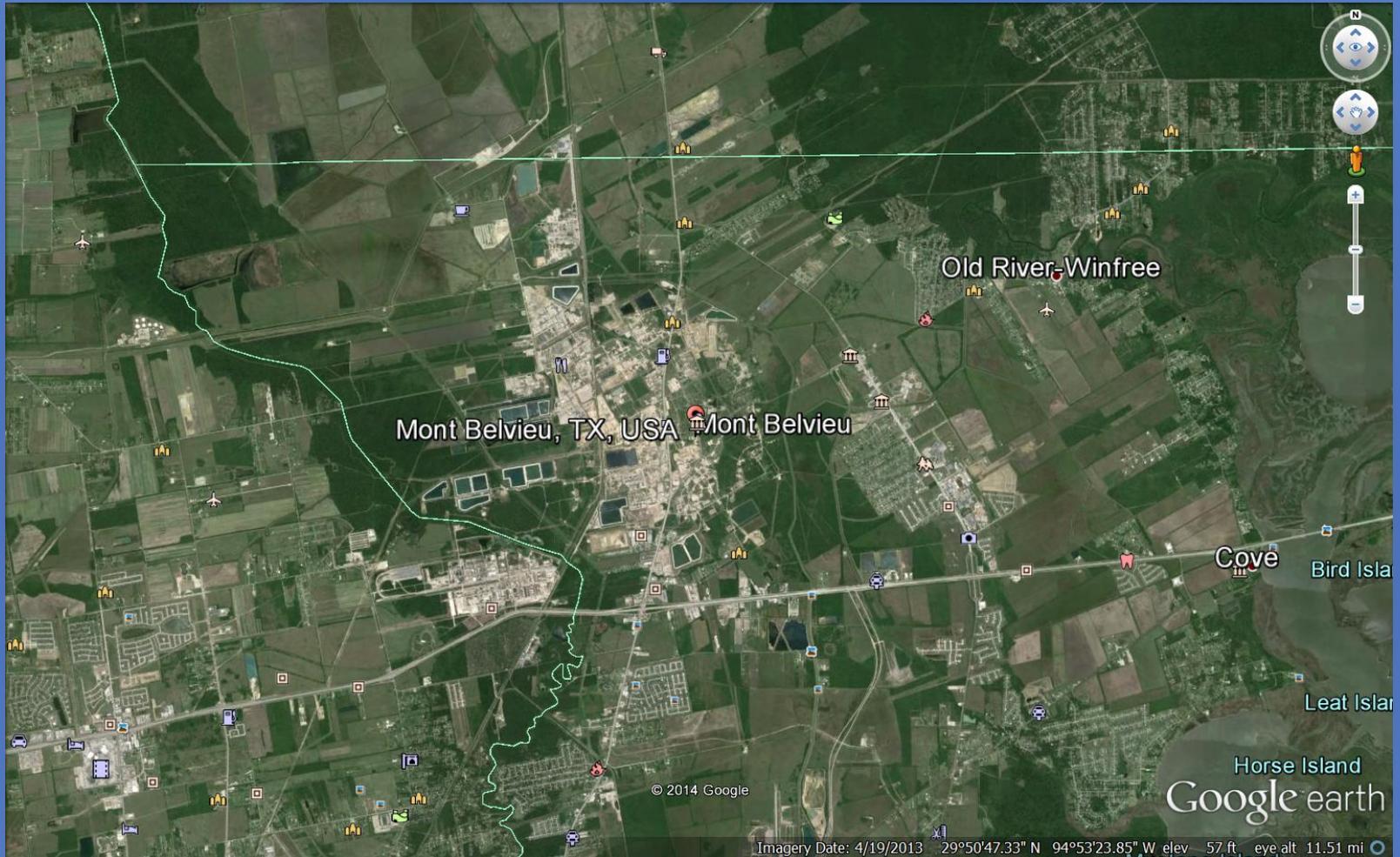




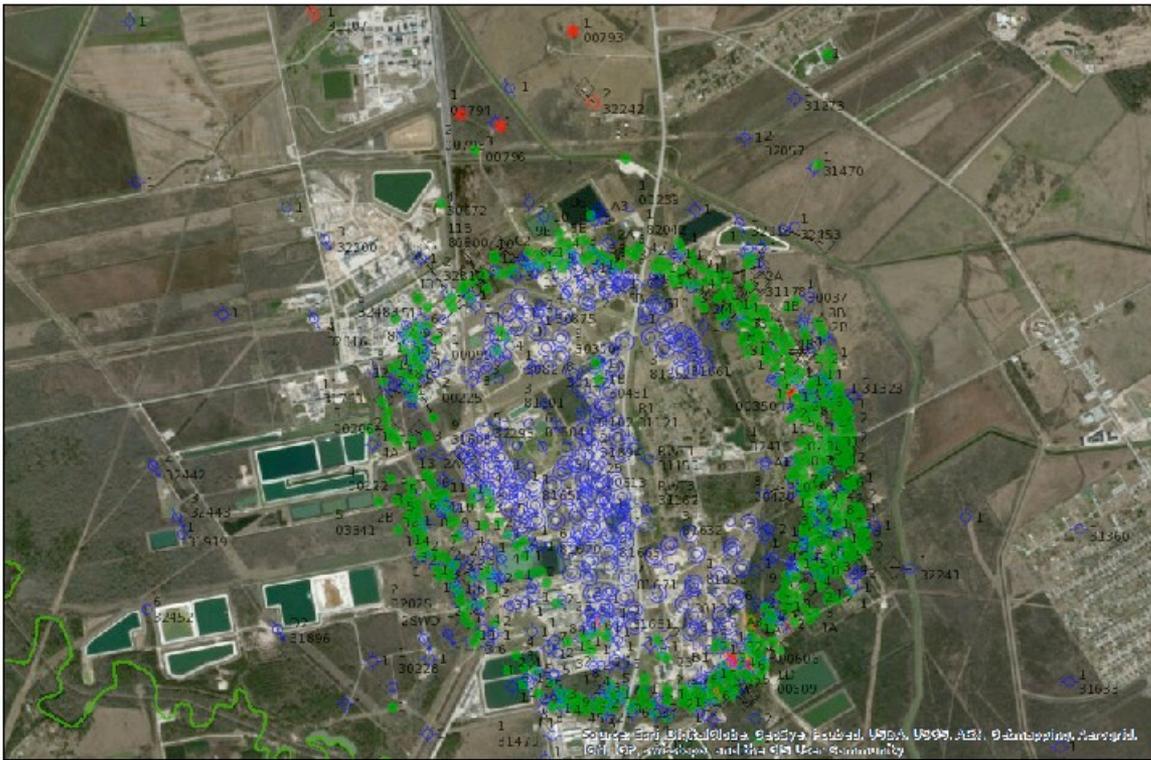
Tale of Three Cities

Presented by Randle Law Office LTD, LLP

Industrial Development

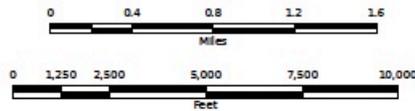


City of Mont Belvieu, Texas



May 22, 2014

1 inch = 3,009 feet

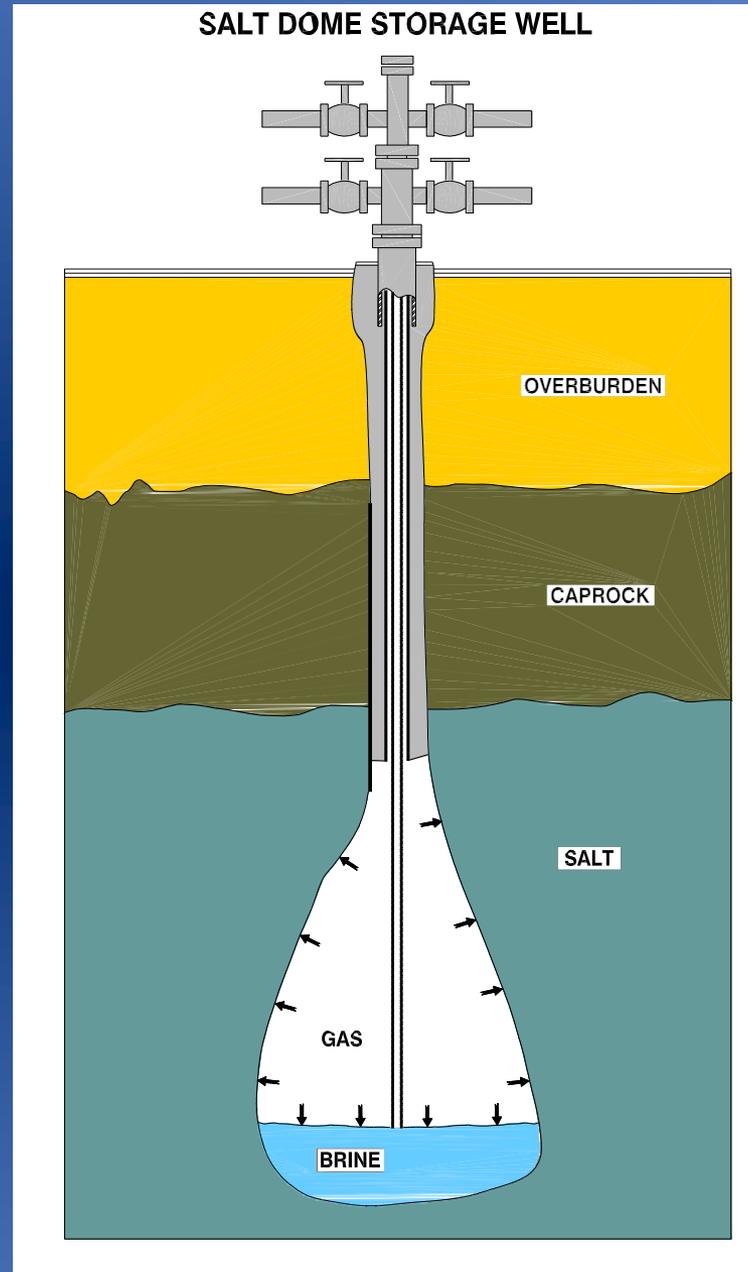


NOTICE/DISCLAIMER: Mapping data sets are provided for informational purposes only. These data sets are continuously being updated and refined. Users are responsible for checking the accuracy, completeness, currency and/or suitability of these data sets themselves. This is not a survey grade product and should not be used to define or establish survey boundaries.

