



Uptown Development Authority

FINANCIAL STATEMENTS

June 30, 2024



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Carr, Riggs & Ingram, LLC
Two Riverway
15th Floor
Houston, TX 77056

713.621.8090
713.621.6907 (fax)
CRIcpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Uptown Development Authority
Houston, Texas

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

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 balance – all governmental funds – budget to actual and the schedule of operating expenditures, capital expenditures and project plan reconciliation (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
September 27, 2024

Uptown Development Authority Management's Discussion and Analysis

This Management's Discussion and Analysis of Uptown Development Authority (the Authority), provides an overview of the Authority's financial performance including comparative data for the year ended June 30, 2024 with the year ended June 30, 2023 and a brief explanation for significant changes between fiscal years. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting changes and current known facts, please read in conjunction with the Authority's basic financial statements and the notes to the financial statements.

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 and the implementation of the Memorial Park ten-year plan.

FINANCIAL HIGHLIGHTS

The Authority's programs involve improving the general mobility, infrastructure improvements, implementation of the Memorial Park ten-year plan and overall economic vibrancy of the Uptown Houston area.

- In October 2023, Uptown Houston was awarded an \$18.456M grant. The Authority will be reimbursed \$18.456 million from Federal Transportation Agency and \$4 million from HUD for expenses related to the design and construction of a 1.9-mile hike & bike trail along I610 West Loop from Post Oak Boulevard to Memorial Park. The trail will originate in Post Oak Park and will cross Buffalo Bayou on a new suspension bridge to the Old Archery Range. From there it will traverse under I610 West Loop on the north bank of Buffalo Bayou to the Houston Arboretum and Nature Center and Memorial Park. The trail is needed to improve safety for people walking and riding bikes along the busiest highway in Texas traveling from Uptown and west Houston neighborhoods to Memorial Park.
- The Authority paid \$1,390,235 to Memorial Park Conservancy in accordance with the development agreement for the greenspace maintenance of the capital improvements in Memorial Park including The Kinder Landbridge and Eastern Glades.
- The Authority paid \$500,000 to Memorial Park Conservancy in accordance with the development agreement for the ecological restoration of Memorial Park.
- The Authority began construction on the Wilson's Gully project. This project will address the area from San Felipe to Uptown Park along Post Oak Boulevard which frequently floods in heavy rainfall events. The installation of new relief pipe will double the flow capacity as well as spray-line the existing pipe to lower the friction and increase water flow. The result is doubling the amount of water that will be in the drainage pipes and not the streets, thus mitigating the amount of flood events in the area.
- In 2015, the Authority entered into an agreement with Rice Avenue Partners for infrastructure improvements to Rice Boulevard at the Southwest Crossing Development. The Authority paid \$163K in fiscal year 2024 for reimbursements.

Uptown Development Authority Management's Discussion and Analysis

- In 2015, the Authority entered into an agreement with the Houston Arboretum and Nature Center for infrastructure improvements in the park. In fiscal year 2024 the Authority paid \$200,000 for reimbursement.
- The Authority paid \$8,750,000 to the City of Houston Housing Department for the city's affordable housing program with the fiscal year the fiscal year 2024 tax increment.
- In 2021, The Authority sold \$100,000,000 in bonds for the City of Houston's Affordable Housing program which the city used to fund numerous housing projects in 2024. In fiscal year 2024, debt service payment for this issue was \$7.1M.
- In 2008, the Authority purchase Waterwall Park next to Williams Tower. The Authority entered into an agreement with Hines to pay for the maintenance and care of this very popular park. The Authority funded \$250,00 of the upkeep of Waterwall park in 2024.
- The Authority paid the Texas Department of Transportation \$5.08M for its share of a multiyear I-610 West Loop transportation project to help with general mobility in the Uptown Houston Area.
- In fiscal year 2024, the Authority paid \$500,000 to support the City budget.

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 (deficit). 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 (deficit) changed during the most recent fiscal year. All changes in net position (deficit) 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.

Uptown Development Authority Management's Discussion and Analysis

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.

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 Affordable Housing Debt Service Fund, the Capital Projects Fund, and the Debt Service Funds. All funds are major funds.

The Authority adopts an annual budget for all its funds combined, which is approved by the City of Houston (the City). 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 (deficit). 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.

Uptown Development Authority Management's Discussion and Analysis

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, 2024. 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 \$522 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.

A comparative schedule of net position at June 30, 2024 and 2023 follows:

<i>June 30,</i>	2024	2023
Assets		
Current and other assets	\$ 69,420,953	\$ 68,394,911
Capital assets, net	37,379,230	38,447,678
Total assets	106,800,183	106,842,589
Deferred Outflows of Resources		
Deferred charge on refunding	1,273,162	1,519,841
Liabilities		
Accounts payable and other liabilities	38,080,997	38,444,608
Long-term liabilities	308,181,804	319,911,232
Total liabilities	346,262,801	358,355,840
Net Deficit		
Net investment in capital assets	21,327,075	22,395,523
Restricted for debt service	43,936,740	43,661,072
Unrestricted accumulated deficit	(303,453,271)	(316,050,005)
Total net deficit	\$ (238,189,456)	\$ (249,993,410)

The deficit net position is due to project assets being conveyed to the City of Houston. The cumulative assets transferred to the City total over \$522 million for mobility and park improvements.

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. Long-term liabilities decreased by \$11,729,428 primary due to decrease in bonds payable outstanding as of June 30, 2024.

Uptown Development Authority Management's Discussion and Analysis

The total net deficit of the Authority decreased by \$11,803,954 during the current fiscal year. A comparative summary of the Authority's statement of activities for the past two years is as follows:

<i>For the years ended June 30,</i>	2024	2023
Revenues		
Program revenues:		
Capital grants and contributions	\$ 2,471,365	\$ 13,661,669
General revenues:		
Contract tax increment revenues	47,299,216	46,625,322
Interest on tax increments	-	926,382
Unrestricted Investment earnings	1,805,612	1,024,168
Total revenues	51,576,193	62,237,541
Expenses		
General government	7,363,179	7,145,846
Affordable housing	8,835,487	8,135,130
Educational facilities	5,773,577	6,514,935
Interest and other charges	9,864,836	9,974,939
Capital outlay on behalf of the City of Houston	6,866,712	20,574,415
Depreciation	1,068,448	1,131,104
Total expenses	39,772,239	53,476,369
Change in net deficit	11,803,954	8,761,172
Net deficit - beginning of year	(249,993,410)	(258,754,582)
Net deficit - end of year	\$ (238,189,456)	\$ (249,993,410)

In 2023, the Authority recognized interest on tax increments from interest earned by the City on tax increments for fiscal year 2016 through 2023 which did not repeat in 2024. Unrestricted investment earnings increased by \$781,444 due to increase in interest rates. Total expenses were \$39,772,239 in the current year, which is a decrease of \$13,704,130 from the previous year primarily due to the decrease in spending for capital projects like the north elevated bus lanes and the Memorial Park Landbridge and Prairie. These projects were completed in the previous year. The municipal services fee included in the general government line above to the City of Houston is \$5.3 million.

