

**MINUTES OF THE JULY 18, 2017
BOARD OF DIRECTORS MEETING OF
NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT**

The Board of Directors of North Plains Groundwater Conservation District met in regular session July 18, 2017, at 9:00 a.m. in the Conference Room in the Richard S. Bowers Water Conservation Learning Center Building at the North Plains Water Conservation Center, 6045 West County Road E, Dumas, Texas 79029-7201. The following persons were present:

Members Present at 9:04 a.m.:

Harold Grall, President;
Daniel L. Krienke, Vice-President;
Bob B. Zimmer, Secretary;
Gene Born, Director;
Justin Crownover, Director;
Zac Yoder, Director; and
Mark Howard, Director.

Staff Present: during part or all of the meeting:

Steve Walchour, General Manager;
Dale Hallmark, Assistant General Manager/Hydrologist/Producer Services;
Kirk Welch, Assistant General Manager/Outreach;
Pauletta Rhodes, Finance/Administration Manager;
Kristen Blackwell, Executive Assistant;
Paul Sigle, Agricultural Engineer;
Odell Ward, Program Coordinator – GIS/Monitor Wells;
Alyssa Holguin, Conservation Outreach Assistant; and,
Curtis Schwertner, Natural Resource Specialist.

Others present during part or all of the meeting:

Harry Snyder, Apex Clean Energy;
Mike Running, Director of Dumas Economic Development Corporation;
Mike Hill, Irrigation Farmer;
F. Keith Good, Attorney; and,
Ellen Orr, Paralegal.

President Grall declared a quorum present and called the meeting to order at 9:04 a.m. Director, Bob Zimmer, gave the invocation and President Grall led the pledge.

1 – Public Comment

Mike Hill addressed the Board during Public Comment about District Rule 6.3 - Groundwater Conservation Reserve.

2 – Consent Agenda

The Consent Agenda was discussed by the Board and consisted of: the review and approval of the Minutes of the regular June 20, 2017 Board Meeting; the review and approval of the July 6, 2017 Minutes of the Property Committee Meeting; the review and approval of the Minutes of the July 6, 2017 Ag Conservation Committee Meeting; the review and approval of the Minutes of the July 6, 2017 Finance Committee Meeting; the review and approval of un-audited District expenditures for June 1, 2017 through June 30, 2017, including the General Manager's expense and activity report; and, the review and approval of payment to Lemon, Shearer, Phillips & Good, P.C. for professional

services and out-of-pocket expenses from June 1, 2017 through June 30, 2017, in the amount of \$7,409.53.

Daniel L. Krienke moved to approve the Consent Agenda. Gene Born seconded the motion and it was unanimously approved by the Board.

Action Agenda 3a - Receive presentation by Executive Director Mike Running of the Dumas Economic Development Corporation on the advantages and disadvantages of political subdivisions granting property tax abatements for economic development.

Mike Running, the Executive Director for the Dumas EDC, presented information to the Board regarding the pros and cons of granting tax abatements.

The Board recessed at 10:30 a.m. and reconvened at 10:39 a.m.

Action Agenda 3b - Consider resolution and order proposed by Oslo Wind, LLC whereby the District would elect to become eligible to participate in property tax abatements and adopt guidelines and criteria for granting property tax abatements; and consider the formal adoption of the resolution and order.

Steve Walthour reported to the Board that this item was tabled by the Board at its June Meeting in order for the District and Oslo Wind, LLC to explore entering into a payment in lieu of taxes ("PILOT") program, instead of a 50% tax abatement. Apex Clean Energy is proposing to construct, operate, and maintain a wind farm ("Oslo Wind") utilizing wind-powered electric generation equipment in Hansford County and Sherman County. Apex anticipates that the overall project will have a 357.5 MW capacity consisting of 143 GE 2.5-116 LNTE turbines, with each having a nameplate capacity of 2.5 MW. On March 27, 2017, Oslo Wind, LLC entered tax abatement agreements with Hansford and Sherman County Commissioners' Courts for the wind project.

Before the District can become eligible to participate in any property tax abatement, the Board must adopt guidelines and criteria for granting property tax abatements by a resolution and order.

Oslo Wind, LLC provided proposed guidelines and criteria, as well as, a proposed resolution for the District's Board to elect to become eligible to grant tax abatements. General counsel and the general manager had reviewed the proposed guidelines and criteria and recommended that the Board adopt those guidelines summarized as follows:

ELECTING TO BECOME ELIGIBLE TO PARTICIPATE IN PROPERTY TAX ABATEMENTS AND ADOPTING GUIDELINES AND CRITERIA FOR GRANTING PROPERTY TAX ABATEMENTS

The Property Redevelopment and Tax Abatement Act (the "Act"), Chapter 312 of the Texas Tax Code, authorizes political subdivisions, such as NPGCD, to provide temporary property tax abatements for limited periods of time as an inducement for the development of property.

