



**AGENDA
SPECIAL MEETING
FREEPORT CITY COUNCIL
THURSDAY, MAY 26, 2022 at 6:00 P.M.**

Mayor:
Brooks Bass

Council Members:
Jeff Pena
Jerry Cain
Mario Muraira
Troy Brimage

City Manager:
Timothy Kelty

THE CITY COUNCIL OF THE CITY OF FREEPORT, TEXAS, WILL MEET ON THURSDAY, THE 26th DAY OF MAY, 2022, AT 6:00 P.M., AT THE FREEPORT, POLICE DEPARTMENT, MUNICIPAL COURT ROOM, 430 NORTH BRAZOSPORT BOULEVARD FREEPORT TEXAS

This meeting will be live streamed via Facebook Live and may be accessed on the City of Freeport Facebook page: <https://www.facebook.com/freeporttexas>

THE MEETING IS BEING HELD FOR THE FOLLOWING PURPOSES:

CALL TO ORDER: *The Mayor will call the meeting to order, declare a quorum if present, and declare notices legally posted pursuant to Open Meetings Act.*

INVOCATION AND PLEDGE OF ALLEGIANCE: (Council Member)

COUNCIL BUSINESS – REGULAR SESSION:

1. **Public Hearing** on a request for a Tax abatement from Volkswagon Group of America (VWGoA) located in Reinvestment Zone 2022-01, City of Freeport located within the boundaries of the city.
2. Consideration and Possible action on Ordinance No. 2022-2667 An Ordinance approving a tax abatement located in Reinvestment Zone 2022-01, City of Freeport located within the boundaries of the city

ADJOURNMENT:

3. Adjourn.

Items not necessarily discussed in the order they appear on the agenda. The Council at its discretion may take action on any or all of the items as listed. This notice is posted pursuant to the Texas Open Meeting Act. (Chapter 551, Government Code).

The City Council reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed above, as authorized by Texas Government Code Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices) and 551.087 (Economic Development).

ACCESSIBILITY STATEMENT This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Secretary's Office at (979) 233-3526.

CERTIFICATE I certify the foregoing notice was posted in the official glass case at the rear door of the City Hall, with 24 hours a day public access, 200 West 2nd Street, Freeport Texas, before 6:00 p.m. in accordance with Open Meetings Act.



Betty Wells, City Secretary,
City of Freeport, Texas

ORDINANCE NO. 2022-2667

AN ORDINANCE APPROVING AND AUTHORIZING A TAX ABATEMENT AGREEMENT BETWEEN THE CITY OF FREEPORT, TEXAS, AND PRP KDC FREEPORT DEVELOPMENT LLC, FOR PROPERTY LOCATED WITHIN THE CITY OF FREEPORT REINVESTMENT ZONE 2022-1; CONTAINING FINDINGS AND OTHER PROVISIONS RELATED TO THE SUBJECT.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FREEPORT, 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 Freeport 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 finds that the terms of the Agreement authorized by this Ordinance meet the guidelines and criteria of Resolution 2020-2636 relating to tax abatement; that the property subject to abatement under the Agreement authorized by this Ordinance lies within the City of Freeport Reinvestment Zone 2022-1, a designated reinvestment zone authorized by Chapter 312 of the Texas Tax Code and Ordinance 2022-2665 that this Agreement will result in no substantial potential adverse effect on the provision of City services or the tax base; and that the proposed use of the facility to provide automobile import, transportation, and services within the automotive industry will contribute to the economic development of the City.

Section 3. 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 4. That this Ordinance shall be passed finally and take effect immediately upon its passage and execution by the Mayor and City Secretary.

PRESENTED AND PUBLIC HEARING held on the 26th day of May, 2022;

READ, PASSED AND ADOPTED on the 26th day of May, 2022.

Brooks Bass, Mayor,
City of Freeport, Texas

ATTEST:

APPROVED AS TO FORM ONLY:

Betty Wells, City Clerk,
City of Freeport, Texas

Christopher Duncan, City Attorney,
City of Freeport, Texas

TAX ABATEMENT AGREEMENT

This **TAX ABATEMENT AGREEMENT** ("Agreement") is made by and between **the CITY OF FREEPORT, TEXAS**, a municipal corporation and home-rule city ("City"), and **PRP KDC FREEPORT DEVELOPMENT LLC** a limited liability corporation, authorized to transact business in the State of Texas ("the Company"). The City and the Company 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.

