

**AN ORDINANCE APPROVING AND AUTHORIZING A TAX ABATEMENT AGREEMENT BETWEEN THE CITY OF HOUSTON, TEXAS AND CHEVRON U.S.A. INC. FOR CERTAIN PROPERTY LOCATED WITHIN THE HOUSTON, TEXAS, ENHANCED ENTERPRISE COMMUNITY; GRANTING VARIANCES TO CERTAIN REQUIREMENTS OF CHAPTER 44 OF THE CODE OF ORDINANCES; AND DECLARING AN EMERGENCY.**

\* \* \* \* \*

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:**

**Section 1.** That the City Council hereby approves and authorizes the contract, agreement or other undertaking described in the title of this Ordinance, in substantially the form of the document attached hereto and incorporated herein by this reference. The Mayor is hereby authorized to execute the Agreement described in the title of this Ordinance and all related documents on behalf of the City of Houston and to take all actions necessary to effectuate the City's intent and objectives in approving such contract, agreement, or other undertaking in the event of changed circumstances. The City Secretary is hereby authorized to attest to all such signatures and to affix the seal of the City to all such documents.

**Section 2.** That the City Council hereby approves and authorizes a variance from the terms of Section 44-127(f) of the Code of Ordinances that provides for a two-year construction period, thereby authorizing a ten-year construction period.

**Section 3.** That the City Council hereby approves and authorizes a variance from the terms of Section 44-127(f) of the Code of Ordinances that establishes a sliding scale formula for the abatement of the value of new eligible properties, thereby authorizing an abatement scale of 40% for year one, 50% for year two and 100% for years three through

ten of the Abatement Period.

**Section 4.** That the City Council hereby approves and authorizes a variance from the terms of Section 44-127(e)(8) of the Code of Ordinances that classifies tangible personal property not in conjunction with leased facilities as ineligible for abatement, thereby authorizing the abatement of tangible personal property.

**Section 5.** That the City Attorney is hereby authorized to take all action necessary to enforce all legal obligations under said agreements without further authorization from City Council.

**Section 6.** That the City Council hereby finds that the terms of the Agreement authorized by this Ordinance meets the guidelines and criteria of Chapter 44 of the Code of Ordinances, Houston, Texas; that the property subject to abatement under the Agreement lies within the Houston, Texas, Enhanced Enterprise Community, and within Census Tract No. 1000, Block Group No. 3, a designated State Enterprise Zone under Chapter 2303, Texas Government Code; that the Agreement will result in no substantial potential adverse effect on the provision of City services or the tax base; and that the planned use of the property as an office building to provide engineering, technical, geosciences, computing, marketing, and related administrative services relating to oil and gas exploration and production, will not constitute a hazard to public safety, health or morals.

**Section 7.** That the City Council officially finds, determines, recites, and declares that a sufficient written notice of the date, hour, place, and subject of this meeting of the

City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Tex. Gov't Code Ann. ch. 551 (Vernon Supp. 2004); and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter thereof has been discussed, considered, and formally acted upon. The City Council further ratifies, approves, and confirms such written notice and the contents and posting thereof.

**Section 8.** That there exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

**PASSED AND ADOPTED** this 10<sup>th</sup> day of March, 2004.

**APPROVED** this 10<sup>th</sup> day of March, 2004.



\_\_\_\_\_  
Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is \_\_\_\_\_.

\_\_\_\_\_  
City Secretary

(Prepared by Legal Department Clark Stockton Ford <sup>DFM</sup>)  
(CSL:cs13/1/04) Assistant City Attorney  
(Requested by Robert M. Litke, Director, Department of Planning and Development)  
(L. D. File No. 0610400038001)

U:\TAXABATE\AGREEMENT\Chevron-Texaco\agrord1.wpd

AYE	NO	2004-181
✓		MAYOR WHITE
....	....	COUNCIL MEMBERS
✓		LAWRENCE
✓		GALLOWAY
	ABSENT	GOLDBERG
✓		EDWARDS
✓		WISEMAN
✓		KHAN
✓		HOLM
✓		GARCIA
✓		ALVARADO
	✓	ELLIS
✓		QUAN
✓		SEKULA-GIBBS
✓		GREEN
	ABSENT	BERRY
CAPTION	ADOPTED	

## **TAX ABATEMENT AGREEMENT**

This **TAX ABATEMENT AGREEMENT** (the "Agreement") is made by and between the **CITY OF HOUSTON, TEXAS**, a municipal corporation and home-rule city (the "City"), and **CHEVRON U.S.A. INC.**, a Pennsylvania corporation (the "Company"), qualified to do business in the State of Texas and an owner of interests in real property located within the Zone (defined below).

