



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O. Box 13528 • Austin, TX 78711-3528

September 30, 2016

AMENDED CERTIFICATION

Vicki Adams
Superintendent
Hillsboro Independent School District
121 East Franklin Street
Hillsboro, TX 76645

Re: Amended Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes by and between Hillsboro Independent School District and IKO Southwest Inc., Application # 1006

Dear Superintendent Adams:

This application (Application #1006) was originally submitted on April 4, 2014, to the Hillsboro Independent School District (the school district) by IKO Southwest Inc. (the applicant) for a limitation on appraised value under the provisions of Tax Code Chapter 313^[1]. On June 11, 2014, the Comptroller issued written notice that the applicant submitted a completed application; and later issued a Certificate for a limitation on appraised value on August 8, 2014. The applicant and school district executed an agreement for a limitation on appraised value (the agreement) on November 10, 2014.

On September 16, 2016, the Comptroller received an amendment to the agreement. This presents the Comptroller's review of that amendment per Section 10.2 of the agreement and determinations required:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the Comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

The information provided by the applicant related to eligibility has not changed and therefore, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

^[1] All statutory references are to the Texas Tax Code, unless otherwise noted.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

Based on the amended information provided by the applicant, the Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period. See Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state.

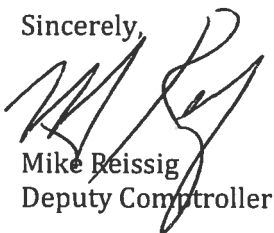
Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value for the amendment.

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the amendment to the agreement by December 31, 2016.

Should you have any questions, please contact Will Counihan, Director, Data Analysis & Transparency, by email at will.counihan@cpa.texas.gov or by phone toll-free at 1-800-531-5441, ext. 6-0758, or direct in Austin at 512-936-0758.

Sincerely,



Mike Reissig
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of IKO Southwest Inc. (the project) applying to Hillsboro Independent School District (the district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of IKO Southwest Inc.

Applicant	IKO Southwest Inc.
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Hillsboro ISD
2011-2012 Average Daily Attendance	1,970
County	Hill
Proposed Total Investment in District	\$100,000,000
Proposed Qualified Investment	\$21,500,000
Limitation Amount	\$20,000,000
Qualifying Time Period (Full Years)	2016-2017
Number of new qualifying jobs committed to by applicant	25
Number of new non-qualifying jobs estimated by applicant	25
Average weekly wage of qualifying jobs committed to by applicant	\$807.69
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(A)	\$805
Minimum annual wage committed to by applicant for qualified jobs	\$42,000
Minimum weekly wage required for non-qualifying jobs	\$665
Minimum annual wage required for non-qualifying jobs	\$35,000
Investment per Qualifying Job	\$4,000,000
Estimated M&O levy without any limit (15 years)	\$8,929,813
Estimated M&O levy with Limitation (15 years)	\$3,693,736
Estimated gross M&O tax benefit (15 years)	\$5,236,077

Table 2 is the estimated statewide economic impact of IKO Southwest Inc. (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2016	150	142	292	\$5,250,000	\$12,743,800	\$17,993,800
2017	56	68	123,838	\$1,960,000	\$7,143,000	\$9,103,000
2018	25	67	92	\$1,050,000	\$6,975,000	\$8,025,000
2019	25	68	93	\$1,050,000	\$7,405,000	\$8,455,000
2020	25	69	94	\$1,060,500	\$7,821,300	\$8,881,800
2021	25	68	93	\$1,071,100	\$8,203,300	\$9,274,400
2022	25	67	92	\$1,081,825	\$8,545,675	\$9,627,500
2023	25	67	92	\$1,092,625	\$8,915,675	\$10,008,300
2024	25	66	91	\$1,103,550	\$9,287,950	\$10,391,500
2025	25	66	91	\$1,114,600	\$9,707,200	\$10,821,800
2026	25	65	90	\$1,125,750	\$10,145,650	\$11,271,400
2027	25	65	90	\$1,137,000	\$10,618,000	\$11,755,000
2028	25	58	83	\$1,182,475	\$10,382,025	\$11,564,500
2029	25	57	82	\$1,182,475	\$10,613,925	\$11,796,400
2030	25	56	81	\$1,182,475	\$10,951,725	\$12,134,200

Source: CPA REMI, IKO Southwest Inc.

