GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

April 24, 2019

Victor White
Superintendent
Deer Park Independent School District
2800 Texas Avenue
Deer Park, Texas 77536

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Deer Park Independent School District and Pasadena Performance Products, LP, Application 1321

Dear Superintendent White:

On March 1, 2019, the Comptroller issued written notice that Pasadena Performance Products, LP (applicant) submitted a completed application (Application 1321) for a limitation on appraised value under the provisions of Tax Code Chapter 313.[1] This application was originally submitted on November 12, 2018, to the Deer Park Independent School District (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.

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

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 1321.

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.

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's 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 50-826) 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 agreement by December 31, 2019.

Note that any building or improvement existing as of the application review start date of March 1, 2019, 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 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 at 512-936-0758.

Sincerely,

Lisa Craven
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Pasadena Performance Products, LP (project) applying to Deer Park Independent School District (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 Pasadena Performance Products, LP.

Applicant	Pasadena Performance Products, LP
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Deer Park ISD
Estimated 2017-2018 Average Daily Attendance	12,159
County	Harris County
Proposed Total Investment in District	$575,000,000
Proposed Qualified Investment	$575,000,000
Limitation Amount	$80,000,000
Qualifying Time Period (Full Years)	2020-2021
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	$1,346
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	$1,274
Minimum annual wage committed to by applicant for qualified jobs	$70,000
Minimum weekly wage required for non-qualifying jobs	$1,347
Minimum annual wage required for non-qualifying jobs	$70,019
Investment per Qualifying Job	$23,000,000
Estimated M&O levy without any limit (15 years)	$88,009,391
Estimated M&O levy with Limitation (15 years)	$36,309,214
Estimated gross M&O tax benefit (15 years)	$51,700,177

Table 2 is the estimated statewide economic impact of Pasadena Performance Products, LP (modeled).

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2019	400	553	953	$28,000,000	$45,021,512	$73,021,512
2020	400	613	1013.47	$28,000,000	$55,196,435	$83,196,435
2021	425	719	1144	$29,750,000	$68,928,289	$98,678,289
2022	25	207	232	$1,750,000	$27,865,393	$29,615,393
2023	25	118	143	$1,750,000	$20,223,146	$21,973,146
2024	25	62	87	$1,750,000	$14,670,370	$16,420,370
2025	25	38	63	$1,750,000	$11,580,290	$13,330,290
2026	25	34	59	$1,750,000	$10,310,070	$12,060,070
2027	25	43	68	$1,750,000	$10,383,843	$12,133,843
2028	25	57	82	$1,750,000	$11,326,104	$13,076,104
2029	25	73	98	$1,750,000	$12,786,935	$14,536,935
2030	25	88	113	$1,750,000	$14,515,529	$16,265,529
2031	25	88	113	$1,750,000	$15,050,092	$16,800,092
2032	25	95	120	$1,750,000	$16,162,074	$17,912,074
2033	25	99	124	$1,750,000	$17,260,273	$19,010,273
2034	25	103	128	$1,750,000	$18,322,186	$20,072,186
2035	25	105	130	$1,750,000	$19,306,896	$21,056,896

