

Company/Applicant: Valero - Retention Project

Project Description: - 557 Retained Jobs (direct and contract)
- \$298.5 Million Capital Investment

Capital Investment: \$ 298,538,000

Jobs: 557

Annual Average Wage: \$ 95,844

Recommended PILOT Length: (Years) 15

Tax Incentive: \$ 25,763,299

Local Tax Benefit: \$ 54,001,012

Benefit/Cost Ratio: 2.10

Valero Retention Project Tax Incentive Eligibility Analysis

Category	Project Data	Points
Job Retention	557	60.7
Wages*	\$95,844	47.6
Capital Investment	\$298,538,000	298.5
CRC		0.0
Location	City of Memphis	10.0
Total		417
Special Circumstances	Not to exceed 25% of Total Points (104)	10
Grand Total		427

Length of tax incentive: 15

***Wages Calculation**

Shelby County Annual Average Wage	\$	49,297
Project Wages	\$	95,844
Project wages as a % of Target Wage		194

Meets Target of 100% of Annual Average Wage	10
Extra Points	37.6
Total Points	47.6

Special Circumstances:

	Points
Targeted Industry (Manufacturing)	0
Headquarters	0
Fortune 500/Industry Leader	5
Major Employer	5
Minority/Women-Owned Business	0
Benefit to Cost Ratio Bonus	0
Total	<u>10</u>

City of Memphis, Shelby County, Tennessee
Valero Retention Project
Economic Impact and Benefit/Cost Analysis

Annual Impact of Operations

Employment, Direct	557
Wages & Benefits, Direct	\$ 63,387,224
Employment Multiplier ¹	3.6144
Total Employment	2,013
Employment, Indirect	1,456
Annual Average Wage ²	\$ 49,297
Wages, Indirect	\$ 71,776,432
Total Wages	\$ 135,163,656
Sales Tax Revenue ³	\$ 1,523,632
Other Tax Revenue ⁴	\$ 440,330
Residential/Commercial Property Tax Revenue ⁵	\$ 1,008,577
Total Tax Revenue	\$ 2,972,539

City of Memphis, Shelby County, Tennessee
Valero Retention Project
Economic Impact and Benefit/Cost Analysis

One Time Expansion Impact

Total Capital Investment	\$	298,538,000
Building - Real Property	\$	-
Economic Impact Multiplier ⁶		1.9085
Economic Impact	\$	-
Equipment Purchase/Set-up - Personal Property	\$	298,538,000
Economic Impact Multiplier ⁷		1.7302
Economic Impact	\$	516,530,448
Total Economic Impact	\$	516,530,448
Sales Tax Revenue ³	\$	2,525,987
Other Tax Revenue ⁴	\$	1,091,226
Total Tax Revenue	\$	3,617,213

Shelby County, Tennessee Valero Retention Project Tax Schedule

Shelby County Tax Rate: \$4.02	Real Property			
	Full Taxes	% of taxes paid	Taxes Paid after Abatement	Taxes Abated
Value	\$ -			
Year 1	\$ -	25%	\$ -	\$ -
Year 2	\$ -	25%	\$ -	\$ -
Year 3	\$ -	25%	\$ -	\$ -
Year 4	\$ -	25%	\$ -	\$ -
Year 5	\$ -	25%	\$ -	\$ -
Year 6	\$ -	25%	\$ -	\$ -
Year 7	\$ -	25%	\$ -	\$ -
Year 8	\$ -	25%	\$ -	\$ -
Year 9	\$ -	25%	\$ -	\$ -
Year 10	\$ -	25%	\$ -	\$ -
Year 11	\$ -	25%	\$ -	\$ -
Year 12	\$ -	25%	\$ -	\$ -
Year 13	\$ -	25%	\$ -	\$ -
Year 14	\$ -	25%	\$ -	\$ -
Year 15	\$ -	25%	\$ -	\$ -
Total	\$ -		\$ -	\$ -

