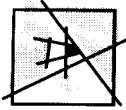


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**MIDTOWN MANAGEMENT DISTRICT
SERVICE AND IMPROVEMENT PLAN
AND ASSESSMENT PLAN FOR
FISCAL YEARS 2005-2014**

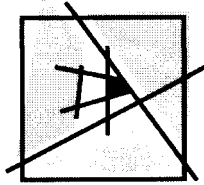
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PREFACE

This document is a Ten-Year Service and Improvement Plan and Assessment Plan (this “Service Plan”), which will be in place for Fiscal Years 2005-2014. It sets forth the Midtown Management District’s (the “District”) vision and mission statement, goals to be achieved, services to be rendered and improvements to be made in support of the outlined goals for the benefit of the residential and commercial property owners within the boundaries of the District. Additionally this Service Plan outlines estimated costs and a proposal for funding the Service Plan that will serve the approximately 725 acres of land that comprise the District. This Service Plan succeeds the original Five-Year Service and Assessment Plan (2000-2004) approved by the Board of Directors on May 3, 2000 (the “Original Plan”).

INTRODUCTION

The District was created in 1999 by the 76th Texas Legislature pursuant to House Bill 2894 with consent from the City of Houston (“City”), and operates pursuant to the authority granted by Chapter 375, Texas Local Government Code, as amended, and Chapter 3809, Special Districts Code (formerly Chapter 376, Subchapter I, Texas Local Government Code, as amended). (Collectively the “Act”)

The Board has adopted the following Mission Statement to guide its efforts as it continues to develop, implement, and refine specific projects.

MIDTOWN MANAGEMENT DISTRICT MISSION STATEMENT

To establish and implement projects and programs to:

- **actively promote and enhance the image of the District while encouraging a sense of community between residents and businesses;**
- **strengthen the urban nature of the District;**
- **provide services and maintain amenities to enhance the quality of life; and**
- **create and maintain a safer environment for residents and business in the District**

in order to maintain the public amenities of this mixed-use urban neighborhood for all property owners and residents.

BACKGROUND

The District began providing services under the Original Plan in February 2001. Midtown is a mixed-use urban area of the City that is undergoing revitalization and redevelopment. Revitalization efforts for the area were begun by the City and the Midtown Redevelopment Authority (the "Authority") in conjunction with Tax Increment Reinvestment Zone Number Two, City of Houston (the "Midtown TIRZ") established by the City. The Authority and the Midtown TIRZ have made progress on a number of fronts including, but not limited to providing funding, seeking alternative sources of funding and providing professional management of capital improvement projects in Midtown. Public right-of-way improvements of the Authority in Midtown include:

- Installation of the signature Midtown Street Lighting Program.
- Upgrades of City and Midtown Redevelopment Authority owned parks and green space.
- Implementation of the signature Midtown Park Bench Program.
- Installation of the signature Midtown Street signs.
- New street construction.

This Service Plan outlines the nature of the services and improvements to be provided and implemented by the District on behalf of the volunteer Board of Directors working in conjunction with an Executive Director, Managing Director, staff, the commercial and residential property owners, service providers, and the public sector in order to develop and carry out programs that will achieve the goals of the District. All programs are approved by the Board of Directors of the District and monitored on an ongoing basis by its Executive Director, Managing Director, District staff, and the Board of Directors.

Now, with a firm foundation, and 5 years of real accomplishments, the District will continue to undertake projects with widespread benefits that are beyond the ability of individual property owners to provide. The District is building on past accomplishments to further serve the constituency and position the District as a great place to live, work, play, learn and invest; because of this belief, the Mission Statement becomes an economic reality as opportunity increases in the District for residential and commercial property owners.

It is the District's plan to continue to levy an assessment on the commercial and residential property owners within its boundaries in order to provide residential and commercial owners alike with professional management of services and improvements as well as enhanced neighborhood quality of life in the following major areas of concern: (i) Marketing and Perception Enhancement; (ii) Urban Planning; (iii) Services and Maintenance and (iv) Public Safety. Additionally the District will have administrative costs associated with the implementation of this Service Plan.

MOVING INTO A NEW DECADE OF OPPORTUNITY

This Service Plan provides the Mission, Goals, and Objectives of the District, the nature of services and improvement projects to be provided by the District, the proposed assessment for these services and improvements, the basis on which assessments will be charged and the estimated costs of services during the life of this Service Plan. The District will continue to provide services as initiated and implemented under the original Plan and will work diligently to expand and develop additional service areas and programs.

