

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



September 4, 2014

Bryan Hanna
Superintendent
Grandview-Hopkins Independent School District
11676 FM 293
Groom, Texas 79039

Dear Superintendent Hanna:

On Jun. 19, 2014, the Comptroller issued written notice that Grandview Wind Farm II, LLC (the applicant) submitted a completed application (Application #1010) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on May 13, 2014, to the Grandview-Hopkins Independent School District (the school district) by the applicant.

This presents the results of the Comptroller's review of the application 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)

- | | |
|-------------------|---|
| Sec. 313.024(a) | Applicant is subject to tax imposed by Chapter 171. |
| Sec. 313.024(b) | Applicant is proposing to use the property for an eligible project. |
| Sec. 313.024(d) | Applicant has requested a waiver to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located. |
| Sec. 313.024(d-2) | Not applicable to Application #1010. |

Based on the information provided by the applicant, 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.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

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.

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

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. See Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

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 50-286) 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 agreement within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of June 19, 2014, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Robert Wood, director of Economic Development & Analysis Division, by email at robert.wood@cpa.state.tx.us or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Attachment A – Economic Impact Analysis

This following tables summarizes the Comptroller’s economic impact analysis of Grandview Wind Farm II, LLC (the project) applying to Grandview-Hopkins 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 Grandview Wind Farm II, LLC.

Applicant	Grandview Wind Farm II, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy
School District	Grandview-Hopkins ISD
2011-12 Enrollment in School District	46
County	Gray
Proposed Total Investment in District	\$98,508,929
Proposed Qualified Investment	\$98,463,929
Limitation Amount	\$10,000,000
Number of new qualifying jobs committed to by applicant	5
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$885
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$885
Minimum annual wage committed to by applicant for qualified jobs	\$46,035
Minimum weekly wage required for non-qualifying jobs	\$1,019
Minimum annual wage required for non-qualifying jobs	\$52,967
Investment per Qualifying Job	\$19,701,786
Estimated M&O levy without any limit (15 years)	\$8,696,256
Estimated M&O levy with Limitation (15 years)	\$2,259,974
Estimated gross M&O tax benefit (15 years)	\$6,435,409
* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).	

Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought											
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Grandview-Hopkins ISD I&S Tax Levy	Grandview-Hopkins ISD M&O Tax Levy	Grandview-Hopkins ISD M&O and I&S Tax Levies	Gray County Tax Levy	Clarendon College Tax Levy	Panhandle Water District #3 Tax Levy	Estimated Total Property Taxes	
			0.0790	0.0790	0.9700		0.4893	0.0500	0.0085		
2014	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	
2015	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	
2016	\$98,508,929	\$10,000,000		\$77,822	\$97,000	\$174,822	\$241,003	\$49,254	\$8,354	\$473,433	
2017	\$93,583,483	\$10,000,000		\$73,931	\$97,000	\$170,931	\$228,952	\$46,792	\$7,936	\$454,611	
2018	\$88,658,036	\$10,000,000		\$70,040	\$97,000	\$167,040	\$216,902	\$44,329	\$7,518	\$435,789	
2019	\$83,732,590	\$10,000,000		\$66,149	\$97,000	\$163,149	\$204,852	\$41,866	\$7,101	\$416,968	
2020	\$78,807,143	\$10,000,000		\$62,258	\$97,000	\$159,258	\$192,802	\$39,404	\$6,683	\$398,146	
2021	\$73,881,697	\$10,000,000		\$58,367	\$97,000	\$155,367	\$180,752	\$36,941	\$6,265	\$379,324	
2022	\$68,956,250	\$10,000,000		\$54,475	\$97,000	\$151,475	\$168,702	\$34,478	\$5,847	\$360,503	
2023	\$64,030,804	\$10,000,000		\$50,584	\$97,000	\$147,584	\$156,652	\$32,015	\$5,430	\$341,681	
2024	\$59,105,357	\$10,000,000		\$46,693	\$97,000	\$143,693	\$144,602	\$29,553	\$5,012	\$322,860	
2025	\$54,179,911	\$10,000,000		\$42,802	\$97,000	\$139,802	\$132,551	\$27,090	\$4,594	\$304,038	
2026	\$49,254,465	\$49,254,465		\$38,911	\$477,768	\$516,679	\$241,003	\$24,627	\$4,177	\$786,486	
2027	\$44,329,018	\$44,329,018		\$35,020	\$429,991	\$465,011	\$216,902	\$22,165	\$3,759	\$707,837	
2028	\$39,403,572	\$39,403,572		\$31,129	\$382,215	\$413,343	\$192,802	\$19,702	\$3,341	\$629,189	
						Total	\$2,968,155	\$2,518,477	\$448,216	\$76,017	\$6,010,865
						Diff	\$6,435,409	\$1,867,770	\$0	\$0	\$8,303,179

Assumes School Value Limitation and Tax Abatements with the County, Clarendon College, and the Panhandle Water District.

