

NEW ISSUE — BOOK ENTRY ONLY

Rating:
 Moody's: "Baa2" (stable outlook)
 See "BOND INSURANCE"
 and "MUNICIPAL BOND RATINGS" herein.

\$62,495,000*

UPTOWN DEVELOPMENT AUTHORITY
(A public not-for-profit local government corporation acting on behalf of the City of Houston, Texas)
TAXABLE CONTRACT REVENUE BONDS, SERIES 2021B
(Defined Tax Increments)

Interest Accrual Date: Delivery Date

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

Uptown Development 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 Sixteen, 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 the boundaries of the Zone, currently an approximately 2,758 acre area located in west Houston near the interchange of Interstate 610 and U.S. Highway 59 South. The land within the Zone has been developed into a major business and retail center of the City with several high-rise office buildings and condominium units and includes The Galleria shopping center.

Interest on the Uptown Development Authority Taxable Contract Revenue Bonds, Series 2021B (Defined Tax Increments) (the "Bonds") accrues from the Delivery Date (defined below) and is payable each March 1 and September 1, commencing September 1, 2021, until the earlier of maturity or redemption. Principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, 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 as Additional Parity Bonds pursuant to the terms and conditions of a City ordinance approving the issuance of the Bonds, a Bond Resolution approved by the Board of Directors of the Authority on January 20, 2021, a Pricing Certificate authorized by such Bond Resolution, and an Indenture of Trust dated as of February 25, 2021 (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). All bonds issued and outstanding under the terms of the Indenture (collectively, the "Affordable Housing Contract Revenue Bonds") are equally and ratably secured under the Indenture.

Pursuant to the Indenture, the Authority has pledged the Defined Contract Tax Increments (as defined herein) to payment of the Affordable Housing Contract Revenue Bonds. The Affordable Housing Contract Revenue Bonds are payable solely from the Defined 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 "Affordable Housing Pledged Revenues"). See "SOURCE OF AND SECURITY FOR PAYMENT—Pledge of Revenues."

The Bonds are limited obligations of the Authority, payable solely from the Affordable Housing 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, 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, 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.



The Authority has received a commitment from ASSURED GUARANTY MUNICIPAL CORP. (the "Bond Insurer") to issue a municipal bond insurance policy on the Bonds, subject to compliance with the conditions in the commitment. **The Authority will determine at the time of pricing whether it will enter into the commitment with the Bond Insurer.** If it decides to do so, scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy, which will 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 Allen Boone Humphries Robinson LLP and Burney & Foreman, Co-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 February 26, 2021 ("Delivery Date").

UBS

HILLTOP SECURITIES

LOOP CAPITAL MARKETS

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

UPTOWN DEVELOPMENT AUTHORITY
(A public not-for-profit local government corporation acting on behalf of the City of Houston, Texas)
TAXABLE CONTRACT REVENUE BONDS, SERIES 2021B
(Defined Tax Increments)

MATURITY SCHEDULE*

CUSIP Prefix: _____^(c)

Maturity September 1 ^(a)	Principal Amount*	CUSIP Suffix ^(c)	Interest Rate (%)	Initial Reoffering Yield (%) ^(b)
2031	5,255,000			
2032	5,445,000			
2033	5,640,000			
2034	5,850,000			
2035	6,065,000			
2036	6,295,000			
2037	6,550,000			
2038	6,835,000			
2039	7,125,000			
2040	7,435,000			

- (a) The Underwriters may combine maturities into one or more term bonds that are subject to mandatory sinking fund redemption. Bonds maturing on or after September 1, 20__, are subject to redemption in whole or from time to time in part, at the option of the Authority, on September 1, 20__, 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. 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.
- (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.

*Preliminary, subject to change

BOARD OF DIRECTORS

**REINVESTMENT ZONE NUMBER SIXTEEN,
CITY OF HOUSTON, TEXAS
and**

UPTOWN DEVELOPMENT AUTHORITY^(a)

Position	Name	Appointed to Zone By:	Title/Office	Length of Service
1	Dorothy “Dot” Cunningham	State Senator District 17	Director	13 years
2	Kendall A. Miller	State Representative District 134	Secretary	22 years
3	Steven D. Lerner	City	Chair	1 year
4	Judson Robinson, III	City	Director	22 years
5	Ethel J. Johnson	City	Director	1 year
6	Lisa M. Simon	City	Director	19 years
7	Robert H. Clay	City	Director	1 year
8	Louis S. Sklar	HISD	Vice Chair	22 years
9	MariCarmen Tamez	City	Director	7 years

(a) The members of the Board of Directors of Reinvestment Zone Number Sixteen, City of Houston, Texas (the “Zone”), have been appointed by the entity stated above, as provided in the TIF Act. The members of the Board of Directors of the Uptown Development Authority are appointed by the Mayor of the City with the consent and approval of the City Council and are the same as the members of the Board of the Zone.

Professional Consultants

Harris County Improvement District No. 1	<i>Administrator</i>
Masterson Advisors, LLC	<i>Co-Financial Advisor</i>
TKG & Associates, LLC	<i>Co-Financial Advisor</i>
Allen Boone Humphries Robinson LLP	<i>Co-Bond Counsel</i>
Burney & Foreman	<i>Co-Bond Counsel</i>
Norton Rose Fulbright US LLP	<i>Disclosure Counsel</i>
West & Associates, L.L.P.	<i>Underwriters’ Counsel</i>
Whitley Penn LLP	<i>Auditor</i>
Walter P. Moore & Associates	<i>Civil Engineers</i>
Aurora Technical Services	<i>Civil Engineers</i>
Gunda Corporation	<i>Civil Engineers</i>
The Bank of New York Mellon Trust Company, N.A.	<i>Trustee/Paying Agent/Registrar</i>

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended and in effect on the date hereof (the “Rule”), this document constitutes an Official Statement with respect to the Bonds that has been “deemed final” by the Authority as of the date hereof, except for the omission of certain information as permitted by the Rule.

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 Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in the Rule.

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.

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 UBS Financial Services Inc., as representative (the “Representative”) of the underwriters named on the cover page (collectively, the “Underwriters”) pursuant to a bond purchase agreement with the Uptown Development Authority (the “Authority”) at a price of \$_____ (which represents the principal amount of the Bonds, plus original issue premium of \$_____, less original issue discount of \$_____ and less an Underwriter’s discount of \$_____). 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.

UBS Financial Services Inc. ("*UBS FSI*"), one of the Underwriters of the Bonds, has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("*UBS Securities*") for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with respect to the Bonds with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

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 the dates and for the periods described herein, largely 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.**

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.

Creation and Development of the Zone

*Reinvestment Zone
Number Sixteen,
City of Houston,
Texas*

Reinvestment Zone Number Sixteen, City of Houston, Texas (the “Zone”) was created in July 1999 by the City Council of the City, pursuant to landowner petitions and 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 2,758-acre area located in west Houston near the interchange of Interstate 610 and U.S. Highway 59 South. The land within the Zone has been developed into a major business and retail center of the City.

As originally created, the Zone contained approximately 1,010 acres (the “Original Zone”). In 2008 the City approved the annexation of approximately 35.87 nearby acres (the “2008 Annexed Area”) into the Zone. An additional approximately 1,768 acres of land consisting primarily of Memorial Park, a large City-owned park, were annexed into the Zone in 2013 (the “2013 Annexed Area,” and collectively with the 2008 Annexed Area, the “Annexed Areas”). See “APPENDIX A—Boundary Map.”

The Zone operates pursuant to a Fourth Amended Project Plan and Reinvestment Zone Financing Plan approved by the City on May 15, 2013 (the “Project and Financing Plan”).

The Zone is currently scheduled to terminate on December 31, 2040.

*Tax Increments from
the Zone*

Pursuant to the TIF Act, the City established a Tax Increment Fund for the Zone in the City’s Treasury (the “Tax Increment Fund”) and agreed to contribute its tax collections resulting from its taxation of the increase, if any, in the appraised taxable value of real property located in the Original Zone since 1999, the 2008 Annexed Area since 2008, and the 2013 Annexed Area since 2013.

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 real property located in the Original Zone since 1999.

*Tax Increments
Designated for
Affordable Housing*

Pursuant to the TIF Act, the Project and Financing Plan, and an Agreement among the City, the Zone and the Authority, one-third of all Tax Increments derived from the Zone are required to be used for affordable housing facilities, which may be located inside or outside the boundaries of the Zone (the “Defined Tax Increments”).

Of the remaining Tax Increments, one-third of the Tax Increments derived from HISD taxes are required to be used for educational facilities project costs, and the remaining Tax Increments may be used for public improvements, real estate acquisitions and other projects that are needed to induce development within the Zone (“Public Improvements”).

*Zone Development
Resulting in Tax
Increments*

The City’s taxable value in the Zone has increased from a base value of approximately \$1.96 billion to a 2020 tax year value of approximately \$7.84 billion. The Zone contains over 3.2 million square feet of office space, 5 million square feet of retail space, 9,600 residential units and 25 hotel properties with 5,877 rooms.

Major improvements include The Galleria retail shopping center, the Williams Tower, the Four Oaks and Five Oaks office towers, the Post Oak mixed use development, and the condominium developments of Villa D’Estes and Montebello. See “SCHEDULE 2: Breakdown of 2020 Taxable Values in the Zone by Type.”

The Bonds

The Issuer

Uptown Development Authority (the “*Authority*”), a public non-profit local government corporation, was authorized to be established by the City of Houston, Texas (the “*City*”) in 1999 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 the Zone and neighboring areas. Pursuant to the Tri-Party Agreement, the Authority provides services to the Zone and is authorized to issue bonds payable from the Tax Increments derived from the Zone and transferred to the Authority.

The Authority is governed by a Board of Directors (the “*Board*”), whose members are appointed by the City. The duration of the Authority is perpetual.

Description

The Uptown Development Authority Taxable Contract Revenue Bonds, Series 2021B (Defined Tax Increments) (the “*Bonds*”) are issued in the aggregate principal amount of \$62,495,000.* 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, 2021, until the earlier of maturity or redemption. See “THE BONDS – Description.”

Authority for Issuance

The Bonds are authorized pursuant to a City ordinance approving the issuance of the Bonds, a Bond Resolution approved by the Board on January 20, 2021 (the “*Bond Resolution*”), a Pricing Certificate authorized by such Bond Resolution, and an Indenture of Trust dated as of February 25, 2021 (the “*Indenture*”), between the Authority and The Bank of New York Mellon Trust Company, N.A., 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, 20__ 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, 20__ 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. See “THE BONDS—Redemption Provisions.”

*Preliminary, subject to change.

Use of Proceeds Proceeds of the Bonds will be used for the purposes of (1) financing a City-wide affordable housing program administered by the City; (2) making a deposit to the Debt Service Reserve Fund (as defined herein); and (3) 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 The Authority has received a commitment from Assured Guaranty Municipal Corp. (“AGM” or the “Bond Insurer”) to issue a municipal bond insurance policy on the Bonds, subject to compliance with the conditions in the commitment. The Authority will determine at the time of pricing whether it will enter into the commitment with the Bond Insurer. If the Authority elects to accept the commitment and the conditions to the commitment are satisfied, scheduled payment of principal of and interest on the Bonds when due will be guaranteed by the Bond Insurer under an insurance policy (the “Policy”) issued concurrently with the delivery of the Bonds. A form of the Policy is included as Appendix D to this Official Statement. See “BOND INSURANCE.”

Municipal Bond Ratings S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) will assign 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 the Bond Insurer. The Authority will determine whether to accept the Bond Insurer’s commitment to issue the Bonds at the pricing of the Bonds. Moody’s Investors Service (“Moody’s”) has assigned an underlying rating of “Baa2” to the Bonds with a stable outlook. The rating fee of S&P and Moody’s will be paid by the Authority; payment of any other rating fee will be the responsibility of the Underwriters. See “MUNICIPAL BOND RATINGS.”

Source of and Security for Payment

Contract Tax Increments The Tri-Party Agreement among the City, the Authority and the Zone 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 after making certain deductions. The City deducts from the Tax Increments derived from City taxes any expenses incurred by the City in connection with the collection of the Tax Increments and retains a reserve of up to five percent. The City deducts from the Tax Increments derived from HISD taxes an administrative fee of \$25,000 and an amount equal to one-third of the Tax Increments derived from HISD taxes, which are reserved for educational facilities project costs and returned 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.”

Allocation of Contract Tax Increments Pursuant to the TIF Act and the Project and Financing Plan, when the Authority receives Contract Tax Increments it divides them into the Contract Tax Increments which are required to be used for affordable housing (the “Defined Contract Tax Increments”) and the Contract Tax Increments which may be used for other Project Costs (the “Infrastructure Contract Tax Increments”).

The Defined Contract Tax Increments consist of one-third of the Tax Increments derived from City taxes (after deducting a pro rata share of the City’s reserve of five percent) and one-third of the Tax Increments derived from HISD taxes (after deducting a pro rata share of an administrative fee of \$25,000).

The Infrastructure Contract Tax Increments consist of two-thirds of the Tax Increments derived from City taxes (after deducting a pro rata share of the City’s reserve of five percent) and one-third of the Tax Increments derived from HISD taxes (after deducting a pro rata share of an administrative fee of \$25,000).

The final third of the HISD Tax Increments deposited to the Tax Increment Fund are returned to HISD for use for educational facilities project costs.

*The Authority’s
Contract Revenue
Bonds*

The Authority has issued bonds payable from Defined Contract Tax Increments (the “*Affordable Housing Contract Revenue Bonds*”) and bonds payable from Infrastructure Contract Tax Increments (the “*Infrastructure Contract Revenue Bonds*”).

The Authority has one series of Affordable Housing Contract Revenue Bonds outstanding under the Indenture: the Authority’s Taxable Contract Revenue and Refunding Bonds, Series 2021A (Defined Tax Increments)* issued in the principal amount of \$47,355,000 (the “*Series 2021A Bonds*”).

The Authority has issued eight series of Infrastructure Contract Revenue Bonds under an indenture of trust dated February 1, 2001, as amended, which remain outstanding in the aggregate principal amount of \$189,470,000. The Authority also has issued one series of Subordinate Lien Tax Increment Contract Revenue Variable Rate Notes. The maximum principal amount which may be borrowed under the Notes is \$27,000,000, of which \$11,625,816.81 had been borrowed as of January 1, 2021.

The Authority has never defaulted in the payment of its debt.

*Pledge of the
Authority’s Contract
Tax Increments*

Pursuant to the Indenture, the Authority has pledged the Defined Contract Tax Increments to the payment of the Series 2021A Bonds, the Bonds, and all subsequently issued Affordable Housing Contract Revenue Bonds on an equal and ratable basis. Pursuant to a separate indenture, the Authority has pledged the Infrastructure Contract Tax Increments to the payment of the Infrastructure Contract Revenue Bonds.

The Defined Contract Tax Increments are pledged to and may be used to pay the Affordable Housing Contract Revenue Bonds only, and the Infrastructure Contract Tax Increments are pledged to and may be used to pay the Infrastructure Contract Revenue Bonds only.

*Affordable Housing
Pledged Revenues*

Once the Authority has divided the Defined Contract Tax Increments from the Infrastructure Contract Tax Increments, it is required to transfer the Defined Contract Tax Increments to the Trustee. Once the Trustee has set aside debt service on the Affordable Housing Contract Revenue Bonds for the succeeding twelve-month period, the Debt Service Reserve Fund required with respect to any series of Affordable Housing Contract Revenue Bonds has been fully funded, and the Trustee’s and Paying Agent/Registrar’s fees have been paid or reserved, the Trustee will deposit any surplus Defined Contract Tax Increments into a Surplus Fund to be used for affordable housing facilities. The Authority plans to transfer such funds to the City for use in its affordable housing program.

The Affordable Housing Contract Revenue Bonds are payable solely from the Defined 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 “*Affordable Housing Pledged Revenues*”). See “SOURCE OF AND SECURITY FOR PAYMENT—Pledge of Revenues.”

*The Series 2021A Bonds have been priced and are scheduled to close on February 25, 2021.

*Additional Parity
Bonds*

The Authority has reserved the right to issue additional bonds payable from the Affordable Housing Pledged Revenues on an equal and ratable basis with all outstanding Affordable Housing Contract Revenue Bonds (the “*Additional Parity Bonds*”), but only on the terms and conditions set out in the Indenture, including satisfaction of 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 Affordable Housing Contract Revenue Bonds. See “SOURCE OF AND SECURITY FOR PAYMENT – Additional Parity Bonds.”

Limited Obligations

The Bonds are limited obligations of the Authority, payable solely from the Affordable Housing 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, 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, 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.

