

**South Texas College
Board of Trustees
Tax Abatement Review Committee
Ann Richards Administration Building, Board Room
Pecan Campus, McAllen, Texas
Tuesday, May 14, 2019 @ 5:30 p.m.**

AGENDA

“At anytime during the course of this meeting, the Board of Trustees may retire to Executive Session under Texas Government Code 551.071(2) to confer with its legal counsel on any subject matter on this agenda in which the duty of the attorney to the Board of Trustees under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551 of the Texas Government Code. Further, at anytime during the course of this meeting, the Board of Trustees may retire to Executive Session to deliberate on any subject slated for discussion at this meeting, as may be permitted under one or more of the exceptions to the Open Meetings Act set forth in Title 5, Subtitle A, Chapter 551, Subchapter D of the Texas Government Code.”

- I. Approval of Minutes for Tuesday, April 9, 2019 Committee Meeting 3 - 5
- II. Discussion and Recommend Action on Terra-Gen Development Company, LLC, Tax Abatement Applications and Agreements 6 - 12

Approval of Minutes for Tuesday, April 9, 2019 Committee Meeting

The Minutes for the Tax Abatement Review Committee meeting of Tuesday, April 9, 2019 are presented for Committee approval.

**South Texas College
Board of Trustees
Tax Abatement Review Committee
Ann Richards Administration Building, Board Room
Pecan Campus, McAllen, Texas
Tuesday, April 9, 2019 @ 3:00 p.m.**

MINUTES

The Tax Abatement Review Committee Meeting was held on Tuesday, April 9, 2019 in the Ann Richards Administration Building Board Room at the Pecan Campus in McAllen, Texas. The meeting commenced at 3:00 p.m. with Mr. Roy de León presiding.

Members present: Mr. Roy de León, Ms. Rose Benavidez, and Dr. Alejo Salinas, Jr.

Other Trustees present: None

Members absent: None

Also present: Mrs. Mary Elizondo, Mr. Jesus Ramirez, and Mr. Andrew Fish.

**Discussion and Recommend Action on Terra-Gen Development
Company, LLC, Tax Abatement Applications and Agreements**

On March 19, 2019, Terra-Gen Development Company, LLC, and Mr. Robert Pena, President of Texas Energy, presented four applications for tax abatement of wind power projects proposed for construction primarily in Hidalgo County, with portions in Cameron County and Starr County.

These four projects were highlighted in the packet, which included a presentation delivered by Mr. Pena to the Finance, Audit, and Human Resources Committee on March 19, 2019.

On March 19, 2019, the Finance, Audit, and Human Resources Committee did not take action on this presentation. Committee Chairman Roy de León recommended the appointment of a committee of no more than three trustees to discuss the projects and negotiate terms of a tax abatement agreement with the applicants. This Committee would have no binding authority, and would make a recommendation to the Board of Trustees for any formal action to be taken.

On March 26, 2019, Mr. Paul R. Rodriguez, Chairman of the Board, appointed Mr. Roy de León, Ms. Rose Benavidez, and Dr. Alejo Salinas, Jr. to this Committee, and asked them to take the necessary steps to recommend appropriate Board action.

The Tax Abatement Review Committee was asked to discuss the tax abatement applications and potential agreement terms, and to recommend Board action as necessary.

Mrs. Mary Elizondo reported that the applicant was offering a Payment in Lieu of Taxes (PILOT) in the amount of approximately \$28,000 annually, per project, for ten years with an 80% abatement rate. Mrs. Elizondo reviewed scenarios with projections for various tax abatement rates, and including a proposed donation that could be earmarked for scholarship support.

The Committee noted that staff had been unable to confirm execution of the agreements for tax abatement of these same projects by the County of Hidalgo. The Committee noted that they preferred to withhold any recommendation for Board action until the County had executed these agreements and the terms were available for the Committee's consideration.

No action was taken.

Adjournment

There being no further business to discuss, the Tax Abatement Review Committee Meeting of the South Texas College Board of Trustees adjourned at 3:35 p.m.

I certify that the foregoing are the true and correct Minutes of the April 9, 2019 Tax Abatement Review Committee of the South Texas College Board of Trustees.