Source: CPA, Grandview Wind Farm II, LLC

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 over 25 Years

This represents the Comptroller’s determination that Grandview Wind Farm II, LLC (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 and direct, indirect and induced tax effects from project employment 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	\$0	\$0	\$0	\$0
	2016	\$0	\$0	\$0	\$0
Limitation Period (10 Years)	2017	\$97,000	\$97,000	\$858,537	\$858,537
	2018	\$97,000	\$194,000	\$810,760	\$1,669,296
	2019	\$97,000	\$291,000	\$762,983	\$2,432,279
	2020	\$97,000	\$388,000	\$715,206	\$3,147,485
	2021	\$97,000	\$485,000	\$667,429	\$3,814,915
	2022	\$97,000	\$582,000	\$619,652	\$4,434,567
	2023	\$97,000	\$679,000	\$571,876	\$5,006,443
	2024	\$97,000	\$776,000	\$524,099	\$5,530,542
	2025	\$97,000	\$873,000	\$476,322	\$6,006,864
	2026	\$97,000	\$970,000	\$428,545	\$6,435,409
Maintain Viable Presence (5 Years)	2027	\$477,768	\$1,447,768	\$0	\$6,435,409
	2028	\$429,991	\$1,877,760	\$0	\$6,435,409
	2029	\$382,215	\$2,259,974	\$0	\$6,435,409
	2030	\$334,438	\$2,594,412	\$0	\$6,435,409
	2031	\$286,661	\$2,881,073	\$0	\$6,435,409
Additional Years as Required by 313.026(c)(1) (10 Years)	2032	\$238,884	\$3,119,957	\$0	\$6,435,409
	2033	\$238,884	\$3,358,842	\$0	\$6,435,409
	2034	\$238,884	\$3,597,726	\$0	\$6,435,409
	2035	\$238,884	\$3,836,610	\$0	\$6,435,409
	2036	\$238,884	\$4,075,494	\$0	\$6,435,409
	2037	\$238,884	\$4,314,378	\$0	\$6,435,409
	2038	\$238,884	\$4,553,262	\$0	\$6,435,409
	2039	\$238,884	\$4,792,146	\$0	\$6,435,409
	2040	\$238,884	\$5,031,031	\$0	\$6,435,409
	2041	\$238,884	\$5,269,915	\$0	\$6,435,409
		\$5,269,915	is less than	\$6,435,409	

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?

No

NOTE: The analysis above only takes into account this project's estimated impact on the M&O portion of the school district property tax levy directly related to this project.

Source: CPA, RE Roserock, LLC

Employment Indirect and Induced Tax Effects

Year	Employment			Personal Income			Revenue & Expenditure		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2015	175	170	345	\$8,056,125	\$12,085,477	\$20,141,602	\$ 1,113,892	\$ (572,205)	\$ 1,686,097
2016	5	12	17	\$230,175	\$2,211,231	\$2,441,406	\$ 160,217	\$ 228,882	\$ (68,665)
2017	5	11	16	\$230,175	\$1,967,091	\$2,197,266	\$ 183,105	\$ 213,623	\$ (30,518)
2018	5	3	8	\$230,175	\$1,112,598	\$1,342,773	\$ 129,700	\$ 198,364	\$ (68,664)
2019	5	3	8	\$230,175	\$746,388	\$976,563	\$ 114,441	\$ 175,476	\$ (61,035)
2020	5	3	8	\$230,175	\$990,528	\$1,220,703	\$ 122,070	\$ 160,217	\$ (38,147)
2021	5	3	8	\$230,175	\$624,317	\$854,492	\$ 99,182	\$ 114,441	\$ (15,259)
2022	5	3	8	\$230,175	\$868,458	\$1,098,633	\$ 99,182	\$ 106,812	\$ (7,630)
2023	5	3	8	\$230,175	\$624,317	\$854,492	\$ 99,182	\$ 91,553	\$ 7,629
2024	5	3	8	\$230,175	\$746,388	\$976,563	\$ 114,441	\$ 83,923	\$ 30,518
2025	5	7	12	\$230,175	\$746,388	\$976,563	\$ 114,441	\$ 76,294	\$ 38,147
2026	5	1	6	\$230,175	\$380,177	\$610,352	\$ 129,700	\$ 68,665	\$ 61,035
2027	5	5	10	\$230,175	\$746,388	\$976,563	\$ 106,812	\$ 30,518	\$ 76,294
2028	5	7	12	\$230,175	\$990,528	\$1,220,703	\$ 114,441	\$ 7,629	\$ 106,812
2029	5	3	8	\$230,175	\$990,528	\$1,220,703	\$ 122,070	\$ 22,888	\$ 99,182
2030	5	5	10	\$230,175	\$746,388	\$976,563	\$ 114,441	\$ 15,259	\$ 99,182
2031	5	3	8	\$230,175	\$746,388	\$976,563	\$ 91,553	\$ (15,259)	\$ 106,812
2032	5	7	12	\$230,175	\$258,106	\$488,281	\$ 99,182	\$ (15,259)	\$ 114,441
2033	5	5	10	\$230,175	\$746,388	\$976,563	\$ 99,182	\$ (45,776)	\$ 144,958
2034	5	3	8	\$230,175	\$502,247	\$732,422	\$ 68,665	\$ (38,147)	\$ 106,812
2035	5	(1)	4	\$230,175	\$258,106	\$488,281	\$ 30,518	\$ (61,035)	\$ 91,553
2036	5	3	8	\$230,175	\$258,106	\$488,281	\$ -	\$ (99,182)	\$ 99,182
2037	5	1	6	\$230,175	-\$230,175	\$0	\$ (45,776)	\$ (137,329)	\$ 91,553
2038	5	(3)	2	\$230,175	-\$230,175	\$0	\$ (15,259)	\$ (137,329)	\$ 122,070
2039	5	(1)	4	\$230,175	\$13,966	\$244,141	\$ (30,518)	\$ (160,217)	\$ 129,699
2040	5	(3)	2	\$230,175	-\$474,316	-\$244,141	\$ (61,035)	\$ (198,364)	\$ 137,329
						TOTAL	\$ 3,173,829	\$ 114,442	\$ 3,059,387
							\$8,329,302	is greater than	\$6,435,409

