value. The uncertified accounts are generally being protested by the taxpayers and certified values for these accounts may be lower than the Appraisal District’s estimate. Only values that are certified by the Appraisal District are used to calculate tax due. See “FINANCIAL INFORMATION--Schedule 5: Tax Increment Collections” for the certified values for 2014 through 2019.
- (c) HISD has agreed to participate in the Original Zone and the 1999 Annexed Area only. The maximum amount of each annual HISD tax increment payment is capped according to the estimated Captured Appraised Value set forth in the Plan as adopted on or before September 1, 1999. The 2019 Captured Appraised Value in the Original Zone is below the Original Zone 2019 cap of \$64,150,425. The 2019 Captured Appraised Value in the 1999 Annexed Area is above the 1999 Annexed Area cap of \$49,310,790, so the cap is utilized. The cap on the Captured Appraised Value in the 1999 Annexed Area remains at \$49,310,790 through tax year 2027, when the HISD Interlocal Agreement expires.
- (d) HISD has agreed to pay a tax increment based on its current tax rate for the Original Zone and based on a tax rate of \$0.96 per \$100 of Captured Appraised Value for the 1999 Annexed Area. The Authority may retain for non-educational facilities project costs the tax increments derived from a tax rate of \$0.64 per \$100 of Captured Appraised Value. The remainder of the tax increments must be paid by the City to HISD for educational facilities project costs with interest.
- (e) The collection rates shown are estimates based on a five-year average of total collections and the actual collection rate may differ. See “RELIANCE ON PAST PERFORMANCE.” City tax payments are deposited into the General Fund of the City. Once such funds are accounted for and allocated to the Zone, the tax increment portion of the City tax payments is deposited to the Tax Increment Fund for the Zone. The City Council must appropriate the monies in the Tax Increment Fund to the parties entitled to them before they are disbursed. Under the Tri-Party Agreement, the City is required to transfer Contract Tax Increments to the Authority on the first business day of July in each year; however, the appropriation of Contract Tax Increments to the Authority is usually made in June of each year. By this time, tax collections from the current tax year may not be equal to the collection rate shown but the Authority will also receive taxes from prior tax years which were collected since the prior transfer to the Authority.
- (f) Projected Contract Tax Increments are calculated by multiplying the 2019 Captured Appraised Value by the 2019 Tax Rate Contribution, multiplying the product by the Collection Rate and deducting the City Administrative Fee. The 2019 tax rates were set in the fall of 2019 with payment by taxpayers due by January 31, 2020. Contract Tax Increments arising from these taxes are expected to be transferred to the Authority during 2020 for payment of debt service in fiscal year 2021. According to the City Finance Department, the actual amount of Contract Tax Increments to be transferred to the Authority in July of 2020 has been determined to be \$2,642,991, which is \$136,369 less than the projected amount of \$2,779,360. City Contract Tax Increments appear to be lower primarily due to Contract Tax Increment overpayments made in 2017 and 2018 in the 2014 Annexed Area. Overpayments occur when taxpayers are successful in reducing the value of their properties and consequently their taxes in administrative or judicial proceedings which were pending when the Contract Tax Increments were paid to the Authority. The City makes adjustments in the amount of Contract Tax Increments owed for the prior four years each year before transferring the current year’s Contract Tax Increments to the Authority. The remainder of the difference is due to amounts paid to HISD from the 2019 Contract Tax Increments which are greater than projected, due to amounts charged by HISD arising from prior years.
- (g) See “INVESTMENT CONSIDERATIONS—A Decrease in Taxable Value Produces a Greater Decrease in Captured Appraised Value and Can Reduce Tax Increments Significantly.”
- (h) The Debt Service Reserve Fund Requirement is described under “SOURCE OF AND SECURITY FOR THE BONDS—Debt Service Reserve Fund.”

OFFICIAL STATEMENT

\$29,615,000

GULFGATE REDEVELOPMENT AUTHORITY

(A public not-for-profit local government corporation acting on behalf of the City of Houston, Texas)

TAX INCREMENT CONTRACT REVENUE AND REFUNDING BONDS

SERIES 2020

This Official Statement provides certain information in connection with the issuance by Gulfgate Redevelopment Authority (the “*Authority*”) of its \$29,615,000 Tax Increment Contract Revenue and Refunding Bonds, Series 2020 (the “*Bonds*”). The Bonds are issued pursuant to the Texas Constitution, Chapter 431, Texas Transportation Code, as amended, the general laws of the State of Texas, a bond resolution (the “*Bond Resolution*”) adopted by the Board of Directors of the Authority (the “*Board*”) on May 20, 2020, a Pricing Certificate authorized by such Bond Resolution, and the Indenture of Trust dated as of July 1, 2020, (the “*Indenture*”) between the Authority and Regions Bank, as trustee (the “*Trustee*”).

This Official Statement speaks only as to its date and includes descriptions, among others, of the Bonds, the Bond Resolution, the Indenture, the Tri-Party Agreement (as defined herein), the HISD Interlocal Agreement (as defined herein), the Authority, Reinvestment Zone Number Eight, City of Houston, Texas (the “*Zone*”), the Project Plan and Reinvestment Zone Financing Plan (as amended, the “*Plan*”), and existing development within the boundaries of the Zone. The Zone is an approximately 8,035 acre area located in southeast Houston and bounded by Highway Loop 610 South on the north, Interstate 45 South on the east, Martin Luther King Boulevard on the west and Almeda Genoa Road on the south. The Zone is adjacent to William P. Hobby Airport (“*Hobby Airport*”) and includes Gulfgate Center and property south and southwest of Gulfgate Center. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents referenced herein may be obtained from the Authority’s executive director, Hawes Hill & Associates LLP, P.O. Box 22167, Houston, Texas 77227.

SOURCE OF AND SECURITY FOR PAYMENT

General

The Bonds are limited obligations of the Authority payable solely from the sources described herein and are not obligations of the City, Harris County, Texas (the “*County*”), Houston Independent School District (“*HISD*”), the State of Texas, or any entity other than the Authority. The Authority is not obligated to pay principal of and interest on the Bonds from monies of the Authority other than the Pledged Revenues as defined herein under “—Pledge of Revenues.”

General Statutory Requirements for Tax Increment Zones

A tax increment reinvestment zone under Chapter 311 of the Texas Tax Code, as amended (the “*TIF Act*”) may be created by a city or a county, which also approves a project plan and a financing plan for the zone. In the case of a city, the ordinance creating the zone and the plans may provide that the city will deposit its Tax Increments (as defined below) into a tax increment fund established by the city for the zone. Other taxing units which tax property in the zone may agree with the city that they will also deposit a portion of their Tax Increments (as defined below) into the tax increment fund established for the zone.

The amount of a taxing unit’s tax increment for a year (the “*Tax Increment*”) is the amount of property taxes levied and assessed by the taxing unit for that year on the Captured Appraised Value (as defined below) within the zone. The Captured Appraised Value of real property taxable by a taxing unit for a year is the total taxable value of all real property taxable by the taxing unit and located in the tax increment reinvestment zone for that year less the total taxable value of all real property taxable by the unit and located in the reinvestment zone for the year in which the zone was designated as such under the TIF Act (the “*Tax Increment Base*”). If the boundaries of a zone are enlarged, the Tax Increment Base is increased by the taxable value of the real property added to the zone for the year in which the property was added. If the boundaries of a zone are reduced, the Tax Increment Base is reduced by the taxable value of the real property removed from the zone for the year in which the property was originally included in the zone’s boundaries.

The TIF Act provides that each taxing unit is required to pay into the tax increment fund for the zone the collected Tax Increments that it has agreed to pay under its agreement with the city or county that created the zone and in accordance with the project plan. The TIF Act provides that the payment is to be made by the 90th day after the later of either the delinquency date for the taxing unit's property taxes, or the date the entity that created the zone submits to the taxing unit an invoice, unless otherwise provided for in the taxing unit's agreement with the city or county that created the zone.

The TIF Act provides that a reinvestment zone terminates on the earlier of: (1) the termination date designated in the ordinance designating the zone or an earlier or later date designated by a subsequent ordinance and (2) the date on which all project costs, tax increment bonds and interest on those bonds, and other obligations have been paid in full. In addition, the TIF Act provides that a reinvestment zone may be terminated if the city that created the zone defeases all of the zone's tax increment bonds. See "THE BONDS—Defeasance."

Establishment of the Zone; Participants

Pursuant to City Ordinance No. 97-1524, approved on December 10, 1997 (the "*City Creation Ordinance*"), the City created the Zone and established the tax increment fund for the Zone as a separate fund in the City treasury (the "*Tax Increment Fund*"). The City Creation Ordinance provided that the Zone would take effect on January 1, 1998 and would terminate on December 31, 2027, or at an earlier time designated by subsequent ordinance of the City, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, and the interest on the bonds have been paid in full. By City Ordinance No. 2018-1024, approved on December 19, 2018, the City extended the termination date of the Zone from December 31, 2027 to December 31, 2044.

The Zone, as originally created in 1997 (the "*Original Zone*"), consisted of 67.58 acres. Approximately 185 acres were annexed into the Zone in 1999 (the "*1999 Annexed Area*"). The base tax year for the Original Zone is 1997. The base tax year for the 1999 Annexed Area is 1999. The Original Zone and the 1999 Annexed Area consist of 259 acres, including rights-of-way and an elementary school site.

In 2014, the Zone was enlarged to encompass approximately 7,769 acres in close proximity to the Zone on which areas such as the Belfort Avenue Corridor, Telephone Road Corridor, Dixie Road Corridor, Long Road Corridor, Mykawa Road Area, and the Broadway Street Corridor are located (the "*2014 Annexed Area*"), bringing the total acreage of the Zone to approximately 8,022 acres. The base tax year for the 2014 Annexed Area is 2014. In 2018, the Zone was enlarged to encompass approximately 13.55 acres on which a senior affordable housing development and certain rights-of-way are located (the "*2018 Annexed Area*" and collectively with the 1999 Annexed Area and the 2014 Annexed Area, the "*Annexed Areas*"). The 2018 Annexed Area contains little taxable property and therefore will produce little Captured Appraised Value.

Under the Plan for the Zone, the City contributes 100% of its collected Tax Increments arising from the Zone to the Tax Increment Fund during the term of the Zone. Pursuant to the HISD Interlocal Agreement described below, Houston Independent School District ("*HISD*") contributes a certain amount of its Tax Increments arising from the Original Zone and the 1999 Annexed Area to the Tax Increment Fund, subject to the limitations set forth in the agreement.

HISD and the City are currently the only taxing units which contribute Tax Increments to the Zone. They are referred to herein as the "*Participants*" and each may be referred to as a "*Participant*." The Tri-Party Agreement and the HISD Interlocal Agreement are referred to as the "*Participant Contracts*." See "—Tri-Party Agreement;" and "HISD's Interlocal Agreement" below.

The County previously contributed Tax Increments to the Zone pursuant to an interlocal agreement with the City and the Zone; however, the County satisfied its obligations under the agreement and has ceased to contribute Tax Increments to the Zone.

Tri-Party Agreement

The Amended Agreement among the City, the Zone and the Authority, approved by the City on May 9, 2001 pursuant to Ordinance No. 2001-411 (the "*Tri-Party Agreement*") governs the contractual relationship among the parties.

The Tri-Party Agreement states in detail the scope of services to be provided to the Zone by the Authority. The services include management and administrative services for the Zone, as requested by the Zone Board, services with respect to the Plan, including implementation and updating, and services with respect to the tax rolls pertaining to the Zone, including analysis and coordination with taxing units. The Authority is also required to assist the Zone Board in establishing a program to increase the level of safety within the Zone, preparing development plans, establishing a plan to develop a public school to serve students in Gulfgate and surrounding neighborhoods, establishing a marketing and public relations program, planning, designing and constructing infrastructure improvements, and land acquisition.

The Tri-Party Agreement provides that the Authority has the authority to issue its bonds and notes, to enter into obligations with developers or builders, and to enter into contracts with consultants, to be repaid from Contract Tax Increments; provided that the Authority may issue its bonds only upon the approval of the City Council. All development agreements with developers or builders must be approved by the Director of Planning and Development of the City (now the Chief Development Officer). They will provide that the Authority will not reimburse any developer or builder for any Project Costs that are determined to be ineligible for financing under the TIF Act, and the developer or builder will repay the Authority for any payment made by the Authority to the developer or builder that is determined to be ineligible. All consultant contracts are subject to approval of the Chief Development Officer, who is required to approve such contracts if they conform to the terms and conditions of City contracts of substantially the same or similar scope for similar services. Consultant contractors will provide that the Authority will not pay the consultant for services that are determined to be an ineligible Project Cost under the TIF Act and the consultant will repay the Authority for any payment to the consultant that is determined to be an ineligible Project Cost.

The Tri-Party Agreement states that no obligation of the Authority will be issued or incurred by the Authority that cannot be paid from funds budgeted for expenditures in the Authority's current budget unless the obligation is approved by the Zone Board and the Chief Development Officer. The Tri-Party Agreement approves issuance by the Authority of notes in an amount not to exceed \$6,500,000 outstanding at any time if the Notes are not publicly offered. The Zone Board and the Chief Development Officer must consent to the assignment and pledge of the Authority's Revenue Fund and approve the terms and conditions of the instruments assigning or pledging the proceeds to be received by the Authority. The Authority must obtain the prior approval of the City Director of Public Works for any project constructed or caused to be constructed by or on behalf of the Authority.

During the term of the Tri-Party Agreement, the Authority will prepare and submit its annual budget to the City and the Zone Board on or about January 1 of each year. Budget amendments that involve an increase, decrease or adjustment of \$400,000 or more must be approved by the Zone Board and the City Council. In the event that the Zone Board or the City Council fails or refuses to approve the proposed budget for the ensuing year, the Authority may continue to operate on the budget for the previous fiscal year for a period not to exceed twelve months. If, at the end of that period no budget has been approved, either the City or the Authority may terminate the Tri-Party Agreement, subject to payment of the Authority's bonds, notes and other obligations. The Authority's Fiscal Year 2020 budget has been approved by the Zone Board and the City Council.

The Authority is required to maintain books of records and accounts, obtain an audit at the end of each fiscal year by an independent certified public accountant, and obtain an audit of construction activities at the end of each fiscal year prepared by an independent consultant approved by the Chief Development Officer. The Authority will submit a quarterly accounting of its expenditures and revenues to the Chief Development Officer of the City. The City's review of such accounting is limited to determining whether the expenditures are authorized by the budget and consistent with the terms of the contract pursuant to which they were incurred, and not a review to determine whether the Board properly exercised its discretion in making the expenditure.

Pursuant to the Tri-Party Agreement, the City and the Zone agree to continuously collect the Tax Increments during the term of the Tri-Party Agreement, and to the extent legally permitted to do so, they agree that they will not permit a reduction in the Tax Increments paid by the City or HISD, except to the extent provided in the Tri-Party Agreement, or HISD Interlocal Agreement, respectively.

Pursuant to the Tri-Party Agreement, the City, on behalf of itself and the Zone, agrees to pay to the Authority by direct deposit not later than the first business day of each calendar quarter in which a current, approved budget is in effect for the Authority, all monies then available in the Tax Increment Fund minus any expenses incurred by the City in connection with the collection of the Tax Increments and subject to the retention by the City of (i) certain Tax Increments reserved for educational facilities project costs to be paid to HISD, and (ii) a reserve of up to five percent of the monies then available in the Tax Increment Fund. The City has the right to offset from these payments any amount paid by the Authority to a developer, builder, consultant or vendor pursuant to a contract that is not authorized by and consistent with the Tri-Party Agreement or the terms of the contract pursuant to which it was incurred. Nonetheless, this offset does not affect the obligation of the City and the Zone to pay from Tax Increments an amount that will permit the Authority to pay its bonds and other obligations issued or incurred pursuant to and consistent with the Tri-Party Agreement.

If a budget has not been approved by the thirtieth day before the date of a principal or interest payment on the Authority's bonds, and upon request by the Authority, the City will pay to the Authority the amount of available monies in the Tax Increment Fund otherwise payable to the Authority under the Tri-Party Agreement in at least the amount necessary for the payment of principal and interest due to the holders of the bonds next due, and the obligation to make the payment survives a termination of the Tri-Party Agreement.

The City and the Zone agree that their obligation to make the payments of Contract Tax Increments as set forth in the Tri-Party Agreement from the Tax Increment Fund is absolute and unconditional, and until such time as the bonds or notes, and the contractual obligations of the Authority have been fully paid or legally defeased or the date of expiration of the Zone, whichever comes first, the City and the Zone will not suspend or discontinue any payments of Contract Tax Increments as provided in the Tri-Party Agreement and will not terminate the Tri-Party Agreement for any cause.

If the City or Authority fails to perform its obligations under the Tri-Party Agreement, the non-defaulting party may terminate the Tri-Party Agreement. No termination of the Tri-Party Agreement will affect the obligation of the City and the Zone to pay from Tax Increments an amount of Contract Tax Increments which will permit the Authority to pay its bonds, notes or obligations issued or incurred pursuant to the Tri-Party Agreement prior to termination. In the Tri-Party Agreement, the City agrees not to dissolve the Authority or the Zone unless it makes satisfactory arrangements to provide for the payment of the Authority's bonds, notes or other obligations incurred prior to the Authority's dissolution.

In performing its obligations under the Tri-Party Agreement, the Authority is an independent contractor. The Authority is required to indemnify the City, the Zone, and their officers and employees for all claims for injury, death, damage or loss injuries sustained in connection with or incidental to any performance under the Tri-Party Agreement. The obligations of the Authority to indemnify the City and the Zone are subordinate to the Authority's obligation to pay principal and interest on its bonds and notes.

HISD's Interlocal Agreement

HISD, the City and the Zone entered into an Interlocal Agreement effective August 31, 1999 (the "*HISD Interlocal Agreement*"). Pursuant to the HISD Interlocal Agreement, HISD agreed to pay into the Tax Increment Fund all Tax Increments produced at HISD's then current tax rate on Captured Appraised Value in the Original Zone and all Tax Increments produced at a tax rate of \$0.96 on Captured Appraised Value in the 1999 Annexed Area. Taxes collected by HISD in any year on actual Captured Appraised Value that exceeds the estimate of Captured Appraised Value for that year shown in the Plan, as in effect prior to September 1, 1999, will be retained by HISD. The obligation to pay will accrue as taxes are collected by HISD, and payment is due on the 90th day after the delinquency date. No interest or penalty may be charged for delinquent payments under the HISD Interlocal Agreement.

Pursuant to the HISD Interlocal Agreement, the first payment of Tax Increments by HISD were for taxes levied for the year 1998, and the last payment is for taxes levied in the year 2027.

The portion of the HISD Tax Increments derived from a tax rate of \$0.64 per \$100 on Captured Appraised Value may be retained by the Authority for Project Costs for non-educational facilities. The remainder of the HISD Tax Increments and interest earned thereon must be paid to HISD by the City, the Zone, or the Authority on an annual basis to be used by HISD for educational facilities project costs within the Zone or the City.

HISD may reduce its Tax Increment under two circumstances: **first**, in the event that the laws applicable to HISD or tax increment reinvestment zones change subsequent to August 31, 1999, or there is any interpretation, ruling, order, decree or court decision interpreting existing or subsequently enacted law applicable to HISD or tax increment reinvestment zones, with the result that the participation of HISD in the Zone decreases the aggregate amount of the state and local funds available to or received in any school year by HISD during the term of the HISD Interlocal Agreement that would otherwise be available to or received by HISD in such school year if HISD was not participating in the Zone during that year, as determined by HISD subject to the review by the City as to the accuracy of the calculations, HISD's Tax Increment participation will, at the option of HISD, be reduced in an amount equal to the amount of the decrease in the aggregate state and local funding available to or received in that school year by HISD during the term of the HISD Agreement as a result of HISD's participation in the Zone; and **second**, at its option, HISD may reduce the HISD Tax Increment from year to year and for any tax year beginning in January of the year after the notice is given and continuing through subsequent years to a rate not less than \$0.64 per \$100 valuation.

If HISD's participation is reduced due to a change in law, the Project Costs for educational facilities paid to HISD will be reduced in the same percentage; however, the total amount of any reduction in Project Costs for non-educational facilities will not exceed two-thirds of the total amount of any reduction that would have resulted if HISD's participation was at a tax rate of \$0.96 per \$100 valuation. In the event HISD elects to reduce its participation in the Zone, the reduction will reduce the amount paid to HISD for Project Costs for educational facilities by the total aggregate amount of the reduction of Tax Increments paid to the City as a result of such reduction.

Neither the City nor the Zone is obligated to set aside for or pay to HISD any funds other than HISD's Tax Increments derived from the Zone; nor is the City or Zone obligated to expend any funds other than funds made available by HISD after payment pursuant to the HISD Interlocal Agreement to finance, acquire, construct or reconstruct any educational facilities.

The HISD Interlocal Agreement provides that all decisions regarding location, acquisition, construction, reconstruction and educational content of HISD educational facilities will be in the control of HISD. To the extent requested by HISD, the City and Zone agree that monies from the Tax Increment Fund will be used, at no cost to HISD, to pay to the City the following costs that would otherwise be incurred by HISD with respect to construction and operation of any educational facilities constructed by HISD in the Zone pursuant to the Plan: (1) the cost of abandonment of any street right of way, and (2) the cost of water and sewer utility connections and construction outside the boundaries of the HISD property for HISD educational facilities in the Zone. The City is required to use the proceeds obtained from these payments to provide infrastructure improvements or other projects identified in the Plan. An amendment to the Plan will not apply to HISD unless approved by HISD if the Plan (1) has the effect of directly or indirectly increasing the percentage of Tax Increments to be contributed by HISD, (2) requires or authorizes the City to issue additional tax increment bonds or notes or (3) eliminates or reduces educational facilities project costs.

HISD may terminate the HISD Interlocal Agreement if the City and Zone use any portion of the Tax Increment for costs of elementary or secondary school facilities of any entity other than HISD without the prior consent of HISD. The City and Zone may not use any portion of HISD's Tax Increment for postsecondary educational facilities without the approval of HISD, but may use Tax Increments contributed by other taxing units for postsecondary educational facilities if a taxing unit providing services to postsecondary students in such educational facilities contributes 100% of its Tax Increment in the Zone to the Tax Increment Fund from the date of its participation until the termination of the Zone.