Uptown Development Authority Management’s Discussion and Analysis

FINANCIAL ANALYSIS OF THE AUTHORITY’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 \$33,301,987 which was a \$2,270,049 increase in comparison with the prior year. Approximately \$47.1 million is restricted for debt service. The capital projects fund balance deficit at the end of the fiscal year was \$13,897,417. This deficit is primarily due to the City of Houston municipal service fee for prior years. In addition, a payment in the amount of \$5.08 million was made during 2024 to Texas Department of Transportation for the north elevated bus lanes. The remaining balance of \$1.8 million for the south end construction work on Post Oak Boulevard will be paid in the next fiscal year. 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 \$5.1 million under budget due to primarily two project cost variances: the budgeted expenditures of \$3.2 million for the West Loop Transit payment to TxDOT was accrued in the previous fiscal year (fiscal year 2023) and the Willson Gully drainage project budgeted for \$5.6 million; however, the actual was \$3.3 million. This was due to the construction schedule delay.

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

<i>For the years ended June 30,</i>	2024	Increase (Decrease)	2023	Increase (Decrease)	2022 (Restated)
Capital Projects	\$ (13,897,417)	\$ 2,093,752	\$ (15,991,169)	\$ (2,819,121)	\$ (13,172,048)
Debt Service	33,885,175	156,825	33,728,350	423,197	33,305,153
Affordable Housing					
Special Revenue	98,891	19,448	79,443	46,647	32,796
Affordable Housing					
Debt Service	13,215,338	24	13,215,314	(16,827)	13,232,141
	\$ 33,301,987	\$ 2,270,049	\$ 31,031,938	\$ (2,366,104)	\$ 33,398,042

GENERAL FUND BUDGETARY HIGHLIGHTS

The Authority adopts an annual budget for all its funds combined, which is approved by the City of Houston (the City). The Authority’s budget was not amended during the fiscal year. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Uptown Development Authority Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ACTIVITY

Capital Assets

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

<i>June 30,</i>	2024	2023
Capital assets not being depreciated:		
Land and improvements	\$ 17,100,865	\$ 17,100,865
Capital assets being depreciated:		
ATIS equipment	898,317	898,317
Pedestrian Lights	5,117,275	5,117,275
Transit center	18,490,240	18,490,240
Transit stations	6,061,915	6,061,915
Total capital assets	47,668,612	47,668,612
Less: accumulated depreciation	(10,289,382)	(9,220,934)
Capital assets, net of accumulated depreciation	\$ 37,379,230	\$ 38,447,678

Additional information on the Authority's capital assets can be found in Note 1 and 2.

Debt

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, 2024 and 2023, is as follows:

<i>June 30,</i>	2024	2023
Tax increment contract revenue bonds payable	\$ 155,415,000	\$ 155,415,000
Tax increment contract revenue bonds payable from direct borrowings and direct placements	126,390,000	140,765,000
Notes from direct borrowings and direct placements	13,649,660	9,673,691
Due to project development agreements	7,082,988	8,084,161
	302,537,648	313,937,852
Less: unamortized discount on bonds payable	(11,205)	(16,812)
Plus: unamortized premium on bonds payable	5,655,361	5,990,192
	\$ 308,181,804	\$ 319,911,232

Additional information on the Authority's long-term debt can be found in Note 1 and 2.

Uptown Development Authority Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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.

The annual budget is developed to provide efficient, effective, and economic uses of the Authority's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the Authority's Board sets the direction of the Authority, allocates its resources, and establishes its priorities.

In considering the budget for the 2024, the Board and management took into account the areas outlined in the five-year capital plan, estimated increases in property values and potential protests, as well as estimated increases to the assessment rate.

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 downtowns such as Denver and Cleveland. With almost 29 million square feet of total office space in its market area, Uptown accounts for 15.7% of the City of Houston's total 'Class A' office space with 20.1 million square feet. There are 123,000 employees in the Uptown market area. At the end of August 2024 class A office space was almost 70% leased, similar to Houston's total Class A office market with occupancy at 75.7%.

The 2023 certified values for the office sector were up approximately 4% from the previous year. Even with current flexible work models due to the pandemic, Uptown has a 'back-to-work' occupancy rate around 61.2%, one of the best in the nation according to Kastle Systems. As companies continue to encourage workers back to the office, it is anticipated that some adjustments to values will continue to occur. LyondellBasell announced it is moving its U.S. headquarters from downtown to Uptown. This transition will begin in December 2024. Camden announced it is also moving its headquarters to Uptown beginning in 2025. A yet-to-be-announced tenant will be taking up 130,000 SF in the Post Oak Central office tower #1. Another yet-to-be-announced tenant will take up another approximate 80,000 SF of that same tower in 2025. There were no known significant lease breaks in the area.

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 2023 increased 9% from the previous year. Retail was 95.1% leased as of August 2024. This market maintained as The Galleria is the fourth largest retail center in the United States. Levcor's Post Oak Plaza has now completed extensive transformation of their retail center bringing in new stores and restaurants such as il Bracco, Balboa Surf Club and Nando's Peri-Peri. The Galleria continues to sign new luxury retailers. Tilman Fertitta continues to increase his

Uptown Development Authority Management's Discussion and Analysis

footprint in the Uptown area with the purchase of the River Oaks District as well as the parcel immediately west. Development plans have not been announced.

HOTEL

Uptown now has over 30 first quality hotels in the area, offering 8,400 rooms for guests. For calendar 2023, Uptown hotels had almost \$343M total sales receipts, a significant 14.5% increase over the previous calendar year. "The Post Oak", Texas' only AAA Double Five-Diamond hotel, continued to lead in hotel total sales receipts. Additionally, the ad valorem values for the hotel sectors increased 8% from the previous year.

The area's RevPAR (revenues per available room) continues to grow. Uptown's Upscale Hotels' RevPAR through August 2024 was \$118, a 13.5% increase over the previous year. The RevPar is now beyond pre-pandemic levels. Uptown occupancy was 61%, a 11% increase over the same period one year ago. In comparison, the Houston Central Business District's RevPAR was at \$133 and Houston City-wide RevPAR at \$77. Through August of 2024 occupancy for the Houston Central Business District was at 60.1% and the City of Houston was at 62.9%.