RECITALS

WHEREAS, the creation and retention of job opportunities, expanded property tax base, and diversifying the local economy, in the City is paramount to the City's continued economic development; and

WHEREAS, in accordance with the requirements of Resolution 2020-2636, setting forth the City's tax abatement guidelines and criteria, the Company desires to construct and operate, an automobile processing facility that shall include a mix of uses that may include office space, warehouse, automobile repair, automobile modification and automobile storage and transportation; and

WHEREAS, the proposed Facility site is located on a 147.09 acre lease tract John G. McNeel ½ League, Abstract No. 335 and Concepcion Areola Survey, Abstract No. 142 Brazoria County, Texas, within the City of Freeport more fully described in Exhibit 1; and

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

WHEREAS, the City Council finds that the Improvements 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 Company has represented that the Improvements will be designed, constructed and installed in 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 Resolution 2020-2636; and

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 improvements to the following types of property made subsequent to the Base Year of this Agreement: buildings, structures, fixed machinery and equipment, site improvements, office space and related fixed improvements necessary to the operation and administration of the Facility.

"Abatement Period" means the **seven (7)** year time period that begins on the Effective Date of Abatement.

"Agreement" means this Tax Abatement Agreement between the City of Freeport and PRP KDC FREEPORT DEVELOPMENT LLC.

"Agreement Effective Date" means the date upon which City Council approves this Agreement.

"Base Year" means the calendar year beginning on January 1, 2022.

"Base Year Value" means the assessed value of eligible property on January 1 preceding the execution of the agreement plus the agreed upon value of eligible property improvements made after January 1, but before the execution of the agreement.

"BCAD" means the Brazoria County Appraisal District.

"City" means the City of Freeport, Texas.

"City Council" means the City Council of the City of Freeport, Texas.

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

"Director" means any person who may be designated in writing by the Mayor 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 January 1 immediately following the date upon which the project construction passes final inspection by the City and its certificate of occupancy is issued by the City.

"Eligible Property" means real property located in the Zone that meets the criteria of the City's tax abatement guidelines and criteria.

"EXHIBIT 1" attached to this Agreement and made a part hereof includes a legal description and a map of the Zone.

"EXHIBIT 2" attached to this Agreement and made a part hereof identifies the layout of the improvements within the Zone.

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

"EXHIBIT 4" attached to this Agreement and a part hereof describes the Project Summary.

"Facility" means the improvements constructed for the project.

"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, and tangible personal property that are developed, constructed, or installed in the Zone by or on behalf of the Company and its affiliates subsequent to the Agreement Effective Date. City Secretary to insert ordinance number and date adopted by City Council.

"Permanent Employee" means an individual who is an employee of the Company or its affiliates, who works a minimum of 35 hours in a seven-day period, and reports to work in the reinvestment zone, excluding any contract employee, seasonal employee or part-time employee.

"Contract Employee" means an individual, who is an employee of an independent contractor, works a minimum of 35 hours in a seven-day period, and reports to work in the reinvestment zone.

"Real Property" means the land in the Zone and all improvements existing prior to the Agreement Effective Date. The Real Property is more specifically described on EXHIBIT 1.

"Recapture" means the City's reclamation and recovery of tax abatement funds from the Company due to the Company's failure to meet or be in compliance with the hiring goal for any applicable year.

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

2. Authorization

This Agreement is authorized by Resolution 2020-2636, which establishes the property tax abatement program for properties in designated reinvestment zones, and by the Ordinance.

3. Property

The taxable real property to be improved under this Agreement is located on a 147.09 acre lease tract John G. McNeel ½ League, Abstract No. 335 and Concepcion Areola Survey, Abstract No. 142 Brazoria County, Texas, within the City of Freeport more fully described in Exhibit 1 attached hereto and made a part hereof for all purposes.

4. Representations and Warranties

(a) The Company represents that it is lessee or shall be lessee of the taxable improvements on the real property and shall have the legal responsibility for payment of all taxes assessed on said improvements. If the Company is not a lessee of the taxable improvements on the real property and does not have the legal responsibility for payment of all taxes assessed on said improvements on the earlier date of Effective Date of Abatement or _____ then this Agreement shall automatically be null, void, and of no further effect.

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

(c) The Company represents and warrants that construction or installation of the Improvements described in EXHIBIT 3 will begin within 90 days of the Agreement Effective Date.

(d) The Company represents that, to the best of the knowledge of any employee of the Company who has participated in the negotiation or internal analysis of this Agreement, no interest in the Real Property or the Improvements is held or leased by a member of the City Council.

(e) The Company represents and warrants that it will build invest a minimum of \$28,500,000.00 in constructing and installing the above-ground (exclusive of dirt work) Improvements in the Zone by December 31, 2023.