*Investment
Considerations*

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 concerning the Affordable Housing Contract Revenue Bonds
(unaudited)**

	<u>City</u>	<u>HISD</u>	
2020 Certified Taxable Value (a)	\$ 7,843,246,406	\$ 7,657,721,910	
Tax Increment Base (b)	1,964,576,187	1,908,297,450	
2020 Certified Incremental Appraised Value	<u>\$ 5,878,670,218</u>	<u>\$ 5,749,424,459</u>	
 Total Appraised Value in the Zone	 \$ 5,878,670,218	 \$ 1,858,391,280	 (c)
 2020 Total Tax Rate Contribution (d)	 0.56184	 0.96000	
 Tax Rate Contribution to be Used to Produce Defined Contract Tax Increments	 0.18728	 0.32000	 (c)
 Estimated Collection Rate (e)	 99.58%	 99.26%	
 City Retention Fee	 5%	 \$25,000	
 Defined Contract Tax Increments Constituting Pledged Revenues FYE 6/30/2022 (f)	 \$ 10,415,365	 \$ 5,890,301	
 Total Defined Contract Tax Increments		 \$ 16,305,667	
 Outstanding Debt (g)		 \$ 109,850,000	 *
Average Annual Debt Service (2022-2041)		7,284,716	*
Maximum Annual Debt Service (2022)		7,592,572	*
 Coverage of 2022 Pledged Revenues from City and HISD to:			
Average Annual Debt Service (2022-2041)		224%	*
Maximum Annual Debt Service		215%	*
 Coverage of 2022 Pledged Revenues from City to:			
Average Annual Debt Service (2022-2041)		143%	*
Maximum Annual Debt Service		137%	*
 Ratio of 2020 Captured Appraised Value to Total Appraised Value in the Zone (h)	 75.0%	 75.1%	
 Debt Service Reserve Requirement (i)		 \$ 6,249,500	

* Preliminary, subject to change.

- (a) 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 and HISD (each a "Participant," and collectively the "Participants") have different exemptions from taxation, which also affect the taxable value. The 2020 certified taxable value shown is based on data provided by the Appraisal District and includes uncertified value of \$44,790,408 at the Appraisal District's opinion of 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 7: Tax Increment Collections" for the certified values for 2015 through 2020.
- (b) Base year for the Original Zone is 1999, the base year for the 2008 Annexed Area is 2008, and the base year for the 2013 Annexed Area is 2013. Base year values have been aggregated.
- (c) HISD has agreed to participate in the Original Zone only. The maximum amount of each annual HISD tax increment payment is capped according to the estimated Captured Appraised Value set forth in the Project Plan and Reinvestment Zone Financing Plan adopted by the City on July 21, 1999 (the "Original Project and Financing Plan"). The 2020 taxable value in the Original Zone is above the cap, so the cap is utilized. The HISD cap increases each year from \$1,858,391,280 in tax year 2020 to a maximum

of \$2,471,353,888 in tax year 2029, which is the last year in which HISD is required to contribute Tax Increments under the HISD Interlocal Agreement.

- (d) HISD has agreed to pay a tax increment based on \$0.96 per \$100 of Captured Appraised Value for the Original Zone only. The Authority may retain for affordable housing project costs the tax increments derived from a tax rate of \$0.32 per \$100 of Captured Appraised Value, and for infrastructure project costs the tax increments derived from a tax rate of \$0.32 per \$100 of Captured Appraised Value. The remaining one-third 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 prior to the first business day of July in each year. The appropriation of Contract Tax Increments to the City’s tax increment reinvestment zones 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) Defined Contract Tax Increments are calculated by multiplying the 2020 Captured Appraised Value by the 2020 Tax Rate Contribution for Affordable Housing, then multiplying the product by the Collection Rate and deducting the City Retention Fee. The 2020 tax rates were set in the fall of 2020 with payment by taxpayers due by January 31, 2021. Contract Tax Increments arising from these taxes are expected to be transferred to the Authority during 2021 for payment of debt service in fiscal year 2022. Overpayments from past years may be offset against these taxes. See “INVESTMENT CONSIDERATIONS—Litigation Over Taxable Values.”
- (g) Outstanding debt consists of the Bonds and the Series 2021A Bonds scheduled to close on February 25, 2021.
- (h) See “INVESTMENT CONSIDERATIONS—A Decrease in Taxable Value Produces a Greater Decrease in Captured Appraised Value and Can Reduce Tax Increments Significantly.”
- (i) The Debt Service Reserve Fund Requirement is described under “SOURCE OF AND SECURITY FOR THE BONDS—Debt Service Reserve Fund.” It is for the benefit of the Bonds only.

OFFICIAL STATEMENT

\$62,495,000*

UPTOWN DEVELOPMENT AUTHORITY

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

TAXABLE CONTRACT REVENUE BONDS, SERIES 2021B

(Defined Tax Increments)

This Official Statement provides certain information in connection with the issuance by Uptown Development Authority (the “*Authority*”) of its \$62,495,000* Taxable Contract Revenue Bonds, Series 2021B (Defined Tax Increments) (the “*Bonds*”). The Bonds are issued pursuant to 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 January 20, 2021, a Pricing Certificate authorized by such Bond Resolution, and the Indenture of Trust dated as of February 25, 2021 (the “*Indenture*”) between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”).

This Official Statement speaks only as of 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 Sixteen, City of Houston, Texas (the “*Zone*”), the Fourth Amended Project Plan and Reinvestment Zone Financing Plan, adopted by the City on May 15, 2013 (the “*Project and Financing Plan*”), and existing development within the boundaries of the Zone. The Zone is an approximately 2,758 acre area located in west Houston near the interchange of Interstate 610 and U.S. Highway 59 South. The land within the Zone has been developed into a major business and retail center of the City of Houston, Texas (the “*City*”) with several high-rise office buildings and condominium units and includes The Galleria shopping 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 bond counsel, Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

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 Affordable Housing 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 (the “*Captured Appraised Value*”) 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 in the year in which the zone was designated as such under the TIF Act and, with respect to any land subsequently added to the Zone, the year in which such land was annexed into the Zone (the “*Tax Increment Base*”).

* Preliminary, subject to change.

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 states that if a tax increment reinvestment zone is created by a city upon petition of property owners in a county with a population of 3.3 million or more, then one-third of the Tax Increments from the Zone must be used for affordable housing.

The TIF Act currently provides that a reinvestment zone terminates on the earlier of: (1) the termination date designated in the ordinance designating the zone or a 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. 1999-709, approved on July 7, 1999 (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, 1999 and would terminate on December 31, 2029, 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. 2013-470, approved on May 15, 2013, the City extended the termination date of the Zone from December 31, 2029 to December 31, 2040.

The Zone, as originally created in 1999 (the "*Original Zone*"), consisted of approximately 1,010 acres. In 2008 the City approved the annexation of approximately 35.87 nearby acres (the "*2008 Annexed Area*") into the Zone. An additional approximately 1,768 acres of land consisting primarily of Memorial Park, a large City-owned park, were annexed into the Zone in 2013 (the "*2013 Annexed Area*," and collectively with the 2008 Annexed Area, the "*Annexed Areas*").

Under the Project and Financing 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 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.

Tri-Party Agreement

The Agreement among the City, the Zone and the Authority, approved by the City Council on December 15, 1999 pursuant to Ordinance No. 1999-1341 (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 board of directors of the Zone (the "*Zone Board*"), services with respect to the Project and Financing 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, 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 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 \$1,000,000 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 2021 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 a tax rate of \$0.96 on Captured Appraised Value in the Original Zone. 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 Project Plan and Reinvestment Zone Financing Plan approved by the City on July 21, 1999 (the "*Original Project and Financing Plan*"), 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 2000, and the last payment is for taxes levied in the year 2029.

The HISD Interlocal Agreement states that one-third of the HISD Tax Increment participation will be applied to the provision of affordable housing, one-third of the HISD Tax Increment participation will be applied to payment of Project Costs for non-educational facilities, and one-third, along with interest thereon, will be used by HISD for educational facilities 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 Interlocal 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 Original Project and Financing 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 Original Project and Financing Plan. An amendment to the Original Project and Financing Plan will not apply to HISD unless approved by HISD if it (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. HISD has not agreed to participate in the 2008 Annexed Area or the 2013 Annexed Area.

Legislation enacted in 2009 and 2011 provides that the Texas Education Agency will 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 7: 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 participating taxing unit 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 below.

The City retains from the Tax Increments derived from City taxes an amount equal to any expenses incurred by the City in connection with the collection of the Tax Increments and up to five percent of the moneys then available in the Tax Increment Fund. In accordance with the HISD Interlocal Agreement, the City retains from the Tax Increments derived from HISD taxes an administrative fee of \$25,000 and an amount equal to one-third of the Tax Increments derived from HISD taxes, which are returned to HISD for educational facilities project costs. Contract Tax Increments are defined in the Indenture as Tax Increments payable to the Authority after the reservations made by the City.

Allocation of Contract Tax Increments

Pursuant to the TIF Act and the Project and Financing Plan, when the Authority receives Contract Tax Increments it separates them into the Contract Tax Increments which are required to be used for affordable housing (the "*Defined Contract Tax Increments*") and the Contract Tax Increments which may be used for other Project Costs (the "*Infrastructure Contract Tax Increments*").

The Defined Contract Tax Increments consist of one-third of the Tax Increments derived from City taxes (after deducting a pro rata share of the City's retention amount of 5%) and one-third of the Tax Increments derived from HISD taxes (after deducting a pro rata share of an administrative fee of \$25,000).

The Infrastructure Contract Tax Increments consist of two-thirds of the Tax Increments derived from City taxes (after deducting a pro rata share of the City's retention amount of 5%) and one-third of the Tax Increments derived from HISD taxes (after deducting a pro rata share of an administrative fee of \$25,000).

The Authority has issued bonds payable from Defined Contract Tax Increments (the "*Affordable Housing Contract Revenue Bonds*") and bonds payable from Infrastructure Contract Tax Increments (the "*Infrastructure Contract Revenue Bonds*"). The Authority has one series of Affordable Housing Contract Revenue Bonds outstanding under the Indenture: the Authority's Taxable Contract Revenue and Refunding Bonds, Series 2021A (Defined Tax Increments)* issued in the principal amount of \$47,355,000 (the "*Series 2021A Bonds*").

The Authority has issued eight series of Infrastructure Contract Revenue Bonds under an indenture of trust dated February 1, 2001, as amended (the "*Infrastructure Indenture*"), which remain outstanding in the aggregate principal amount of \$189,470,000. The Authority also has issued one series of Subordinate Lien Tax Increment Contract Revenue Variable Rate Notes. The maximum principal amount which may be borrowed under the Notes is \$27,000,000, of which \$11,625,816.81 had been borrowed as of January 1, 2021.

Affordable Housing Pledged Revenues

Pursuant to the Bond Resolution and the Indenture, the Authority has agreed to transfer all Defined Contract Tax Increments to the Trustee. The Trustee will deposit such amounts into an Indenture fund which constitutes the Authority's "Pledged Revenue Fund." Once debt service on the Affordable Housing Contract Revenue Bonds for the succeeding twelve-month period has been deposited, any Debt Service Reserve Fund required for a Series of Affordable Housing Contract Revenue Bonds has been fully funded, and the Trustee's and Paying Agent/Registrar's fees have been paid, the Trustee will transfer any surplus Defined Contract Tax Increments in a Surplus Fund to be used for affordable housing projects. See "THE TRUST INDENTURE – The Funds."

The Authority has pledged to the payment of principal of and interest on the Affordable Housing Contract Revenue Bonds the "Affordable Housing 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 Defined Contract Tax Increments;
- (b) all of the Authority's right, title and interest in the Participant Contracts that pertains to the Defined Contract Tax Increments;
- (c) all monies deposited or required to be deposited in the Pledged Revenue Fund, the Debt Service Fund (as hereinafter defined), and to the extent applicable to a Series of Affordable Housing Contract Revenue Bonds, the Debt Service Reserve Fund (as hereinafter defined) 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.

* Priced and scheduled to close on February 25, 2021.

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 Affordable Housing Pledged Revenues and the terms of the Bond Resolution and the Indenture.

Debt Service Reserve Fund for the Bonds

The Indenture provides that each bond resolution authorizing a Series of Affordable Housing Contract Revenue Bonds may create and establish with the Trustee one or more funds to be designated a “Debt Service Reserve Fund.” A Debt Service Reserve Fund may be pledged to the payment of a particular Series of Affordable Housing Contract Revenue Bonds. Each Debt Service Reserve Fund shall initially be funded as provided in the bond resolution for that series of Affordable Housing Contract Revenue Bonds.

The Bond Resolution provides for a Debt Service Reserve Fund for the benefit of the Bonds only. The Bond Resolution defines the Reserve Requirement for the Debt Service Reserve Fund for the Bonds as the least of (i) 1.25 times the average annual debt service on the Bonds, (ii) the maximum annual debt service on the Bonds, or (iii) 10 per cent of the stated principal amount of the Bonds (or 10% of the issue price of the Bonds if the Bonds are issued with more than a de minimus amount of original issue discount).

Pursuant to the Indenture, 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 particular Debt Service Reserve Fund one or more Reserve Fund Surety Policies. 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 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 Reserve Fund Surety Policy will be drawn upon to pay principal of or interest on the Bonds when insufficient funds are available for such purpose in the Debt Service Fund (as defined herein). In such event, the Debt Service Reserve Fund is to be replenished as described in “THE INDENTURE OF TRUST—The Funds.” All amount deposited in or required to be deposited in the Debt Service Reserve Fund after a drawing on the Reserve Fund Surety Policy may be used to pay obligations incurred to the provider of the Reserve Fund Surety Policy, including amounts advanced thereunder, interest on such advances and related costs and expenses and may not be available to pay principal of or interest on the Bonds.

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 premium for any Reserve Fund Surety Policy may be paid from Bond proceeds or other funds of the Authority lawfully available for such purpose.

Additional Parity Bonds

The Authority has reserved the right to issue additional parity Affordable Housing Contract Revenue Bonds (the “*Additional Parity Bonds*”) on the terms set out in the Indenture and the Bond Resolution. 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 (to the extent created by prior bond resolutions), after the issuance of the Additional Parity Bonds, an amount equal to the Reserve Requirement on all Affordable Housing Contract Revenue Bonds that have a Reserve Requirement 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 Defined Contract Tax Increments that will be at least 130 percent of projected Maximum Annual Debt Service, taking into account the Affordable Housing 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 Affordable Housing 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 Affordable Housing Pledged Revenues are not in any manner pledged to the payment of any debt or obligation of the Authority other than the Affordable Housing Contract Revenue Bonds, and the Authority covenants that it will not in any manner pledge or further encumber the Affordable Housing Pledged Revenues unless such pledge or encumbrance is junior and subordinate to the lien and pledge granted under the Indenture to secure the Affordable Housing Contract Revenue Bonds. The Indenture requires that subordinate lien obligations provide that they are payable from Affordable Housing 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.”

PLAN OF FINANCING

Authority and Purpose

On January 6, 2021, the City Council of the City increased the Authority’s authorization to issue bonds secured by Contract Tax Increments by \$112,860,000, resulting in an authorization of \$332,860,000 principal amount of bonds secured by Contract Tax Increments outstanding at any one time. The Series 2021A Bonds scheduled to close on February 25, 2021 and the Bonds are being issued pursuant to such increase in authorization. See “FINANCIAL INFORMATION—Schedule 4: Authorized and Unissued Bonds and Notes.”

Proceeds of the Series 2021A Bonds and the Bonds will be used to finance a City-wide affordable housing program. Proceeds of the Bonds will also be used to make a deposit to the Debt Service Reserve Fund for the Bonds, and pay costs of issuance, all under and pursuant to the authority of the TIF Act and all other applicable law. The TIF Act allows the Zone to finance affordable housing inside or outside the boundaries of the Zone.

The affordable housing program is being administered by the City Department of Housing and Community Development. Its goal is to upgrade existing housing owned by low income persons and assist first-time low income home buyers. Its components include:

Small Repairs: This program will provide up to \$20,000 of repairs for homes owned by low-income families. For this program, the needed repairs are usually targeted items, such as a new roof or solving electrical or plumbing issues. This program will be similar to the Blue Tarp program, which replaced more than 700 roofs throughout the City from 2016-2017.

Rehabilitation: This program will provide loans of up to \$80,000 for the rehabilitation of homes owned by low-income families to bring these homes up to code. As part of the compliance period requirement, the assisted family or their heirs must continue to live in the home for at least 5 years if the rehabilitation work costs between \$20,000 and \$40,000 and at least 10 years if the rehabilitation work costs between \$40,000 and \$80,000. The outstanding interest-free “loan” will be forgiven annually on a pro rata basis—10% a year for the 10-year compliance period and 20% a year for the 5-year compliance period. If a family sells their home before the end of the compliance period, they will owe the balance of the loan to the City.

