

City of Houston, Texas, Ordinance No. 2013- 710

**AN ORDINANCE APPROVING AND AUTHORIZING A TAX ABATEMENT AGREEMENT BETWEEN THE CITY OF HOUSTON, TEXAS, AND CHEVRON U.S.A. INC. FOR PROPERTY LOCATED WITHIN THE CHEVRON U.S.A. INC. REINVESTMENT ZONE; GRANTING A VARIANCE TO CERTAIN REQUIREMENTS OF CHAPTER 44 OF THE CODE OF ORDINANCES; CONTAINING FINDINGS AND OTHER PROVISIONS RELATED TO THE SUBJECT; 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 ("Agreement") 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 the Agreement 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 a variance as provided by Section 44-125 of the Code of Ordinances, allowing the positions making up Chevron's job commitment in the Chevron U.S.A. Inc. Reinvestment Zone to be located, as necessary, in Chevron's sites adjacent to the Chevron U.S.A. Inc. Reinvestment Zone.

**Section 3.** That the City Council hereby finds that the terms of the Agreement authorized by this Ordinance meet the guidelines and criteria of Chapter 44 of the Code of Ordinances, Houston, Texas relating to tax abatement; that the property subject to abatement under the Agreement authorized by this Ordinance lies within the Chevron U.S.A. Inc. Reinvestment Zone, a designated reinvestment zone authorized by Chapter 312 of the Texas Tax Code and Section 44-122 of the Code of Ordinances, Houston, Texas; that this 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 a residential facility to serve as multi-family housing accommodations for residential tenants will not constitute a hazard to public safety, health or morals.

**Section 4.** That the City Attorney is hereby authorized to take all actions necessary to enforce all legal obligations under such contracts, agreements, or other undertakings without further authorization from the City Council.

**Section 5.** 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,

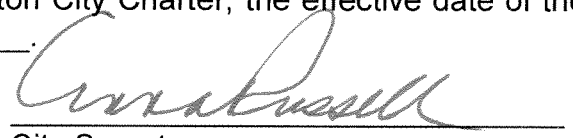
this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

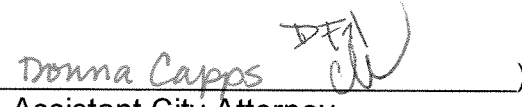
**PASSED AND ADOPTED** this 7<sup>th</sup> day of August, 2013.

**APPROVED** this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

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

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is AUG 13 2013.

  
City Secretary

(Prepared by Legal Department  )  
(DRC:drc July 31, 2013) Assistant City Attorney  
(Requested by Andy Icken, Chief Development Officer, Office of the Mayor)  
(L. D. File No. 0421300038001)  
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AYE	NO	
✓		MAYOR PARKER
• • • •	• • • •	COUNCIL MEMBERS
✓		BROWN
✓		DAVIS
✓		COHEN
✓		ADAMS
✓		MARTIN
✓		HOANG
ABSENT-ON PERSONAL BUSINESS		PENNINGTON
✓		GONZALEZ
✓		RODRIGUEZ
✓		LASTER
✓		GREEN
✓		COSTELLO
✓		BURKS
✓		NORIEGA
✓		BRADFORD
✓		CHRISTIE
CAPTION	ADOPTED	

## **TAX ABATEMENT AGREEMENT**

This **TAX ABATEMENT AGREEMENT** ("Agreement") is made by and between the **CITY OF HOUSTON, TEXAS**, a municipal corporation and home-rule city ("City"), and **CHEVRON U.S.A. INC.**, a Pennsylvania corporation authorized to transact business in the State of Texas ("Owner"). The City and the Owner may be referred to singularly as "Party" and collectively as the "Parties." Capitalized terms have the meanings defined in the first section of this Agreement. This Agreement shall be effective as of the date of the City Controller's countersignature hereto ("Effective Date").

### **RECITALS**

**WHEREAS**, the encouragement of new and existing development and investment in the City is paramount to the City's continued economic development; and

**WHEREAS**, in accordance with the requirements of Section 44-127(a)-(c) of the Code, as defined below, the Owner desires to design, develop, construct, and operate an "other basic industry facility" as defined in Section 44-121 of the Code to be occupied and used by the Owner and its affiliates as an expansion of its existing regional offices to provide engineering, technical, geosciences, information technology, marketing, and ancillary administrative services related to oil and gas production ("the Project"); and

**WHEREAS**, in accordance with Section 44-123 of the Code, the Owner filed a written application for tax abatement dated January 31, 2013 and, as of that date, has not commenced construction, alteration, or installation of improvements at the Project; and

**WHEREAS**, the Owner also filed an application with the Texas Department of Economic Development and Tourism ("State") for a grant through the Texas Enterprise Fund Program, which was approved by the State and announced on July 3, 2013, after which Owner made an announcement relating to the Project; and

**WHEREAS**, the State's grant requires the provision of an incentive to the Owner by the municipality in which the proposed Project is located; and

**WHEREAS**, the City Council finds that it is reasonably likely that the Owner, if granted the tax abatement described in this Agreement, will contribute to the retention, expansion, and creation of primary employment and will attract major investment in the Chevron U.S.A. Inc. Reinvestment Zone ("Zone") that will benefit property in the Zone and contribute to the economic development of the City; and

**WHEREAS**, the City Council finds that the Improvements (as defined below) are practical and are of benefit to the area within the Zone and to the City; and

**WHEREAS**, the 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 Owner has represented that the Improvements will be designed, constructed, and installed at the Facility according to all applicable federal, State, and local environmental regulations; and

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

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

**1. Definitions**

As used in this Agreement, the following capitalized terms shall have the meanings assigned to them below, unless otherwise defined or the context clearly requires otherwise.

**"Abated Property"** means the following improvements to the Real Property: buildings, structures, site improvements, and office space, as more fully described in **EXHIBIT 3**.

**"Abatement Period"** means the ten (10) year time period that begins on the January 1<sup>st</sup> following the Effective Date of Abatement.

**"Agreement"** means this Tax Abatement Agreement between the City of Houston and Chevron U.S.A. Inc.

**"Agreement Effective Date"** means the date upon which the City Controller countersigns this Agreement.

**"Base Year Value"** means \$25,158,900.00 which is the sum of the appraised value of all taxable property in the Zone as of January 1, 2013.

**"Chapter 44"** means Article IV of Chapter 44 of the Code, approved by City Council on December 14, 2011 by City Ordinance No. 2011-1167, which sets forth the property tax abatement program guidelines and criteria for properties in designated reinvestment zones, and by the Ordinance.

"Center" means the area in which the Owner's employees are located in downtown Houston, Texas comprising office buildings and/or leased office space at 1400 Smith Street, 1600 Smith Street, 1500 Louisiana Street, Two Allen Center, and in the Zone (1600 Louisiana Street).

"City" is defined in the Recitals of this Agreement.

"City Council" means the City Council of the City.

"Code" means the Code of Ordinances of the City, as amended from time to time.

"Construction Code" means the City of Houston Construction Code, which sets forth requirements relating to building construction and safety, and consists of various components, such as the Building Code, the Plumbing Code, the Electrical Code, and the Mechanical Code.

"Department" means the City's Office of the Mayor, Economic Development, or its successor.

"Director" means the Chief Development Officer of the City, or his or her designee, or the director of any City department that the Mayor may designate in writing to perform the functions delegated to the Director in this Agreement, but only for so long as the designations remain in effect.

"Effective Date of Abatement" means the January 1<sup>st</sup> immediately following the date that the final certificate of occupancy for the Improvements is issued by the City.

"EXHIBIT 1" attached to this Agreement and made a part hereof is a boundary map of the Real Property.

"EXHIBIT 2" attached to this Agreement and made a part hereof is a legal description of the Real Property and the HCAD account numbers for the Real Property.

"EXHIBIT 3" attached to this Agreement and made a part hereof is a description of the Abated Property.

"EXHIBIT 4" attached to this Agreement and made a part hereof includes a cost/benefit analysis related to the Abated Property as required by Section 44-124 of the Code.