The Act further requires that in order to become eligible to participate in property tax abatements, NPGCD must:

- (1) adopt a resolution stating its election to so participate; and,
- (2) adopt guidelines and criteria for property tax abatements.

Criteria for Evaluating Tax Abatement Agreement

Minimum requirements. For a tax abatement to be approved, NPGCD's Board of Directors must find by majority vote that the abatement will contribute to the retention or expansion of primary employment or will attract major investment in the District that would be a benefit to the property and that would contribute to the economic development of the District.

The General Manager and the District's general counsel stated that if a Board member had property in the proposed abatement areas, that the Board member abstain from voting on this item. A map of the proposed abatement area was presented to the Board for review.

Zac Yoder moved that the Board adopt the following resolution:

**BOARD OF DIRECTORS OF THE
NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT**

RESOLUTION AND ORDER

**ELECTING TO BECOME ELIGIBLE TO PARTICIPATE IN PROPERTY TAX
ABATEMENTS AND ADOPTING GUIDELINES AND CRITERIA
FOR GRANTING PROPERTY TAX ABATEMENTS**

WHEREAS, the Property Redevelopment and Tax Abatement Act (the "Act"), Chapter 312 of the Texas Tax Code, authorizes counties, cities, and other taxing units to provide temporary property tax abatements for limited periods of time as an inducement for the development or redevelopment of property; and

WHEREAS, the Act further requires that in order to become eligible to participate in tax abatements, a county, city, or other taxing unit must (1) adopt a resolution stating its election to so participate and (2) adopt guidelines and criteria for property tax abatements; and

WHEREAS, the North Plains Groundwater Conservation District, a "taxing unit" governed by the Act, acting by and through its Board of Directors, desires to affirm its eligibility to participate in tax abatements; and

WHEREAS, the North Plains Groundwater Conservation District, a "taxing unit" governed by the Act, acting by and through its Board of Directors, desires to adopt Guidelines and Criteria for property tax abatements;

NOW, THEREFORE, BE IT ORDERED, by the Board of Directors of the North Plains Groundwater Conservation District that:

- (1) The North Plains Groundwater Conservation District is eligible to participate in tax abatements; and further,
- (2) The Guidelines and Criteria attached hereto as Exhibit A are hereby adopted by the North Plains Groundwater Conservation District in accordance with the requirements of the Act.

EXHIBIT "A" TO RESOLUTION AND ORDER

Guidelines & Criteria for Granting Tax Abatements

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT

Preamble

Pursuant to Chapter 312 of the Texas Tax Code, the North Plains Groundwater Conservation District (the "District") may consider an application for tax abatement, and enter into a tax abatement agreement in accordance with these Guidelines and Criteria. It is the express intent of the District's Board of Directors to promote economic development but not at the expense of the District's natural resources or services provided to the general public. No application submitted under these Guidelines and Criteria deemed to have a substantially adverse effect on natural resources in the District or on District infrastructure will be approved unless the applicant can demonstrate just cause for such an exception.

I. Abatement Application Procedure

- (a) **Who may apply.** Any present or potential owner or lessee of taxable real property or tangible personal property in District may submit an application for tax abatement conforming to the requirements herein.
- (b) **Eligible property.** Abatement may be granted for the following property: new, expanded or modernized buildings and structures, fixed machinery and equipment; site improvements; other tangible items necessary to the operation and administration of the project or facility; and all other real and tangible personal property permitted by Chapter 312 of the Texas Tax Code. Taxes on real property may be abated only to the extent the property's value for a given year exceeds its value for the year in which the agreement is executed. Tangible personal property located on the real property at any time before the period covered by the agreement is not eligible for abatement. Tangible personal property eligible for abatement shall not include inventory or supplies.

Real property that is owned by or leased to a member of the District's Board of Directors is excluded from property tax abatement.
- (c) **Application provisions.** The application shall include the following information:
 - (1) information showing how the project meets the requirements of the criteria outlined in Section II below;
 - (2) a map and description of the real property affected by the abatement;
 - (3) a description of the reinvestment zone in which the project or facility will be located, including documentation showing that the reinvestment zone has been duly designated;
 - (4) a time schedule for completing the planned improvements;
 - (5) the estimated taxable value or range of values of the project or facility; and
 - (6) basic financial information about the applicant sufficient to enable evaluation of the application's financial capacity.
- (d) **Procedure for Consideration of Application.** The procedure for consideration by the District of a tax abatement application is as follows:
 - (1) An applicant may request a tax abatement application form from the District (if the District has adopted such a form).
 - (2) After an applicant completes the tax abatement application (or provided the information required above if an application form is not adopted by the

District), the applicant must provide a copy to each member of the District's Board of Directors.