RESIDENTIAL

The economic outlook for residential continues to be positive in Uptown. The 17 story Hawthorne, an upscale condominium tower in the Uptown market, is now completed. Uptown residential occupancy rates are a healthy 92.5% through August 2024. In comparison, the Houston Central Business District's occupancy was 88.4% and the City of Houston was at 90%. A 340,000 SF, seven story mid-rise luxury multi-family residential project with 170 units is under construction at 3360 McCue by Cive. Expected completion date is Q2 of 2025

Uptown Houston is one of the most prestigious and desirable areas to live. The residential outlook in Uptown is positive.

NEW DEVELOPMENTS

The Goff-Schnitzer-Doggett families have announced a 1 ½ million SF high-end luxury mixed-use development on the site just north of Post Oak Central, formerly owned by Apache. The development will include a 5-star hotel, 5-star branded condominiums and apartments, and 300,000 SF Class A+ office tower, as well as high-end retail and restaurants.

Parkway/Midway, owners of the Post Oak Central towers, have announced a re-development of the site that will include upscale restaurants, and other major re-developments yet to be announced.

The economic outlook is stable in Uptown with a positive outlook anticipated in coming years. Two major developments planned for the next couple years will bring a significant amount of new capital investment to Uptown. There continues to be new development in the area and property values have maintained year over year.

Although economic factors such as property values, vacancy rates and future development influence the size of debt issues, management proactively adopts a conservative approach to ensure that adequate resources are available to fully support the continued growth of projects within the Uptown area.

Uptown Development Authority Management's Discussion and Analysis

FUTURE PROJECTS

The Authority will continue to work with the City of Houston and Memorial Park Conservancy to support the improvements and maintenance in Memorial Park as well as other infrastructure improvements within the Zone. Additionally, collaboration with TxDOT, FTA, and the Uptown management district will continue as the design phase continues for the Uptown Trail and Bridge project.

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.

**Uptown Development Authority
Basic Financial Statements**

Uptown Development Authority
Statement of Net Position

<i>June 30, 2024</i>	<u>Primary Government</u> <u>Governmental Activities</u>
Assets	
Cash and temporary investments	\$ 68,080,048
Due from other governments	133,843
Other receivables	3,362
Prepaid expenses	1,958
Other assets	1,201,742
Land	17,100,865
Other capital assets, net	20,278,365
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Total assets	106,800,183
Deferred Outflows of Resources	
Deferred charge on refunding	1,273,162
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Liabilities	
Accounts payable	25,010,226
Accrued interest	3,163,773
Due to other governments	9,719,008
Unearned revenue	187,990
Long-term liabilities:	
Due within one year	29,308,944
Due in more than one year	278,872,860
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Total liabilities	346,262,801
Net Deficit	
Net investment in capital assets	21,327,075
Restricted for debt service	43,936,740
Unrestricted accumulated deficit	(303,453,271)
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Total net deficit	\$ (238,189,456)
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The accompanying notes are an integral part of these financial statements.

Uptown Development Authority Statement of Activities

				Net (Expense) Revenue and Changes in Net Position
<i>For the year ended June 30, 2024</i>	Program Revenue	Capital Grants	Primary Government	
Functions/Programs	Expenses	and Contributions	Governmental	
			Activities	
Primary Government				
General government	\$ 7,363,179	\$ -		\$ (7,363,179)
Affordable housing	8,835,487	-		(8,835,487)
Educational facilities	5,773,577	-		(5,773,577)
Interest and other charges	9,864,836	-		(9,864,836)
Capital outlay on behalf of the City of Houston	6,866,712	2,471,365		(4,395,347)
Depreciation	1,068,448	-		(1,068,448)
Total primary government	39,772,239	2,471,365		(37,300,874)
General revenues				
Contract tax increment revenues				47,299,216
Unrestricted investment earnings				1,805,612
Total general revenues				49,104,828
Change in net deficit				11,803,954
Net deficit - beginning of year				(249,993,410)
Net deficit - end of year			\$	(238,189,456)

The accompanying notes are an integral part of these financial statements.

Uptown Development Authority
Balance Sheet – Governmental Funds

<i>June 30, 2024</i>	Capital Projects	Debt Service	Affordable Housing		Total Governmental Funds
			Special Revenue	Debt Service	
Assets					
Cash and temporary investments	\$ 12,125,944	\$ 33,889,875	\$ 8,848,891	\$ 13,215,338	\$ 68,080,048
Due from other funds	4,700	-	-	-	4,700
Due from other governments	133,843	-	-	-	133,843
Other receivables	3,362	-	-	-	3,362
Prepaid expenses	1,958	-	-	-	1,958
Total assets	\$ 12,269,807	\$ 33,889,875	\$ 8,848,891	\$ 13,215,338	\$ 68,223,911
Liabilities and Fund Balances (Deficits)					
Liabilities					
Accounts payable	\$ 25,010,226	\$ -	\$ -	\$ -	\$ 25,010,226
Due to other funds	-	4,700	-	-	4,700
Due to other governments	969,008	-	8,750,000	-	9,719,008
Unearned revenue	187,990	-	-	-	187,990
Total liabilities	26,167,224	4,700	8,750,000	-	34,921,924
Fund Balances (deficits)					
Nonspendable	1,958	-	-	-	1,958
Restricted:					
Debt Service	-	33,885,175	-	13,215,338	47,100,513
Affordable Housing	-	-	98,891	-	98,891
Unassigned	(13,899,375)	-	-	-	(13,899,375)
Total fund balances (deficits)	(13,897,417)	33,885,175	98,891	13,215,338	33,301,987
Total liabilities and fund balances (deficits)	\$ 12,269,807	\$ 33,889,875	\$ 8,848,891	\$ 13,215,338	\$ 68,223,911

The accompanying notes are an integral part of these financial statements.

Uptown Development Authority
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position

June 30, 2024

Total fund balances - governmental funds	\$	33,301,987
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds</p>		
Land	\$	17,100,865
Other capital assets		30,567,747
Less accumulated depreciation		(10,289,382)
Change due to capital assets		37,379,230
<p>Cost of issuance for the premiums on insurance are amortized over the life of the bonds in the government-wide statements</p>		
		1,201,742
<p>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:</p>		
Bonds payable		(281,805,000)
Notes payable to Regions		(13,649,660)
Deferred charge on refunding		1,273,162
Accrued interest		(3,163,773)
Due to project development agreements		(7,082,988)
Unamortized bond discount		11,205
Unamortized bond premiums		(5,655,361)
Change due to long-term obligations		(310,072,415)
Net deficit of governmental activities	\$	(238,189,456)

The accompanying notes are an integral part of these financial statements.