HISD's participation will not extend to the Captured Appraised Value on any property added to the Zone by the City unless HISD approves the participation. Due to the state laws applicable to HISD's state and local funding, it is unlikely that HISD would agree to participate in any further property annexed into the Zone.

Legislation enacted in 2009 and 2011 provided that the Texas Education Agency would pay additional funds to school districts participating in tax increment reinvestment zones in an amount equal to the difference between the tax levies collected on the district's maintenance and operations tax rate for 2006 (and each year thereafter) and the levies that would have been collected at the district's 2005 maintenance and operations rate for each subsequent year. The amount received from the Texas Education Agency and attributable to the Zone is deposited to the Zone's Tax Increment Fund in the City Treasury and returned to HISD (the "Pass-Through Funds").

Calculation of Tax Increments

The Harris County Appraisal District (the "Appraisal District") appraises the property in the Zone for the Participants. The certified appraised value in the Zone is supplied to the Participants by the Appraisal District based on the Appraisal District's identification of all real property accounts within the Zone's boundaries. Each Participant uses the certified appraised taxable value in the Zone obtained from the Appraisal District, modified for the various exemptions from taxation granted by that particular Participant. It then determines Captured Appraised Value by subtracting the Tax Increment Base of the Zone from the current year's taxable value in the Zone.

The Appraisal District may issue a "correction roll" which may affect previously certified values. Value changes can be positive or negative depending on the cause. Omitted property adds value while protest settlements, exemptions and error corrections can add or subtract value. Value changes typically are larger in dollar amount and number in the years just following the current tax year and tend to diminish in amount and number over time.

Each Participant's determination of Captured Appraised Value will depend on the timing of its calculation (that is, what Appraisal District roll it uses) and its own exemptions. The Participants' individual determinations resulted in the Captured Appraised Values shown under "FINANCIAL INFORMATION—Schedule 5: Tax Increment Collections." For an explanation of the different exemptions of the Participants, see "TAXING PROCEDURES OF THE PARTICIPANTS—Property Subject to Taxation by the Participants."

Calculation of Tax Increments is subject to administrative interpretation by the Participants, which may change from time to time, at the option of each such Participant.

Collection of Tax Increments

Each taxing unit participating in a zone is to pay into the Tax Increment Fund Tax Increments equal to the amount arrived at by multiplying the Captured Appraised Value in the zone by the taxing unit's contributed tax rate per \$100 of valuation for the tax year and then multiplying that product by the taxing unit's collection percentage, subject to any aggregate limitation. The collection percentage is determined by comparing the taxes collected from all taxable real property in the zone to the total taxes due to the taxing unit for the tax year from all real property in the zone. Each taxing unit's collection percentage is shown in "FINANCIAL INFORMATION—Schedule 5: Tax Increment Collections." The TIF Act provides that payment of Tax Increments by a Participant is to be made by the 90th day after the later of either the delinquency date for the Participant's property taxes, or the date the city or county that created the zone submits to the taxing unit an invoice specifying the tax increment produced by the taxing unit and the amount the taxing unit is required to pay into the tax increment fund for the zone, unless otherwise specified by agreement.

Pursuant to the Tri-Party Agreement, the City and the Zone agree to continuously collect the Tax Increments during the term of the Tri-Party Agreement, and to the extent legally permitted to do so, they agree that they will not permit a reduction in the Tax Increments paid by the City or HISD, except to the extent provided in the Tri-Party Agreement, or HISD Interlocal Agreement, respectively.

The obligations of the City and the Zone to pay Contract Tax Increments to the Authority are subject to the Tri-Party Agreement and the rights of any of the holders of bonds, notes or other obligations that have been or are hereafter issued by the City, HISD, or any other taxing unit that may hereafter participate in the Zone that are payable from and secured by a general levy of ad valorem taxes throughout the taxing jurisdiction of the City, HISD, or other taxing unit, as applicable. See “INVESTMENT CONSIDERATIONS—Risk of Higher Priority Debt.”

Contract Tax Increments Defined

The TIF Act requires that all Tax Increments arising from taxation in the Zone be deposited to the Tax Increment Fund for the Zone in the City’s treasury. Pursuant to the Tri-Party Agreement, not later than the first business day of each calendar quarter in which a current, approved budget is in effect for the Authority, the City will pay to the Authority all monies then available in the Tax Increment Fund not subject to retention by the City, as described above under “—Collection of Tax Increments.”

The Authority has pledged all Contract Tax Increments to payment of the Contract Revenue Bonds. Contract Tax Increments are defined in the Indenture as Tax Increments from time to time required to be deposited by the Participants into the Tax Increment Fund pursuant to the TIF Act and the Participant Contracts and payable to the Authority minus any expenses incurred by the City in connection with the collection of Tax Increments and subject to the retention by the City of (i) a reserve of up to five percent of the monies then available in the Tax Increment Fund and (ii) certain Tax Increments reserved for educational facilities project costs to be paid to HISD.

Pledge of Revenues

Pursuant to the Bond Resolution and the Indenture, the Authority has agreed to transfer to the Trustee all Contract Tax Increments. The Trustee will deposit such amounts into an Indenture fund which constitutes the Authority’s “Pledged Revenue Fund.” Once debt service on the Contract Revenue Bonds for the succeeding twelve-month period has been deposited, the Debt Service Reserve Fund has been fully funded, the Trustee’s and Paying Agent/Registrar’s fees have been paid, and to the extent required, monies directed by the Authority to be deposited to the Rebate Fund have been deposited, the Trustee will remit any surplus Contract Tax Increments to the Authority for deposit to the Surplus Fund, subject to the direction of the Authority to transfer money to the Project Fund pursuant to the Indenture. The Authority may use these funds for any lawful purpose under the TIF Act. Monies can be transferred from the Pledged Revenue Fund to the Project Fund (instead of the Surplus Fund) at the discretion and written direction of the Authority, provided that the foregoing transfers and deposits have been made. See “THE TRUST INDENTURE – The Funds.”

The Authority has pledged to the payment of principal of and interest on the Contract Revenue Bonds the “Pledged Revenues,” which are defined in the Indenture and the Bond Resolution as all of the Authority’s right, title and interest in and to the following described properties and interests, direct or indirect, whether now owned or hereafter acquired:

- (a) the Contract Tax Increments;
- (b) all of the Authority’s right, title and interest thereto under the Participant Contracts;
- (c) all monies deposited or required to be deposited in the Pledged Revenue Fund, the Debt Service Fund (as hereinafter defined), the Debt Service Reserve Fund and the Project Fund held by the Trustee pursuant to the provisions of the Indenture and all interest earnings and investment income therefrom; and
- (d) any and all property of every kind and nature (including without limitation, cash, obligations or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted, or delivered to or deposited with, the Trustee as additional security under the Indenture by the Authority, or anyone on behalf of the Authority, or which pursuant to any of the provisions may come into the possession or control of the Trustee as security

thereunder, or of a receiver lawfully appointed thereunder, all of which property the Trustee is authorized to receive, hold and apply according to the terms thereof.

As required by the Tri-Party Agreement, the Chief Development Officer of the City and the Zone Board will approve, consent and acknowledge the assignment and pledge of the Pledged Revenues and the terms of the Bond Resolution and the Indenture.

Debt Service Reserve Fund

The Authority is using a portion of the Bond proceeds to make a cash deposit to the Debt Service Reserve Fund created by the Indenture in the amount of \$1,364,850 and to purchase a Reserve Fund Surety Policy (as defined below) from the Bond Insurer in an amount equal to \$454,950. The Reserve Fund Surety Policy together with the cash deposit to the Debt Service Reserve Fund is an amount equal to the “Reserve Requirement” for the Bonds. The “Reserve Requirement” is equal to the Maximum Annual Debt Service on the Contract Revenue Bonds, provided that the Reserve Requirement shall not exceed 10% of the stated principal amount of the Contract Revenue Bonds or any Series of Contract Revenue Bonds or 10% of the issue price of the Contract Revenue Bonds or any Series of Contract Revenue Bonds if such bonds are issued with more than a de minimus amount of original issue discount. See “THE TRUST INDENTURE—The Funds.”

A “Reserve Fund Surety Policy” is defined as an insurance policy or other credit agreement as such term is defined by Section 1371.001, Texas Government Code, in a principal amount equal to the portion of the Reserve Requirement to be satisfied and issued by a financial institution or insurance company with a rating (at the time of purchase thereof) for its long term unsecured debt or claims paying ability of at least “A” or its equivalent (without regard to any modifier) by a nationally recognized statistical rating organization.

The premium for any Reserve Fund Surety Policy may be paid from bond proceeds or other funds of the Authority lawfully available for such purpose. All amounts deposited in or required to be deposited in the Debt Service Reserve Fund may be used to pay obligations incurred to providers of Reserve Fund Surety Policies, including amounts advanced thereunder, interest on such advances and related costs and expenses.

If Additional Parity Bonds are issued, any increase in the Reserve Requirement may be funded with cash (which may be invested in eligible investments under the Authority’s investment policy) or by another Reserve Fund Surety Policy. The Authority expressly reserves the right at any time to satisfy all or part of the Reserve Requirement by obtaining for the benefit of the Debt Service Reserve Fund one or more Reserve Fund Surety Policies. In the event the Authority elects to substitute at any time a Reserve Fund Surety Policy for any funded amounts in the Debt Service Reserve Fund, it may apply any bond proceeds thereby released, to the greatest extent permitted by law, to any purposes for which the Bonds were issued and any other funds thereby released to any purposes for which such funds may be lawfully used.

Additional Parity Bonds

The Authority has reserved the right to issue additional parity tax increment contract revenue bonds (the “*Additional Parity Bonds*”) on the terms set out in the Indenture and the Bond Resolution for the purposes set forth in the Plan as it may be amended from time to time. Prior to issuing Additional Parity Bonds, the following conditions must be met:

- (a) the Additional Parity Bonds shall mature on, and interest is payable on, the principal installment payment dates and interest payment dates, respectively;
- (b) the City has approved issuance of the Additional Parity Bonds on the terms set forth in the Tri-Party Agreement, as the same may be modified from time to time;
- (c) there shall be on deposit in the Debt Service Reserve Fund, after the issuance of the Additional Parity Bonds, an amount equal to the Reserve Requirement on all Contract Revenue Bonds that will be outstanding after the issuance of the Additional Parity Bonds;

- (d) the Authority certifies that it is not in material default with the terms of the Indenture, any Bond Resolution or the Tri-Party Agreement; and
- (e) the Authority has received a certificate of the Authority’s financial advisor which shows Captured Appraised Value which, at the Participants’ tax rates then in existence, will generate Contract Tax Increments that will be at least 125 percent of projected Maximum Annual Debt Service, taking into account the Contract Revenue Bonds then outstanding and the Additional Parity Bonds to be issued; provided that this requirement shall not apply to the issuance of any series of Additional Parity Bonds for refunding purposes that will have the result of reducing the Average Annual Debt Service requirements on Contract Revenue Bonds.

The certificate required by paragraph (e) shall be based on a projection of the Captured Appraised Value by the Authority’s financial advisor using either (i) a certificate of the Harris County Appraisal District showing certified values, adjusted for exemptions, or (ii) estimated or preliminary values provided by the Harris County Appraisal District, adjusted for exemptions and losses due to protests based on historical data based on a three-year average of such reductions.

In the Indenture, the Authority represents that the Pledged Revenues are not in any manner pledged to the payment of any debt or obligation of the Authority other than the Contract Revenue Bonds, and the Authority covenants that it will not in any manner pledge or further encumber the Pledged Revenues unless such pledge or encumbrance is junior and subordinate to the lien and pledge granted under the Indenture to secure the Contract Revenue Bonds. The Indenture requires that subordinate lien obligations provide that they are payable from Pledged Revenues only if and to the extent of moneys that could otherwise be deposited to the Surplus Fund. See “THE TRUST INDENTURE—The Funds.”

INVESTMENT CONSIDERATIONS

Limited Obligations

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE PLEDGED REVENUES. THE BONDS ARE NOT OBLIGATIONS OF THE CITY AND DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY. THE CITY IS NOT OBLIGATED TO MAKE ANY PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS. FURTHERMORE, THE BONDS ARE NOT OBLIGATIONS OF THE COUNTY, HISD, THE STATE OF TEXAS, OR ANY ENTITY OTHER THAN THE AUTHORITY. THE AUTHORITY DOES NOT HAVE THE POWER TO LEVY TAXES OR ASSESS FEES TO PAY THE BONDS.

For a variety of reasons, including those described below, a decrease or reduction in Tax Increments causing a decrease or reduction in Pledged Revenues may occur. The Bonds are subject to special investment considerations as set forth below.

Impact of COVID-19 or Other Infectious Disease Outbreak

Any international, national or localized outbreak (an “Outbreak”) of a highly contagious or epidemic disease, such as COVID-19, the Zika virus, Ebola virus, or other highly contagious or epidemic disease, may have a material impact on an investment in the Bonds. The Authority’s financial and operating condition may be materially adversely impacted by an Outbreak, particularly if such Outbreak occurred in or around the Zone. Financial markets in the United States and globally may experience significant volatility or declines in connection with an Outbreak, which may have a material impact on the market price of the Bonds. Moreover, the spread of an Outbreak, such as COVID-19, may materially impact the state and national economies and, accordingly, materially adversely impact the Authority.

On March 11, 2020, the World Health Organization declared COVID-19, a pandemic. COVID-19 (a respiratory disease caused by a particular strain of coronavirus) has spread across the world, including the United States, Texas and the Harris County region, and is impacting commerce and global and national financial markets.

On March 13, 2020, the Texas Governor declared a state of disaster for all counties in Texas and, on March 19, 2020, issued a Public Health Disaster Declaration. Government officials have instituted numerous policies and measures to limit instances where the public can congregate or interact with each other, including the closing of many businesses. A significant amount of economic activity has been negatively impacted. Currently these restrictions are being lifted in phases; however, further restrictions may be required in the future.

Much of the taxable value in the Zone consists of industrial or commercial buildings. As a result of the COVID-19 Outbreak and the resulting decreased economic activity, industries and businesses are expected to reduce the amount of industrial or commercial space they need, which would result in vacant property and reduced taxable values for such property. See “TAXING PROCEDURES OF THE PARTICIPANTS—Valuation of Property for Taxation.”

Retail establishments in the Zone may be adversely affected by the governmental orders closing their businesses and the movement of clientele to online alternatives. See “—Risks Relating to Shopping Malls and Retail Operations” below. While the effects of COVID-19 on the national, state and local economies may be temporary, businesses and consumers may become accustomed to conditions during the pandemic and continue to reduce their patronage of retail establishments, leading to closures and property vacancies.

The primary security for the Bonds, the Contract Tax Increments, are derived from ad valorem taxes assessed and collected annually. It is unclear at this time what if any effect the COVID-19 pandemic and resulting economic disruption may have on future assessed values or the collection of taxes. See “TAXING PROCEDURES OF THE PARTICIPANTS—Valuation of Property for Taxation.”

The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the COVID-19 Outbreak and measures instituted to slow it. Accordingly, they are not necessarily indicative of the Authority’s future financial condition.

Impact of Condition of Energy Industry

Many energy companies are centered in Houston and have manufacturing facilities and offices in the City. Energy is a major driver of the Houston economy. Due to the dramatic decline in energy consumption because of the closure of businesses to mitigate the effects of COVID-19 and a failure of oil producing countries to agree on limiting their production, the price of oil is significantly below the point at which much of the U.S. energy industry can produce it. As a result, energy companies are reducing capital budgets and closing production. Job losses and industry consolidation are expected to occur. Because of the importance of the energy industry to the Houston economy, these job losses and industry consolidation are expected to have an adverse effect on the area economy and Houston’s office and industrial market, leading to negative net absorption and decreased leasing activity.

The dual impact of the COVID-19 pandemic on economic conditions and the disruptions in the global oil markets could have a severe impact on the Houston economy.

Weather Events

The Houston area, including the Zone, is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms and other tropical disturbances.

The City participates in the National Flood Insurance Program administered by the Federal Emergency Management Agency (“FEMA”). Communities participating in the National Flood Insurance Program are required by FEMA to adopt restrictions on development in designated flood-prone areas. In exchange, the National Flood Insurance Program makes federally subsidized flood insurance available to property owners located in the participating communities. FEMA periodically updates and revises its maps designating the areas of the City that are subject to special flood hazards. Properties that are currently located outside of a designated flood-prone area may suffer a reduction in value if they are placed within the boundaries of a special flood hazard area the next time FEMA updates and revises its flood maps.

Not all flood hazards are mapped on the FEMA flood maps, nor is every bayou or creek studied. Flooding can occur from ponding or overland sheet flow when intense rainfall overwhelms the local street drainage system. The mapped floodplain is only an estimate of where flooding is predicted to occur from a bayou or creek, given a set of parameters including a hypothetical rainfall occurring over a watershed for an assumed amount of time. During an actual rain event, natural conditions can result in greater amounts of rainfall or runoff, resulting in flood levels deeper and wider than shown on the FEMA maps.

The greater Houston area, including the Zone, has experienced four storms exceeding a 0.2% probability (i.e., “500-year flood” events) since 2015. Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, brought historic levels of rainfall during the successive four days.

If a future weather event significantly damaged all or part of the improvements within the Zone, the assessed value of property within the Zone could be substantially reduced, which could result in a decrease in Pledged Revenues. Further, there can be no assurance that a casualty loss to taxable property within the Zone will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligations to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the Zone. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the Zone could be adversely affected. There are special taxing procedures for areas declared to be a disaster area by the governor of the State that which could affect the amount of taxes due and when they are collected. See “TAXING PROCEDURES OF THE PARTICIPANTS—Reappraisal of Property after Disaster” and “—Tax Payment Installments after Disaster.”

The frequency and intensity of weather events in the Houston area could have a material impact on the long-term development of the area’s economy.

Risks Related to Shopping Malls and Retail Operations

Retail shopping centers and retail operations can be significantly affected by a variety of risk factors. The following are examples of such risks: changes in international, national, regional and local economic conditions; tenant bankruptcies and a resulting rejection of leases; the impact on retail tenants and demand for retail space due to increased use of the internet by retailers and consumers; the impact of alternative retail shopping centers like outlet centers, community/lifestyle centers, and catalogs; the loss of anchor stores and other major tenants; local real estate conditions, such as an oversupply of, or reduction in demand for, retail space or retail goods, decreases in rental rates, declining real estate values and the availability and creditworthiness of tenants; levels of consumer spending, changes in consumer confidence and fluctuations in seasonal spending; the willingness of retailers to lease space; increased operating costs; changes in applicable laws and regulations, including tax, environmental, safety and zoning; perceptions by consumers of the safety, convenience and attractiveness of retail shopping centers; casualties and other natural disasters; and the potential for terrorist activities.

Many retail establishments are expected to be adversely affected by the governmental orders closing their businesses during the COVID-19 pandemic and the movement of clientele to online alternatives. The effect of the COVID-19 pandemic may be to permanently alter consumers’ habits to reduce their patronage of retail businesses, ultimately resulting in retail closures and reduced taxable values for such establishments. See “TAXING PROCEDURES OF THE PARTICIPANTS—Valuation of Property for Taxation.”

Impact of Economic Conditions

Each year the then current market value of all real property and improvements in the Zone will determine Captured Appraised Value. The market value of the commercial and residential development within the Zone is affected by the demand for such commercial establishments and housing. Demand is affected by many factors, such as interest rates, credit availability, construction costs, energy availability, mobility and the general economic conditions and demographic characteristics of the U.S. and the specific economic conditions and demographic characteristics of the Houston metropolitan area.

Portions of the Zone contain deteriorated commercial and multifamily structures. The proximity to deteriorated areas may have a negative impact on the marketability of new or redeveloped commercial or residential establishments in portions of the Zone.

Future Taxable Values in the Zone May Decline

The Appraisal District determines the taxable value in the Zone annually based on the then current market value of all taxable real property and improvements in the Zone. **Captured Appraised Value is derived from the taxable value of real property and improvements within the Zone, not from any increase in the appraised value of personal property (such as equipment and inventory).**

The Appraisal District may use cost data, cost comparisons and/or an analysis of the income being produced by an apartment project or office building to determine its taxable value. Residential or commercial buildings that are not occupied or are only partially occupied may be appraised at a lower value than occupied facilities. Under certain circumstances, residential real property inventory held by a person in the trade or business will be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Reduced taxable values of the improvements in the Zone may affect the Tax Increments received by the Authority.

The appraisal method or combination of methods that the Appraisal District uses within the Zone is within the discretion of its Chief Appraiser and may change from time to time. The use of a particular method or combination of methods of appraisal with respect to property in the Zone may, over time, cause a decrease in the Captured Appraised Value in the Zone and, therefore, result in a reduction in the Contract Tax Increments.

Property owners have the right to protest the appraised value of their property in the Zone annually and are not required to render their property for ad valorem taxation at any agreed upon level, unless required by a development agreement with the Authority. Owners in the Zone may sell their properties to entities which do not pay ad valorem taxes on their property or convert their property to a use which is exempt from ad valorem taxes. Property owners have the right to seek tax abatements. Property values may also be adversely affected by natural or other disasters resulting in the destruction of property in the Zone. See “—Weather Events” in this section. The appraised value of the property and improvements will be determined and certified by the Appraisal District in accordance with the procedures described above and in “TAXING PROCEDURES OF THE PARTICIPANTS” and may be at a value lower than projected.

A Decrease in Taxable Value Produces a Greater Decrease in Captured Appraised Value and Can Reduce Tax Increments Significantly

A percentage decrease in taxable values results in a larger percentage decrease in the Captured Appraised Value (which subtracts the base year value). For instance, if a zone had a taxable value of \$100 and a Captured Appraised Value of \$30, then a reduction in taxable value to \$95 would be a 5% decrease in taxable values and a 16.67% decrease in Captured Appraised Value. See the “Ratio of 2019 Captured Appraised Value to Total Appraised Value in Zone” in “OFFICIAL STATEMENT SUMMARY--Schedule 1: Selected Financial Information (unaudited).” Tax Increments are derived from Captured Appraised Value and so will show the same percentage reduction as the Captured Appraised Value (16.67% in the example). See “FINANCIAL INFORMATION—Schedule 6: Historical Debt Service Coverage” to see Net Tax Increments Receivable by the Authority for each fiscal year through 2019.