"Facility" means the new office tower to be constructed as part of the Project, which will contain the Improvements.

"HCAD" means the Harris County Appraisal District.

"Improvements" means buildings, structures, fixed machinery and equipment, site improvements, office space and related fixed improvements necessary to the operation and administration of the Facility that are developed, constructed, or installed in the Zone by or on behalf of the Owner subsequent to the Agreement Effective Date.

"Ordinance" means City Ordinance No. 2013-\_\_\_\_\_ adopted on \_\_\_\_\_, 2013 <sup>1</sup> creating the Zone.

"Other basic industry facility," as that term is defined in Section 44-121 of the Code, means buildings and structures, including fixed machinery and equipment not elsewhere described, that meet the economic development objectives of the general policy stated in Section 44-120 of the Code.

"Owner" is defined in the Recitals of this Agreement.

"Party" or "Parties" means the City and the Owner, the parties to this Agreement.

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

"Real Property" means the land in the Zone and all improvements thereon existing prior to the Agreement Effective Date, which land is owned by the Owner. The Real Property is more specifically described on **EXHIBITS 1 and 2**.

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

"Zone" is defined in the Recitals of this Agreement.

## **2. Authorization**

This Agreement is authorized by Chapter 312 of the Tax Code, as amended, and Chapter 44.

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<sup>1</sup> City Secretary to insert ordinance number and date adopted by City Council.

### **3. Property**

The legal description, street address, and HCAD tax account number of the Real Property are listed on **EXHIBIT 2**.

### **4. Termination of Abatement and Agreement**

Notwithstanding any other provision in this Agreement, in the event the Owner decides not to commence the Project, the Owner will provide a written termination notice to the City and the Parties will sign a letter agreement acknowledging the termination of this Agreement in a form reasonably acceptable to both Parties; provided, however, that neither Party shall impose any conditions upon the other Party as a prerequisite to such Party's execution of the letter agreement. In such event, this Agreement and all rights and obligations of the Parties shall cease and terminate and the Owner shall not be entitled to any tax abatement pursuant to this Agreement. The Director is authorized to sign the letter agreement on behalf of the City.

Also, during the Abatement Period, the Owner shall have the option and right at any time to give the City written notice that the Owner has elected to terminate this Agreement and its right to tax abatement on the Improvements effective as of the year in which the termination notice is given by the Owner; provided, however, at the time the termination notice is given by the Owner, no event of default shall exist which has not been cured. Upon delivery to the City of a termination notice by the Owner and subject to the proviso of the preceding sentence, this Agreement and all rights and obligations of the Parties shall cease and terminate and the Owner shall not be entitled to any tax abatement pursuant to this Agreement for the year in which the termination notice is given by the Owner and for all years remaining in the Abatement Period.

### **5. Representations and Warranties**

(a) The Owner represents that it owns the Real Property.

(b) Unless terminated earlier pursuant to Section 4 hereof, the Owner represents that it will complete construction of the Improvements on the Real Property no later than July 31, 2017. The Owner further agrees that if construction on the Real Property is not completed by July 31, 2017, this Agreement will automatically be null, void, and of no further force or effect unless the Owner has requested and received approval of an extension. Not later than July 15, 2017, the Owner may submit to the Director a written request to extend the time for completion stating the proposed date of completion. The Director shall approve the request if he or she reasonably believes that the construction will be completed by the proposed date, taking into account all circumstances.



(c) The Owner represents that the execution and delivery of this Agreement has been duly authorized by all requisite actions of its corporate officers that are necessary for it to have force and effect and that the person signing this Agreement on behalf of the Owner is authorized to do so.

(d) Unless terminated earlier pursuant to Section 4 hereof, the Owner represents and warrants that the construction and installation of the Improvements described in **EXHIBIT 3** will begin after the Agreement Effective Date. The Owner represents that the Real Property is comprised of approximately 1.9 acres of land.

(e) The Owner represents that, to the best of its knowledge, 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.

(f) Unless terminated earlier pursuant to Section 4 hereof, the Owner represents and warrants that it will invest a minimum of \$576,000,000.00 in designing, constructing, and installing the Improvements in the Zone by the Effective Date of Abatement.

(g) Unless terminated earlier pursuant to Section 4 hereof, the Owner represents and warrants that by the year 2020, the Owner will employ, and will continue to employ throughout the Abatement Period, at least 1,752 Permanent Employees in the Center whose employment position on the Effective Date of Agreement does not exist. The breakdown of the job creation requirement is as follows:

1. Eight Hundred (800) jobs by 2017
2. One Thousand One Hundred (1,100) jobs by 2018
3. One Thousand Four Hundred (1,400) jobs by 2019
4. One Thousand Seven Hundred Fifty-Two (1,752) jobs by 2020

(h) The Owner represents that as of the Effective Date of this Agreement, new employment positions will only be counted as new Permanent Employees for purposes of this Agreement if they are above the total number of employment positions with the Owner's operations in the Center (the "Threshold.") The Parties agree that for purposes of this Agreement, the Threshold shall be Six Thousand Thirty-Six (6,036).

(i) The Owner represents that developing, constructing, installing, and renovating the Improvements in the Zone will contribute to the retention, expansion, and creation of primary employment and will attract major investment in the Zone that would

be a benefit to property within the Zone and that would contribute to the economic development of the City.

(j) Unless terminated earlier pursuant to Section 4 hereof, the Owner represents and warrants that it will design, develop, construct, and install the Facility as described in **EXHIBIT 4**.

(k) The Owner represents and warrants that the Improvements will be designed, developed, constructed, and installed in accordance with all applicable federal, state, and local environmental laws and regulations.

## **6. Terms of the Agreement**

(a) The Owner shall cause the Improvements to be designed, developed, constructed, and installed substantially in conformity with the description, plans, and specifications described in **EXHIBIT 3** and applicable provisions of the Construction Code. In case of any conflict between **EXHIBIT 3** and the Construction Code, the Construction Code shall prevail. In addition, the Owner shall comply with Chapter 42 of the Code, if applicable (platting regulations), and all other laws and regulations applicable to the construction and installation of the Improvements.

(b) Upon substantial completion of the design, development, construction and installation of the Improvements, the Facility shall be used for the proposed uses specified in this paragraph during the Abatement Period; provided, however, the Director may approve a change from those proposed uses, if the Director determines that the change is consistent with Chapter 44 and with the City's general purpose of encouraging development or redevelopment of the Zone during the Abatement Period. The proposed use of the Facility (unless the Director approves a change in use) is as an expansion of the Owner's existing regional offices to provide engineering, technical, geosciences, information technology, marketing, and ancillary administrative services related to oil and gas production for the Owner and its affiliated entities, pursuant to and to the extent described in **EXHIBIT 4**.

(c) The Owner shall maintain the Improvements in good repair and condition during the Abatement Period.

(d) The Owner shall allow City employees, and/or designated representatives, full access to the Real Property in the Zone, both during and after the expiration or termination of the term of this Agreement, for the purpose of inspecting the Improvements to ensure that the Facility and Improvements are completed, installed, renovated, and maintained in accordance with the terms of this Agreement. All inspections will be made only after giving the Owner at least twenty-four (24) hours'

advance notice, and will be conducted during normal business hours in such manner as to not unreasonably interfere with the construction, redevelopment and/or operation of the Facility. All inspections will be made with one (1) or more representatives of the Owner and in accordance with the Owner's safety and security procedures. The above shall not act as a limitation on the City's ability to otherwise perform any inspections or to otherwise enter the Facility pursuant to the Code, the Construction Code, or otherwise.

(e) The Owner shall provide and cause its affiliates to provide City employees and/or designated representatives full access to all records related to the Agreement and necessary for the purpose of determining, by audit or otherwise, that the Owner is and has been in full compliance with this Agreement. Any such inspection and audit shall be made only after giving the Owner at least ten (10) business days advance notice, and will be conducted during normal business hours in such a manner as to not unreasonably interfere with the construction, redevelopment and/or operation of the Facility. Documents and materials provided by the Owner or its affiliates to the City in connection with any audit or other inspections under this Agreement which contain information that is, or which themselves are, confidential or proprietary to Owner shall not be removed from the Facility nor shall the information contained in them be used or disclosed by the City other than for the sole purpose of determining the Owner's compliance with the terms and conditions of this Agreement, unless disclosure is otherwise required by state or federal law.