Mr. Roy de León
Presiding

Discussion and Recommend Action on Terra-Gen Development Company, LLC, Tax Abatement Applications and Agreements

On March 19, 2019, Terra-Gen Development Company, LLC, and Mr. Robert Pena, President of Texas Energy, presented four applications for tax abatement of wind power projects proposed for construction primarily in Hidalgo County, with portions in Cameron County and Starr County.

These four projects are highlighted in the following pages, which includes a presentation delivered by Mr. Pena to the Finance, Audit, and Human Resources Committee on March 19, 2019.

The Finance, Audit, and Human Resources Committee did not take action on this presentation. Committee Chairman Roy de León recommends the appointment of a committee of no more than three trustees to discuss the projects and negotiate terms of a tax abatement agreement with the applicants. This Committee would have no binding authority, and would make a recommendation to the Board of Trustees for any formal action to be taken.

On March 26, 2019, Mr. Paul R. Rodriguez, Chairman of the Board, appointed Mr. Roy de León, Ms. Rose Benavidez, and Dr. Alejo Salinas, Jr. to this Committee, and asked them to take the necessary steps to recommend appropriate Board action.

On April 9, 2019, the Tax Abatement Review Committee met to discuss the proposed tax abatement applications. The Committee noted that staff had been unable to confirm execution of the agreements for tax abatement of these same projects by the County of Hidalgo.

The Committee noted that they preferred to withhold any recommendation for Board action until the County had executed these agreements and the terms were available for the Committee's consideration.

On May 9, 2019, staff received copies of the executed agreements from Hidalgo County, and the terms are included in the Tax Abatement Status by Entity listed below.

Enclosed Documents for Committee Review

1. Tax Abatement Status by Entity

A list of other entities granting / considering tax abatements or value limitations for each of the four proposed projects.

2. Tax Abatement Scenarios Prepared by College Administration

Various scenarios developed by South Texas College administration, demonstrating revenue based on various abatement rates and including payments-in-lieu of taxes as well as potential scholarship support. They are presented for the Committee's review and consideration.

3. Example Sliding Abatement Scales Reflecting Depreciation of Values

Administration has developed example tables showing sliding tax abatement scales to account for depreciation of property values over time. The example rates cap at 75%, 65%, and 55%, respectively.

While the table includes values below \$200,000,000 in new capital investment, the current South Texas College Guidelines and Criteria for Granting Tax Abatements establish a minimum threshold of \$200,000,000. The Board has the authority to grant exceptions to the minimum threshold on a case-by-case basis.

Documents Provided under Separate Cover for Executive Session Review

This information is provided under separate cover for executive session review, as part of the Committee's participation in economic development negotiations:

1. Comparison with Previous Tax Abatement Agreements Approved by South Texas College

The College has previously approved tax abatement agreements for other applicants.

While this places no obligation on the College to consider or approve future tax abatement obligations, administration has provided a comparison of existing tax abatement agreements for the Committee's review.

2. Proposed Draft Tax Abatement Agreement Developed by South Texas College Legal Counsel

South Texas College Legal Counsel has proposed a draft tax abatement agreement that might be used for any of the four proposed projects, should the Board wish to proceed.

Legal Counsel will discuss the proposed terms and how they differ from previously granted tax abatement agreements.

Recommended Committee Action

The Tax Abatement Review Committee is asked to discuss the tax abatement applications and potential agreement terms, and to make any appropriate recommendation to the Finance, Audit, and Human Resources Committee and/or the Board of Trustees