Reconstruction: This program will provide loans of up to \$200,000 to fully reconstruct homes owned by low-income families that cannot be rehabilitated with \$80,000 of work. As part of the compliance period requirement, the assisted family or their heirs must continue to live in the home for 20 years. Five percent of the outstanding interest-free “loan” will be forgiven annually. If a family sells their home before the end of the compliance period, they will owe the balance of the loan to the City.

Homebuyer Choice Community Land Trust (“CLT”): The previously mentioned programs are all for existing low-income homeowners who have not been able to keep up with the necessary maintenance on their homes. The Homebuyer Choice CLT program is a program for new homebuyers willing to purchase a home in a land trust model. This model limits the resale value of the home to an increase of just 1.25% annually and requires that the subsequent purchaser also be a low-income family. In this program, the City is responsible for qualifying the initial homeowner, who identifies a home they want to purchase. The City ensures the home passes its inspection. At closing, the City contributes up to \$150,000 for homes zoned to A or B rated schools and up to \$100,000 for anywhere else in the City. The homebuyer must provide the balance of the purchase price by using any savings they have and/or securing a mortgage. After closing, the CLT is responsible for ongoing education and mentoring for the homeowner, annual inspections of the home to ensure proper maintenance, and overseeing any future sales to another low-income family. Because the resale price of the home is restricted, the Appraisal District has agreed to assess taxes at this restricted value further ensuring that the low-income homeowner will not be priced out of the home due to high taxes.

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	\$
[Net] Premium/Discount	
Total Sources:	\$ <u> </u>

Uses of Funds:

Deposit with City	\$
Deposit to Debt Service Reserve Fund.....	
Cost of Issuance, including bond insurance premium, if any ⁽¹⁾	
Total Uses:	\$ <u> </u>

(1) Represents estimated fees, expenses, underwriting discount and insurance premium, if any, related to the issuance and sale of the Bonds.

INVESTMENT CONSIDERATIONS

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

Limited Obligations

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE AFFORDABLE HOUSING 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.

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.

The World Health Organization declared a pandemic following the Outbreak of COVID-19, a respiratory disease caused by a particular strain of coronavirus (the “*COVID-19 Pandemic*”), which is currently affecting many parts of the world, including the United States, Texas and the Harris County region, and is impacting commerce and global and national financial markets. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the “*President*”) declared the COVID-19 Pandemic a national emergency and the Texas Governor (the “*Governor*”) declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the “disaster declarations”). On March 15, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas, which declaration has been continued on a monthly basis.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster and issuing executive orders that have the force and effect of law. The Governor issued a series of executive orders relating to COVID-19 preparedness and mitigation and phased reopening of businesses in Texas. These include executive orders which, among other things, impose operations and limitations on business occupancy and social gatherings and require people to wear face masks (with some exceptions). The Governor retains the authority to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement. In addition to the actions by the state and federal officials, certain local officials have declared a local state of disaster. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which negatively affects the operation of businesses and the state and national economies.

The Zone contains a very large retail center, adjacent retail establishments, and many restaurants. As a result of the COVID-19 Pandemic, the resulting decreased economic activity, and more permanent changes in consumer attitudes and activities following the COVID-19 Pandemic, these entities may reduce their space needs or be forced to close. This could result in lower taxable values of their properties. See “TAXING PROCEDURES OF THE PARTICIPANTS—Valuation of Property for Taxation.”

The Zone also contains many hotels, which make up approximately 10% of the Zone’s taxable value. These properties have been particularly harmed by the COVID-19 Pandemic, which has caused a decrease in occupancy rates. Occupancy rates may be taken into account in establishing the taxable value of income producing properties, so the lower occupancy rates being experienced by hotel properties during the COVID-19 Pandemic may result in lower taxable values for such establishments. See “TAXING PROCEDURES OF THE PARTICIPANTS—Valuation of Property for Taxation.”

The Zone also contains several large office towers. Many businesses are purported to be rethinking their space needs as the COVID-19 Pandemic forced employees to work from home. This could result in businesses electing to reduce their space needs, resulting in vacant office space and ultimately reduced taxable value for such properties. See “TAXING PROCEDURES OF THE PARTICIPANTS—Valuation of Property for Taxation.”

The primary security for the Bonds, the Defined Contract Tax Increments, is 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.

The taxable values and collections data contained herein are the latest available but are as of the dates and for the periods described herein, prior to the COVID-19 Pandemic and measures instituted to slow it. In particular, 2020 taxable values were measured as of January 1, 2020, prior to recognition of the severity of the COVID-19 Pandemic. Accordingly, they are not necessarily indicative of future results. The Authority cannot predict the effect of the COVID-19 Pandemic on 2021 taxable values of the existing properties in the Zone but it is aware of approximately \$175,000,000 in taxable value which will come onto the tax rolls in 2021 due to construction of improvements during 2020.

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 decline in energy consumption during the COVID-19 pandemic and surplus supply, the price of oil decreased in 2020. As a result, energy companies are reducing capital budgets and closing production. Job losses and industry consolidation have occurred and are expected to continue. 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 real estate market. In the longer term, the energy industry in Houston may be adversely affected by governmental actions taken to reduce the use of fossil fuel and concerns about global warming.

The dual impact of the COVID-19 pandemic on economic conditions and the decrease in the price of oil 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 several 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. According to Authority management, there was only minor damage to structures in the Zone from recent storm events in Houston, including Hurricane Harvey.

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 Affordable Housing 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 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 or limiting 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."

Risks Related to Hotels

The Zone includes 25 hotel properties with 5,877 rooms, many of which are affiliated with major hotel chains. Hotels make up approximately 10 per cent of the Zone's taxable value. Hotels can be significantly affected by a variety of risk factors. The following are examples of such risks: political economic and financial market developments; domestic, national and international travel restrictions; reduced demand for hotel rooms as a result of an economic downturn, attitude shifts to travel that may occur due to concerns about climate change or fear of contagion; industry overcapacity and weak demand due to the cyclical nature of the hotel industry, competition from other hotel groups, web-based booking channels, and short-term rentals of private property; 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 hotel properties; casualties and other natural disasters; and the potential for terrorist activities.

Many hotels have been adversely affected by the COVID-19 Pandemic, which has caused a decrease in occupancy rates. Occupancy rates may be taken into account in establishing the taxable value of income producing properties, so the lower occupancy rates being experienced by hotel properties during the COVID-19 Pandemic may result in lower taxable values for such establishments. See "TAXING PROCEDURES OF THE PARTICIPANTS—Valuation of Property for Taxation."

Future Taxable Values in the Zone May Decline

Each year the Appraisal District determines the then current market value of all real property and improvements in the Zone, which it uses to determine the taxable value in the Zone. 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.

The difference between the base value of the Zone and the current taxable value of the Zone determines Captured Appraised Value. **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, office building or retail establishment 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 will affect Captured Appraised Value used to determine the Defined Contract 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 the Chief Appraiser of the Appraisal District 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.

Litigation Over Taxable Values

The Zone contains very large property owners with sophisticated tax staff or consultants. A property owner is entitled to challenge the determination of taxable value made by the Appraisal District before the Appraisal Review Board, and if dissatisfied with the Appraisal Review Board’s decision, in a district court of the State. Litigation over property values may take several years and may result in a substantial reduction in a property’s value several years after the taxable value has been certified and taxes on such amount have been paid. The City is required to refund the overpayment of taxes. It then determines the Tax Increments it overpaid to the Zone based on that property value and reduces the Tax Increments it pays to the Zone for the current year by the overpayments from prior years. The Authority experienced a reduction of approximately \$3.1 million in 2019 Tax Increments due to adjustments from prior years and a reduction of approximately \$2.4 million in 2020 Tax Increments due to adjustments from prior years, approximately 38.8% of which would result in a reduction in Defined Contract Tax Increments. The Authority cannot recapture Contract Tax Increment overpayments—Contract Tax Increments not used for debt service in a particular year flow to the Surplus Fund and are used for other purposes.

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 \$75, then a reduction in taxable value to \$95 would be a 5% decrease in taxable values and a 6.6% decrease in Captured Appraised Value. See the “Ratio of 2020 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 (6.6% in the example).

Tax and Collection Rates May Decline

The amount of Defined Contract Tax Increments available to pay principal of and interest on the Bonds is determined by the taxable value of the 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 HISD Interlocal Agreement 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 Project and Financing Plan and the HISD Interlocal Agreement. Each Participant will set its tax rate in accordance with the Texas Property Tax Code (the “*Property Tax Code*”), which, as of January 1, 2020, requires an election to increase the tax rate above 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, 2019 and 2020. The 2017 tax rate of \$0.584210 per \$100 valuation 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 decreased in 2019 and 2020.

The City’s tax rate for the 2020 tax year was \$0.561840 per \$100 valuation (more than a 2-cent reduction from the 2018 tax rate) and HISD’s tax rate for the 2020 tax year was \$1.133100 (a reduction of seven cents from the 2018 rate). See “FINANCIAL INFORMATION—Schedule 5: Tax Increment Collections” for tax rates from 2015 through 2020. If the tax rate of any Participant declines, the amount of Affordable Housing 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 Affordable Housing 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 2020 tax rate of HISD is \$1.133100 (of which \$0.966400 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. See “OFFICIAL STATEMENT SUMMARY—Schedule 1: Selected Financial Information concerning the Affordable Housing Contract Revenue Bonds (unaudited)” for coverage of Fiscal Year 2022 Pledged Revenues from City Tax Increment only.

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 Affordable Housing Contract Revenue Bonds.

Concentration of Risk

Approximately 34% of the current estimate of taxable 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 Defined 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 United States Bankruptcy Code (the "*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.

Traffic Congestion

The Zone is adjacent to the segment of Interstate 610 between Interstate 10 and U.S. Highway 59 South. This segment was determined by the Texas Department of Transportation to be the most congested segment of highway in the state in 2019 and the second most congested in 2020. The Zone contains popular shopping destinations, many office towers, hotels and high-rise residences, which also leads to congestion. Such congestion can reduce the attractiveness of the Zone and limit its desirability for businesses and residences.

In order to reduce such congestion, the Authority has partnered with the Metropolitan Transit Authority of Harris County (“METRO”) to construct the METRORapid Silver Line to connect the Uptown area to two major transit centers. The METRORapid Silver Line consists of a dedicated bus-only lane which runs on elevated platforms like rail along Post Oak Boulevard. The Silver Line opened in August 2020.

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-Brazoria Area (“HGB Area”) was 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.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany the designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls 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.

Limited Undeveloped Land

The Zone has a small amount of undeveloped but developable land and Authority management does not foresee the redevelopment of any existing improvements in the Zone at this time. Investors should assume that any Defined Contract Tax Increments available to pay principal and interest on the Bonds will be generated solely from the taxable improvements currently within the Zone. See “STATUS OF DEVELOPMENT–Schedule 2: Breakdown of 2020 Taxable Values in the Zone by Type.”

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 Issuance of Additional Affordable Housing Contract Revenue Bonds

The Authority has reserved the right to issue Additional Parity Bonds which are secured by the Affordable Housing Pledged Revenues on an equal basis with the then-outstanding Affordable Housing Contract Revenue Bonds. The issuance of Additional Parity Bonds, may adversely affect the investment security of the outstanding Affordable Housing 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."

Impact of Infrastructure Contract Revenue Bonds

In addition to the Affordable Housing Contract Revenue Bonds, the Authority has eight series of Infrastructure Contract Revenue Bonds issued and outstanding under the Infrastructure Indenture, the outstanding principal amount of which is \$189,470,000. Like the Affordable Housing Contract Revenue Bonds, the Infrastructure Contract Revenue Bonds are payable from Contract Tax Increments derived from the Zone. Therefore, they are subject to the same investment considerations as the Affordable Housing Contract Revenue Bonds.

Upon receipt by the Authority, Contract Tax Increments are divided into two components: the Defined Contract Tax Increments and the Infrastructure Contract Tax Increments. **The Defined Contract Tax Increments are pledged to and may be used to pay the Affordable Housing Contract Revenue Bonds only, and the Infrastructure Contract Tax Increments are pledged to and may be used to pay the Infrastructure Contract Revenue Bonds only.**

While the Infrastructure Contract Revenue Bonds do not directly impact the Affordable Housing Contract Revenue Bonds, the marketability of the Affordable Housing Contract Revenue Bonds could be adversely affected if the Authority experienced difficulties in paying the Infrastructure Contract Revenue Bonds. The Bond Resolution for the Bonds does not impose any limit on the issuance of additional parity Infrastructure Contract Revenue Bonds; however, the Infrastructure Indenture does impose requirements for the issuance of additional parity Infrastructure Contract Revenue Bonds, including a coverage test. See Schedule 5 for further information on the Infrastructure Contract Revenue Bonds. Currently a portion of the Infrastructure Contract Revenue Bonds are rated "Baa2" by Moody's, which is the same underlying rating as assigned to the Bonds, and a portion of the Infrastructure Contract Revenue Bonds are rated "BBB" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"); however, these ratings may be revised downward, suspended or withdrawn by Moody's or S&P at any time. The Authority has not applied for an underlying rating on the Bonds from S&P. See "MUNICIPAL BOND RATING."

Impact of Subordinate Obligations of the Authority

The Authority has the right to pledge the Defined Contract Tax Increments to obligations other than the Affordable Housing Contract Revenue Bonds so long as the pledge is subordinate to the Affordable Housing Contract Revenue Bonds and the proceeds are used for affordable housing; however, to date the Authority has not done so.

The Authority has pledged Infrastructure Tax Increments to the payment of its Subordinate Lien Infrastructure Notes (the "*Subordinate Notes*"), on a subordinate basis to the Infrastructure Contract Revenue Bonds. The Subordinate Notes may be issued in the maximum principal amount of \$27,000,000. See "SCHEDULE 4: Authority's Outstanding Contract Revenue Bonds and Notes." The coverage ratios shown in Schedule 5 of this Official Statement do not take into account payment of the Subordinate Notes. The Subordinate Notes are being issued to fund the Authority's capital obligations under the Memorial Park Agreement (as hereinafter defined).

The Memorial Park Agreement requires the Authority not only to make annual payments to the Memorial Park Conservancy for maintenance of Memorial Park, but also to finance in excess of \$50,000,000 in park improvements with a specific deadline for each tranche of funds. The Authority has funded a portion of the capital requirement with the Subordinate Notes and expects to issue additional obligations secured by a subordinate lien on the Infrastructure Contract Tax Increments to fund the remainder. While the Subordinate Notes and Memorial Park Agreement do not directly impact the Affordable Housing Contract Revenue Bonds, the marketability of the Affordable Housing Contract Revenue Bonds could be adversely affected if the Authority experienced difficulties in

paying subordinate lien obligations. The Bond Resolution does not impose any limit on the issuance of bonds or notes secured by a subordinate lien on Infrastructure Contract Tax Increments. The Subordinate Notes mature in the fall of 2021 and the terms of any refinancing of the Subordinate Notes or the issuance of additional subordinate notes are not known at this time.

The Authority has also pledged the Infrastructure Tax Increments to obligations other than the Infrastructure Contract Revenue Bonds on a subordinate basis in connection with development agreements and agreements with the City. Such agreements are customarily payable from available Infrastructure Contract Tax Increments without a specific payment schedule or may be deferred without interest. The main impact of these agreements is to use the Authority's surplus funds, thereby reducing the Authority's general reserves and liquidity. For more information on the Authority's financial obligations, 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 Affordable Housing Pledged Revenues to payment of the Bonds in the manner provided in the Indenture. See "—Risk of Bankruptcy" below.

Risk of Bankruptcy

Under the Bankruptcy Code and current case law interpreting the Bankruptcy Code, it is likely (but not certain) that the Authority would fall within the Bankruptcy Code's definition of a "governmental unit." A "governmental unit" may not be placed into bankruptcy involuntarily and may not file a petition for relief under either Chapter 7 or Chapter 11 of the Bankruptcy Code.

The Bankruptcy Code also provides that the only type of "governmental unit" that can voluntarily file for bankruptcy is a "municipality" (as defined in the Bankruptcy Code) and then only if it is authorized to do so by its state law or by an officer of the state authorized to grant such authority. Under the Bankruptcy Code and current case law interpreting it, it is doubtful that the Authority is a "municipality" and if it were, there is no specific authorization under Texas law for local government corporations such as the Authority to file for bankruptcy.

If the Authority were to be placed into bankruptcy or successfully file for bankruptcy, the security for the Bonds could be adversely affected. The opinion of Co-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, HISD must perform under the HISD 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 the City or HISD, 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 parties involved in the Zone may be reluctant to pursue judicial redress against another party.