In the event that the City receives any request for information relating to this Agreement pursuant to the Texas Public Information Act or similar provision of federal law, the City agrees to promptly give the Owner notice of that request. If the Owner, for itself or one or more of its affiliates, advises the City that it believes that the right of the City to withhold information from disclosure is allowed by the Texas Public Information Act or other applicable state or federal statute, rule or regulation, the City agrees to withhold the information or to immediately request an opinion from the Texas Attorney General or other appropriate public official with authority under law to render such decision on the right of the City to withhold the information. If the decision rendered is to the effect that disclosure is not required to be made, then the City agrees to withhold disclosure of the information unless thereafter authorized by the Owner to be disclosed. The City agrees that during any period after request but before the rendering of a decision by the Texas Attorney General or other appropriate public official regarding the obligation of the City to make disclosure of information deemed confidential, proprietary or both by the Owner, it will not disclose the requested information unless ordered to do so by a court of competent jurisdiction.

(f) This Agreement or an abstract of this Agreement may be recorded in the Real Property Records of Harris County, Texas and will run with the land.

(g) Each year that the Agreement is in effect, not later than January 1<sup>st</sup> of each year, or February 1<sup>st</sup> in the event the information is not reasonably available, the chief financial officer, or his or her designee, of the Owner shall submit to the Director a sworn statement of the number of Permanent Employees, and part-time employees of the Owner or its affiliates as of the immediately preceding December 1<sup>st</sup>, who report to work in the Center. The employee count submitted shall correspond to the employee count reported by the Owner or affiliate of the Owner in its "Employer's Quarterly Report" to the Texas Workforce Commission. The employee count submitted by the Owner shall be used to determine abatement eligibility for that year and be subject to audit, if requested by the Director, pursuant to the provisions of Code Section 44-133(b). The Owner, 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 Code Section 44-133(b). Not later than March 31<sup>st</sup> of each year during the Abatement Period, the Director shall certify to the Chief Appraiser of HCAD whether the Owner is in compliance with the employment requirements of this Agreement.

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

(i) Not later than April 15<sup>th</sup> or such other date as required by HCAD of each year during the Abatement Period, the Owner shall file the appropriate form with HCAD to qualify for the tax abatement granted under this Agreement for that year.

(j) Contract employees and part-time employees may be used to comply with the Owner's contractual obligation to create/retain jobs on a full-time equivalency basis for any number of jobs; provided that full-time equivalent jobs shall only be used to satisfy the Owner's contractual obligation if the Owner maintains a minimum of two (2) Permanent Employees who work within the Zone.

(k) Commencing on the Effective Date of Abatement, and on or before January 1<sup>st</sup>, or February 1<sup>st</sup> in the event the information is not reasonably available, of each subsequent year during the Abatement Period, the chief financial officer or his or her designee of the Owner shall provide the Director a sworn statement that the Owner is and has been in compliance with all provisions of this Agreement in the prior year.

(l) If the chief financial officer or his or her designee of the Owner cannot make the sworn statement required by paragraph (k) above on any January 1<sup>st</sup>, or February 1<sup>st</sup> in the event the information is not reasonably available, he or she shall

provide the Director with a written statement identifying any provision of the Agreement with which the Owner is not or has not been in full compliance.

(m) Failure by the chief financial officer or his or her designee of the Owner to timely provide the Director with either the sworn statement required by paragraph (k) above or the written statement required by paragraph (l) above will result in automatic default under this Agreement for which no notice of default or opportunity to cure shall be required.

## **7. Tax Abatement**

(a) The Base Year Value is \$25,158,900.00.

(b) The estimated value to be abated is \$293,825 annually.

(c) Abatement shall not be permitted for the value of eligible Improvements over \$460,000,000.00. In addition, the abatement of the ad valorem taxes granted by this Agreement is specifically subject to the rights of the holders of outstanding bonds of the City as of the effective date of this Agreement.

(d) The portion of the value of new eligible Improvements subject to the abatement shall be 10% per year for a period of ten years from the Effective Date of Abatement.

(e) The annual abatement of the ad valorem taxes on the Improvements will be calculated as the current City tax rate multiplied by the value of the Improvements attributable to the tax increment above the Base Year Value, as measured by HCAD per \$100, multiplied by ten percent (10%).

(f) From the Agreement Effective Date to the Effective Date of Abatement, ineligible property, as that term is defined in Section 44-127(e) of the Code, including the Real Property, shall be fully taxable.

(g) 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 that term is defined in Section 44-127(e) of the Code, including the Real Property, shall be fully taxable.

(2) The Base Year Value of "eligible property," as that term is defined in Section 44-127(d) of the Code, shall be fully taxable.

(3) The value of all property in excess of \$460,000,000 of the Abated Property shall be fully taxable.

(4) 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 7(d) of this Agreement.

(g) The City shall enter into only one tax abatement agreement for the Facility described in this Agreement during the existence of the Zone.

## **8. Default and Recapture**

### **(a) Events of Default**

The Owner shall be in default under this Agreement if any of the following occur at any time from the Agreement Effective Date until the expiration of the Abatement Period or such earlier date on which this Agreement may otherwise expire or otherwise be terminated:

(1) The Facility is completed and is occupied, but subsequently is wholly vacated or abandoned for any reason other than the occurrence of a fire, explosion, or other casualty or accident or natural disaster;

(2) The Owner fails to comply timely with job creation, investment or payment requirements stated in this Agreement;

(3) The Owner fails to comply timely with any material term of this Agreement;

(4) The Owner fails to timely file any required report or statement or to timely give any required notice pursuant to this Agreement; or

(5) Employees or designated representatives of the City determine pursuant to an inspection under Section 44-132 of the Code that the Owner has not complied with this Agreement.

### **(b) Incurable Default**

The Owner's failure to comply with job creation or investment requirements is an "incurable default." Within the thirty (30) day notice period described in Section 8(c)(1) of this Agreement, the Owner shall be entitled to question the accuracy of the City's determination of the incurable default but shall not be entitled to cure the default. After the thirty (30) day notice period, if the City concludes that its determination of the

incurable default is correct ("noticed incurable default"), then the City shall be entitled to pursue any one or more of the remedies set forth in Section 8(e) of this Agreement.

**(c) Notice of Default**

(1) If the Director determines that an event of default has occurred, the Director shall notify the Owner in writing at the address stated in the Agreement, and if the condition of default is not cured within thirty (30) days from the date of the notice, then the City may take any one or more of the following actions set forth in Section 8(e) of this Agreement; provided, however, that the City shall only be required to give a thirty (30) day notice of default for failure to comply with job creation or investment requirements.

(2) If the Owner is in default under Section 8(a) of this Agreement, the Owner shall notify the City within thirty (30) days of the default and if the default is one that can be cured hereunder (and is not an incurable default), the default shall be cured within thirty (30) days following the date of the notice of default, provided, however, that if such curable default requires more than thirty (30) days to effect a cure, then the Owner shall (1) commence to cure the default within the thirty (30) day period, (2) give written notice to the Director of the time period in which Owner intends to cure the default, and (3) thereafter diligently prosecute the cure to completion within the given time period. If the Owner fails to cure the curable default within such thirty (30) day period or such longer period as provided above, then the City may pursue any one or more of the remedies listed in Section 8(e) of this Agreement.

**(d) Cure**

(1) In curing an event of default based on any of the items set forth in Section 8(a) of this Agreement, and assuming the event of default is curable and is not an incurable default, the Owner shall provide sufficient evidence to the Director that the default has been cured within thirty (30) days following the date of the notice of default. Sufficient evidence shall include the providing of the information not timely provided and/or providing evidence of the completion of the act(s) not timely performed. The City shall have the right to ask for additional information to confirm the adequate cure of any default.