TEN YEAR SERVICE AND IMPROVEMENT PLAN

This Service Plan was developed by the Board of Directors of the District which represents a variety of residential and commercial property owners as well as businesses in the District. The following are the major components of the District's Service Plan:

1. Marketing and Perception Enhancement.
2. Urban Planning.
3. Services and Maintenance.
4. Public Safety.
5. District Administration

Each section provides detailed descriptions of the goals, together with objectives and programs consistent with such goals, and estimated costs.

1. MARKETING AND PERCEPTION ENHANCEMENT

Goal:

To provide residents and business owners the opportunity to foster community spirit with events and marketing strategies which bring the public and private sectors together in a partnership that communicates the positive aspects of living and working in Midtown.

Objectives:

- Foster a positive image of Midtown as an outstanding place to live, work, learn, play, shop, dine, relax and transact business.
- Attract events to promote Midtown that create a friendly, exciting urban atmosphere filled with a sense of community spirit that attracts people from outside the District to come and visit.
- Further develop a sense of community in Midtown.
- Encourage use of the Midtown name in event or merchant/business communications or marketing of events taking place in Midtown.
- Encourage greater market penetration by area businesses.
- Attract more urban mixed-use development.
- Attract more retail services that support the needs of the residents of Midtown.

Programs:

- Facilitate open dialog with business leaders, public sector representatives, residents and media.
- Promote area businesses.
- Create and distribute Midtown restaurant and historical guides.
- Collaborate with other entities to promote Midtown.
- Develop profiles of Midtown to distribute to potential new businesses and residential developers interested in relocation to Midtown.
- Establish a media relations program and policy to convey an accurate and consistent message about Midtown.

Estimated Costs:

Year 1: \$54,000

Year 2: \$68,000

Year 3: \$71,000

Year 4: \$75,000

Year 5: \$78,000

Year 6: \$82,000

Year 7: \$86,000

Year 8: \$90,000

Year 9: \$95,000

Year 10: \$100,000

Ten Year total: \$799,000

2. URBAN PLANNING

Goal:

To work with the public and private sectors to enhance the urban nature of Midtown.

Objectives:

- Implement programs to improve the quality of life in the District.
- Develop relationships with stakeholders to enhance the livability of Midtown.
- Encourage pedestrian access to the District's homes, businesses, and public spaces.
- Encourage enhancements that are consistent with the urban character of the District.
- Collaborate with other entities to encourage enhancements that are consistent with the unique urban character of Midtown and take a leadership role in planning for Midtown.

Programs:

- Develop community programs to increase awareness of the District and its benefits.
- Coordinate with the Authority to restore, preserve, and enhance the scenic and aesthetic elements of the District.
- Support the acquisition and development of park land in cooperation with the City and Harris County.
- Encourage the integration of arts into the District.

Estimated Costs:

Year 1: \$40,000	Year 2: \$35,000	Year 3: \$38,000	Year 4: \$40,000
Year 5: \$43,000	Year 6: \$43,000	Year 7: \$45,000	Year 8: \$45,000
Year 9: \$45,000	Year 10: \$45,000		
Ten Year total: \$419,000			

3. SERVICES AND MAINTENANCE

Goal:

To enhance the District's pedestrian nature, viability, and image by providing well-maintained public spaces and right of ways.

Objectives:

- Maximize the level of services provided to the District by governmental entities.
- Maintain public improvements constructed and or installed by the Authority such as street lights, public parks, street signs, and gateways.

Programs:

- Coordinate and manage District maintenance contracts.
- Provide care and maintenance services such as tree pruning, street sweeping, landscaping, and irrigation in the public right of way.
- Maintain public parks in the District.

Estimated Costs:

Year 1: \$100,000	Year 2: \$185,000	Year 3: \$211,000	Year 4: \$245,000
Year 5: \$257,000	Year 6: \$293,000	Year 7: \$315,000	Year 8: \$340,000
Year 9: \$375,000	Year 10: \$401,000		
Ten Year total: \$2,722,000			

4. SECURITY AND PUBLIC SAFETY

Goal:

To continue efforts to deter and/or reduce crime within the District, respecting the civil and human rights of all persons in the District, while making the best use of public and private resources, thereby encouraging residential and commercial activity within the District.

Objectives:

- Maintain a proactive role in supporting and coordinating the security efforts of the many public law enforcement entities with jurisdiction in the District boundaries.
- Provide a comprehensive public safety program that includes multifaceted enforcement.
- Increase the visibility of crime deterrence measures in the District.
- Enhance the District's positive public image as an attractive area, welcoming to all people, in which to live, work, learn, play, shop, dine, relax, and transact business.
- Provide a mechanism for the dissemination of information to promote and improve public awareness and public safety.