Failure to Generate Sufficient Tax Increments Prior to Termination of Zone

The Zone was created by the City Council of the City on July 7, 1999, and currently is scheduled to terminate on December 31, 2040. 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, 2040. The HISD Interlocal Agreement states that the first payment of Tax Increments by HISD will be for taxes levied in the year 2000 and the last payment by HISD pursuant to the HISD Interlocal Agreement will be for taxes levied in the year 2029. The Authority has attempted to structure its debt service schedule for the Affordable Housing Contract Revenue Bonds 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, 2029. 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.

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.

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 received a commitment from Assured Guaranty Municipal Corp. (“AGM” or the “*Bond Insurer*”) to issue a municipal bond insurance policy on the Bonds, subject to compliance with the conditions in the commitment. The Authority will determine at the time of pricing whether it will enter into the commitment with the Bond Insurer. If the Authority elects to accept the commitment and the conditions to the commitment are satisfied, scheduled payment of principal of and interest on the Bonds when due will be guaranteed by the Bond Insurer under an insurance policy (the “*Policy*”) issued concurrently with the delivery of the Bonds. A form of the Policy is included as Appendix D to this Official Statement. See “BOND INSURANCE.” and “MUNICIPAL BOND RATINGS.”

The information provided about the Bond Insurer and the Policy is applicable only if the Authority decides to accept the Bond Insurer's commitment to provide a municipal bond insurance policy, which will be done at the time the Bonds are priced. If the Authority does not elect to accept the commitment, the Bonds will not be insured.

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 claims 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 "MUNICIPAL 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

On the date of issuance of the Bonds, the Authority expects to use a portion of the Bond proceeds to make a cash deposit to the Debt Service Reserve Fund equal to the Reserve Requirement. The Debt Service Reserve Fund is for the benefit of the Bonds only. See "SOURCE OF AND SECURITY FOR PAYMENT—Debt Service Reserve Fund for the Bonds."

Pursuant to the Indenture, the Authority has 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 for the Bonds one or more Reserve Fund Surety Policies. For the definition of a Reserve Fund Surety Policy, see "SOURCE OF AND SECURITY FOR PAYMENT—Debt Service Reserve Fund for the Bonds."

In the event the Authority elects to substitute a Reserve Fund Surety Policy for any funded amounts in the Debt Service Reserve Fund for the Bonds, 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 are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of such a 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. 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 Defined Contract Tax Increments. The Bond Insurer may require 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. The Authority may not have sufficient Defined Contract Tax Increments to repay the Bond Insurer. In such event the Bond Insurer may 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 Series 2021A Bonds, 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, 2021, 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 The Bank of New York Mellon Trust Company, N.A. 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

The Authority reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 20__, prior to their scheduled maturities, in whole or from time to time, in part, in integral multiples of \$5,000 on September 1, 20__, 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.

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.

THE TRUST INDENTURE

Pursuant to the Indenture, the Authority has assigned all of the Authority's right, title and interest in and to the Affordable Housing Pledged Revenues, including the Defined Contract Tax Increments, to the Trustee for the benefit, on an equal and ratable basis, of the holders of the Affordable Housing Contract Revenue Bonds, including the Series 2021A Bonds scheduled to close on February 25, 2021, the Bonds and any Additional Parity Bonds.

Pursuant to the Indenture, the Pledged Revenue Fund and the Debt Service Fund are trust funds to be held by the Trustee in trust solely for the benefit of the Registered Owners of the Affordable Housing Contract Revenue Bonds. Amounts in the Debt Service Reserve Fund will be used to pay interest on and principal of the Series of Affordable Housing Contract Revenue Bonds to which it applies 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 such Series of Affordable Housing Contract Revenue Bonds in connection with the refunding or redemption of such 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.

The Funds

The Indenture creates the following funds:

- (a) the Pledged Revenue Fund, into which all Defined Contract Tax Increments will be deposited;
- (b) the Debt Service Fund, into which deposits will be made from the Pledged Revenue Fund as described below, and from which deposits will be applied to the payment of interest and principal installments on the Affordable Housing Contract Revenue Bonds as the same becomes due;
- (c) the Project Fund, which will be maintained by the Authority and funded initially as provided in the bond resolutions and disbursed to pay for affordable housing projects; and
- (d) the Surplus Fund, into which will be deposited any amounts remaining in the Pledged Revenue Fund.

Affordable Housing Pledged Revenues deposited in the Pledged Revenue Fund will 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 extent required, to the Debt Service Reserve Fund amounts required to attain the Reserve Requirement, if applicable with respect to one or more Series of the Affordable Housing Contract Revenue Bonds on a pro rata basis (based upon the percentage of the Reserve Requirement for each series of Affordable Housing Contract Revenue Bonds compared to the Reserve Requirement for all Affordable Housing Contract Revenue Bonds); (iii) to the payment of fees and expenses of the Trustee and Paying Agent/Registrar; and (iv) to the Surplus Fund of the Authority established in accordance with the Tri-Party Agreement, for use by the Authority for affordable housing projects. Moneys can be transferred from the Pledged Revenue Fund to the Surplus Fund at the written direction of the Authority at the time moneys are received in the Pledged Revenue Fund, provided that immediately prior to any such transfer the transfers and deposits required by clauses (i), (ii), and (iii) above have been made or provided for.

Events of Default

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

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

Remedies

Upon the occurrence of an Event of Default, the Trustee, subject to the other provisions of the Indenture, may proceed to protect and enforce its rights and the rights of the Registered Owners of the Affordable Housing 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 Affordable Housing Contract Revenue Bonds or resolutions authorizing the Affordable Housing 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 to make such payment (but only from and to the extent of the sources provided in the Indenture and the Tri-Party Agreement) or to observe and perform its other covenants, obligations and agreements in the Indenture or the Tri-Party Agreement. The Indenture provides that the Trustee may seek the appointment of receivers, may act without possession of the Affordable Housing Contract Revenue Bonds, subject to provisions in the Indenture, may act as attorney in fact for the Registered Owners of the Affordable Housing Contract Revenue Bonds, no remedy is exclusive and that the delay or omission in the exercise of any right or remedy will not constitute a waiver.

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

Limitation on Action by Owners

The Indenture imposes certain limitations on Registered Owners 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 Affordable Housing Contract Revenue Bonds 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 Affordable Housing Contract Revenue Bonds will have the right, by written instrument delivered to the Trustee, to direct to 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.

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 Affordable Housing Contract Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners of the Affordable Housing 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 Affordable Housing 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 Affordable Housing 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;
- (h) to define or redefine the Reserve Requirement or clarify the relationship between particular Debt Service Reserve Funds and particular Series of Affordable Housing Contract Revenue Bonds; and
- (i) to issue Affordable Housing Contract Revenue Bonds;

provided, however, that no provision in such supplemental indenture is permitted to be inconsistent with the Indenture or to impair in any manner the rights of the Registered Owners of the Affordable Housing 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 Affordable Housing Contract Revenue Bonds then outstanding. However, without the consent of the Registered Owner of each outstanding Affordable Housing 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 Affordable Housing Contract Revenue Bonds.

Resignation of Trustee

The Trustee may at any time resign and be discharged from the trusts created by giving written notice to the Authority and by providing written notice to the Registered Owners of its intended resignation at least sixty (60) days in advance thereof. Such notice will specify the date on which such resignation will take effect and will be sent by first class mail, postage prepaid to each Registered Owner of Affordable Housing Contract Revenue Bonds. Resignation by the Trustee will not take effect unless and until a successor to such Trustee shall have been appointed as provided in the Indenture.

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 Affordable Housing 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 the Trustee shall resign, or shall be removed or dissolved, or shall be in the course of dissolution or liquidation, or shall otherwise become incapable of acting, or in case the Trustee shall be taken under control of any public officer or officers or a receiver appointed by a court, a successor may be appointed by the Registered Owners of a majority in principal amount of the Affordable Housing Contract Revenue Bonds then Outstanding, by an instrument or concurrent instruments in writing, signed by such Registered Owners or their duly authorized representatives and delivered to the Trustee, with notice thereof given to the Authority; provided, however, that in any of the events above mentioned, the Authority may nevertheless appoint a temporary Trustee to fill such vacancy until a successor shall be appointed by the Registered Owners in the manner above provided, and any such temporary Trustee so appointed by the Authority will immediately and without further act be automatically succeeded by the successor to the Trustee appointed by the Registered Owners. The Authority will provide written notice to the Registered Owners of the appointment of any successor Trustee, whether temporary or permanent, in the manner provided for providing notice of the resignation of the Trustee as described above under “—Resignation of Trustee.” Any successor Trustee or temporary Trustee will 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.

In the event that following the occurrence of any of the events described in the first sentence of the foregoing paragraph, no successor Trustee shall have been appointed by the Registered Owners or the Authority, as provided in the Indenture, and have accepted such appointment, the Registered Owner of any Affordable Housing Contract Revenue Bond or the retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice as it shall deem proper, if any, appoint a successor Trustee.

STATUS OF DEVELOPMENT

Conditions at Creation of the Zone

The Original Zone was created in 1999 and consisted of approximately 1,010 acres. According to the Original Project and Financing Plan, at the time of the Original Zone’s creation, it had 23 million square feet of office space, more than 4 million square feet of retail space, approximately 5,300 hotel rooms and more than half the City’s high-rise residential condominiums; however, no new office buildings had been constructed for the previous 16 years, retail establishments were losing retail sales to suburban retail centers, and the area was experiencing stagnant or declining property values. The Original Project and Financing Plan concluded that the Uptown area suffered from the absence of needed public infrastructure, especially mobility improvements to counter traffic congestion..

Development from Inception to Present

Since the base tax year of 1999, the Original Zone’s taxable value has increased approximately \$5.707 billion. The 2008 Annexed Area has gone from a taxable base value of approximately \$71,903,184 to a taxable value in 2020 of approximately \$155,888,909 for an increase of approximately \$83,985,725. The 2013 Annexed Area has increased its taxable value approximately \$43,522,232 in the seven years from January 1, 2013 to January 1, 2020 from \$28,380,952 to \$72,903,184. According to Authority management, Uptown Houston, which includes the Zone, is one of the largest business districts outside a historic core in the United States. The Zone contains over 3.2 million square feet of office space, 5 million square feet of retail space, 9,600 residential units and 25 hotel properties with 5,877 rooms.

Schedule 2: Breakdown of 2020 Taxable Values in the Zone by Type

	Taxable Value (a)	
Residential	\$ 959,136,980	12.23%
Multi-Family	1,369,964,164	17.47%
Vacant Land	143,653,891	1.83%
Commercial/Industrial	5,370,460,418	68.47%
Utilities	30,953	0.00%
	\$ 7,843,246,406	

(a) Based on City 2020 certified taxable value as of the date calculated.

Schedule 3: Principal Taxpayers in the Zone

The following table represents the principal taxpayers in the Zone, the taxable assessed value of such taxpayer's property, and such property's assessed value as a percentage of the Zone's taxable value, using the City's certified values for 2020, 2019, and 2018. The values were compiled by the Authority's tax consultant. The values are subject to change due to a pending tax protest or litigation contesting the value in state district court.

Top Ten Taxpayers for Year 2020

2020	Property Type	Tax Assessed Value	%
HG Galleria I II III LP	Retail Shopping Center	\$ 619,348,689	7.90
Four Oaks Place Operating LP	Office Building	406,518,281	5.18
Williams Tower LP	Office Building	385,886,000	4.92
PKY Post Oak Central I LLC	Office Building	240,301,509	3.06
Five Oaks Place Operating LP	Office Building	233,167,068	2.97
Hospitality Headquarters	Hotel/Office	217,785,497	2.78
SA Galleria LLC	Retail Shopping Center	174,778,580	2.23
Masaveu Post Oak Houston Delaware	Office Building	133,909,900	1.71
III Galleria Office Buildings LLC	Office Building	127,340,002	1.62
Post Oaks Blvd Apt Developers	Residential	122,800,000	1.57
Total		\$ 2,661,835,526	33.94
Total Certified Taxable Value		\$ 7,843,246,406	

Top Ten Taxpayers for Year 2019

2019	Property Type	Tax Assessed Value	%
HG Galleria I II III LP	Retail Shopping Center	\$ 616,836,007	8.07
Four Oaks Place Operating LP	Office Building	412,397,000	5.40
Williams Tower LP	Office Building	371,491,800	4.86
PKY Post Oak Central I LLC	Office Building	243,862,917	3.19
Hospitality Headquarters	Hotel/Office	243,171,562	3.18
Five Oaks Place Operating LP	Office Building	212,077,437	2.78
SA Galleria LLC	Retail Shopping Center	174,726,481	2.29
III Galleria Office Buildings LLC	Office Building	126,957,004	1.66
Masaveu Post Oak Houston Delaware	Office Building	118,128,648	1.55
Post Oaks Blvd Apt Developers	Residential	115,740,000	1.52
Total		\$ 2,635,388,856	34.50
Total Certified Taxable Value		\$ 7,639,022,982	

Top Ten Taxpayers for Year 2018

2018	Property Type	Tax Assessed Value	%
HG Galleria I II III LP	Retail Shopping Center	\$ 633,393,275	8.76
Four Oaks Place Operating LP	Office Building	420,000,000	5.81
Williams Tower LP	Office Building	363,184,080	5.02
PKY Post Oak Central I LLC	Office Building	240,815,061	3.33
Five Oaks Place Operating LP	Office Building	204,312,574	2.83
Hospitality Headquarters	Hotel/Office	175,418,361	2.43
SA Galleria LLC	Retail Shopping Center	174,856,862	2.42
III Galleria Office Buildings LLC	Office Building	124,877,335	1.73
Masaveu Post Oak Houston Delaware	Office Building	115,000,000	1.59
Saks & Company	Retail	108,765,540	1.50
Total		\$ 2,560,623,088	35.42
Total Certified Taxable Value		\$ 7,230,034,256	

FINANCIAL INFORMATION

Debt Service Requirements on the Affordable Housing Contract Revenue Bonds

The following sets forth the estimated debt service requirements for the Authority's outstanding Affordable Housing Contract Revenue Bonds, plus the estimated annual debt service on the Bonds, based upon a fiscal year end of June 30.

Fiscal Year	Outstanding Debt Service (a)	The Bonds*			Total Debt Service
		Principal	Interest	Total	
2021	1,138,310				\$ 1,138,310
2022	5,164,374	-	2,460,593	2,460,593	7,624,967
2023	5,163,475	-	2,426,886	2,426,886	7,590,361
2024	5,164,900	-	2,426,886	2,426,886	7,591,786
2025	5,164,925	-	2,426,886	2,426,886	7,591,811
2026	5,163,550	-	2,426,886	2,426,886	7,590,436
2027	5,160,775	-	2,426,886	2,426,886	7,587,661
2028	5,161,556	-	2,426,886	2,426,886	7,588,442
2029	5,160,850	-	2,426,886	2,426,886	7,587,736
2030	5,163,613	-	2,426,886	2,426,886	7,590,499
2031	5,164,800	-	2,426,886	2,426,886	7,591,686
2032		5,255,000	2,335,186	7,590,186	7,590,186
2033		5,445,000	2,147,110	7,592,110	7,592,110
2034		5,640,000	1,949,496	7,589,496	7,589,496
2035		5,850,000	1,741,788	7,591,788	7,591,788
2036		6,065,000	1,524,176	7,589,176	7,589,176
2037		6,295,000	1,295,319	7,590,319	7,590,319
2038		6,550,000	1,039,594	7,589,594	7,589,594
2039		6,835,000	757,572	7,592,572	7,592,572
2040		7,125,000	463,435	7,588,435	7,588,435
2041		7,435,000	156,655	7,591,655	7,591,655
Total	\$ 52,771,128	\$ 62,495,000	\$ 37,712,898	\$100,207,898	\$152,979,026

Average Annual Debt Service (2022-2041)	\$ 7,284,716	*
Maximum Annual Debt Service (2022)	\$ 7,592,572	*

*Preliminary, subject to change.

(a) Outstanding Debt Service consists of the Series 2021A Bonds scheduled to close on February 25, 2021.

Schedule 4: Authority's Outstanding Contract Revenue Bonds and Notes

Affordable Housing Bonds	
Series 2021A (a)	\$ 47,355,000
The Bonds*	62,495,000
Total	<u>\$ 109,850,000</u>
Infrastructure Facilities Bonds	
Series 2009	\$ 2,225,000
Series 2012	1,615,000
Series 2014	39,470,000
Series 2015	24,975,000
Series 2016	27,925,000
Series 2017A	24,855,000
Series 2017B	37,405,000
Series 2018	31,000,000
	<u>\$ 189,470,000</u>
Total Bonds Outstanding	\$ 299,320,000
Infrastructure Facilities Notes	
Regions Notes (b)	\$ 27,000,000

* Preliminary, subject to change.