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Hillsboro ISD I&S Tax Levy	Hillsboro ISD M&O Tax Levy	Hillsboro ISD M&O and I&S Tax	Hill County Tax Levy	Hill County Jr. College Tax Levy	City of Hillsboro Tax Levy	Estimated Total Property Taxes
				0.2600	1.1500		0.5413	0.0915	0.8183	
2016	\$500,000	\$500,000		\$1,300	\$5,750	\$7,050	\$2,707	\$458	\$4,092	\$14,306
2017	\$500,000	\$500,000		\$1,300	\$5,750	\$7,050	\$2,707	\$458	\$4,092	\$14,306
2018	\$11,250,000	\$11,250,000		\$29,250	\$129,375	\$158,625	\$60,898	\$10,295	\$92,062	\$321,880
2019	\$74,782,500	\$74,782,500		\$194,435	\$859,999	\$1,054,433	\$404,807	\$68,436	\$611,968	\$2,139,645
2020	\$72,561,263	\$72,561,263		\$188,659	\$834,455	\$1,023,114	\$392,783	\$66,404	\$593,791	\$2,076,092
2021	\$70,406,409	\$70,406,409		\$183,057	\$809,674	\$992,730	\$381,118	\$64,432	\$576,157	\$2,014,438
2022	\$68,315,956	\$68,315,956		\$177,621	\$785,633	\$963,255	\$369,802	\$62,519	\$559,051	\$1,954,627
2023	\$66,281,478	\$66,281,478		\$172,332	\$762,237	\$934,569	\$358,790	\$60,657	\$542,402	\$1,896,417
2024	\$64,308,033	\$64,308,033		\$167,201	\$739,542	\$906,743	\$348,107	\$58,851	\$526,253	\$1,839,954
2025	\$62,393,792	\$62,393,792		\$162,224	\$717,529	\$879,752	\$337,745	\$57,099	\$510,588	\$1,785,184
2026	\$60,536,979	\$60,536,979		\$157,396	\$696,175	\$853,571	\$327,694	\$55,400	\$495,393	\$1,732,058
2027	\$58,735,869	\$58,735,869		\$152,713	\$675,462	\$828,176	\$317,944	\$53,752	\$480,654	\$1,680,525
2028	\$56,988,793	\$56,988,793		\$148,171	\$655,371	\$803,542	\$308,487	\$52,153	\$466,357	\$1,630,539
2029	\$55,294,129	\$55,294,129		\$143,765	\$635,882	\$779,647	\$299,314	\$50,602	\$452,489	\$1,582,052
2030	\$53,650,305	\$53,650,305		\$139,491	\$616,979	\$756,469	\$290,416	\$49,098	\$439,037	\$1,535,019
			Total	\$2,018,914	\$8,929,813	\$10,948,728	\$4,203,317	\$710,611	\$6,354,385	\$22,217,042

Source: CPA, IKO Southwest Inc.