Programs:

- Provide a Public Safety Coordinator for the District.
- Provide contract law enforcement and public safety personnel, and some equipment to facilitate proactive enforcement of the law within the District.
- Provide crime prevention, anti-gang and drug awareness programs, and safety seminars for the benefit of the property owners, residents, businesses, and or tenants within the District.
- Monitor criminal activity within the District and provide periodic security briefings for property owners, residents, businesses, tenants and other interested persons.
- Monitor the development of crime deterrence technology and programs in other areas and update the District's programs as needed to provide public safety services that are effective and cost-efficient.

Estimated Costs:

Year 1: \$385,000	Year 2: \$485,000	Year 3: \$496,000	Year 4: \$493,000
Year 5: \$519,000	Year 6: \$525,000	Year 7: \$547,000	Year 8: \$570,000
Year 9: \$585,000	Year 10: \$613,000		
Ten Year total: \$5,218,000			

5. DISTRICT ADMINISTRATION

Goal:

To effectively and efficiently administer the activities of the District and implement the Service Plan under the direction of the Board of Directors.

Objectives:

- Manage District personnel, consultants, and finances to implement District programs in an effective and cost-efficient manner.
- Maximize the level of services provided to the District by governmental entities.
- Coordinate District efforts with the efforts of appropriate public and private interests.
- Develop and seek additional funding mechanisms through the use of grants, sponsorships, and other alternative sources of funding.
- Coordinate District efforts with those of the Authority and the Midtown TIRZ to maximize the services provided to property owners, residents, and businesses.
- Actively seek participation in District activities from all stakeholders in the District, including property owners, residents, and businesses.
- Leverage District funds by seeking funds, goods, and services from other sources to support District programs.

Programs:

- Implement the District's Service Plan and develop an annual budget for the District.
- Maintain and update the District's assessment roll and property owner database to facilitate accurate and timely billing and collection of assessments.
- Make periodic visits and reports to elected and appointed officials of the City, County and other governmental entities on behalf of the District.
- Coordinate with the government agencies operating ongoing programs in Midtown, such as the City, Metro, TxDOT, Harris County and other public entities.

Estimated Costs:

Year 1: \$197,000	Year 2: \$205,000	Year 3: \$210,000	Year 4: \$225,000
Year 5: \$235,000	Year 6: \$245,000	Year 7: \$255,000	Year 8: \$265,000
Year 9: \$ 275,000	Year 10: 285,000		
Ten Year total: \$2,397,000			

PROPOSED ASSESSMENT, REVENUES AND EXPENDITURES

The District will provide funding to the five major project areas as outlined above. These cost estimates and revenue projections are based on current needs and priorities. From year to year priorities may change and this Service Plan provides that the District's Board of Directors will retain the flexibility to adjust the application of resources to meet the changing needs of the area.

Each year the District's Board of Directors will re-evaluate the allocation of resources set forth in this Service Plan, determine the projects to be undertaken that year, and approve a budget for that year.

The following table shows the estimated Assessed Value of all properties in the District that are subject to assessment and the estimated annual revenues.

Year	Estimated Assessed Value¹	Estimated Annual Revenues²
2005	\$788,200,000	\$931,000
2006	\$827,600,000	\$978,000
2007	\$868,900,000	\$1,026,000
2008	\$912,400,000	\$1,078,000
2009	\$958,051,000	\$1,132,000
2010	\$1,005,954,000	\$1,188,000
2011	\$1,056,250,000	\$1,248,000
2012	\$1,109,064,000	\$1,310,000
2013	\$1,164,517,000	\$1,375,000
2014	\$1,222,743,000	\$1,444,000

¹ 2005 Assessed Value is based on certified HCAD values; for subsequent years, assessed value growth is assumed at 5% annually.

² For purposes of this table, the Assessment Rate is held constant at \$.1181, which is the Assessment Rate for 2005.

The following table shows the projected annual expenditures for the services and improvements authorized under this Service Plan.

SERVICE AND IMPROVEMENT	YEAR 1 2005	YEAR 2 2006	YEAR 3 2007	YEAR 4 2008	YEAR 5 2009	YEAR 6 2010	YEAR 7 2011	YEAR 8 2012	YEAR 9 2013	YEAR 10 2014	10-YEAR TOTAL
Marketing & Perception Enhancement	\$54,000	\$68,000	\$71,000	\$75,000	\$78,000	\$82,000	\$86,000	\$90,000	\$95,000	\$100,000	\$799,000
Urban Planning	\$40,000	\$35,000	\$38,000	\$40,000	\$43,000	\$43,000	\$45,000	\$45,000	\$45,000	\$45,000	\$419,000
Services and Maintenance	\$100,000	\$185,000	\$211,000	\$245,000	\$257,000	\$293,000	\$315,000	\$340,000	\$375,000	\$401,000	\$2,722,000
Public Safety	\$385,000	\$485,000	\$496,000	\$493,000	\$519,000	\$525,000	\$547,000	\$570,000	\$585,000	\$613,000	\$5,218,000
Administration	\$197,000	\$205,000	\$210,000	\$225,000	\$235,000	\$245,000	\$255,000	\$265,000	\$275,000	\$285,000	\$2,397,000
Estimated Yearly Total	\$776,000	\$978,000	\$1,026,000	\$1,078,000	\$1,132,000	\$1,188,000	\$1,248,000	\$1,310,000	\$1,375,000	\$1,444,000	\$11,555,000