**City of Memphis, Tennessee
Valero Retention Project
Tax Schedule**

City of Memphis Tax Rate: \$3.1889	Real Property			
	Full Taxes	% of taxes paid	Taxes Paid after Abatement	Taxes Abated
Year 1 Value	\$ -			
Year 1	\$ -	10%	\$ -	\$ -
Year 2	\$ -	10%	\$ -	\$ -
Year 3	\$ -	10%	\$ -	\$ -
Year 4	\$ -	10%	\$ -	\$ -
Year 5	\$ -	10%	\$ -	\$ -
Year 6	\$ -	10%	\$ -	\$ -
Year 7	\$ -	10%	\$ -	\$ -
Year 8	\$ -	10%	\$ -	\$ -
Year 9	\$ -	10%	\$ -	\$ -
Year 10	\$ -	10%	\$ -	\$ -
Year 11	\$ -	10%	\$ -	\$ -
Year 12	\$ -	10%	\$ -	\$ -
Year 13	\$ -	10%	\$ -	\$ -
Year 14	\$ -	10%	\$ -	\$ -
Year 15	\$ -	10%	\$ -	\$ -
Total	\$ -		\$ -	\$ -

Total Real Property Taxes Abated: \$ -
Payments Made in Lieu of Taxes: \$ -

Shelby County, Tennessee Valero Retention Project Tax Schedule

Shelby County Tax Rate: \$4.02	Personal Property - Year 1						Personal Property - Year 2					
	Value	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated	Value	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated
Year 1	\$ 95,603,000	\$ 1,014,616	0.88	25%	\$ 253,654	\$ 760,962	\$ 51,450,000					
Year 2	\$ 864,729	\$ 726,372	0.63	25%	\$ 181,593	\$ 544,779	\$ 546,029	0.88	25%	\$ 136,507	\$ 409,522	
Year 3	\$ 576,486	\$ 438,129	0.38	25%	\$ 109,532	\$ 328,597	\$ 465,365	0.75	25%	\$ 116,341	\$ 349,024	
Year 4	\$ 288,243	\$ 230,594	0.20	25%	\$ 57,649	\$ 172,945	\$ 390,907	0.63	25%	\$ 97,727	\$ 293,180	
Year 5	\$ 230,594	\$ 230,594	0.20	25%	\$ 57,649	\$ 172,945	\$ 310,244	0.50	25%	\$ 77,561	\$ 232,683	
Year 6	\$ 230,594	\$ 230,594	0.20	25%	\$ 57,649	\$ 172,945	\$ 235,785	0.38	25%	\$ 58,946	\$ 176,839	
Year 7	\$ 230,594	\$ 230,594	0.20	25%	\$ 57,649	\$ 172,945	\$ 155,122	0.25	25%	\$ 38,781	\$ 116,341	
Year 8	\$ 230,594	\$ 230,594	0.20	25%	\$ 57,649	\$ 172,945	\$ 124,097	0.20	25%	\$ 31,024	\$ 93,073	
Year 9	\$ 230,594	\$ 230,594	0.20	25%	\$ 57,649	\$ 172,945	\$ 124,097	0.20	25%	\$ 31,024	\$ 93,073	
Year 10	\$ 230,594	\$ 230,594	0.20	25%	\$ 57,649	\$ 172,945	\$ 124,097	0.20	25%	\$ 31,024	\$ 93,073	
Year 11	\$ 230,594	\$ 230,594	0.20	25%	\$ 57,649	\$ 172,945	\$ 124,097	0.20	25%	\$ 31,024	\$ 93,073	
Year 12	\$ 230,594	\$ 230,594	0.20	25%	\$ 57,649	\$ 172,945	\$ 124,097	0.20	25%	\$ 31,024	\$ 93,073	
Year 13	\$ 230,594	\$ 230,594	0.20	25%	\$ 57,649	\$ 172,945	\$ 124,097	0.20	25%	\$ 31,024	\$ 93,073	
Year 14	\$ 230,594	\$ 230,594	0.20	25%	\$ 57,649	\$ 172,945	\$ 124,097	0.20	25%	\$ 31,024	\$ 93,073	
Year 15	\$ 230,594	\$ 230,594	0.20	25%	\$ 57,649	\$ 172,945	\$ 124,097	0.20	25%	\$ 31,024	\$ 93,073	
Total	\$ 5,983,921	\$ 1,495,985			\$ 4,487,936	\$ 3,096,228	\$ 774,055			\$ 2,322,173		