ABATEMENT COMPS by Taxing Entities

Date 4/23/2019

Applicant Name TERRA GEN WIND - ALL Wind Projects
Hidalgo County

TAXING ENTITIES		PROPOSED																		
		So Tx College	Abated	Annual Pilot	Hidalgo County	Abated	Annual Pilot	Edinburg ISD	Abated	Annual Pilot	La Joya ISD	Abated	Annual Pilot	La Villa ISD	Abated	Annual Pilot	Mercedes ISD	% Abated	Annual Pilot	
	Buenos Aires Wind, LLC	Under Review	80%	\$28,000	Approved	71%-varies	0	Approved	85%	\$32,500										
	Monte Cristo Wind, LLC	Under Review	80%	\$28,000	Approved	71%-varies	0	Approved	85%	\$32,500										
	La Joya Wind, LLC	Under Review	80%	\$28,000	Approved	71%-varies	0				Comptroller Review	85%	\$ 32,500							
	Monte Alto Wind, LLC	Under Review	80%	\$28,000	Approved	71%-varies	0							Comptroller Review	85%	\$25,000	Comptroller Review	85%	\$ 20,000	
	Scholarship		\$28,000 per Project = \$112,000			None			\$1,500 per Year = \$15,000			\$1,500 per Year = \$15,000			\$1,000 per Year = \$10,000			\$1,000 per Year = \$10,000		

South Texas College
Summary of Terra-Gen Tax Abatement Scenarios
As of May 9, 2019

Tax Abatement Scenarios	Funds Not Received by the College		Funds Received by the College				
	Total M&O Abated		Total M&O Not Abated		Other Funds Received		Total
	Year 1 - Year 10		Year 1 - Year 10		PILOT	Scholarship	
A - Terra-Gen PILOT and Scholarship Proposal							
A1 80% Tax Abatement - Terra Gen Proposal	\$	7,980,703	\$	1,995,176	\$	112,000	\$ 3,227,176
A2 75% Maximum Tax Abatement Table	\$	7,086,711	\$	2,889,167	\$	112,000	\$ 4,121,167
A3 65% Maximum Tax Abatement Table	\$	6,089,122	\$	3,886,754	\$	112,000	\$ 5,118,754
A4 55% Maximum Tax Abatement Table	\$	5,091,128	\$	4,884,750	\$	112,000	\$ 6,116,750
B - Higher PILOT Amount (\$1,614 per MW)							
B1 80% Tax Abatement	\$	7,980,703	\$	1,995,176	\$	112,000	\$ 3,314,448
B2 75% Maximum Tax Abatement Table	\$	7,086,711	\$	2,889,167	\$	112,000	\$ 4,208,439
B3 65% Maximum Tax Abatement Table	\$	6,089,122	\$	3,886,754	\$	112,000	\$ 5,206,026
B4 55% Maximum Tax Abatement Table	\$	5,091,128	\$	4,884,750	\$	112,000	\$ 6,204,022
C - Higher Scholarship (0.03% of Estimated Value of Entire Project)							
C1 80% Tax Abatement	\$	7,980,703	\$	1,995,176	\$	265,775	\$ 3,380,951
C2 75% Maximum Tax Abatement Table	\$	7,086,711	\$	2,889,167	\$	265,775	\$ 4,274,942
C3 65% Maximum Tax Abatement Table	\$	6,089,122	\$	3,886,754	\$	265,775	\$ 5,272,529
C4 55% Maximum Tax Abatement Table	\$	5,091,128	\$	4,884,750	\$	265,775	\$ 6,270,525
D - Higher PILOT and Scholarship (Scenario B and Scenario C)							
D1 80% Tax Abatement	\$	7,980,703	\$	1,995,176	\$	265,775	\$ 3,468,223
D2 75% Maximum Tax Abatement Table	\$	7,086,711	\$	2,889,167	\$	265,775	\$ 4,362,214
D3 65% Maximum Tax Abatement Table	\$	6,089,122	\$	3,886,754	\$	265,775	\$ 5,359,801
D4 55% Maximum Tax Abatement Table	\$	5,091,128	\$	4,884,750	\$	265,775	\$ 6,357,797

Abatement percentage per year of tax abatement varies according to Tax Abatement Table based on assessed value of each project.