Uptown Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds

	Capital Projects	Debt Service	Affordable Housing		Total Governmental Funds
			Special Revenue	Debt Service	
<i>For the year ended June 30, 2024</i>					
Revenues					
Tax increments	\$ 16,145,053	\$ 15,605,244	\$ 8,773,375	\$ 6,775,544	\$ 47,299,216
Investment earnings	281,651	1,140,527	73,931	309,503	1,805,612
Interest on tax increments	926,382	-	-	-	926,382
Other private contributions	20,146	-	-	-	20,146
Miscellaneous revenue	2,451,219	-	-	-	2,451,219
Total revenues	19,824,451	16,745,771	8,847,306	7,085,047	52,502,575
Expenditures					
Current:					
Administrative salaries	150,000	-	-	-	150,000
Office expenses	60,000	-	-	-	60,000
Insurance	164,410	-	-	-	164,410
Accounting	40,000	-	-	-	40,000
Auditor	26,335	-	-	-	26,335
Financial advisor	89,888	-	-	-	89,888
City of Houston, municipal charges fee	5,302,356	-	-	-	5,302,356
Legal	12,114	-	-	-	12,114
Parks project management	164,400	-	-	-	164,400
Education facilities cost, transfer to other government	5,773,577	-	-	-	5,773,577
Affordable housing cost, transfer to other government	-	-	8,750,000	-	8,750,000
Other zone administration costs	1,443,564	-	-	-	1,443,564
Capital outlay on behalf of:					
City of Houston	6,866,712	-	-	-	6,866,712
Debt Service:					
Principal payments - bonds	-	9,845,000	-	4,530,000	14,375,000
Principal payments - notes	-	9,673,691	-	-	9,673,691
Interest - bonds	-	6,880,116	-	2,620,227	9,500,343
Interest and fees - notes	-	475,969	-	-	475,969
Other debt service charges	-	-	12,654	-	12,654
Developer/Project Reimbursements	1,001,173	-	-	-	1,001,173
Total expenditures	21,094,529	26,874,776	8,762,654	7,150,227	63,882,186
Excess (deficiency) of revenues over (under) expenditures	(1,270,078)	(10,129,005)	84,652	(65,180)	(11,379,611)
Other Financing Sources (Uses)					
Proceeds from issuance of new notes	3,363,830	136,170	-	-	3,500,000
Proceeds from issuance of rollover notes	-	10,149,660	-	-	10,149,660
Internal transfers - release of debt service	-	-	(65,204)	65,204	-
Net other financing sources (uses)	3,363,830	10,285,830	(65,204)	65,204	13,649,660
Net change in fund balances	2,093,752	156,825	19,448	24	2,270,049
Fund balances (deficits) - beginning of year	(15,991,169)	33,728,350	79,443	13,215,314	31,031,938
Fund balances (deficits) - end of year	\$ (13,897,417)	\$ 33,885,175	\$ 98,891	\$ 13,215,338	\$ 33,301,987

The accompanying notes are an integral part of these financial statements.

Uptown Development Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities

<i>For the year ended June 30,</i>	2024
Net change in fund balances - total governmental funds	\$ 2,270,049
Amounts reported for governmental activities in the Statement of Activities are different because:	
Some revenues were not collected within 60 days after the close of the Authority's fiscal year-end and were not considered as "available" revenue in the governmental funds. In the statement of net position, presented on the full accrual basis, these revenues were recognized.	(926,382)
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.	(1,068,448)
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, discounts and similar items when the related debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal payments on debt	24,048,691
Proceeds from issuance of debt, net of payments to escrow agent	(13,649,660)
Change in accrued interest payable	118,819
Discounts are amortized over the life of the bonds	(5,607)
Premiums are amortized over the life of the bonds	334,831
Prepaid bond insurance is amortized over the life of the bonds	(72,833)
Deferred charge on refunding is amortized over the life of the bon	(246,679)
Project development agreement expense	1,001,173
	11,528,735
Change in net deficit of governmental activities	\$ 11,803,954

The accompanying notes are an integral part of these financial statements.

Uptown Development Authority Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Uptown Development Authority (the Authority) of the City of Houston, Texas, a 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 of Houston (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, six 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 in accordance with Section 2100: Defining the Financial Reporting Entity of the Governmental Accounting Standards Board (GASB) Codification. Based on these considerations, no other entities, organizations or functions have been included in the Authority's financial reporting entity.

The accounting policies of the Authority conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the Authority are described below.

Uptown Development Authority Notes to Financial Statements

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 on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Authority does not have any component units or business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Tax increments and investment earnings not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. The Authority has four governmental funds: the capital projects fund, the debt service fund, the affordable housing funds (special revenue fund and debt service fund). The Authority does not have any proprietary or fiduciary funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tax increments are recognized as revenues in the year the related taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility and timing requirements imposed by the provider have been met.

Uptown Development Authority Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and proceeds from sale of capital assets are reported as other financing sources.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated.

Fund Financial Statements

The fund financial statements provide information about the Authority's funds. The Authority reports the following major governmental fund:

The *Capital Projects Fund* is the primary operating fund and 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 revenues. Expenditures are principal and interest payments.

Uptown Development Authority Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

Budgetary Basis of Accounting

The Board adopted a budget for the combined governmental funds of the Authority for the year ended June 30, 2024. The budget was submitted to and approved by the City. As the budget is not legally adopted for the capital projects fund (equivalent of the general fund), as defined by GASB, the budgetary comparison schedule is presented as supplementary information.

The budget is based on projected tax increments revenues and is prepared according to the Authority's project and financing plan (Project Plan). The budget may be amended during the year, as determined necessary, by the Board of Directors. After adoption, increases and decreases in the budget may be made upon Board of Director's and the City's approval. The level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the fund level.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

Cash and Temporary Investments

The Authority's cash and temporary investments are considered to be demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments for the Authority are reported at fair value (generally based on quoted market prices). The investments are maintained by a trustee in a no-load money market mutual fund, as mandated by the Authority's Bond Indentures and Resolutions.

Receivables and Payables

Receivables and due from other governments – Consist of all revenues earned at year end and not yet received. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. As of June 30, 2024, the Authority believes all receivables and due from other governments are fully collectible and, accordingly, no allowance has been created.

Unearned revenue – Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

Uptown Development Authority Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Interfund Activities and Transactions

During the course of operations, the Authority has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds which are eliminated in the statement of net position.

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected in the capital projects fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and actions of the Board of Directors. Transfers between the funds are eliminated in the statement of activities.

Other Assets

Costs of issuance for the premiums on insurance related to the Taxable Contract Revenue Bonds, Series 2021B, are being amortized using the straight-line method over the life of the bonds in the government-wide statements.

Capital Assets

Capital assets, which include land, equipment, and transit center/stations, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Land is not depreciated. The other capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives (in years)
Equipment	5 - 10
Transit center	40
Bus stations	10

Uptown Development Authority Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority had no deferred inflows as of June 30, 2024.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASBC Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are expensed during the current period. The debt proceeds are reported as other financing sources. Premiums received on debt issuances are reported as other financing sources and discounts on are reported as other financing uses. The payments of principal and interest are reported as expenditures. Issuance costs are reported as debt issuance expenditures.