**Shelby County, Tennessee
Valero Retention Project
Tax Schedule**

Shelby County Tax Rate: \$4.02	Personal Property - Year 3					Personal Property - Year 4						
	Value	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated	Value	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated
Year 1		\$ 70,006,000					\$ 66,629,000					
Year 2												
Year 3		\$ 742,960	0.88	25%	\$ 185,740	\$ 557,220						
Year 4		\$ 633,204	0.75	25%	\$ 158,301	\$ 474,903	\$ 707,120	0.88	25%	\$ 176,780	\$ 530,340	
Year 5		\$ 531,892	0.63	25%	\$ 132,973	\$ 398,919	\$ 602,659	0.75	25%	\$ 150,665	\$ 451,994	
Year 6		\$ 422,136	0.50	25%	\$ 105,534	\$ 316,602	\$ 506,234	0.63	25%	\$ 126,559	\$ 379,675	
Year 7		\$ 320,823	0.38	25%	\$ 80,206	\$ 240,617	\$ 401,773	0.50	25%	\$ 100,443	\$ 301,330	
Year 8		\$ 211,068	0.25	25%	\$ 52,767	\$ 158,301	\$ 305,347	0.38	25%	\$ 76,337	\$ 229,010	
Year 9		\$ 168,854	0.20	25%	\$ 42,214	\$ 126,640	\$ 200,886	0.25	25%	\$ 50,222	\$ 150,664	
Year 10		\$ 168,854	0.20	25%	\$ 42,214	\$ 126,640	\$ 160,709	0.20	25%	\$ 40,177	\$ 120,532	
Year 11		\$ 168,854	0.20	25%	\$ 42,214	\$ 126,640	\$ 160,709	0.20	25%	\$ 40,177	\$ 120,532	
Year 12		\$ 168,854	0.20	25%	\$ 42,214	\$ 126,640	\$ 160,709	0.20	25%	\$ 40,177	\$ 120,532	
Year 13		\$ 168,854	0.20	25%	\$ 42,214	\$ 126,640	\$ 160,709	0.20	25%	\$ 40,177	\$ 120,532	
Year 14		\$ 168,854	0.20	25%	\$ 42,214	\$ 126,640	\$ 160,709	0.20	25%	\$ 40,177	\$ 120,532	
Year 15		\$ 168,854	0.20	25%	\$ 42,214	\$ 126,640	\$ 160,709	0.20	25%	\$ 40,177	\$ 120,532	
Total		\$ 4,044,061			\$ 1,011,019	\$ 3,033,042	\$ 3,688,273			\$ 922,068	\$ 2,766,205	

**Shelby County, Tennessee
Valero Retention Project
Tax Schedule**

Personal Property - Year 5						
Shelby County Tax Rate: \$4.02	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated	
Value	\$ 14,850,000					
Year 1						
Year 2						
Year 3						
Year 4						
Year 5	\$ 157,600	0.88	25%	\$ 39,400	\$ 118,200	
Year 6	\$ 134,318	0.75	25%	\$ 33,580	\$ 100,738	
Year 7	\$ 112,827	0.63	25%	\$ 28,207	\$ 84,620	
Year 8	\$ 89,546	0.50	25%	\$ 22,387	\$ 67,159	
Year 9	\$ 68,055	0.38	25%	\$ 17,014	\$ 51,041	
Year 10	\$ 44,773	0.25	25%	\$ 11,193	\$ 33,580	
Year 11	\$ 35,818	0.20	25%	\$ 8,955	\$ 26,863	
Year 12	\$ 35,818	0.20	25%	\$ 8,955	\$ 26,863	
Year 13	\$ 35,818	0.20	25%	\$ 8,955	\$ 26,863	
Year 14	\$ 35,818	0.20	25%	\$ 8,955	\$ 26,863	
Year 15	\$ 35,818	0.20	25%	\$ 8,955	\$ 26,863	
Total	\$ 786,209			\$ 196,556	\$ 589,653	

