

**Aug. 31, 2005**

## **Land Office announces \$100 million investment**

**Wal-Mart Baytown facility will earn Texas schools \$338 million over 30 years**

**AUSTIN — Jerry Patterson, Commissioner of the Texas General Land Office, today announced details of the biggest real estate investment in Land Office history.**

**Patterson said the School Land Board's \$100 million investment in Wal-Mart's Baytown bulk-storage facility is a sign of things to come for the state's oldest agency. The \$100 million investment will earn the Permanent School Fund \$338 million over 30 years. As a fringe benefit, the Wal-Mart bulk-storage facility will also add an estimated 1,900 jobs in Texas, and \$66 million in new payroll.**

**"This is a historic deal for Texas schools," Patterson said. "This is the equivalent of the moon landing for the School Land Board. Investing in Texas real estate earns us a safe and solid return."**

**Patterson, as chairman of the School Land Board, guided the board's investment in the 4 million-square-foot Wal-Mart bulk-storage facility. The facility — now complete — sits on a roughly 473-acre tract in Chambers County, about 14 miles from the Houston Ship Channel.**

**Under the agreement announced today, the School Land Board will pay Wal-Mart Stores East, LP \$100 million for the massive bulk-storage facility. Wal-Mart has agreed to lease the facility back from the board for 30 years. The absolute triple net lease will earn the School Land Board \$238,493,555**

over the next 30 years. After two years, Wal-Mart may buy back the facility for either \$100 million, or market value, whichever is greater.

The Permanent School Fund will earn an annual internal rate of return of 7.22 percent over the full term of the lease. The lease is secured with the nation's newest and largest warehouse port facility and Wal-Mart's AA credit worthiness.

"This investment will make millions for the state and millions for Baytown," Patterson said. "It's easy to see why Baytown asked for this to happen. This is a great day for Baytown."

Before the Wal-Mart facility was built, property taxes paid on the agricultural-exempt farmland totaled about \$6,000 a year. Within a year, local governments will take in about \$5.7 million in taxes from the property, of which \$4 million will go to the local school district.

While the mission of the School Land Board was to make a solid investment on behalf of the schoolchildren of Texas, the Wal-Mart facility has already brought substantial economic development to the state.

According to Angelou Economics, an outside firm hired to evaluate the investment, the new facility will create about \$66 million in new payroll.

In addition to money for the Permanent School Fund, state and local governments stand to earn an additional \$1.8 million annually from new sales taxes. Another \$7.8 million from direct and indirect property taxes will flow annually to local governments, according to the report.

But more importantly, the Wal-Mart investment is a \$100 million step in a new direction for the state's Permanent School Fund. Currently, most of

**the Land Office's earnings — \$302 million in 2004 — come from oil and natural gas production on state lands. However, times are changing.**

**“Historically, royalties from oil and gas helped the state pay for public education,” Patterson said. “But we can’t rely on oil and gas forever. We’re taking steps now — even as oil and gas prices are high — to find new ways to earn money for Texas schoolchildren.”**

**Since Patterson was elected Commissioner of the Texas General Land Office, the agency has earned more for the Permanent School Fund than ever before.**

**“Texas real estate is a good investment,” Patterson said. “Last year we earned \$48 million from land transactions. That’s an increase of almost 3,000 percent. I expect to earn even more in the future.”**

**The Land Office has earned more than \$8.6 billion for the state’s Permanent School Fund since 1854. In 2004 alone, the Land Office deposited more than \$343 million into the fund while using the balance of royalty income to invest in property for the fund.**