### **WITNESSETH**

**WHEREAS**, the creation and retention of job opportunities in the City of Houston is paramount to the City's continued economic development; and

**WHEREAS**, the Company desires to renovate, expand and operate an "Other basic industry facility" (as defined in Section 44-121 of the Code of Ordinances, Houston, Texas) that will be used as an office building to provide engineering, technical, geosciences, computing, marketing, and related administrative services relating to oil and gas exploration and production; and

**WHEREAS**, the Company has filed a written request for tax abatement, as amended, dated as of February 24, 2004, in accordance with Section 44-123 of the Code of Ordinances; and

**WHEREAS**, the City has granted Company a variance from Section 44-127(f) of the Code of Ordinances that provides for a two-year construction period, thereby authorizing a ten-year construction period; and

**WHEREAS**, the City has granted Company a variance from Section 44-127(f) of the Code of Ordinances that establishes a sliding scale formula for the abatement of the value of new eligible properties, thereby authorizing an abatement scale of 40% for year one, 50% for year two and 100% for years three through ten of the Abatement Period; and

**WHEREAS**, the City has granted Company a variance from Section 44-127(e)(8) of the Code of Ordinances that classifies tangible personal property not in conjunction with leased facilities as ineligible for abatement, thereby authorizing the abatement of tangible personal property; and

**WHEREAS**, it is reasonably likely that this Agreement will contribute to the retention, expansion and creation of primary employment and will attract major investment in the Zone that would be of benefit to property within the Zone and that would contribute to the economic development of the City; and

**WHEREAS**, City Council finds that the Improvements are practical and are of benefit to the land within the Zone and to the City; and

**WHEREAS**, City Council finds that there will be no substantial potential adverse effect on the provision of City services or on the tax base caused by this Agreement; and

**WHEREAS**, the Company represents that the facility will be designed and constructed to meet all applicable federal, state, and local environmental regulations, and

that the construction and operation of the facility will not result in environmental degradation or hazard; and

**WHEREAS**, City Council finds that the planned use of the Improvements, when constructed and operated in accordance with applicable environmental standards, will not constitute a hazard to public health, safety, or morals; and

**WHEREAS**, City Council finds that the terms of this Agreement meet the applicable requirements of Chapter 44, Article IV, of the Houston Code of Ordinances;

**NOW, THEREFORE**, the parties hereto, for and in consideration of the premises and mutual promises stated herein, agree as follows:

1. **Definitions**

The following capitalized terms shall have the meanings assigned to them below, unless otherwise defined or the context clearly requires otherwise.

"Abatement Period" means the period which commences on the first day of the Effective Date of Abatement and ends ten years thereafter.

"Abated Property" means Improvements to the Real Property and the tangible personal property more fully described in Section 3(b) below and in Exhibit 2.

"City" means the City of Houston, Texas.

"Code of Ordinances" means the Code of Ordinances of the City of Houston, Texas, as amended.

"Company" means Chevron U.S.A. Inc., and, for the purposes of complying with any employment commitments under this Agreement only, any directly affiliated company or

entity of the Company or a directly or indirectly owned subsidiary of ChevronTexaco Corporation, a Delaware Corporation.

"Contract Employee" means a person who is not an employee of the abatement recipient, but who does work for the Company in the Zone on a contract basis, either on a full or part-time basis.

"Department" means the City's Planning and Development Department or its successor.

"Director" means the Director of the Department or the designee thereof.

"Effective Date of Abatement" means the January 1 immediately following the Effective Date of this Agreement as provided in Section 12 of this Agreement.

"HCAD" means the Harris County Appraisal District.

"Improvements" mean the improvements to the Real Property, including the fixed machinery and equipment to be installed thereon, and the tangible personal property comprising the Abated Property, more fully described in Exhibit 2 to this Agreement and in Section 5 below.

"Ordinance" means City of Houston Ordinance No. 95-1370, which created the Zone.

"Permanent Employee" means a person who works for, and is an employee of, the Company and who works a minimum of thirty-five (35) hours in a seven-day period, and reports to work in the Zone, excluding any contract employee, seasonal employee, or part-time employee.



"Prime Rate" means the prime commercial lending rate for JP Morgan Chase Bank of Texas, National Association, or any successor to its commercial banking activities.

"Project" means the facility to be used by the Company on the Real Property as more fully described in Section 5(c) below.

"Real Property" means the real property to be improved, as more fully described in Section 3(a) below and in Exhibit 1.

"Tax Code" means the Texas Tax Code, as amended.

"Zone" means the Houston, Texas, Enhanced Enterprise Community, as designated by the United States Department of Housing and Urban Development pursuant to Title XIII, Subchapter C, Part I of the Omnibus Budget Reconciliation Act of 1993, and the regulations promulgated thereunder.

## **2. Authorization**

This Agreement is authorized by Chapter 44, Article IV, of the Houston Code of Ordinances, which established the property tax abatement program for properties in designated reinvestment zones, and by the Ordinance.

## **3. Property**

(a) The taxable Real Property to be improved under this Agreement is located at 1500 Louisiana in Houston, Harris County, Texas described more fully in Exhibit 1 attached hereto and made a part hereof for all purposes. The Improvements to be located on the Real Property are described more fully in Exhibit 2 attached hereto and made a part hereof for all purposes.