(f) The Company represents and warrants that on or before 6 months following the Effective Date of Abatement, the Company, its Affiliates, and its Affiliate's 3rd-Party Logistics Provider(s) and/or tenants or subtenants, collectively will employ, and will continue to employ throughout the Abatement Period, at least _____ total employees in the Zone with a minimum of _____ being Permanent Employees.

(g) The Company has demonstrated that the tax abatement incentive is critical to the development of this project and without such incentive, the project is not financially feasible.

(h) The Company represents and warrants that it will operate the Facility as described in EXHIBIT 3.

(i) The Company represents and warrants that the Improvements will be constructed, installed, and operated in accordance with all applicable federal, state, and local environmental laws and regulations.

(j) This Agreement may be amended to include additional Real Property to the Zone, subject to the approval of the Freeport City Council.

(k) This agreement may be amended to provide additional years of abatement resulting from additional consideration of action offered by the company that advances the economic needs of the City.

5. Terms of the Agreement

(a) The Company shall cause the Improvements to be developed, constructed and installed substantially in conformity with the description, plans, and specifications described in EXHIBIT C and applicable provisions of the City of Freeport Building Code ("Building Code"). In case of any conflict between EXHIBIT C and the Building Code, the Building Code shall prevail. In addition, during the Abatement Period, the Company shall comply with the City Code of Ordinances, if applicable regarding platting regulations, and all other laws and regulations applicable to the construction and installation of the Improvements.

(b) The Company shall allow the City reasonable access to records verifying any term of the Agreement, as defined and described in this Section, to ensure compliance with the Agreement.

(c) Upon completion of the construction and installation of the Improvements, the Company shall use the Facility or cause the Facility to 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 Resolution 2020-2636 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 to create an automobile processing facility that shall include a mix of uses that may include office space, warehouse, automobile repair, automobile modification and automobile storage and transportation.

(d) The Company shall maintain the Improvements in accordance with applicable City codes throughout the Abatement Period.

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

(f) The Company shall provide and cause its affiliates to provide City employees reasonable access to any relevant records requested and necessary for the purpose of conducting an audit of the Facility to ensure compliance with this Agreement. Any such audit shall be made only after giving the Company at least seven (7) days advance notice and will be conducted in such a manner as to not unreasonably interfere with the operation of the Facility. Documents and materials

provided by the Company 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 Company 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 Company'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 pursuant to the Texas Open Records Act or similar provision of federal law, the City agrees to promptly give the Company notice of that request. If the Company, for itself or one or more of its affiliates, advises the City that it believes that the right of the City to withhold said information from disclosure is allowed by the Texas Open Records 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 said 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 said information unless thereafter authorized by the Company 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 Company, it will not disclose the requested information unless ordered to do so by a court of competent jurisdiction.

(g) The Company shall not assign this Agreement without the written approval of the City Council, which approval shall not be unreasonably withheld. If the proposed assignee is an affiliated entity of the Company, then the City Council may consent to the assignment if the Company is in compliance with all terms of this Agreement. In addition, any assignment must comply with the provisions of Resolution 2020-2636.

(h) Not later than February 1st of each year during the Abatement Period, the Company shall provide the Director and the Chief Appraiser of BCAD a statement of the number of Permanent Employees and Contract Employees the Company and its affiliates collectively employ in the Zone. The employee count submitted shall correspond to the employee count reported by the Company and Contractors in its "Employer's Quarterly Report" to the Texas Workforce Commission, excluding employees of the Company's tenants and subtenants. The employee count submitted by the Company shall be used to determine abatement eligibility for that year and be subject to audit, if requested by the Director. The Company, if requested by the Director, shall have an independent audit prepared of the employment/employee count documentation and shall submit the audit to the Director for use in complying with the requirements of this subsection.

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

(j) Not later than April 15th or such other date as required by BCAD, whichever date is earlier, of each year during of the Abatement Period, the Company shall file the appropriate form with BCAD to qualify for the tax abatement granted under this Agreement for that year. In addition, not later than April 15th or such other date as required by BCAD, whichever date is earlier, of each year during the Abatement Period, the Company shall render to BCAD the value of all taxable

personal property, including the tangible personal property included in the Improvements, located in the Zone on the preceding January 1st.

(k) On or before January 1st of each year the Agreement is in effect, the Company shall provide the Director a sworn statement that includes a delineation of the number of permanent employees and contract employees of the Company and its affiliates as of the immediately preceding December 1st, who report to work in the Zone at each site covered by the Agreement.