**(e) City Remedies for Default**

(1) In the event of a noticed incurable default or a curable default which has not been cured after notice and an opportunity to cure was given, no tax abatement shall be allowed for the calendar year in which the default occurs (and thereafter) and the City shall have the right to pursue any one or more of the following remedies:

terminate the Agreement; terminate the Owner's right to any future abatement under the Agreement without terminating the Agreement; and pursue any and all remedies allowed under the Agreement and under Texas law.

(2) In addition to the foregoing, in the event of a noticed incurable default or a curable default which has not been cured after notice and an opportunity to cure has been given, the City, in its sole discretion, may recover all or any part of the taxes abated at any time under the Agreement. The Owner shall pay to the City all such previously abated taxes within thirty (30) days of the City's written demand therefor. Any taxes or economic incentive not paid timely shall bear interest at the rate of twelve percent (12%) annually.

(3) Notwithstanding the foregoing, the Director and the City Attorney are hereby authorized to negotiate and enter into amendments and revisions to the Agreements under which there are noticed incurable defaults or curable defaults which have not been cured after notice and opportunity to cure has been given. In the foregoing circumstances, the Parties are also authorized to negotiate and enter into any other and further agreements they determine best protect the City's interests.

(f) The City's right and authority to pursue any default and to recover abated taxes granted under this Section 8 shall survive the amendment, revision, expiration, or termination of this Agreement other than a termination of the Agreement pursuant to Section 4.

## **9. Administration**

(a) The Chief Appraiser of HCAD shall annually determine the taxable value of the Improvements listed in **EXHIBIT 3**, which consist of the real and personal property comprising the Zone. Each year, the Owner shall furnish the City with any additional information applicable to the tax abatement that may be necessary for the administration of the abatement granted under this Agreement. Once the taxable values of the real and personal property comprising the Improvements have been established, the Chief Appraiser of HCAD shall notify the eligible jurisdictions of the amount of the assessment.

(b) Upon substantial completion of construction, installation, or renovation of the Improvements, the Director shall annually evaluate the Facility to ensure compliance with this Agreement and prepare a report of any violations of this Agreement.



**10. Assignment**

This Agreement may be assigned by the Owner to a new owner with the written consent of the Director, which consent shall not be unreasonably withheld. If the proposed assignee is an affiliated entity of the Owner, then the Director may consent to an assignment if the Owner is in compliance with all terms of this Agreement, subject only to the condition set forth in the last sentence of this Section 10. Any assignment of this Agreement shall not relieve the Owner of continuing liability under this Agreement unless specifically agreed to in a writing signed by both the Director and the City Attorney. Any assignment shall provide that the assignee shall irrevocably and unconditionally assume all the duties and obligations of the Owner upon the same terms and conditions as set out in the Agreement. Any assignment of this Agreement shall be to an entity that contemplates the same improvements or repairs to the property in the Zone, except to the extent such improvements or repairs have been completed. No assignment shall be approved if either the Owner or the assignee is indebted to the City for ad valorem taxes or other obligations.

**11. Compliance with Applicable Government Regulations**

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

**12. 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.

**13. Notices**

All notices shall be in writing and unless hand-delivered, shall be sent by U.S. Mail certified, return receipt requested. Unless otherwise provided in this Agreement, all notices shall be delivered to the following addresses:

**To the Owner:** Chevron U.S.A. Inc.  
Attn: Property Tax  
1500 Louisiana Street  
Houston, Texas 77002

with copies to: Ms. Mary Parish  
Senior Counsel  
Chevron Corporation  
6001 Bollinger Canyon Road  
San Ramon, California 94583

**To the City:** Chief Development Officer  
Office of the Mayor  
901 Bagby, 4<sup>th</sup> 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.

***[Execution page follows]***

This Agreement has been executed by the Parties in multiple originals, each having full force and effect.

**CHEVRON U.S.A. INC.,**  
a Pennsylvania corporation

**CITY OF HOUSTON, TEXAS**

By: Bereket Haregot  
Name: Bereket Haregot  
Title: Vice President

\_\_\_\_\_  
Mayor

**ATTEST/SEAL:**

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

**COUNTERSIGNED:**

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

**DATE COUNTERSIGNED:**

**APPROVED:**

\_\_\_\_\_  
Chief Development Officer,  
Office of the Mayor

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Assistant City Attorney  
L.D. File No. 0421300038001

**EXHIBIT 1**

**BOUNDARY MAP OF THE REAL PROPERTY**

1500 LOUISIANA STREET  
MULTI-STORY  
OFFICE BUILDING

OBEDIENCE SMITH SURVEY  
ABSTRACT No. 696  
S. S. B. 696

"VACANT"

1600 LOUISIANA STREET  
GRASS FIELD

N 57°08'03" W 250.00'

S 37°51'57" W 164.13'  
S 37°51'57" W 164.13'

OFFICE  
WATER L.S.

**EXHIBIT 2**

**LEGAL DESCRIPTION AND HCAD ACCOUNT NUMBER(S)  
OF THE REAL PROPERTY**

The 4-page legal description of the real property follows this page.

The HCAD Account No. for the real property is 0060030000031.

---

TRACT 1  
METES AND BOUNDS DESCRIPTION  
1.8939 ACRES OUT OF  
OBEDIENCE SMITH SURVEY, ABSTRACT - 696  
HOUSTON, HARRIS COUNTY, TEXAS

All that certain 1.8939 acres out of the Obedience Smith Survey, Abstract - 696, Houston, Harris County, Texas and being out of that certain tract as described in a deed dated 01-22-1940 from Houston Independent School District to Houston Young Men's Christian Association as filed in Volume 1152, Page 246 Harris County Deed Records and being more particularly described by metes and bounds as follows, with all bearings being generated from the Texas Coordinate System of 1983, South Central Zone with distances expressed in surface feet;

Commencing at City of Houston Engineering Department Reference Rod Number 52 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 Pease Avenue, said point being City of Houston Survey Marker Number 5357-1606-C, from which 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 bears N 32° 51' 57" E - 1,320.03' for reference; Thence N 32° 51' 57" E - 26.88' with the said City of Houston Engineering Department Reference Line for Louisiana Street to a point for corner; Thence N 59° 09' 03" W - 39.02' to a point for corner; Thence N 32° 51' 57" E - 14.49' with the southeast line of that certain tract as described in a deed dated 01-20-1950 from Young Men's Christian Association to City of Houston as filed in Volume 2035, Page 477 Harris County Deed Records to a point for corner; Thence N 57° 08' 03" W - 1.00' with the northeast line of said City of Houston tract and the northeast right-of-way line of Pease Avenue (80' wide) to a set "X" cut in concrete marking POINT OF BEGINNING of herein described tract;

1. Thence N 57° 08' 03" W - 250.00' continuing with the northeast line of said City of Houston tract and the northeast right-of-way line of Pease Avenue (80' wide) to a set "X" cut in concrete for corner;
2. Thence N 32° 51' 57" E - 330.00' with the southeast right-of-way line of Smith Street (80' wide) to a found "X" cut in concrete for corner;
3. Thence S 57° 08' 03" E - 250.00' with the common northeast line of said Young Men's Christian Association tract and the southwest line of that certain tract as described in a deed dated 09-09-1999 from Brazos Office Holdings II, L.P. to Smith Street Land Company as filed in the Official Records of Real Property of Harris County at Clerk's File Number T-957805 and Film Code Number 527-97-0459 to a found "X" cut in concrete for corner;

*Page 1 of 4*

4. Thence S 32° 51' 57" W - 330.00' with the northwest right-of-way line of Louisiana Street (80' wide) to the POINT OF BEGINNING and containing 1.8939 acres (82,500 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: 11-911-TRACT 1 M&B  
11-08-2007



A handwritten signature, likely of C.L. Davis, written in ink below the seal.