(b) The Abated Property consists of the Improvements to the Real Property, all items of fixed machinery and equipment installed by the Company on the Real Property, and the tangible personal property used on the Real Property and replacements thereof used during the Construction Period (defined below) all substantially in compliance with and to the extent as described in Exhibit 2.

(c) The HCAD tax account number associated with the Real Property is:

0060030000030

(d) The HCAD tax account number for the Abated Property constituting the Project shall be assigned by HCAD and listed in the Company's name under the following heading:

Abated Property: 000-000-000-0000

#### 4. **Representations and Warranties by the Company**

(a) The Company represents that it owns the Real Property, and that the Real Property is located within the boundaries of the Zone. The Company represents that it is authorized to execute this Agreement and to complete the Improvements described in Section 5 hereof and in Exhibit 2 attached hereto. The Company represents and warrants that construction of the Improvements described in Exhibit 2 will begin on or about the second quarter of 2004, and that construction of the Improvements will not have been completed as of the effective date of this Agreement. The Company represents and warrants that construction of the Improvements shall be done according to the budget listed in Exhibit 2, all for the purpose of an office building that will be used for engineering,

technical geosciences, computing, marketing, and related administrative services relating to oil and gas exploration and production. The Company represents that the Real Property comprises approximately 64,719 square feet of land.

(b) The Company represents that no interest in the Real Property or the Improvements is held or leased by a member of the City Council or a member of the City's Planning Commission.

(c) The Company represents and warrants that it will invest at least \$45,000,000 in Improvements pertaining to real property (including the fixed machinery and equipment installed thereon) and at least \$19,000,000 in Improvements pertaining to tangible personal property by January 1, 2006, and the Company represents that the value of the Abated Property is reasonably expected based on current circumstances to increase from the value on January 1, 2004, by at least \$64,000,000 by January 1, 2006.

(d) The Company represents and warrants that it will (i) retain at least 2,350 Permanent Employees and at least 850 Contract Employees or Permanent Employees in the City to work at the Project beginning not later than January 1, 2006, and continuing through the term of this Agreement, and (ii) create employment for an additional 500 Permanent Employees to work at the Project, beginning not later than January 1, 2007, and continuing through the term of this Agreement, excluding any jobs/positions transferred from its existing Houston-area facilities.

(e) The Company represents and warrants that the Improvements are for the purpose of Company's consolidation of regional business activities at the existing facility

and will not solely or primarily have the purpose of transferring employment from one part of the City of Houston to another.

(f) The Company represents that the Improvements are necessary because the existing facility does not have sufficient capacity when reasonable allowance is made for necessary improvements.

(g) The Company represents and warrants that it will construct and operate (or cause to be constructed and operated) the Project described in Exhibit 3 attached hereto and incorporated herein by this reference.

(h) The Company represents and warrants that the facility will be designed, constructed and operated in accordance with all applicable federal, state, and local environmental regulations, and that the construction and operation of the Project will not cause environmental degradation or hazard to the Real Property or the environs of the City of Houston.

(i) The Company represents and warrants that no part of the Project is financed by tax increment bonds.

## **5. Terms of the Agreement**

(a) The Company shall make the Improvements substantially in conformity with the description in Exhibit 2.

(b) The Improvements shall be completed in accordance with the provisions of Exhibit 2 and the City of Houston Building Code. In case of any conflict, the Building Code

shall prevail. In addition, the Company shall comply with Chapter 42 of the Houston Code of Ordinances, if applicable.

(c) Upon completion of the Improvements, the Company shall use the Improvements for the use specified in this paragraph during the Abatement Period specified in Section 6 hereof. However, the Director may approve a change from the proposed use in writing, if the Director determines that the change is consistent with Chapter 44 of the Code of Ordinances and with the City's general purpose of encouraging development or redevelopment of the Zone during the Abatement Period specified in Section 6 hereof. The proposed use of the Improvements (unless and until the Director approves a change in use) is as an office building that will be used for engineering, technical, geosciences, computing, marketing, and related administrative services relating to oil and gas exploration and production.

(d) The Company shall maintain the Improvements in good repair and condition during the Abatement Period specified in Section 6 hereof.

(e) The Company shall allow the City's employees access to the Real Property for the purpose of inspecting the Improvements to ensure that the Improvements were completed and maintained in accordance with the terms of this Agreement. All inspections will be made only after giving the Company notice at least twenty-four (24) hours in advance thereof, and will be conducted in such manner as to not unreasonably interfere with the construction and/or operation of the Project. All inspections will be made with one (1) or more representatives of the Company and in accordance with the Company's safety

and security standards. The above shall not act as a limitation on the City's ability to perform any inspections or enter the affected property pursuant to the Code of Ordinances, the Building Code or otherwise.

