



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

July 27, 2015

Arnold Adair
Superintendent
Deer Park Independent School District
2800 Texas Ave.
Deer Park, Texas 77536

Dear Superintendent Adair:

On July 17, 2015, the Comptroller issued written notice that The Lubrizol Corporation (the applicant) submitted a completed application (Application #1084) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on July 13, 2015, to the Deer Park 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 B; 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 committed 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 #1084.

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 B.

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)

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. 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 July 17, 2015, 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, Associate Deputy Comptroller, by email at robert.wood@cpa.texas.gov or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Mike Reissig
Deputy Comptroller

Enclosure

cc: Robert Wood

Attachment A – Economic Impact Analysis

This following tables summarize the Comptroller’s economic impact analysis of The Lubrizol Corporation (the project) applying to Deer Park 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 The Lubrizol Corporation.

Applicant	The Lubrizol Corporation
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Deer Park
2013-14 Enrollment in School District	12968
County	Harris
Proposed Total Investment in District	\$300,000,000
Proposed Qualified Investment	\$300,000,000
Limitation Amount	\$80,000,000
Number of new qualifying jobs committed to by applicant	25
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,250
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$1,150
Minimum annual wage committed to by applicant for qualified jobs	\$65,000
Minimum weekly wage required for non-qualifying jobs	
Minimum annual wage required for non-qualifying jobs	
Investment per Qualifying Job	\$12,000,000
Estimated M&O levy without any limit (15 years)	\$40,961,584
Estimated M&O levy with Limitation (15 years)	\$21,563,951
Estimated gross M&O tax benefit (15 years)	\$19,397,633

Table 2 is the estimated statewide economic impact of The Lubrizol Corporation (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2016	115	186	301	\$10,846,154	\$13,153,846	\$24,000,000
2017	231	388	619	\$21,692,308	\$28,307,692	\$50,000,000
2018	140	313	453	\$12,471,154	\$26,528,846	\$39,000,000
2019	25	139	164	\$1,625,000	\$15,375,000	\$17,000,000
2020	25	110	135	\$1,625,000	\$14,375,000	\$16,000,000
2021	25	90	115	\$1,625,000	\$12,375,000	\$14,000,000
2022	25	80	105	\$1,625,000	\$11,375,000	\$13,000,000
2023	25	75	100	\$1,625,000	\$11,375,000	\$13,000,000
2024	25	82	107	\$1,625,000	\$12,375,000	\$14,000,000
2025	25	77	102	\$1,625,000	\$11,375,000	\$13,000,000
2026	25	88	113	\$1,625,000	\$12,375,000	\$14,000,000
2027	25	84	109	\$1,625,000	\$12,375,000	\$14,000,000
2028	25	98	123	\$1,625,000	\$15,375,000	\$17,000,000
2029	25	96	121	\$1,625,000	\$15,375,000	\$17,000,000
2030	25	96	121	\$1,625,000	\$15,375,000	\$17,000,000
2031	25	108	133	\$1,625,000	\$16,375,000	\$18,000,000
2032	25	106	131	\$1,625,000	\$18,375,000	\$20,000,000
2033	25	108	133	\$1,625,000	\$19,375,000	\$21,000,000