TRACT 2  
METES AND BOUNDS DESCRIPTION  
1,363 SQUARE FEET OUT OF  
LOUISIANA STREET AND PEASE AVENUE  
RIGHT-OF-WAY AND OUT OF THE  
OBEDIENCE SMITH SURVEY, ABSTRACT - 696  
HOUSTON, HARRIS COUNTY, TEXAS

All that certain 1,363 square feet out of Louisiana Street and Pease Avenue right-of-way and out of the Obedience Smith Survey, Abstract - 696, Houston, Harris County, Texas and being out of that certain tract as described in a deed dated 01-22-1940 from Houston Independent School District to Houston Young Men's Christian Association as filed in Volume 1152, Page 246 Harris County Deed Records and being more particularly described by metes and bounds as follows, with all bearings being generated from the Texas Coordinate System of 1983, South Central Zone with distances expressed in surface feet;

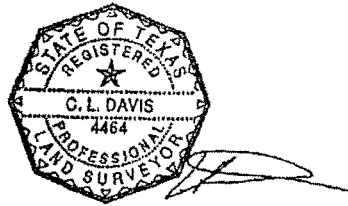
Commencing at City of Houston Engineering Department Reference Rod Number 52 being a point (a 3/4" steel rod was previously located at this point but has been destroyed by road construction) marking the intersection of the City of Houston Engineering Department Reference Line for Louisiana Street and the City of Houston Engineering Department Reference Line for Pease Avenue, said point being City of Houston Survey Marker Number 5357-1606-C, from which 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 bears N 32° 51' 57" E - 1,320.03' for reference; Thence N 32° 51' 57" E - 26.88' with the said City of Houston Engineering Department Reference Line for Louisiana Street to a point for corner; Thence N 59° 09' 03" W - 36.02' to the POINT OF BEGINNING of herein described tract;

1. Thence N 59° 09' 03" W - 3.00' to a point for corner;
2. Thence N 32° 51' 57" E - 14.49' with the southeast line of that certain tract as described in a deed dated 01-20-1950 from Young Men's Christian Association to City of Houston as filed in Volume 2035, Page 477 Harris County Deed Records to a point for corner;
3. Thence N 57° 08' 03" W - 1.00' with the northeast line of said City of Houston tract and the northeast right-of-way line of Pease Avenue (80' wide) to a set "X" cut in concrete for corner;
4. Thence N 32° 51' 57" E - 330.00' with the northwest right-of-way line of Louisiana Street (80' wide) to a found "X" cut in concrete for corner;
5. Thence S 57° 08' 03" E - 4.00' with the common northeast line of said Young Men's Christian Association tract and the southwest line of that certain tract as described in a deed dated 09-09-1999 from Brazos Office Holdings II, L.P. to Smith Street Land Company as filed in the Official Records of Real Property of Harris County at Clerk's File Number T-957805 and Film Code Number 527-97-0459 to a point for corner, from which a found "X" cut in concrete bears N 57° 08' 03" W - 0.20' for reference;

6. Thence S 32° 51' 57" W - 344.38' with the southeast line of said Young Men's Christian Association tract to the POINT OF BEGINNING and containing 1,363 square feet (0.0313 acre) 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: 11-911-TRACT 2 M&B  
11-08-2007



Page 4 of 4

## **EXHIBIT 3**

### **ABATED PROPERTY**

The proposed use of the Improvements/Abated Property is for an "other basic industry facility," as defined in Section 44-121 of the Code of Ordinances of the City of Houston, Texas. The "Improvements," as that term is defined in the Tax Abatement Agreement to which this **EXHIBIT 3** is attached, will be approximately 1.7 million gross square feet of combined Class A 50 story office building and 4 story commons facility providing connection and integration to the existing facilities. The new commons will include additional training, meeting, dining, and employee service items, as well as green roofs and exterior landscape areas.

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**EXHIBIT 4**  
**COST/BENEFIT ANALYSIS**

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**Exhibit 4**  
**Chevron – 1600 Louisiana**  
Project Summary and Economic Analysis

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

**Project Location:** 1600 Louisiana St.  
Houston, TX 77002 (Key Map 493Q)  
Council District I, James G. Rodriguez  
HCAD 006-003-000-0031

**PROJECT SUMMARY**

**Business Profile:** Chevron U.S.A. Inc. is a wholly owned subsidiary of Chevron Corporation which has its headquarters in San Ramon, California and is one of the world's largest and most competitive global energy companies. In 2011, Chevron Corporation and its subsidiaries had sales of \$244 billion. Chevron has a long historical presence in Houston and Texas. Chevron explores for, produces and transports crude oil and natural gas; refines, markets and distributes transportation fuel and lubricants; manufactures and sells petrochemical products; generates power and produces geothermal energy; provides energy efficiency solutions; and develops the energy resources of the future, including research for advanced biofuels. Chevron U.S.A. Inc. presently employs approximately 7,300 persons in Harris County and 6,700 in the City of Houston.

**Development Plan:** Chevron U.S.A. Inc. proposes to construct a new multi-story office building of 1.7 million plus square feet, located at 1600 Louisiana St. The company plans to invest roughly \$576 million in the construction of the new building and tenant improvements. Chevron is planning for this building to achieve Platinum LEED Certification. Additionally, it will invest roughly \$86 million in tangible personal property improvements consisting of furniture, fixtures, and equipment (e.g. computers and office equipment).

The building, when completed, will provide Class A office space for technical, administrative and executive personnel. This new facility will enable the company to expand its personnel in Houston and bring certain business functions closer to their internal customers, estimated to house 2,000-2,500 additional jobs. Proposed project timeline:

- Mobilization – Q4 2013
- Final Investment Decision / Begin Construction – Q2 2014
- Complete Construction – Q1 2017
- Tenant Improvements and Move-in – Q1 2017 through Q1 2018
- New Employees – Begins in 2013 (these jobs will occupy 3<sup>rd</sup> party leased space during construction)

**Jobs:** The new jobs to be created will consist of mostly skilled and degreed individuals. The company anticipates creating approximately 1,752 net new jobs to Texas over the next 8 years. These jobs will consist of some jobs moving in from out of state as well as the creation of new jobs to Chevron. The average salary is anticipated to be \$110,000 and these jobs will be offered Chevron benefits. Benefits available to Chevron employees include health insurance coverage, 401(k), vision, dental, etc. All new hires receive some training as part of their on-boarding process. Further development is generally done on the job by, and at the direction of, each employee's supervisor,

and differs based on the job discipline. Each job discipline maintains its own guidelines for mandatory and non-mandatory compliance training. Additionally, Chevron provides opportunities for career advancements based on each employee's desired goals. Lastly, the company is fully committed to the principles of equal employment opportunity and affirmative action as set forth in the company policies (HR Policy 400) and affirmative action programs

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# **A REPORT OF THE ECONOMIC & FISCAL IMPACT OF CHEVRON'S EMPLOYEES IN HOUSTON, TX**

Prepared for:

**Greater Houston Partnership**

1200 Smith, Suite 700

Houston, TX 77002-4400

August 2, 2013

**Impact DataSource**

[www.impactdatasource.com](http://www.impactdatasource.com)

**Impact**DataSource

## TABLE OF CONTENTS

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<b>Project Summary</b>	
Introduction.....	3
Description of The Project.....	3
Summary of the Economic Impact of the Project.....	4
<b>Analysis of Fiscal Impact</b>	
Costs and Benefits for Local Taxing Districts.....	5
Net Benefits to the City from Direct and Indirect Sources.....	5
Net Benefits to the City Over the First 10 Years.....	6
<b>Methodology</b>	
Conduct of the Analysis.....	7
About Impact DataSource.....	8
<b>Appendix A</b>	
Data & Rates.....	9
<b>Appendix B</b>	
Detailed Economic Impact Calculations.....	13
<b>Appendix C</b>	
Detailed Cost-Benefit Calculations for:	
City of Houston.....	18



## PROJECT SUMMARY

### Introduction

This report presents the results of an economic impact analysis performed by Impact DataSource, an Austin, Texas-based economic consulting, research and analysis firm. The report estimates the employment impact of Chevron's location in Houston. The report estimates the costs and benefits for the City of Houston over the first 10 years from the new employees.