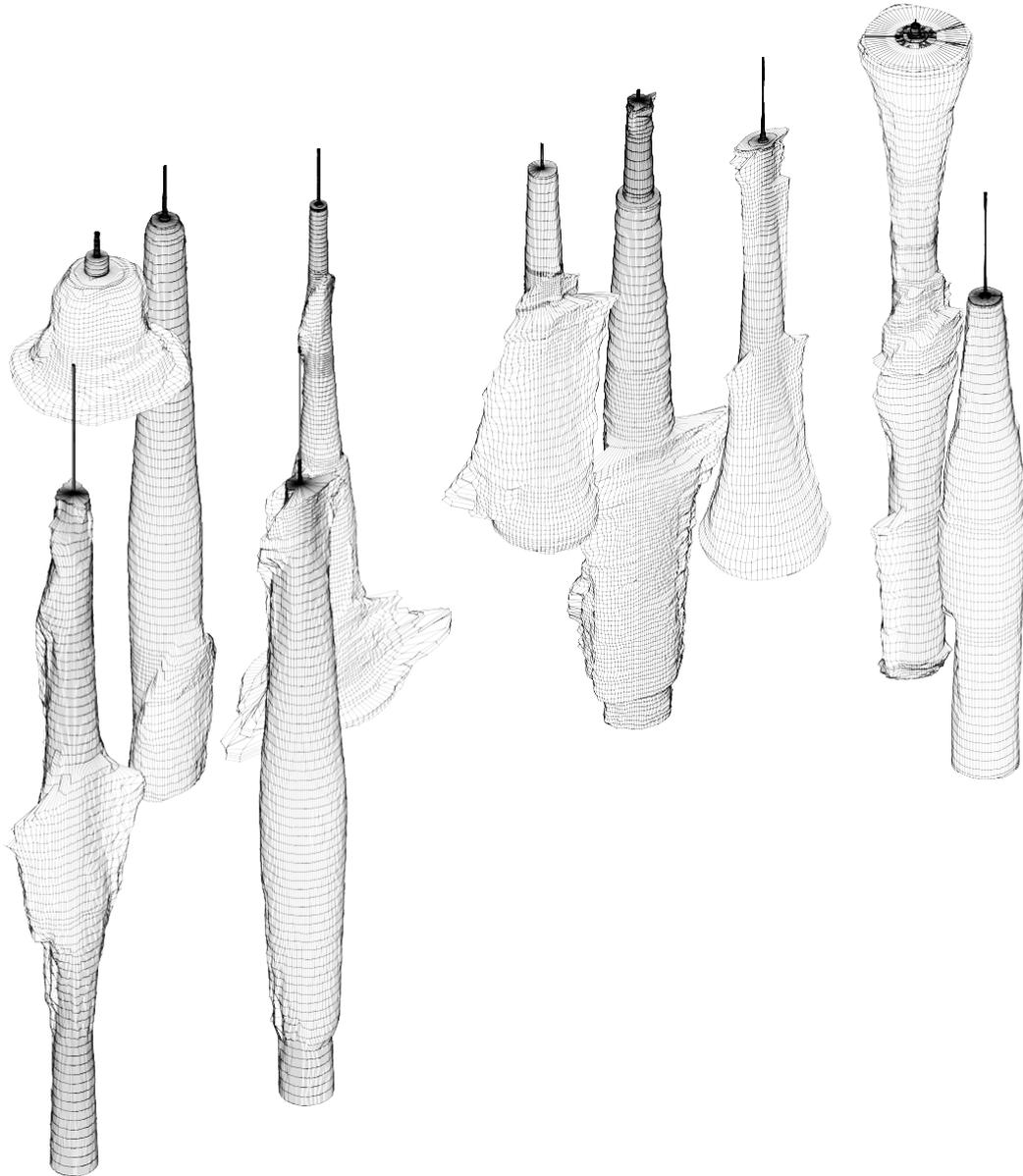
Source: RRC Public GIS Viewer

Well Sites

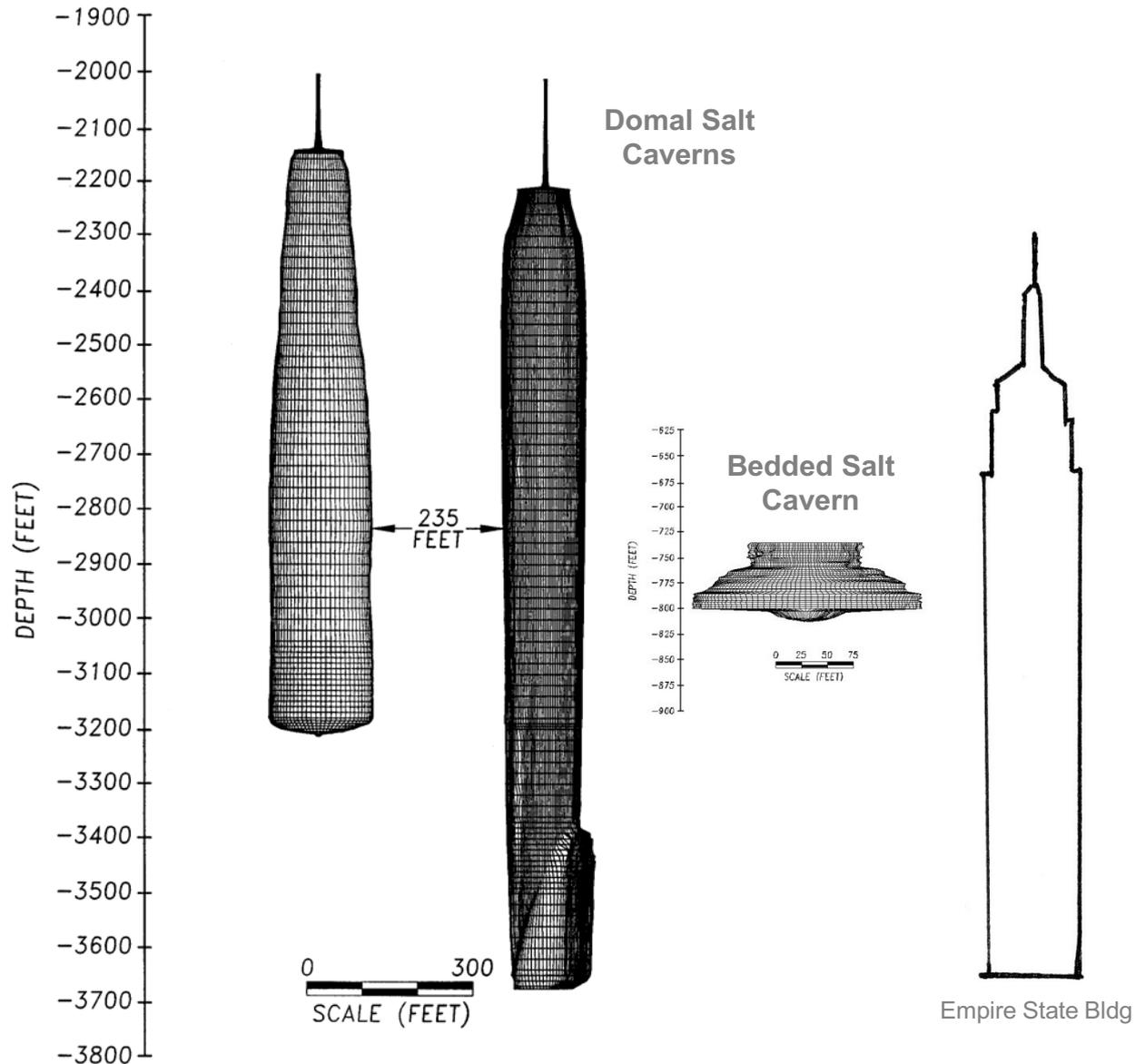
Solution-Mined Salt Dome Gas Storage Cavern