Tax Abatement Percentage Scale
75% Maximum

Newly Created Value (as determined by Appraisal District)		Percent of Increase in Newly Created Value to be Abated									
At least equal to:	But less than:	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
\$ 255,000,000.00		75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
\$ 245,000,000.00	\$ 255,000,000.00	74%	75%	75%	75%	75%	75%	75%	75%	75%	75%
\$ 237,000,000.00	\$ 245,000,000.00	73%	75%	75%	75%	75%	75%	75%	75%	75%	75%
\$ 230,000,000.00	\$ 237,000,000.00	72%	74%	75%	75%	75%	75%	75%	75%	75%	75%
\$ 223,000,000.00	\$ 230,000,000.00	71%	73%	75%	75%	75%	75%	75%	75%	75%	75%
\$ 216,000,000.00	\$ 223,000,000.00	70%	72%	74%	75%	75%	75%	75%	75%	75%	75%
\$ 210,000,000.00	\$ 216,000,000.00	69%	71%	73%	75%	75%	75%	75%	75%	75%	75%
\$ 205,000,000.00	\$ 210,000,000.00	68%	70%	72%	74%	75%	75%	75%	75%	75%	75%
\$ 200,000,000.00	\$ 205,000,000.00	67%	69%	71%	73%	75%	75%	75%	75%	75%	75%
\$ 195,000,000.00	\$ 200,000,000.00	66%	68%	70%	72%	74%	75%	75%	75%	75%	75%
\$ 190,000,000.00	\$ 195,000,000.00	65%	67%	69%	71%	73%	75%	75%	75%	75%	75%
\$ 185,000,000.00	\$ 190,000,000.00	64%	66%	68%	70%	72%	74%	75%	75%	75%	75%
\$ 180,000,000.00	\$ 185,000,000.00	63%	65%	67%	69%	71%	73%	75%	75%	75%	75%
\$ 175,000,000.00	\$ 180,000,000.00	62%	64%	66%	68%	70%	72%	74%	75%	75%	75%
\$ 170,000,000.00	\$ 175,000,000.00	61%	63%	65%	67%	69%	71%	73%	74%	75%	75%
\$ 165,000,000.00	\$ 170,000,000.00	60%	62%	64%	66%	68%	70%	72%	73%	75%	75%
\$ 160,000,000.00	\$ 165,000,000.00		61%	63%	65%	67%	69%	71%	72%	74%	75%
\$ 155,000,000.00	\$ 160,000,000.00		60%	62%	64%	66%	68%	70%	71%	73%	74%
\$ 150,000,000.00	\$ 155,000,000.00			61%	63%	65%	67%	69%	70%	72%	73%
\$ 145,000,000.00	\$ 150,000,000.00			60%	62%	64%	66%	68%	69%	71%	72%
\$ 140,000,000.00	\$ 145,000,000.00				61%	63%	65%	67%	68%	70%	71%
\$ 135,000,000.00	\$ 140,000,000.00				60%	62%	64%	66%	67%	69%	70%
\$ 130,000,000.00	\$ 135,000,000.00					61%	63%	65%	66%	68%	69%
\$ 125,000,000.00	\$ 130,000,000.00					60%	62%	64%	65%	67%	68%
\$ 120,000,000.00	\$ 125,000,000.00						61%	63%	64%	66%	67%
\$ 115,000,000.00	\$ 120,000,000.00						60%	62%	63%	65%	66%
\$ 110,000,000.00	\$ 115,000,000.00							61%	62%	64%	65%
\$ 105,000,000.00	\$ 110,000,000.00							60%	61%	63%	64%
\$ 100,000,000.00	\$ 105,000,000.00								60%	62%	63%
\$ 95,000,000.00	\$ 100,000,000.00									61%	62%
\$ 90,000,000.00	\$ 95,000,000.00									60%	61%
\$ 85,000,000.00	\$ 90,000,000.00										60%
\$ -	\$ 85,000,000.00										

Buenos Aire Windpower, LLC, Monte Cristo Windpower, LLC, and La Joya Windpower, LLC

West Willacy Windpower, LLC (Monte Alto)

** Per South Texas College's Guidelines and Criteria for Granting Tax Abatements, the new capital investment minimum threshold is \$200,000,000.