Tax and Collection Rates May Decline

The amount of Contract Tax Increments available to pay principal of and interest on the Bonds is determined by the appraised value of taxable real property and improvements in the Zone, the tax rate of each Participant, and the percentage of taxes actually collected from taxpayers in the Zone and paid into the Tax Increment Fund.

The Participants are not required under Texas law or any contract to set a tax rate sufficient to assure any certain dollar amount of Contract Tax Increments; rather, Texas law, the Tri-Party Agreement,

and the Interlocal Agreements only require the Participants to contribute the Tax Increments actually collected by them and only to the extent provided in the Tri-Party Agreement, the Plan and each Interlocal Agreement. Each Participant will set its tax rate in accordance with the State Property Tax Code, which allows voters to limit an increase in the tax rate to the voter-approval tax rate calculated for such unit. See “TAXING PROCEDURES OF THE PARTICIPANTS--State Law Limitations on Setting the Annual Tax Rate.”

The City’s tax rate may be further limited by provisions added to its City Charter. In 2014, the City tax rate was limited for the first time by a revenue cap added to the City Charter in 2004. See “TAXING PROCEDURES OF THE PARTICIPANTS—City Charter Limitations.” The cap has required the City to lower its tax rate in 2014, 2015, 2016, 2017, and 2019. The 2017 tax rate was more than 5 cents lower than the 2013 rate and the lowest since 1987. Under the revenue cap formula, the tax rate for 2018 rose slightly from 2017, but has decreased in 2019.

The City’s tax rate for the 2019 tax year was \$0.567920 per \$100 valuation (a 2-cent reduction from the 2018 tax rate) and HISD’s tax rate for the 2019 tax year was \$1.136700 (a reduction of seven cents from the 2018 rate). See “FINANCIAL INFORMATION—Schedule 5: Tax Increment Collections” for tax rates from 2014 through 2019. If the tax rate of any Participant declines, the amount of Pledged Revenues available to pay debt service on the Bonds may decrease. See “SECURITY FOR AND SOURCE OF PAYMENT—HISD’s Interlocal Agreement.”

If the percentage of taxes collected by one or more Participants in the Zone declines, the amount of Pledged Revenues available to pay debt service on the Bonds may decrease. Historical tax collection rates may not accurately predict future tax collection rates.

The collection of, and accounting for, Tax Increments involve extensive administration and are subject to error. Moreover, detailed procedures for calculation and collection of Tax Increments are not set forth in the TIF Act and are implemented at the discretion of each taxing unit participating in a tax increment reinvestment zone.

Elimination or Reduction of HISD Tax Increments

As stated under the caption “—Tax and Collection Rates May Decline,” HISD is not required under Texas law or any contract to set a tax rate sufficient to assure any certain dollar amount of Tax Increments. HISD’s tax rate may change as required by state law or due to its own financial situation.

In response to certain litigation and a court order, the Texas Legislature enacted legislation in 2005 that made substantive changes in the way the public school finance system was funded. These changes were intended to reduce local school district tax rates for operations and maintenance. In the Texas legislative session that ended in May 2019, the Texas Legislature made more changes to the public school finance system. The Legislature committed \$5 billion toward buying down school property taxes. According to the Texas Education Agency, the “compression” of the maintenance and operations tax rate was expected to reduce school district tax rates for the 2019 tax year by an average amount of 8 cents. Any subsequent annual increase in school property taxes is effectively limited to 2.5% over the “no new revenue” tax rate. See “TAXING PROCEDURES OF THE PARTICIPANTS—State Law Limitations on Setting the Annual Tax Rate.” The 2018 tax rate of HISD was \$1.206700 (of which \$1.040000 was the maintenance and operations tax rate), and the 2019 tax rate of HISD is \$1.136700 (of which \$0.970000 is the maintenance and operations tax rate).

Additional litigation and/or legislative action may make further changes to the public school finance system. The Authority can make no representation or prediction regarding the outcome of that litigation or future legislation or court decisions that may be enacted or their effect on the Contract Tax Increments.

In addition to a general change in financing public education in Texas which would result in a reduction in HISD’s tax rate, Tax Increments dedicated to the Zone by HISD are subject to elimination or reduction as set forth below.

In the event that the laws applicable to HISD or tax increment reinvestment zones change or there is any interpretation, ruling, order, decree or court decision interpreting existing or subsequently enacted law applicable to HISD or tax increment reinvestment zones, with the result that the participation of HISD in the Zone decreases the

aggregate amount of the state and local funds available to or received in any school year by HISD during the term of the HISD Interlocal Agreement that would otherwise be available to or received by HISD in such school year if HISD was not participating in the Zone during that year, participation shall, at the option of HISD, be reduced in an amount equal to the amount of the decrease in the aggregate state and local funding available to or received in that school year by HISD during the term of the HISD Interlocal Agreement as a result of HISD's participation in the Zone. If HISD's participation is reduced due to a change in law, the Tax Increments paid to HISD for Project Costs for educational facilities will be reduced by the same percentage; however, the total amount of any reduction in Tax Increments which may be expended on Project Costs for non-educational facilities will not exceed two-thirds of the total amount of any reduction that would have resulted if HISD's participation was at a tax rate of \$0.96 per \$100 valuation. The Authority cannot predict the likelihood of changes in state law that would affect HISD's participation in the Zone.

At its option, HISD may reduce its HISD Tax Increment from year to year and for any tax year beginning in January of the year after the notice is given and subsequent years to a rate not less than \$0.64 per \$100 valuation; however, this reduction would primarily reduce the aggregate amount paid to HISD from Tax Increments for Project Costs for educational facilities, which are not pledged to payment of the Contract Revenue Bonds.

Concentration of Risk

Approximately 16.99% of the current estimate of appraised value in the Zone was derived from property owned by the top ten taxpayers. See "STATUS OF DEVELOPMENT-Schedule 3: Principal Taxpayers in the Zone," A significant reduction in the value of these properties could adversely affect the amount of Contract Tax Increments available for payment of debt service on the Bonds.

Limitations on Tax Collections and Foreclosure Remedies

The Authority's ability to make debt service payments on the Bonds may be adversely affected by the Participants' inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a Participant constitutes a lien on the property against which taxes are levied and such lien may be enforced by foreclosure. Foreclosure must be effected through a judicial proceeding. A Participant's ability to collect ad valorem taxes through such foreclosure may be impaired by cumbersome, time-consuming and expensive collection procedures or economic and market conditions affecting the marketability of taxable property within the Zone and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the Zone available to pay debt service on the Bonds may be limited by the current aggregate tax rate being levied against the property and by other factors, including the taxpayers' right to redeem property within two years of foreclosure for residential homestead and agricultural use property and within six months of foreclosure for other property. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the Zone pursuant to the Federal Bankruptcy Code could stay any attempt by a Participant to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years, and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. The Authority has no control over the collection of property taxes by the Participants.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("*FIRREA*") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("*FDIC*") when the FDIC is acting as the conservator or receiver of an insolvent financial institution. Under *FIRREA* real property held by the FDIC is still subject to ad valorem taxation, but such act states (1) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (2) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due and (3) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed. These provisions may affect the timeliness of collection of taxes on property which may be owned in the future by the FDIC in the Zone and may prevent the collection of penalties and interest on such taxes.

Growth Limited by Air Quality Issues

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality ("TCEQ") may curtail new industrial, commercial and residential development in Houston and adjacent areas. Under the Clean Air Act Amendments of 1990, the eight county Houston-Galveston Area ("HGB Area") has been designated by the EPA as a non-attainment area under the EPA's ozone standards, and the EPA and the TCEQ have imposed limitations on sources of air emissions and require any new source of significant air emissions to provide for a net reduction of air emissions. If the HGB Area fails to demonstrate progress in reducing ozone concentrations or fails to meet EPA's standards, EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, and may impose severe emissions offset requirements on new major sources of hydrocarbon emissions for which construction has not already commenced. The development of a successful air quality compliance plan may impact a wide cross-section of the business and residential community. Stringent controls on sources of air emissions in the HGB Area, could make the Houston area a less attractive location to businesses in comparison to other areas of the country that do not impose similarly stringent air emissions controls.

Recent Flood Plain and Development Regulations Might Impede New Development

As a direct result of Hurricane Harvey, the City adopted new rules and amended existing regulations in order to reduce the potential impact of new development on drainage and to mitigate flooding risks. The new and amended City regulations took effect on September 1, 2018.

The City floodplain regulations govern construction projects in the corporate jurisdiction of the City of Houston and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City regulations require an improved structure with a new market value which exceeds 50% of the market value of the structure prior to the start of improvements to meet the new and amended City of Houston regulations.

These regulations are expected to increase the costs of new developments in the City and could deter the development of new improvements in the Zone.

Risk of Increased Debt

The Authority has reserved the right to issue Additional Parity Bonds which are secured by the Pledged Revenues on an equal basis with the then-outstanding Contract Revenue Bonds. The issuance of Additional Parity Bonds may adversely affect the investment security of the outstanding Contract Revenue Bonds. For a description of the circumstances under which Additional Parity Bonds may be issued and the Authority's issuance plans, see "SOURCE OF AND SECURITY FOR PAYMENT—Additional Parity Bonds" and "FINANCIAL INFORMATION—Authority and Plans to Issue Bonds and Notes." Additionally, the Authority may incur debt subordinate to the payment of Additional Parity Bonds or may incur certain obligations through development agreements and related agreements. See "FINANCIAL INFORMATION—Additional Obligations of the Authority."

Risk of Higher Priority Debt

The obligations of the Participants to pay Tax Increments into the Tax Increment Fund are subject to the rights of any of the holders of bonds, notes or other obligations that have been or are hereafter issued by the Participants that are payable from and secured by a general levy of ad valorem taxes throughout the taxing jurisdiction of the Participants. If taxable values in any Participant decline so that it cannot pay its outstanding tax-supported indebtedness without use of Tax Increments, there may be insufficient remaining Tax Increments to pay the Bonds. The City Charter provides that, in preparing the City's budget, provision shall first be made for the payment of debt service on the City's outstanding tax obligations, with the remaining revenues to be apportioned among the City's respective departments. In future fiscal years, the amount of the tax levy allocated to debt service on the City's tax bonds may need to be increased, reducing the amount allocable for transfer to the Tax Increment

Fund and the delivery of essential governmental services if there is no corresponding increase in the overall tax levy or other revenues.

Limited Remedies After Default

Remedies in the event of a default by the Authority in one or more of its obligations under the Bonds, the Bond Resolution or the Indenture are limited. Although the Indenture provides that the Trustee may obtain a writ of mandamus requiring performance of such obligations, such remedy may prove time-consuming, costly and difficult to enforce. Neither the Bond Resolution nor the Indenture provides for acceleration of maturity of the Bonds, or provides for the foreclosure of any property or assets other than applying the Pledged Revenues to payment of the Bonds in the manner provided in the Indenture. See “—Risk of Bankruptcy” below.

Risk of Bankruptcy

The Authority is eligible to seek relief from its creditors under the U.S. Bankruptcy Code. The Bankruptcy Code includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under the Bankruptcy Code. Therefore, should the Authority avail itself of bankruptcy protection from creditors, the ability to enforce a remedy against the Authority would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state courts) and the Bankruptcy Code provides for discretionary power of a Bankruptcy Court in administering any proceeding before it. While the relevant law on this point is not clear, it may not be possible for one or more creditors to force the Authority into bankruptcy involuntarily. The opinion of Bond Counsel will note that all opinions relative to enforceability of the Bond Resolution, the Indenture and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to debtors under the Bankruptcy Code.

Dependence on Contract Payments

In order for owners of the Bonds to receive principal of and interest as due, several governmental units must perform their obligations under the contracts described herein. HISD must perform under its Interlocal Agreement, and the City must perform its obligations under the Tri-Party Agreement. Additionally, the Zone and the Authority must perform their obligations under the Tri-Party Agreement. Any of these parties could default in its obligations.

In the case of a default by any of the governmental entities involved in the Zone, enforcement of its contractual obligations would be dependent upon judicial redress, which is subject to discretion and delay. Enforcement of these agreements would be limited or prohibited if the defaulting party filed for bankruptcy under the United States Bankruptcy Code or similar state laws. Moreover, each of the Participants involved in the Zone may be very reluctant to pursue judicial redress against another Participant, with which it may be engaged in many transactions.

Failure to Generate Sufficient Tax Increments Prior to Termination of Zone

The Zone was created by the City Council of the City in December, 1997, and currently is scheduled to terminate on December 31, 2044. If Tax Increments collected prior to termination of the Zone have been insufficient to pay principal of and interest on the Bonds when due, no additional Tax Increments are required to be collected, and no remedies are available to the Bondholders to recover amounts remaining unpaid but with respect to which Tax Increments have been insufficient.

Only the City has agreed to contribute Tax Increments to the Zone until termination of the Zone on December 31, 2044. The HISD Interlocal Agreement states that the first payment of Tax Increments by HISD will be for taxes levied in the year 1998 and the last payment by HISD pursuant to the Interlocal Agreement will be for taxes levied in the year 2027. The Authority has attempted to structure its debt service schedule so as to take into account the termination of the HISD Interlocal Agreement. See “FINANCIAL INFORMATION—Debt Service Requirements.”

The TIF Act permits the City Council of the City to shorten or lengthen the term of the Zone; however if the City extends the term of the Zone, other Participants need not participate in the Zone during the extension period. HISD must agree to any reduction of the term of the Zone to a date earlier than December 31, 2027. In the Tri-Party Agreement, the City has agreed not to terminate the Zone unless it makes satisfactory arrangements to provide for payment of the Authority's outstanding bonds, notes and obligations to developers and builders in the Zone.

Risk of Failure to Comply with Certain Covenants

Failure of the Authority to comply with certain covenants contained in the Bond Resolution and the Indenture on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS."

Changes in Law

Current law may change so as to directly or indirectly reduce Tax Increments available to the Authority or eliminate the benefit to local governments of participating in tax increment reinvestment zones. The Texas Legislature meets biennially in odd numbered years and frequently makes changes to the TIF Act and the Property Tax Code. Changes to the Property Tax Code can also affect the valuation of property in the Zone. The Authority has no control over these changes.

Current law may change so as to directly or indirectly reduce or eliminate the exclusion of interest on the Bonds from gross income for federal income tax purposes. See "TAX MATTERS—Tax Legislative Changes."

Limited Marketability of the Bonds

The Authority has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Bond Insurance Risk Factors

The Authority has entered into an agreement with Assured Guaranty Municipal Corp. ("*AGM*" or the "*Bond Insurer*") for the purchase of a municipal bond insurance policy (the "*Policy*") which will guarantee the scheduled payment of principal of and interest on the Bonds. At the time of entering this agreement, the Bond Insurer was rated "AA" (stable outlook) by S&P. See "BOND INSURANCE" and "MUNICIPAL BOND RATINGS."

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Authority which is recovered by the Authority from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the Authority unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any

remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "MUNICIPAL BOND RATINGS" herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Authority nor the Underwriters have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Reliance on Debt Service Reserve Fund and Use of Reserve Fund Surety Policy

In addition to making a cash deposit of \$1,364,850 to the Debt Service Reserve Fund from proceeds of the Bonds, the Authority is purchasing a Reserve Fund Surety Policy (as defined below) from the Bond Insurer in the amount of \$454,950. The cash deposit together with the Reserve Fund Surety Policy is in an amount equal to the "Reserve Requirement" for the Bonds. The Debt Service Reserve Fund is for the equal and ratable benefit of all the Contract Revenue Bonds.

A "Reserve Fund Surety Policy" is defined as an insurance policy or other credit agreement as such term is defined by Section 1371.001, Texas Government Code, in a principal amount equal to the portion of the Reserve Requirement to be satisfied and issued by a financial institution or insurance company with a rating (at the time of purchase thereof) for its long term unsecured debt or claims paying ability of at least "A" or its equivalent (without regard to any modifier) by a nationally recognized statistical rating organization. In the event the Authority elects to substitute at any time a Reserve Fund Surety Policy for any funded amounts in the Debt Service Reserve Fund, it may apply any bond proceeds thereby released, to the greatest extent permitted by law, to any purposes for which the Bonds were issued and any other funds thereby released to any purposes for which such funds may lawfully be used.

The financial strength and claims paying ability of the Bond Insurer providing the Reserve Fund Surety Policy such as the Bond Insurer are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer or other provider of a Reserve Fund Surety Policy will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. There is no obligation on the part of the Authority to replenish the Debt Service Reserve Fund if the ratings of the Bond Insurer are downgraded or the Bond Insurer becomes insolvent or bankrupt.

The obligations of the Bond Insurer providing the Reserve Fund Surety Policy are contractual obligations and in an event of default by the provider, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

The Debt Service Reserve Fund is to be utilized when there are insufficient funds in the Debt Service Fund to pay principal and interest coming due on the Bonds. However, the amount of the Debt Service Reserve Fund is limited to the Reserve Requirement and may not be sufficient to pay debt service on the Bonds, depending upon the amount, duration and frequency of the shortage in Contract Tax Increments and the Authority's ability to replenish the Debt Service Reserve Fund from Pledged Revenues. The Bond Resolution will provide that cash in the Debt Service Reserve Fund be used prior to the Reserve Fund Surety Policy. If the Reserve Fund Surety Policy is utilized, the Authority is required to repay the Bond Insurer, along with costs and accrued interest within the next year. The Bond Insurer is entitled to any amounts deposited to the Debt Service Reserve Fund to replenish the fund after the Reserve Fund Surety Policy is utilized. The Bond Insurer has a lien on the Pledged Revenues to secure repayment, subject only to the senior priority of the Contract Revenue Bonds.

The Authority may not have sufficient Contract Tax Increments to repay the Bond Insurer. In such event the Bond Insurer will be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Bonds, or (ii) remedies which would adversely affect the owners of the Bonds and any Additional Parity Bonds.

THE BONDS

Description

The Bonds will be issued in the aggregate principal amount and will mature on the dates and in the amounts, and will bear interest at the rates per annum set forth on the inside cover of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will accrue from the Delivery Date. Interest on the Bonds is payable on each March 1 and September 1, commencing September 1, 2020, until the earlier of maturity or redemption. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000.

Book-Entry Only System

The information in this section concerning DTC, Cede & Co. and the book-entry system has been furnished by DTC for use in disclosure documents such as this Official Statement. The Authority and the Underwriters believe such information to be reliable, but neither the Authority nor the Underwriters take any responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each stated maturity of the Bonds, each in the aggregate principal amount of such stated maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities

Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (*“Indirect Participants”*). DTC has a S&P rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the *“Beneficial Owner”*) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and the Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of the Bonds as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the issuer or paying agent of the Bonds, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not DTC nor its nominee, the paying agent or the issuer of the Bonds, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or paying agent of the Bonds,

disbursement of such payments to Direct Participants will be the responsibility to DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct Participants and the Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the issuer or the paying agent of the Bonds. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC participants under DTC’s operational arrangements. In the event of such discontinuance, certificates will be printed and delivered.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed Regions Bank as the initial Paying Agent/Registrar for the Bonds (together with any successors, the “*Paying Agent/Registrar*”). The principal of the Bonds will be payable to the registered owners of the Bonds (the “*Registered Owners*”), initially Cede & Co., without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon presentation and surrender of the Bonds as they respectively become due and payable, at the designated corporate trust office of the Paying Agent/Registrar. In the event the book-entry-only system is discontinued, interest on each Bond will be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (each a “*Record Date*”), to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “*Register*”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of principal of or interest on any Bond is not a business day, then the date for such paying will be the next succeeding business day, as defined in the Bond Resolution. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for thirty days thereafter, the Paying Agent/Registrar is required to establish a new record date for the payment of such interest (a “*Special Record Date*”) when funds to make such payment are received from or on behalf of the Authority. Such Special Record Date is required to be fifteen days prior to the date fixed for payment of such past due interest.

Redemption Provisions

Optional Redemption: The Authority reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2031, prior to their scheduled maturities, in whole or from time to time, in part, in integral multiples of \$5,000 on September 1, 2030, or any date thereafter, at a price equal to par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the Authority.

Mandatory Redemption: The Term Bonds maturing on September 1 in the years 2042 and 2044 will be mandatorily redeemed by the Authority prior to their scheduled maturity dates on the dates and in the principal amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

\$3,325,000 Term Bond Maturing September 1, 2042		\$3,530,000 Term Bond Maturing September 1, 2044	
Mandatory Redemption Dates (9/1)	Principal Amounts	Mandatory Redemption Dates (9/1)	Principal Amounts
2041	\$1,640,000	2043	\$1,740,000
2042 (maturity)	\$1,685,000	2044 (maturity)	\$1,790,000

At the option of the Authority, the principal amount of each Term Bond required to be redeemed on any redemption date pursuant to the mandatory sinking fund redemption schedule relating to such Term Bond will be reduced by the principal amount of such Term Bond which, at least 45 days prior to the mandatory sinking fund redemption date (i) has been acquired by the Authority at a price not exceeding the principal amount of such Term Bond plus accrued interest to the date of purchase and delivered to the Paying Agent/Registrar for cancellation, or (ii) has been redeemed pursuant to optional redemption and not previously credited to a mandatory sinking fund redemption.

General Redemption Provisions: During any period in which ownership of the Bonds is in book-entry-only form, if fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds of such maturity to be redeemed will be selected in accordance with the arrangements between the Authority and DTC; provided, that if any Bond is selected for redemption in part, it shall not be redeemed in an amount that would result, upon exchange, in a Bond in a denomination less than \$5,000.