**City of Memphis, Tennessee
Valero Retention Project
Tax Schedule**

City of Memphis Tax Rate: \$3.1889	Personal Property - Year 1					Personal Property - Year 2				
	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated
Value	\$ 95,603,000					\$ 51,450,000				
Year 1	\$ 804,853	0.88	10%	\$ 80,485	\$ 724,368					
Year 2	\$ 685,954	0.75	10%	\$ 68,595	\$ 617,359	\$ 433,142	0.88	10%	\$ 43,314	\$ 389,828
Year 3	\$ 576,201	0.63	10%	\$ 57,620	\$ 518,581	\$ 369,155	0.75	10%	\$ 36,916	\$ 332,239
Year 4	\$ 457,303	0.50	10%	\$ 45,730	\$ 411,573	\$ 310,090	0.63	10%	\$ 31,009	\$ 279,081
Year 5	\$ 347,550	0.38	10%	\$ 34,755	\$ 312,795	\$ 246,103	0.50	10%	\$ 24,610	\$ 221,493
Year 6	\$ 228,651	0.25	10%	\$ 22,865	\$ 205,786	\$ 187,039	0.38	10%	\$ 18,704	\$ 168,335
Year 7	\$ 182,921	0.20	10%	\$ 18,292	\$ 164,629	\$ 123,052	0.25	10%	\$ 12,305	\$ 110,747
Year 8	\$ 182,921	0.20	10%	\$ 18,292	\$ 164,629	\$ 98,441	0.20	10%	\$ 9,844	\$ 88,597
Year 9	\$ 182,921	0.20	10%	\$ 18,292	\$ 164,629	\$ 98,441	0.20	10%	\$ 9,844	\$ 88,597
Year 10	\$ 182,921	0.20	10%	\$ 18,292	\$ 164,629	\$ 98,441	0.20	10%	\$ 9,844	\$ 88,597
Year 11	\$ 182,921	0.20	10%	\$ 18,292	\$ 164,629	\$ 98,441	0.20	10%	\$ 9,844	\$ 88,597
Year 12	\$ 182,921	0.20	10%	\$ 18,292	\$ 164,629	\$ 98,441	0.20	10%	\$ 9,844	\$ 88,597
Year 13	\$ 182,921	0.20	10%	\$ 18,292	\$ 164,629	\$ 98,441	0.20	10%	\$ 9,844	\$ 88,597
Year 14	\$ 182,921	0.20	10%	\$ 18,292	\$ 164,629	\$ 98,441	0.20	10%	\$ 9,844	\$ 88,597
Year 15	\$ 182,921	0.20	10%	\$ 18,292	\$ 164,629	\$ 98,441	0.20	10%	\$ 9,844	\$ 88,597
Total	\$ 4,746,801			\$ 474,678	\$ 4,272,123	\$ 2,456,109			\$ 245,610	\$ 2,210,499

**City of Memphis, Tennessee
Valero Retention Project
Tax Schedule**

City of Memphis Tax Rate: \$3.1889	Personal Property - Year 3					Personal Property - Year 4				
	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated
Value	\$ 70,006,000					\$ 66,629,000				
Year 1										
Year 2										
Year 3	\$ 589,359	0.88	10%	\$ 58,936	\$ 530,423					
Year 4	\$ 502,295	0.75	10%	\$ 50,230	\$ 452,065	\$ 560,929	0.88	10%	\$ 56,093	\$ 504,836
Year 5	\$ 421,928	0.63	10%	\$ 42,193	\$ 379,735	\$ 478,065	0.75	10%	\$ 47,807	\$ 430,258
Year 6	\$ 334,863	0.50	10%	\$ 33,486	\$ 301,377	\$ 401,574	0.63	10%	\$ 40,157	\$ 361,417
Year 7	\$ 254,496	0.38	10%	\$ 25,450	\$ 229,046	\$ 318,710	0.50	10%	\$ 31,871	\$ 286,839
Year 8	\$ 167,432	0.25	10%	\$ 16,743	\$ 150,689	\$ 242,219	0.38	10%	\$ 24,222	\$ 217,997
Year 9	\$ 133,945	0.20	10%	\$ 13,395	\$ 120,550	\$ 159,355	0.25	10%	\$ 15,936	\$ 143,419
Year 10	\$ 133,945	0.20	10%	\$ 13,395	\$ 120,550	\$ 127,484	0.20	10%	\$ 12,748	\$ 114,736
Year 11	\$ 133,945	0.20	10%	\$ 13,395	\$ 120,550	\$ 127,484	0.20	10%	\$ 12,748	\$ 114,736
Year 12	\$ 133,945	0.20	10%	\$ 13,395	\$ 120,550	\$ 127,484	0.20	10%	\$ 12,748	\$ 114,736
Year 13	\$ 133,945	0.20	10%	\$ 13,395	\$ 120,550	\$ 127,484	0.20	10%	\$ 12,748	\$ 114,736
Year 14	\$ 133,945	0.20	10%	\$ 13,395	\$ 120,550	\$ 127,484	0.20	10%	\$ 12,748	\$ 114,736
Year 15	\$ 133,945	0.20	10%	\$ 13,395	\$ 120,550	\$ 127,484	0.20	10%	\$ 12,748	\$ 114,736
Total	\$ 3,207,988			\$ 320,803	\$ 2,887,185	\$ 2,925,756			\$ 292,574	\$ 2,633,182