¹Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Hill County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with Hill County, City of Hillsboro and Hill County Jr. College.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Hillsboro ISD I&S Tax Levy	Hillsboro ISD M&O Tax Levy	Hillsboro ISD M&O and I&S Tax	Hill County Tax Levy	Hill County Jr. College Tax Levy	City of Hillsboro Tax Levy	Estimated Total Property Taxes
			Tax Rate ¹	0.2600	1.1500		0.5413	0.0915	0.8183	
2016	\$500,000	\$500,000		\$1,300	\$5,750	\$7,050	\$2,707	\$458	\$4,092	\$14,306
2016	\$500,000	\$500,000		\$1,300	\$5,750	\$7,050	\$2,707	\$458	\$4,092	\$14,306
2017	\$11,250,000	\$11,250,000		\$29,250	\$129,375	\$158,625	\$6,090	\$1,030	\$9,206	\$174,951
2018	\$74,782,500	\$20,000,000		\$194,435	\$230,000	\$424,435	\$40,481	\$6,844	\$61,197	\$532,956
2019	\$72,561,263	\$20,000,000		\$188,659	\$230,000	\$418,659	\$39,278	\$6,640	\$59,379	\$523,957
2020	\$70,406,409	\$20,000,000		\$183,057	\$230,000	\$413,057	\$38,112	\$6,443	\$57,616	\$515,227
2021	\$68,315,956	\$20,000,000		\$177,621	\$230,000	\$407,621	\$36,980	\$6,252	\$55,905	\$506,759
2022	\$66,281,478	\$20,000,000		\$172,332	\$230,000	\$402,332	\$35,879	\$6,066	\$54,240	\$498,517
2023	\$64,308,033	\$20,000,000		\$167,201	\$230,000	\$397,201	\$34,811	\$5,885	\$52,625	\$490,522
2024	\$62,393,792	\$20,000,000		\$162,224	\$230,000	\$392,224	\$33,775	\$5,710	\$51,059	\$482,767
2025	\$60,536,979	\$20,000,000		\$157,396	\$230,000	\$387,396	\$32,769	\$5,540	\$49,539	\$475,245
2026	\$58,735,869	\$20,000,000		\$152,713	\$230,000	\$382,713	\$31,794	\$5,375	\$48,065	\$467,948
2027	\$56,988,793	\$20,000,000		\$148,171	\$230,000	\$378,171	\$308,487	\$52,153	\$466,357	\$1,205,168
2028	\$55,294,129	\$55,294,129		\$143,765	\$635,882	\$779,647	\$299,314	\$50,602	\$452,489	\$1,582,052
2029	\$53,650,305	\$53,650,305		\$139,491	\$616,979	\$756,469	\$290,416	\$49,098	\$439,037	\$1,535,019
			Total	\$2,018,914	\$3,693,736	\$5,712,650	\$1,233,598	\$208,552	\$1,864,898	\$9,019,699
			Diff	\$0	\$5,236,077	\$5,236,077	\$2,969,719	\$502,060	\$4,489,487	\$13,197,343

Source: CPA, IKO Southwest Inc.

¹Tax Rate per \$100 Valuation

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment B – Tax Revenue before 25th Anniversary of Limitation Start

This represents the Comptroller’s determination that IKO SOUTHWEST INC. (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2015	\$5,750	\$5,750	\$0	\$0
	2016	\$5,750	\$11,500	\$0	\$0
	2017	\$129,375	\$140,875	\$0	\$0
Limitation Period (10 Years)	2018	\$230,000	\$370,875	\$629,999	\$629,999
	2019	\$230,000	\$600,875	\$604,455	\$1,234,453
	2020	\$230,000	\$830,875	\$579,674	\$1,814,127
	2021	\$230,000	\$1,060,875	\$555,633	\$2,369,760
	2022	\$230,000	\$1,290,875	\$532,237	\$2,901,997
	2023	\$230,000	\$1,520,875	\$509,542	\$3,411,540
	2024	\$230,000	\$1,750,875	\$487,529	\$3,899,068
	2025	\$230,000	\$1,980,875	\$466,175	\$4,365,244
	2026	\$230,000	\$2,210,875	\$445,462	\$4,810,706
	2027	\$230,000	\$2,440,875	\$425,371	\$5,236,077
Maintain Viable Presence (5 Years)	2028	\$635,882	\$3,076,757	\$0	\$5,236,077
	2029	\$616,979	\$3,693,736	\$0	\$5,236,077
	2030	\$598,642	\$4,292,378	\$0	\$5,236,077
	2031	\$580,855	\$4,873,233	\$0	\$5,236,077
	2032	\$563,602	\$5,436,834	\$0	\$5,236,077
Additional Years as Required by 313.026(c)(1) (10 Years)	2033	\$546,866	\$5,983,701	\$0	\$5,236,077
	2034	\$530,633	\$6,514,333	\$0	\$5,236,077
	2035	\$514,886	\$7,029,219	\$0	\$5,236,077
	2036	\$499,612	\$7,528,832	\$0	\$5,236,077
	2037	\$484,796	\$8,013,628	\$0	\$5,236,077
	2038	\$470,425	\$8,484,053	\$0	\$5,236,077
	2039	\$456,485	\$8,940,537	\$0	\$5,236,077
	2040	\$442,963	\$9,383,500	\$0	\$5,236,077
	2041	\$429,846	\$9,813,346	\$0	\$5,236,077
	2042	\$417,123	\$10,230,470	\$0	\$5,236,077
		\$10,230,470	is greater than	\$5,236,077	

Analysis Summary	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	Yes

Source: CPA, IKO SOUTHWEST INC.

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.