

**REINVESTMENT ZONE NUMBER SEVENTEEN,
CITY OF HOUSTON, TEXAS**

**MEMORIAL CITY
TAX INCREMENT REINVESTMENT ZONE**

**First Amendment to
Project Plan and Reinvestment Zone Financing Plan**

May 31, 2011

**REINVESTMENT ZONE NUMBER SEVENTEEN, CITY OF HOUSTON, TEXAS
MEMORIAL CITY TAX INCREMENT REINVESTMENT ZONE
First Amendment to the Project Plan and Reinvestment Zone Financing Plan**

Table of Contents

Introduction 1

The Part B Plan Overview 1

Proposed Goals for Improvements in the Zone 2

Goal 1: Drainage and Detention 2

Goal 2: Streets and Mobility 2

Goal 3: Parks and Greenspace 2

Goal 4: Pedestrian Improvements 2

Project Plan and Reinvestment Zone Financing Plan for the Zone 3

A. Project Plan 3

Existing & Proposed Uses of Land 3

Proposed Changes of Zoning Ordinances, Municipality Master Plan, Building Codes & Other
Municipal Ordinances 3

Estimated Non-Project Cost Items 3

Method of Relocating Persons Displaced, if any, as Result of Implementing the Plan 3

B. Reinvestment Zone Financing Plan 3

Estimated Project Costs 3

Proposed Kind, Number, & Location of all Public Works or
Public Improvements to be Financed in Zone 3

Economic Feasibility
Study 3

Estimated Amount of Bond Indebtedness; Estimated Time When Related Costs or Monetary
Obligations Incurred 4

Methods & Sources of Financing Project Costs & Percentage of Increment
From Taxing Units Anticipated to Contributed Tax Increment to the Zone 4

Current Total Appraised Value of Taxable Real Property 4

Estimated Captured Appraised Value of Zone During Each Year of Existence 4

Zone Duration 4

Map & Exhibits

Map 1 – Existing Land Uses

Exhibit 1 – Project Cost Schedule

Exhibit 2 – Net Revenue Schedule

Exhibit 2A – Transfer Schedule

Exhibit 3 – Revenue Schedule City of Houston

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Introduction.

The purpose of Reinvestment Zone Number Seventeen, City of Houston, Texas (the "Memorial City Zone," also herein referred to as the "Zone"), is to execute redevelopment plans and programs necessary to create and support an environment attractive to private investment in the Memorial City area. When created by the City of Houston, Texas (the "City"), on July 21, 1999, the Zone covered an area of approximately 988 acres (the "Original Area") located primarily north and south of the Katy Freeway in the western quadrant of the City. The Zone includes predominately commercial property generally bounded by Beltway 8 on the west, Bunker Hill Road on the east, Westview Drive on the north, and Barryknoll/Memorial Drive on the south. The intent of the Zone is to finance improvements that will result in the long-term stability and viability of the Memorial City area.

The City adopted a Project Plan and Reinvestment Zone Financing Plan for the Zone on August 11, 1999 (the "Part A Plan"). The Part A Plan established goals, expectations and redevelopment plans needed to address blighted conditions in the Memorial City area associated with failing infrastructure, lack of utility capacity, increased traffic congestion and declining retail sales resulting from increased competition to older inner-city malls and shopping centers from suburban retail centers. The Part A Plan sought to reverse the significant social and economic stresses affecting the stability and long-term economic viability of the area through the financing of mobility enhancements, public infrastructure, roadways and parks.

The Zone and the City now desire to amend the Zone's Project Plan and Reinvestment Zone Financing Plan as further described herein (the "Part B Plan").

The Part B Plan Overview.

The Part B Plan includes provisions for a Zone area expansion (the "Annexed Area") and projects for the enhancements of and improvements in the Annexed Area. The additional funding included in the Part B Plan will be utilized for public works and other public improvement project costs categories consistent with the Part A Plan. Together, the Part A Plan and the Part B Plan will provide the tools needed to help alleviate blight, address deteriorated street and site conditions, correct obsolete platting and improve public infrastructure and facilities in the Memorial City area, resulting in the sound growth of retail and commercial development.