(l) Commencing January 1, 2024, and on or before January 31st of each subsequent year during the Abatement Period, the chief financial officer, or equivalent, of the Company shall provide the Director a sworn statement that the Company is and has been in compliance with all provisions of this Agreement in the prior year.

(m) A chief financial officer, or equivalent, of the Company who cannot make the sworn statement required by paragraph (l) above on any January 1st shall provide the Director with a written statement identifying any provision of the Agreement with which the Company is not or has not been in full compliance.

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

(o) The Company shall have the option and right at any time during the Abatement Period, to give the City written notice (a "Termination Notice") that the Company 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 Company; provided, however, at the time the Termination Notice is given by the Company, no event of default shall exist which has not been cured. Upon the giving of a Termination Notice by the Company 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 Company shall not be entitled to any tax abatement pursuant to this Agreement for the year in which the Termination Notice is given by the Company and for all years remaining in the Abatement Period.

6. Tax Abatement

(a) The Base Year Value is \$393,210

(b) In consideration of the Company's commitment to invest at least \$28,500,000.00 in the above-ground Improvements (exclusive of dirt work) in the Zone, the City agrees to grant the Company a one hundred percent (100%) abatement of the ad valorem taxes on the Improvements in the Zone during the Abatement Period. The Abatement Period begins on the Effective Date of Abatement. In no case shall the Abatement Period, inclusive of the construction period for later phases, exceed ten (10) years from the Effective Date of Abatement.

(c) From the Agreement Effective Date to the Effective Date of Abatement, ad valorem taxes levied on ineligible property, as that term is defined in Resolution 2020-2636 including the Real Property, shall be fully payable.

(d) From the Effective Date of Abatement to the end of the Abatement Period:

(1) Ad valorem taxes levied on "ineligible property," as that term is defined in Resolution 2020-2636, including the Real Property, shall be fully payable.

(2) Ad valorem taxes levied on the Base Year Value of "eligible property," as that term is defined in Resolution 2020-2636, shall be fully payable.

(e) Property within the Zone this is owned or leased at any time during the term of the Agreement by a member of the city council is ineligible and excluded from tax abatement.

7. Default and Recapture

(a) Events of Default

The Company 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 Company fails to timely comply with job creation, investment or payment requirements stated in this Agreement;

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

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

(5) Employees or designated representatives of the City determine pursuant to an inspection that the Company has not complied with this Agreement.

(b) Events of Recapture

(1) The Company and its affiliates and/or tenants or subtenants, collectively fail to meet the Employee hiring goal of at least _____ total employees in the Zone with a minimum of _____ being Permanent Employees on or before 6 months following the beginning of the Effective Date of Abatement, or any time during the abatement period temporarily fall below the above employee numbers by more than 90% of total Permanent or Contract Employees for a period exceeding 90 days, as represented and warranted under Section 4(f) of this agreement;

(c) Notice

(1) If the Director determines that an event of default has occurred, the Director shall notify the Company 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 7(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. The Company's failure to comply with job creation or investment requirements is an "incurable default". Within such thirty (30) day notice period, the Company 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 7(e) of the Agreement.

(2) If the Company is in default of this Agreement, the Company 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), such default shall be cured within thirty (30) days following the date of the notice of default. If the Company fails to cure the curable default within such thirty (30) day period, then the City may pursue any one or more of the remedies listed in Section 7(e) of this Agreement.

(d) Cure

1) In curing an event of default based on any of the items set forth in Section (a) of this Agreement, and assuming the event of default is curable and is not an "incurable default", the Company shall provide sufficient evidence to the Director that the default has been cured within sixty (60) 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 and Recapture

(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 Company's right to any future abatement under the Agreement without terminating the Agreement; pursue any and all remedies allowed under the Agreement; and pursue any and all remedies allowed 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 Company 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) If the Company and its affiliates and/or tenants or subtenants, collectively fail to meet the hiring goal as represented and warranted under Section 4(f) of the Agreement, then the City shall recapture ten percent (10 %) of the taxes abated per fifteen-employee (15- employee) shortfall up to a maximum recapture amount of fifty percent (50%) of the taxes abated.

4) 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) City's Right to Recover

(1) The City's right and authority to pursue any default and to recover abated taxes granted under this Section 7 shall survive the amendment, revision, expiration, or termination of this Agreement.

8. Administration

(a) The Chief Appraiser of BCAD shall annually determine the taxable value of the Improvements listed in EXHIBIT 3. Each year, the Company shall furnish the City with such information as may be necessary for calculating the amount of tax abatement granted under this Agreement. Once the taxable values of the Improvements have been established and the amount of the tax abatement calculated, the Chief Appraiser of BCAD shall notify the affected jurisdictions that levy taxes on the Improvements of the amounts of the taxable values of the Improvements.