Uptown Development Authority Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Net Position and Fund Balance

Net position flow assumption – Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The Authority considers restricted – net position to have been depleted before unrestricted – net position is applied.

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

Net investment in capital assets - This component of net position consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings.

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 - This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

Fund balance flow assumptions – Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. The Authority considers restricted fund balance to have been depleted before using any of the components of unrestricted fund balance as required under GASB No. 54. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of the governmental fund is reported in various classifications based on the nature of any limitations requiring the use of resources for specific purposes. The Authority itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Uptown Development Authority Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Net Position and Fund Balance (Continued)

The provisions of GASBC Section 1800, Classification and Terminology, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balance is restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Authority's Board of Directors. The Authority's Board of Directors is the highest level of decision-making authority for the Authority that can, by adoption of a motion prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the motion remains in place until a similar action is taken (the adoption of another motion) to remove or revise the limitation. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – Amounts that are constrained by the Authority's intent to be used for a specific purpose but do not meet the criteria to be classified as committed. This intent can be expressed by the Board of Directors through the budgetary process. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the Capital Projects Fund.

Revenues and Expenditures/Expenses

Program revenues – The Authority has no program revenue. Tax increments revenue and interest earnings are reported as general revenues rather than as program revenues.

Tax increments – Tax increments represents a certain percentage of tax collections arising from their taxation of the increase, if any, in the appraised value of real property located 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.

Uptown Development Authority Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the useful lives and recoverability of capital assets.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 27, 2024 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Implemented Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that became effective in current year. The recently implemented statement is as follow:

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). There were no significant impacts on implementing this standard.

Uptown Development Authority Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

The Governmental Accounting Standards Board has issued a statement that will become effective in future years. This statement is as follows:

In December 2023, the GASB issued GASB Statement No. 102, *Certain Risk Disclosure*. This Statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The requirements of this Statement apply to the financial statements of all state and local governments, and is effective for fiscal years beginning after June 15, 2024.

The Authority is evaluating the requirements of the above statement and the impact on reporting.

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Due to the immediate availability of the funds, the Authority's investments at June 30, 2024 are included in cash and temporary investments. As of year end June 30, 2024, the Authority's cash and temporary investments were comprised of the following:

	Capital Projects	Debt Service	Affordable Housing		Total
			Special Revenue	Debt Service	
Demand Deposits	\$ 1,752,530	\$ 428,603	\$ -	\$ 6,132,371	\$ 8,313,504
Government Money					
Market Mutual Funds	10,373,414	33,461,272	8,848,891	7,082,967	59,766,544
Total	\$ 12,125,944	\$ 33,889,875	\$ 8,848,891	\$ 13,215,338	\$ 68,080,048

As of June 30, 2024, the carrying amount of the Authority's deposits totaled \$6,034,735 and the bank balances totaled \$8,358,143. The amount in excess of federal deposit insurance of \$6,034,735 was fully collateralized by securities held by the pledging financial institutions. The Authority's investment policy requires pledging of collateral for all bank balances in excess of Federal Deposit Insurance Corporation (FDIC) limits.

Uptown Development Authority Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

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.

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, 2024.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

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

Fair Value – GASBC Section 3100: Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Authority's assets at fair value as of June 30, 2024:

Investments	Fair Market Value	Weighted Average Maturity (Days)	Fair Value Measurement	Standard & Poor's Rating
Government Money				
Market Mutual Funds	\$ 59,766,544	45	Level 1	AAAm
Total investments	\$ 59,766,544	45		

Uptown Development Authority
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024.

Market Mutual Funds – Market mutual funds are valued using quoted market prices for those investments.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Authority believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Capital Assets

The following is a summary of changes in capital assets during the year ended June 30, 2024:

	Beginning balances	Additions	Retirement	Transfer	Ending balances
Capital assets not being depreciated:					
Land	\$ 17,100,865	\$ -	\$ -	\$ -	\$ 17,100,865
Capital assets being depreciated:					
Equipment	6,015,592	-	-	-	6,015,592
Transit center	18,490,240	-	-	-	18,490,240
Bus stations	6,061,915	-	-	-	6,061,915
Less accumulated depreciation	(9,220,934)	(1,068,448)	-	-	(10,289,382)
Total capital assets being depreciated, net	21,346,813	(1,068,448)	-	-	20,278,365
Capital assets, net	\$ 38,447,678	\$ (1,068,448)	\$ -	\$ -	\$ 37,379,230

Depreciation expense in the amount of \$1,068,448 has been recorded in the government-wide statements.

In accordance with an agreement between the Authority and 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.

Uptown Development Authority Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities

As of June 30, 2024, 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	\$ 155,415,000	\$ -	\$ 155,415,000
Tax increment contract revenue bonds payable from direct borrowings and direct placements	126,390,000	14,745,000	111,645,000
Notes from direct borrowings and direct placements	13,649,660	13,649,660	-
Unamortized discount on bonds payable	(11,205)	-	(11,205)
Unamortized premium on bonds payable	5,655,361	-	5,655,361
Due to project development agreements	7,082,988	914,284	6,168,704
	<u>\$ 308,181,804</u>	<u>\$ 29,308,944</u>	<u>\$ 278,872,860</u>

Tax increment contract revenue bonds

The Authority issues Tax Increment Contract Revenue bonds in order to construct infrastructure improvement facilities and the City of Houston's affordable housing facilities. The City of Houston has authorized the Authority to issue bonds and notes with aggregate principal amounts not to exceed \$332,860,000 outstanding at any time. The maximum authorization for short-term debt is \$27,000,000 outstanding at any time.

Tax increment contract revenue 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
Infrastructure Bonds						
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
2021	23,235,000	23,235,000	3.00% - 5.00%	Sep 1, 2031 - 2040	Mar 1, Sep 1	Sep 1, 2031
	<u>\$ 91,640,000</u>					
Infrastructure Bonds, Direct Borrowings and Placements						
2014	\$ 32,010,000	\$ 53,195,000	3.875%	Sep 1, 2014 - 2033	Mar 1, Sep 1	Sep 1, 2023
2015	18,175,000	35,000,000	2.730%	Sep 1, 2016 - 2030	Mar 1, Sep 1	Sep 1, 2030
2016	19,735,000	32,175,000	2.360%	Sep 1, 2017 - 2029	Mar 1, Sep 1	Sep 1, 2026
2017B	22,455,000	25,095,000	2.430%	Sep 1, 2019 - 2033	Mar 1, Sep 1	N/A
	<u>\$ 92,375,000</u>					
Affordable Housing Bonds						
2021A	\$ 34,015,000	\$ 47,355,000	1.75%	Sep 1, 2021 - 2030	Mar 1, Sep 1	N/A
2021B	63,775,000	63,775,000	2.581% - 3.464%	Sep 1, 2031 - 2040	Mar 1, Sep 1	Sep 1, 2031
	<u>\$ 97,790,000</u>					