### Description of the Project

Chevron U.S.A. Inc. plans to construct a new 1.5 million square foot multi-story office building located at 1600 Louisiana St. The company plans to invest roughly \$576 million in the construction of the new building and tenant improvements and will invest roughly \$86 million in furniture, fixtures, and equipment. The company plans to hire 1,752 workers over the next 8 years. Chevron indicates the new workers will earn \$110,000 per year on average. The purpose of this study is to estimate the impact of the new workers on the City of Houston and therefore disregards the fiscal impact of Chevron's additional property and activities.

### Critical Assumptions and Impacts

Chevron anticipates creating 1,752 new jobs in Houston over the next 8 years. When new jobs are created in the city, the jobs will be filled by a combination of current residents, in-commuters and new residents moving to the city. City of Houston commuting patterns were used to help estimate the number of new residents that can be expected to occupy the new jobs. The table below summarizes the number of new worker households expected in Houston over the next 10 years aligning with Chevron's phased employment schedule.

Estimated New Chevron Workers Moving to Houston		
Year	Chevron Employees Added in Houston	Total New Households*
1	144	54
2	154	55
3	157	56
4	157	56
5	615	216
6	175	31
7	175	31
8	175	31
Total	1,752	528

\*Total new households represents only those new households directly hired by Chevron. It is assumed some new indirect and induced workers may move to the city as well.

Chevron's activity is expected to increase employment in businesses supplying goods and services to the company and the new workers. A small portion of these new indirect and induced workers, 10%, may move to the city to take a job.

## PROJECT SUMMARY

### Summary of the Economic Impact of the Project

The new workers associated with Chevron's location will have the following economic impact on the City of Houston over the first 10 years:

Economic Impact Over the First 10 Years			
	Direct	Indirect & Induced	Total
Total number of permanent direct and indirect jobs to be created	1,752	1,035	2,787
Salaries to be paid to direct and indirect workers	\$1,446,698,360	\$318,273,639	\$1,764,971,999
Number of direct and indirect workers who will move to the city	528	102	630
Number of new residents in the city	1,394	269	1,663
Number of new residential properties to be built in the city	75	15	90
Number of new students expected to attend local school district	248	48	296
Taxable sales and purchases expected in the city	\$131,536,708	\$28,938,076	\$160,474,784
The value of new residential property to be built for direct and indirect workers who move to the city by Year 10	\$13,982,583	\$2,796,517	\$16,779,100
The market value the firm's property on local tax rolls in Year 1	\$0	\$0	\$0

The year-by-year economic impacts can be found in Appendix B.

How this economic activity translates into additional costs and benefits for the city is summarized next.

## ANALYSIS OF FISCAL IMPACT

### Costs and Benefits for the City of Houston

The new direct, indirect and induced workers will support additional sales tax collections in Houston by spending a portion of their earnings on taxable goods and services in the city. In addition, new households will support a range of additional other revenues for the city. First, a portion of the new households may construct new residential property which will generate new property taxes for the city. Additionally, the workers will support city-owned utility revenue and miscellaneous taxes and user fees for the city.

Although the new households will generate additional taxes and charges, the new households will also impose a costs on the city to provide utility and other municipal services. Over the first 10 years, the City of Houston can expect the following net benefits from Chevron's employees, and workers in spin-off jobs created in the city.

Costs and Benefits for the City Over the First 10 Years			
	Benefits	Costs	Net Benefits
Sales taxes allocated to the City	\$1,604,748		\$1,604,748
Property taxes	\$666,321		\$666,321
Utility revenues	\$3,704,033		\$3,704,033
Utility franchise fees	\$610,113		\$610,113
Hotel occupancy taxes	\$0		\$0
Other taxes and user fees	\$773,627		\$773,627
Building permits and fees	\$0		\$0
Costs of providing utilities		(\$3,518,831)	(\$3,518,831)
Costs of providing municipal services for new residents		(\$2,203,665)	(\$2,203,665)
<b>Total</b>	<b>\$7,358,841</b>	<b>(\$5,722,496)</b>	<b>\$1,636,345</b>

The year-by-year additional revenues can be found in Appendix C.

The city will receive benefits from direct and indirect economic impacts that result from the project. The benefits, associated costs and net benefits for the first 10 years are shown below, divided between direct and indirect impacts.

Net Benefits to the City from Direct and Indirect Sources			
	Benefits/Costs from:		
	Direct	Indirect & Induced	Total
<b>Additional revenues:</b>			
Sales taxes allocated to the City	\$1,315,367	\$289,381	\$1,604,748
Property taxes	\$555,245	\$111,076	\$666,321
Utility revenues	\$3,104,350	\$599,683	\$3,704,033
Utility franchise fees	\$511,335	\$98,777	\$610,113
Hotel occupancy taxes	\$0	\$0	\$0
Other taxes and user fees	\$648,377	\$125,250	\$773,627
Building permits and fees	\$0	\$0	\$0
<b>Total additional revenues</b>	<b>\$6,134,674</b>	<b>\$1,224,167</b>	<b>\$7,358,841</b>
<b>Additional costs:</b>			
Costs of providing utilities	(\$2,949,132)	(\$569,699)	(\$3,518,831)
Costs of providing municipal services for new residents	(\$1,846,892)	(\$356,773)	(\$2,203,665)
<b>Total additional costs</b>	<b>(\$4,796,024)</b>	<b>(\$926,472)</b>	<b>(\$5,722,496)</b>
<b>Net Benefits</b>	<b>\$1,338,650</b>	<b>\$297,695</b>	<b>\$1,636,345</b>
<b>Percent of total net benefits for city:</b>	<b>82%</b>	<b>18%</b>	

## ANALYSIS OF FISCAL IMPACT

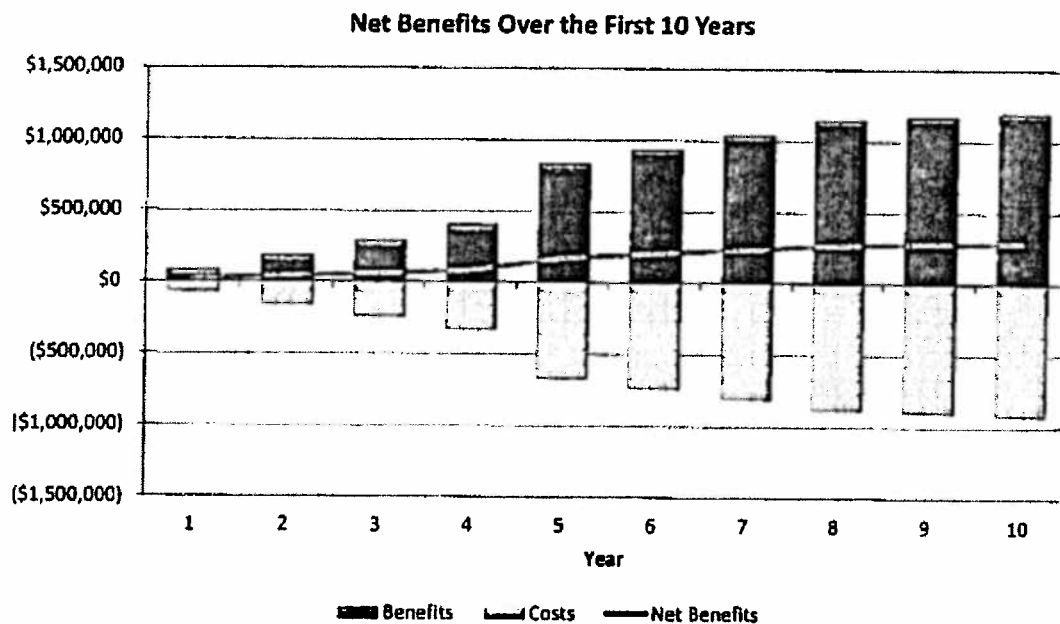
### Net Benefits to the City over the First 10 Years

The net benefits to the city over the first 10 years are estimated to accrue as detailed below.