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

9. 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 Company to comply with any ordinance, rule or regulation of the City, or the laws and regulations of the State of Texas and the United States.

10. Merger

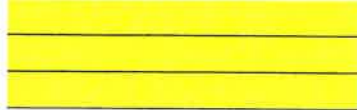
The Parties agree that this Agreement contains all of the terms and conditions of the understanding of the Parties relating to the subject matter hereof. All prior negotiations, discussions,

correspondence, and preliminary understandings between the Parties and others relating hereto are superseded by this Agreement.

11. 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 Company:



To the City:

City of Freeport
City Manager/Mayor
200 W. Second Street
Freeport, Texas 77541

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

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

[Execution page follows]

Exhibit 1

Main entrance will be near the intersection of South Velasco Blvd and Nolan Ryan Expressway. This main entrance will be used trucks and employees.

Within Port property, there will be a separate entrance for movement of imported vehicles from berth to terminal.

DESCRIPTION OF A 147.09 ACRE LEASE TRACT

JOHN G. MCNEEL ½ LEAGUE, ABSTRACT NO. 335 AND

CONCEPCION AREOLA SURVEY, ABSTRACT NO. 142

BRAZORIA COUNTY, TEXAS

BEING A 147.09 ACRE LEASE TRACT IN THE JOHN G. MCNEEL ½ LEAGUE, ABSTRACT NO. 335 AND IN THE CONCEPCION AREOLA SURVEY, ABSTRACT NO. 142, BRAZORIA COUNTY, TEXAS; SAID 147.09 ACRE LEASE TRACT BEING PART OF THAT TRACT OF LAND REFERRED TO AS PARCEL 14 OF PORT FREEPORT; SAID PARCEL 14 BEING PART OF THE REMAINDER OF A 61.27 ACRE TRACT OF LAND CONVEYED TO BRAZOS RIVER HARBOR NAVIGATION DISTRICT FROM FREEPORT SULPHUR COMPANY BY DEED DATED JUNE 18, 1962 AND RECORDED IN VOLUME 826, PAGE 531 OF THE DEED RECORDS OF BRAZORIA COUNTY, TEXAS AND PART OF THE REMAINDER OF A 1384.40 ACRE TRACT REFERRED TO AS A PART OF TRACT SEVEN CONVEYED TO BRAZOS RIVER HARBOR NAVIGATION DISTRICT FROM FREEPORT MINERALS COMPANY BY DEED DATED AUGUST 27, 1982 AND RECORDED IN VOLUME 1663, PAGE 22 OF THE DEED RECORDS OF BRAZORIA COUNTY, TEXAS; SAID 147.09 ACRE LEASE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING at TxDOT right of way monument located at the northeast corner of said Parcel 14 and being also located at the intersection of the southerly right of way of State Highway 36 with the westerly right of way of F M Highway 1495; thence as follows:

North 89° 12' 15" West, across said Parcel 14, a distance of 595.28 feet to the **POINT OF BEGINNING** and northeast corner of the herein described lease tract;

THENCE, South 29° 59' 49" West, along the eastern most line of the herein described lease tract, a distance of 562.30 feet to a point for corner;

THENCE, North 74° 46' 11" West, along the interior north line of the herein described lease tract, at a distance of 159.63 feet pass a chain link fence corner post located at the northeast corner of an existing 20.404 acre lease tract; and continuing for a total distance of 1,614.04 feet to a chain link fence corner post located at the northwest corner of said 20.404 acre lease tract for the interior corner of the herein described lease tract;

THENCE, South 15° 12' 24" West, along an interior east line of the herein described lease tract and along a chain link fence along the westerly line of said 20.404 acre lease site, a distance of 652.00 feet to a chain link fence corner post located at the southwest corner of said 20.404 acre lease tract and for the most southerly southeast corner of the herein described lease tract;

THENCE, North 75° 09' 40" West, along the southerly line of the herein described lease tract, a distance of 4,573.11 feet to a point for the southwest corner of the herein described lease tract; same being on the east line of 10.00 acre lease;