Notice of Redemption

Notice of redemption will be given by the Paying Agent/Registrar not less than 30 days prior to the date of redemption by United States mail, first class, postage prepaid, to the Registered Owners of Bonds called for redemption at the address on the Register maintained by the Paying Agent/Registrar. Notice having been given in the manner and under the conditions provided in the Bond Resolution and monies for the payment of the redemption price being held by the Paying Agent/Registrar, the Bonds designated for redemption described above will be due and payable at the redemption price specified above and interest thereon will cease to accrue on such Bonds, and such Bonds will cease to be entitled to any lien, benefit or security under the Bond Resolution and shall not be deemed to be outstanding thereunder. The owners of such Bonds will have no right in respect thereof except to receive payment of the redemption price thereof.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar will keep the Register at its designated corporate trust office, and subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the book-entry-only system is discontinued, each Bond will be transferable only upon the presentation and surrender of such Bond at the designated corporate trust office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the Authority to authenticate and deliver in exchange therefor, within three business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity, aggregate principal amount, and Dated Date, and bearing interest at the same rate as the Bond or Bonds so presented.

In the event the book-entry-only system is discontinued, all Bonds will be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds in accordance with the provisions of the Bond Resolution. Each Bond delivered will be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the Authority nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending on the next succeeding Interest Payment Date (including any Special Record Date) or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption and ending on the date fixed for redemption; provided, however, that such limitation will not apply to the exchange by the Registered Owner of the unredeemed portion of a Bond called for redemption in part.

The Authority or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange will be paid by the Authority.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Authority, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any Paying Agent/Registrar selected by the Authority will be a national or state banking institution, doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and which will be subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar will authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the Authority, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered Owners of lost, stolen or destroyed Bonds will be required to pay the Authority's cost to replace such Bonds. In addition, the Authority or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Chapter 1201, Texas Government Code, the Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries and trustees and for the sinking funds of cities, town, villages, school districts and other political subdivisions or public agencies of the State of Texas. The Bonds are not an authorized investment for political subdivisions that are required to comply with the Public Funds Investment Act, Chapter 2256, Texas Government Code. Most political subdivisions in the State of Texas are required to adopt investment guidelines consistent with the Public Funds Investment Act. However, political subdivisions otherwise subject to the Public Funds Investment Act may have statutory authority to invest in the Bonds independent from the Public Funds Investment Act. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State of Texas, or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

The Authority has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The Authority has made no investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

Defeasance

The Authority may defease any or all of the Bonds pursuant to the provisions of the Bond Resolution and discharge its obligations to the Registered Owners in any manner permitted by law.

Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas, with the Paying Agent/Registrar or with any other escrow agent so authorized by law either (i) cash in an amount equal to the principal amount and redemption amount, if any, of the Bonds plus interest thereon to the date of maturity or redemption or (ii) pursuant to an escrow or trust agreement, cash and (x) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (y) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (z) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the Authority to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the Authority: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

PLAN OF FINANCING

Authority and Purpose

On April 29, 2020, by Ordinance No. 2020-353, the City Council of the City authorized the Authority to issue bonds and notes secured by Contract Tax Increments in the maximum aggregate principal amount of \$34,600,000, outstanding at any one time. The Bonds are being issued pursuant to such authorization. See “FINANCIAL INFORMATION—Schedule 4: Authorized and Unissued Bonds and Notes.”

Proceeds of the Bonds will be used for the purpose of (1) defeasing and refunding the Refunded Debt; (2) financing Project Costs in accordance with the Plan; (3) funding the Debt Service Reserve Requirement, to the extent required, and (4) paying costs of issuance, all under and pursuant to the authority of the TIF Act and all other applicable law.

Major projects included in the Plan and the Authority’s current five-year capital improvements plan consist of corridor mobility projects, such as Bellfort Street between Mykawa Road and Telephone Road and Martin Luther King Boulevard between Bellfort Road and Almeda Genoa Road, and other major street and drainage projects. See “THE DEVELOPMENT PLAN—Projects.”

Refunded Debt

The debt to be refunded with proceeds of the Bonds consists of the Authority’s Promissory Note dated October 3, 2016 in the original principal amount of \$6,500,000 issued to Compass Mortgage Corporation. The principal amount currently outstanding is \$5,105,000 (the “*Refunded Debt*”).

2016	
Maturity Date	Amount
9/1/2026	\$ 5,105,000

Defeasance of Refunded Debt

The Refunded Debt, and the interest due thereon, are to be paid on July 21, 2020 (the “Redemption Date”) from funds to be deposited with Compass Mortgage Corporation, lender for the Refunded Debt (the “Lender”).

The Bond Resolution provides that the Authority, the Lender and the Paying Agent/Registrar will enter into a deposit letter agreement (the “Deposit Letter”). The Deposit Letter provides that from the proceeds of the sale of the Bonds, along with other monies lawfully available to the Authority, the Authority will direct the Paying Agent/Registrar to pay the Lender the amount necessary to accomplish the discharge and final payment of the Refunded Debt. Such funds will be held by the Lender in a segregated account and used to pay the principal of and interest on the Refunded Debt on the Redemption Date and will not be available to pay principal of and interest on the Bonds. By the deposit of the cash with the Lender pursuant to the Deposit Letter, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Debt, the terms of the loan agreement securing payment of the Refunded Debt shall have been satisfied and such Refunded Debt will no longer be considered outstanding except for the payment of the amounts so deposited, and the amounts so deposited will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Debt.

USE AND DISTRIBUTION OF BOND PROCEEDS

The following table sets forth the expected use and distribution of Bond proceeds and is subject to change.

Sources of Funds:

Principal	\$29,615,000.00
Net Premium	2,687,020.80
Total Sources:	<u>\$32,302,020.80</u>

Uses of Funds:

Deposit with Refunded Debt Lender.....	\$ 5,118,863.09
Deposit to Project Fund.....	24,319,701.50
Deposit to Debt Service Reserve Fund.....	1,364,850.00
Cost of Issuance, including bond insurance premium ⁽¹⁾	1,498,606.19
Total Uses:	<u>\$32,302,020.80</u>

⁽¹⁾ Represents additional proceeds, estimated fees, expenses, bond insurance premium, reserve fund surety policy premium, and underwriting discount, related to the issuance and sale of the Bonds.

THE TRUST INDENTURE

Pursuant to the Indenture, the Authority has assigned all of the Authority’s right, title and interest in and to the Pledged Revenues, including the Contract Tax Increments, to the Trustee for the benefit, on an equal and ratable basis, of the holders of the Contract Revenue Bonds, including the Bonds and any Additional Parity Bonds.

Pursuant to the Indenture, the Trustee is to maintain the Pledged Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, and the Project Fund as trust funds to be held in trust solely for the benefit of the Registered Owners of the Contract Revenue Bonds. The Pledged Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, and the Project Fund are to be invested only in investments authorized by the laws of the State of Texas but must be invested in a manner such that the money required to be expended from any fund will be available at the proper time or times. Amounts deposited into the Debt Service Reserve Fund shall be used to pay interest on and principal of the Contract Revenue Bonds when insufficient funds are available for such purpose in the Debt Service Fund or may be applied toward the payment of principal of or interest on the Contract Revenue Bonds in connection with the refunding or redemption of such Bonds.

The Funds

The Indenture creates the following funds, each of which (except the Surplus Fund) shall be maintained by the Trustee:

- (a) the Pledged Revenue Fund, into which all Pledged Revenues shall be deposited;
- (b) the Debt Service Fund, into which deposits shall be made from the Pledged Revenue Fund as described below, and from which deposits shall be applied to the payment of interest and principal installments on the Contract Revenue Bonds as the same becomes due;
- (c) the Debt Service Reserve Fund, which shall be initially funded from proceeds of each series of Contract Revenue Bonds, or a Reserve Fund Surety Policy, and into which deposits from the Pledged Revenue Fund shall be made to attain the Reserve Requirement, and from which monies shall be applied to the Debt Service Fund if amounts in the Pledged Revenue Fund and Debt Service Fund are insufficient to pay the amounts of principal and interest due on the Contract Revenue Bonds;
- (d) the Project Fund, which will be maintained by the Authority and funded initially from Contract Revenue Bond proceeds and disbursed by the Trustee immediately, free and clear of any lien created by the Indenture, to pay costs of issuance and to deposit with the Authority to pay Project Costs as provided in the applicable Bond Resolution;
- (e) the Rebate Fund, which shall be free and clear of any lien created by the Indenture, and into which certain amounts earned by the Authority on the investment of the “gross proceeds” of the Contract Revenue Bonds (within the meaning of section 148(f)(6)(B) of the Internal Revenue Code of 1986, as amended (the “Code”) shall be deposited for rebate to the United States federal government, all as provided in the Bond Resolution with respect to each series of Contract Revenue Bonds; and
- (f) the Surplus Fund, into which shall be deposited any amounts remaining in the Pledged Revenue Fund.

Pledged Revenues deposited in the Pledged Revenue Fund shall be applied by the Trustee as follows: (i) to the Debt Service Fund amounts necessary to make the amounts on deposit therein equal to the interest and principal installments due in the next twelve month period; (ii) to the Debt Service Reserve Fund amounts required to attain the Reserve Requirement; (iii) to the payment of fees and expenses of the Trustee and Paying Agent/Registrar; (iv) to the extent required, to the Rebate Fund any amounts required to be deposited therein; and (v) to the Surplus Fund of the Authority established in accordance with the Tri-Party Agreement, for use by the Authority for any lawful purpose. Monies can be transferred from the Pledged Revenue Fund to the Project Fund (instead of the Surplus Fund) at the discretion and written direction of the Authority given at the time moneys are received in the Pledged Revenue Fund, provided that immediately prior to any such transfer the deposits required by clauses (i), (ii), (iii) and (iv) above have been made or provided for.

Events of Default

The Indenture provides that an Event of Default shall be either of the following acts or occurrences:

- (a) Failure to pay when due the interest and principal installment on any Contract Revenue Bond; or
- (b) Failure to deposit to the Debt Service Fund money sufficient to pay any principal of or interest on any Contract Revenue Bond by no later than the date when such becomes due and payable.

Remedies

Upon the occurrence of an Event of Default, the Trustee is required to give notice thereof to the Authority and, subject to the other provisions of the Indenture, may and at the direction of the Registered Owners of not less than 25% of the aggregate principal amount of the Bonds outstanding, will proceed to protect and enforce its rights and the rights of the Registered Owners of the Contract Revenue Bonds by suit, action or proceeding at equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture, the Contract Revenue Bonds, or the resolutions authorizing the Contract Revenue Bonds, or in aid of the execution of any power granted in the Indenture or for the enforcement of any of the legal, equitable or other remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or Registered Owners, including, without limitation, requesting a writ of mandamus issued by a court of competent jurisdiction compelling the directors and other officers of the Authority or any Participant to make payment of the Contract Tax Increment (but only from and to the extent of the sources provided in the Indenture and the Participant Contracts) or to observe and perform its other covenants, obligations and agreements in the Indenture or Tri-Party Agreement. The Indenture provides that the Trustee may seek the appointment of receivers, may act without possession of the Contract Revenue Bonds, may act as attorney in fact for the Registered Owners of the Contract Revenue Bonds, no remedy is exclusive and that the delay or omission in the exercise of any right or remedy shall not constitute a waiver.

The Indenture does not provide for any acceleration of maturity of the Contract Revenue Bonds or provide for the foreclosure upon any property or assets of the Authority or the Participants, other than applying the Pledged Revenues in the manner provided in the Indenture.

Limitation on Action by Owners

The Indenture imposes certain limitations on Registered Owners of Contract Revenue Bonds to institute suits, actions or proceedings at law or in equity for the appointment of a receiver or other remedy unless and until the Trustee shall have received the written request of the Registered Owners of not less than 25% of the aggregate principal amount of all Contract Revenue Bonds then outstanding and the Trustee shall have refused or neglected to institute such suit, action or proceeding for a period of 10 days after having been furnished reasonable indemnity. Notwithstanding the foregoing, Registered Owners of more than 50% of the aggregate principal amount of the Contract Revenue Bonds then outstanding shall have the right, by written instrument delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee or any other proceedings as set forth under the Indenture.

Amendments to the Trust Indenture

Without the consent of the Registered Owners, the Authority and the Trustee may from time to time enter into one or more indentures supplemental to the Indenture, which shall form a part of the Indenture, for any one or more of the following purposes:

- (a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Registered Owners of the Contract Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Contract Revenue Bonds or the Trustee or either of them;
- (c) to subject to the lien of the Indenture additional revenues, properties or collateral;
- (d) to modify, amend or supplement the Indenture or any supplemental indenture in such manner as to provide further assurances that interest on the Contract Revenue Bonds will, to the greatest extent legally possible, be excludable from gross income for federal income tax purposes;
- (e) to obtain bond insurance for the Contract Revenue Bonds, if any;

- (f) to provide for one or more Reserve Fund Surety Policies;
- (g) to permit the assumption of the Authority's obligations thereunder by any entity that may become the legal successor to the Authority; and
- (h) to issue any Contract Revenue Bonds or issue any bonds, notes or other obligations secured in whole or in part by liens on all or part of the Pledged Revenues that are junior and subordinate to the lien on Pledged Revenues securing payment of the Contract Revenue Bonds;

provided, however, that no provision in such supplemental indenture will be inconsistent with the Indenture or will impair in any manner the rights of the Registered Owners of the Contract Revenue Bonds.

Except as provided in the preceding paragraph, any modification, change or amendment of the Indenture may be made only by a supplemental indenture adopted and executed by the Authority and the Trustee with the consent of the Registered Owners of not less than a majority of the aggregate principal amount of the Contract Revenue Bonds then outstanding. However, without the consent of the Registered Owner of each outstanding Contract Revenue Bond, no modification, change or amendment to the Indenture shall:

- (1) extend the time of payment of the principal thereof or interest thereon, or reduce the principal amount thereof or premium, if any, thereon, or the rate of interest thereon, or make the principal thereof or premium, if any, or interest thereon payable in any coin or currency other than that of the United States, or deprive such Registered Owner of the lien of the Indenture on the revenues pledged thereunder; or
- (2) change or amend the Indenture to permit the creation of any lien on the revenues pledged under the Indenture equal or prior to the lien thereof, or reduce the aggregate principal amount of Contract Revenue Bonds.

Resignation of Trustee

The Trustee and any successor to the Trustee may resign and be discharged from the trust created by the Indenture by giving to the Authority notice in writing which notice will specify the date on which such resignation is to take effect; provided, however, that such resignation may only take effect on the day specified in such notice if a successor Trustee has been appointed in accordance with the terms of the Indenture. If a successor Trustee meeting the qualifications of the Indenture has not been appointed by the later of the date specified and 90 days after the receipt of the notice by the Authority, the Trustee may (a) appoint a temporary successor Trustee having the qualifications required by the Indenture or (b) request a court of competent jurisdiction to (i) require the Authority to appoint a successor within three days of the receipt of citation or notice by the court, or (ii) appoint a Trustee having the qualifications provided in in the Indenture. In no event will the resignation of the Trustee be effective until a qualified successor Trustee shall have been selected and appointed. In the event a temporary successor Trustee is appointed pursuant to clause (a) above, the Authority may remove such temporary successor Trustee and appoint a successor thereto pursuant to the terms described below under “—Appointment of Successor Trustee.”

Removal of Trustee

The Trustee or any successor Trustee may be removed (a) at any time by the Registered Owners of a majority in aggregate principal amount of the Contract Revenue Bonds then outstanding, (b) by the Authority for cause or upon the sale or other disposition of the Trustee or its trust functions or (c) by the Authority without cause so long as no event of default exists or has existed within the last 90 days, upon payment to the Trustee so removed of all money then due to it under the Indenture and appointment of a successor thereto by the Authority and acceptance thereof by the successor.

Appointment of Successor Trustee

In case at any time the Trustee or any successor Trustee resigns, is dissolved, or is removed or otherwise is disqualified to act or is incapable of acting, or in case control of the Trustee or of any successor Trustee or of its officers is taken over by any public officer or officers, a successor Trustee may be appointed by the Authority, and the Authority will cause notice thereof to be mailed to the Registered Owners of the Contract Revenue Bonds. Any successor Trustee or temporary Trustee shall be a trust company or bank in good standing located in or incorporated under the laws of the State of Texas duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$100,000,000.

GULFGATE REDEVELOPMENT

The Zone

The Zone currently consists of an approximately 8,035 acre area located in southeast Houston and generally bounded by Highway Loop 610 South on the north, Interstate 45 South on the east, Martin Luther King Boulevard on the west and Almeda-Genoa Road on the south. The Zone is adjacent to Hobby Airport and includes Gulfgate Center and property south and southwest of Gulfgate.

In accordance with the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the “TIF Act”), the City created the Zone on December 10, 1997 by Ordinance No. 97-1524 (the “City Creation Ordinance”). The City Creation Ordinance provided that the Zone would take effect on January 1, 1998 and would terminate on December 31, 2027, or at an earlier time designated by subsequent ordinance of the City, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, and the interest on the bonds have been paid in full. By City Ordinance No. 2018-1024, approved on December 19, 2018, the City Council of the City changed the termination date of the Zone from December 31, 2027 to December 31, 2044.

The City Creation Ordinance also formed the Zone Board and established the Tax Increment Fund for the Zone. The Zone Board is required to consist of seven members. Positions One through Five were reserved for the City. Positions Six and Seven were reserved for other taxing units levying taxes within the Zone, each of whom were permitted to appoint a director. If a taxing unit fails to appoint a director, the City is entitled to appoint a person to that position.

The Zone originally consisted of 67.58 acres, 51 acres of which was the Gulfgate Shopping Center at the northwest corner of the intersection of Interstate Highway 45 South and South Loop 610 Freeway. This area is known as the “Original Zone.” The Original Zone was created for the purpose of acquiring the Gulfgate Shopping Center, which had become dilapidated, for redevelopment. In 1999 the Zone was enlarged by 185 acres by City Ordinance No. 1999-706. This area is referred to as the “1999 Annexed Area.” The purpose of this annexation was to add approximately 84 acres for redevelopment surrounding the Gulfgate Center. It also included rights-of-way and an elementary school site, thus allowing Tax Increment financing for utility relocation, traffic signalization and realignments, refurbishment of the Loop 610 Crosswalk and landscaping along the rights-of-way.

Fifteen years later, in 2014, the City approved the annexation of an additional 7,769 acres into the Zone (the “2014 Annexed Area”) by City Ordinance No. 2014-1192. The purpose of this annexation was to spur redevelopment south of Gulfgate Center in connection with partners seeking to revitalize areas near William P. Hobby Airport. An additional 13.55 acres were added to the Zone in 2018 (the “2018 Annexed Area”) by City Ordinance No. 2018-1192. The purpose of this annexation was to add an area in which an affordable senior housing development is located as well as additional rights-of-way.

The City and HISD participate in the Zone. The County has completed its obligation to participate in the Zone and no longer does so.

The Authority

The Authority's creation was authorized by City Resolution No. 97-66, passed December 10, 1997, as a local government corporation pursuant to the provisions of Chapter 431, Texas Transportation Code, and Chapter 394 and Texas Local Government Code. According to its articles of incorporation, approved by the Secretary of State of Texas on December 1, 1997, the Authority is organized as a public non-profit corporation for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the area included in the Zone and neighboring areas, to promote, develop, encourage, and maintain housing, educational facilities, employment, commerce and economic development in the City. The Authority is further organized to assist the City and the Zone Board in the preparation and implementation of project plans, in the development of a policy to finance development and redevelopment of residential, educational facilities, and commercial properties in the Zone, and in the development and implementation of a redevelopment policy for the Gulfgate area, including the acquisition of land for redevelopment purposes.

The articles of incorporation provide that the Authority will be managed by a board of directors consisting of seven persons. Any director may be removed from office at any time, with or without cause, by the City Council. According to the by-laws of the Authority, directors shall be appointed to the Board by the Mayor of the City with the consent and approval of the City Council of the City. Positions One through Five are to be appointed solely by the City. Positions Six and Seven are reserved for nominees of the other taxing units which appoint persons to the Zone Board, each of whom shall be entitled to nominate one director. After a participating taxing unit nominates a person to the Board, the Mayor will appoint that person to the Board, subject to confirmation by the City Council.

The Authority commenced operations in 1998. It contracts with consultants for specialized services.

The Authority's operations are governed by the Tri-Party Agreement. Its operations are currently funded by proceeds of the Contract Tax Increments paid to the Authority by the City pursuant to the Tri-Party Agreement and as described herein.

The Hobby Area Management District

The Hobby Area Management District, also known as Harris County Improvement District No. 9 (the "District") is a municipal management district created by the Texas Legislature in 2007. Its boundaries include a large portion of the Zone. The District has the power to provide services and construct improvements to address the needs of property owners within the District. The District is governed by a Board of Directors. The District funds its operations through annual assessments on property owners within its boundaries. The assessment is currently \$0.15 per \$100 assessed value.

Following a public hearing, the Board of Directors of the District adopted a 10-year Service and Improvement Plan and Assessment Plan for fiscal years 2014-2023 (the "2014-2034 Service Plan"). Pursuant to the 2014-2023 Service Plan the District is focusing its activities in five areas of service, specifically, (i) Security and Public Safety, (ii) Business Development, (iii) Transportation Planning, (iv) Visual Improvements and Cultural Promotion, and (v) Project Staffing and Administration.

Current programs and projects of the District include programs for graffiti abatement, a plan to increase and maintain consistent street lighting in public areas, partnering with law enforcement agencies to reduce conditions conducive to crime, providing additional security services as needed, programs to support and promote area business owners, enhancing amenities for pedestrians and cyclists, monitoring and improving public transportation shelters, seating and trash services, promoting the creation of Broadway Street as a major ceremonial corridor to Hobby Airport, creating an Airport Boulevard promenade to establish a sense of destination, coordinating with TxDOT on construction of the Interstate 45 Corridor to maintain access to the District during reconstruction and shape aesthetics and overall look of overpasses, exit and entry ramps and landscaping, develop and implement a master plan based on the Hobby Airport Image Plan—Art Deco concept, promote esplanade and median adoptions, support and maintain public art, develop and fund contract services for supplemental mowing, trash pickup, and bandit sign removal on public rights-of-way, and preserving enhancing and expanding the District's public parks and trail systems.