Source: CPA REMI, Pasadena Performance Products, LP

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		Deer Park ISD I&S Tax Levy	Deer Park ISD M&O Tax Levy	Deer Park M&O and I&S Tax Levies	City of Pasadena Tax Levy	Harris County Tax Levy	Harris County Flood Control District Tax Levy	Port of Houston Authority Tax Levy	Harris County Hospital District Tax Levy	Harris County Department of Education Tax Levy	San Jacinto College District Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.3020	1.2367		0.6154	0.4186	0.0288	0.0116	0.1711	0.0052	0.1793	
2021	$544,719,656	$544,719,656		$1,645,053	$6,736,548	$8,381,601	$3,352,455	$2,280,088	$156,716	$62,915	$931,906	$28,271	$976,840	$16,170,793
2022	$533,785,263	$533,785,263		$1,612,031	$6,601,322	$8,213,354	$3,285,160	$2,234,318	$153,570	$61,652	$913,200	$27,703	$957,232	$15,846,190
2023	$523,069,558	$523,069,558		$1,579,670	$6,468,801	$8,048,471	$3,219,211	$2,189,465	$150,487	$60,415	$894,867	$27,147	$938,015	$15,528,078
2024	$512,568,166	$512,568,166		$1,547,956	$6,338,931	$7,886,886	$3,154,580	$2,145,508	$147,466	$59,202	$876,902	$26,602	$919,183	$15,216,329
2025	$502,276,803	$502,276,803		$1,516,876	$6,211,657	$7,728,533	$3,091,242	$2,102,430	$144,505	$58,013	$859,295	$26,068	$900,728	$14,910,815
2026	$492,191,267	$492,191,267		$1,486,418	$6,086,929	$7,573,347	$3,029,171	$2,060,214	$141,603	$56,848	$842,041	$25,545	$882,642	$14,611,411
2027	$482,307,442	$482,307,442		$1,456,568	$5,964,696	$7,421,265	$2,968,342	$2,018,842	$138,760	$55,707	$825,132	$25,032	$864,917	$14,317,996
2028	$472,621,293	$472,621,293		$1,427,316	$5,844,908	$7,272,224	$2,908,729	$1,978,298	$135,973	$54,588	$808,561	$24,529	$847,547	$14,030,448
2029	$463,128,867	$463,128,867		$1,398,649	$5,727,515	$7,126,164	$2,850,308	$1,938,565	$133,242	$53,491	$792,321	$24,036	$830,524	$13,748,652
2030	$453,826,290	$453,826,290		$1,370,555	$5,612,470	$6,983,025	$2,793,056	$1,899,626	$130,566	$52,417	$776,406	$23,554	$813,842	$13,472,491
2031	$444,709,764	$444,709,764		$1,343,023	$5,499,726	$6,842,749	$2,736,948	$1,861,466	$127,943	$51,364	$760,809	$23,080	$797,494	$13,201,854
2032	$435,775,569	$435,775,569		$1,316,042	$5,389,236	$6,705,279	$2,681,963	$1,824,069	$125,373	$50,332	$745,525	$22,617	$781,472	$12,936,630
2033	$427,020,057	$427,020,057		$1,289,601	$5,280,957	$6,570,558	$2,628,078	$1,787,421	$122,854	$49,321	$730,546	$22,162	$765,771	$12,676,710
2034	$418,439,656	$418,439,656		$1,263,688	$5,174,843	$6,438,531	$2,575,270	$1,751,505	$120,385	$48,330	$715,867	$21,717	$750,384	$12,421,988
2035	$410,030,863	$410,030,863		$1,238,293	$5,070,852	$6,309,145	$2,523,519	$1,716,307	$117,966	$47,359	$701,481	$21,281	$735,304	$12,172,361
			Total	$21,491,741	$88,009,391	$109,501,132	$43,798,033	$29,788,122	$2,047,409	$821,952	$12,174,858	$369,345	$12,761,895	$211,262,746

Source: CPA, Pasadena Performance Products, LP

*Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district, City of Pasadena, Harris County, Harris County Flood Control District, Port of Houston Authority, Harris County Hospital District, Harris County Department of Education and San Jacinto College with all property tax incentives sought 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.