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

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 C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines 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.” This represents the basis for the Comptroller’s determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller determines that the limitation on appraised value is a determining factor in the Grandview Wind Farm II, LLC’s decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- According to the application, the company is considering several projects in Texas, Oklahoma, Indiana, Illinois and Colorado.
- The applicant also states that the appraised value limitation and other tax abatements granted by the Groom ISD and Carson county gave this project a stronger financial return than other options being considered by the Board of Directors.

Supporting Information

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value

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.

Supporting Information

**Section 8 of the Application for
a Limitation on Appraised Value**

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? Yes No
2. The property will be used for one of the following activities:
 - (1) manufacturing Yes No
 - (2) research and development Yes No
 - (3) a clean coal project, as defined by Section 5.001, Water Code Yes No
 - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code Yes No
 - (5) renewable energy electric generation Yes No
 - (6) electric power generation using integrated gasification combined cycle technology Yes No
 - (7) nuclear electric power generation Yes No
 - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) Yes No
 - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 Yes No
3. Are you requesting that any of the land be classified as qualified investment? Yes No
4. Will any of the proposed qualified investment be leased under a capitalized lease? Yes No
5. Will any of the proposed qualified investment be leased under an operating lease? Yes No
6. Are you including property that is owned by a person other than the applicant? Yes No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? Yes No

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:

<input type="checkbox"/> Land has no existing improvements	<input checked="" type="checkbox"/> Land has existing improvements (<i>complete Section 13</i>)
<input type="checkbox"/> Expansion of existing operation on the land (<i>complete Section 13</i>)	<input type="checkbox"/> Relocation within Texas

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? Yes No
2. Has the applicant entered into any agreements or contracts for work to be performed related to the proposed project? Yes No
3. Does the applicant have current business activities at the location where the proposed project will occur? Yes No
4. Has the applicant made public statements in SEC filings or other official documents regarding its intentions regarding the proposed project location? Yes No
5. Has the applicant received any local or state permits for activities on the proposed project site? Yes No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? Yes No
7. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? Yes No
8. Has the applicant considered or is the applicant considering other locations not in Texas for the proposed project? Yes No
9. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? Yes No
10. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? Yes No

If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

Supporting Information

**Attachments provided in Tab 5
of the Application for a
Limitation on Appraised Value**

Grandview Wind Farm II, LLC
Application for Appraised Value Limitations on Qualified Property

Tab 5

Section 8 – Limitation as Determining Factor

- 1) N/A
- 2) Grandview Wind Farm II, LLC has entered into contracts for work for preliminary land work.
- 3) N/A
- 4) N/A
- 5) N/A
- 6) Grandview Wind Farm II, LLC is located in Carson County and Gray County. The property in Carson County is already in a Reinvestment Zone but no Reinvestment Zone has been created in Gray County yet. The project has received property tax abatement for 10 years from Carson County and received a recommendation from the Comptroller for our Groom ISD application on March 5, 2014. Please see Exhibit I for copies of the applicable documents.
- 7) N/A
- 8) The Company is considering several projects in Texas, Oklahoma, Indiana, Illinois and Colorado. The Company has received tax incentives on several projects which are considered favorably in the analysis of the investment. When presenting the options to our Board of Directors for approval, the Grandview Wind Farm II project had a stronger financial return due to the Grandview-Hopkins Independent School District appraised value limitation and other tax abatements granted by Groom Independent School District and Carson County.
- 9) N/A
- 10) N/A