Salt Dome NGL/LPG Storage Caverns



Comparison of Salt Dome Caverns with Bedded Salt Cavern



Mont Belvieu Storage System

- 117 wells located in 31 storage caverns
- Total potential capacity: 355,740,000 BBLs (Texas Railroad Commission H10-H reports)
- Total stored product: 63,396,000 BBLs (as of December 31, 2008)
- Largest volumes of product: propane, diesel, butane, natural gas, ethane/propane mix, ethylene, ethane, propylene

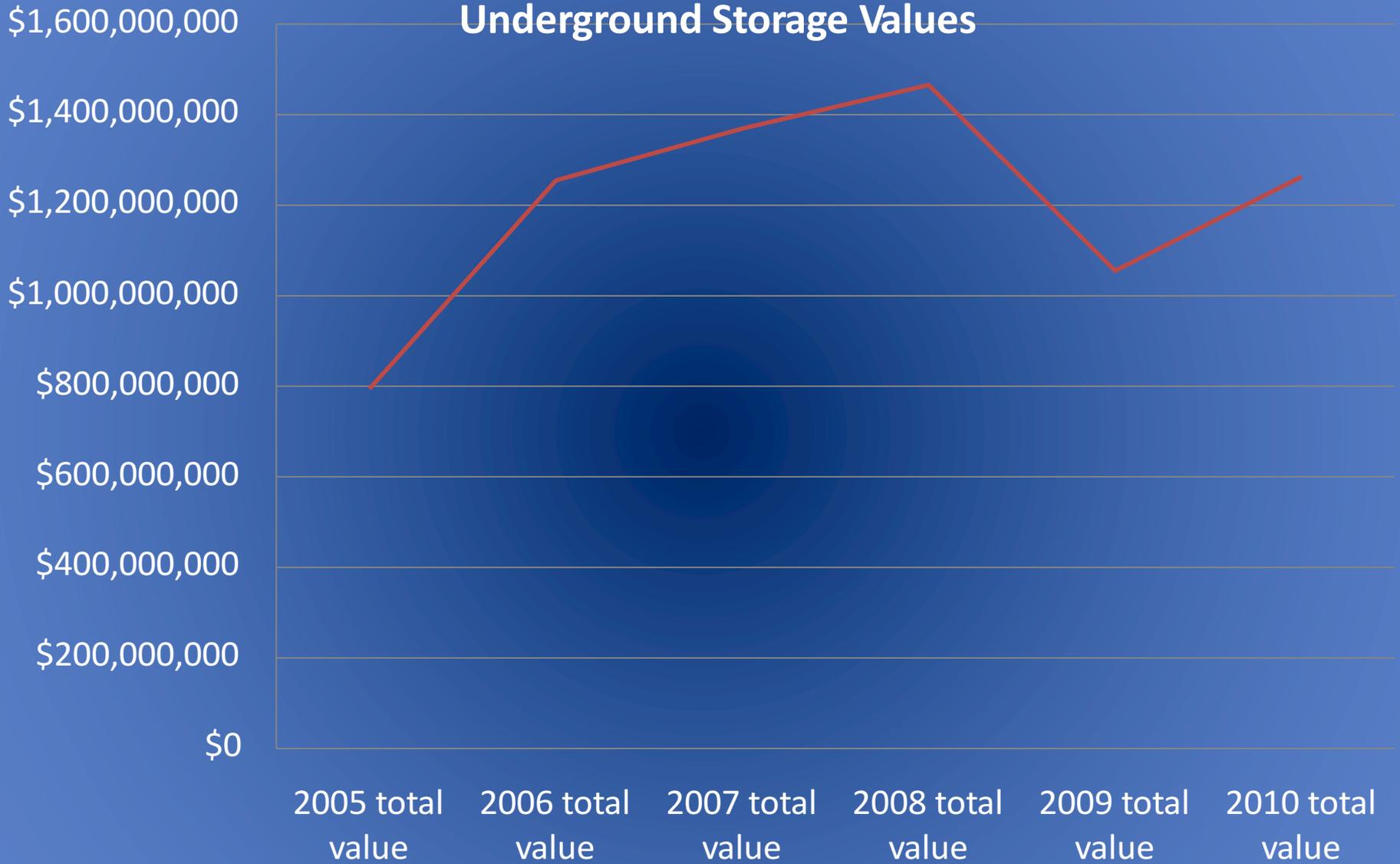
Mont Belvieu Storage System

- Eleven companies with pipeline assets: BP Pipelines, DCP Midstream, Enterprise Texas Pipeline, ExxonMobile, Shell Pipeline Company, Arco Midcon, Enterprise Texas Lou-Tex, Dixie Pipeline, Targa NGL, Kinder Morgan, and Texas Eastern Transmission LP
- Pipelines move product out of Texas to Louisiana and the North East United States
- Largest liquid hydrocarbon storage facility in the Gulf Coast area