(f) The Company shall provide the City's employees access to all records requested and necessary for the purpose of conducting an audit of the Project to ensure compliance with this Agreement. Any such audit, which is limited to a review of all documents relating to verification of Company's representations and warranties for the Project, shall be made only after giving the Company notice at least seven (7) days in advance thereof, and will be conducted in such a manner as to not unreasonably interfere with the operation of the Project.

(g) The Company shall not assign this Agreement without the written approval of the City Council, which approval shall not be unreasonably withheld. In addition, any such assignment must comply with the provisions of Section 44-137 of the Houston Code of Ordinances.

(h) Not later than February 1st of each year during the Abatement Period, the Company shall submit to the Director and the Chief Appraiser of HCAD an employee count for the Company's employees within the Zone that work at the Project. The employee count submitted shall correspond to the employment count reported in the Company's "Employer's Quarterly Report" to the Texas Workforce Commission. The employee count submitted by the Company shall be used to determine abatement eligibility for that year and be subject to audit, pursuant to the provisions of Section 44-128 of the Code of

Ordinances. The Company, if requested by the Director, shall have an independent audit prepared of the employment\employee count documentation and shall submit the audit to the Director for use in complying with the requirements of this section. The Director shall certify to the Chief Appraiser of HCAD whether the Company is in compliance with the employment requirements of this Agreement.

(i) This Agreement may be amended at any time upon the mutual written consent of all parties hereto, subject to approval by the City Council.

(j) The Company shall annually file with HCAD the form 11.28 to qualify for abatement under this Agreement. In addition, the Company shall annually render with HCAD the value of all personal property located at the Project during the Abatement Period.

## **6. Tax Abatement**

(a) Abatement on the Improvements specifically listed in Exhibit 2 shall be permitted only for the value of new "eligible property" and of tangible personal property(including replacements thereof) constructed or added after the Effective Date of this Agreement as provided in Section 44-127(b) and (d) of the Code of Ordinances, subject to the limitations stated in subsection 5 above. Abatement shall not be permitted for the value of eligible new Improvements over \$90,000,000. In addition, this exemption from taxation is specifically subject to the rights of the holders of outstanding bonds of the City. This abatement shall be granted effective on the Effective Date of Abatement. The portion of the value of new eligible Improvements and of new tangible personal property

subject to the abatement shall be determined in accordance with the following schedule for a period of ten (10) years from the Effective Date of Abatement (the "Abatement Period"):

Year One (40%)  
Year Two (50%)  
Years Three through Ten (100%) (years 1-10 are the "Construction Period")

As provided herein, the Construction Period shall begin on the Effective Date of Abatement and shall continue through the end of the Abatement Period, but in no case shall the Abatement Period, inclusive of the construction period, exceed ten (10) years from the Effective Date of Abatement.

(b) From the Effective Date of Abatement to the end of the Abatement Period, taxes shall be payable as follows:

- (1) The value of ineligible property as defined in Section 44-127(e) of the Code of Ordinances, except for tangible personal property listed in Exhibit 2 shall be fully taxable to the extent provided under applicable law;
- (2) The base year value of eligible property and all property except for the value, up to \$90,000,000, of the Abated Property, as defined in Section 44-121 of the City of Houston Code of Ordinances, shall be fully taxable;
- (3) The additional value of the Improvements constructed or installed after the Effective Date of this Agreement, as determined each year, shall be taxable in accordance with Section 6(a) of this Agreement.



- (4) Any equipment or machinery, described in Exhibit 2 and installed in the Real Property pursuant to this Agreement, that is removed from the Real Property for longer than a temporary repair period shall be fully taxable.
- (c) The City shall enter into only one tax abatement agreement for the Project described in this Agreement during the existence of the Zone.

7. **Default and Recapture**

(a) This Agreement shall terminate in the event that the use and operation of the Improvements for the purpose specified in Section 5(c) above is discontinued, for any reason excepting fire, explosion, other casualty or accident, or natural disaster, continuously for a period in excess of twelve (12) months during the Abatement Period. The Company shall not be entitled to the abatement of taxes for any twelve (12) month period during which the Improvements are not used for the operation of the Project within the Zone. The taxes abated during that twelve (12) month period shall become immediately due and payable, and paid by the Company to the City within sixty (60) days from the date of termination of this Agreement.

(b) The Company shall be in default hereof in the event that:

- (1) the Company allows ad valorem taxes owed the City to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest; or
- (2) the Company has made any material representation which is determined to be false or misleading in any respect; or
- (3) the Company fails to timely file its annual rendition or its annual application for tax abatement (the "form 11.28") with HCAD during the Abatement Period (taking into account any extensions of applicable

time periods for such filings granted in accordance with the Tax Code) or makes a materially false statement in either; or

- (4) the Company is in breach of any material warranty and fails to cure within 60 days from the date notice is provided thereof as described below (the Cure Period); or
- (5) the Company violates any of the terms and conditions of this Agreement and fails to cure during the Cure Period; or
- (6) the use and operation of the Improvements for the purpose specified in Section 5(c) above is discontinued, for any reason excepting fire, explosion, other casualty or accident, or natural disaster, continuously for a period in excess of twelve (12) months during the Abatement Period.