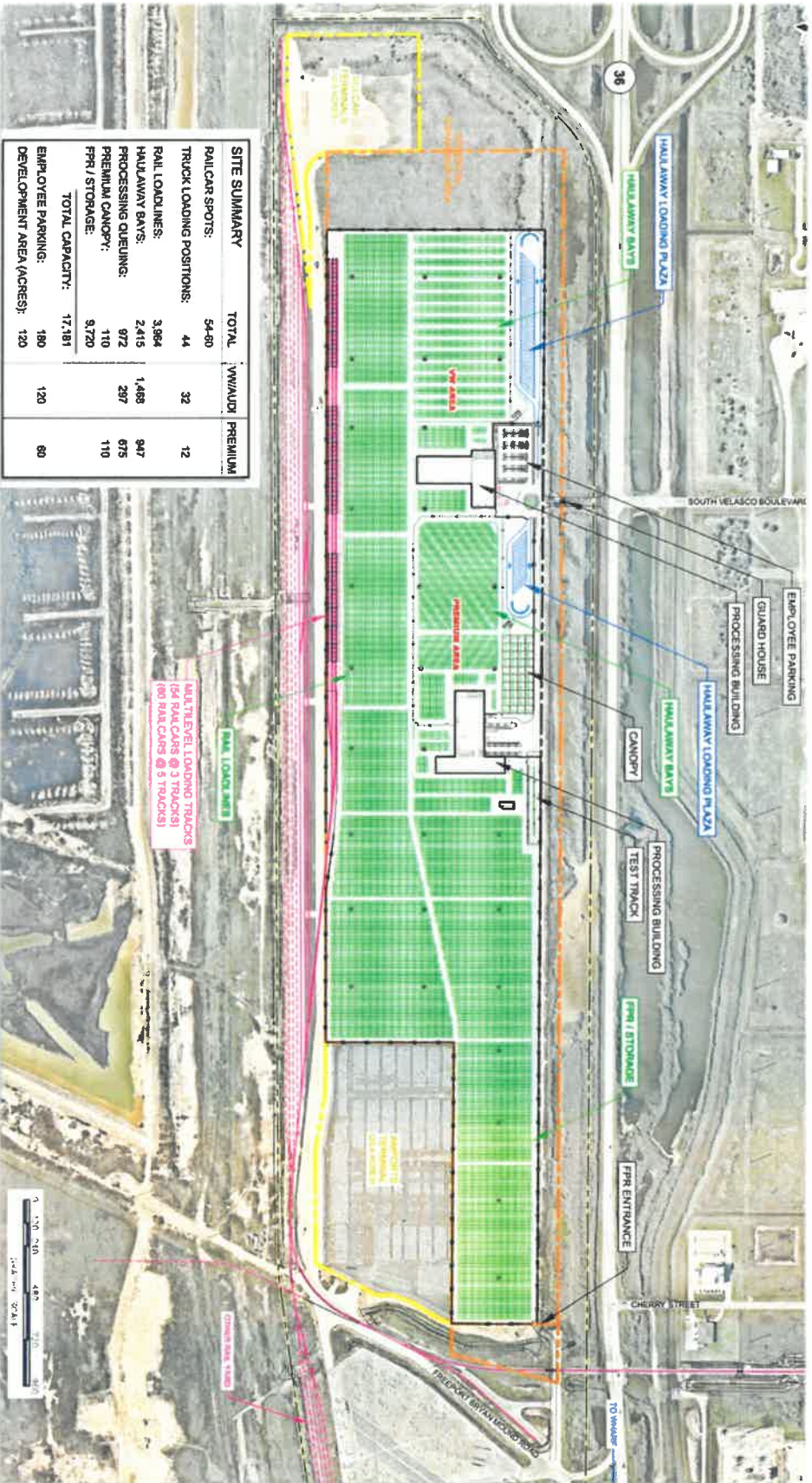
THENCE, North 14° 17' 43" East, along the westerly line of the herein described lease tract and along the east line of said 10.00 acre lease, passing the northeast corner of said 10.00 acre lease, and continuing for a total distance of 1,207.96 feet to a point for the northwest corner of the herein described lease tract;

THENCE, South 74° 56' 34" East, along the northerly line of the herein described lease tract, a distance of 6,349.84 feet to the **POINT OF BEGINNING** and containing 147.09 acres.

Proposed Development – Site Plan



Exhibit 2



SITE SUMMARY	TOTAL	VW/AUDI	PREMIUM
RAIL CAR SPOTS:	54-60	32	12
TRUCK LOADING POSITIONS:	44		
RAIL LOADLINES:	3,984	1,488	947
HAULAWAY BAYS:	2,415	297	675
PROCESSING QUEUING:	972		110
PREMIUM CANOPY:	110		
FPR / STORAGE:	9,720		
TOTAL CAPACITY:	17,181	120	80
EMPLOYEE PARKING:	180		
DEVELOPMENT AREA (ACRES):	120		

MULTI-LEVEL LOADING TRACKS
(64 RAIL CARS @ 3 TRACKS)
(80 RAIL CARS @ 5 TRACKS)