Mont Belvieu Storage System

- Complex consists of:
 - Three fractionator companies
 - Pipelines that connect to refineries and chemical plants in Houston and Beaumont
 - “Feed stock” chemical storage
- System is fed by pipelines bringing crude oil and natural gas from other storage facilities and oil and gas fields in Texas
- Most recent addition: Barnett Shale fields

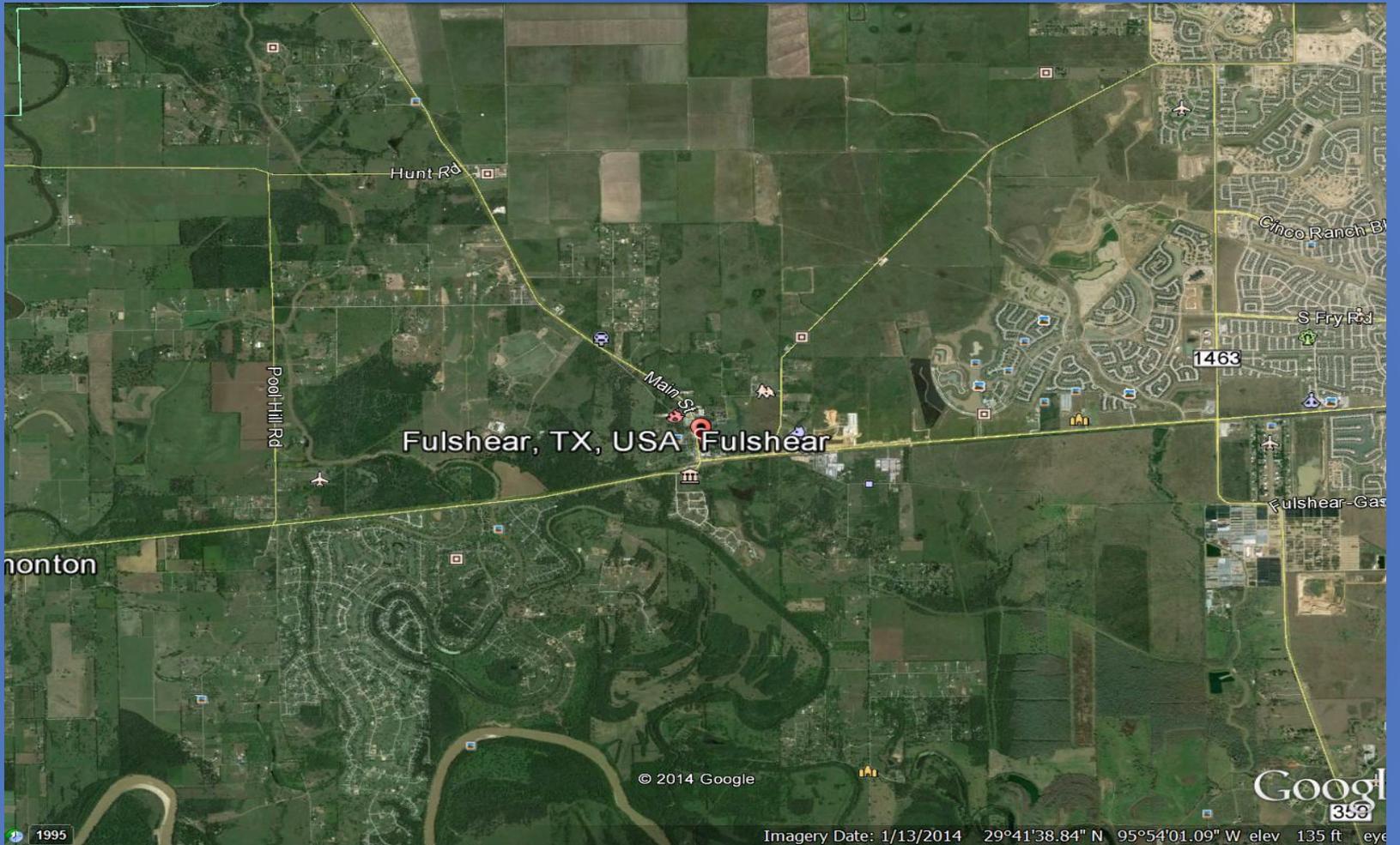
Underground Storage Values





Enterprise Products

Residential Development



City of Fulshear, Texas

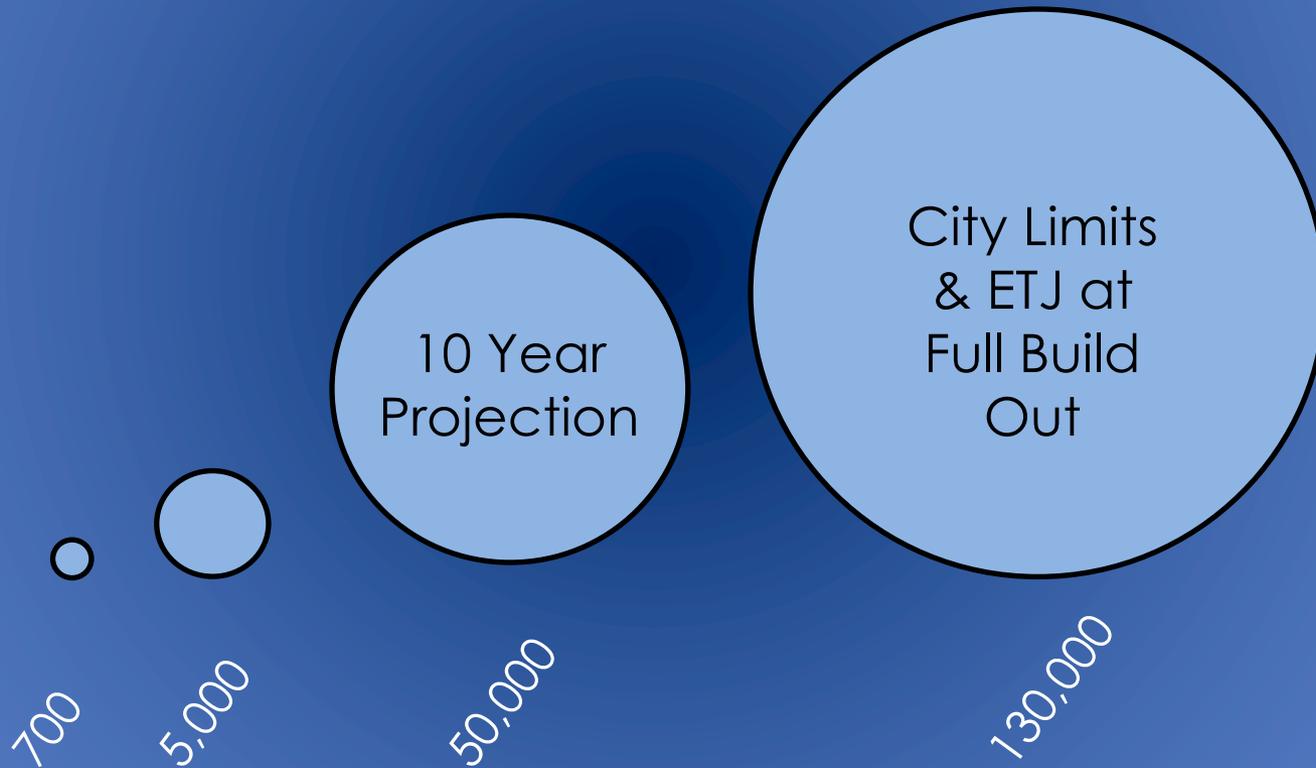
City Limits & ETJ



Since 2000, population has grown a little over 700%, bringing the current population to 5,080.