Assessment:

Upon adoption of this Service Plan, the total assessment for this Service Plan will be levied in Year 1, and then billed in ten annual installments. Annual installments of the Assessment will become due and payable in the same manner as ad valorem taxes in accordance with Chapter 31, Texas Tax Code, as amended. Delinquent payments will be subject to additional charges in accordance with the Texas Tax Code.

The District proposes to have the Board of Directors annually evaluate the need for and advisability of the services and improvement projects authorized under this Service Plan to determine the specific services and projects within the Service Plan that will be undertaken the following year. The Board will then approve a budget for the following year consistent with the yearly plan and set the assessment rate for such year, taking into consideration the value of the property subject to assessment and the revenue that the assessment rate will produce. If assessment revenues, or other sources of funds are not sufficient to cover the estimated annual costs of this Service Plan, the District will adjust the annual budget to reflect this. Similarly, if revenues exceed projections, the Board may allocate those additional revenues to the various program categories.

As this Service Plan is ten years in length, it is probable that the service needs in each of the major categories will change, particularly as District objectives are met. Therefore, this Service Plan allows the Board of Directors the flexibility to apply the assessment revenue to the major categories of services in varying percentages.

Rate of Assessment:

The rate of assessment for the first year of this Service Plan, which will be levied in October 2005 and used to fund projects for 2006, will be \$0.1181 per \$100 of valuation and the assessment will be based on 2005 certified taxable values provided by the Harris County Appraisal District ("HCAD"). In subsequent years, the District will assess property on the basis of the then current year's certified HCAD value. Therefore, an individual property owner's assessment may vary each year. Under this Service Plan, the Board may vary the rate of assessment each year. The Board reserves the right to increase the rate of assessment for the costs of improvement projects; provided that the rate of assessment may not exceed \$0.15 per \$100 of valuation. The Board reserves the right, and intends at this time, to set the assessment rate at a rate lower than the maximum rate that could be set during the ten years of this Service Plan.

The District's approach will be to provide services and improvements on a pay-as-you-go basis with assessments made to fund projects in the following year. If the Board determines that projects are needed which cannot be financed on this basis, a public hearing will be called to determine whether the property owners subject to assessment support the sale of bonds or other debt financing.

Annexation of Property into District:

Any land annexed into the District (which may only be done in accordance with Chapter 375, Texas Local Government Code, as amended) will be added to the District's assessment roll at the

value shown on the rolls of HCAD during the year in which the land is annexed into the District and added to the District's assessment roll.

Exemptions:

Pursuant to the Act, the following types of property are exempt from assessment unless the owner consents:

1. Property of municipalities, counties, other political subdivisions;
2. Property owned by organizations of purely public charity and organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code;
3. Property owned by a church or by a strictly religious society which yields no revenue whatever to such church or religious society and which is used as an actual place of religious worship or as a dwelling place for the ministry of such church or religious society;
4. Property owned by an association engaged in promoting the religious, educational, and physical development of children or young men or young women operating under a state or national organization of like character and used exclusively and necessarily for any such purpose;
5. Recreational or scenic use property that meets the requirements of Chapter 375.163, Texas Local Government Code, as amended.
6. Property owned by a utility; and
7. All other property exempt from assessment by the Act, as the Act may be amended from time to time.

The Board has granted homestead, age 65 or older and disabled exemptions for properties subject to assessment in the past and expects to continue to grant such exemptions during the term of this Service Plan.

CONCLUSION

The successful delivery of the proposed services is anticipated to add value to all properties within the District. Property owners, residents, and tenants will be able to collectively leverage greater resources, resulting in increased levels of service and an enhanced public awareness and image for the District. An improved Midtown benefits property owners and tenants directly and also the Houston metropolitan region at large.

Before the District can implement this Service Plan, it must receive petitions signed by either: twenty-five (25) persons who own land in the District or the owners of a majority of the assessed value of real property in the District. A public hearing will be held following receipt of such

petitions, after which the District's Board of Directors consider approval of this Service Plan and the levy of an assessment.

Attachment: District Boundary Map

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