The Zone has made significant strides to reverse deterioration and spur economic revitalization within the Memorial City area, as evidenced by the completion of current and on-going development of multiple commercial/retail developments. For example, the City Centre commercial/retail complex had a certified appraised value ("CAV") of \$24 million in 2007. The estimated CAV in Tax Year ("TY") 2010 for City Centre was \$232 million, an increase of \$208 million. Other newly completed projects include Memorial Hermann Hospital (\$109 million CAV for TY 2010), the Cemex Building (\$60 million CAV for TY 2010) and the Westin Hotel

(\$33 million CAV for TY 2010). In addition, multiple other commercial/retail developments have also been constructed within the Zone.

The expanded Zone will provide the financing and management tools necessary to continue to encourage the sound growth of commercial and complementary retail development and assist in the remediation of flooding in the Zone. The Part B Plan will remedy historic negative trends within the Memorial City area by creating a viable and attractive environment for new investment and redevelopment. The proposed improvements will enhance the community by attracting new businesses to the area. The Part B Plan includes upgrades and improvements to public utility systems, public roadways and thoroughfares and detention and drainage facilities and improvements.

Proposed Goals for Improvements in the Zone.

The proposed goals for improvements in the Part B Plan, which relate to the original goals of the Zone in the Part A Plan, are as follows:

Goal 1: **Drainage and Detention.** Storm water management will be achieved through the repair and replacement of drainage systems and the design and construction of new storm water utility systems, detention basins and other improvements proven to reduce volumes of runoff from drainage areas.

Goal 2: **Streets and Mobility.** Public streets and public utility systems are required to create an environment that will stimulate private investments in retail, commercial and mixed-use developments. The reconstruction of key streets and major thoroughfares will enhance the level of service in the area. All improvements will be coordinated with the street reconstruction programs of the City, METRO, TxDOT and other public entities. Attention will be placed on leveraging Zone monies through the funding of elements not addressed by the CIP programs of sister agencies.

Goal 3: **Parks and Green Space.** Redevelopment and upgrades to public green space, parks and other recreational facilities are also addressed. Public infrastructure, regional trail systems and other enhancements to area parks and other public open green space will attract and support redevelopment and improve the quality of life by increasing the attractiveness of the area.

Goal 4: **Pedestrian Improvements.** The reinforcement of pedestrian-attractive retail and commercial developments along key corridors will retain and expand retail and commercial developments in the Zone, which is of key importance to the successful redevelopment of the area. The construction of sidewalk systems including ADA-complaint ramps and other treatments will improve pedestrian safety, enhance the visual environment and provide connectivity both within the Zone and to adjacent districts. The provision of base-level retail functionality is essential to the continued expansion of mixed-use projects in the area. In particular, the development of primary commercial and

retail corridors will be encouraged through the implementation of an enhanced pedestrian environment with an emphasis on parking, lighting, street trees, landscaping, wide sidewalks, public art and adequate pedestrian amenities.

Project Plan and Reinvestment Zone Financing Plan for the Zone.

A. Project Plan.

Existing and Proposed Uses of Land (Texas Tax Code § 311.011(b)(1)): Map 1 depicts the existing and proposed land uses in the Original Area and the Annexed Area of the Zone. The existing and proposed land uses include single-family residential, multi-family residential, commercial, office, industrial, public and institutional, transportation and utility, park and open spaces, undeveloped and agricultural production land uses.

Proposed Changes of Zoning Ordinances, Master Plan of Municipality, Building Codes and other Municipal Ordinances (Texas Tax Code § 311.011(b)(2)): All construction will be performed in conformance with the City's existing rules and regulations. There are no proposed changes to any City ordinance, master plan or building code.

Estimated Non-Project Costs (Texas Tax Code § 311.011(b)(3)) The non-project costs reflect in part costs that Harris County Municipal Management District Number One (the "HCMMD No. 1") will make towards the total development plan. HCMMD No. 1-sponsored costs reflect the investment and commitment and services that would not be borne by the Zone. These include costs for public safety, enhancement and cleanliness of the public areas, landscaping and development of open green space. HCMMD No. 1 will make \$557,000 in total anticipated costs in TY 2010. Spring Branch Management District, adjacent to MCMMD No. 1, has also committed to maintaining certain Zone landscaping improvements. Moreover, the Zone is currently seeking agreements from area property owners to maintain Zone landscaping improvements adjacent to their property.

Method of Relocating Persons to be Displaced, if any, as a Result of Implementing the Plan (Texas Tax Code § 311.011(b)(4)): It is not anticipated that any residents will be displaced by any of the projects to be undertaken in the Zone.