12,804 Acres for Development
21,870 Projected Homes
69,984 Additional People

Growth Projections

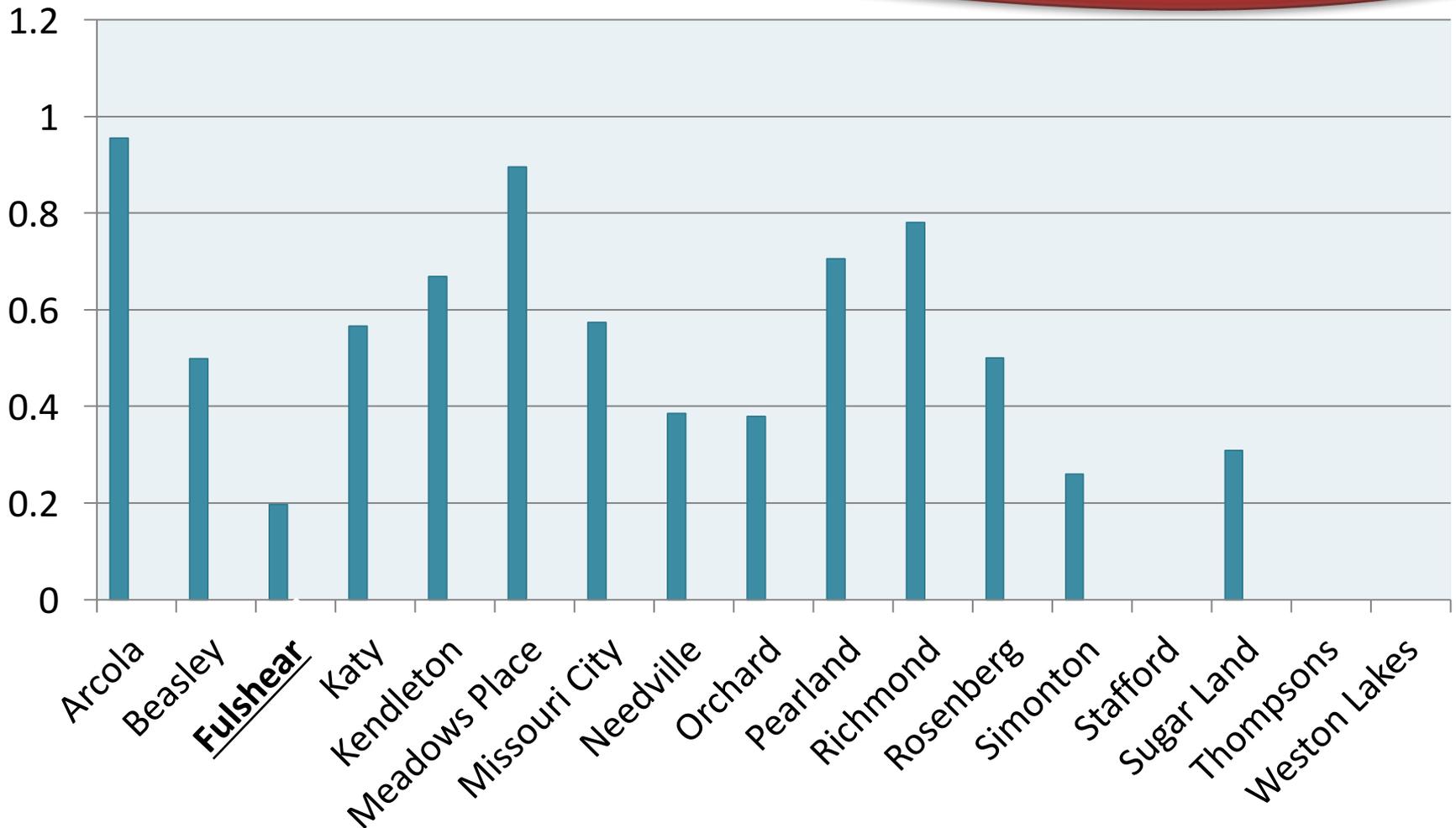


Financial Outlook

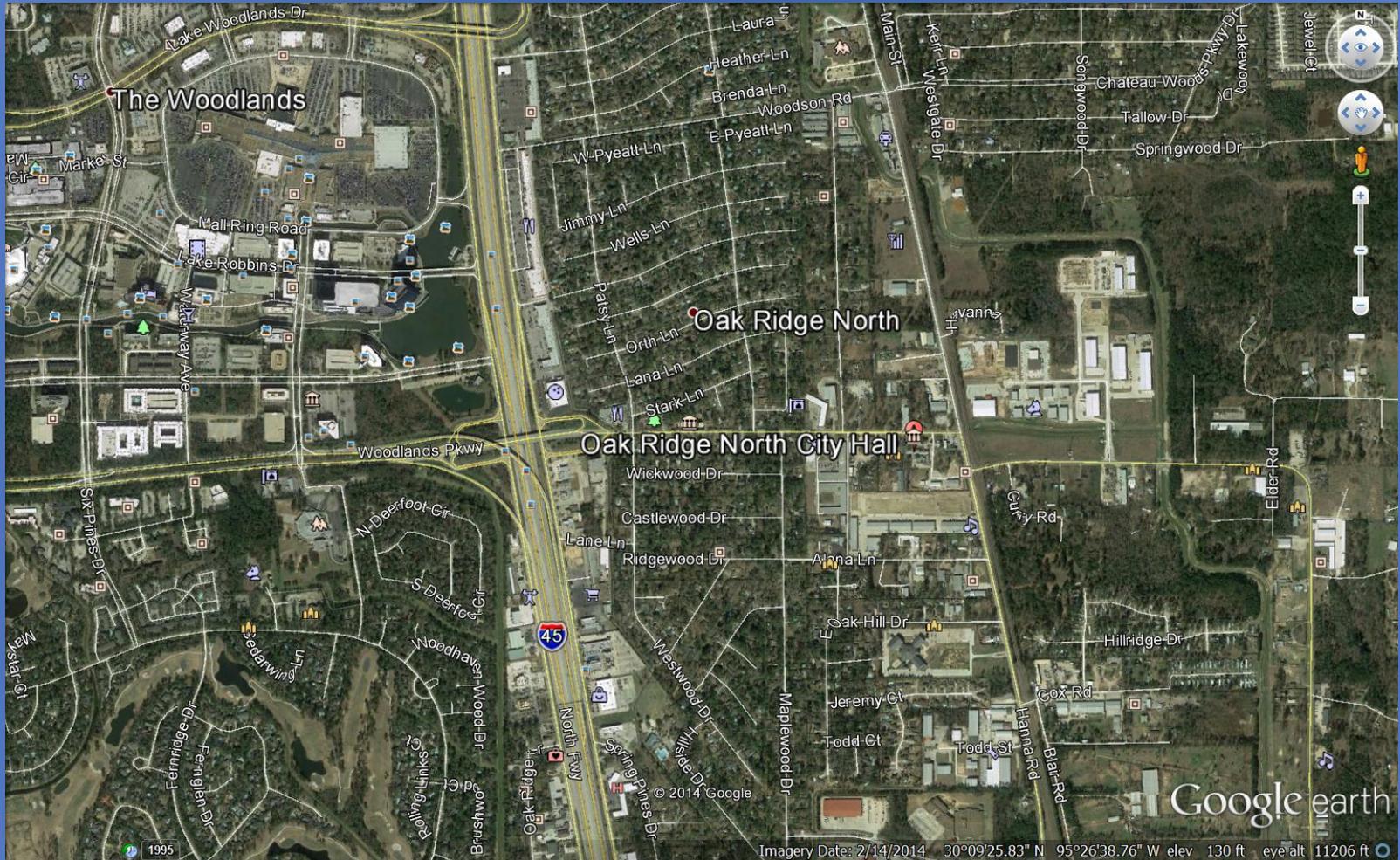


- Fiscal stewardship has allowed Fulshear to manage a budget of \$3.5 Million with no debt.
- Sales Tax increased 47% year over in 2013, which equates to 13% of total revenue.
- Revenues from new development generated 42% of total fiscal revenue in 2013.

Tax Rate



Commercial/Retail Development



City of Oak Ridge North, Texas



Exxon Corporate Campus

ExxonMobil Houston Campus

- Open architectural design to accommodate 10,000 employees
- World-class training and meeting facilities
- A leading laboratory to study hydrocarbon system rock and fluid properties, drilling processes, construction materials and oil and gas treating methods
- An on-site wellness center

- Extensive network of paths and walkways linking the campus with natural and cultivated landscapes (increase tree species population from 20 to 90)
- On-site dining options
- Retail services
- Child development center
- Wireless network access
- Independent economic impact study estimates the campus will create 36,000 person years of employment during construction and 44,000 permanent jobs during ongoing operations

iFLY Indoor Skydiving







Part I. Sales and use tax for residential use of natural gas and electricity

- Approximately 144 cities and 20 special districts are eligible to either reimpose or impose such tax, respectively.
 - Aid some cities in increasing tax base
- Majority vote of the membership of the governing body
- Record vote which is recorded in the minutes