Uptown Development Authority
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Tax increment contract revenue bonds (Continued)

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

Infrastructure Bonds, All Series							
Year	2017A		2018		2021		Principal Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2025	-	1,721,960	-	1,469,638	-	800,050	-
2026	-	1,721,960	-	1,469,638	-	800,050	-
2027	-	1,721,960	-	1,469,638	-	800,050	-
2028	-	1,721,960	-	1,469,638	-	800,050	-
2029	-	1,721,960	-	1,469,638	-	800,050	-
2030	-	1,721,960	-	1,469,638	-	800,050	-
2031	-	1,721,960	-	1,469,638	-	800,050	-
2032	-	1,721,960	225,000	1,465,137	1,980,000	750,550	2,205,000
2033	-	1,721,960	235,000	1,455,937	2,070,000	659,650	2,305,000
2034	3,960,000	1,721,960	-	1,451,237	1,970,000	578,850	5,930,000
2035	4,145,000	1,357,650	3,755,000	1,357,362	2,225,000	506,075	10,125,000
2036	4,345,000	1,150,400	3,950,000	1,164,737	2,300,000	426,700	10,595,000
2037	4,565,000	922,150	4,150,000	962,237	2,385,000	344,925	11,100,000
2038	4,770,000	731,350	4,365,000	749,362	2,460,000	272,250	11,595,000
2039	4,965,000	532,750	4,570,000	545,981	2,535,000	197,325	12,070,000
2040	5,195,000	273,000	4,770,000	350,362	2,605,000	120,225	12,570,000
2041	5,460,000	136,500	4,980,000	124,500	2,705,000	40,575	13,145,000
	\$ 37,405,000	\$ 22,323,400	\$ 31,000,000	\$ 19,914,318	\$ 23,235,000	\$ 9,497,475	\$91,640,000

Infrastructure Bonds, Direct Borrowings and Placements						
Year	2014		2015		2016	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	2,680,000	1,188,463	2,390,000	463,554	3,665,000	422,499
2026	2,785,000	1,082,578	2,455,000	397,420	3,765,000	334,825
2027	2,895,000	972,528	2,525,000	329,443	2,960,000	255,470
2028	3,005,000	858,216	2,595,000	259,555	3,040,000	184,670
2029	3,120,000	739,544	2,665,000	187,756	3,110,000	112,100
2030	3,245,000	616,222	2,735,000	114,046	3,195,000	37,701
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	-	-	-	-
	\$ 32,010,000	\$ 6,590,408	\$ 18,175,000	\$ 1,790,131	\$ 19,735,000	\$ 1,347,265

Uptown Development Authority
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Tax increment contract revenue bonds (Continued)

Infrastructure Bonds, Direct Borrowings and Placements (Continued)			
Year	2017B		Principal
	Principal	Interest	Total
2025	1,400,000	528,647	10,135,000
2026	1,410,000	494,505	10,415,000
2027	2,330,000	449,064	10,710,000
2028	2,390,000	391,716	11,030,000
2029	2,450,000	332,910	11,345,000
2030	2,500,000	272,767	11,675,000
2031	3,245,000	202,965	9,425,000
2032	3,325,000	123,140	6,825,000
2033	3,405,000	41,371	7,040,000
2034	-	-	3,775,000
	<u>\$ 22,455,000</u>	<u>\$ 2,837,085</u>	<u>\$ 92,375,000</u>

Affordable Housing Bonds, All Series						
Year	2021A		2021B		Principal	
	Principal	Interest	Principal	Interest	Total	
2025	4,610,000	554,925	-	1,985,327		4,610,000
2026	4,690,000	473,550	-	1,985,327		4,690,000
2027	4,770,000	390,775	-	1,985,327		4,770,000
2028	4,855,000	306,556	-	1,985,327		4,855,000
2029	4,940,000	220,850	-	1,985,327		4,940,000
2030	5,030,000	133,613	-	1,985,327		5,030,000
2031	5,120,000	44,800	-	1,985,327		5,120,000
2032	-	-	5,565,000	1,913,511		5,565,000
2033	-	-	5,715,000	1,765,085		5,715,000
2034	-	-	5,875,000	1,606,783		5,875,000
2035	-	-	6,040,000	1,438,085		6,040,000
2036	-	-	6,220,000	1,258,370		6,220,000
2037	-	-	6,415,000	1,066,838		6,415,000
2038	-	-	6,625,000	853,270		6,625,000
2039	-	-	6,860,000	619,710		6,860,000
2040	-	-	7,105,000	377,836		7,105,000
2041	-	-	7,355,000	127,389		7,355,000
	<u>\$ 34,015,000</u>	<u>\$ 2,125,069</u>	<u>\$ 63,775,000</u>	<u>\$ 24,924,166</u>		<u>\$ 97,790,000</u>

Uptown Development Authority
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Tax increment contract revenue bonds (Continued)

On August 18, 2021, the Authority issued Tax Increment Contract Revenue and Refunding Bonds, Series 2021 in the amount of \$26,329,093 including premium of \$3,094,093. Premium of issuance of bonds is amortized over the life of the bonds. The proceeds from Bond Series 2021 fully refunded Bonds Series 2009 and 2012A and partially refunded Bonds Series 2014, 2015, 2016 and 2017B resulting in a deposit to escrow agent of \$24,861,593 . The proceeds from Bonds Series 2021 was also used to make a deposit to the Debt Service Fund of \$798,330 and to pay costs of issuance of \$669,170, all in accordance to the TIF Act and all other applicable laws. The Authority achieves a cash flow savings and an economic gain of \$13,058 as a result of the refunding.

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.

Notes payable

On April 18, 2022, the Authority authorized the issuance of \$15,000,000 Subordinate Lien Tax Increment Contract Revenue Rate Notes. The method was a private placement note. 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 equal to Bloomberg Short-Term Bank Yield Index multiplied by 79.0% plus 0.71%.

During the year ended June 30, 2024, the activity of the note issued from the 2022 facility is summarized as follows:

Draws	Issuance Date	Maturity Date	Original Issuance Amount	Beginning Balance	Additions	Reductions	Ending Balance
1	2/6/2023	2/5/2024	\$ 3,050,000	\$ 3,050,000	\$ -	\$ (3,050,000)	\$ -
2	4/17/2023	4/16/2024	6,623,691	6,623,691	-	(6,623,691)	-
3	4/16/2024	4/15/2025	6,952,230	-	6,952,230	-	6,952,230
4	2/5/2024	2/3/2025	3,197,429	-	3,197,430	-	3,197,430
5	9/5/2023	9/5/2024	3,500,000	-	3,500,000	-	3,500,000
				\$ 9,673,691	\$ 13,649,660	\$ (9,673,691)	\$ 13,649,660

Uptown Development Authority Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Notes payable (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.