B. Reinvestment Zone Financing Plan.

Estimated Project Costs (Texas Tax Code § 311.011(c)(1)): Exhibit 1 details the proposed public improvement and administrative project costs. The dollar amounts are approximate and may be amended from time to time by City Council. The financing costs are a function of project financing needs and will vary with market conditions from the estimates shown on Exhibit 1.

Proposed Kind, Number, and Location of all Public Works or Public Improvements to be Financed in the Zone (Texas Tax Code § 311.011(c)(2)): These details are provided throughout the Part A Plan and the Part B Plan.

Economic Feasibility Study (Texas Tax Code § 311.011(c)(3)): An economic feasibility study was completed for the Memorial City area in 1993 by FH&R. The study documents the economic potential in the Zone. Exhibits 2, 2A, and 3 constitute incremental revenue estimates for the Zone. The incremental revenue estimates are projected to be sufficient to cover the costs of the proposed redevelopment and infrastructure improvements in the Zone. The Part B Plan total project costs are \$139,716,914. The Zone and the City find and determine that the Part A Plan and the Part B Plan are economically feasible.

Estimated Amount of Bond Indebtedness; Estimated Time When Related Costs or Monetary Obligations Incurred (Texas Tax Code § 311.011(c)(4), § 311.011(c)(5)): Issuance of bonds and notes by the Zone will occur as tax increment revenues allow. The value and timing of the issuance of bonds or notes will correlate to debt capacity as derived from the attached revenue and project schedules, as well as actual market conditions for the issue and sale of such bonds and notes.

Methods and Sources of Financing Project Costs and Percentage of Increment from Taxing Units Anticipated to Contributed Tax Increment to the Zone (Texas Tax Code § 311.011(c)(6)): Methods and sources of financing include the issuance of bonds and notes. TY 1999 was the base year for the Zone and TY 2029 is the scheduled termination date. As outlined in Exhibits 2, 2A, and 3, at least \$215,244,252 of increment is estimated to be generated by the Zone for use in funding project costs. This figure is calculated using an estimated collection rate of 95% and a City contribution of \$0.63875/\$100 of assessed valuation.

Current Total Appraised Value of Taxable Real Property (Texas Tax Code § 311.011(c)(7)): The TY 2011 projected appraised value of taxable real property in the Zone as of April 15, 2011, is \$1,478,602,715.

Estimated Captured Appraised Value of Zone During Each Year of Existence (Texas Tax Code § 311.011(c)(8)): The estimated captured appraised value of the Zone during each remaining year of its 30-year duration is set forth in Exhibit 2.

Zone Duration (Texas Tax Code § 311.011(c)(9)): When initially created by City Council on July 21, 1999, the term of the Zone was established at 30 years. The Zone will terminate on December 31, 2029.