Part II. Chapter 373: A New Look at an Old Law

- Case example- City with older housing stock desires residential rehabilitation
 - Cutting edge use of old law
- City must adopt program and comply with adoption procedures
- Pitfalls (implementation, resources, boundary, immunity)

Part III. Development Agreements: Let's all just get along

- Case example- City with significant residential development
- Drafting tips for ETJ Development Agreements (update ordinances, stakeholder meetings, discuss infrastructure expectations early, new case law on exactions, consider commercial development and sales tax collection)

Chapter 380

Local Government Code

Miscellaneous Provisions Relating to
Municipal Planning and Development

Sec. 380.001. ECONOMIC DEVELOPMENT PROGRAMS. (a) The governing body of a municipality may establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. For purposes of this subsection, a municipality includes an area that:

- (1) has been annexed by the municipality for limited purposes; or
- (2) is in the extraterritorial jurisdiction of the municipality.

(b) The governing body may:

- (1) administer a program by the use of municipal personnel;
- (2) contract with the federal government, the state, a political subdivision of the state, a nonprofit organization, or any other entity for the administration of a program; and
- (3) accept contributions, gifts, or other resources to develop and administer a program.

(c) Any city along the Texas-Mexico border with a population of more than 500,000 may establish not-for-profit corporations and cooperative associations for the purpose of creating and developing an intermodal transportation hub to stimulate economic development. Such intermodal hub may also function as an international intermodal transportation center and may be colocated with or near local, state, or federal facilities and facilities of Mexico in order to fulfill its purpose.

Sec. 380.002. ECONOMIC DEVELOPMENT GRANTS BY CERTAIN MUNICIPALITIES. (a) A home-rule municipality with a population of more than 100,000 may create programs for the grant of public money to any organization exempt from taxation under Section 501(a) of the Internal Revenue Code of 1986 as an organization described in Section 501(c)(3) of that code for the public purposes of development and diversification of the economy of the state, elimination of unemployment or underemployment in the state, and development or expansion of commerce in the state. The grants must be in furtherance of those public purposes and shall be used by the recipient as determined by the recipient's governing board for programs found by the municipality to be in furtherance of this section and under conditions prescribed by the municipality.

(b) A home-rule municipality may, under a contract with a development corporation created by the municipality under the Development Corporation Act (Subtitle C1, Title 12), grant public money to the corporation. The development corporation shall use the grant money for the development and diversification of the economy of the state, elimination of unemployment or underemployment in the state, and development and expansion of commerce in the state.

(c) The funds granted by the municipality under this section shall be derived from any source lawfully available to the municipality under its charter or other law, other than from the proceeds of bonds or other obligations of the municipality payable from ad valorem taxes.

Sec. 380.003. APPLICATION FOR MATCHING FUNDS FROM FEDERAL GOVERNMENT. A municipality may, as an agency of the state, provide matching funds for a federal program that requires local matching funds from a state agency to the extent state agencies that are eligible decline to participate or do not fully participate in the program.

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Sales and Use Tax

Sec. 321.103. SALES TAX. (a) In a municipality that has adopted the tax authorized by Section 321.101(a), there is imposed a tax on the receipts from the sale at retail of taxable items within the municipality at the rate of one percent and at the same rate on the receipts from the sale at retail within the municipality of gas and electricity for residential use.

Sales and Use Tax

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Sec. 321.104. USE TAX. (a) In a municipality that has adopted the tax authorized by this chapter, there is imposed an excise tax on the use, storage, or other consumption within the municipality of taxable items purchased, leased, or rented from a retailer during the period that the tax is effective within the municipality. The rate of the excise tax is the same as the rate of the sales tax portion of the tax and is applied to the sales price of the taxable items.

Non-Financial Influences on Economic Development?

- Don't you need money to generate increased economic development?
 - Well, it's nice if you've got it...
 - Location, location, location
 - Ground-level v. multi-level
- Land use regulations.
 - What kind of businesses do your current land use regulations encourage, if any?
 - Are the developer's goals and the city's goals the same?
 - % Occupancy v. Highest and Best Use

Non-Financial Influences (cont.)

- Generates public-private partnership discussions.
 - Performance agreements
 - Reimbursement agreements
 - Infrastructure improvements
 - Building beautification
- Developer buy-in.
- Possible new tax revenue sources.
 - Hotel Occupancy Tax
 - Alcohol / Mixed-Beverage

Sales & Use Tax “Shrinkage”

- No, not a cold pool reference...
- The escape of sales and use tax revenues from its proper jurisdiction.
 - Non-reporting
 - Incorrect reporting (to other jurisdictions)
- Third-party vendor.
 - Annual fee / contingency based.
 - Auditing
 - Remittance correction



Additional Case Study

Fight between the City
of Irwindale and the
Sriracha factory



- Other cities tried to lure the plant away
- Delegation from Texas to the factory

Let's steal business from California!

- Approximately 60 companies have relocated to Texas since July 2012
- Recent example of the Toyota HQ
- \$300 million project
- 4,000 jobs
- \$40 million investment from TEF + \$6.75 million from the City of Plano = \$7.2 billion of economic activity over 10 years!

How do you attract a business that is 5% of the size of Toyota when you don't have the full weight of the Governor's office and the TEF behind you?

Site Acquisition!

- An appropriate site should be identified whether it be for a Sriracha plant or any other type of Industrial facility
- How does a municipality acquire or transfer land to a company wishing to relocate or expand?

What is available under Texas Law?

- EDC – 4A or 4B corporation can acquire land
- Chapter 373 of the Local Government Code
- Tax Abatement agreement + PILOT for infrastructure improvements through 380 agreement
- Conveyance to Independent foundation + 380 agreement