- (3) The District's Board of Directors shall issue a determination at any time before the expiration of forty-five (45) days from the date of receipt of the application regarding how to proceed with the application. The District's Board of Directors shall choose either to deny the application, consider the application, or consider the application on an expedited basis.

(A) **Denial of Application.** If the District's Board of Directors chooses to deny the application, it shall make a finding by majority vote at a regularly scheduled meeting that, after balancing the criteria described below in Section II, it is the judgment of the Board of Directors that the application should be denied.

(B) **Consideration of Application.** If the District's Board of Directors determines that the application should be further considered, the Board of Directors must hold a public hearing to obtain public input on the application. If the Board tentatively approves the application, it may then arrange to consider for approval a form of tax abatement agreement between the applicant and the District at its next regularly scheduled meeting. At the regularly scheduled meeting, the District's Board of Directors may finally vote by simple majority to enter into the tax abatement agreement or to decline the tax abatement agreement. An approved tax abatement agreement may be executed in the same manner as other contracts made by the District. A tax abatement agreement that is declined by the District may be amended and resubmitted to the District for further consideration.

(C) **Expedited consideration of application.** If the District determines that the application should receive expedited consideration, the District's Board of Directors may combine the steps described in the preceding paragraph into a single, regularly scheduled meeting of the Board, provided the Board meets the procedural prerequisites for each step.

(e) **Confidentiality.** As required by Chapter 312.003 of the Texas Tax Code, information that is provided to the District in connection with an application or request for tax abatement agreement under this chapter and that describes the specific processes or business activities to be conducted or the equipment or other property to be located on the property for which tax abatement is sought is confidential and not subject to public disclosure until the tax abatement agreement is executed.

(f) **Effect of error or variance with application procedure.** Except where not allowed by state law, the District may waive application procedures or grant procedural variances as it deems appropriate.

II. Criteria for Evaluating Tax Abatement Agreement

(a) **Minimum requirements.** For a tax abatement agreement to be approved, the District's Board of Directors must find by majority vote that the abatement would contribute to the retention or expansion of primary employment or would attract major investment in the District that would be a benefit to the property and that would contribute to the economic development of the District.

(b) **Criteria.** In determining whether to enter into a tax abatement agreement, the District's Board of Directors shall consider the following factors, among others determined appropriate by the Board:

- (1) Whether a valid reinvestment zone has been duly designated by a municipality, county, or school district under the Tax Code;
- (2) the current value of land and existing improvements, if any;

- (3) the type, value, and purpose of proposed improvements, if any;
- (4) the productive life of proposed improvements;
- (5) the impact of proposed improvements and any other proposed expenditures on existing jobs;
- (6) the number and type of new jobs, if any, to be created by proposed improvements and expenditures;
- (7) any costs to be incurred by the District, if any, to provide facilities or services directly resulting from the new improvements;
- (8) the types and values of public improvements, if any, to be made by the applicant seeking abatement;
- (9) an estimate of the amount of ad valorem property taxes to be paid to the District after the expiration of the abatement agreement;
- (10) the impact on the business opportunities of existing businesses and the attraction of new businesses to the area, if any;
- (11) the overall compatibility with the zoning ordinances and comprehensive plan, if any, for the area;
- (12) whether the applicant's proposed facility or improvement or modernization is an industry which is new to the District;
- (13) the impact upon District infrastructure including roads and bridges and the use of District services; and
- (14) the impact upon depletion of natural resources of the District.

III. Format for Tax Abatement Agreement

- (a) **Required Provisions.** If the District's Board of Directors chooses to consider a tax abatement application, it may consider and execute a tax abatement agreement with the owner of the designated property as outlined above. Any tax abatement agreement shall include at least the following provisions:
 - (1) the kind, number, and location of all proposed improvements on the real property;
 - (2) provisions allowing for reasonable access to the property for initial and intermittent inspection purposes by District employees or designated representatives to ensure improvements are made in compliance with the agreement;
 - (3) provisions limiting the use of the property consistent with the general purpose of encouraging development or redevelopment of the area during the period of the abatement;
 - (4) provisions for recapturing property tax revenue lost as a result of the agreement if the owner of the property fails to make the improvements or repairs as provided in the agreement;
 - (5) each term agreed to by the recipient of the abatement;
 - (6) a requirement that the abatement recipient certify its compliance with the agreement annually to each taxing unit that is a party to the agreement; and
 - (7) provisions allowing the District to cancel or modify the agreement if the recipient fails to comply with the agreement.
- (b) **Optional Provisions.** The tax abatement agreement may also contain any or all of the following items, in addition to any others deemed appropriate by the contracting parties:
 - (1) the commencement and termination dates of the abatement;
 - (2) the proposed use of the property;

- (3) a time schedule, map, and property description;
 - (4) contractual obligations in the event of default or violation of terms or conditions;
 - (5) the size of investment and number of temporary and permanent jobs involved, if any,
 - (6) provisions for dispute resolution.
- (c) **Duration and portion of abatement.** A tax abatement agreement granted by the District shall be up to but not exceeding ten (10) years in duration and up to, but not exceeding 100 percent (100%) in portion of ad valorem property taxes abated. At any time before the expiration of the agreement, the parties may agree to modify the agreement or to delete provisions that were not necessary to the original agreement. The same procedural prerequisites for approval of the original agreement apply to modification of the agreement.
- (d) **Time limit.** The tax abatement agreement shall be executed within 30 days after the passage of the resolution approving the agreement, unless the District and the applicant mutually agree otherwise.