Proposed Port Freeport Facilities



Exhibit 4

**Proposed VWGOA Port of Entry
Project Description**

Project Description, Timeline, and Overview

- **The proposed VWGoA Port of Entry project at Port Freeport will consist of a 125-acre vehicle importation and processing center.**
 - Will manage distribution of vehicles inbound from Europe and Mexico by both rail and water.
 - The project will include an on-site rail loading and unloading facility, a vehicle storage area, as well as two buildings totaling approximately 170,000 square feet for administration, vehicle processing, parts storage, and specialized technical space for several different Volkswagen Group brands.
 - Additionally, electric chargers, fueling facilities, car washes, a storage canopy for certain vehicles, and dedicated truck loading and haulway facilities will be constructed.
 - PQT / Porsche / Lamborghini / Bentley to utilize space as well
- **Project will cover over 50% of the United States by geography, serving dealers in an area spanning Texas, the Midwest, and the Pacific Northwest.**
- **Average throughput of the facility over the next 5 years is projected to be between 120,000 and 140,000 cars per year.**
- **Constructed on land ground leased from Port Freeport, who will retain fee title to the land.**

Project Overview

VOLKSWAGEN
GROUP OF AMERICA



** Example Photos - Taken at VWGoA's new Tradeport Atlantic vehicle terminal at the Port of Baltimore.*

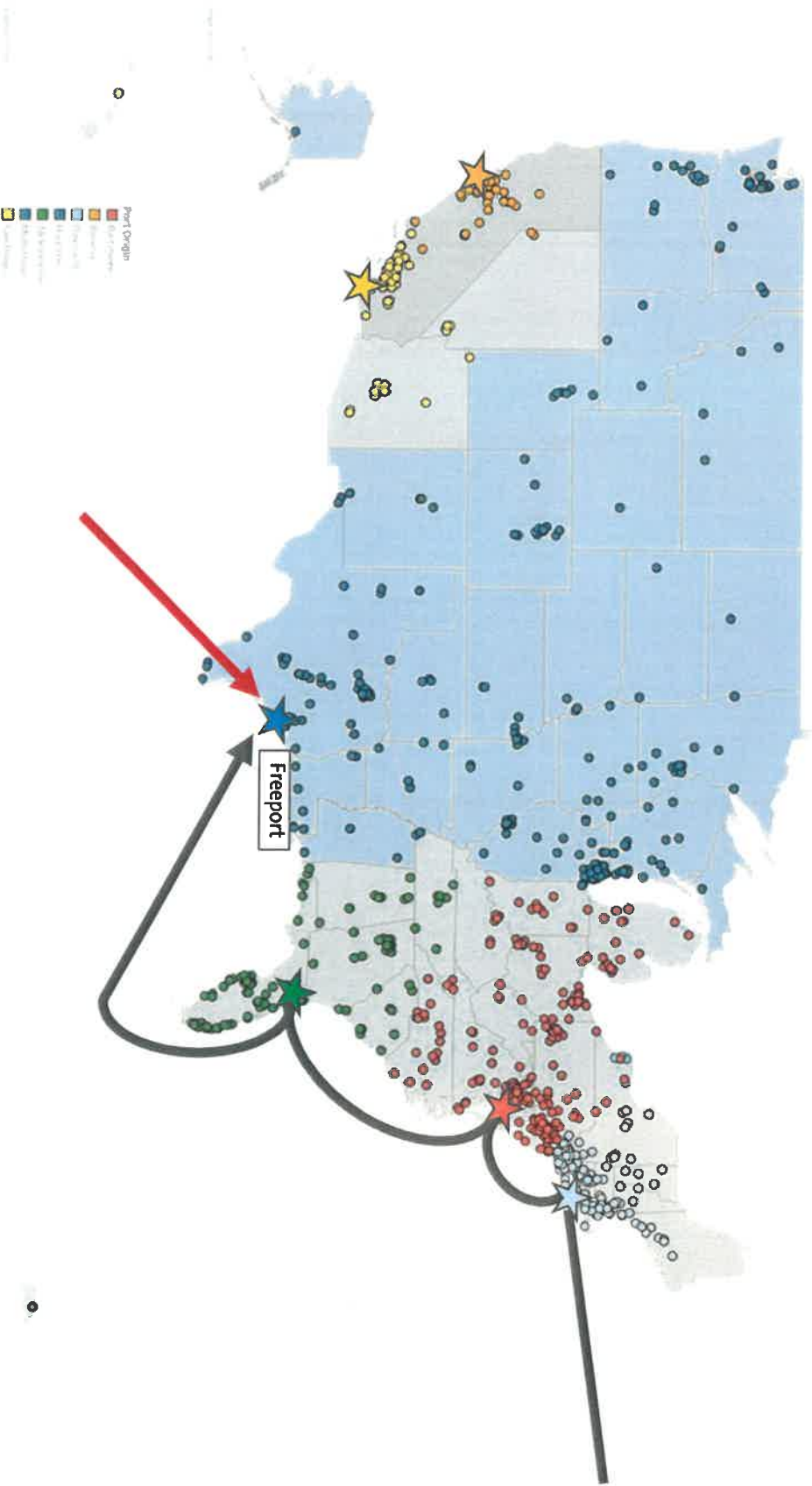
Project Overview

VOLKSWAGEN
GROUP OF AMERICA



** Example Photos - Taken at VWGoA's new Tradepoint Atlantic vehicle terminal at the Port of Baltimore.*

US Network & Texas Port Service Area



Timeline, Schedule, and Jobs Overview

- **Construction Timeline and Jobs:**
 - Start June 2022; Conclude December 2023
 - Construction Jobs: **anticipate the creation of 387 jobs for 18-20 months**, with almost 550,000 person-hours of construction activities being performed.
- **VWGoA Port of Entry would support 260-300 jobs.**
 - 113 of these jobs directly at VWGoA terminal
 - Require employment at the port of 60 to 100 stevedore drivers to unload the thousands of vehicles the terminal will import via vessel.
 - Require a robust trucking operation to be established and would support further employment at a shortline rail operator.
- **Average Wage at VWGoA terminal: \$31.11**

	Number
VWGoA Full Time Employees	11
<i>Contractor / 3rd Party Logistics Provider (3PL) – Processing, Management, Administrative, HR, IT)</i>	55
<i>Porsche Full Time Employees</i>	3