(c) In the event of default by the Company, the Company shall notify the City within (sixty) 60 days of such default of the terms and conditions of this Agreement.

(d) Should the City determine that the Company is in default according to the terms and conditions of this Agreement, the City shall notify the Company in writing by U.S. Mail, certified, return receipt requested, at the addresses stated in this Agreement, and if such default is not cured during the Cure Period, then this Agreement may be terminated as to all parties and all taxes previously abated by virtue of this Agreement shall be recaptured in accordance with Section 44-135 (b) of the Code of Ordinances and paid by the Company to the City within sixty (60) days of the termination.

(e) In the event the Company vacates the Real Property or abandons and discontinues the use of the Improvements beyond the 12-month period set forth in Section 7(a) above (and other than for the reasons set forth in Section 7(a)), then this Agreement may be terminated as to all parties and all taxes abated during the preceding calendar year

on the Improvements shall be recaptured, and shall be paid by the Company to the City within 60 days of the termination of this Agreement.

(f) Notwithstanding the foregoing provisions, the Company and the City, pursuant to the provisions of section 44-135(d) of the Code of Ordinances, may amend this Agreement, in lieu of termination, for the purpose of maintaining the goal of development or redevelopment of Zone. The Director is authorized to terminate the Agreement and pursue recapture of all or a portion of the abated taxes if the parties fail to agree to proposed revisions and amendments to the Agreement.

(g) The Company shall pay the City interest at a varying rate per annum, which shall from day to day be equal to the Prime Rate, on any amount of previously abated taxes that are due to be recaptured under Section 7(a), (d), (e), or (f) of this Agreement. Each change in the rate of interest charged hereunder shall become effective, without notice to Company, on the effective date of each change in the Prime Rate. Interest for each year's abated taxes to be recaptured pursuant to Section 7(a), (d), (e), or (f) of this Agreement shall be calculated beginning from the February 1<sup>st</sup> of the succeeding year. Interest shall be calculated on the basis of a year of 360 days and the actual days elapsed (including the first day but excluding the last day) occurring in the period for which such interest is payable, unless such calculation would result in a usurious rate, in which case interest shall be calculated on the per annum basis of a year of 365 or 366 days, as applicable, and the actual days elapsed (including the first day but excluding the last day).

8. **Administration**

(a) The chief appraiser of HCAD shall annually determine the assessed value of the Improvements listed in Exhibit 2 hereof. Each year, the Company shall furnish the City with such information as may be necessary for calculating the amount of abatement. Once the value of the Improvements has been established and the amount of the abatement calculated, the chief appraiser of HCAD shall notify the jurisdictions that levy taxes of the amount of assessment.

(b) Upon completion of construction of the Improvements, the Director shall annually evaluate the Project receiving abatement to ensure compliance with this Agreement and prepare a report of any violations of this Agreement.

9. **Compliance with State and Local Regulations**

Except as specifically provided herein, nothing in this Agreement shall be construed to alter or affect the obligation of the Company to comply with any ordinance, rule or regulation of the City, or the laws and regulations of the State of Texas and the United States.

10. **Merger**

The parties agree that this Agreement contains all of the terms and conditions of the understanding of the parties relating to the subject matter hereof. All prior negotiations, discussions, correspondence and preliminary understandings between the parties and others relating hereto are superseded by this Agreement.

**11. Notice**

All notices shall be in writing and unless hand delivered, shall be sent by U. S. Mail certified, return receipt requested. If mailed, any notice or communication shall be deemed to be received three (3) days after the date of deposit in the United States Mail. Unless otherwise provided in this Agreement, all notices shall be delivered to the following address:

**To the Company:**

Chevron U.S.A. Inc.  
Attn: President  
6001 Bollinger Canyon Rd.  
San Ramon, Ca 94583-2324

**With Copy to:**

ChevronTexaco  
Business and Real Estate  
Services, A division of Chevron  
U.S.A. Inc  
Attn: Regional Manager  
1111 Bagby Street, Room 4640  
Houston, Texas 77002

**To the City:**

**If mailed:**

Director, Planning and Development Department  
City of Houston  
P.O. Box 1562  
Houston, Texas 77251

**If personally delivered:**

Director, Planning and Development Department  
City of Houston

611 Walker, 6th Floor  
Houston, Texas 77002

Each party may designate a different address by giving the other party written notice ten (10) days in advance of such designation.

**12. Effective date**

The effective date of this Agreement ("Effective Date") is the later of the date the Agreement is countersigned by the City Controller and the date the Company becomes the owner of the Real Property. This Agreement has been executed by the parties in multiple originals, each having full force and effect.