**City of Memphis, Tennessee
Valero Retention Project
Tax Schedule**

City of Memphis Tax Rate: \$3.1889	Personal Property - Year 5					Taxes Abated
	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated	
Value	\$ 14,850,000					
Year 1						
Year 2						
Year 3						
Year 4						
Year 5	\$ 125,018	0.88	10%	\$ 12,502	\$ 112,516	
Year 6	\$ 106,549	0.75	10%	\$ 10,655	\$ 95,894	
Year 7	\$ 89,501	0.63	10%	\$ 8,950	\$ 80,551	
Year 8	\$ 71,033	0.50	10%	\$ 7,103	\$ 63,930	
Year 9	\$ 53,985	0.38	10%	\$ 5,399	\$ 48,586	
Year 10	\$ 35,516	0.25	10%	\$ 3,552	\$ 31,964	
Year 11	\$ 28,413	0.20	10%	\$ 2,841	\$ 25,572	
Year 12	\$ 28,413	0.20	10%	\$ 2,841	\$ 25,572	
Year 13	\$ 28,413	0.20	10%	\$ 2,841	\$ 25,572	
Year 14	\$ 28,413	0.20	10%	\$ 2,841	\$ 25,572	
Year 15	\$ 28,413	0.20	10%	\$ 2,841	\$ 25,572	
Total	\$ 623,667			\$ 62,366	\$ 561,301	

Total Personal Property Taxes Abated: \$ 25,763,299
Payments Made in Lieu of Taxes: \$ 5,795,714

**City of Memphis, Shelby County, Tennessee
Valero Retention Project
Economic Impact and Benefit/Cost Analysis**

Payback Summary

Length of PILOT (years)		15
Total Taxes Forgone	\$	25,763,299
Hard Costs	\$	-
Total Taxes Forgone and Hard Costs	\$	25,763,299
Tax Revenues From Construction	\$	3,617,213
Tax Revenues From Operations During PILOT Period	\$	44,588,085
Property Tax Revenues Received During PILOT Period	\$	5,795,714
Total Tax Revenues Received During PILOT Period	\$	54,001,012
Benefit/Cost Ratio		2.10

Projected Costs:

Hard Costs (land, infrastructure, etc.)
None.

Opportunity Costs

Local government is requested to forgo for a period of years the opportunity to collect taxes on site improvement, building, and industrial equipment that are a part of the project.

Payback:

While there is no mathematical payback period on opportunity cost, the time period can be calculated when local government collects sufficient revenues generated by downstream economic impacts of operations to offset the industrial property taxes forgone by the PILOT.

Benefit/Cost Ratio: The sum of tax revenues from construction, operations and property during the PILOT period divided by the total taxes forgone.

Valero Retention Project Wages Calculation

Job Type	# Employees	Annual Average Wage	Total Wages
Direct	305	\$ 89,064	\$ 27,164,520
Contract	252	\$ 104,050	\$ 26,220,534
Total	557	\$ 95,844	\$ 53,385,054

Notes for Valero Retention Project:

1. U.S. Bureau of Economic Analysis, RIMS II, direct effect employment multiplier for Shelby County, Tennessee: number of indirect jobs created per direct job multiplier – petroleum refineries.
2. Projection based upon data from Tennessee Department of Labor; Annual Average Wage/Salary in Shelby County, 2010 based upon an assumption of 3.5% average wage increase for 2011.
3. U.S. Department of Labor, "Consumer Expenditure Survey, Southern US" 2009; factor applied to determine the rate of indirect or "downstream" expenditures on sales and taxable goods and services at the local option tax rate of .0225. It is assumed that purchases associated with construction and equipment will be sales tax exempt.
4. Based upon July 2010 - June 2011 collections of local Business, Alcohol, Hotel/Motel tax and Motor Vehicle fees and taxes as compared to local sales tax collections.
5. Property taxes on new property value created following new job creation in Shelby County based upon historical trend. The new property value may be new single family homes, new rental property, or expansions and improvements to existing residential or commercial property. Although commercial property value is included, the residential rate of assessment is used as a conservative measure. The assessment rate of 25% and a combined City of Memphis (\$3.1889) and Shelby County (\$4.02) tax rate of \$7.2089 per \$100 of assessed value is used.
6. U.S. Bureau of Economic Analysis, 2002/2008 RIMS II final demand aggregate multiplier for new construction for Shelby County, Tennessee.
7. U.S. Bureau of Economic Analysis, 2002/2008 RIMS II final demand aggregate multiplier for wholesale trade for Shelby County, Tennessee.

*All calculations are in constant 2011 dollars. No tax rate increases are assumed.