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 amortization expense for the year ended June 30, 2024 was \$246,679.

	2024
Beginning balance	\$ 1,519,841
Amortization expense	(246,679)
Ending Balance	\$ 1,273,162

Developer Agreements

During the year ended June 30, 2024, the Authority's amounts due to developers changed as follows:

	Beginning Balances	Additions	Reductions/ Adjustments	Ending Balances	Due Within One Year
Harris County Improvement District #1	\$ 5,180,774	\$ -	\$ (640,575)	\$ 4,540,199	\$ 643,256
Rice Avenue Retail Partners, L.P.	231,626	-	(160,598)	71,028	71,028
Houston Arboretum & Nature Center (HANC)	2,671,761	-	(200,000)	2,471,761	200,000
	\$ 8,084,161	\$ -	\$ (1,001,173)	\$ 7,082,988	\$ 914,284

Harris Authority Improvement District #1

The Authority entered into a financing agreement with the Harris Authority Improvement District #1 (the District) 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 agreed to fund the construction of certain facilities and 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 District issued \$8,150,000 in bonds for this purpose. The Authority agreed to repay 100% of all funds advanced including cost of issuance and interest on bonds issued to fund the projects. The District is reimbursed from available tax increment attributable to the Hollyhurst and Post Oak Lane projects.

Uptown Development Authority
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Developer Agreements (Continued)

Rice Avenue Retail Partners, L.P.

The Authority 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 agreed to fund these improvements within the Zone. These facilities and improvements were conveyed to the City upon completion of construction and inspection and acceptance by the City. The Developer is reimbursed from the Tax Increment Revenue Fund located in the project area. 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 of \$1,446,612 has been paid in full.

Houston Arboretum & Nature Center (HANC)

The Authority 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 were conveyed to the City upon completion of construction and inspection and acceptance by the City. HANC is 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.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2024, was as follows for governmental activities:

	Beginning Balances	Additions	Reductions	Ending Balances
Tax increment contract revenue bonds payable	\$ 155,415,000	\$ -	\$ -	\$ 155,415,000
Tax increment contract revenue bonds payable from direct borrowings and direct placements	140,765,000	-	(14,375,000)	126,390,000
Notes from direct borrowings and direct placements	9,673,691	13,649,660	(9,673,691)	13,649,660
Unamortized discount on bonds payable	(16,812)	-	5,607	(11,205)
Unamortized premium on bonds payable	5,990,192	-	(334,831)	5,655,361
Due to project development agreements	8,084,161	-	(1,001,173)	7,082,988
	\$ 319,911,232	\$ 13,649,660	\$ (25,379,088)	\$ 308,181,804

Uptown Development Authority
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Contract Tax Increment Revenues

On December 15, 1999, the City of Houston acting under provisions of Chapter 311, Texas Tax Code, created the Tax Increment Reinvestment Zone No. 16 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, 2024, the Authority received in tax increment revenues as follows:

	City of Houston	Houston ISD	Total
Total tax increment	\$ 28,371,275	\$ 18,927,941	\$ 47,299,216
Retainage for administrative cost	(1,418,564)	(25,000)	(1,443,564)
Set-aside for educational facilities	-	(5,773,577)	(5,773,577)
Net amount received	\$ 26,952,711	\$ 13,129,364	\$ 40,082,075

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 increment revenues.

NOTE 3: 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; personal injuries; and natural disasters. 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 Financial Statements

NOTE 4: 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, 2024, the Authority remitted \$970,600 to the District. This amount consisted of \$250,000 for operating and administrative costs, \$200,000 for traffic control and mobility, \$356,200 for capital project management and \$164,400 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 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 Authority 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.

Uptown Development Authority Notes to Financial Statements

NOTE 4: COMMITMENTS AND CONTINGENCIES (Continued)

City of Houston

The Authority entered into an interlocal agreement with the City of Houston, Texas (the City). The purpose of the agreement is to improve the streets alongside Memorial Drive (panel replacement project). Under the terms of the agreement entered into in May 2022, the City shall pay \$4,842,000 for the cost of the project and \$484,200 for cost recovery. The full amount of \$4,842,000 was collected in July 2022 and as a result of an amendment to the agreement, the Authority additionally received \$644,000 during January 2023. The Authority incurred costs totaling \$5,234,542 through June 30, 2023. In 2024, the Authority incurred cost of \$63,468 which has been recognized as miscellaneous revenue in the accompanying statements of revenues, expenditures and changes in fund balances and statement of activities. The remaining \$187,990 was recorded as unearned revenue in the accompanying balance sheet and statement of net position.

Harris County

The Authority entered into a joint participation agreement with Harris County (the County). The purpose of the agreement is the perform storm sewer repairs to Wilson's Gully Project. Under the terms of the agreement entered into in February 2023, Harris County agreed to contribute \$700,000 for the cost of the project. In March 2024, the Authority received \$700,000 from the County which has been recognized as miscellaneous revenue in the accompanying statements of revenues, expenditures and changes in fund balances and statement of activities as the Authority has incurred costs in excess of the amount received.

NOTE 5: FUND BALANCE DEFICIT

At the end of the fiscal year, the Authority had a deficit fund balance of \$13,897,417 in the Capital Projects Fund. This deficit is primarily due to the City of Houston municipal service fee for prior years. The Authority uses the capital projects fund for infrastructure improvements in the area.

SUPPLEMENTARY INFORMATION

Uptown Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balances –
All Governmental Funds – Budget and Actual

<i>For the year ended June 30, 2024</i>	Original Budget	Final Budget	Actual	Variance Positive / (Negative)
Budgetary fund balance - beginning of year	\$ 50,053,988	\$ 50,053,988	\$ 31,031,938	\$ (19,022,050)
Revenues				
Tax increments	48,990,800	48,990,800	\$ 47,299,216	1,691,584
Investment earnings	120,000	120,000	2,731,994	(2,611,994)
Other private contributions	2,500,000	2,500,000	20,146	2,479,854
Miscellaneous revenue	-	-	2,451,219	(2,451,219)
Total revenues and budgetary fund balance	101,664,788	101,664,788	83,534,513	18,130,275
Expenditures				
Management and consulting services	708,000	708,000	707,147	853
Project costs and capital expenditures	11,750,975	11,750,975	6,866,712	4,884,263
Zone administration	1,466,680	1,466,680	1,443,564	23,116
Debt service				
Principal payments - bonds	14,375,000	14,375,000	14,375,000	-
Principal payments - notes	-	-	9,673,691	(9,673,691)
Interest and fees - bonds	9,500,344	9,500,344	9,500,344	-
Interest and fees - notes	-	-	475,968	(475,968)
Other debt service charges	-	-	12,654	(12,654)
Developer/Project reimbursements	801,037	801,037	1,001,173	(200,136)
Educational facilities transfer	6,428,542	6,428,542	5,773,577	654,965
Affordable housing transfer	8,000,000	8,000,000	8,750,000	(750,000)
Municipal services charges	4,912,912	4,912,912	5,302,356	(389,444)
Total expenditures	57,943,490	57,943,490	63,882,186	(5,938,696)
Other Financing Sources/Uses				
Proceeds from issuance of notes	3,000,000	3,000,000	13,649,660	10,649,660
Budgetary fund balance - end of year	\$ 46,721,298	\$ 46,721,298	\$ 33,301,987	\$ 13,419,311
Explanation of differences between budgetary inflows and outflows and GAAP revenues				
Actual amounts (budgetary basis)				\$ 83,534,513
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				(31,031,938)
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - total governmental funds				\$ 52,502,575