[Execution Page Follows]

**CHEVRON U.S.A Inc.**  
**(a Pennsylvania corporation)**

By: \_\_\_\_\_  
Name:  
Title:

**ATTEST:**

By: \_\_\_\_\_  
Name:  
Title:

**CITY OF HOUSTON, TEXAS**

\_\_\_\_\_  
Mayor

**ATTEST:**

\_\_\_\_\_  
City Secretary

**COUNTERSIGNED:**

\_\_\_\_\_  
City Controller

**DATE COUNTERSIGNED:** \_\_\_\_\_

**APPROVED:**

\_\_\_\_\_  
Director, Department of Planning  
and Development

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Assistant City Attorney  
L.D. File No. 0610400038001

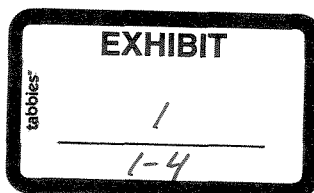
U:\TAXABATE\AGREEMEN\Chevron-Texaco\agr3.wpd

PARCEL 1, TRACT 1  
METES AND BOUNDS DESCRIPTION  
62,500 SQUARE FEET OUT OF  
OBEDIENCE SMITH SURVEY, ABSTRACT - 696  
HOUSTON, HARRIS COUNTY, TEXAS

All that certain 62,500 square feet, a portion being out of Block 10 Seneschel Addition according to the plat thereof filed in Volume M, Page 475 Harris County Deed Records and out of the Obedience Smith Survey, Abstract – 696, Houston, Harris County, Texas and being that same Tract 1 as described in that certain deed dated September 9, 1999 from Brazos Office Holdings II, L.P. to Smith Street Land Company as filed in the Official Record of Real Property of Harris County at Clerk's File Number T-957805 Film Code Number 527-97-0459 and being more particularly described by metes and bounds as follows with all bearings being generated from the Texas State Plane Coordinate System, South Central Zone with distances expressed in surface feet;

Commencing at City of Houston Engineering Department Reference Rod Number 40 being a point (a 3/4" steel rod was previously located at this point but has been destroyed by road construction) marking the intersection of the City of Houston Engineering Department Reference Line for Louisiana Street and the City of Houston Engineering Department Reference Line for Polk Avenue; said point being City of Houston Survey Marker Number 5357-1608-D; Thence S 32° 51' 57" W – 950.03' (called 950.00) with the said City of Houston Engineering Department Reference Line for Louisiana Street to a point for corner; Thence N 57° 08' 03" W – 40.00' to a set "X" in granite marking the POINT OF BEGINNING of herein described tract and marking the south corner of said Smith Street Land Company tract;

1. Thence N 57° 08' 03" W – 250.00' with the northerly line of that certain tract described in a deed dated January 22, 1940 from Houston Independent School District to Houston Young Mens Christian Association filed in Volume 1152, Page 246 Harris County Deed Records to a set "X" in granite for corner;
2. Thence N 32° 51' 57" E – 250.00' with the easterly right-of-way line of Smith Street (80' wide) to a set "X" in granite for corner and marking the intersection of the easterly right-of-way line of Smith Street and the southerly right-of-way line of Bell Avenue (80' wide);
3. Thence S 57° 08' 03" E – 250.00' with the southerly right-of-way line of said Bell Avenue to a set "X" in granite for corner and marking the intersection of the southerly right-of-way line of said Bell Avenue and the westerly right-of-way line of Louisiana Street (80' wide);





4. Thence S 32° 51' 57" W – 250.00' with the westerly right-of-way line of said Louisiana Street to the POINT OF BEGINNING and containing 62,500 square feet (1.4348 acres) of land more or less.

This metes and bounds description is accompanied by a separate plat, drawing or exhibit per Texas Board of Professional Land Surveyor's "General Rules of Procedures and Practices" Section 663.19(9).

Compiled by:

C.L. Davis & Company

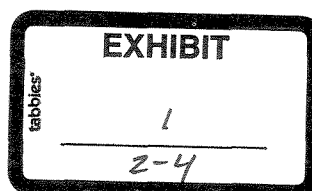
Job Number: 15-30-62500 sq. ft.

5/31/2002

Revised 07/03/2002



A handwritten signature in black ink, appearing to be "C.L. Davis", written over a horizontal line.



PARCEL 1, TRACT 2  
METES AND BOUNDS DESCRIPTION  
2,219 SQUARE FEET OUT OF  
LOUISIANA STREET AND BELL AVENUE  
RIGHT-OF-WAY AND OUT OF THE  
OBEDIENCE SMITH SURVEY, ABSTRACT - 696  
HOUSTON, HARRIS COUNTY, TEXAS

All that certain 2,219 square feet out of Louisiana Street and Bell Avenue right-of-way and out of the Obedience Smith Survey, Abstract – 696, Houston, Harris County, Texas and being that same Tract 1A as described in that certain deed dated September 9, 1999 from Brazos Office Holdings II, L.P. to Smith Street Land Company as filed in the Official Record of Real Property of Harris County at Clerk's File Number T-957805 Film Code Number 527-97-0459 and being more particularly described by metes and bounds as follows with all bearings being generated from the Texas State Plane Coordinate System, South Central Zone with distances expressed in surface feet;