MAPS AND EXHIBITS

Map 1 --Proposed and Existing Land Uses

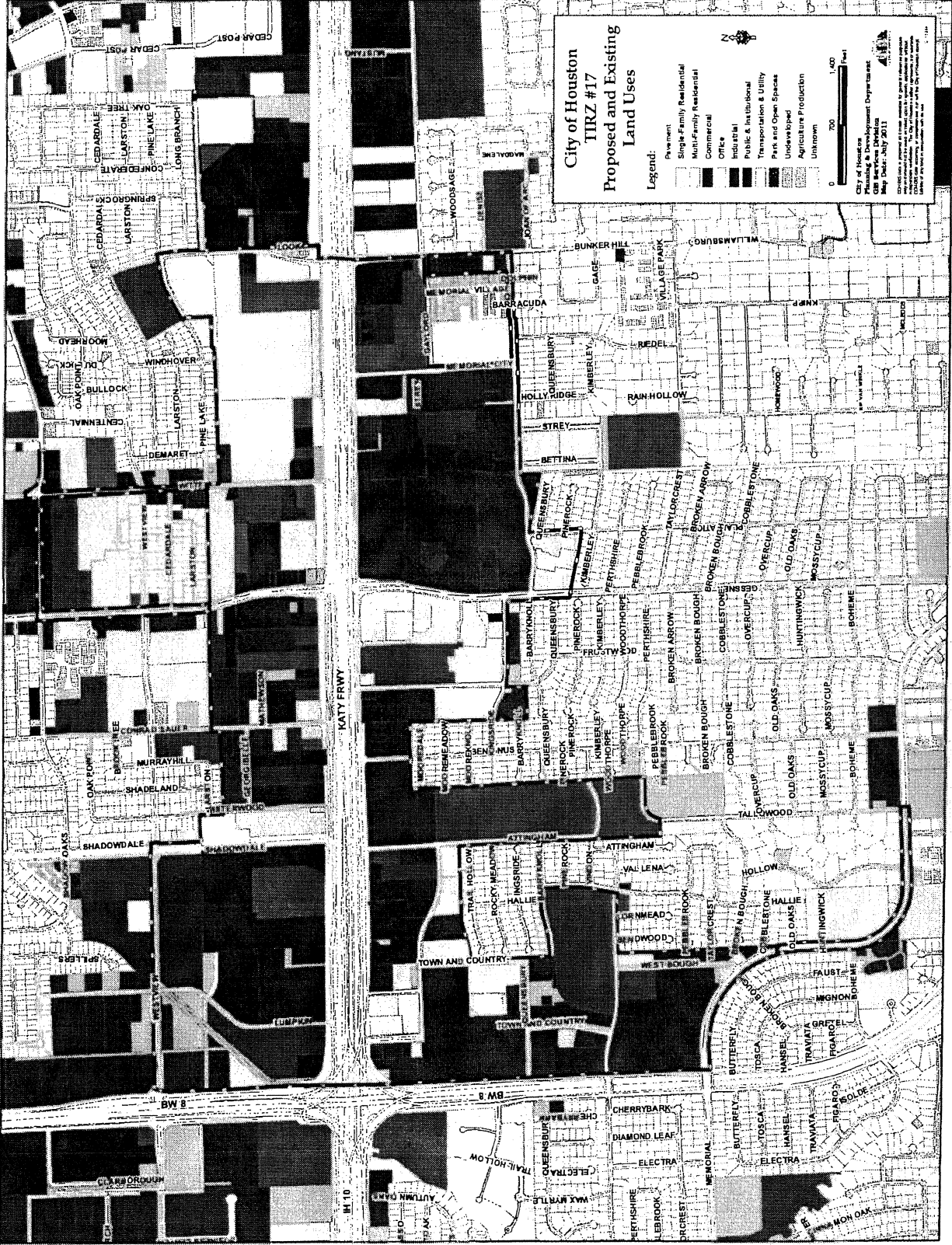


Exhibit 1 – Project Cost Schedule

Project Cost Amendments: The following table includes the approved project cost for the Part A Plan and the changes made to those budgets through this Part B Amendment:

	Part A Estimated Costs	Part B Estimated Costs	Total Estimated Plan Costs	Costs to Date as of 06/30/10	Total Estimated Remaining
Infrastructure Improvements:					
Roadway and Sidewalk Improvements - Part A					
Roadway, Sidewalk and Traffic Improvements	\$ 53,429,681	\$ -	\$ 53,429,681	\$ 17,987,023	\$ 35,442,658
Roadway and Sidewalk - Part B					
Roadway, Sidewalk and Traffic Improvements	\$ -	\$ -	\$ -	\$ -	\$ -
Total Roadway and Sidewalk - Parts A & B	\$ 53,429,681	\$ -	\$ 53,429,681	\$ 17,987,023	\$ 35,442,658
Public Utility Improvements - Part A					
Public Utility Improvements	\$ 32,125,200	\$ -	\$ 32,125,200	\$ 2,350,390	\$ 29,774,810
Public Utility Improvements - Part B					
Public Utility Improvements - Part B	\$ -	\$ 11,068,963	\$ 11,068,963	\$ -	\$ 11,068,963
Total Public Utility Improvements - Parts A & B	\$ 32,125,200	\$ 11,068,963	\$ 43,194,163	\$ 2,350,390	\$ 40,843,773
Total Infrastructure Improvements - Parts A & B					
	\$ 85,554,881	\$ 11,068,963	\$ 96,623,844	\$ 20,337,413	\$ 76,286,431
Other Project Costs:					
Parks and Recreational Facilities Improvements - Part A:					
Parks, Landscaping and Public Space Improvements	\$ 11,889,119	\$ -	\$ 11,889,119	\$ 193,728	\$ 11,695,391
Park and Recreational Facilities Improvements - Part B:					
Parks, Landscaping and Public Space Improvements	\$ -	\$ -	\$ -	\$ -	\$ -
Total Parks and Recreational Facilities Improvements - Parts A & B	\$ 11,889,119	\$ -	\$ 11,889,119	\$ 193,728	\$ 11,695,391
Education Facility - Part A					
Education Facility Design and Construction	\$ 99,819,796	\$ (99,819,796)	\$ -	\$ -	\$ -
Education Facility - Part B					
Education Facility Design and Construction	\$ -	\$ -	\$ -	\$ -	\$ -
Total Education Facility - Parts A & B	\$ 99,819,796	\$ (99,819,796)	\$ -	\$ -	\$ -
Project Financing Costs - Parts A & B					
Financing Cost	\$ 100,000,000	\$ (75,000,000)	\$ 25,000,000	\$ 1,209,446	\$ 23,790,554
Total Project Financing Costs - Parts A & B	\$ 100,000,000	\$ (75,000,000)	\$ 25,000,000	\$ 1,209,446	\$ 23,790,554
Zone Creation and Operations - Parts A & B					
Zone Creation	\$ -	\$ 946,851	\$ 946,851	\$ 946,851	\$ 0
Zone Administration	\$ 556,000	\$ 1,850,000	\$ 2,406,000	\$ 1,183,370	\$ 1,222,630
Total Creation and Administration Costs - Parts A & B	\$ 556,000	\$ 2,796,851	\$ 3,352,851	\$ 2,130,221	\$ 1,222,630
Total Other Project Costs - Parts A & B					
	\$ 212,264,915	\$ (72,203,149)	\$ 40,241,970	\$ 3,533,395	\$ 36,708,575
PROJECT PLAN TOTAL	\$ 297,819,796	\$ (61,134,186)	\$ 136,665,814	\$ 23,870,808	\$ 112,995,006

