



SpaceX TeraFab Deal Summary for Grimes County Residents

Grimes County agreed to a very large, long-term incentive package for SpaceX/TeraFab. The county gets guaranteed payments early, but it also gives up or refunds a large amount of future property-tax revenue for many years. This appears broadly structured under **Chapter 312 tax abatement** plus a **Chapter 381 economic development grant**, not a Chapter 311 TIRZ.

This is not legal advice, but here is the plain-English breakdown.

1. What the project is

The county's reinvestment-zone order says SpaceX proposes to develop/install facilities and equipment for a **semiconductor manufacturing plant, power plant, and artificial intelligence facility** in unincorporated Grimes County. The order says Commissioners Court found the zone would attract major investment, benefit the tax base, and support the Texas economy.

The 312 agreement says the facilities are expected to include **semiconductor manufacturing facilities, natural-gas-fired power plants, and artificial-intelligence facilities used with the manufacturing process.**

2. What the county agreed to

First 10 years: 100% county property-tax abatement

The county agreed to give SpaceX a **100% abatement of county ad valorem taxes** on real-property improvements for tax years **2027 through 2036**. It also agreed to a 100% abatement on new tangible personal property, with each item receiving no more than 10 years of abatement.

In plain English: for the first 10 years, instead of normal county property taxes on the new improvements/equipment, SpaceX pays fixed payments called PILOTs.

Payments SpaceX must make during the first 10 years

SpaceX must pay:

- **\$10 million up front** within 60 days.
- **\$20 million per year** for 2027 through 2036, for a total of **\$200 million over 10 years** in PILOT payments.

So the county is not getting "nothing." It gets a guaranteed \$10 million plus \$20 million annually during the abatement period.

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After 2036: 25-year Chapter 381 grant period

The separate Chapter 381 agreement says that, beginning with calendar year **2037** and continuing for **25 consecutive years**, the county will pay SpaceX economic development grants. The OCR text shows the grants are calculated so that the county pays SpaceX back the amount of qualifying county ad valorem taxes over a \$20 million threshold.

In plain English: after the 10-year abatement ends, SpaceX appears to start paying regular county M&O taxes, but the county then gives back the amount above \$20 million per year through Chapter 381 grants. That means the practical county revenue cap may remain around **\$20 million per year** for another 25 years, depending on the exact tax values and grant calculation.

3. Positive impacts for citizens

The positives are real and should be acknowledged:

Guaranteed county revenue. The county receives \$10 million up front and \$20 million per year during the first 10 years. That is predictable revenue the county can budget around.

Large investment commitment. SpaceX agreed to invest at least **\$5 billion** by December 31, 2030, subject to force majeure and other contract terms.

Job creation commitment. SpaceX agreed to create at least **1,800 full-time-equivalent jobs** by December 31, 2035, again subject to the agreement's limitations.

Potential sales-tax and local-business activity. The agreement says SpaceX will use commercially reasonable efforts to structure certain taxable building-material contracts so the sales-tax situs is Grimes County. That could benefit county/local revenues during construction.

Some public-safety provisions. SpaceX must provide on-site security, fire prevention/response, and emergency medical response for the facility, and must construct an ambulance bay at or near the emergency response facility for county use.

Some environmental/use protections. The agreement says SpaceX intends to use Gibbons Creek Reservoir water, does not intend to use groundwater, must give the county 30 days' notice before applying to Bluebonnet GCD for groundwater, must comply with pollution-control laws, and must use commercially reasonable efforts on lighting/noise.

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4. Negative impacts and concerns for citizens

The concerns are also real:

The county does not receive full property-tax value for a very long time. Chapter 312 abatements are supposed to be temporary; Comptroller guidance describes tax abatements as exempting increased property value for up to 10 years. Here, the first 10 years are abated, and then the Chapter 381 grant appears to continue limiting the county's net benefit for another 25 years.

The public may hear "\$55 billion project" and assume the county gets full taxes on that value. That is not what this deal does. The county gets fixed PILOTs first, then a grant-back structure later.

The job requirements are weaker than they sound. The agreement allows full-time-equivalent jobs to include transferred employees from other SpaceX or affiliate facilities. It also says hiring preference shall "generally" be given to qualified county residents or graduates, but that is not the same as requiring 50% Grimes County hires.

The environmental protections are mostly "comply with law" and "commercially reasonable efforts." There are no clear hard limits in the agreement excerpts on water volume, noise decibel levels, light-pollution standards, wastewater discharge volumes, wildlife/habitat protections, air emissions, or independent environmental monitoring.

Groundwater is not absolutely prohibited. The agreement says SpaceX does not intend to use groundwater, but if it does, it must comply with law and give notice before applying for a permit.

The 500-foot setback is limited. The agreement says SpaceX cannot construct a power plant or manufacturing facility within 500 feet of an existing home, church, or school unless that home, church, or school is acquired by SpaceX.

5. Comparison to the county's adopted Tax Abatement Guidelines

This is where the biggest issues appear.

A. 10-year 100% abatement vs. county's preferred 5-year schedule

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The county guidelines say state law allows a maximum 10-year abatement, but the county “prefers and encourages” shorter abatements, generally five years, with a declining schedule of 90–100%, 70–80%, 50–60%, 30–40%, and 10–20%.