(a) The Series 2021A Bonds have been priced and are scheduled to close on February 25, 2021.

(b) The Subordinate Notes have a subordinate lien on the Infrastructure Contract Tax Increments.

Schedule 5: Selected Financial Information concerning the Infrastructure Contract Revenue Bonds

	<u>Infrastructure Facilities</u>
2020 Tax Rate Contribution to be Used to Produce Infrastructure Contract Tax Increments	
City	0.37456
HISD	0.32000
Infrastructure Contract Tax Increments Constituting Pledged Revenues FYE 6/30/2022	
City	\$ 20,830,730
HISD	5,890,301
Total	<u>\$ 26,721,032</u>
Outstanding Debt	\$ 216,470,000
Average Annual Debt Service (2021-2041)	13,326,340
Maximum Annual Debt Service (2022)	15,933,134
Coverage of 2022 Pledged Revenues from City and HISD to:	
Average Annual Debt Service (2021-2041)	201%
Maximum Annual Debt Service (2022)	168%
Coverage of 2022 Pledged Revenues from City to:	
Average Annual Debt Service (2021-2041)	156%
Maximum Annual Debt Service (2022)	131%
Debt Service Reserve Fund Requirement	\$ 15,933,134

Authority and Plans to Issue Bonds and Notes

On January 6, 2021, the City Council authorized the Authority to issue bonds in a principal amount not to exceed \$332,860,000 outstanding at any one time and notes in a principal amount not to exceed \$27,000,000 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 Affordable Housing Contract Revenue Bonds in the next 12 months; however, the Authority does plan to issue Infrastructure Contract Revenue Bonds or subordinate notes to refinance the current subordinate note facility of \$27,000,000 and to pay other obligations under the Memorial Park Agreement within the next 12 months.

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

Schedule 6: Authorized and Unissued Bonds and Notes

Total Authorized Amount of Bonds the City Council has Authorized to be Issued by the Authority	\$ 332,860,000
Less: Outstanding Infrastructure Facilities Bonds	189,470,000
Less: Outstanding Affordable Housing Bonds (a)	47,355,000
Less: The Bonds*	62,495,000
Unused Authorization	<u>\$ 33,540,000</u>
Total Authorized Amount of Notes the City Council has Authorized to be Issued by the Authority	\$ 27,000,000
Less: Notes Previously Issued by the Authority	27,000,000
Unused Authorization	<u>\$ -</u>

*Preliminary, subject to change.

(a) The Outstanding Affordable Housing Bonds consist of the Series 2021A Bonds scheduled to close on February 25, 2021.

Additional Obligations of the Authority

The Authority has several obligations in addition to the Affordable Housing Contract Revenue Bonds and Infrastructure Contract Revenue Bonds; however, none of such additional obligations is secured by or payable from the Defined Contract Tax Increments, which are required by the TIF Act to be used for affordable housing. Such obligations are secured by a lien on the Infrastructure Contract Tax Increments which is junior and subordinate to the lien of the Infrastructure Contract Revenue Bonds issued under the Infrastructure Indenture. The Infrastructure Indenture requires that any subordinate obligation secured by the Infrastructure Contract Tax Increments be payable 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 Affordable Housing Contract Revenue Bonds and the Infrastructure Contract Revenue Bonds:

Tax-Exempt Note Purchase Agreement. Pursuant to the Tax-Exempt Note Purchase Agreement dated August 22, 2018 between the Authority and Regions Capital Advantage, Inc. (the "*Note Purchase Agreement*"), Regions Capital Advantage, Inc. (the "*Purchaser*") committed to purchase the Authority's Subordinate Notes from time to time in an amount not to exceed \$27,000,000 in aggregate principal amount outstanding at any one time. The Subordinate Notes are secured by the Infrastructure Contract Tax Increments less any amounts necessary to pay the annual principal and interest due on the Infrastructure Contract Revenue Bonds plus any amounts necessary to meet the reserve requirement under the Infrastructure Indenture. The Subordinate Notes bear interest at a tax-exempt variable rate. The facility terminates on October 19, 2021, at which time all Subordinate Notes are due and payable.

Agreement Relating to Memorial Park. The Amended and Restated Development, Construction, Operations, Maintenance and Concession Agreement among the City, the Authority and Memorial Park Conservancy, Inc. became effective May 10, 2018 (the “*Memorial Park Agreement*”). The purpose of the Memorial Park Agreement is to fulfill the Master Plan developed by the parties for the restoration, enhancement and redevelopment of Memorial Park in a manner appropriate to meet the demands of the more than four million annual park visitors. The Memorial Park Agreement sets out various financial obligations of the Authority and deadlines for each funding obligation. All such financial obligations are payable solely from “Available Tax Increment,” which is defined as the Tax Increment, excluding the portion of the Tax Increment allocated to affordable housing and that portion pledged to the payment of principal and interest on any bonds, notes and related obligations issued by the Authority pursuant to the Infrastructure Indenture. The Memorial Park Agreement also provides that the pledge under the agreement is on a parity with other Authority debt secured by a subordinate pledge of the Infrastructure Contract Tax Increments, including the agreements with Harris County Improvement District No. 1 and Houston Arboretum & Nature Center described below.

The Memorial Park Agreement requires the Authority to contribute \$50,000,000 for its share of the capital costs of the 10-year Master Plan for Memorial Park. The Memorial Park Agreement sets out a schedule for providing the funds. The Memorial Park Agreement requires the Authority to have funded \$27,860,000 by June 30, 2020, an additional \$10,000,000 by June 30, 2021, and the remaining \$22,140,000 in tranches through June 30, 2027. The Authority has entered into the Note Purchase Agreement under which it can sell to the Purchaser Subordinate Notes in an amount not to exceed \$27,000,000 in aggregate principal amount outstanding at any one time. As of January 1, 2021, the Authority had funded approximately \$7,000,000 of the \$50,000,000 commitment and had \$11,652,816.81 principal amount of Subordinate Notes outstanding. The Authority has entered into a construction contract for a major component of the Memorial Park improvements. Construction is ongoing and the Authority is required to make pay monthly pay estimates from a combination of Authority funds and funds from the Memorial Park Conservancy. The Authority’s share is approximately 42.61%.

The Memorial Park Agreement also requires the Authority to make annual payments for maintenance, operations and ecological restoration of Memorial Park, as well as an additional payment of \$4,500,000 in fiscal year 2025 for ecological restoration. The annual payments set forth in the Memorial Park Agreement total \$1,100,000 with other provisions requiring additional funding to meet an annual maintenance target and to pre-pay amounts due after December 31, 2040, when the Zone is scheduled to terminate. The Authority budgeted \$1,400,000 for Memorial Park maintenance, operations and ecological restoration in fiscal year 2021 and expects that amount to escalate annually pursuant to the terms of the Memorial Park Agreement.

Developer Agreement with Harris County Improvement District No. 1. The Authority entered into a Developer Agreement with Harris County Improvement District No. 1 (the “*District*”) as of June 22, 2016 (the “*District Agreement*”). Pursuant to the District Agreement, the District constructed certain roadway, streetscape and landscaping improvements on Hollyhurst Lane and Post Oak Lane on behalf of the Authority, and the Authority agreed to reimburse the District for such costs, including costs of issuance and interest on any bonds or other obligations issued by the District to fund the projects. Payment to the District is limited to Available Tax Increment, defined as the Tax Increment, excluding that portion allocated to affordable housing and that portion necessary to pay a proportionate share of the principal and interest on any bonds, notes or other developer agreements issued or entered into by the Authority that are secured by or payable from funds deposited to the Tax Increment Fund, which is attributable solely to the Hollyhurst Property and the Post Oak Lane Property, respectively, as defined in the District Agreement. Payment is made annually. In fiscal year 2020, the Authority made a payment of \$631,644, leaving an ending balance of \$7,088,093.

Developer Agreement with Houston Arboretum & Nature Center. The Authority entered into a Developer Agreement with Houston Arboretum & Nature Center (“*HANC*”) in 2017 (the “*Arboretum Agreement*”). Pursuant to the Arboretum Agreement, HANC constructed public improvements in the vicinity of the Arboretum & Nature Center on behalf of the Authority, and the Authority agreed to reimburse HANC for such costs, up to \$3,585,000. Payment to HANC is limited to Available Tax Increment, defined as the Tax Increment, excluding that portion allocated to affordable housing and that portion necessary to pay the principal and interest on any bonds or notes issued or entered into by the Authority that are secured by or payable from funds deposited to the Tax Increment Fund and that are senior to the obligations created in the Arboretum Agreement, and that portion of the Tax Increment necessary to pay amounts due under any prior developer agreement, including the District Agreement. In fiscal year 2020, the Authority made a payment of \$200,000, leaving an ending balance of \$2,887,937.

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 2021, the City has requested, and the Authority has budgeted for a fee for incremental costs of providing increased municipal services in the amount of \$5,272,994. The Authority paid the municipal services fee of \$5,272,994 in fiscal years 2017 and 2018, but did not pay the full 5,272,994 in fiscal years 2019 or 2020. The Authority paid \$2,191,484.18 in fiscal year 2019 and \$872,245.55 in fiscal year 2020. Unpaid amounts will accrue and be payable without interest in future years. The Authority pays an additional \$250,000 for supplemental municipal services each fiscal year.

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 7: Defined Tax Increment Collections

CITY (a)		Tax	Base Year	Current Year	Tax	Captured	Tax Rate	Increment	Collection
	<u>Year</u>	<u>Value (b)</u>	<u>Value</u>	<u>Rate</u>	<u>Value</u>	<u>Contribution (g)</u>	<u>Collections (g)</u>	<u>Rate (c)</u>	
Original	2015	\$ 1,908,297,450	\$ 6,480,873,711	0.60112	\$ 4,572,576,261	0.20037	\$ 9,161,307	100.0%	
	2016	1,908,297,450	6,961,194,605	0.58642	5,052,897,155	0.19547	9,875,091	100.0%	
	2017	1,908,297,450	6,944,175,791	0.58421	5,035,878,341	0.19474	9,804,740	100.0%	
	2018	1,908,297,450	6,994,849,756	0.58831	5,086,552,306	0.19610	9,969,911	100.0%	
	2019	1,908,297,450	7,410,362,511	0.56792	5,502,065,061	0.18931	10,209,544	98.0%	
Projected	2020	1,908,297,450	7,615,454,312	0.56184	5,707,156,862	0.18728	10,643,900	99.6%	(d)
Annexed 2008	2015	\$ 27,897,785	\$ 86,504,255	0.60112	\$ 58,606,470	0.20037	\$ 117,432	100.0%	
	2016	27,897,785	158,704,215	0.58642	130,806,430	0.19547	255,692	100.0%	
	2017	27,897,785	174,902,114	0.58421	147,004,329	0.19474	286,271	100.0%	
	2018	27,897,785	163,357,265	0.58831	135,459,480	0.19610	265,641	100.0%	
	2019	27,897,785	156,200,773	0.56792	128,302,988	0.18931	234,944	96.7%	
Projected	2020	27,897,785	155,888,909	0.56184	127,991,124	0.18728	238,134	99.3%	(d)
Annexed 2013	2015	\$ 28,380,952	\$ 41,191,496	0.60112	\$ 12,810,544	0.20037	\$ 25,669	100.0%	
	2016	28,380,952	65,898,939	0.58642	37,517,987	0.19547	73,338	100.0%	
	2017	28,380,952	67,094,954	0.58421	38,714,002	0.19474	75,390	100.0%	
	2018	28,380,952	71,827,235	0.58831	43,446,283	0.19610	85,200	100.0%	
	2019	28,380,952	72,459,698	0.56792	44,078,746	0.18931	83,444	100.0%	
Projected	2020	28,380,952	71,903,184	0.56184	43,522,232	0.18728	81,508	100.0%	(d)

HISD (e)		Tax	Base Year	Current Year	Tax	Captured	HISD	Tax Rate	Increment	Collection
	<u>Year</u>	<u>Value (b)</u>	<u>Value</u>	<u>Rate</u>	<u>Value (f)</u>	<u>Cap (f)</u>	<u>Contribution (g)</u>	<u>Collections (g)</u>	<u>Rate (c)</u>	
Original	2015	\$ 1,908,297,450	\$ 6,688,528,716	1.19670	\$ 4,780,231,266	\$ 1,466,095,033	0.32000	\$ 4,675,084	99.7%	
	2016	1,908,297,450	6,994,411,399	1.20670	5,086,113,949	1,513,464,136	0.32000	4,827,103	99.7%	
	2017	1,908,297,450	7,085,530,778	1.20670	5,177,233,328	1,566,918,775	0.32000	5,010,129	99.9%	
	2018	1,908,297,450	7,372,864,531	1.20670	5,464,567,081	1,676,750,234	0.32000	5,313,554	99.0%	
	2019	1,908,297,450	7,452,434,353	1.13670	5,544,136,903	1,800,629,165	0.32000	5,648,288	98.0%	
Projected	2020	1,908,297,450	7,657,721,909	1.13310	5,749,424,459	1,858,391,280	0.32000	5,902,801	99.3%	(d)

- (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 1999, base year for the 2008 Annexed Area is 2008, and base year for the 2013 Annexed Area is 2013.
- (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) The projected collection rate is a five-year average. The collection rate for the most recent tax year of the Original Zone and the 2008 Annexed Area is lower than the rate in previous years, which is above 99%. Historically, the collection rate for a tax year has increased in subsequent years as more of the taxes are collected and remitted to the Tax Increment Fund. Accordingly, while 2020 taxes may not be collected in fiscal year 2021 in the percentages shown, the Authority expects that it will receive delinquent taxes from prior years in fiscal year 2021 which will result in the receipt of approximately the same amount of revenues as if the collection percentage of 2020 taxes were received in fiscal year 2021.
- (e) Information for Tax Years 2015 through 2020 from City’s Department of Finance and correspondence and documentation from HISD.
- (f) 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 Original Project and Financing Plan for the Zone in 1999. The projected Captured Appraised Value for each year from 2015 through 2020 as adopted in the Original Project and Financing Plan is shown in the column labeled “HISD Cap.” The HISD Cap for the Original Zone increases each year from \$1,858,391,280 in tax year 2020 to a maximum of \$2,471,353,888 in tax year 2029, which is the last tax year in which HISD is required to contribute Tax Increments under the HISD Interlocal Agreement.
- (g) The Total Tax Levy and Total Collections for the City and HISD are not shown; this chart shows the Tax Rate Contribution, and Increment Collections dedicated to affordable housing projects only.

Schedule 8: Historical Debt Service Coverage

FYE June 30	Tax	Less:	Less: HISD	Less:	Net Tax	Next	Debt Service Coverage
	Increments Received or Receivable (a)	City & HISD Administrative Fee (b)	Educational Facilities Set-Aside (c)	Increments Pledged to Infrastructure Facilities (d)	Increments Pledged to Affordable Housing Debt (d)(e)	Fiscal Year's Debt Service Requirements	
2015	\$ 39,843,040	\$ 1,356,762	\$ 4,407,304	\$ 21,256,734	\$ 12,822,240	\$ 1,132,375	11.32x
2016	40,954,987	1,371,491	4,689,456	21,710,910	13,183,130	1,137,324	11.59x
2017	46,949,004	1,651,854	4,819,896	25,390,076	15,087,178	1,138,639	13.25x
2018	46,220,224	1,579,480	5,075,699	24,701,376	14,863,669	1,141,814	13.02x
2019	45,587,871	1,501,556	5,379,296	24,029,269	14,677,750	1,141,768	12.86x
2020	46,207,109	1,480,261	5,746,202	24,098,648	14,881,998	1,138,311	13.07x

- (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 concerning the Affordable Housing Contract Revenue Bonds (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) Upon receipt of Contract Tax Increments from the Tax Increment Fund, the Authority is required to divide the Contract Tax Increments into those dedicated to affordable housing and those dedicated to Infrastructure projects. See “SOURCE OF AND SECURITY FOR PAYMENT—Allocation of Contract Tax Increments.”
- (e) 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.

UPTOWN REDEVELOPMENT PLAN

The Zone

The Zone currently consists of an approximately 2,758 acre area located in west Houston near the interchange of Interstate 610 and U.S. Highway 59 South. The land within the Zone has been developed into a major business and retail center of the City. The area is generally referred to as “Uptown.”