Exhibit 2 – Net Revenue Schedule

Tax Year (1)	City of Houston Increment Revenue		Net Revenue (Total Increment Revenue Less Transfers)	
2011	\$	5,879,596	\$	5,585,616
2012	\$	6,328,213	\$	6,011,802
2013	\$	6,799,261	\$	6,459,298
2014	\$	7,293,862	\$	6,929,169
2015	\$	7,813,192	\$	7,422,533
2016	\$	8,358,489	\$	7,940,565
2017	\$	8,931,051	\$	8,484,499
2018	\$	9,532,241	\$	9,055,629
2019	\$	10,163,491	\$	9,655,316
2020	\$	10,826,303	\$	10,284,988
2021	\$	11,522,256	\$	10,946,143
2022	\$	12,253,006	\$	11,640,356
2023	\$	13,020,294	\$	12,369,279
2024	\$	13,825,946	\$	13,134,649
2025	\$	14,671,881	\$	13,938,287
2026	\$	15,560,113	\$	14,782,107
2027	\$	16,492,756	\$	15,668,118
2028	\$	17,472,031	\$	16,598,430
2029	\$	18,500,270	\$	17,575,257
	\$	215,244,252	\$	204,482,039

Notes:

(1) Memorial City Zone is scheduled to terminate in Tax Year 2029

Exhibit 2A – Transfer Schedule

Tax Year (1)	Increment Revenue			Net Revenue (Total Increment Revenue less Total Transfers)
	City	Admin Fees	Total Transfers	
2011	\$ 5,879,596	\$ 293,980	\$ 293,980	\$ 5,585,616
2012	\$ 6,328,213	\$ 316,411	\$ 316,411	\$ 6,011,802
2013	\$ 6,799,261	\$ 339,963	\$ 339,963	\$ 6,459,298
2014	\$ 7,293,862	\$ 364,693	\$ 364,693	\$ 6,929,169
2015	\$ 7,813,192	\$ 390,660	\$ 390,660	\$ 7,422,533
2016	\$ 8,358,489	\$ 417,924	\$ 417,924	\$ 7,940,565
2017	\$ 8,931,051	\$ 446,553	\$ 446,553	\$ 8,484,499
2018	\$ 9,532,241	\$ 476,612	\$ 476,612	\$ 9,055,629
2019	\$ 10,163,491	\$ 508,175	\$ 508,175	\$ 9,655,316
2020	\$ 10,826,303	\$ 541,315	\$ 541,315	\$ 10,284,988
2021	\$ 11,522,256	\$ 576,113	\$ 576,113	\$ 10,946,143
2022	\$ 12,253,006	\$ 612,650	\$ 612,650	\$ 11,640,356
2023	\$ 13,020,294	\$ 651,015	\$ 651,015	\$ 12,369,279
2024	\$ 13,825,946	\$ 691,297	\$ 691,297	\$ 13,134,649
2025	\$ 14,671,881	\$ 733,594	\$ 733,594	\$ 13,938,287
2026	\$ 15,560,113	\$ 778,006	\$ 778,006	\$ 14,782,107
2027	\$ 16,492,756	\$ 824,638	\$ 824,638	\$ 15,668,118
2028	\$ 17,472,031	\$ 873,602	\$ 873,602	\$ 16,598,430
2029	\$ 18,500,270	\$ 925,014	\$ 925,014	\$ 17,575,257
	\$ 215,244,252	\$ 10,762,213	\$ 10,762,213	\$ 204,482,039