<i>Contractor 3PL – Rail Operations</i>	12
<i>Contractor 3PL – Technical (Accessory Installation, Vehicle Quality, Collision Repair Technician, Paint Shop Technician)</i>	25
<i>Contractor 3PL – Warehouse (Forklift Operator, Parts)</i>	4
<i>Contractor 3PL - Temp Labor (operations)</i>	15
Facility Maintenance	3
Trucking (Dispatch, Truck Loading Supervision, Short Haul drivers)	15
Trucking (Long Haul drivers)	40
Vessel Stevedore Management, Supervision, Administration	5
Vessel Stevedore Drivers	60-100
Shortline Rail Operator	10
Vehicle Inspection 3PL	2
VWGoA / Porsche Full Time Employees	14
Total Jobs Directly at VWGoA Terminal	113
Total Direct & Indirect Jobs	260-300

Bold, Italicized = Jobs at VWGoA Terminal

Jobs Overview – Terminal Operations

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- **Automotive Technician**
- **Body Shop Operation**
- **Port Installed Accessories**
- **Terminal Upkeep and Maintenance**
- **Intermodal operations**
- **Warehousing**
- **Security**
- **Coordinating vendor delivery or pick ups**
 - **Auto Haulers**
 - **Parts Trucks**
 - **Recycle/Refuse removal**



Financial & Investment Summary

- **Total capital investment in the project is projected at nearly \$115 million**
 - Vertical building improvements - estimated taxable value of \$28.5 million
 - Site Stabilization - \$72.2 million of hard and soft costs
- **30-year lease with Port Freeport. Developer will construct and finance the project for VWGoA.**
 - Sublease between PRP KDC Freeport Development LLC (our developer) and VWGoA. 20-year triple net lease with **all taxes, expenses, and utilities passing through 100% to VWGoA (tenant)**.
 - There will be extension options to extend the sublease with VWGoA to the full 30 year term of the underlying ground lease with the port
- Given the increased costs to stabilize the land – certain costs to VW increase in Freeport.

Financial & Investment Summary



Hard Costs Construction		Combined Hard + Soft Cost
Vertical Buildings – Not Including Equipment	\$28.5 M <i>Estimated Taxable Value</i>	\$30.2 M + \$12.02 M = \$42.22 M
Site Work (including parking infrastructure and lighting)	\$48.8 M	\$48.8 M + \$20.4 M = \$72.2 M
General Contract Fees and Insurance / Permitting	\$4.7 M	
Total	\$82 M	

30% – 50% higher than comparable locations



Soft Costs Ex: Architecture, Engineering, Interest, Taxes during Construction, Escalation Allowances, Legal, Brokerage	
Total	\$32 M
Total Project Cost	\$114.495 M

**rounding in above numbers results in incorrect sum