Net Benefits to the City by Year				
	Benefits	Costs	Net Benefits	Cumulative Benefits
Year 1	\$92,276	(\$74,451)	\$17,825	\$17,825
Year 2	\$193,302	(\$155,614)	\$37,688	\$55,513
Year 3	\$300,395	(\$241,264)	\$59,131	\$114,645
Year 4	\$412,276	(\$330,277)	\$81,999	\$196,643
Year 5	\$840,255	(\$669,802)	\$170,453	\$367,096
Year 6	\$939,860	(\$738,447)	\$201,413	\$568,509
Year 7	\$1,043,749	(\$809,569)	\$234,180	\$802,689
Year 8	\$1,152,075	(\$883,242)	\$268,834	\$1,071,523
Year 9	\$1,178,696	(\$900,906)	\$277,790	\$1,349,312
Year 10	\$1,205,957	(\$918,925)	\$287,033	\$1,636,345
Total	\$7,358,841	(\$5,722,496)	\$1,636,345	
Present Value of Net Benefits*			\$1,157,216	

\*The Present Value of Net Benefits is a way of expressing in today's dollars, dollars to be paid or received in the future. A dollar today and a dollar to be received or paid at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or discount rate. This analysis uses a discount rate of 5% to make the dollars comparable.

The graph below depicts the costs, benefits and net benefits to the city over the first 10 years.



## METHODOLOGY

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### Conduct of the Analysis

This analysis was conducted by Impact DataSource using projections from Chevron and local tax rate and other information gathered by Impact DataSource.

Using this data, the economic impact from the project and the costs and benefits for relevant taxing districts were calculated for a 10-year period

The economic impact as calculated in this report can be categorized into two main types of impacts.

1. **Direct economic impacts** are the immediate economic activities generated by the firm or project. These impacts include the employment at the firm and salaries paid to the firm's workers as well as expenditures made by the firm.
2. **Indirect and induced economic impacts** represent the additional economic activity that is supported by the firm or project. Indirect jobs and salaries are created in new or existing area firms, such as maintenance companies and service firms that may supply goods and services to the firm. In addition, induced jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to new workers and their families.

*Note: This report labels the combined indirect and induced impacts as simply "Indirect".*

To estimate the indirect and induced economic impact of the firm and its employees on the area, regional economic multipliers were used. Regional economic multipliers for Texas and areas of the state are included in the US Department of Commerce's Regional Input-Output Modeling System (RIMS II).

Two types of regional economic multipliers were used in this analysis: an employment multiplier and an earnings multiplier. An employment multiplier was used to estimate the number of indirect and induced jobs created and supported in the area. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. The multipliers show the estimated number of indirect and induced jobs created for every one direct job at the firm and the amount of salaries paid to these workers for every dollar paid to a direct worker at the firm. The multipliers used in this analysis are listed below:

Earnings multiplier	0.2200
Employment multiplier	0.5913

## **METHODOLOGY**

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### **About Impact DataSource**

Impact DataSource is a 19 year-old Austin economic consulting, research and analysis firm. The firm has conducted economic impact analyses of numerous projects in Texas and 25 other states. This report presents the results of an economic impact analysis performed using Quick Impact™, an economic impact model created by Impact DataSource.

Data used in the analysis, along with schedules of the results of calculations, are on the following pages.

## **Appendix A**

### *Data and Rates*

## APPENDIX A

### Local Tax Rates:

#### Sales tax rates:

City of Houston 1.0%

#### Property tax rates, per \$100 of valuation:

City of Houston 0.638750

City hotel occupancy tax rate 7%

### Relevant City Rates:

Annual marginal cost of providing municipal services, excluding utilities, to each new household \$470

Estimated annual other taxes and user fees to be collected by the city from each new household -- those revenues that are in addition to sales and property taxes, utilities and utility franchise fees \$165

Annual increase expected in the city's other revenues and marginal costs 2%

#### City-owned utilities and franchise fee rates for utilities provided by outside service providers:

	Provided by the City	Taxed by the City	Avg. Annual Household Bill	Franchise Fee Rate
<i>Water</i>	✓		\$360	0.0%
<i>Wastewater</i>	✓		\$250	0.0%
<i>Solid Waste</i>	✓	✓	\$180	4.0%
<i>Electricity</i>		✓	\$1,801	1.5%
<i>Natural Gas</i>		✓	\$561	5.0%
<i>Cable</i>		✓	\$1,080	5.0%
<i>Telephone line access charge (per line):</i>				
<i>Residential</i>				\$1.77
<i>Non residential</i>				\$5.99

Annual utility franchise fees collected from utility providers for each household in the city \$122.66

The city's estimated annual water, wastewater and garbage collection billings per household \$790

Annual increase expected in city-owned utility billings 2%

The city's cost of providing water, wastewater and solid waste services, as a percent of utility billings 95%



## APPENDIX A

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### Relevant Community Rates:

Expected inflation rate over the first 10 years	3.0%
Discount rate used in analysis to compute discounted cash flows	5.0%
Percent of a typical worker's salary that will be spent on taxable goods and services	17%
Average taxable value of a new single family residence in the community that will be built for some individuals moving to the city	\$156,000
Percent annual increase in the taxable value of residential and commercial real property on local tax rolls over the first 10 years	2.0%
New employees to be hired by the firm each year:	

	New employees to be hired each year
Year 1	144
Year 2	154
Year 3	157
Year 4	157
Year 5	615
Year 6	175
Year 7	175
Year 8	175
Year 9	0
Year 10	0
Total	1,752

## APPENDIX A

Number of new workers who will move to the city to take job at the firm:

	Number of new employees moving to the city
Year 1	52
Year 2	55
Year 3	56
Year 4	56
Year 5	216
Year 6	31
Year 7	31
Year 8	31
Year 9	0
Year 10	0
Total	528

Average annual salaries of new employees in the first year \$110,000

Percent of expected increase in employee salaries after Year 1 3.0%

Multipliers for calculating the number of indirect and induced jobs and earnings in the area:

Earnings	0.2200
Employment	0.5913

*This cost-benefit analysis uses the above multipliers to project the indirect and induced benefits in the community as a result of the direct economic activity. The employment multiplier shows the number of spin-off jobs that will be created from each direct job. Similarly, the earnings multiplier estimates the salaries and wages to be paid to workers in these spin-off jobs for each \$1 paid to direct workers.*

Percent of workers in new indirect and induced jobs that will move to the city for the job 10.0%

Estimated percentage of workers moving to the city that will have new residential property built for them the first year that they move to the city 14.3%

Household size of a typical new worker moving to the city: 2.64

Number of school children in a typical worker's household 0.47

Percent of taxable shopping by a typical new worker that will be in the city 53.8%

## **Appendix B**

### *Economic Impact Calculations*

## APPENDIX B

Number of local jobs added each year and worker salaries to be paid:

Year	Direct Jobs	Indirect Jobs	Total Jobs	Direct Salaries	Indirect Salaries	Total Salaries
1	144	85	229	\$15,840,000	\$3,484,800	\$19,324,800
2	154	91	245	\$33,763,400	\$7,427,948	\$41,191,348
3	157	93	250	\$53,098,045	\$11,681,570	\$64,779,615
4	157	93	250	\$73,562,382	\$16,183,724	\$89,746,106
5	615	364	979	\$151,909,924	\$33,420,183	\$185,330,107
6	175	103	278	\$178,783,248	\$39,332,315	\$218,115,562
7	175	103	278	\$207,132,252	\$45,569,095	\$252,701,347
8	175	103	278	\$237,021,291	\$52,144,684	\$289,165,975
9	0	0	0	\$244,131,930	\$53,709,025	\$297,840,955
10	0	0	0	\$251,455,888	\$55,320,295	\$306,776,183
Total	1,752	1,035	2,787	\$1,446,698,360	\$318,273,639	\$1,764,971,999

Number of direct and indirect workers and their families who will move to the area and their children who will attend local public schools:

Year	New Workers Moving to the Area	Total New Residents	Total New Students
1	61	161	29
2	64	169	30
3	65	172	31
4	65	172	31
5	252	665	118
6	41	108	19
7	41	108	19
8	41	108	19
9	0	0	0
10	0	0	0
Total	630	1,663	296

## APPENDIX B

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Number of new residential properties that may be built in the city for direct and indirect workers who will move to the community:

Year	New Residential Properties
1	9
2	9
3	9
4	9
5	36
6	6
7	6
8	6
9	0
10	0
Total	90

## APPENDIX B

Local taxable spending on which sales taxes will be collected:

Year	Local Construction Workers' Spending and Furniture, Fixtures and Equipment	Direct and Indirect Workers' Spending	Visitors' Spending	Taxable Sales by the Firm	The Firm's Local Purchases and Taxable Utilities	Total
1	\$0	\$1,757,049	\$0	\$0	\$0	\$1,757,049
2	\$0	\$3,745,200	\$0	\$0	\$0	\$3,745,200
3	\$0	\$5,889,892	\$0	\$0	\$0	\$5,889,892
4	\$0	\$8,159,895	\$0	\$0	\$0	\$8,159,895
5	\$0	\$16,850,584	\$0	\$0	\$0	\$16,850,584
6	\$0	\$19,831,503	\$0	\$0	\$0	\$19,831,503
7	\$0	\$22,976,112	\$0	\$0	\$0	\$22,976,112
8	\$0	\$26,291,549	\$0	\$0	\$0	\$26,291,549
9	\$0	\$27,080,295	\$0	\$0	\$0	\$27,080,295
10	\$0	\$27,892,704	\$0	\$0	\$0	\$27,892,704
Total	\$0	\$160,474,784	\$0	\$0	\$0	\$160,474,784

Local spending by visitors on lodging by out-of-town visitors and out-of-town truckers:

Year	Spending on Lodging
1	\$0
2	\$0
3	\$0
4	\$0
5	\$0
6	\$0
7	\$0
8	\$0
9	\$0
10	\$0
Total	\$0

## APPENDIX B

Taxable value of new residential property built for direct and indirect workers who move to the community and the value of the firm's property on local tax rolls:

Year	New Residential Property	Value of Firm Property on Local Tax Rolls	Total Taxable Property
1	\$1,404,000	\$0	\$1,404,000
2	\$2,864,160	\$0	\$2,864,160
3	\$4,382,165	\$0	\$4,382,165
4	\$5,959,744	\$0	\$5,959,744
5	\$12,157,878	\$0	\$12,157,878
6	\$13,434,455	\$0	\$13,434,455
7	\$14,757,232	\$0	\$14,757,232
8	\$16,127,547	\$0	\$16,127,547
9	\$16,450,098	\$0	\$16,450,098
10	\$16,779,100	\$0	\$16,779,100

## **Appendix C**

### *Cost and Benefit Calculations*



## APPENDIX C

### Costs and Benefits for City of Houston

#### Benefits:

##### Sales tax collections:

Year	During Construction and Purchases of Furniture, Fixtures and Equipment	On Direct and Indirect Workers' Spending	On Visitors' Spending	Taxable Sales by the Firm	The Firm's Local Purchases and Taxable Utilities	Total
1	\$0	\$17,570	\$0	\$0	\$0	\$17,570
2	\$0	\$37,452	\$0	\$0	\$0	\$37,452
3	\$0	\$58,899	\$0	\$0	\$0	\$58,899
4	\$0	\$81,599	\$0	\$0	\$0	\$81,599
5	\$0	\$168,506	\$0	\$0	\$0	\$168,506
6	\$0	\$198,315	\$0	\$0	\$0	\$198,315
7	\$0	\$229,761	\$0	\$0	\$0	\$229,761
8	\$0	\$262,915	\$0	\$0	\$0	\$262,915
9	\$0	\$270,803	\$0	\$0	\$0	\$270,803
10	\$0	\$278,927	\$0	\$0	\$0	\$278,927
Total	\$0	\$1,604,748	\$0	\$0	\$0	\$1,604,748

##### Property tax collections on:

Year	New Residential Property	Firm Property			Total
		Taxes Collected	Taxes Abated	Total Taxes After Abatement	
1	\$8,968	\$0	\$0	\$0	\$8,968
2	\$18,295	\$0	\$0	\$0	\$18,295
3	\$27,991	\$0	\$0	\$0	\$27,991
4	\$38,068	\$0	\$0	\$0	\$38,068
5	\$77,658	\$0	\$0	\$0	\$77,658
6	\$85,813	\$0	\$0	\$0	\$85,813
7	\$94,262	\$0	\$0	\$0	\$94,262
8	\$103,015	\$0	\$0	\$0	\$103,015
9	\$105,075	\$0	\$0	\$0	\$105,075
10	\$107,176	\$0	\$0	\$0	\$107,176
Total	\$666,321	\$0	\$0	\$0	\$666,321

## APPENDIX C

### Costs and Benefits for City of Houston - Continued

Utilities and utility franchise fees collected by the city from new residents:

Year	Utilities	Utility Franchise	Total
		Fees	
1	\$48,190	\$7,482	\$55,672
2	\$100,725	\$15,792	\$116,517
3	\$156,164	\$24,724	\$180,888
4	\$213,780	\$34,178	\$247,959
5	\$433,547	\$69,993	\$503,540
6	\$477,979	\$77,923	\$555,901
7	\$524,015	\$86,265	\$610,280
8	\$571,701	\$95,038	\$666,739
9	\$583,135	\$97,890	\$681,024
10	\$594,798	\$100,826	\$695,624
Total	\$3,704,033	\$610,113	\$4,314,145

Other city revenues, including hotel occupancy taxes, other taxes and user fees collected from new households:

Year	Hotel Occupancy Taxes	Other Taxes and User Fees	Building Permits and Fees	Total Other Revenues
1	\$0	\$10,065	\$0	\$10,065
2	\$0	\$21,038	\$0	\$21,038
3	\$0	\$32,617	\$0	\$32,617
4	\$0	\$44,650	\$0	\$44,650
5	\$0	\$90,551	\$0	\$90,551
6	\$0	\$99,831	\$0	\$99,831
7	\$0	\$109,446	\$0	\$109,446
8	\$0	\$119,406	\$0	\$119,406
9	\$0	\$121,794	\$0	\$121,794
10	\$0	\$124,230	\$0	\$124,230
Total	\$0	\$773,627	\$0	\$773,627

## APPENDIX C

### Costs and Benefits for City of Houston - Continued

#### Costs:

The costs of providing municipal services and utility services to new residents:

Year	Cost of Services to New Residents	Costs of Utilities	Total Costs
1	\$28,670	\$45,781	\$74,451
2	\$59,925	\$95,689	\$155,614
3	\$92,908	\$148,356	\$241,264
4	\$127,186	\$203,091	\$330,277
5	\$257,933	\$411,869	\$669,802
6	\$284,367	\$454,080	\$738,447
7	\$311,756	\$497,814	\$809,569
8	\$340,126	\$543,116	\$883,242
9	\$346,928	\$553,978	\$900,906
10	\$353,867	\$565,058	\$918,925
Total	\$2,203,665	\$3,518,831	\$5,722,496

#### Net Benefits for the City:

Year	Benefits	Costs	Net Benefits	Cumulative Net Benefits
1	\$92,276	(\$74,451)	\$17,825	\$17,825
2	\$193,302	(\$155,614)	\$37,688	\$55,513
3	\$300,395	(\$241,264)	\$59,131	\$114,645
4	\$412,276	(\$330,277)	\$81,999	\$196,643
5	\$840,255	(\$669,802)	\$170,453	\$367,096
6	\$939,860	(\$738,447)	\$201,413	\$568,509
7	\$1,043,749	(\$809,569)	\$234,180	\$802,689
8	\$1,152,075	(\$883,242)	\$268,834	\$1,071,523
9	\$1,178,696	(\$900,906)	\$277,790	\$1,349,312
10	\$1,205,957	(\$918,925)	\$287,033	\$1,636,345
Total	\$7,358,841	(\$5,722,496)	\$1,636,345	