Project and Financing Plans Prior to 2014 Expansion of the Zone

The original Project Plan and Financing Plan for the Zone was approved by the City on December 17, 1997 by City Ordinance No. 97-1572. According to the overview provided, the creation of the Zone was necessary in order to permit the Gulfgate Shopping Center, which had deteriorated over the two previous decades, to be redeveloped. The Project Plan called for an estimated \$6.5 million in increment financing for the acquisition of the shopping center, demolition of the structures, site work and environmental abatement. The plan called for the Authority to execute a long term lease, with a purchase option, to a joint venture. The joint venture would provide funds of approximately \$50 million to redevelop the site into a regional retail power center. The Authority's bonds would be paid from tax increments generated from the project. Total Projects Costs were estimated at \$26,795,646, including property acquisition, related cost and creation fees, financing costs, and HISD educational facilities.

A First Amendment of the Project and Financing Plans was approved by the City on July 7, 1999 by City Ordinance No. 1999-707. According to the First Amendment, the Gulfgate Center redevelopment had become the catalyst for redevelopment in the area and the developer of the center had proposed a 185 acre expansion of the Zone to facilitate the redevelopment of the surrounding blighted commercial properties by funding public improvements that would support new development. The amendment would also ensure HISD participation in the Zone by including Park Place Elementary in the expansion of the Zone. Proposed improvements to be funded by the Zone included reconstruction of the Plum Creek box culvert, a major public drainage channel, and relocation of its easement, traffic improvements, such as traffic signals and right turn lanes, and landscaping within public rights-of-way. The total non-project costs for the proposed annexation area were approximately \$50,500,000, and the total project costs were \$14,641,146 for a total of \$41,436,802. A Second Amendment of the Project and Financing Plan was approved by the City on August 11, 1999 by City Ordinance No. 1999-824. The Plan was updated and modified to separate HISD facilities from the other Project Costs and provide that HISD would retain Tax Increments arising from taxes in excess of \$.064 per \$100 taxable value for its use in developing educational facilities.

Current Project and Financing Plans

A Third Amended Project Plan and Financing Plan was adopted by the City on December 17, 2014 by City Ordinance No. 2014-1193 immediately following the City's approval of the annexation into the Zone of an additional 7,769 acres into the Zone. This Plan recaps the prior Plans, sets forth the redevelopment concepts and goals, and delineates the authorized projects and project costs. The Plan includes public improvements to revitalize areas in the enlarged Zone, including the corridors of Bellfort Avenue, Telephone Road, Dixie Road, Long Road and Mykawa Road. It also authorized funding for a portion of the \$7.5 million in enhancements to Broadway Street planned by the Management District and Scenic Houston in connection with the improvements to Hobby Airport, Broadway Street and Airport Road being planned by the City. It delineated new Project Costs of \$84,330,000, reduced the prior Project Costs, and provided total Project Costs of \$119,536,828.

A Fourth Amended Project and Financing Plans was adopted by the City on December 19, 2018 by City Ordinance No. 2018-1024 immediately following the annexation of 13.55 acres into the Zone. The Fourth Amended Project Plan and Financing Plan recaps the prior Plans, sets forth the redevelopment concepts and goals, and delineates the authorizes projects and project costs. The Fourth Amended Plan Project and Financing Plan is referred to herein as the "*Plan*." The total Project Costs of the Plan remained at \$119,536,828.

The redevelopment concepts and goals of the Plan are:

Goal 1: Improve and enhance major and/or strategic corridors and opportunities for connectivity throughout the Zone: The Zone will place increased emphasis on continuing to improve the network of roadways, sidewalks, trails, and transit sites for purposes of reconditioning or reconstructing deteriorating infrastructure, improving mobility, increasing multimodal connectivity, and improving the appearance of the corridor network. Initial efforts included partial funding for expansion of streetscape and pedestrian enhancements along Broadway Street in coordination with roadway reconstruction efforts by the City. The Zone will also support public infrastructure improvements necessary to spur and/or complement future economic development, as well as support affordable housing within the Zone.

Streetscape enhancements may further be expanded to include support and expansion of enhancement efforts by the Houston Airport System along Airport Boulevard. Roadway reconstruction and streetscape improvements could likewise extend along Bellfort Avenue through the commercial areas that extend to Telephone Road. Other major investment areas include:

Bellfort Avenue Corridor. Improvements include roadway reconstruction from Telephone Road to Martin Luther King, including advocacy for a “complete streets” approach to the extent practicable, including pedestrian and bikeway enhancements. Visual enhancements will tie into improvements along Broadway Street.

Telephone Road Corridor. Improvements include roadway reconstruction that follow the “complete streets” philosophy, including the possibility of pedestrian enhancements and other multifunctional improvements to the extent practical. Visual enhancements are critical as Telephone Road is a major north-south route to local commercial areas and neighborhoods and travelers to and from Hobby Airport.

Dixie Road Corridor. Improvements focus upon roadway reconstruction appropriate to each phase of the roadway extending from Mykawa Road to Reveille Street, including application of “complete streets” concepts, as well as visual enhancements, to the extent practical.

Long Road Corridor. Improvements focus upon roadway reconstruction, including possible accommodation of extended rail service in the event that the corridor is a candidate for rail transit service. Improvements are proposed to follow the “complete streets” format to the extent practical.

Mykawa Road Area. Improvements include infrastructure and roadway improvements in the areas surrounding Mykawa Road to offset development costs. Improvements in vacant or underperforming areas offer the opportunity for new development while similar improvements in existing commercial areas and neighborhoods promote reinvestment and long-term sustainability.

Bike Pathways. The Plan includes enhancement of the area-wide system of bike pathways that are either planned or currently in place.

Visual Enhancements. The Plan emphasizes system-wide visual enhancements that improve safety, wayfinding and the overall experience of traveling throughout the Zone, including use of visual enhancement to unify the area under a common theme. This includes landscaping, signage, monumentation, lighting, street furniture, street and sidewalk treatments, intersection improvements and bridge enhancements.

Acquisition and Clearance of Property. The Plan includes area-wide strategic acquisition and clearance of property for purposes of targeted blight removal in order to promote public safety, preservation and enhancement of existing commercial areas, neighborhood reinvestment and preservation, and overall improvement of economic opportunity.

Goal 2: Enhance public infrastructure, facilities and services throughout the Zone: Similar to treatment of corridors, the Zone would focus on enhancements to the physical infrastructure and public facilities within the Zone to provide adequate capacity and to enhance provision of critical public services.

Goal 3: Develop and enhance open green space, parks, plazas, and other similar improvements within the Zone: The Zone will place effort on development of green space and green connection opportunities, as well as redevelopment of existing spaces to improve the quality of life for residents of the Zone and increase its attractiveness as a place for economic investment. Incorporation of Glenbrook Golf Course and the surrounding green space provides an opportunity for participation in improvements at this location, as well as along Sims Bayou. Improvements along the esplanades of Broadway Street and Airport Boulevard will serve as a model for additional improvements along other major corridors throughout the Zone.

Goal 4: Facilitate development and redevelopment of vacant, underdeveloped and underperforming areas of the Zone through targeted real estate acquisition, strategic demolition and land improvements: The Zone will improve the economic position of the area through targeted blight removal to eliminate impediments that make property difficult to develop. This includes acquisition of property, demolition of structures, remediation to remove the impediments, and potential construction of parking or Stormwater management facilities to spur appropriate development activity, promote private investment and improve economic opportunities for residents, visitors and businesses. The Zone will support the removal of blighted or underperforming structures, as well as targeted acquisitions of additional property to induce complimentary projects, increase local economic opportunity, and improve safety and services for area residents and business owners.

The Zone will expedite capital improvement projects by managing the projects and using tax increment to finance them. The Zone will further add value to strategic improvements by using tax increment to leverage additional improvements above those contemplated by typical and traditional improvements as a means of increasing value and functionality, enhancing reinvestment potential, and also serving as a model for best practices to surrounding property owners. The Zone will continue to enhance public infrastructure in order to keep pace with expanding demands and to spur reinvestment in currently developed locations, as well as new development on vacant properties.

Economic Development Program

A zone board may, with the approval of the City Council, establish an economic development program. An economic development program can include making grants from the Tax Increment Fund for public infrastructure improvements and parking facilities to cause the establishment of public or private facilities that demonstrate public benefits and enhance the economic development of the zone through increased business, commerce and tourism. To date, the Zone Board has not sought to develop or obtain approval of an economic development program.

Land Use Regulations

The TIF Act permits the Zone Board to adopt land use regulations pursuant to the Plan. Before adoption, the regulations must be approved by the Zone Board and the City Council. No land use regulations currently exist and none are expected.

Educational Facilities Project Costs

The Plan calls for the use of Tax Increments to provide educational facilities, which may be located in the Zone or the City. The Tax Increments to be used for educational facilities are derived from contributions to the Tax Increment Fund made by HISD. See “SOURCE OF AND SECURITY FOR PAYMENT – HISD’s Interlocal Agreement.” Once received, these Tax Increments are paid to HISD and are within its sole control. These Tax Increments are not available to the Authority.

Agreements with Developers

The Authority may enter into development agreements with private parties who commit to make improvements to property within the Zone which are subject to ad valorem taxation. Generally, a developer agreement provides that the Authority will pay the developer for the cost of Public Improvements constructed by the developer in connection with the improvements; provided that if the Authority does not have the funds to pay such costs as due, then the developer will advance the funds, and the Authority will reimburse the developer on the terms set forth in the development agreement. Under a development agreement, the developer agrees to make improvements to property within the Zone; however, the Authority’s only recourse if the developer fails to commence or complete construction is to obtain reimbursement of any monies the Authority advanced to the developer pursuant to the development agreement and to terminate any obligations of the Authority thereunder.

Currently the Authority is funding eligible public works and improvements in connection with a developer’s construction of a development consisting of approximately 800 single-family detached residential units that are generally priced to the initial buyer at or below the median home price of homes in the Houston area. See

“FINANCIAL INFORMATION—Additional Outstanding Obligations—Development Agreement with Peluda, LP.”

Projects

The Authority has developed a five year capital improvements program for the years 2020 through 2024, which it plans to fund with proceeds of the Contract Revenue Bonds and Contract Tax Increments, as well as through collaboration with developers and other entities for grant funding and partnerships. The following projects are included in the Authority’s five-year capital improvements program. Completion of the projects is subject to the availability of funds, market conditions and other considerations which may necessitate changes to the program.

Corridor Mobility Projects. The corridor mobility projects will work in conjunction with the City’s “Southeast Houston Mobility Plan.” The projects will focus on improving area mobility, safety, and beautification along major thoroughfares.

Short Term Corridor Mobility Improvements. This project includes implementing improvements that will provide immediate impact to the Zone, such as panel replacements, upgrading sidewalks and non-compliant ramps.

Sims Bayou Greenway Project. The Authority has several projects to provide better access to parks, trails and the Sims Bayou Greenway, including improvements to the intersection of Martin Luther King and Airport Boulevards, connection to Sims Bayou Greenway and police station at Mykawa Road, improvements to CenterPoint right of way to provide connectivity to Law Park and Sims Bayou, lighting below bridges and freeways, new trail connections at Telephone Road and Reville Road, and new trailhead and connection at Westover, which will provide a link between Harman Middle School and Stuart Park and an access route to the bayou from surrounding neighborhoods and schools. The Zone has engaged the Houston Parks Board, Inc. (“HPB”), a non-profit corporation, as construction manager for these projects.

Improvements along Park Place Boulevard. Park Place will become the main thoroughfare to enter into the new Houston Botanical Gardens. Parts of the existing street are sinking, and the sidewalks are not adequate or non-existent. The Authority plans an asphalt mill and overlay, new 8 feet sidewalks, upgraded lighting. This is a joint venture project with City Council District I and City of Houston Public Works.

Park Place Entry Pre-Ticketed Area. The Authority plans to provide amenities to the general public in the pre-ticketed area outside of the new Houston Botanical Gardens, including picnic grove, area landscape, Stormwater wetlands, pedestrian lighting and educational signage and infrastructure.

Charlton Park and Community Center Improvements. The Authority plans to provide improvements for the community center and park as a joint venture with City Council District I.

STATUS OF DEVELOPMENT

Conditions at Creation of the Zone

The Original Zone was created in 1997 to redevelop the Gulfgate Shopping Center and consisted primarily of the property encompassing the center. According to the original Project Plan, at the time of creation of the Zone, the Gulfgate Shopping Center and the surrounding area had been in severe decline for two decades, suffering significant blight and deterioration during the prior 10 years. The assessed value of the shopping center had declined 38% over the prior five years, and had a major loss of tenants. The occupancy of the shopping center was 30% and the area surrounding it had experienced similar deterioration and property devaluation.

Similarly, the area near the shopping center annexed two years later in 1999 was described as blighted with current land uses being auto salvage lots, vacant and boarded-up structures, and vacant lots littered with foundations of demolished apartments in the First Amendment to the Project Plan.

In approving the annexation of the 2014 Annexed Area and the 2018 Annexed Area, the City Council found that the areas substantially impaired the sound growth of the City because of the deterioration of site and other improvements and defective or inadequate sidewalk and street layout.

Development from Inception to Present

Since the base tax year of 1997, the Zone’s taxable value has increased approximately \$526,000,000. The 1997 Original Zone and the 1999 Annexed Area have gone from a taxable base value of approximately \$25,127,000 to a taxable value in 2019 of approximately \$111,649,000 for an increase of approximately \$111,649,000. The 2014 Annexed Area has increased its taxable value approximately \$414,892,000 in the five years from January 1, 2014 to January 1, 2019 from \$1,062,308,630 to \$1,477,201,386. The 2018 Annexed Area is principally non-taxable property and is not expected to add any Tax Increment value to the Zone.

The Zone consists primarily of numerous small commercial and industrial facilities, multifamily apartments and single-family residential developments. The Gulfgate Center, a retail center anchored by H.E.B. Grocery, is located in the northwest corner of the Zone and is the second largest taxpayer with 3.05% of the 2019 taxable value.

The Zone includes areas adjacent to Hobby Airport, which is part of the City’s Airport System and the principal Houston location for Southwest Airlines. In 2015, Southwest Airlines began providing international service from Hobby Airport. The Authority financed esplanade improvements to Broadway Street in the Zone, which is a major access point into Hobby Airport.

Many of the major taxpayers in the Zone are centered around Hobby Airport. These include Verde Communities, owner of ten apartment complexes constructed in 1976-1979, Hobby Business Center and truck terminal, constructed in 2008 to 2010, and two hotels constructed in the 1980’s.

The Zone also borders on the new Houston Botanical Gardens, planned to open this year. The Houston Botanical Gardens, a non-profit organization, leased the site of the former Glenbrook Golf Course from the City for use as a botanical garden in 2015 and has completed phase 1 of its fundraising efforts. The Authority is planning to make improvements to Park Place Boulevard, the major entry point to the botanical garden, and to the pre-ticketed area near the botanical garden, which will be open to the public.

Schedule 2: Breakdown of 2019 Taxable Values in the Zone by Type

	Taxable Value (a)	
Residential	\$ 270,139,363	16.74%
Multi-Family	245,868,615	15.23%
Vacant Land	56,578,265	3.51%
Agriculture	15,211,764	0.94%
Commercial/Industrial	1,021,305,181	63.28%
Utilities	4,902,260	0.30%
	<u>\$ 1,614,005,448</u>	

(a) Based on City 2019 certified taxable value as of the date calculated.

Schedule 3: Principal Taxpayers in the Zone

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property's assessed value as a percentage of the Zone's taxable value, using certified values for 2019, 2018 and 2017.

Top Ten Taxpayers for Year 2019

2019	Property Type	Value	%
Verde Communities LLC	Multifamily	\$ 73,835,550	4.57
Houston Gulfgate	Commercial	49,281,938	3.05
Inland Diversified Houston Orem LLC	Commercial	23,192,492	1.44
VIVA Properties	Commercial	22,296,563	1.38
Atrium Finance II LP	Commercial	21,688,027	1.34
1859 Historic Hotels LTD	Commercial	18,434,540	1.14
Powell Electrical Systems LLC	Commercial	18,389,106	1.14
CG 7600 LP	Commercial	17,285,385	1.07
Oil States Industries	Commercial	15,761,689	0.98
Manheim Remarketing Inc	Commercial	14,023,106	0.87
Total		\$ 274,188,396	16.99

Top Ten Taxpayers for Year 2018

2018	Property Type	Tax Assessed Value	%
Verde Communities LLC	Multifamily	\$ 63,246,617	4.31
Houston Gulfgate	Commercial	50,705,029	3.45
Inland Diversified Houston Orem LLC	Commercial	22,088,523	1.50
Atrium Finance II LP	Commercial	21,953,009	1.49
1859 Historic Hotels LTD	Commercial	20,974,128	1.43
VIVA Properties	Commercial	20,240,821	1.38
Powell Electrical Systems LLC	Commercial	17,604,876	1.20
CG 7600 LP	Commercial	15,605,710	1.06
Oil States Industries	Commercial	14,934,436	1.02
Manheim Remarketing Inc.	Commercial	13,691,630	0.93
Total		\$ 261,044,779	17.77

Top Ten Taxpayers for Year 2017

2017	Property Type	Tax Assessed Value	%
Acquisition Broadway Square LLC	Multifamily	\$ 64,305,688	4.61
Houston Gulfgate	Commercial	54,615,544	3.92
Inland Diversified Houston Orem LLC	Commercial	21,980,812	1.58
1859 Historic Hotels LTD	Commercial	19,705,115	1.41
VIVA Properties	Commercial	19,664,451	1.41
CG 7600 LP	Commercial	18,136,006	1.30
Powell Electrical Systems LLC	Commercial	17,422,106	1.25
Atrium Finance II LP	Commercial	16,760,206	1.20
Manheim Remarketing Inc.	Commercial	16,333,415	1.17
Oil States Industries	Commercial	15,217,672	1.09
Total		\$ 264,141,015	18.94

- (a) Values provided by the Authority's tax consultant. Even though sufficient properties within the Zone have been certified to allow the Chief Appraiser to certify the roll, the value of individual properties may still be under protest with a pending hearing or case in state district court contesting the value assigned to their properties.
- (b) Percentage of the City 2019 taxable value in the Zone of \$1,614,005,448.
- (c) Percentage of the City 2018 taxable value in the Zone of \$1,468,672,091.
- (d) Percentage of the City 2017 taxable value in the Zone of \$1,394,650,733.

FINANCIAL INFORMATION

Debt Service Requirements

The following sets forth the debt service requirements for the Authority's outstanding debt, less the debt service on the Refunded Debt plus the annual debt service on the Bonds, based upon a fiscal year end of June 30.

Fiscal Year	Outstanding Debt Service ⁽¹⁾	Less:		The Bonds			Total
		Refunded Debt Service ⁽¹⁾	Principal	Interest	Total		
2021	\$ 608,163	\$ 608,163		\$ 667,742	\$ 667,742	\$ 667,742	
2022	582,938	582,938	\$ 740,000	1,077,869	1,817,869	1,817,869	
2023	567,931	567,931	770,000	1,047,669	1,817,669	1,817,669	
2024	553,056	553,056	800,000	1,016,269	1,816,269	1,816,269	
2025	538,313	538,313	835,000	983,569	1,818,569	1,818,569	
2026	533,438	533,438	870,000	949,469	1,819,469	1,819,469	
2027	2,557,181	2,557,181	905,000	913,969	1,818,969	1,818,969	
2028			945,000	872,244	1,817,244	1,817,244	
2029			995,000	823,744	1,818,744	1,818,744	
2030			1,045,000	772,744	1,817,744	1,817,744	
2031			1,100,000	719,119	1,819,119	1,819,119	
2032			1,150,000	668,619	1,818,619	1,818,619	
2033			1,195,000	621,719	1,816,719	1,816,719	
2034			1,245,000	572,919	1,817,919	1,817,919	
2035			1,295,000	522,119	1,817,119	1,817,119	
2036			1,350,000	469,219	1,819,219	1,819,219	
2037			1,405,000	414,119	1,819,119	1,819,119	
2038			1,460,000	356,819	1,816,819	1,816,819	
2039			1,510,000	307,800	1,817,800	1,817,800	
2040			1,550,000	266,669	1,816,669	1,816,669	
2041			1,595,000	223,425	1,818,425	1,818,425	
2042			1,640,000	177,919	1,817,919	1,817,919	
2043			1,685,000	130,122	1,815,122	1,815,122	
2044			1,740,000	79,800	1,819,800	1,819,800	
2045			1,790,000	26,850	1,816,850	1,816,850	
Total	\$ 5,941,019	\$ 5,941,019	\$ 29,615,000	\$ 14,682,520	\$ 44,297,520	\$ 44,297,520	

Average Annual Debt Service (2021-2045)

\$ 1,771,900.81

Maximum Annual Debt Service (2044)

\$ 1,819,800.00

(1) Variable Rate assumed at 4.00%.

Additional Obligations of the Authority

The Authority has several obligations in addition to the Contract Revenue Bonds. Such obligations are secured by a lien on the Pledged Revenues which is junior and subordinate to the lien on the Pledged Revenues granted to the Contract Revenue Bonds. The Indenture requires that any subordinate obligation secured by the Pledged Revenues be payable from Pledged Revenues only if and to the extent of moneys that could otherwise be deposited to the Surplus Fund.

The following constitute the principal existing obligations of the Authority other than the Contract Revenue Bonds:

Development Agreement with Peluda, LP. The Authority has approved a development agreement with Peluda, LP (the “Peluda Agreement”) for design and construction management of eligible public works and improvements in connection with Peluda’s construction of a development consisting of approximately 800 single-family detached residential units that are generally priced to the initial buyer at or below the median home price of homes in the Houston area. The Authority will pay Peluda within 60 days after receipt of notice that a contract progress payment is due. If the Authority is unable to do so, Peluda will advance sufficient funds as progress payments become due and will be reimbursed by the Authority up to the Authority Contribution (defined below).

The Authority Contribution is limited to the lesser of (i) \$9,500,000; (ii) the total amount of the actual Project Costs minus contributions from other entities described in the Peluda Agreement, or (iii) the amount of Available Tax Increment through December 31, 2044. Available Tax Increment is defined as the funds in the Authority’s Revenue Fund attributable to the Tax Increments from Peluda’s development other than those funds required to be used to pay (i) administrative costs of the Authority and (ii) the principal and interest on any outstanding Authority Obligations, including the Bonds. The Authority’s obligation to pay the Authority Contribution is subject to the rights of any holders of bonds and notes that are issued by the Authority and which are secured by a pledge of the Revenue Fund, including the Bonds.