In accordance with the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the “TIF Act”), and pursuant to landowner petition, the City Council of the City created the Zone on July 7, 1999 by Ordinance No. 1999-709 (the “City Creation Ordinance”). The City Creation Ordinance provided that the Zone would take effect on January 1, 1999 and would terminate on December 31, 2029, 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. 2013-470, approved on May 15, 2013, the City Council of the City changed the termination date of the Zone from December 31, 2029 to December 31, 2040.

The City Creation Ordinance also formed a board of directors of the Zone (the “Zone Board”) and established the Tax Increment Fund for the Zone. The Zone Board is required to consist of nine members. Position One is to be filled by the State Senator representing the largest area included within the Zone or his designee. Position Two on the Board of Directors shall be filled by the State Representative representing the largest area

included within the Zone or his designee. The Mayor of the City is authorized to nominate and appoint the remaining seven members of the Board, subject to the consent and approval of the City Council; provided Harris County was entitled to appoint a director to Position Nine if it participated in the Zone and HISD was entitled to appoint a director to Position Eight if it participated in the Zone. Board terms are two years. The Mayor of the City is entitled to annually nominate and appoint, subject to City Council approval, a member of the Zone Board to serve as chair.

The Original Zone consisted of approximately 1,010 acres. On February 6, 2008, the City Council of the City approved the annexation of the 2008 Annexed Area into the Zone by City Ordinance No. 2008-94. The annexation increased the Zone by approximately 35.87 acres. On May 15, 2013, the City Council of the City approved the annexation of the 2013 Annexed Area into the Zone by City Ordinance No. 2013-469. This annexation increased the Zone by approximately 1,768 acres. The legal description of the 2013 Annexed Area was amended and corrected by City Ordinance No. 2013-1147, adopted by the City Council of the City on December 11, 2013.

The City and HISD participate in the Zone.

The Authority

The Authority's creation was authorized by City Resolution No. 99-66, adopted by the City Council of the City on December 1, 1999. The Authority was created as a local government corporation pursuant to the provisions of Chapter 431, Texas Transportation Code, and Chapter 394, Texas Local Government Code. According to its articles of incorporation, filed in the office of the Secretary of State of Texas on December 2, 1999, 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 Uptown area, including the acquisition of land for development purposes.

The articles of incorporation provide that the Authority will be managed by a board of directors consisting of nine 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 and shall be the same persons appointed to the corresponding position of the Zone Board.

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 Authority has no employees but contracts with Harris County Improvement District No. 1 to provide administrative, management and special services to the Zone and the Authority. The Authority also contracts with third-party consultants for specialized services.

Harris County Improvement District No. 1

Harris County Improvement District No. 1 (the "*District*"), a political subdivision of the State of Texas created by Chapter 1026, Acts of the 70th Legislature, Regular Session, 1987, as amended (the "Act") and contains approximately 500 acres within Uptown. The District has the powers, among others, of road districts, road utility districts and municipal utility districts created pursuant to Article III, Sections 52 and 52-a, and Article XVI, Section 59, of the Texas Constitution. The Act provides various authority and a combination of powers so that the District can conduct a broad range of functions related to improvement of the area within its boundaries. The District is able to assess property owners within its boundaries on an ad valorem or benefit basis for needed improvements and programs, and can finance improvements through the issuance of bonds, payable from, among other sources, taxes. Specifically, the District has the authority to develop roads, transit services, utilities and other related infrastructure, as well as to provide operational support services such as security, fire protection and maintenance of the area within District boundaries. The District is governed by a twelve member board of directors appointed to staggered four-year terms by the Texas Commission on Environmental Quality. Board members must be landowners, long-term tenants, agents of landowners, or residents within the District.

The District levies an ad valorem property tax and focuses its efforts on traffic operations /public safety, public maintenance and beautification, infrastructure improvements, and economic development, marketing and communications. The District also provides administrative, management and special services to the Zone and the Authority. The two entities work together on many projects.

Project and Financing Plans Prior to 2013 Expansion of the Zone

The Original Project and Financing Plan for the Zone was approved by the City on July 21, 1999 by City Ordinance No. 1999-758. According to the introduction provided, the creation of the Zone was necessary in order to stem a decline in property values and retail sales in the Uptown area. The Original Project and Financing Plan provides for one-third of the Tax Increments derived from HISD taxes to be used for educational facilities costs and one-third of the Tax Increments to be used for affordable housing inside or outside the Zone. The Original Project and Financing Plan provides that the remaining Tax Increments will be used for local mobility improvements, including improving existing streets, creating a street grid network, improving intersections, developing a parking management program, and creating a pedestrian network. The cost of the Original Project and Financing Plan to be financed by the Authority was estimated to be \$235,000,000, with financing through tax increment bonds.

A First Amendment to the Original Project and Financing Plan was approved by the City on May 21, 2003 by City Ordinance No. 2003-476. This First Amendment made some changes in the Local Mobility Improvement Program included in the Original Project and Financing Plan. A Second Amendment to the Original Project and Financing Plan was approved by the City on February 6, 2008 by City Ordinance No. 2008-95. This Second Amendment incorporated into the Original Project and Financing Plan public infrastructure projects in the 2008 Annexed Area and added land acquisition and development costs related to public parks. A Third Amendment to the Original Project and Financing Plan was approved by the City on December 30, 2008 by City Ordinance No. 2008-1221. The Third Amendment related to park development and project facility operating costs.

The Original Project and Financing Plan, the First Amendment, the Second Amendment, and the Third Amendment are referred to herein generally as the “*Prior Plans*.”

Current Project and Financing Plan

The current Project and Financing Plan was adopted by the City on May 15, 2013 by City Ordinance No. 2013-470 immediately following the City’s approval of the annexation into the Zone of the 1,768-acre 2013 Annexed Area. This Plan recaps the Prior Plans, sets forth the development goals for the Zone, and provides for the enhancement of and improvements to the 2013 Annexed Area. The Project and Financing Plan states that its priorities include first, the reconstruction of Post Oak Boulevard into an eight-lane roadway with two lanes decided to mass transit, and second, site remediation, reclamation, and similar resource based projects in Memorial Park within the 2013 Annexed Area.

The total costs of the projects in the Project and Financing Plan are stated as \$1,265,000,000.

The goals of the Zone were stated as follows:

Goal 1: The creation of pedestrian-friendly, safe environments, the reconstruction of streets and related mobility and transit improvements. Streetscape enhancements are required to create an environment that will help stimulate investment in retail, residential, and commercial developments. Enhanced streetscape components include sidewalks with ADA compliant ramps and other treatments, lighting, signage, street trees, landscaping, benches and other pedestrian amenities. The reconstruction of key streets and major thoroughfares will enhance the level of service in the area. All transit and mobility improvements will be coordinated with the reconstruction programs of TxDOT, METRO, and the City.

Goal 2: Redevelopment and upgrades to Memorial Park, public green space, pocket parks, regional parks, plazas, squares, and other appropriate recreational facilities including pedestrian bridges and hike and bike trails. The Zone will fund a master plan for Memorial Park, which will include erosion control projects, invasive non-native species removal, the reestablishment of appropriate grasslands and forest ecosystems, recreational facilities improvements, improvements focused on pedestrian safety and equestrian mobility, landscaping, irrigation and other improvements supportive of the park. It is also anticipated the Zone will make enhancements to other area parks, plazas and similar public open green space to attract and support redevelopment, to improve the quality of life of area neighborhoods, and to attract visitors by increasing the attractiveness of the area.

Goal 3: The reinforcement of pedestrian-attractive retail developments along primary and secondary corridors. The retention and expansion of retail and commercial developments along primary arterial streets such as San Felipe, Westheimer, West Alabama, and Richmond, and secondary roadways such as Uptown Park Boulevard, Ambassador Way, Guilford Court, Skylark Lane and South Post Oak Lane are of key importance to the successful redevelopment of the area. The provision of base level retail functionality is essential to the continued expansion of residential projects in the area. The Zone envisions making Post Oak Boulevard into a key arterial/town center through the implementation of enhanced pedestrian environments.

Goal 4: Complementing the revitalization activities proposed to occur along the METRO Uptown Transit Corridor stations, including land acquisition and proposed Transit Centers. METRO's proposed future funding of a public transit system along the Uptown transit corridor can be complemented by Zone activities including streetscape upgrades, right-of-way acquisition and provision for parking to serve retail, residential and office needs. The proposed stations located along Post Oak Boulevard could spur redevelopment while benefiting existing businesses. The placement of METRO transit stations will be of particular economic importance, both from the consumer's and the merchant's perspectives. The Zone will look for specific key economic development opportunities and capitalize on METRO's revitalization efforts in the Zone.

Goal 5: Cultural, Public Facilities, and Public Parking and Residential Development. Increasing cultural and public facilities, public parking and residential development in Uptown has become an important goal of the Project and Financing Plan. These projects, along with improved infrastructure, additional fire, police, library, cultural/community centers and conference centers which support job training of area businesses will lead to improved security and enhance the quality of life for existing and new residents and businesses.

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 Project and Financing 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.

Projects

The Authority has developed a five year capital improvements program for the years 2021 through 2025, which it plans to fund with Infrastructure Contract Tax Increments and Infrastructure Contract Revenue Bonds and bonds and notes secured by a subordinate pledge of the Infrastructure Contract Tax Increments. 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.

Memorial Park Projects. Memorial Park projects will form the bulk of expenditures under the Capital Improvement Plan, including the Memorial Park Infrastructure Phase I project involving relocation of a portion of the East Memorial Loop Road, extending the Seymour Lieberman Trail and adding parking, providing drainage infrastructure and a restroom, storm water management for approximately 3,500 linear feet of Buffalo Bayou at Old Archery Range to assist with storm water management, development of a Memorial Park connector, providing the 20% local match for planning and design of a hike and bike connection of Memorial Drive to San Felipe, and greenspace ecological restoration.

Mobility Improvements. Improvements include an advance traveler information system, intersection and signalization improvements, right-of-way acquisition, reconstruction and widening of Lynn Street, phase I of Richmond roadway reconstruction, finalize Post Oak Boulevard reconstruction, construction of transit guideway to serve Post Oak Boulevard, and widening of Westpark between Rice and southbound 610 frontage road.

Drainage Project. The Authority will upgrade drainage around Inverness to increase capacity.

Water Wall Park. The Authority maintains this park.

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

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 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 Harris 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 2020 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 must be appraised at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the applicable appraisal review board, it is used by each taxing unit 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, an 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. 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 requires certain tax rate increases to be approved by the voters. 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.

Effective January 1, 2020, 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 from the current year’s values 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 from the current year’s total taxable values. 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 from the current year’s values, 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 Texas Education Code. 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. Legislation approved in 2019 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. Starting with the 2020 tax year, 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 are beyond the scope of this summary. Reference is made to the Texas Education Code for additional information on the requirements for setting a school district’s tax rate in 2021 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. The plaintiff has challenged the trial court’s disposition.

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, based upon his examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the Bonds are valid and legally binding obligations of the Authority under the Constitution and laws of the State of Texas payable from the Affordable Housing Pledged Revenues and a legal opinion of Co-Bond Counsel to like effect. See "APPENDIX C—Form of Proposed Opinion of Co-Bond Counsel."

Allen Boone Humphries Robinson LLP also serves as general counsel to the Authority on matters other than the issuance of bonds.

The legal fees paid to Co-Bond Counsel and Disclosure 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 (other than as described in this Official Statement) 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 describes aspects of the principal U.S. federal tax treatment of U.S. persons that are beneficial owners (“Owners”) of the Bonds. This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations, including regulations concerning the tax treatment of debt instruments issued with original issue discount (the “OID Regulations”) (all as of the date hereof and all of which are subject to change, possibly with retroactive effect).

This summary discusses only Bonds held as capital assets within the meaning of Section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, Owners holding the Bonds as part of a hedging transaction, “straddle,” conversion transaction, or other integrated transaction, or Owners whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar. Except as stated herein, this summary describes no federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds. ACCORDINGLY, INVESTORS WHO ARE OR MAY BE DESCRIBED WITHIN THIS PARAGRAPH SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO SUCH INVESTORS, AS WELL AS TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY, OF PURCHASING, HOLDING, OWNING AND DISPOSING OF THE BONDS, INCLUDING THE ADVISABILITY OF MAKING ANY OF THE ELECTIONS DESCRIBED BELOW, BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

For purposes of this discussion, a “U.S. person” means an individual who, for U.S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (iv) a trust, if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) the trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations. The term also includes nonresident alien individuals, foreign corporations, foreign partnerships, and foreign estates and trusts (“Foreign Owners”) to the extent that their ownership of the Bonds is effectively connected with the conduct of a trade or business within the United States, as well as certain former citizens and residents of the United States who, under certain circumstances, are taxed on income from U.S. sources as if they were citizens or residents. It should also be noted that certain “single member entities” are disregarded for U.S. federal income tax purposes. Such Foreign Owners and Owners who are single member non-corporate entities, should consult with their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

In General. Interest derived from a Bond by an Owner is subject to U.S. federal income taxation. In addition, a Bond held by an individual who, at the time of death, is a U.S. person is subject to U.S. federal estate tax.

Payments of Interest. Qualified Stated Interest (and other original issue discount), including additional amounts of cash and interest, if any, paid on the Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner’s method of accounting for U.S. federal income tax purposes. For purposes of this discussion “Qualified Stated Interest” is stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer), or that will be constructively received under Section 451 of the Code, at least annually at a single fixed rate (within the meaning of Treasury Regulation § 1.1273-1(c)(1)(iii)), as defined in Treasury Regulation § 1.1273-1(c). Special rules governing the treatment of original issue discount, acquisition premium, market discount or amortizable premium are described below.

Original Issue Discount. If the issue price of the Bonds is less than the stated redemption price at maturity of such Bonds (the “Discount Bonds”) then such Bonds may be original issue discount obligations. Accordingly, as provided in the Code and the OID Regulations, the excess of the “stated redemption price at maturity” of each Discount Bond over its “issue price” (defined as the initial offering price to the public, excluding bond houses and brokers, at which a substantial amount of the Bonds have been sold) will be original issue discount. Except as

described below, Owners of Discount Bonds will have to include in gross income (irrespective of their method of accounting) a portion of such original issue discount for each year during which such Bonds are held, without regard to the time at which the cash to which such income is attributable will be received. The amount of original issue discount included in income for each year will be calculated under a constant yield to maturity formula that results in the allocation of less original issue discount to earlier years of the term of such Bonds and more original issue discount to the later years.

The foregoing summary is based on the assumptions that (a) the Underwriters have purchased the Discount Bonds for contemporaneous sale to the general public and not for investment purposes, (b) all of the Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Bonds will be offered and sold in accordance with such assumptions.

Acquisition Premium. In the event that an Owner purchases a Bond at an acquisition premium (i.e., at a price in excess of its "adjusted issue price" but less than its stated redemption price at maturity), the amount includable in income in each taxable year as original issue discount is reduced by that portion of the acquisition premium properly allocable to such year. (For Bonds that are purchased at a price in excess of the stated redemption price at maturity, see the discussion below under the heading TAX MATTERS — Amortizable Premium.) The adjusted issue price is defined as the sum of the issue price of the Bond and the aggregate amount of previously accrued original issue discount, less any prior payments of amounts included in its stated redemption price at maturity. Unless an Owner makes the accrual method election described below, acquisition premium is allocated on a pro rata basis to each accrual of original issue discount (i.e., to each six-month accrual period), so that the Owner is allowed to reduce each accrual of original issue discount by a constant fraction.

Market Discount. An Owner who purchases a Bond at a "market discount" will be subject to provisions in the Code that convert certain capital gain on the redemption, sale, exchange or other disposition of the Bond into ordinary income. A Bond will have market discount to the extent the "revised issue price" of such Bond exceeds, by more than a de minimis amount, the Owner's tax basis in the Bond immediately after the Owner acquires the Bond. The "revised issue price" generally equals the issue price of the Bond plus the amount of original issue discount (computed without regard to any "acquisition premium" described above) that had accrued on such Bond as of the date the Owner acquired the Bond and reduced by the stated interest previously paid with respect to such Bond as of such date.

An Owner may elect to include market discount in income as it accrues, but such an election will apply to all market discount bonds or notes acquired by such Owner on or after the first day of the first taxable year to which such election applies and is revocable only with permission from the Internal Revenue Service ("IRS"). Unless a Bond Owner elects to include market discount in income as it accrues, any partial principal payments on, or any gain realized upon the sale, exchange, disposition, redemption or maturity of a Bond will be taxable as ordinary income to the extent any market discount has accrued on such Bond. Market discount on a Bond would accrue ratably each day between the date an Owner purchases the Bond and the date of maturity. In the alternative, an Owner irrevocably may elect to use a constant interest accrual method under which marginally less market discount would accrue in early years and marginally greater amounts would accrue in later years.