Commencing at City of Houston Engineering Department Reference Rod Number 40 being a point (a 3/4" steel rod was previously located at this point but has been destroyed by road construction) marking the intersection of the City of Houston Engineering Department Reference Line for Louisiana Street and the City of Houston Engineering Department Reference Line for Polk Avenue; said point being City of Houston Survey Marker Number 5357-1608-D; Thence S 32° 51' 57" W – 950.03' (called 950.00) with the said City of Houston Engineering Department Reference Line for Louisiana Street to a point for corner; Thence N 57° 08' 03" W – 36.20' to a set "X" in concrete marking the POINT OF BEGINNING of herein described tract;

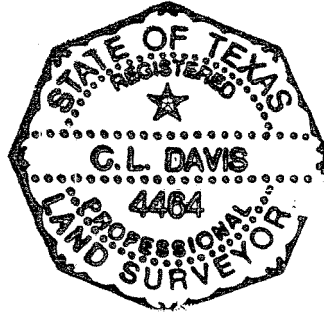
1. Thence N 32° 51' 57" E – 255.00' to a set "X" in granite for corner;
2. Thence N 57° 08' 03" W – 253.80' to a set "X" in granite for corner;
3. Thence S 32° 51' 57" W – 5.00' to a set "X" in granite and marking the north corner of that certain Tract 1 described in a deed dated September 9, 1999 from Brazos Office Holding II, L.P. to Smith Street Land Company as filed in the Official Records of Real Property of Harris County Clerk's File Number T-957805, Film Code Number 527-97-0459 and marking the intersection of the southerly right-of-way line of Bell Avenue (80' wide) and the easterly right-of-way line of Smith Street (80' wide);
4. Thence S 57° 08' 03" E – 250.00' with the southerly right-of-way line of said Bell Avenue to a set "X" in granite and marking the intersection of the southerly right-of-way line of said Bell Avenue and the westerly right-of-way line of Louisiana Street (80' wide);
5. Thence S 32° 51' 57" W – 250.00' with the westerly right-of-way line of said Louisiana Street to a set "X" in granite marking the south corner of said Smith Street Land Company tract;



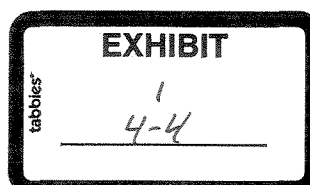
6. Thence S 57° 08' 03" E – 3.80' to the POINT OF BEGINNING and containing 2,219 square feet of land more or less.

This metes and bounds description is accompanied by a separate plat, drawing or exhibit per Texas Board of Professional Land Surveyor's "General Rules of Procedures and Practices" Section 663.19(9).

Compiled by:  
C.L. Davis & Company  
Job Number: 15-30-2219 sq. ft.  
5/31/2002  
Revised 07/03/2002



A handwritten signature in black ink, appearing to be "C.L. Davis", written over a horizontal line.



## 1500 Louisiana – Chevron USA Inc.

	<u>Range of Spend</u>	
Furniture	\$14,649,000	\$14,649,000
	\$	
IT Equipment/Costs	2,278,500	\$ 28,278,500
Security Equipment	\$ 2,667,500	\$ 2,667,500
<b>Total Furniture/Equipment</b>	<b>\$19,595,000</b>	<b>\$45,595,000</b>
<b>Total Tenant Improvements</b>	<b>\$27,660,000</b>	<b>\$27,660,000</b>
<b>Total Architectural/Engineering</b>	<b>\$3,766,000</b>	<b>\$3,766,000</b>
<b>Facility Infrastructure Upgrades</b>	<b>\$13,000,000</b>	<b>\$13,000,000</b>
<b>Total Improvements</b>	<b>\$44,426,000</b>	<b>\$44,426,000</b>
<b>Total Improvements/ Furniture/Equipment</b>	<b>\$64,021,000</b>	<b>\$90,021,000</b>

**EXHIBIT**

tabbles

Exhibit 2

# City of Houston Tax Abatement Program

## Project Summary and Economic Analysis

February 25, 2004

**Type of project:** Economic Development Tax Abatement

**Company Name:** Chevron U.S.A. Inc.  
6001 Bollinger Canyon Rd.  
San Ramon, CA 94583

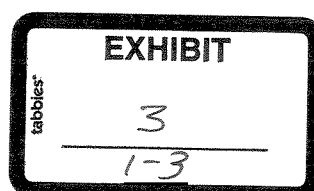
**Project Location:** 1500 Louisiana  
Houston, TX 77002 (Key Map 493Q)  
Council District I, CM Alvarado  
1.5 acres, HCAD 006-003-000-0030  
2003 HCAD Base Value \$79,363,800

### PROJECT SUMMARY

**Business Profile:** Chevron U.S.A. Inc. is a partially owned subsidiary of the ChevronTexaco Corporation which has its headquarters in San Ramon, California and is one of the world's largest and most competitive global energy companies. In 2001, ChevronTexaco has sales and operating revenue of \$98.7 billion with Chevron U.S.A. Inc. comprising \$66.9 billion of this total. The ChevronTexaco Corporation resulted from the recent merger of Chevron Corporation and Texaco Corporation; both have had a long historical presence in the Houston area. Chevron U.S.A. Inc. offers services related to the exploration and production of oil and gas in the U.S. and globally. ChevronTexaco affiliated companies presently employ approximately 4,700 persons (3,850-employees, and 850-contractors) in Harris County, and have an annual payroll of \$507.2 million.