Municipal Services Agreements. The Authority, the Zone and the City enter into annual agreements whereby the Authority pays to the City the incremental costs of providing increased municipal services incurred as a result of the development of the land in the Zone. Payment of the incremental service costs is from the City’s Tax Increment and is limited to the available Tax Increment received by the Authority as defined in the agreement and the amount included in the Authority’s annual approved budget. If the City’s available Tax Increment is not sufficient in any year to pay the amount included in the approved budget, the amount due will accrue without interest. The agreement renews annually on June 30 upon a vote of the Board of Directors of the Authority. For fiscal year 2020, the City has requested, and the Authority has budgeted for a fee for incremental costs of providing increased municipal services in the amount of \$507,333.

Obligation to Pay for Utility Easement. The Authority entered into an agreement in December 2001 with the City whereas the Authority agreed to pledge surplus tax increments to the City for the City’s abandonment of four waterline utility easements located in the Zone in the amount of \$86,525. Surplus tax increments are defined as amounts after satisfaction of any payments due, past due, or schedule to be due before the next expected tax increment payment by the City, and on the Authority’s obligation to pay any bonds or notes. No interest accrues on the outstanding amount. As of June 30, 2019, the Authority had no surplus tax increments.

Authority and Plans to Issue Bonds and Notes

On April 29, 2020 by Ordinance No. 2020-353, the City Council authorized the Authority to issue bonds and notes in a principal amount not to exceed \$34,600,000 outstanding at any one time, which are secured by Contract Tax Increments. The City could authorize the Authority to issue additional bonds and notes in the future. As Bond principal is paid, the Authority’s unused authorization will increase in an amount equal to the amount of principal paid. The Authority currently has no plans to issue Additional Parity Bonds in the next 12 months to fund projects in its capital improvements program. See “PLAN OF FINANCING;” “SOURCE OF AND SECURITY FOR PAYMENT—Additional Parity Bonds.”

The Indenture permits the pledge or encumbrance of Contract Tax Increments that are junior and subordinate to the lien and pledge securing the Contract Revenue Bonds.

Schedule 4: Authorized and Unissued Bonds and Notes

Total Authorized Amount of Bonds and Notes the City Council has Authorized to be Issued by the Authority	\$ 34,600,000
Less: Outstanding Bonds	
Series 2016	(5,105,000)
Plus: The Refunded Bonds	5,105,000
Less: The Bonds	(29,615,000)
Unused Authorization	<u>\$ 4,985,000</u>

Investment Policy

Under Texas law, the Authority is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all Authority funds must be invested in accordance with the following objectives: understanding the suitability of the investment to the Authority's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The Authority's investments must be made with "judgment and care under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest Authority funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the Authority and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (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, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds insured, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain 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 maintains an investment strategy that emphasizes, in order of priority, safety, liquidity and return on investment, as embodied in its investment policy (the "Investment Policy"). The Authority does not invest in, among other things, inverse floater, interest-only or principal-only mortgage-backed securities. The Investment Policy provides, among other things, that (i) an investment officer must submit quarterly investment reports to the Board and (ii) the Investment Policy must be reviewed annually by the Board.

Schedule 5: Tax Increment Collections

CITY (a)									
	Tax Year	Base Year Value (b)	Current Year Value	Tax Rate	Captured Appraised Value	HISD Cap (f)	Tax Rate Contribution (g)	Increment Collections (g)	Collection Rate (c)
Original	2014	\$9,728,120	\$46,116,445	0.63108	\$36,388,325		0.63108	\$229,639	100.0%
	2015	9,728,120	45,676,804	0.60112	35,948,684		0.60112	216,095	100.0%
	2016	9,728,120	53,645,630	0.58642	43,917,510		0.58642	257,541	100.0%
	2017	9,728,120	57,407,474	0.58421	47,679,354		0.58421	278,548	100.0%
	2018	9,728,120	62,799,392	0.58831	53,071,272		0.58831	312,224	100.0%
Projected (d)	2019	9,728,120	61,706,531	0.56792	51,978,411		0.56792	295,196	100.0%
1999 Annexed	2014	\$15,399,720	\$61,601,272	0.63108	\$46,201,552		0.63108	\$290,986	99.8%
	2015	15,399,720	62,169,785	0.60112	46,770,065		0.60112	280,526	99.8%
	2016	15,399,720	65,169,103	0.58642	49,769,383		0.58642	291,186	99.8%
	2017	15,399,720	65,723,564	0.58421	50,323,844		0.58421	280,502	95.4%
	2018	15,399,720	73,255,125	0.58831	57,855,405		0.58831	308,272	90.6%
Projected (d)	2019	15,399,720	75,097,531	0.56792	59,697,811		0.56792	329,088	97.1%
2014 Annexed	2015	\$1,062,308,630	\$1,168,534,851	0.60112	\$106,226,221		0.60112	\$636,568	99.7%
	2016	1,062,308,630	1,224,330,272	0.58642	162,021,642		0.58642	944,617	99.4%
	2017	1,062,308,630	1,271,519,695	0.58421	209,211,065		0.58421	1,204,021	98.5%
	2018	1,062,308,630	1,332,617,574	0.58831	270,308,944		0.58831	1,479,891	93.1%
	Projected (d)	2019	1,062,308,630	1,477,201,386	0.56792	414,892,756		0.56792	2,301,358

HISD (e)									
	Tax Year	Base Year Value (b)	Current Year Value	Tax Rate	Captured Appraised Value (f)	HISD Cap (f)	Tax Rate Contribution (g)	Increment Collections (g)	Collection Rate (c)
Original	2014	\$9,728,120	\$46,236,588	1.19670	\$ 36,508,468	\$46,236,588	0.64000	\$233,654	100.0%
	2015	9,728,120	45,813,004	1.19670	36,084,884	45,813,004	0.64000	230,943	100.0%
	2016	9,728,120	53,569,396	1.20670	43,841,276	53,569,396	0.64000	280,584	100.0%
	2017	9,728,120	57,110,117	1.20670	47,381,997	57,110,117	0.64000	303,245	100.0%
	2018	9,728,120	57,306,972	1.20670	47,578,852	57,306,972	0.64000	304,505	100.0%
Projected (d)	2019	9,728,120	61,706,531	1.13670	51,978,411	61,706,531	0.64000	332,662	100.0%
1999 Annexed	2014	\$15,399,720	\$61,394,437	0.96000	\$ 45,994,717	\$45,994,717	0.64000	\$294,366	100.0%
	2015	15,399,720	61,611,604	0.96000	46,211,884	46,211,884	0.64000	295,756	100.0%
	2016	15,399,720	64,921,410	0.96000	49,521,690	49,310,790	0.64000	315,547	100.0%
	2017	15,399,720	64,860,644	0.96000	49,460,924	49,310,790	0.64000	315,116	99.9%
	2018	15,399,720	68,169,144	0.96000	52,769,424	49,310,790	0.64000	315,007	99.9%
Projected (d)	2019	15,399,720	73,532,775	0.96000	58,133,055	49,310,790	0.64000	302,779	97.9%

- (a) Information from City’s Department of Finance based on taxable values and collection data from Harris County Tax Office.
- (b) Base year for the Original Zone is 1997, base year for the 1999 Annexed Area is 1999, base year for the 2014 Annexed Area is 2014, and base year for the 2018 Annexed Area is 2018. The 2018 Annexed Area has little taxable value and is not included in this chart.
- (c) Collection rates are determined by comparing total collections to the total tax levy; however, both total collections and the total tax levy change over time, so a calculated collection rate may either increase or decrease. The City and HISD have been updating the certified value for each tax year and the total collections for each tax year annually in order to calculate the tax increments to be transferred to the Authority. HISD has stated that it will finalize its numbers after five years and not make further adjustments.
- (d) Projected Contract Tax Increments are calculated by multiplying the 2019 Captured Appraised Value (as capped to the extent applicable) by the 2019 Tax Rate Contribution and multiplying the product by the estimated Collection Rate. The estimated collection rate is a five-year historical average. According to the City Finance Department, the actual amount of Contract Tax Increments to be transferred to the Authority in July of 2020 has been determined to be \$2,642,991, which is \$136,369 less than the projected amount of \$2,779,360. City Contract Tax Increments appear to be lower primarily due to Contract Tax Increment overpayments made in 2017 and 2018 in the 2014 Annexed Area. Overpayments occur when taxpayers are successful in reducing the value of their properties and consequently their taxes in administrative or judicial

proceedings which were pending when the Contract Tax Increments were paid to the Authority. The City makes adjustments in the amount of Contract Tax Increments owed for the prior four years each year before transferring the current year's Contract Tax Increments to the Authority. The remainder of the difference is due to amounts paid to HISD from the 2019 Contract Tax Increments which are greater than projected, due to amounts charged by HISD arising from prior years. Information for Tax Years 2014 through 2019 from City's Department of Finance and correspondence and documentation from HISD.

- (e) HISD tax increments are not based on the actual Captured Appraised Value for each tax year, but on the lesser of the actual Captured Appraised Value for each tax year and the projected Captured Appraised Value for such year as adopted in the Second Amended Project and Financing Plans for the Zone in 1999. The projected Captured Appraised Value for each year from 2014 through 2019 as adopted in the 1999 Plan is shown in the column labeled "HISD Cap." The HISD Cap for the Original Zone increases each year from \$64,150,425 in tax year 2019 to a maximum of \$71,381,172 in tax year 2027. The HISD Cap for the 1999 Annexed Area remains at \$49,310,790 for tax years 2019 through 2027, which is the last tax year in which HISD is required to contribute Tax Increments under the HISD Interlocal Agreement..
- (f) The Total Tax Levy and Total Collections for HISD are not shown. HISD only contributes \$0.64 of its tax rate to non-educational project costs which is transferred to the Authority.

Schedule 6: Historical Debt Service Coverage

FYE June 30	Audited Tax Increments Receivable/ Received (a)	Less City Administrative Fee (b)	Less HISD Educational Facilities Set-Aside (c)	Net Tax Increments Transferred to the Authority (d) (e)	Succeeding Year Debt Service Requirements	Debt Service Coverage
2016	2,470,438	94,419	596,018	1,780,001	-	-
2017	3,628,199	132,972	731,940	2,763,287	468,470	5.90x
2018	3,039,720	109,537	747,182	2,183,001	524,424	4.16x
2019	3,349,319	126,567	739,669	2,483,083	579,516	4.28x

- (a) Payments shown here are on an accrual basis. The formula for determining tax increments is described in "OFFICIAL STATEMENT SUMMARY—Schedule 1: Selected Financial Information (Unaudited)."
- (b) The City may retain a reserve of up to five percent of the monies then available in the Tax Increment Fund attributable to the Zone under the Tri-Party Agreement. The HISD Interlocal Agreement sets the administrative fee of the City at \$25,000. The City retains that fee and five percent of the monies the City contributes to the Tax Increment Fund attributable to the Zone. See "SOURCE OF AND SECURITY FOR PAYMENT—Contract Tax increments Defined."
- (c) A portion of the Tax Increments deposited into the Tax Increment Fund by HISD are returned to HISD for educational facilities costs with interest on such funds for the period in which the City held the funds. HISD also deposits Pass-Through Funds it receives from the Texas Education Agency into the Tax Increment Fund, and these are returned to HISD by the City with interest on such funds for the period in which the City held the funds.
- (d) City tax payments are deposited into the General Fund of the City. Once such funds are accounted for and allocated to the Zone, the tax increment portion of the City tax payments is deposited to the Tax Increment Fund for the Zone. Tax Increments from HISD are normally deposited to the Tax Increment Fund once a year. The City Council must appropriate the monies from the Tax Increment Fund to those entitled to them, including the Authority, before such monies are disbursed. City Council appropriation of tax increments to the Authority is normally made as each Participant deposits its tax increments into the Tax Increment Fund. Participants typically deposit Tax Increments from a tax year between June and October of the following year.
- (e) The County paid Tax Increments to the Zone through fiscal year ended June 30, 2017. Amounts shown in this schedule include County payments in fiscal years 2016 and 2017 and are not indicative of payments the Authority received pursuant to the Plan and the Interlocal Agreements in subsequent years.

TAXING PROCEDURES OF THE PARTICIPANTS

Authority to Levy Taxes

Under Texas law each Participant is authorized to levy an annual ad valorem tax on all taxable property within its boundaries.

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including each Participant. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility for appraising property for all taxing units within the County, including each Participant. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the “*Appraisal Review Board*”). The Property Tax Code requires each appraisal district to comply with the Uniform Standards of Professional Appraisal Practice.

Property Subject to Taxation by the Participants

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the political subdivision are subject to taxation by each Participant. However, the tax revenue generated by each Participant on any personal property is not included in the Tax Increments. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; and most individually owned automobiles.

Historic Tax Exemptions: The governing body of a taxing unit may exempt from taxation part or all of the assessed value of a structure or archeological site and the land necessary for access to and use of the structure or site, if the structure or site is designated as a recorded Texas Historic Landmark or a state archeological landmark by the Texas Historical Commission or is designated as a historically or archeologically significant site in need of tax relief to encourage its preservation by the governing body of the taxing unit.

Exemptions for Community Housing Development Organizations: The Property Tax Code provides that a Community Housing Development Organization (a “*CHDO*”) is entitled to an exemption from taxation of improved or unimproved real property under certain circumstances. A CHDO which applies for an exemption on or after January 1, 2004, is entitled to exemption from taxation of 50 per cent of the appraised value of improved or unimproved real property it owns if it has, for at least the three preceding years, (i) been exempt from federal taxation under Section 501(c)(3) of the Code, (ii) met certain requirements for a charitable organization as delineated in the Texas Tax Code; and (iii) had as one or more of its purposes to provide low-income housing. In addition, for property to be exempt, the CHDO must own the property for the purpose of constructing or rehabilitating a housing project and renting or selling the property to an individual or family who is below a specified income level, to be adjusted annually by cost of living.

Veteran/First Responder Exemptions: Each Participant must grant certain exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% and the surviving spouse of such a veteran is entitled to an exemption for the full amount of the veteran’s or surviving spouse’s residential homestead. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residential homestead in an amount equal to the partially disabled veteran’s disability rating if the residential homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse’s residential homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to subsequent homesteads.

Residential Homestead Exemptions: A residential homestead exemption of \$25,000 from ad valorem taxes for public school purposes is mandated by Section 1-b, Article VIII of the Texas Constitution and state law. The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the

cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption by each Participant may be considered each year, but must be adopted by May 1.

Additional Homestead Exemptions: An additional residential homestead exemption of \$10,000 from ad valorem taxes for public school purposes is mandated by Section 1-b, Article VIII of the Texas Constitution and state law for persons who are sixty-five (65) years of age or older or certain disabled persons. Each Participant may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the respective governing body of such Participant. Qualifying surviving spouses of persons aged 65 years or older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A Participant may be required to offer such an exemption if a majority of voters approve it at an election. A Participant would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. Each Participant is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair a Participant's obligation to pay tax-supported debt incurred prior to adoption of the exemption by a Participant.

Tax Freeze: Texas law mandates a freeze on taxes paid for public school purposes on residence homesteads of persons 65 years of age or older which receive the \$10,000 exemption. Such residence homesteads are appraised and taxes calculated as on any other property, but taxes shall never exceed the amount imposed in the first year in which the property received the \$10,000 exemption. Under Article VIII of the Texas Constitution and state law, the governing body of each Participant may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the Participant, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferrable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. Once established, the tax rate limitation may not be repealed or rescinded.

Exemptions as Applied to the City and HISD: For the 2019 tax year, the City has a 20% local option homestead exemption with a \$5,000 minimum and an exemption for persons 65 years of age or older and disabled persons of \$160,000. HISD has a 20% local option homestead exemption plus \$25,000 and an additional exemption for persons 65 years of age or older and disabled persons of \$15,000. Homeowners who are 65 years of age or older or disabled are also eligible for the "over-65" residential tax exemption, which provides that such residential homesteads shall be appraised and taxes calculated as on any other property, but taxes for general elementary and secondary public school purposes shall never exceed the amount imposed in the first year in which the property received the exemption.

Abatements: The City is authorized to enter into a tax abatement agreement with an owner of real or personal property in the Zone, if the Zone Board approves the agreement and the governing body of the Participant approves the agreement. A tax abatement agreement may exempt from ad valorem taxation by the Participant for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property.

Valuation of Property for Taxation

Generally, property within the boundaries of each Participant must be appraised by its Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by its Appraisal Review Board, it is used by each Participant in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are generally to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

In determining the market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal, and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate.

If the cost method of appraisal is used to determine the market value of the property, the Appraisal District is required to (i) use cost data from generally accepted sources; (ii) make appropriate adjustments for physical, functional, or economic obsolescence; (iii) make available on request cost data developed and used by the Appraisal District as applied to all properties within a property category; (iv) clearly state the reason for any variation between generally accepted cost data and locally produced cost data if the data vary by more than 10 percent; and (v) make available to the property owner on request all applicable market data that demonstrate the difference between the replacement cost of the improvements to the property and the depreciated value of the improvements. If the Appraisal District uses the income method of appraisal to determine the market value of real property, the Appraisal District is required to: (i) use rental income and expense data pertaining to the property if possible and applicable; (ii) make any projections of future rental income and expenses only from clear and appropriate evidence; (iii) use data from generally accepted sources in determining an appropriate capitalization rate; and (iv) determine a capitalization rate for income-producing property that includes a reasonable return on investment, taking into account the risk associated with the investment. If the Appraisal District uses the market data comparison method of appraisal to determine the market value of real property, the Appraisal District is required to use comparable sales data if possible and adjust the comparable sales to the subject property.

Eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property, or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

The Property Tax Code requires each Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years.

Reappraisal of Property after Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit adopting its tax rate for the tax year. A taxing unit may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

The Attorney General of Texas issued Opinion KP-0299 on April 13, 2020, confirming that purely economic, non-physical damage to property is not eligible for temporary tax exemptions.

Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units may appeal the orders of the Appraisal Review Board by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount,” as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Participants and provides for taxpayer referenda that could result in the repeal of certain tax increases. See “State Law Limitations on Setting the Annual Tax Rate” herein. The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraised roll.

State Law Limitations on Setting the Annual Tax Rate

Cities: Article XI, Section 5 of the Texas Constitution is applicable to the City and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation.

The Property Tax Code further limits the City’s ad valorem tax rate, which consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under the Property Tax Code, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

During the 2019 legislative session, the State Legislature made numerous changes to the requirements for the levy and collection of ad valorem taxes and the calculation of tax rates, including particularly those contained in Senate Bill 2 (“SB 2”). In some instances, the provisions of SB 2 will require further interpretation, and the information contained herein reflects only the Authority’s understanding based on information available to the Authority as of the date of this Official Statement, which is subject to change. Reference is made to SB 2 and the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of tax rates.

Effective January 1, 2020, the terms “rollback tax rate” and “effective tax rate” will be replaced, respectively, with the terms “voter-approval tax rate” and “no-new-revenue tax rate.” The “voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (with certain adjustments) from the current year’s values (with certain adjustments) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate.” The “no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (with certain adjustments) from the current year’s total taxable values (with certain adjustments). The “unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the three prior tax years, which may be applied to a city’s tax rate in the succeeding tax year without impacting the “voter-approval tax rate.”

The City must annually calculate its “voter-approval tax rate” and “no-new revenue tax rate” in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the City and the county tax assessor-collector for each county in which all or part of the City is located. The City must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the “voter-approval tax rate” must be adopted not later than the 71st day before the next occurring November uniform election date. If the City fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the “no-new-revenue tax rate” for the current tax year or the tax rate adopted by the City for the preceding tax year.

As described below, the Property Tax Code provides that if the City adopts a tax rate that exceeds its “voter-approval tax rate” or, in certain cases, its “de minimis rate,” an election must be held to determine whether or not to reduce the adopted tax rate to the “voter-approval tax rate.” The “de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax rate levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

The City may not adopt a tax rate that exceeds the lower of the “voter-approval tax rate” or the “no-new-revenue tax rate” until each appraisal district in which the City participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the City has held a public hearing on the proposed tax increase. With certain exceptions, for cities with a population of 30,000 or more as of the most recent federal decennial census if the adopted tax rate for any tax year exceeds the “voter-approval tax rate,” the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the “voter-approval tax rate.”

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its “voter-approval tax rate” using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the “no-new-revenue tax rate” and “voter-approval tax rate” must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year. The City has not held such a local option election.

School Districts: A school district’s tax rate is set in accordance with the Property Tax Code and SB 2 as described above; however, a school district’s tax rate is also governed by the Texas Education Code and House Bill 3 (“HB 3”) adopted by the Texas Legislature in 2019.

Prior to the 2019 legislative session, a school district’s maximum M&O tax rate for a given tax year was determined by multiplying that school district’s 2005 M&O tax rate levy by a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education. This compression percentage was historically set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at \$1.00 per \$100 of taxable value, since most school districts in the State had a voted maximum M&O tax rate of \$1.50 per \$100 of taxable value. School districts were permitted, however, to generate additional local funds by raising their M&O tax rate up to \$0.04 above the compressed tax rate or, with voter-approval at a valid election in the school district, up to \$0.17 above the compressed tax rate (for most school districts, this equated to an M&O tax rate between \$1.04 and \$1.17 per \$100 of taxable value).

During the 2019 legislative session, several significant changes to the funding methodology for school districts were enacted, including the division of a school district’s M&O tax rate into two distinct parts: the Tier One Tax Rate and the Enrichment Tax Rate, with each rate providing certain levels of State funds. HB 3 also introduced formulas for the State Compression Percentage and Maximum Compressed Rate to compress M&O tax rates in response to increases in property values across the State and within a school district, respectively. According to the Texas Education Agency, the “compression” of the maintenance and operations tax rate reduced school district taxes for the 2019 tax year by an average amount of 8 cents. The Maximum Compressed Rate will decrease by a minimum of approximately 1.5 cents due to state-wide property value growth in 2020. If local growth was greater than statewide growth, the rate will decrease further. Any increase in school property taxes is effectively limited to 2.5% over the “no new revenue” tax rate.

Provisions of the Texas Education Code and HB 3 are beyond the scope of this summary. Reference is made to HB 3 and the Texas Education Code for additional information on the requirements for setting a school district’s tax rate in 2019 and subsequent years.