If a Bond purchased with market discount is disposed of in a nontaxable transaction (other than a nonrecognition transaction described in Section 1276(d) of the Code), accrued market discount will be includable as ordinary income to the Owner as if such Owner had sold the Bond at its then fair market value. An Owner of a Bond that acquired it at a market discount and that does not elect to include market discount in income on a current basis also may be required to defer the deduction for a portion of the interest expense on any indebtedness incurred or continued to purchase or carry the Bond until the deferred income is realized.

Amortizable Premium. An Owner who purchases a Bond for any amount in excess of its principal amount, or in the case of a Discount Bond, its stated redemption price at maturity, will be treated as having premium with respect to such Bond in the amount of such excess. An Owner who purchases a Discount Bond at a premium is not required to include in income any original issue discount with respect to such Bond.

If an Owner makes an election under Section 171(c)(2) of the Code to treat such premium as “amortizable bond premium,” the amount of interest that must be included in such Owner’s income for each accrual period will be reduced by the portion of the premium allocable to such period based on the Bond’s yield to maturity. If an Owner makes the election under Section 171(c)(2), the election also shall apply to all taxable bonds held by the Owner at the beginning of the first taxable year to which the election applies and to all such taxable bonds thereafter acquired by such Owner, and it is irrevocable without the consent of the IRS. If such an election under Section 171(c)(2) of the Code is not made, such an Owner must include the full amount of each interest payment in income in accordance with its regular method of accounting and will receive a tax benefit from the premium only in computing its gain or loss upon the sale of other disposition or retirement of the Bond. The existence of bond premium and the benefits associated with the amortization of bond premium vary with the facts and circumstances of each Owner. Accordingly, each Owner of a Bond should consult his own tax advisor concerning the existence of bond premium and the associated election.

Accrual Method Election. Under the OID Regulations, an Owner who uses an accrual method of accounting would be permitted to elect to include in gross income its entire return on a Bond (i.e., the excess of all remaining payments to be received on the Bond over the amount paid for the Bond by such Owner) based on the compounding of interest at a constant rate. Such an election for a Bond with amortizable bond premium (or market discount) would result in a deemed election for all of the Owner’s debt instruments with amortizable bond premium (or market discount) and could be revoked only with the permission of the IRS with respect to debt instruments acquired after revocation.

Disposition or Retirement. Upon the sale, exchange or other disposition of a Bond, or upon the retirement of a Bond (including by redemption), an Owner will recognize capital gain or loss equal to the difference, if any, between the amount realized upon the disposition or retirement (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the Owner’s adjusted tax basis in the Bond. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes. Under the Bond Resolution, certain of the Bonds are subject to optional redemption. See “THE BONDS—Redemption Provisions.” The Bonds are subject to defeasance at any time prior to their stated maturities. See “THE BONDS—Defeasance. If the District defeases any Bonds, such Bonds may be deemed to be retired and “reissued” for federal income tax purposes as a result of the defeasance. In such event, the Owner of a Bond would recognize a gain or loss on the Bond at the time of defeasance.

An Owner’s tax basis for determining gain or loss on the disposition or retirement of a Bond will be the cost of such Bond to such Owner, increased by the amount of original issue discount and any market discount includable in such Owner’s gross income with respect to such Bond, and decreased by the amount of any payments under the Bond that are part of its stated redemption price at maturity (i.e., all stated interest payments with respect to the Bonds previously paid) and by the portion of any premium applied to reduce interest payments as described above. Such gain or loss will be capital gain or loss (except to the extent the gain represents accrued original issue discount or market discount on the Bond not previously included in gross income, to which extent such gain would be treated as ordinary income). Any capital gain or loss will be long-term capital gain or loss if at the time of disposition or retirement the Bond has been held for more than one year. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding. Payments of interest and accruals of original issue discount (if any) on Bonds held of record by U.S. persons other than corporations and other exempt Owners must be reported to the IRS. Such information will be filed each year with the IRS on Form 1099, which will reflect the name, address, and taxpayer identification number of the Owner. A copy of Form 1099 will be sent to each Owner of a Bond for federal income tax reporting purposes. The amount of original issue discount required to be reported by the Paying Agent may not be equal to the amount required to be reported as taxable income by an Owner of a Discount Bond that acquired such Bond subsequent to its original issuance.

Interest paid to an Owner of a Bond ordinarily will not be subject to withholding of federal income tax if such Owner is a U.S. person. Backup withholding of federal income tax at a rate of 24 percent (2021) may apply, however, to payments made in respect of the Bonds, as well as payments of proceeds from the sale of Bonds, to Owners who are not “exempt recipients” and who fail to provide certain identifying information. This withholding generally applies if the Owner of a Bond (who is not an exempt recipient) (i) fails to furnish such Owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnishes an incorrect TIN, (iii) fails to properly report interest, dividends or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is correct

and that such Owner is not subject to backup withholding. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. To prevent backup withholding, each prospective Owner will be requested to complete an appropriate form.

Any amounts withheld under the backup withholding rules from a payment to a person would be allowed as a refund or a credit against such person's U.S. federal income tax, provided that the required information is furnished to the IRS. Furthermore, certain penalties may be imposed by the IRS on an Owner who is required to supply information but who does not do so in the proper manner.

The federal tax discussion set forth above is included for general information only and may not be applicable depending upon an owner's particular situation. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not U.S. persons.

BOND INSURANCE

The information provided about the Bond Insurer and the Policy is applicable only if the Authority decides to accept the Bond Insurer's commitment to provide a municipal bond insurance policy, which will be done at the time the Bonds are priced. If the Authority does not elect to accept the commitment, the Bonds will not be insured.

Bond Insurance Policy

The Authority has received a commitment from Assured Guaranty Municipal Corp. ("*AGM*" or the "*Bond Insurer*") to issue a municipal bond insurance policy on the Bonds, subject to compliance with the conditions in the commitment. The Authority will determine at the time of pricing whether it will enter into the commitment with the Bond Insurer. If the Authority elects to accept the commitment and the conditions to the commitment are satisfied, scheduled payment of principal of and interest on the Bonds when due will be guaranteed by the Bond Insurer under an insurance policy (the "*Policy*") issued concurrently with the delivery of the Bonds. A form of the Policy is included as Appendix D 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 October 29, 2020, 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 July 16, 2020, 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 September 30, 2020:

- The policyholders' surplus of AGM was approximately \$2,671 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,042 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 \$2,111 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 subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), 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 UK and AGE SA 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);
- (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);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 (filed by AGL with the SEC on November 6, 2020).

All 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") will assign 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 the Bond Insurer. The Authority will determine whether to accept the Bond Insurer's commitment to issue the Bonds at the pricing of the Bonds. Moody's Investors Service ("Moody's") has assigned an underlying rating of "Baa2" to the Bonds with a stable outlook. The ratings reflect only the views of such rating agency, and an explanation of the significance of any rating may be obtained only from the rating agency furnishing such ratings. There is no assurance that any such ratings will be maintained for any given period of time or that such ratings will not be revised downward, suspended or withdrawn entirely by such rating agency, if in its sole judgment, circumstances so warrant. Any downward revision, suspension or withdrawal of such ratings 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 1-8 (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 2021. 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 2021, 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 a 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 Co-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

During the last five years, the Authority has complied in all material respects with its continuing disclosure agreements made in accordance with 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.

Co-Financial Advisors

Masterson Advisors LLC and TKG & Associates, LLC are employed as Co-Financial Advisors to the Authority to render certain professional services, including advising the Authority on a plan of financing and the Official Statement. The Co-Financial Advisors have 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 Co-Financial Advisors do not guarantee the accuracy or completeness of such information. The fees paid to the Co-Financial Advisors 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.

Audited Financial Statements

Whitley Penn LLP, the Authority’s independent auditor, has consented to the inclusion of its opinion and the financial statements of the governmental activities and each major fund of the Authority as of and for the year ended June 30, 2020 as Appendix B to the Official Statement. Whitley Penn LLP has not been engaged to perform and has not performed, since the date of its report included in Appendix B, any procedures on the financial statements addressed in that report. Whitley Penn also has not performed any procedures relating to this Official Statement.

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 Uptown Development Authority.

APPENDIX A
BOUNDARY MAP

SERVICE AREA BOUNDARIES

LEGEND

 SERVICE AREA

BEARING BASIS:

1. BEARINGS SHOWN HEREON ARE BASED ON THE TEXAS STATE PLANE COORDINATE SYSTEM, SOUTH CENTRAL ZONE, 4204, NAD 83 AND BASED ON METRO CONTROL MONUMENTS MC-229B AND MC-230B "UPTOWN RAIL PROJECT". ALL DISTANCES AND BEARINGS ARE SURFACE. THE COORDINATES ARE SURFACE AND CAN BE CONVERTED TO GRID BY MULTIPLYING BY THE COMBINED SCALE FACTOR 0.9998887.

NOTE:

"THIS DOCUMENT WAS PREPARED UNDER 22 TAC § 663.21, DOES NOT REFLECT THE RESULTS OF AN ON THE GROUND SURVEY, AND IS NOT TO BE USED TO CONVEY OR ESTABLISH INTERESTS IN REAL PROPERTY EXCEPT THOSE RIGHTS AND INTERESTS IMPLIED OR ESTABLISHED BY THE CREATION OR RECONFIGURATION OF THE BOUNDARY OF THE POLITICAL SUBDIVISION FOR WHICH IT WAS PREPARED."



REVISIONS

NO.	DESCRIPTION	DATE

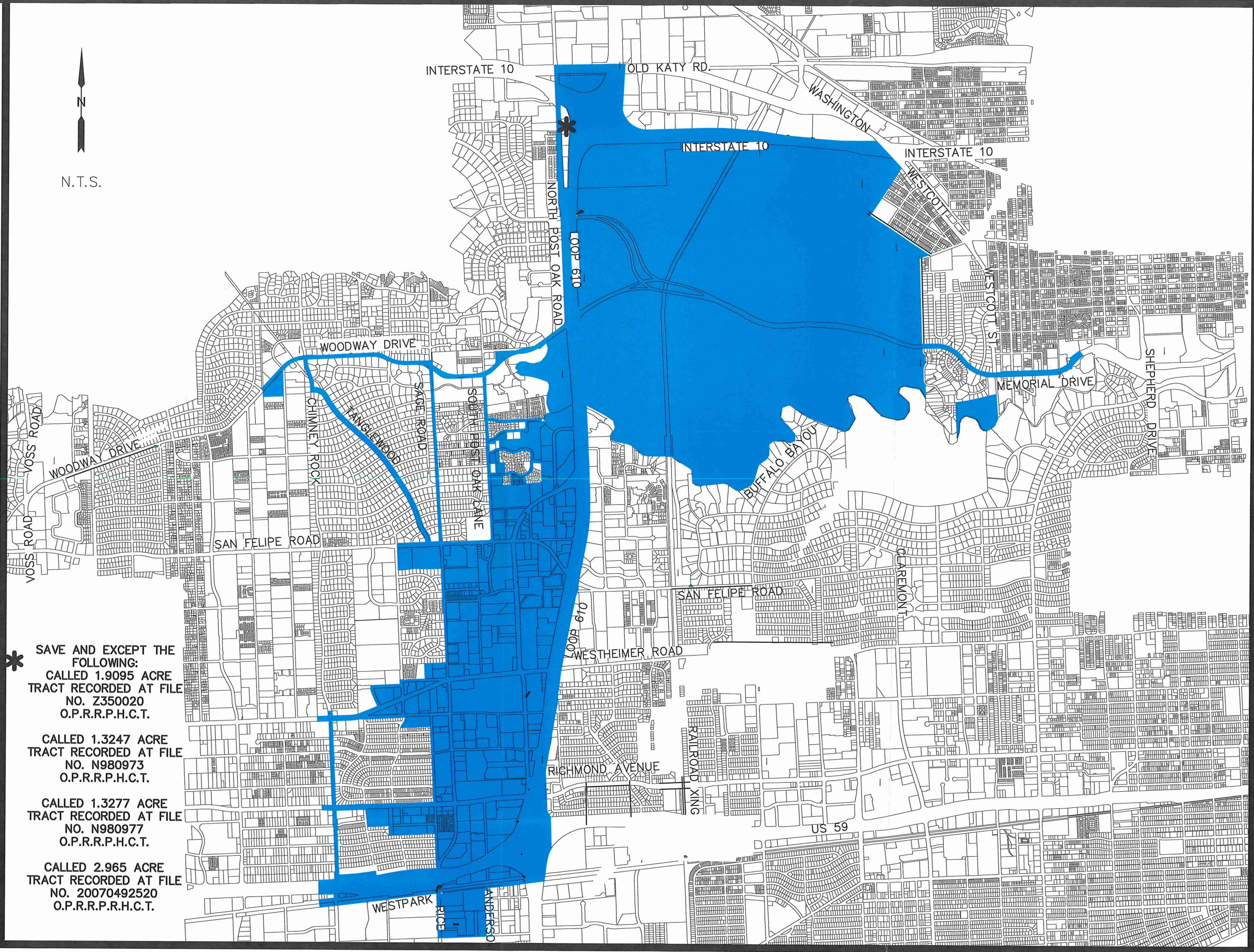
LUPHER, LLC

TEXAS PROFESSIONAL LAND SURVEYORS
TBPLS FIRM REGISTRATION NO.10193807
5421 BRYSTONE DRIVE
HOUSTON, TX 77041
TELE: 281-501-8718

SUBMITTED: LUPHER, LLC. DESIGNED BY: LL

SCALE: N.T.S. DRAWN BY: LL

DATE: September 30, 2015 SHEET 1 OF 1



* SAVE AND EXCEPT THE FOLLOWING:
CALLED 1.9095 ACRE TRACT RECORDED AT FILE NO. Z350020 O.P.R.R.P.H.C.T.

CALLED 1.3247 ACRE TRACT RECORDED AT FILE NO. N980973 O.P.R.R.P.H.C.T.

CALLED 1.3277 ACRE TRACT RECORDED AT FILE NO. N980977 O.P.R.R.P.H.C.T.

CALLED 2.965 ACRE TRACT RECORDED AT FILE NO. 20070492520 O.P.R.R.P.H.C.T.

APPENDIX B
FINANCIAL STATEMENTS OF THE AUTHORITY

UPTOWN DEVELOPMENT AUTHORITY

**FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

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

UPTOWN DEVELOPMENT AUTHORITY
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Uptown Development Authority
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Uptown Development Authority (the "Authority"), a component unit of the City of Houston, Texas, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors
Uptown Development Authority

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2020, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Funds – Budget and Actual, and the Operating Expenditures, Capital Expenditures and Project Plan Reconciliation on pages 36 through 40 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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

Whitley Penn LLP

Houston, Texas
September 30, 2020

UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Uptown Development Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2020.

The Authority is a special-purpose government and a component unit of the City of Houston, Texas. The Authority reports its financial activities in accordance with required reporting standards for special-purpose governments. The Authority's programs involve improving the general mobility in the Uptown Houston area.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Governmental Funds

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

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

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

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

Notes to the Financial Statements

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

Government-wide Financial Analysis

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

As noted earlier, changes in net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, net position was negative as of June 30, 2020. The Authority continues to have a deficit net position because the Authority incurs long-term debt to pay for parks and general mobility improvements that are ultimately conveyed to the City of Houston, but the debt incurred to create them remains the responsibility of the Authority. The cumulative assets transferred for mobility and park improvements without the attendant debt totals over \$422 million. The Authority then continues to accumulate resources for repayment of this long-term debt over an extended period of years until the debt is repaid.