Notes:

(1) Memorial City Zone is scheduled to terminate in Tax Year 2029

Exhibit 3 – Revenue Schedule City of Houston

Tax Year(1)	Base Value (2)	Projected Value (3)	Captured Appraised Value	Collection Rate (4)	Tax Rate	Increment Revenue
2011	\$ 509,671,530	\$ 1,478,602,715	\$ 968,931,185	95.00%	0.63875	\$ 5,879,596
2012	\$ 509,671,530	\$ 1,552,532,851	\$ 1,042,861,321	95.00%	0.63875	\$ 6,328,213
2013	\$ 509,671,530	\$ 1,630,159,493	\$ 1,120,487,963	95.00%	0.63875	\$ 6,799,261
2014	\$ 509,671,530	\$ 1,711,667,468	\$ 1,201,995,938	95.00%	0.63875	\$ 7,293,862
2015	\$ 509,671,530	\$ 1,797,250,841	\$ 1,287,579,311	95.00%	0.63875	\$ 7,813,192
2016	\$ 509,671,530	\$ 1,887,113,383	\$ 1,377,441,853	95.00%	0.63875	\$ 8,358,489
2017	\$ 509,671,530	\$ 1,981,469,053	\$ 1,471,797,523	95.00%	0.63875	\$ 8,931,051
2018	\$ 509,671,530	\$ 2,080,542,505	\$ 1,570,870,975	95.00%	0.63875	\$ 9,532,241
2019	\$ 509,671,530	\$ 2,184,569,630	\$ 1,674,898,100	95.00%	0.63875	\$ 10,163,491
2020	\$ 509,671,530	\$ 2,293,798,112	\$ 1,784,126,582	95.00%	0.63875	\$ 10,826,303
2021	\$ 509,671,530	\$ 2,408,488,018	\$ 1,898,816,488	95.00%	0.63875	\$ 11,522,256
2022	\$ 509,671,530	\$ 2,528,912,418	\$ 2,019,240,888	95.00%	0.63875	\$ 12,253,006
2023	\$ 509,671,530	\$ 2,655,358,039	\$ 2,145,686,509	95.00%	0.63875	\$ 13,020,294
2024	\$ 509,671,530	\$ 2,788,125,941	\$ 2,278,454,411	95.00%	0.63875	\$ 13,825,946
2025	\$ 509,671,530	\$ 2,927,532,238	\$ 2,417,860,708	95.00%	0.63875	\$ 14,671,881
2026	\$ 509,671,530	\$ 3,073,908,850	\$ 2,564,237,320	95.00%	0.63875	\$ 15,560,113
2027	\$ 509,671,530	\$ 3,227,604,293	\$ 2,717,932,763	95.00%	0.63875	\$ 16,492,756
2028	\$ 509,671,530	\$ 3,388,984,508	\$ 2,879,312,978	95.00%	0.63875	\$ 17,472,031
2029	\$ 509,671,530	\$ 3,558,433,733	\$ 3,048,762,203	95.00%	0.63875	\$ 18,500,270
	\$ 9,683,759,070	\$ 45,155,054,091	\$ 35,471,295,021			\$ 215,244,252

Notes:

- (1) Memorial City Zone is scheduled to terminate in Tax Year 2029
- (2) Base Year is Tax Year 1999
- (3) Tax Year 2011 Uncertified Property Values based on Harris County Collections Report dated April 15, 2011
Tax Years 2011 to 2029 increase at an annual rate of 5%
- (4) Collection Rate for Tax Year 2010 to Tax Year 2028 estimated at 95%