IV. General Provisions

These guidelines and criteria in no way require the District to enter into any specific tax abatement agreement. The District maintains the discretion to reject any application for tax abatement and/or to waive, and/or modify, any of the foregoing Guidelines and Criteria, as it deems appropriate.

V. Sunset and Amendment of Guidelines and Criteria

These Guidelines and Criteria are effective upon the date of their adoption and will remain in force for two years, unless amended by a three-fourths vote of the District's Board of Directors.

Mark Howard seconded the motion and it was approved by the majority vote of the Board with Daniel L. Krienke abstaining from the vote.

Action Agenda 3c - Consider resolution and order proposed by Oslo Wind, LLC ("Oslo") wherein the District approves and authorizes the execution of a PILOT agreement with Oslo on wind turbines and related facilities and equipment proposed to be constructed and/or installed by Oslo in the Sherman County Reinvestment Zone and the Hansford County Reinvestment Zone; and consider the formal adoption of the resolution and order.

The General Manager stated that this Agenda item was also tabled by the Board at its June meeting so that District and Oslo Wind, LLC could explore entering into a PILOT agreement for this project.

Oslo Wind, LLC representative, Harry Snyder, reported:

Electrical connections will be installed to permit the interconnection and transmission of electricity generated by the wind turbines. In addition to the wind turbines, some or all of the following related improvements may be located in the District: an electrical substation; a transmission line to the interconnection point just north of the project site; permanent buildings and offices; office equipment and computers; anemometer towers; electrical transmission interconnects, cables, towers, spare parts, and control systems for commercial generation of electricity; fencing and other equipment as needed for safety and security and related office and control buildings; and personal property supporting the project.

All of the project's turbines and other equipment will be located within the taxing jurisdiction of the District. The project's collector substation will be in Hansford County. The project will interconnect into the SPP market's power grid at the substation in Gruver, Texas. An approximately 9-mile transmission line connecting the project's collector substation to the SPP substation will be in Hansford County.

The Budget and Finance Committee had reviewed the proposal by Oslo Wind, LLC and provided a counter proposal that the General Manager presented to the Board. Oslo Wind has agreed to the counter proposal submitted by the Budget and Finance Committee to make an annual payment in lieu of taxes to the District of two hundred fifty dollars (\$250.00) per megawatt of Turbine Nameplate Capacity included in the Certificate (and actually in place in the Reinvestment Zone) during the ten (10) Calendar Years the Abatement is in effect.

Bob Zimmer moved that the Board adopt the following Resolution and Order Granting Tax Abatement because the abatement would contribute to the retention or expansion of primary employment, or would attract major investment in the District that would be a benefit to the property, and that would contribute to the economic development of the District:

**BOARD OF DIRECTORS OF THE
NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT**

RESOLUTION AND ORDER

**APPROVING AND AUTHORIZING
TAX ABATEMENT AGREEMENT WITH OSLO WIND, LLC**

The Board of Directors of the North Plains Groundwater Conservation District, meeting in regular session on July 18, 2017, considered the following resolution:

WHEREAS, the Property Redevelopment and Tax Abatement Act (the "Act"), Chapter 312 of the Texas Tax Code, authorizes counties, cities, and other taxing units to provide temporary property tax abatements for limited periods of time as an inducement for the development or redevelopment of property; and

WHEREAS, the North Plains Groundwater Conservation District elected to become eligible to participate in tax abatement agreements under the Act and adopted guidelines and criteria governing tax abatement agreements under the Act (the "Guidelines and Criteria"), both in a resolution dated July 18, 2017; and

WHEREAS, Hansford County, Texas, approved and designated the Hansford-Oslo Reinvestment Zone in a resolution dated March 27, 2017 (the "Hansford Reinvestment Zone");

WHEREAS, Hansford County, Texas, has indicated to the District that it will designate the Hansford-Oslo-2 Reinvestment Zone (the "Second Hansford Reinvestment Zone") prior to August 31, 2017; and whereas the District has been provided with a map of the Second Hansford Reinvestment Zone and is familiar with the location of the Second Hansford Reinvestment Zone;