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

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

	<u>2020</u>	<u>2019²</u>
Current and other assets	\$ 57,661,478	\$ 86,324,771
Capital assets, net	42,039,983	33,183,038
Total Assets	<u>99,701,461</u>	<u>119,507,809</u>
 Deferred Outflows of Resources		
Deferred charge on refunding	2,363,840	2,645,847
Total deferred outflows of resources	<u>2,363,840</u>	<u>2,645,847</u>
Accounts payable and other liabilities	28,101,734	33,519,776
Long-term liabilities	222,226,123	226,806,314
Total Liabilities	<u>250,327,857</u>	<u>260,326,090</u>
 Net Position		
Net investment in capital assets	25,987,828	18,127,283
Restricted for capital projects	-	21,026,198
Restricted for debt service	31,857,891	31,778,797
Unrestricted (deficit)	<u>(206,108,275)</u>	<u>(209,104,712)</u>
Total Net Position (Deficit)¹	<u>\$ (148,262,556)</u>	<u>\$ (138,172,434)</u>

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

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

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

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

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

	<u>2020</u>	<u>2019¹</u>
Revenues		
Program Revenues:		
Capital grants and contributions	\$ 4,718,640	\$ 23,798,868
General Revenues:		
Contract tax increment	46,207,109	45,587,872
Investment earnings	704,790	1,014,507
Total Revenues	<u>51,630,539</u>	<u>70,401,247</u>
Expenses		
General government	7,357,607	7,359,955
Affordable housing	13,751,894	13,567,548
Educational Facilities	5,746,202	5,379,296
Interest on long-term debt	7,765,255	8,755,848
Capital outlay on behalf of City of Houston	23,320,010	34,432,415
Capital outlay on behalf of TxDOT	-	10,070,000
Capital outlay on behalf of METRO	3,227,358	-
Depreciation	552,335	574,385
Total Expenses	<u>61,720,661</u>	<u>80,139,447</u>
Increase (decrease) in net position	(10,090,122)	(9,738,200)
Net position (deficit) - beginning, as restated	<u>(138,172,434)</u>	<u>(128,434,234)</u>
Net position (deficit) - ending	<u>\$ (148,262,556)</u>	<u>\$ (138,172,434)</u>

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

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

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

Financial Analysis of the Government's Funds

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

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

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

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

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

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

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

Capital Asset and Debt Administration

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

	<u>2020</u>	<u>2019¹</u>
Capital assets not being depreciated:		
Land and improvements	\$ 17,100,865	\$ 17,100,865
Construction in progress	-	15,142,875
	<u>17,100,865</u>	<u>32,243,740</u>
Capital assets being depreciated:		
ATIS Equipment	898,317	898,317
Pedestrian Lights	5,117,275	5,117,275
Transit Center	18,490,240	-
Transit Stations	6,061,915	-
	<u>30,567,747</u>	<u>6,015,592</u>
Less accumulated depreciation	<u>(5,628,629)</u>	<u>(5,076,294)</u>
	<u>24,939,118</u>	<u>939,298</u>
Capital assets, net of accumulated depreciation	<u>\$ 42,039,983</u>	<u>\$ 33,183,038</u>

¹As restated for the Uptown Transit Center. See Note 13 for more information.

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

The Authority issues debt or other financing to finance the capital improvement plan adopted by the City of Houston. In accordance with the Authority's agreement with the City of Houston, infrastructure improvements financed with this debt are the property of the City. All costs incurred by the Authority are primarily capital costs to execute the plan. Accordingly, street improvements and other infrastructure assets are not carried on the Authority's statements. A comparative summary of the Authority's long-term liabilities as of June 30, 2020 and 2019, is as follows:

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

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

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

Economic Factors

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

Office Space

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

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

Retail

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

Hotel

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

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

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

Residential

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

The economic outlook is relatively stable in Uptown. There continues to be new development within the TIRZ boundaries and in the market area. While economic factors (property values, vacancy rates, future development, etc.) impact the size of debt issues, management takes a conservative approach to ensure that adequate resources are available to support the projects within the District.

Requests for Information

This financial report is designed to provide a general overview of the Uptown Development Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 1980 Post Oak Boulevard #1700, Houston, Texas 77056.

BASIC FINANCIAL STATEMENTS

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

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

Deferred Outflows of Resources

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

Liabilities

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

Net Position

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

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

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

UPTOWN DEVELOPMENT AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Governmental funds report the proceeds from the issuance of long term debt as other financing sources. In contrast, the Statement of Activities reports this as an addition to long-term liabilities. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. Also governmental funds report premiums and discounts when the related debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal payments on debt	12,150,000	
Proceeds from issuance of debt	(5,644,135)	
Decrease in accrued interest payable	73,267	
Discounts are amortized over the life of the bonds	(24,792)	
Premiums are amortized over the life of the bonds	178,793	
Deferred charge on refunding is amortized over the life of the bond	(282,007)	
Project development agreement expense	<u>(2,079,675)</u>	
		<u>4,371,451</u>
Change in net position of governmental activities		<u>\$ (10,090,122)</u>

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

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

Creation of Authority

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

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

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

Reporting Entity

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

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

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements

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

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

The Authority reports the following major governmental funds:

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

- Net investment in capital assets - This component of net position consists of capital assets net of accumulated depreciation.
- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of net position that does not meet the definition of "restricted."

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Cash and Investments

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

Receivables

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

Capital Assets

Capital assets are reported in the government-wide financial statements. The Authority defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Equipment has a useful life of 5-10 years and buildings have a useful life of 50 years.

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

Interfund Activity

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

Use of Estimates

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

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Balance / Restricted Assets

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

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

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

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

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

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

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

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

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

Deferred outflows of resources

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

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

New Accounting Standards

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

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

Note 2 - Deposits and Investments

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

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

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

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

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Deposits and Investments (continued)

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The Public Funds Collateral Act (Chapter 2257, Texas Government Code) requires that all the Authority's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The Authority has adopted a written investment policy, which establishes additional requirements for collateralization of deposits. The Authority's deposits were adequately collateralized as of June 30, 2020.

Authorized Investments

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

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

Investment Credit and Interest Rate Risk

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

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 3 - Contract Tax Increment Revenues

On December 15, 1999, the City of Houston (the “City”) acting under provisions of Chapter 311, Texas Tax Code, created the Tax Increment Reinvestment Zone No. 16 (the “Zone”) to promote development of the Uptown area. The Zone terminates December 31, 2040, or earlier, if all outstanding debt has been paid in full. Incremental ad valorem taxes on property located in the Zone are deposited into a “Tax Increment Fund” at the City. These funds are used to repay bonds sold to fund improvements that will significantly enhance the values of taxable real property in the Zone. The City, on behalf of the Zone, remits all monies in the Tax Increment Fund less administrative fees to the Authority by July 1st of each year.

During the year ended June 30, 2020, the Authority received in tax increment revenues as follows:

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

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

The Authority is dependent upon the tax increments revenues.

Note 4 - Capital Assets

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

	Beginning Balances¹	Additions	Retirements	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 17,100,865	\$ -	\$ -	\$ -	\$ 17,100,865
Construction in progress	15,142,875	9,409,280	-	(24,552,155)	-
Total capital assets not being depreciated	<u>32,243,740</u>	<u>9,409,280</u>	<u>-</u>	<u>(24,552,155)</u>	<u>17,100,865</u>
Capital assets being depreciated:					
Equipment	6,015,592	-	-	-	6,015,592
Transit center/stations	-	-	-	24,552,155	24,552,155
Less accumulated depreciation	(5,076,294)	(552,335)	-	-	(5,628,629)
Total capital assets being depreciated	<u>939,298</u>	<u>(552,335)</u>	<u>-</u>	<u>24,552,155</u>	<u>24,939,118</u>
Capital assets, net	<u>\$ 33,183,038</u>	<u>\$ 8,856,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,039,983</u>

¹Amounts presented as restated. See Note 13 for more information.

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

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Capital Assets (continued)

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

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

Note 5 - Long Term Liabilities

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

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

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

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

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

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

Tax Increment Contract Revenue Bonds

The Authority issues Tax Increment Contract Revenue bonds in order to construct infrastructure improvement facilities and the City of Houston’s affordable housing facilities. The City of Houston has authorized the Authority to issue bonds and notes with aggregate principal amounts not to exceed \$220,000,000 outstanding at any time. The maximum authorization for short-term debt is \$27,000,000 outstanding at any time.

Bonds payable are comprised of the following individual issues:

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

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

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

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

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

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

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

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

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

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

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

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

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

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

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

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

Deferred Charges

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

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

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

Developer Agreements

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

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

Harris Authority Improvement District #1

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

Rice Avenue Retail Partners, L.P.

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

Houston Arboretum & Nature Center (HANC)

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

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Commitments and Contingencies

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

Tri Party Agreement

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

Agreement with Harris Authority Improvement District No. 1

The Authority and the Harris Authority Improvement District No. 1 (the "District") have entered into an agreement whereby the District provides administrative, management and special services to the Zone and the Authority. During the year ended June 30, 2020, the Authority remitted \$1,270,000 to the District. This amount consisted of \$250,000 for operating and administrative costs, \$200,000 for traffic control and mobility, \$540,000 for capital project management and \$280,000 for Memorial Park project management.

Memorial Park Conservancy

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

Note 7 - Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage and no settlements.

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Legal Matters

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

Note 9 - Fund Balance Deficit

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

Note 10 – Interfund Balances

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

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

Note 11 - Subsequent Events

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

Note 12 - Prior Period Adjustment

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

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

OTHER SUPPLEMENTARY INFORMATION

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive / (Negative)</u>
Budgetary fund balance, beginning of the year	\$ 43,565,343	\$ 43,565,343	\$ 55,345,653	\$ 11,780,310
Revenues				
Incremental property tax	48,460,585	48,460,585	46,207,109	(2,253,476)
Interest income	300,000	300,000	704,790	404,790
Other private contributions	3,420,000	3,420,000	2,547,163	(872,837)
Grant proceeds	4,800,000	4,800,000	2,171,477	(2,628,523)
Total revenues and budgetary fund balance	<u>100,545,928</u>	<u>100,545,928</u>	<u>106,976,192</u>	<u>6,430,264</u>
Expenditures				
Management and consulting services	708,000	708,000	799,429	(91,429)
Project costs and capital expenditures	28,400,000	28,400,000	32,501,694	(4,101,694)
Zone Administration	1,585,695	1,585,695	1,480,261	105,434
Debt service:				
Principal payments - bonds	9,550,000	9,550,000	9,550,000	-
Principal payments - notes	-	-	2,600,000	(2,600,000)
Interest and fees - bonds	7,528,248	7,528,248	7,523,247	5,001
Interest and fees - notes	-	-	109,085	(109,085)
Other debt service charges	-	-	22,018	(22,018)
Developer/Project Reimbursements	801,037	801,037	1,008,262	(207,225)
Educational facilities transfer	5,760,381	5,760,381	5,746,202	14,179
Affordable housing transfer	15,011,761	15,011,761	13,730,000	1,281,761
Municipal services charges	5,522,994	5,522,994	5,522,994	-
Total expenditures	<u>74,868,116</u>	<u>74,868,116</u>	<u>80,593,192</u>	<u>(5,725,076)</u>
Other Financing Sources/Uses				
Proceeds from issuance of notes	8,500,000	8,500,000	5,644,135	(2,855,865)
Total other financing sources/uses	<u>8,500,000</u>	<u>8,500,000</u>	<u>5,644,135</u>	<u>(2,855,865)</u>
Budgetary fund balance, end of year	<u>\$ 34,177,812</u>	<u>\$ 34,177,812</u>	<u>\$ 32,027,135</u>	<u>\$ (2,150,677)</u>
<u>Explanation of Differences between Budgetary Inflows and GAAP Revenues</u>				
Actual Amounts (Budgetary Basis)				\$ 106,976,192
Differences - Budget to GAAP:				
The Fund Balance at the Beginning of the Year is a Budgetary Resource but is not a Current Year Revenue for Financial Reporting Purposes				<u>(55,345,653)</u>
Total Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Total Governmental Funds				<u>\$ 51,630,539</u>

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

TIRZ #16 Uptown Development Authority

FY20 OPERATING EXPENDITURES

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

FY20 CAPITAL EXPENDITURES

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

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

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

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

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

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

PROJECT PLAN RECONCILIATION

	<i>*Project Plan Amount</i>	<i>Beginning</i>	<i>Current Year Expenditures</i>	<i>Expenditures to Date</i>	<i>Variance</i>
Non-Education Projects					
Improve Existing Streets	\$ 66,000,000	\$ 65,872,460	\$ -	\$ 65,872,460	\$ 127,540
Create Street Grid Network	15,000,000	14,011,162	-	14,011,162	988,838
Improve Intersections	12,000,000	11,147,748	-	11,147,748	852,252
Parking Management Program	52,000,000	-	-	-	52,000,000
Pedestrian Network	20,000,000	20,059,655	-	20,059,655	(59,655)
Roadways, Streets, Sidewalks, Lighting	186,000,000	168,861,011	24,605,417	193,466,428	(7,466,428)
Public Utilities	94,000,000	13,233,187	100,622	13,333,809	80,666,191
Land Acquisition	37,000,000	54,607,037	2,430,997	57,038,034	(20,038,034)
Cultural and Public Facility Improvements	46,000,000	-	-	-	46,000,000
Memorial Park Improvements	100,000,000	27,930,733	6,170,265	34,100,998	65,899,002
Parks	41,000,000	12,729,050	267,605	12,996,655	28,003,345
Subtotal	\$ 669,000,000	\$ 388,452,043	\$ 33,574,906	\$ 422,026,949	\$ 246,973,051
Education Projects	\$ 129,000,000	\$ 51,584,744	\$ 5,746,202	\$ 57,330,946	\$ 71,669,054
Affordable Housing	\$ 452,000,000	\$ 127,387,259	\$ 13,730,000	\$ 141,117,259	\$ 310,882,741
Zone Administration / Operations	\$ 15,000,000	\$ 19,377,219	* \$ 6,322,423	\$ 25,699,642	\$ (10,699,642)
Total Project Plan	\$ 1,265,000,000	\$ 586,801,265	\$ 59,373,531	\$ 646,174,796	\$ 618,825,204

* Project Plan Amendment in February 2013

** City of Houston New Municipal Services Fee

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

To the Board of Directors
Uptown Development Authority
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Uptown Development Authority (the "Authority"), a component unit of the City of Houston, Texas, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 30, 2020.

Internal Control Over Financial Reporting

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

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

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

To the Board of Directors
Uptown Development Authority

Compliance and Other Matters

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

Purpose of this Report

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

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

Houston, Texas
September 30, 2020

APPENDIX C

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

ALLEN BOONE HUMPHRIES ROBINSON LLP
3200 SOUTHWEST FREEWAY
SUITE 2600
HOUSTON, TEXAS 77027

BURNEY & FOREMAN
5445 ALMEDA ROAD
SUITE 400
HOUSTON, TEXAS 77004

February 26, 2021

Uptown Development Authority
Houston, Texas

UBS Financial Services, Inc. (as representative of the Underwriters)
Houston, Texas

The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

WE HAVE ACTED AS CO-BOND COUNSEL to the Uptown Development Authority (the "Authority") in connection with the issuance and sale of the Authority's Taxable Contract Revenue Bonds, Series 2021B, (Defined Tax Increment) in the aggregate principal amount of \$_____ (the "Bonds") pursuant to the terms of a Trust Indenture dated as of February 25, 2021, (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), and a Bond Resolution, dated as of January 20, 2021 (the "Resolution"). Except as otherwise indicated, terms defined in the Indenture are used in this opinion with the meanings assigned to them in the Indenture.

WE HAVE ACTED AS CO-BOND COUNSEL for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. We have not investigated or verified original proceedings, records, data or other material, but have relied upon certificates executed by officers, agents and representatives of the Authority. We have assumed no responsibility with respect to the financial condition of the Authority or the reporting or disclosure thereof in connection with the sale of the Bonds.

IN OUR CAPACITY AS CO-BOND COUNSEL, we have participated in the preparation of and have examined a transcript containing certified copies of certain proceedings of the Board of Directors of the Authority, and certain certificates and other documents of representatives of the City of Houston, Texas (the "City"), Reinvestment Zone Number Sixteen, City of Houston, Texas (the "Zone"), the Authority, the Trustee, and of others. We have relied upon those certificates as to certain factual matters which we have not independently verified. We have also examined such portions of the Constitution and statutes of the State of Texas as we have deemed necessary for the purposes of this opinion. We also have examined executed Bond No. IB-1 of this issue.

BASED ON THE FOREGOING, AND SUBJECT TO THE MATTERS SET FORTH BELOW, WE ARE OF THE OPINION THAT:

1. The Authority is duly created and validly existing as a Texas nonprofit local government corporation acting on behalf of the City created pursuant to Chapter 431, Texas Transportation Code, and has the corporate power to adopt the Resolution, enter into and perform the obligations under the Indenture, and issue the Bonds. The transcript of proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and the laws of the State of Texas presently effective.

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

3. The Bonds have been duly authorized, executed, issued and delivered by the Authority and are the legal and valid obligations of the Authority. The Bonds are entitled to the benefits and security of the Indenture. The Bonds are payable by the Authority out of the Housing Pledged Revenues created by the Indenture and the revenues derived therefrom.

The Authority's obligations with respect to the Bonds are subject to limitation by applicable federal bankruptcy laws and other laws which may from time to time affect the rights of creditors of political subdivisions generally.

The Bonds are obligations solely of the Authority and are not obligations of the State of Texas, Harris County, the City of Houston, or any other entity.

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

The information provided about the Bond Insurer and the Policy is applicable only if the Authority decides to accept the Bond Insurer's commitment to provide a municipal bond insurance policy, which will be done at the time the Bonds are priced. If the Authority does not elect to accept the commitment, the Bonds will not be insured.



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