**Development Plan:** Chevron U.S.A. Inc. proposes to purchase an existing 40-story office building of 1.2 million square feet, located at 1500 Louisiana St., an adjacent 1,100 space parking garage located at 1415 Smith, and a full city block located at 1505 Louisiana that currently has an 12,000 square foot structure on the site.

The applicant plans to invest at least \$45 million to provide interior finish real property improvements that were not provided in the initial building construction. The building, when completed, will provide Class A office space for technical, administrative and executive personnel. In addition, the applicant will invest approximately \$19 million in tangible personal property improvements consisting of furniture, fixtures, and equipment (e.g., computers and office furniture). These improvements will enable the consolidation of a number of facilities, with 3,700 employees in the new building, including 500 new employees by May 31, 2006. This employment will result from a combination of employees relocating from San Ramon, California, Midland, New Orleans, and through new hiring.



**Variance Requests:** Chevron U.S.A. Inc. is requesting three variances pursuant to Section 44-125 of the City of Houston Code of Ordinances.

1. A variance from Section 44-127(f) to provide a ten year abatement scale of 89% for ad valorem taxes on real improvements to the existing building and new tangible personal property, consisting of office furniture, fixtures and equipment.
2. A variance from Section 44-127(f) to extend the two year construction period for completion to the entire 10-year term of the abatement period to enable the abatement of new tangible personal property and any replacements to such equipment, and,
3. A variance from Section 44-127(e)(8) to allow for the abatement of tangible personal property when not in conjunction with a leased facility. Chevron USA, Inc., will be the owner-occupant of the building.

**Competitive Siting:**

In making a decision to locate at this central business district location, during a 2-year analysis, Chevron U.S.A. Inc. researched various relocation options, including numerous locations, building type alternatives, and the economics and cost ramifications for non-Houston and non-Harris County locations. ChevronTexaco recently relocated its world headquarters from San Francisco's Central Business District (CBD), where it had been located since 1878, to a suburban campus in San Ramon, California. ChevronTexaco's chemical joint venture with Phillips, ChevronPhillips, recently relocated out of Houston's CBD to a suburban mid-rise building in The Woodlands.

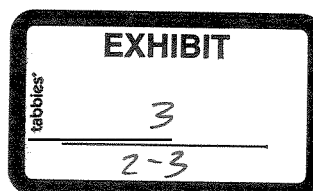
**Proposed Tax Abatement Schedule on the new project:**

Duration - Ten years, beginning January 1, 2005 and ending on December 31, 2014.  
Amount abated - 40% (yr. 1), 50% (yr. 2), 100% (yrs. 3-10); Average of 89%.

**ECONOMIC BENEFIT/ IMPACT ANALYSIS**

**JOBS:**

- Will create 500 new full-time jobs in Houston by May 31, 2006. Plans to retain 4,700 employees (3,850 employees, and 850 contractors) currently located in Houston, and Bellaire, Texas. Approximately 3,700 employees will be housed at the 1500 Louisiana location.



**FISCAL IMPACT:**

- Current Property Tax Revenues (Based on 2003 HCAD value of \$79.3 million for the land and building) = \$519,833 annually.
- **The City's average annual revenue (property tax and sales tax) during the abatement period goes up by \$311,602.**
  - Estimated City Sales Tax Revenues generated by total Retained & New Employment (4,700-retained jobs & 500-new jobs) during the abatement period = \$3,000,400.<sup>1</sup>
- After the abatement period, the Average Annual City Property Tax & Sales Tax revenues go up by \$665,794 over current City Tax revenues generated by the project's Base Value.
- Average Annual Taxes (Real & Personal) abated during the 10-year Abatement term = \$354,192.

**REGIONAL MULTIPLIER ANALYSIS:<sup>2</sup>**

- By creating 500 full-time jobs, 714 indirect jobs will be created. The annual economic impact for the Houston region is estimated to be \$339.2 million.

<sup>1</sup>

Sales Tax Multiplier calculated using State Comptrollers Office methodology as follows: Chevron USA, Inc., and affiliated companies, annual 2003 payroll of \$507.2 million per job, adjusted for estimated 71% taxable personal retail sales consumption, less U.S. annual average savings rate of 4%, less 25% reduction for estimated non-City Sales, then applying a 1% City sales tax rate to estimate the City sales taxes generated per employee.

<sup>2</sup>

Based on Economic and Statistic Administration's Regional Input-Output Modeling System, U.S. Department of Commerce.