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		Deer Park ISD I&S Tax Levy	Deer Park ISD M&O Tax Levy	Deer Park M&O and I&S Tax Levies	City of Pasadena Tax Levy	Harris County Tax Levy	Harris County Flood Control District Tax Levy	Port of Houston Authority Tax Levy	Harris County Hospital District Tax Levy	Harris County Department of Education Tax Levy	San Jacinto College District Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.3020	1.2367		0.6154	0.4186	0.0288	0.0116	0.1711	0.0052	0.1793	
2021	$544,719,656	$80,000,000		$1,645,053	$989,360	$2,634,413	$2,514,342	$2,280,088	$156,716	$62,915	$931,906	$28,271	$976,840	$9,585,491
2022	$533,785,263	$80,000,000		$1,612,031	$989,360	$2,601,391	$2,463,870	$2,234,318	$153,570	$61,652	$913,200	$27,703	$957,232	$9,412,937
2023	$523,069,558	$80,000,000		$1,579,670	$989,360	$2,569,030	$2,414,408	$2,189,465	$150,487	$60,415	$894,867	$27,147	$938,015	$9,243,834
2024	$512,568,166	$80,000,000		$1,547,956	$989,360	$2,537,316	$2,365,935	$2,145,508	$147,466	$59,202	$876,902	$26,602	$919,183	$9,078,114
2025	$502,276,803	$80,000,000		$1,516,876	$989,360	$2,506,236	$2,318,432	$2,102,430	$144,505	$58,013	$859,295	$26,068	$900,728	$8,915,707
2026	$492,191,267	$80,000,000		$1,486,418	$989,360	$2,475,778	$2,271,879	$2,060,214	$141,603	$56,848	$842,041	$25,545	$882,642	$8,756,549
2027	$482,307,442	$80,000,000		$1,456,568	$989,360	$2,445,928	$2,226,256	$2,018,842	$138,760	$55,707	$825,132	$25,032	$864,917	$8,600,574
2028	$472,621,293	$80,000,000		$1,427,316	$989,360	$2,416,676	$2,181,547	$1,978,298	$135,973	$54,588	$808,561	$24,529	$847,547	$8,447,719
2029	$463,128,867	$80,000,000		$1,398,649	$989,360	$2,388,009	$2,137,731	$1,938,565	$133,242	$53,491	$792,321	$24,036	$830,524	$8,297,920
2030	$453,826,290	$80,000,000		$1,370,555	$989,360	$2,359,915	$2,094,792	$1,899,626	$130,566	$52,417	$776,406	$23,554	$813,842	$8,151,118
2031	$444,709,764	$444,709,764		$1,343,023	$5,499,726	$6,842,749	$2,736,948	$1,861,466	$127,943	$51,364	$760,809	$23,080	$797,494	$13,201,854
2032	$435,775,569	$435,775,569		$1,316,042	$5,389,236	$6,705,279	$2,681,963	$1,824,069	$125,373	$50,332	$745,525	$22,617	$781,472	$12,936,630
2033	$427,020,057	$427,020,057		$1,289,601	$5,280,957	$6,570,558	$2,628,078	$1,787,421	$122,854	$49,321	$730,546	$22,162	$765,771	$12,676,710
2034	$418,439,656	$418,439,656		$1,263,688	$5,174,843	$6,438,531	$2,575,270	$1,751,505	$120,385	$48,330	$715,867	$21,717	$750,384	$12,421,988
2035	$410,030,863	$410,030,863		$1,238,293	$5,070,852	$6,309,145	$2,523,519	$1,716,307	$117,966	$47,359	$701,481	$21,281	$735,304	$12,172,361
			Total	$21,491,741	$36,309,214	$57,800,955	$36,134,969	$29,788,122	$2,047,409	$821,952	$12,174,858	$369,345	$12,761,895	$151,899,506
			Diff	$0	$51,700,177	$51,700,177	$7,663,064	$0	$0	$0	$0	$0	$0	$59,363,240
Assumes School Value Limitation and Tax Abatements with the City.														