City Charter Limitations

General: In addition to the statutory limits described above, the City may limit, increase or change the revenue resources available during a given fiscal year, either by voter authorization as provided by the City Charter or by amending the City Charter itself. The City Charter may not be amended more frequently than once every two years. Since 2004, voters of the City have limited increases in ad valorem tax revenues and other revenues in Proposition 1 (codified in Article III, Sec. 1 and Article IX, Sec. 20 of the City Charter) and Proposition 2 (codified in Article VI-a, Sec. 7 of the City Charter but not effective). Voters also have increased available revenue sources in Proposition G (codified in Article IX, Sec. 21 of the City Charter) and Proposition H, which did not amend the City Charter.

Proposition 1 and Proposition 2 (2004): In 2004, voters approved Proposition 1 (now codified as Article III, Sec. 1 and Article IX, Sec. 20 of the City Charter) in order to limit increases in (i) the City's ad valorem tax revenues by requiring voter approval for increases in ad valorem taxes in future years above a limit equal to the lesser of the actual revenues in the preceding fiscal year, plus 4.5%, or a formula that is based upon the actual revenues received in fiscal year 2005 adjusted for the cumulative combined rates of inflation and the City's population growth; and (ii) water and sewer rates (i.e., the City's Combined Utility System) by limiting rate increases to the combined increases in the rates of inflation and population growth, excluding rate increases required by certain bond covenants and rates established by contract, unless approved by the voters. At the same election, the voters also approved Proposition 2 (Article VI-a, Sec. 7, City Charter, but not effective), which purported to limit increases in the City's "combined revenues," including revenues of the General Fund, Special Funds and Enterprise Funds. Based on the specific language of Proposition 1 and Proposition 2, the number of votes for each proposition, and the language of the City Charter, the City declared that Proposition 2 was not effective.

Proposition 2 Litigation: Supporters of Proposition 2 filed a lawsuit to declare Proposition 2 effective. After protracted litigation, on August 26, 2011, the Texas Supreme Court vacated the judgment of the trial court (for lack of ripeness) without reference to the merits and dismissed the case for want of jurisdiction. In April 2014, the suit was refiled. On October 29, 2019, the trial court held for the City Defendants, ordering that the plaintiffs take nothing.

Impact of Propositions G and H on Propositions 1 and 2: In response to Proposition 1 and Proposition 2, the City held an election on November 7, 2006, at which the voters approved Proposition G and Proposition H, both of which are currently effective. Proposition G amends City Charter to exclude revenues of the City's enterprise systems (i.e., Combined Utility System, Houston Airport System and the Convention and Entertainment Facilities Department) from the types of revenues limited under the City Charter. Voter approval of Proposition G removed the enterprise systems from the revenue limitations of Proposition 2, although the limitation on water and sewer rate increases included in Proposition 1 remains in effect. Proposition H allows the City to collect and spend up to \$90 million of revenue, over and above any Proposition 2 limitations, for increased police, fire and emergency medical services and related matters. The amount collected and spent in each year becomes part of the base revenue calculations for the following year. Propositions G and H are incorporated into the City's financial policies, and the City has collected revenues and made expenditures for public safety purposes in compliance with Proposition H.

See "INVESTMENT CONSIDERATIONS—Tax and Collection Rates May Decline" and "—Risk of Higher Priority Debt."

Collection of Taxes

The Participants are responsible for the collection of its taxes, unless they elect to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Participant's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residential homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is a person 65 years of age or older or disabled is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

Participant's Rights in the Event of Tax Delinquencies

Taxes levied by each Participant are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each taxing unit having power to tax the property. Each Participant's tax lien is on a parity with tax liens of other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of another taxing entity is determined by applicable federal law.

At any time after taxes on property become delinquent, a Participant may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the limitations with respect to residential homesteads described in the preceding section. In filing a suit to foreclose a tax lien on real property, the Participant must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights and by bankruptcy proceedings that may restrict collection of taxpayer debts. A taxpayer has the right to redeem a mineral estate or property that was used at the time the suit was filed for residential homestead or agricultural purposes within two years after the purchaser's deed issued at the foreclosure sale is filed in the county's real property records. A taxpayer has the right to redeem property that was used for all other purposes within six months after the purchaser's deed is filed in the county records. See "INVESTMENT CONSIDERATIONS—Limitations on Tax Collections and Foreclosure Remedies."

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a disaster area which have been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the Participants if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Effect of FIRREA on Tax Collections

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

These provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the Zone and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be subject to and accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the Authority under the Constitution and laws of the State of Texas payable from the Pledged Revenues, based upon his

examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See “TAX MATTERS” for a discussion of the opinion of Bond Counsel.

Bond Counsel also serves as general counsel to the Authority on matters other than the issuance of bonds.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

The Authority will furnish the Underwriters a certificate dated as of the Delivery Date of the Bonds, to the effect that there is not pending, and to the knowledge of the officers executing the certificate, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the Zone, or the title of the officers thereof to their respective offices, and that no Additional Parity Bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The Authority has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the Authority, the Authority’s Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Authority, the Authority’s Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. If the Authority fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to the amount of interest on the Bonds or as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel’s ability to render an opinion that such actions, if taken or

omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount

The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the “Original Issue Discount Bonds”). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption,” “– Collateral Tax Consequences” and “–Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriters have purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the Authority nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("*AGM*") will issue its Municipal Bond Insurance Policy (the "*Policy*") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("*AGL*"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("*S&P*"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("*KBRA*") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("*Moody's*"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At March 31, 2020:

- The policyholders' surplus of AGM was approximately \$2,573 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$997 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,997 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained

herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE”.

MUNICIPAL BOND RATINGS

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned a municipal bond rating of “AA” to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. (“AGM” or the “Bond Insurer”). S&P has assigned the Bonds an underlying rating of “BBB”, based on the Authority’s underlying credit rating. These ratings reflect only the views of S&P, and an explanation of the significance of any rating may be obtained only from S&P. There is no assurance that any rating will be maintained for any given period of time or that such rating will not be revised downward, suspended or withdrawn entirely by such rating agency, if in its sole judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the Authority has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Authority will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) or any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The Authority will provide certain updated financial information and operating data annually to the MSRB through its EMMA system. The information to be updated includes all quantitative financial information and operating data with respect to the Authority of the general type included in this Official Statement in: **Schedules 1-6 (top ten taxpayers for current year only)** and **APPENDIX B: FINANCIAL STATEMENTS OF THE AUTHORITY**. The Authority will update and provide this information within six months after the end of each of its fiscal year ending in or after 2020. The Authority may provide updated information in full text or may incorporate by reference certain other documents on the EMMA System, as permitted by Rule 15c2-12 (“Rule”) of the United States Securities and Exchange Commission (“SEC”).

The updated information will include audited financial statements, if the Authority commissions an audit and is completed by the required time. If audited financial statements are not available by the required time, the Authority will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the Authority may be required to employ from time to time pursuant to state law or regulation.

The Authority’s fiscal year end is currently June 30. Accordingly, it must provide updated information by December 31 in each year, beginning in 2020, unless the Authority changes its fiscal year. If the Authority changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The Authority will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The Authority will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form

5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Authority within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the Authority if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority any of which reflect financial difficulties. Neither the Bonds nor the Bond Resolution makes any provision for liquidity enhancement. In addition, the Authority will provide timely notice of any failure by the Authority to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The Authority has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The Authority has agreed to update information and to provide notices of events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the Authority to comply with its agreement.

The Authority may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the Authority (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Authority may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent an underwriter from lawfully purchasing the Bonds in the initial offering. If the Authority so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The Authority has not previously entered into a continuing disclosure undertaking under the Rule.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the records of the City, the Appraisal District, the Authority, and other sources. All of these sources are believed to be reliable, but no guarantee is made by the Authority as to the accuracy or completeness of the information derived from sources other than the Authority, and the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the Authority. Inclusion of such information herein is not to be construed as a representation on the part of the Authority, except that the Authority has represented to the Underwriters that it has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

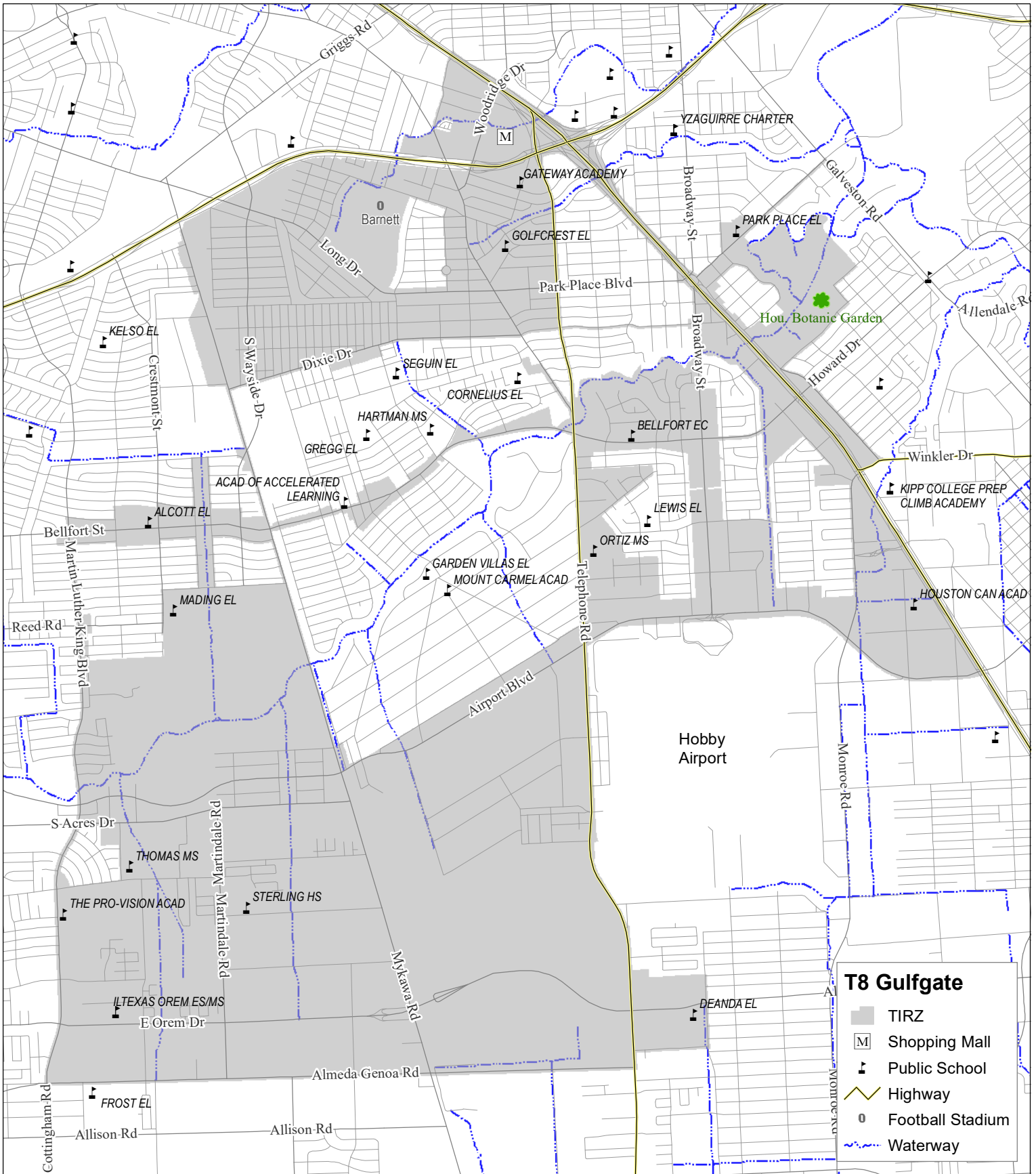
Masterson Advisors LLC is employed as Financial Advisor to the Authority to render certain professional services, including advising the Authority on a plan of financing and the Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information. The fees paid to the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds.

MISCELLANEOUS

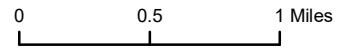
All estimates, statements and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement has been approved by the Board of Directors of Gulfgate Redevelopment Authority.

APPENDIX A
BOUNDARY MAP



Data Source: HCAD Oct 2019
 USDA NAIP 2016-2018
 Map Source: Hawes Hill and Associates LLP | Oct. 2019



APPENDIX B
FINANCIAL STATEMENTS OF THE AUTHORITY

**GULFGATE
REDEVELOPMENT AUTHORITY**

**Annual Financial Statements
And
Supplementary Information**

**June 30, 2019
(With Independent Auditors' Report Thereon)**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gulfgate Redevelopment Authority
City of Houston, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Gulfgate Redevelopment Authority (the "Authority"), **a component unit of the City of Houston, Texas**, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Authority as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance 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 and the Budgetary Comparison Schedule – General Fund 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, and other knowledge we obtained during our audit of 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.

Other 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 supplementary information required by the City of Houston, Texas is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 18, 2019

**GULFGATE REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

The discussion and analysis of Gulfgate Redevelopment Authority's (Authority) financial statements provide an overview of the Authority's financial performance during the year ended June 30, 2019, and 2018. This discussion and analysis includes comparative data for the year ended June 30, 2019, with the year ended June 30, 2018 with a brief explanation for significant changes between fiscal years. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting changes and current known facts, please read in conjunction with the Authority's basic financial statements and notes.

FINANCIAL HIGHLIGHTS

- The Authority issued bonds of \$6,500,000 in October 2016. The Authority also remitted scheduled principal payments to BBVA Compass Bank for \$ 380,000 during the fiscal year June 30, 2019.
- The Authority had a total fund balance of \$7,862,990 and a total net position of \$2,211,465 at June 30, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Under Governmental Accounting Standards Board (GASB) Statement No. 34, the Authority qualifies as a special purpose government with one program – redevelopment of the Gulfgate area, which includes the Gulfgate Mall and certain surrounding commercial properties. GASB Statement No. 34 allows such entities to combine the fund financial statements and the government-wide financial statements rather than presenting separate statements.

Government-wide statements report information about the Authority as a whole using accounting methods similar to those used in private-sector companies. The Statement of Net Position includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The fund financial statements report information about the Authority on the modified accrual basis, which only accounts for revenues that are measurable and available within the current period or soon enough thereafter to pay liabilities of the current period. Adjustments are provided to reconcile the government-wide statements to the fund statements. Explanations for the reconciling items are provided as part of the basic financial statements.

**GULFGATE REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The following table reflects condensed information on the Authority's Net Position as of June 30:

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 6,253,700	\$ 8,404,200	\$ (2,150,500)
Tax Increment Receivable	2,483,100	-	2,483,100
Total Assets	\$ 8,736,800	\$ 8,404,200	\$ 332,600
Accounts and Utility Easement Payable	\$ 960,300	\$ 1,164,300	\$ 204,000
Interest Payable	15,000	16,200	1,200
Long-Term Liabilities-Due in One Year	445,000	380,000	(65,000)
Long-Term Liabilities-Due after One Year	5,105,000	5,550,000	445,000
Total Liabilities	\$ 6,525,300	\$ 7,110,500	\$ 585,200
Net Position:			
Unrestricted	\$ 2,211,500	\$ 1,293,700	\$ 917,800
Total Net Position	\$ 2,211,500	\$ 1,293,700	\$ 917,800

The Authority's cash deposits are collateralized by pledged securities. Tax increments are applied toward principal and interest payments on the Authority's Bank Loans as the payments become due.

The tax increment receivables at June 30, 2019, and 2018 are as follows:

	Tax Increment Receivables		
	2019	2018	Change Positive (Negative)
City of Houston (The City)	\$ 1,929,775	\$	\$ 1,929,775
Houston Independent School District (HISD)	553,307		553,307
	\$ 2,483,082	\$ -0-	\$ 2,483,082

**GULFGATE REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Statement of Net Position (Continued)

Accounts payable include expenses incurred during the current and prior fiscal years.

Unrestricted Net Position represents the portion of Net Position that can be used to finance day-to-day operation without the constraints established by debt covenants, enabling legislation, or other legal requirements. At June 30, 2019, and 2018, the Authority has an unrestricted accumulated surplus of approximately \$ 2,211,500 and an unrestricted accumulated surplus of approximately \$ 1,293,700, respectively.

For more detail analysis of assets and liabilities see the notes to the basic financial statements.

Statement of Activities

The Statement of Activities presents the operating results of the Authority. The following table reflects condensed information on the Authority's operations at June 30:

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2019</u>	<u>2018</u>	<u>Change Positive (Negative)</u>
Revenues:			
Tax Increment Revenue	\$ 3,349,300	\$ 3,039,700	\$ 309,600
Interest Revenue	21,800	9,100	12,700
Total Revenues	<u>\$ 3,371,100</u>	<u>\$ 3,048,800</u>	<u>\$ 322,300</u>
Expenses:			
Current	\$ 2,255,000	\$ 2,161,000	\$ (94,000)
Conveyed to HGP	-	5,417,000	5,417,000
Interest Expense	198,300	179,100	(19,200)
Total Expenses	<u>2,453,300</u>	<u>7,757,100</u>	<u>5,303,800</u>
Change in Net Position	\$ 917,800	\$ (4,708,300)	\$ 5,626,100
Net Position, Beginning of Year	<u>1,293,700</u>	<u>6,002,000</u>	<u>(4,708,300)</u>
Net Position, End of Year	<u>\$ 2,211,500</u>	<u>\$ 1,293,700</u>	<u>\$ 917,800</u>

**GULFGATE REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Tax Increments

The City of Houston (the City), Harris County (the County) and Houston Independent School District (HISD) have agreed, subject to certain limitations, to deposit to the Tax Increment Fund established for the Authority, a certain percentage of tax collections arising from their respective taxation of the increase, if any, in the appraised value of real property located in the Zone since a designated base year. The base year for the original area of the Zone is 1997, and the base year for the annexed area is 1999. The City remits tax increments collected by the City, County and HISD on an annual basis. Generally, prior to year-end, the Authority receives only one or two of the increment amounts due and the remainder is set up as a receivable.

Capital Assets

The Authority's had no capital assets at June 30, 2019, and 2018.

Debt

The Authority has the following loan agreements in effect at June 30, 2019:

	Principal Due	Interest Due
Bond Payable to BBVA Compass Bank	\$ <u>5,550,000</u>	\$ <u>15,000</u>

The Authority issued bonds in October 2016 for \$6,500,000. The Authority's bonds were primarily to pay off the notes payable to Wells Fargo Bank, Houston Gulfgate Partners LLP and to fund future projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Authority's budget for 2019 was in excess of \$10.6 million dollars. The Authority's annual budget was not revised during the year. Actual tax increments recorded by the Authority for budget comparison will be the Authority's received increments plus any transfers and administrative fees. The Authority only receives, and records, amounts available for the Authority's operations. The Authority's fiscal year 2019 budget included approximately \$601,927 of tax increments for educational facilities and approximately \$134,549 for administrative fees which are budgeted as other interfund transfers. These funds are withheld by the City and paid directly to the City or paid back to HISD.

**GULFGATE REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

FUTURE PROJECTS

The zone board is intent on investing \$10.5 million in the various Corridors for the enhancement of the zone to support mobility improvements. This project will act as a catalyst to leverage public and private dollars as well as set the standard for future development initiatives throughout the zone.

This financial report is designed to provide a general overview of the Gulfgate Redevelopment 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 information should be addressed to Gulfgate Redevelopment Authority, C/O Bracewell LLP, 711 Louisiana Street, Suite 2300, Houston, TX 77002.

GULFGATE REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 4,248,680	\$	\$ 4,248,680
Investments	2,004,964		2,004,964
Receivables:			
Tax Increment	<u>2,483,082</u>		<u>2,483,082</u>
TOTAL ASSETS	<u>\$ 8,736,726</u>	<u>\$ -0-</u>	<u>\$ 8,736,726</u>
LIABILITIES			
Accounts Payable	\$ 873,736	\$	\$ 873,736
Accrued Interest Payable		15,000	15,000
Utility Easement Payable		86,525	86,525
Long-Term Liabilities:			
Due Within One Year		445,000	445,000
Due After One Year		<u>5,105,000</u>	<u>5,105,000</u>
TOTAL LIABILITIES	<u>\$ 873,736</u>	<u>\$ 5,651,525</u>	<u>\$ 6,525,261</u>
FUND BALANCE			
Unassigned	<u>\$ 7,862,990</u>	<u>\$ (7,862,990)</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,736,726</u>		
NET POSITION			
Unrestricted		<u>\$ 2,211,465</u>	<u>\$ 2,211,465</u>
TOTAL NET POSITION		<u>\$ 2,211,465</u>	<u>\$ 2,211,465</u>

The accompanying notes to basic financial statements are an integral part of this report.

GULFGATE REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Fund	\$	7,862,990
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (15,000)	
Utility Easement Payable	(86,525)	
Due Within One Year	(445,000)	
Due After One Year	<u>(5,105,000)</u>	<u>(5,651,525)</u>
Total Net Position - Governmental Activities	\$	<u>2,211,465</u>

The accompanying notes to basic financial statements are an integral part of this report.

GULFGATE REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Adjustments	Statement of Activities
REVENUES			
Tax Increment Revenue	\$ 3,349,319	\$	\$ 3,349,319
Investment Revenues	21,809		21,809
TOTAL REVENUES	\$ 3,371,128	\$ - 0 -	\$ 3,371,128
EXPENDITURES/EXPENSES			
Service Operations:			
ISD Education Set-Aside Transfer	\$ 739,669	\$	\$ 739,669
Administrative Fees - Transfer	126,567		126,567
Administrative Services	63,600		63,600
Project Cost	757,687		757,687
Office Expenses	6,980		6,980
Legal Expenses	12,716		12,716
Accounting and Audit	15,750		15,750
Other Consultants	23,740		23,740
Insurance	965		965
Municipal Services	507,333		507,333
Debt Service:			
Loan Principal	380,000	(380,000)	
Loan Interest	199,516	(1,171)	198,345
TOTAL EXPENDITURES/EXPENSES	\$ 2,834,523	\$ (381,171)	\$ 2,453,352
NET CHANGE IN FUND BALANCE	\$ 536,605	\$ (536,605)	\$
CHANGE IN NET POSITION		917,776	917,776
FUND BALANCE/NET POSITION -			
JULY 1, 2018	7,326,385	(6,032,696)	1,293,689
FUND BALANCE/NET POSITION -			
JUNE 30, 2019	\$ 7,862,990	\$ (5,651,525)	\$ 2,211,465

The accompanying notes to basic financial statements are an integral part of this report.