The SpaceX deal gives **100% for 10 years** on real-property improvements and also creates a rolling personal-property abatement structure.

My read: This is a clear departure from the county’s preferred guideline schedule, though not necessarily illegal because the guideline says the county “prefers” shorter terms and state law allows up to 10 years.

B. Chapter 381 grant term appears inconsistent with county guidelines

The county’s adopted guidelines say the **maximum term for 381 grants is three years**.

The SpaceX 381 agreement provides grants beginning in 2037 and continuing for **25 consecutive calendar years**.

My read: This is the strongest discrepancy I see. The SpaceX 381 grant term appears to be far longer than the county’s own adopted guideline language.

C. Local job requirement appears weaker than county guidelines

The county guidelines say a tax abatement requires a minimum of 15 permanent full-time positions and at least 50% of the new or retained positions being held by Grimes County residents, provided enough qualified Grimes County residents apply.

The SpaceX agreement requires 1,800 FTE jobs by 2035, but allows transferred employees and only says hiring preference shall generally be given to qualified Grimes County applicants or local graduates.

My read: The job number is much larger, but the **local-resident protection appears weaker** than the county guideline.

D. Advisory committee / application procedure question

The county guidelines say the applicant submits an application package to the precinct commissioner with a copy to the Navasota Grimes County Chamber of Commerce, and that an advisory committee reviews the application and reports to Commissioners Court.

The SpaceX agreements recite public hearings and county approval, but the excerpts I reviewed do not clearly show the advisory committee review or report.

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My read: This is a records question, not a conclusion. I would request the application package, advisory committee records, review notes, scoring, and report.

E. The county anticipated inconsistencies

The 312 agreement itself says the Commissioners Court determined that, **to the extent of any inconsistency with the Guidelines**, the agreement should still be entered into.

My read: That language looks like the county knew the deal may not match the standard guidelines and tried to preserve the agreement anyway. That does not automatically make it improper, but it is important.

6. Comparison to state law

Chapter 312 — Tax Abatement

The Comptroller describes Chapter 312 abatements as local agreements between a taxpayer and taxing unit that exempt increases in property value from taxation for **up to 10 years**. The same Comptroller page says cities, counties, and special districts may use abatements, but school districts may not.

The SpaceX agreement's **real-property abatement for 2027–2036** appears to fit the 10-year outer limit.

The harder question is the **rolling tangible personal property abatement through an agreement that expires in 2061**. The agreement says each item will not receive more than 10 years of abatement, but the overall structure could allow new qualifying personal property to receive abatements far into the future.

My read: The first 10-year real-property abatement appears generally aligned with Chapter 312. The rolling personal-property structure is something I would have a tax-abatement attorney review closely because it may be the legal mechanism that extends the practical benefit far beyond a normal 10-year deal.

Chapter 381 — Economic Development Grants

The Comptroller says Chapter 381 allows counties to negotiate directly with developers and provide incentives, including loans and grants of public money, to promote economic development and stimulate business/commercial activity. It also says counties may administer programs for entering into Chapter 312 tax abatement agreements.

So, using a Chapter 381 agreement alongside a Chapter 312 agreement is not unusual by itself.

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The concern is not that Chapter 381 exists. The concern is the **size and duration** of the grant-back arrangement and whether it matches the county's own adopted 381 guidelines.

Also, Comptroller guidance says economic development agreements entered into, amended, or renewed after January 1, 2022 must be reported within **14 days**, and failure to comply could result in a \$1,000 penalty.

My read: The 381 structure appears to be the vehicle used to continue the incentive after the 10-year abatement period. It may be allowed under Chapter 381, but it appears to conflict with the county's own three-year 381 guideline unless the county validly waived or superseded that guideline.

Chapter 311 — TIRZ / Tax Increment Financing

Chapter 311 is different. The Comptroller explains that a TIRZ redirects future property-tax increases in a geographic area to pay for improvements in that zone. A county can designate a contiguous geographic area within its borders as a TIRZ.

The SpaceX 312 agreement says the premises are **not in an improvement project financed by tax increment bonds**.

My read: I do not see this deal as a Chapter 311 TIRZ deal based on the documents you uploaded. It is a Chapter 312 reinvestment zone for tax abatement purposes, plus a Chapter 381 grant agreement. Chapter 311 does not appear to be the main legal mechanism here.

Bottom line

The deal gives Grimes County immediate and predictable money: **\$10 million up front and \$20 million per year for 10 years**, plus a large promised investment and job count.

But the tradeoff is substantial: **SpaceX receives a 100% property-tax abatement for the first 10 years, and then a 25-year Chapter 381 grant structure that appears to refund county M&O taxes above \$20 million per year**. That means the county may not receive the full property-tax benefit of this project until around **2062**.

The biggest discrepancies I see are:

1. **The 25-year Chapter 381 grant** compared to the county guideline saying 381 grants have a maximum term of **three years**.
2. **The 100% 10-year abatement** compared to the county's preferred shorter five-year declining schedule.

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3. **The weaker local-hiring language** compared to the county guideline requiring 50% Grimes County residents if enough qualified applicants apply.
4. **The unclear advisory committee process**, because the guidelines require advisory committee review, but the agreements themselves do not show that record.
5. **The rolling personal-property abatement structure**, which should be reviewed carefully against Chapter 312's 10-year abatement framework.

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