Source: CPA, REMI, The Lubrizol Corporation

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	Deer Park ISD I&S Levy	Deer Park ISD M&O Levy	Deer Park ISD M&O and I&S Tax Levies	Harris County Tax Levy	Harris County Hospital District Tax Levy	City of Deer Park	Estimated Total Property Taxes
			0.3200	1.2367			0.41455	0.170000	0.72	
2019	\$270,000,000	\$270,000,000		\$864,000	\$3,339,090	\$4,203,090	\$1,119,285	\$459,000	\$1,944,000	\$7,725,375
2020	\$262,035,000	\$262,035,000		\$838,512	\$3,240,587	\$4,079,099	\$1,086,266	\$445,460	\$1,886,652	\$7,497,476
2021	\$254,306,250	\$254,306,250		\$813,780	\$3,145,005	\$3,958,785	\$1,054,227	\$432,321	\$1,831,005	\$7,276,338
2022	\$246,806,717	\$246,806,717		\$789,781	\$3,052,259	\$3,842,040	\$1,023,137	\$419,571	\$1,777,008	\$7,061,757
2023	\$239,529,576	\$239,529,576		\$766,495	\$2,962,262	\$3,728,757	\$992,970	\$407,200	\$1,724,613	\$6,853,540
2024	\$232,468,208	\$232,468,208		\$743,898	\$2,874,934	\$3,618,833	\$963,697	\$395,196	\$1,673,771	\$6,651,497
2025	\$225,616,191	\$225,616,191		\$721,972	\$2,790,195	\$3,512,167	\$935,292	\$383,548	\$1,624,437	\$6,455,443
2026	\$218,967,294	\$218,967,294		\$700,695	\$2,707,969	\$3,408,664	\$907,729	\$372,244	\$1,576,565	\$6,265,202
2027	\$212,515,473	\$212,515,473		\$680,050	\$2,628,179	\$3,308,228	\$880,983	\$361,276	\$1,530,111	\$6,080,599
2028	\$206,254,861	\$206,254,861		\$660,016	\$2,550,754	\$3,210,769	\$855,030	\$350,633	\$1,485,035	\$5,901,467
2029	\$200,179,771	\$200,179,771		\$640,575	\$2,475,623	\$3,116,199	\$829,845	\$340,306	\$1,441,294	\$5,727,644
2030	\$194,284,683	\$194,284,683		\$621,711	\$2,402,719	\$3,024,430	\$805,407	\$330,284	\$1,398,850	\$5,558,970
2031	\$188,564,241	\$188,564,241		\$603,406	\$2,331,974	\$2,935,380	\$781,693	\$320,559	\$1,357,663	\$5,395,294
2032	\$183,013,251	\$183,013,251		\$585,642	\$2,263,325	\$2,848,967	\$758,681	\$311,123	\$1,317,695	\$5,236,467
2033	\$177,626,671	\$177,626,671		\$568,405	\$2,196,709	\$2,765,114	\$736,351	\$301,965	\$1,278,912	\$5,082,343
			Total	\$10,598,938	\$40,961,584	\$51,560,522	\$13,730,593	\$5,630,686	\$23,847,611	\$94,769,412

Source: CPA, The Lubrizol Corporation

¹Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Harris 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 the City of Deer Park.

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

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	Deer Park ISD I&S Levy	Deer Park ISD M&O Levy	Deer Park ISD M&O and I&S Tax Levies (After Credit Credited)	Harris County Tax Levy	Harris County Hospital District Tax Levy	City of Deer Park	Estimated Total Property Taxes
			0.3200	1.2367		0.41455	0.170000	0.72		
2019	\$270,000,000	\$80,000,000		\$864,000	\$989,360	\$1,853,360	\$1,119,285	\$459,000	\$0	\$3,431,645
2020	\$262,035,000	\$80,000,000		\$838,512	\$989,360	\$1,827,872	\$1,086,266	\$445,460	\$0	\$3,359,598
2021	\$254,306,250	\$80,000,000		\$813,780	\$989,360	\$1,803,140	\$1,054,227	\$432,321	\$0	\$3,289,687
2022	\$246,806,717	\$80,000,000		\$789,781	\$989,360	\$1,779,141	\$1,023,137	\$419,571	\$533,103	\$3,754,953
2023	\$239,529,576	\$80,000,000		\$766,495	\$989,360	\$1,755,855	\$992,970	\$407,200	\$1,120,998	\$4,277,023
2024	\$232,468,208	\$80,000,000		\$743,898	\$989,360	\$1,733,258	\$963,697	\$395,196	\$1,087,951	\$4,180,102
2025	\$225,616,191	\$80,000,000		\$721,972	\$989,360	\$1,711,332	\$935,292	\$383,548	\$1,055,884	\$4,086,055
2026	\$218,967,294	\$80,000,000		\$700,695	\$989,360	\$1,690,055	\$907,729	\$372,244	\$1,024,767	\$3,994,796
2027	\$212,515,473	\$80,000,000		\$680,050	\$989,360	\$1,669,410	\$880,983	\$361,276	\$1,530,111	\$4,441,780
2028	\$206,254,861	\$80,000,000		\$660,016	\$989,360	\$1,649,376	\$855,030	\$350,633	\$1,485,035	\$4,340,073
2029	\$200,179,771	\$200,179,771		\$640,575	\$2,475,623	\$3,116,199	\$829,845	\$340,306	\$1,441,294	\$5,727,644
2030	\$194,284,683	\$194,284,683		\$621,711	\$2,402,719	\$3,024,430	\$805,407	\$330,284	\$1,398,850	\$5,558,970
2031	\$188,564,241	\$188,564,241		\$603,406	\$2,331,974	\$2,935,380	\$781,693	\$320,559	\$1,357,663	\$5,395,294
2032	\$183,013,251	\$183,013,251		\$585,642	\$2,263,325	\$2,848,967	\$758,681	\$311,123	\$1,317,695	\$5,236,467
2033	\$177,626,671	\$177,626,671		\$568,405	\$2,196,709	\$2,765,114	\$736,351	\$301,965	\$1,278,912	\$5,082,343
			Total	\$10,598,939	\$21,563,951	\$32,162,888	\$13,730,593	\$5,630,686	\$14,632,263	\$66,156,430
			Diff	\$0	\$19,397,633	\$19,397,634	\$0	\$0	\$9,215,348	\$28,612,982