Tax Abatement Percentage Scale
65% Maximum

Newly Created Value (as determined by Appraisal District)		Percent of Increase in Newly Created Value to be Abated									
At least equal to:	But less than:	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
\$ 255,000,000.00		65%	65%	65%	65%	65%	65%	65%	65%	65%	65%
\$ 245,000,000.00	\$ 255,000,000.00	64%	65%	65%	65%	65%	65%	65%	65%	65%	65%
\$ 237,000,000.00	\$ 245,000,000.00	63%	65%	65%	65%	65%	65%	65%	65%	65%	65%
\$ 230,000,000.00	\$ 237,000,000.00	62%	64%	65%	65%	65%	65%	65%	65%	65%	65%
\$ 223,000,000.00	\$ 230,000,000.00	61%	63%	65%	65%	65%	65%	65%	65%	65%	65%
\$ 216,000,000.00	\$ 223,000,000.00	60%	62%	64%	65%	65%	65%	65%	65%	65%	65%
\$ 210,000,000.00	\$ 216,000,000.00	59%	61%	63%	65%	65%	65%	65%	65%	65%	65%
\$ 205,000,000.00	\$ 210,000,000.00	58%	60%	62%	64%	65%	65%	65%	65%	65%	65%
\$ 200,000,000.00	\$ 205,000,000.00	57%	59%	61%	63%	65%	65%	65%	65%	65%	65%
\$ 195,000,000.00	\$ 200,000,000.00	56%	58%	60%	62%	64%	65%	65%	65%	65%	65%
\$ 190,000,000.00	\$ 195,000,000.00	55%	57%	59%	61%	63%	65%	65%	65%	65%	65%
\$ 185,000,000.00	\$ 190,000,000.00	54%	56%	58%	60%	62%	64%	65%	65%	65%	65%
\$ 180,000,000.00	\$ 185,000,000.00	53%	55%	57%	59%	61%	63%	65%	65%	65%	65%
\$ 175,000,000.00	\$ 180,000,000.00	52%	54%	56%	58%	60%	62%	64%	65%	65%	65%
\$ 170,000,000.00	\$ 175,000,000.00	51%	53%	55%	57%	59%	61%	63%	64%	65%	65%
\$ 165,000,000.00	\$ 170,000,000.00	50%	52%	54%	56%	58%	60%	62%	63%	65%	65%
\$ 160,000,000.00	\$ 165,000,000.00		51%	53%	55%	57%	59%	61%	62%	64%	65%
\$ 155,000,000.00	\$ 160,000,000.00		50%	52%	54%	56%	58%	60%	61%	63%	64%
\$ 150,000,000.00	\$ 155,000,000.00			51%	53%	55%	57%	59%	60%	62%	63%
\$ 145,000,000.00	\$ 150,000,000.00			50%	52%	54%	56%	58%	59%	61%	62%
\$ 140,000,000.00	\$ 145,000,000.00				51%	53%	55%	57%	58%	60%	61%
\$ 135,000,000.00	\$ 140,000,000.00				50%	52%	54%	56%	57%	59%	60%
\$ 130,000,000.00	\$ 135,000,000.00					51%	53%	55%	56%	58%	59%
\$ 125,000,000.00	\$ 130,000,000.00					50%	52%	54%	55%	57%	58%
\$ 120,000,000.00	\$ 125,000,000.00						51%	53%	54%	56%	57%
\$ 115,000,000.00	\$ 120,000,000.00						50%	52%	53%	55%	56%
\$ 110,000,000.00	\$ 115,000,000.00							51%	52%	54%	55%
\$ 105,000,000.00	\$ 110,000,000.00							50%	51%	53%	54%
\$ 100,000,000.00	\$ 105,000,000.00								50%	52%	53%
\$ 95,000,000.00	\$ 100,000,000.00									51%	52%
\$ 90,000,000.00	\$ 95,000,000.00									50%	51%
\$ 85,000,000.00	\$ 90,000,000.00										50%
\$ -	\$ 85,000,000.00										

Buenos Aire Windpower, LLC, Monte Cristo Windpower, LLC, and La Joya Windpower, LLC

West Willacy Windpower, LLC (Monte Alto)

** Per South Texas College's Guidelines and Criteria for Granting Tax Abatements, the new capital investment minimum threshold is \$200,000,000.