**GULFGATE REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balance - Governmental Fund	\$	536,605
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report loan principal payments as expenditures. However, in the Statement of Net Position, loan principal payments are reported as decreases in long-term liabilities.		380,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		1,171
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Change in Net Position - Governmental Activities	\$	<u>917,776</u>
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The accompanying notes to basic financial statements are an integral part of this report.

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GULFGATE REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. Description of Organization and Summary of Significant Accounting Policies

Organization

Gulfgate Redevelopment Authority (the Authority) is a nonprofit local government corporation, incorporated December 11, 1997, under the laws of the State of Texas, and operating under Chapter 394, Texas Local Government Code and Chapter 431, Texas Transportation Code. On December 10, 1997, the City of Houston (the City) adopted Resolution No. 97-66, which authorized the Authority to aid, assist and act on behalf of the City in the performance of the City's obligation with respect to Reinvestment Zone Number Eight, City of Houston, Texas (Gulfgate TIRZ or Zone).

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these basic financial statements represent all of the funds of the Authority. The Authority is a component unit of the City. Component units are legally separate entities for which the primary government is financially accountable. There are no separate legal entities that are a part of the Authority's reporting entity.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statement

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. The Statement of Net Position and the Statement of Activities were prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues, and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds. The Authority does not have any business-type activities.

Under the government-wide financial statements, Net Position are classified into three components as follows:

Net Investment in Capital Assets – This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings.

GULFGATE REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. Description of Organization and Summary of Significant Accounting Policies
(Continued)

Government-Wide Financial Statement (Continued)

Restricted – This component of Net Position consists of constraints placed on Net Position used 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. At June 30, 2019, the Authority has no restricted Net Position.

Unrestricted – This component of Net Position consists of Net Position that do not meet the definition for “Restricted” or “Net Investment in Capital Assets.”

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction that can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers all revenue available if it is collected within 60 days after the year end. Expenditures are recorded when the related fund liability is incurred as under accrual accounting.

The Authority only has one governmental fund, the General Fund, which accounts for all financial resources.

Fund Balances

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Types, which requires the classification of fund balances in governmental funds using the following hierarchy:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Authority does not have any nonspendable fund balances.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally required. The Authority does not have any restricted fund balances.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making

GULFGATE REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. Description of Organization and Summary of Significant Accounting Policies
(Continued)

authority for the Authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The Authority does not have any committed fund balances.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Authority does not have any assigned fund balances.

Unassigned – all other spendable amounts in the General Fund.

When an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of restricted funds, then committed funds, the assigned funds, and finally unassigned funds.

City of Houston Reinvestment Zone Number Eight

Gulfgate TIRZ was created on December 17, 1997, under Chapter 311, Texas Tax Code (TIF Act), by City Ordinance No. 97-1524, as a tax incremental reinvestment zone (TIRZ) and enlarged on July 7, 1999, by Ordinance No. 99-706. The Gulfgate TIRZ is authorized to provide new capital for public works and public improvements in the Gulfgate area. The Gulfgate TIRZ will provide a source of funding through the tax increments generated by redevelopment of the Gulfgate area.

Tax Increments and Participation Agreements

The City, Harris County (the County) and the Houston Independent School District (HISD), (each a Participant) have agreed to deposit to the Tax Increment Fund established for the TIRZ (the Tax Increment Fund) a certain percentage of the tax collections arising from their taxation of the increase, if any, in the appraised value of real property located in the TIRZ since January 1, 1997 for the Original area, and January 1, 1999, for the Annexed area (the Tax Increments). Each Participant is required to collect taxes on real property located within the TIRZ in the same manner as other taxes are collected by the Participant. The Participant is then required to pay the

GULFGATE REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. Description of Organization and Summary of Significant Accounting Policies
(Continued)

Tax Increments and Participation Agreements (Continued)

Tax Increments into the Tax Increment Fund, as agreed upon in accordance with such Participant's agreement with the City and the TIRZ (collectively, the Participation Agreements). Thus, Tax Increments are due to be deposited from the Tax Increment Fund to the Authority's account by the end of each quarter in which they are collected in the Tax Increment Fund. The City and County have agreed to pay 100% of their Tax Increments to the Tax Increment Fund. The County's taxes for the Hospital District, Port Authority, Department of Education and Flood Control District are not payable to the Tax Increment Fund. Pursuant to an agreement between the City, the TIRZ, and HISD as amended (the HISD Interlocal Agreement), HISD has agreed to pay an amount equal to the then current tax rate per \$100 valuation on the "Captured Appraised Value" for the Original area of the TIRZ and an amount not to exceed \$0.96 per \$100 of "Captured Appraisal Value" on the Annexed area; however, all amounts that exceed \$0.64 per \$100 on both the Original and Annexed areas, shall be paid to HISD for educational facilities. HISD further limits its participation to the lesser of the actual "Captured Appraisal Value" or the estimate of the "Captured Appraised Value" included in the Project Plan.

The Authority is dependent upon the tax increments. Default by any of the governmental entities involved in the Zone would impact the Authority's ability to repay its outstanding notes and other obligations.

Federal Income Taxes

The Authority is exempt from Federal income taxes under section 501(a) as an organization described in Section 501(c) (3) of the Internal Revenue Code. Furthermore, the Internal Revenue Service has ruled that the Authority is a publicly supported organization and is not a private foundation. Under the provisions of the Internal Revenue Procedure 95-48, the Authority is not required to file public information returns on Form 990.

Cash

Cash is held in demand accounts at banks and current cash balances that exceed the Federal Deposit Insurance Corporation (FDIC) insured limits are collateralized by pledged securities.

Capital Assets

In the government-wide financial statements, capital assets are valued at cost and depreciated by the straight-line method, if applicable. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. The Authority had no capital assets as of June 30, 2019.

GULFGATE REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. Description of Organization and Summary of Significant Accounting Policies
(Continued)

Use of Estimates

The preparation of the Authority’s financial statements in conformity with accounting principles generally accepted in the United States of America requires the Authority’s management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2. DEPOSITS AND INVESTMENTS

At June 30, 2019, the Authority’s bank balance totaled \$4,254,748. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was covered by standby letters of credit pledged in the name of the Authority and held in a third-party depository.

The Board of Directors has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act of 1997 (Chapter 2256, Texas Government Code). Such investments include (1) obligations of the United States or its agencies; (2) direct obligations of the State of Texas or its agencies; (3) 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; (4) certificates of deposit, and (5) commercial paper that complies with the Public Funds Investment Act.

The Authority invests in TexPool, an external investment pool that is not SEC-registered, The Texas State Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the Authority also measures its investment in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool. As of June 30, 2019, the Authority held the following investments.

Fund and Investment Type	Fair Value	Maturities in Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	<u>\$ 2,004,964</u>	<u>\$ 2,004,964</u>

GULFGATE REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. DEPOSITS AND INVESTMENTS CONTINUED)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019, the Authority's investment in TexPool, an external pool, was rated AAAM by Standard & Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the Authority, unless there has been a significant change in value.

NOTE 3. NOTES AND BONDS PAYABLE

A summary of changes in the Authority's notes payable follows:

	July 1, 2018	Additions	Retirements	June 30, 2019
Total Long-Term Liabilities	\$ 5,930,000	\$ -0-	\$ 380,000	\$ 5,550,000
		Amount Due Within One Year		\$ 445,000
		Amount Due After One Year		5,105,000
		Total Long-Term Liabilities		\$ 5,550,000

Notes payable consisted of the following as of June 30, 2019:

Bond payable to BBVA Compass Bank due June 30, 2027, variable interest rate 67% 1 Mo LIBOR + 1.84%. The bond commenced on October 25, 2016 with an original face amount of \$6,500,000. Interest payable at June 30, 2019 \$15,000.

The bonds have quarterly principal and interest due on September 1, December 1, March 1 and June 1. The annual payment schedule is as follows:

Fiscal Year	Principal	Interest *	Total
2020	\$ 445,000	\$ 202,239	\$ 647,239
2021	435,000	210,540	645,540
2022	425,000	214,576	639,576
2023	425,000	214,590	639,590
2024	425,000	210,533	635,533
2025-2027	3,395,000	437,206	3,832,206
	\$ 5,550,000	\$ 1,489,684	\$ 7,039,684

*Due to the variable interest rate, interest amounts are estimated.

GULFGATE REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4. UTILITY EASEMENT

The Authority entered into an agreement in December 2001 with the City whereas the Authority agreed to pledge surplus tax increments to the City for the City’s abandonment of four (4) water line utility easements located in the Gulfgate TIRZ in the amount of \$86,525. Surplus tax increments are defined as amounts after satisfaction of any payments due, past due, or scheduled to be due before the next expected tax increment payment by the City, and on the Authority’s obligation to pay principal and interest on any bonds or notes. No interest is accrued on the outstanding amount. As of June 30, 2019, the Authority had no surplus tax increments.

NOTE 5. TAX INCREMENT SUMMARY

The Authority’s tax increments revenue, as reflected in the Statement of Activities, was accrued or received from the following participants:

City	\$	2,031,343
HISD		<u>1,317,976</u>
Total Tax Increments		<u>\$ 3,349,319</u>

NOTE 6. AGREEMENTS

Consultants

The Authority has entered into agreements with various consultants to provide professional services.

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 natural disasters. The Authority participates in the Texas Municipal League’s Intergovernmental Risk Pool (“TML”) to provide general liability, errors and omission and automobile liability. The Authority, along with other participating entities, contributes annual amounts determined by TML’s management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

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GULFGATE REDEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

GULFGATE REDEVELOPMENT AUTHORITY
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Budgetary Fund Balance Beginning of Year	\$ 7,251,798	\$ 7,326,385	\$ 74,587
REVENUES			
Tax Increment Revenue	\$ 3,414,354	\$ 3,349,319	\$ (65,035)
Investment Revenues	<u>8,400</u>	<u>21,809</u>	<u>13,409</u>
TOTAL REVENUES	<u>\$ 10,674,552</u>	<u>\$ 10,697,513</u>	<u>\$ 22,961</u>
EXPENDITURES			
Maintenance and Operations	\$ 160,800	\$ 123,751	\$ 37,049
Capital Expenditures	4,789,000	757,687	4,031,313
Debt Service	568,454	579,516	(11,062)
Other Interfund Transfer	<u>1,243,806</u>	<u>1,373,569</u>	<u>(129,763)</u>
TOTAL EXPENDITURES	<u>\$ 6,762,060</u>	<u>\$ 2,834,523</u>	<u>\$ 3,927,537</u>
Budgetary Fund Balance End of Year	<u>\$ 3,912,492</u>	<u>\$ 7,862,990</u>	<u>\$ 3,950,498</u>

Explanation of Differences between Budgetary Inflow and Outflows and GAAP
Revenues and Expenditures:

Sources/Inflows of Resources

Actual Amounts (budgetary basis)	\$ 10,697,513
Differences - Budget to GAAP	
The fund balance at the beginning of the year is a budgetary resource but is not a current revenue for financial reporting purposes	<u>(7,326,385)</u>
Total revenue as reporting on the Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund	<u>\$ 3,371,128</u>

See accompanying independent auditor's report.

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GULFGATE REDEVELOPMENT AUTHORITY
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CITY OF HOUSTON
JUNE 30, 2019

GULFGATE REDEVELOPMENT AUTHORITY
SCHEDULE OF ESTIMATE OF PROJECT COSTS TO ACTUAL COSTS
PERIOD FROM DECEMBER 11, 1997 (DATE OF INCEPTION)
THROUGH JUNE 30, 2019
(UNAUDITED)

Vendor	Estimated Total Costs	Total Expenditures	Variance
Original Zone Project Costs:			
Property Acquisition	\$ 5,250,000	\$ 5,391,214	\$ (141,214)
Related Costs and Cresation Fees	1,250,000	1,657,876	(407,876)
Financing Cost	8,251,920	6,497,189	1,754,731
Total Original Zone Project Costs	\$ 14,751,920	\$ 13,546,279	\$ 1,205,641
Proposed Annexation Project Costs:			
Box Culvert Removal (1015 LF), replacement and realignment (1154LF)	\$ 2,116,150	\$	\$ 2,116,150
Contingency at 10%	211,615		211,615
Engineering at 15%	349,165		349,165
Subtotal	\$ 2,676,930	\$	\$ 2,676,930
Right turn lane additions-I-610 and I-45 frontage roads to Woodridge and convert left turn lane to esplanade - Woodridge from I-45 to Winkler	\$ 100,000	\$	\$ 100,000
Traffic Signatization - new or modernized signals at I-45 and Woodridge, Winlker and Woodridge, Gulfgate Center Drive and Woodridge, I-610 and Woodridge, Telephone and Woodridge	500,000	69,699	430,301
Contingency at 10%	60,000		60,000
Engineering at 15%	99,000	31,145	67,855
Subtotal	\$ 759,000	\$ 100,844	\$ 658,156
Refurbished crosswalk - Loop 610 between Evergreen and Woodridge (1 and 4)	\$ 100,000	\$ 885,756	\$ (785,756)
Landscaping and irrigation - along Woodridge and and Winkler ROW's	127,870	86,028	41,842
Contingency at 10%	12,787		12,787
Engineering at 15%	21,099		21,099
Subtotal	\$ 261,756	\$ 971,784	\$ (710,028)
TIRZ Annexation - professional and legal fees	\$ 210,000	\$ 403,792	\$ (193,792)
Related Costs and interest carry (3)	680,000	745,965	(65,965)
Subtotal	\$ 890,000	\$ 1,149,757	\$ (259,757)
Total Proposed Annexation Project Costs (5)	\$ 4,587,686	\$ 2,222,385	\$ 2,365,301
HISD Annexation School and Educational Facilities	\$ 15,867,222	\$ 6,828,354	\$ 9,038,868
Total Amended Project Costs	\$ 35,206,828	\$ 22,597,018	\$ 12,609,810

See accompanying independent auditor's report.

GULFGATE REDEVELOPMENT AUTHORITY
SCHEDULE OF ESTIMATE OF PROJECT COSTS TO ACTUAL COSTS
PERIOD FROM DECEMBER 11, 1997 (DATE OF INCEPTION)
THROUGH JUNE 30, 2019
(UNAUDITED)

	Estimated Total Costs	Total Expenditures	Variance
Area-wide Project Costs:			
Parks, Trails, Public Spaces	\$ 4,000,000	\$ 99,627	\$ 3,900,373
Public Facilities	5,000,000		5,000,000
Targeted Blight Removal Costs	5,000,000	5,768	4,994,232
Total Area-wide Project Costs	<u>\$ 14,000,000</u>	<u>\$ 105,395</u>	<u>\$ 13,894,605</u>
Corridor and Area Project Costs:			
Long Road Corridor	\$ 15,530,000	\$	\$ 15,530,000
Dixie Road Corridor	10,950,000		10,950,000
Bellfort Avenue Corridor	14,250,000	126,914	14,123,086
Telephone Road Corridor	11,300,000	111,125	11,188,875
Broadway Street Corridor	2,300,000	1,568,399	731,601
Mykawa Area	16,000,000	537,447	15,462,553
Total Corridor and Area Project Costs	<u>\$ 70,330,000</u>	<u>\$ 2,343,885</u>	<u>\$ 67,986,115</u>
Total Amended Project Costs	<u>\$ 119,536,828</u>	<u>\$ 25,046,298</u>	<u>\$ 94,490,530</u>

- (1) Includes concrete replacements; painting; safety compliance; beautification.
- (2) Contingency and engineering applied to landscaping and irrigation only.
- (3) Estimate based on two year interest carry on \$3.4 million. May not include all financing costs.
- (4) Includes the STEP grant which provides for landscaping improvements and refurbishment of the pedestrian bridge. The total cost of the project is \$2,532,420, of which 20%, or \$506,484 will be contributed by the Authority. As of June 30, 2018, the Authority had paid \$482,800 on this commitment.
- (5) The development agreement dated January 29, 2003 reallocates certain proposed annexed project costs. A reconciliation of the development agreement budget as of June 30, 2019, follows:

	Estimated Total Costs	Total Expenditures	Variance
Utilities	\$ 1,676,930	\$	\$ 1,676,930
Street Improvements and Traffic Signalization	1,259,000	100,844	1,158,156
Pedestrian Bridge Improvements and Landscaping	761,756	971,784	(210,028)
TIRZ Annexation - Professional and Legal Fees	210,000	403,792	(193,792)
Related Costs and Interest Carry	680,000	745,965	(65,965)
	<u>\$ 4,587,686</u>	<u>\$ 2,222,385</u>	<u>\$ 2,365,301</u>

See accompanying independent auditor's report.

GULFGATE REDEVELOPMENT AUTHORITY
SCHEDULE OF OPERATING EXPENSES AND CAPITAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019
(UNAUDITED)

Category	Vendor	Budget	Actual Expenditure	Variance Positive (Negative)
MANAGEMENT CONSULTING SERVICES				
	Hawes Hill & Associates			
Administrative Services	LLP	\$ 75,000	\$ 63,600	\$ 11,400
Office Expense		2,200	6,980	(4,780)
Insurance	TML	1,000	965	35
Accounting	George Baugh III, CPA McCall Gibson	6,500	6,500	
Auditor & Financial Advisor	Swedlund Barfoot PLLC	9,000	9,250	(250)
Financial Advisor		3,500		3,500
Tax Consultant	Equi-Tax Inc.	19,400	19,540	(140)
SUBTOTAL		<u>\$ 116,600</u>	<u>\$ 106,835</u>	<u>\$ 9,765</u>
PROGRAM AND PROJECT CONSULTANTS				
Legal-General Matters	Bracewell LLP	\$ 40,000	\$ 12,716	\$ 27,284
Website Consultants	Busy Bee Creatives	4,200	4,200	
SUBTOTAL		<u>\$ 44,200</u>	<u>\$ 16,916</u>	<u>\$ 27,284</u>
TOTAL MANAGEMENT/CONSULTING SERVICES		<u>\$ 160,800</u>	<u>\$ 123,751</u>	<u>\$ 37,049</u>
PROJECT COST CAPITAL EXPENDITURES				
Broadway Corridor Improvement	Scenic Texas, Inc. Lockwood Andrews &	\$ 516,000	\$ 6,774	\$ 509,226
Corridor Mobility PJ MLK & Airport Blvd Intersection	Newnam, Inc. Houston Parks Board	1,745,000	449,483	1,295,517
Mykawa Road & Centerpoint Easement	Houston Parks Board	700,000	76,077	623,923
Lighting Below Bridges & Freeways	Houston Parks Board	675,000	57,288	617,712
Westover Gateway Trailhead & Connection	Houston Parks Board	78,000	5,768	72,232
Telephone Road & Revelle Road Connection	Houston Parks Board	500,000	51,172	448,828
Concrete Panel Replacement Program	Houston Parks Board	525,000	111,125	413,875
		50,000		50,000
		<u>\$ 4,789,000</u>	<u>\$ 757,687</u>	<u>\$ 4,031,313</u>

See accompanying independent auditor's report.

APPENDIX C
PROPOSED FORM OF OPINION OF BOND COUNSEL

July 21, 2020

We have acted as bond counsel to the Gulfgate Redevelopment Authority, a local government corporation (the “Issuer”), in connection with the issuance and sale of the bonds more fully described as follows:

GULFGATE REDEVELOPMENT AUTHORITY TAX INCREMENT CONTRACT REVENUE AND REFUNDING BONDS, SERIES 2020 (the “Bonds”) dated as of July 21, 2020 in the aggregate principal amount of \$29,615,000.

The Bonds are being issued pursuant to the terms of an Indenture of Trust, dated as of July 1, 2020 (the “Indenture”), by and between the Issuer and Regions Bank (the “Trustee”), and that certain bond resolution adopted on May 20, 2020 (the “Resolution”). Terms not otherwise defined herein shall have the meanings given to such terms in the Indenture or the Resolution. We have acted as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds and the security therefor and with respect to the excludability of interest on the Bonds from gross income for federal tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer’s Preliminary Official Statement and Official Statement has been limited as described therein.

In our capacity as bond counsel, we have participated in the preparation of and have examined a transcript of proceedings pertaining to the authorization and issuance of the Bonds and the refunding and defeasance of the outstanding debt being refunded (the “Refunded Debt”) by the proceeds of the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; a Deposit Letter Agreement, dated the date hereof (the “Deposit Letter Agreement”) among the Issuer, the Trustee and Compass Mortgage Corporation (the “Lender”); the certificate of the Lender certifying as to the sufficiency of the deposit made under the Deposit Letter Agreement for the Refunded Debt; customary certificates of officers and representatives of the Issuer and other public officials of the Zone, the City of Houston, Texas, the Issuer’s co-financial advisors, the Trustee, the Lender and others; and other certified showings relating to the authorization and issuance of the Bonds and the refunding and defeasance of the Refunded Debt. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Bond No. I-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Indenture and the Resolution, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

Based on such examination, it is our opinion that:

1. The Indenture and Resolution have been duly authorized by the Issuer, have been duly executed and delivered by the Issuer and constitute valid and binding obligations of the Issuer. By the terms of the Indenture, all of the Issuer's right, title, and interest in and to the amounts required from time to time to be deposited in or credited to the account of the Pledged Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, and the Project Fund, together with any investments and reinvestments thereof, have been assigned to the Trustee.

2. The Bonds have been duly authorized, executed, issued and delivered by the Issuer, are the legal and valid obligations of the Issuer and are entitled to the benefits and security of the Indenture. The Bonds are not general obligations of the City or of any other entity. The Bonds, together with any Additional Parity Bonds hereafter issued, are equally and ratably payable by the Issuer out of the Pledged Revenues as set forth in the Indenture and the Resolution.

3. Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Debt pursuant to the Deposit Letter Agreement, and, therefore, the Refunded Debt is deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under the Deposit Letter Agreement.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

Except as stated above, we express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. Further, in the event that the representations of the Issuer and other parties are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Indenture and the Resolution, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such

July 21, 2020

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inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100