



Valero Houston Refinery

Budget & Fiscal Affairs Committee

December 9, 2014

Presented by:

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Valero Houston Refinery Background

- Valero petitioned the City of Houston requesting disannexation of the Houston Valero Refinery and simultaneous requesting designation as an Industrial District
- The Valero refinery is the oldest in Houston and was acquired from Basic Petroleum in May 1997
- The refinery is one of the few industrial facilities that still operates within the city limits and is immediately adjacent to Ship Channel Industrial Districts
- Designation of an Industrial District will place the Valero Houston Refinery on an equal footing with similar businesses in the ship channel area
- The designation of an Industrial District would provide operational benefits to the Refinery

Valero Houston Refinery – Disannexation Economic Impact

- The city will collect payments in lieu of taxes on the land at the same rate as it now collects
- Payments in lieu of taxes on improvements and personal property will be at rates established for all Industrial Districts based on the City calculation for the new facility
- City sales tax, permit/license fees or assessments are inapplicable within an Industrial District, however, **Valero has agreed to continue payment of city drainage assessments**
- Upon disannexation, the city will no longer be required to provide the full range of City services nor to expend staff and other resources on patrol, inspection and emergency response activities which reduces the city's liabilities and expenses
- Most services and monitoring for regulatory compliance will be provided by other agencies including the Houston Ship Channel Security District
- Land will be calculated at 100%, base year improvements will be phased down to 73.4% over 8 years and new construction will be phased up to 73.4% over 8 years

Valero Houston Refinery – Disannexation Environmental

- Valero was the first energy company to formally adopt an Environmental Justice Policy
- Partnering with Urban Harvest on plans to convert one or more vacant lots in nearby Manchester neighborhood to a community garden
- The Houston refinery has decreased its emissions by 90% since 2003 by investing significant capital in the Houston Refinery
- They have enhanced the plant by investing over \$1.1 billion into the facility

Valero Houston Refinery – Disannexation Ad Valorem Revenue – Existing Refinery

Ad Valorem Revenue from Existing Valero Refinery Facility

Payment Year	Property Value	Payment Value			
		Ad Valorem	2015 IDA Payment Floor	Calculated IDA Fee	% of of AV
2014	338,736,400	2,163,678			100%
2015	349,426,651	2,205,161	(1)(2)		100%
2016	359,909,451		2,205,161	2,271,317	100%
2017	370,706,734		2,205,161	2,222,483	95%
2018	381,827,936		2,205,161	2,168,676	90%
2019	393,282,774		2,205,161	2,109,640	85%
2020	405,081,257		2,205,161	2,045,109	80%
2021	417,233,695		2,205,161	1,974,809	75%
2022	429,750,706		2,205,161	2,015,069	74.3%
2023	442,643,227		2,205,162	2,075,521	74.3%
2024	455,922,524		2,205,163	2,137,786	74.3%
2025	469,600,200		2,205,164	2,201,920	74.3%
2026	483,688,206		2,205,165	2,267,977	74.3%
2027	498,198,852		2,205,166	2,336,017	74.3%

(1) Assuming stabilized property values, IDA Payments will not fall below the 2015 payment (based on Jan. 1, 2014 value);

(2) 2014 Billing statement already distributed and payment due Jan. 1, 2015; however, company may defer AV payment to pay as IDA fee

2014 Payment is based on actual collections; 2015 based on current tax statement due Jan. 1, 2015

Payments after 2015 is based on projected revenue at 3% growth

Discounts only apply after the construction on the new facility has started

Valero Houston Refinery – Disannexation Ad Valorem Revenue – New Facility

Ad Valorem Revenue from New Valero Refinery Facility (1)

Payment Year	Payment Value		
	Property Value	IDA Fee	% of of AV
2020	400,000,000	1,009,728	40.0%
2021	412,000,000	1,040,020	40.0%
2022	424,360,000	1,071,220	40.0%
2023	437,090,800	1,241,277	45.0%
2024	450,203,524	1,278,515	45.0%
2025	463,709,630	1,463,189	50.0%
2026	477,620,919	1,507,085	50.0%
2027	491,949,546	2,306,714	74.3%

(1) Construction on new facility is scheduled for 2017 and is a 24 month project; Assumes completion as of Jan. 1, 2019

Assumes standard IDA discount structure