Tax Abatement Percentage Scale
55% Maximum

Newly Created Value (as determined by Appraisal District)		Percent of Increase in Newly Created Value to be Abated									
At least equal to:	But less than:	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
\$ 255,000,000.00		55%	55%	55%	55%	55%	55%	55%	55%	55%	55%
\$ 245,000,000.00	\$ 255,000,000.00	54%	55%	55%	55%	55%	55%	55%	55%	55%	55%
\$ 237,000,000.00	\$ 245,000,000.00	53%	55%	55%	55%	55%	55%	55%	55%	55%	55%
\$ 230,000,000.00	\$ 237,000,000.00	52%	54%	55%	55%	55%	55%	55%	55%	55%	55%
\$ 223,000,000.00	\$ 230,000,000.00	51%	53%	55%	55%	55%	55%	55%	55%	55%	55%
\$ 216,000,000.00	\$ 223,000,000.00	50%	52%	54%	55%	55%	55%	55%	55%	55%	55%
\$ 210,000,000.00	\$ 216,000,000.00	49%	51%	53%	55%	55%	55%	55%	55%	55%	55%
\$ 205,000,000.00	\$ 210,000,000.00	48%	50%	52%	54%	55%	55%	55%	55%	55%	55%
\$ 200,000,000.00	\$ 205,000,000.00	47%	49%	51%	53%	55%	55%	55%	55%	55%	55%
\$ 195,000,000.00	\$ 200,000,000.00	46%	48%	50%	52%	54%	55%	55%	55%	55%	55%
\$ 190,000,000.00	\$ 195,000,000.00	45%	47%	49%	51%	53%	55%	55%	55%	55%	55%
\$ 185,000,000.00	\$ 190,000,000.00	44%	46%	48%	50%	52%	54%	55%	55%	55%	55%
\$ 180,000,000.00	\$ 185,000,000.00	43%	45%	47%	49%	51%	53%	55%	55%	55%	55%
\$ 175,000,000.00	\$ 180,000,000.00	42%	44%	46%	48%	50%	52%	54%	55%	55%	55%
\$ 170,000,000.00	\$ 175,000,000.00	41%	43%	45%	47%	49%	51%	53%	54%	55%	55%
\$ 165,000,000.00	\$ 170,000,000.00	40%	42%	44%	46%	48%	50%	52%	53%	55%	55%
\$ 160,000,000.00	\$ 165,000,000.00		41%	43%	45%	47%	49%	51%	52%	54%	55%
\$ 155,000,000.00	\$ 160,000,000.00		40%	42%	46%	46%	48%	50%	51%	53%	54%
\$ 150,000,000.00	\$ 155,000,000.00			41%	43%	45%	47%	49%	50%	52%	53%
\$ 145,000,000.00	\$ 150,000,000.00			40%	42%	44%	46%	48%	49%	51%	52%
\$ 140,000,000.00	\$ 145,000,000.00				41%	43%	45%	47%	48%	50%	51%
\$ 135,000,000.00	\$ 140,000,000.00				40%	42%	44%	46%	47%	49%	50%
\$ 130,000,000.00	\$ 135,000,000.00					41%	43%	45%	46%	48%	49%
\$ 125,000,000.00	\$ 130,000,000.00					40%	42%	44%	45%	47%	48%
\$ 120,000,000.00	\$ 125,000,000.00						41%	43%	44%	46%	47%
\$ 115,000,000.00	\$ 120,000,000.00						40%	42%	43%	45%	46%
\$ 110,000,000.00	\$ 115,000,000.00							41%	42%	44%	45%
\$ 105,000,000.00	\$ 110,000,000.00							40%	41%	43%	44%
\$ 100,000,000.00	\$ 105,000,000.00								40%	42%	43%
\$ 95,000,000.00	\$ 100,000,000.00									41%	42%
\$ 90,000,000.00	\$ 95,000,000.00									40%	41%
\$ 85,000,000.00	\$ 90,000,000.00										40%
\$ -	\$ 85,000,000.00										

Buenos Aire Windpower, LLC, Monte Cristo Windpower, LLC, and La Joya Windpower, LLC

West Willacy Windpower, LLC (Monte Alto)

** Per South Texas College's Guidelines and Criteria for Granting Tax Abatements, the new capital investment minimum threshold is \$200,000,000.