Source: CPA, The Lubrizol Corporation

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 The Lubrizol Corporation (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	2016	\$0	\$0	\$0	\$0
	2017	\$408,111	\$408,111	\$0	\$0
	2018	\$1,236,700	\$1,644,811	\$0	\$0
Limitation Period (10 Years)	2019	\$989,360	\$2,634,171	\$2,349,730	\$2,349,730
	2020	\$989,360	\$3,623,531	\$2,251,227	\$4,600,957
	2021	\$989,360	\$4,612,891	\$2,155,645	\$6,756,602
	2022	\$989,360	\$5,602,251	\$2,062,899	\$8,819,501
	2023	\$989,360	\$6,591,611	\$1,972,902	\$10,792,403
	2024	\$989,360	\$7,580,971	\$1,885,574	\$12,677,977
	2025	\$989,360	\$8,570,331	\$1,800,835	\$14,478,813
	2026	\$989,360	\$9,559,691	\$1,718,609	\$16,197,421
	2027	\$989,360	\$10,549,051	\$1,638,819	\$17,836,240
	2028	\$989,360	\$11,538,411	\$1,561,394	\$19,397,634
Maintain Viable Presence (5 Years)	2029	\$2,475,623	\$14,014,034	\$0	\$19,397,634
	2030	\$2,402,719	\$16,416,753	\$0	\$19,397,634
	2031	\$2,331,974	\$18,748,727	\$0	\$19,397,634
	2032	\$2,263,325	\$21,012,052	\$0	\$19,397,634
	2033	\$2,196,709	\$23,208,761	\$0	\$19,397,634
Additional Years as Required by 313.026(c)(1) (10 Years)	2034	\$2,132,066	\$25,340,827	\$0	\$19,397,634
	2035	\$2,069,337	\$27,410,164	\$0	\$19,397,634
	2036	\$2,008,465	\$29,418,629	\$0	\$19,397,634
	2037	\$1,949,396	\$31,368,025	\$0	\$19,397,634
	2038	\$1,892,074	\$33,260,099	\$0	\$19,397,634
	2039	\$1,836,449	\$35,096,549	\$0	\$19,397,634
	2040	\$1,782,471	\$36,879,020	\$0	\$19,397,634
	2041	\$1,730,089	\$38,609,108	\$0	\$19,397,634
	2042	\$1,679,257	\$40,288,365	\$0	\$19,397,634
	2043	\$1,629,928	\$41,918,293	\$0	\$19,397,634

\$41,918,293

is greater than

\$19,397,634

Analysis Summary

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

Yes

Source: CPA, The Lubrizol Corporation

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 has determined that the limitation on appraised value is a determining factor in the Lubrizol Corporation’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:

- Per the applicant, it currently owns the land but the proposed 13 acres of project area has no existing improvements.
- Per the applicant, it has current business activities at the proposed location.
- Per the applicant, “the value limitation that is provided for in Chapter 313 of the Tax Code and that the Deer Park Independent School District is willing to agree to is necessary for us to finalize our decision to locate the new manufacturing unit at Deer Park.”
- The applicant has submitted information related to competitive site locations considered for this project. That information has been requested by the applicant to be kept confidential.
- The applicant has extensive recent developments across many countries, according to the applicant website.

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 checked="" type="checkbox"/> Land has no existing improvements <i>Note**</i>	<input 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, contracts or letters of intent 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 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. Is the applicant evaluating other locations not in Texas for the proposed project? Yes No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? Yes No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? Yes No
10. 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

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

For more information, visit our website: www.TexasAhead.org/tax_programs/chapter313/

** The reinvestment zone is 99 ac +/- and includes existing improvements. No improvements exist on this 13 ac portion

Supporting Information

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

CONFIDENTIAL