Uptown Development Authority
Operating Expenditures, Capital Expenditures and
Project Plan Reconciliation
For the year ended June 30, 2024

<i>Category</i>	<i>Vendor</i>	FY24 OPERATING EXPENDITURES		
		<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance Over (Under)</i>
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	AJ Gallagher	75,000	164,410	89,410
Accounting	HCID No. 1	40,000	40,000	-
Auditor	Carr, Riggs & Ingram	18,000	26,335	8,335
COH Municipal Charges Fee		4,912,912	5,302,356	389,444
Bond Trustee	BNYM / PFM Asset Management/Others	-	59,388	59,388
	Moody's Investors	-	2,000	2,000
	Masterson Advisors	-	25,000	25,000
Subtotal		\$ 5,255,912	\$ 5,829,489	\$ 573,577
PROGRAM AND PROJECT CONSULTANTS				
Legal	Allen Boone Humphries	85,000	15,614	(69,386)
Parks Project Management		280,000	164,400	(115,600)
Subtotal		\$ 365,000	\$ 180,014	\$ (184,986)
Total Zone Administration / Operations		\$ 5,620,912	\$ 6,009,503	\$ 388,591
FY24 CAPITAL EXPENDITURES				
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance Over (Under)</i>
Project T1611/1633B: Right of Way				
Construction Costs	Parcel Purchases	\$ 50,000	89,709	
Other Professional Services	Hunton Andrews Kurth		91,982	
Subtotal		\$ 50,000	\$ 181,691	\$ 131,691
Project T1633: Post Oak Boulevard Reconstruction				
Construction Costs	Environmental Design	\$ -	13,800	
Subtotal		\$ -	\$ 13,800	\$ 13,800
Project T1634: West Loop Transit Way				
Subtotal		\$ 3,200,000	\$ -	\$ (3,200,000)
Project T1635: Memorial Park				
Construction Costs	MPC - Ecological Restoration	\$ 1,890,285	500,000	
Construction Costs	MPC - Greenspace Maintenance		1,390,235	
Subtotal		\$ 1,890,285	\$ 1,890,235	\$ (50)
Project T1635A: Memorial Park Connectivity Projects				
Construction	HANC direct payment / Dev Agrmt	\$ 200,000	200,000	
Other Professional Services	Goodman Corporation		4,250	
Other Professional Services	Hunton Andrews Kurth		37,783	
Subtotal		\$ 200,000	\$ 242,033	\$ 42,033
Project T1635A1: San Felipe Trail (COH) Projects				
Subtotal		\$ 175,000	\$ -	\$ (175,000)
Project T1635B: Memorial Park Infrastructure Phase I - Land Bridge Project				
Preliminary Engineering	Berg Oliver	\$ 350,000	9,971	
Construction/ Project Management	Texas Project Administration		93,040	
Other	MPC (Prairie Maintenance)		468,476	
Program Financing	HCID No. 1 Traffic Mobility		200,000	
Subtotal		\$ 350,000	\$ 771,487	\$ 421,487

**Uptown Development Authority
Operating Expenditures, Capital Expenditures and
Project Plan Reconciliation (Continued)
For the year ended June 30, 2024**

<i>Project</i>	<i>Vendor</i>	FY24 CAPITAL EXPENDITURES		
		<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance Over (Under)</i>
Project T1640: Drainage Project		\$ 5,635,690		
Engineering / Planning	Kirst Kosmoski		477	
	Aurora		82,164	
	Hunton AK		17,117	
Construction Costs /Utilities	Harper Brothers		3,232,255	
Project Management	HCID No. 1		356,200	
Subtotal		\$ 5,635,690	\$ 3,688,213	\$ (1,947,477)
Project T1622: Parks		\$ 250,000		
Maintenance / Operation	Williams Tower		213,781	
Program Financing			2,004	
Subtotal		\$ 250,000	\$ 215,785	\$ (34,215)
Project T1699: Concrete Panel Replacement Program		\$ -		
Construction Management	Aurora		54,468	
	Texas Project Administration		9,000	
Subtotal		\$ -	\$ 63,468	\$ 63,468
Total Capital Expenditures		\$ 11,750,975	\$ 7,066,712	\$ (4,684,263)
Project TXXX: Capital Costs Not Programmed/Developer Agreements		\$ 801,037		
Developer Agreements	Rice Partners		160,598	
Developer Agreements	HCID No. 1		640,575	
Subtotal		\$ 801,037	\$ 801,173	\$ 136
Total Capital Expenditures and Developer Agreements		\$ 12,552,012	\$ 7,867,885	\$ (4,684,127)

**Uptown Development Authority
Operating Expenditures, Capital Expenditures and
Project Plan Reconciliation (Continued)
For the year ended June 30, 2024**

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	211,723,531	878,441	212,601,972	(26,601,972)
Public Utilities	94,000,000	14,867,763	3,688,211	18,555,974	75,444,026
Land Acquisition	37,000,000	58,464,930	181,691	58,646,621	(21,646,621)
Cultural and Public Facility Improvements	46,000,000	-	-	-	46,000,000
Memorial Park Improvements	100,000,000	104,528,514	2,903,755	107,432,269	(7,432,269)
Parks	41,000,000	13,728,808	215,785	13,944,593	27,055,407
Subtotal	669,000,000	514,404,571	7,867,883	522,272,454	146,727,546
Education Projects	129,000,000	75,785,282	5,773,577	81,558,859	47,441,141
Affordable Housing	452,000,000	264,917,259	8,750,000	273,667,259	178,332,741
Zone Administration / Operations	15,000,000	7,533,474	707,148	8,240,622	6,759,378
City of Houston Municipal Services	-	39,657,140	5,302,356	44,959,496	(44,959,496)
Total Project Plan	\$ 1,265,000,000	\$ 902,297,726	\$ 28,400,964	\$ 930,698,690	\$ 334,301,310

* Project Plan Amendment in February 2013

** City of Houston Municipal Services Fee 2008 / Reimagined in 2017