Source: CPA, Pasadena Performance Products, LP
*Tax 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 Pasadena Performance Products, LP (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	2018	$0	$0	$0	$0
	2019	$2,314,360	$2,314,360	$0	$0
	2020	$6,800,331	$9,114,692	$0	$0
Limitation Period (10 Years)	2021	$989,360	$10,104,052	$5,747,188	$5,747,188
	2022	$989,360	$11,093,412	$5,611,962	$11,359,150
	2023	$989,360	$12,082,772	$5,479,441	$16,838,592
	2024	$989,360	$13,072,132	$5,349,571	$22,188,162
	2025	$989,360	$14,061,492	$5,222,297	$27,410,459
	2026	$989,360	$15,050,852	$5,097,569	$32,508,029
	2027	$989,360	$16,040,212	$4,975,336	$37,483,365
	2028	$989,360	$17,029,572	$4,855,548	$42,338,912
	2029	$989,360	$18,018,932	$4,738,155	$47,077,067
	2030	$989,360	$19,008,292	$4,623,110	$51,700,177
Maintain Viable Presence (5 Years)	2031	$5,499,726	$24,508,017	$0	$51,700,177
	2032	$5,389,236	$29,897,254	$0	$51,700,177
	2033	$5,280,957	$35,178,211	$0	$51,700,177
	2034	$5,174,843	$40,353,054	$0	$51,700,177
	2035	$5,070,852	$45,423,906	$0	$51,700,177
Additional Years as Required by 313.026(c)(1) (10 Years)	2036	$4,968,940	$50,392,846	$0	$51,700,177
	2037	$4,869,066	$55,261,912	$0	$51,700,177
	2038	$4,771,190	$60,033,103	$0	$51,700,177
	2039	$4,675,272	$64,708,375	$0	$51,700,177
	2040	$4,581,272	$69,289,647	$0	$51,700,177
	2041	$4,489,152	$73,778,798	$0	$51,700,177
	2042	$4,398,874	$78,177,672	$0	$51,700,177
	2043	$4,310,402	$82,488,074	$0	$51,700,177
	2044	$4,223,699	$86,711,773	$0	$51,700,177
	2045	$4,138,730	$90,850,504	$0	$51,700,177

$90,850,504 is greater than **$51,700,177**

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

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, Pasadena Performance Products, LP

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 Pasadena Performance Products, LP'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 Pasadena Performance Products, LP, in Tab 5 of their Application for a Limitation on Appraised Value:
  A. "An appraised value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incentivize the Applicant to invest capital in the proposed project rather than making an alternative investment."
  B. "The expected property tax burden for the Applicant's proposed project is significant to the internal rate of return expected. The property tax burden has both a direct and indirect impact on the proposed project's overall economic viability, and Applicant's ultimate decision to invest in Texas."
  C. "The ability for Applicant to enter into a Chapter 313 appraised value limitation agreement with the school district is a determining factor in deciding whether to invest in this project."
  D. "Capital investments by the Applicant are based on anticipated return on investment. Once the investment is made, one of the largest ongoing costs to operations is property tax liabilities. The property tax liabilities directly influence the internal rate of return on investment required by Applicant to secure funding. Without the Chapter 313 tax incentive, the economics of this project become less competitive with other capital intensive projects, and the viability of the proposed project becomes increasingly uncertain."
  E. "Tax incentives play an important role in calculating internal rate of return on investment for projects in Texas due to the high property tax burden."
  F. "Applicant has taken Chapter 313 appraised value limitation as an important component for evaluating whether to commit a substantial amount of capital in this area of Texas."
  G. "Applicant is evaluating other locations outside of Texas for the proposed project to which this application pertains. To date, locations evaluated include the Louisiana Gulf Coast and the Northeast United States."

- Per Pasadena Performance Products, LP, in Tab 4 of their Application, "Pasadena Performance Products, LP, a wholly-owned subsidiary of Next Wave Energy Partners."
- According to the Energy Capital Partners news release dated April 14, 2015,
  A. "Next Wave Energy Partners, LP ("Next Wave" or "the company") today announced that Energy Capital Partners ("ECP"), a private equity firm focused on investing in North America's energy infrastructure, has made an investment in the company. ECP will provide Next Wave with up to $500 million in equity capital to focus on the development, operation, acquisition and expansion of midstream and downstream petrochemical and fuels assets."
  B. "'The renaissance in North American hydrocarbon production has had a ripple effect on the energy industry, creating waves of opportunity further down the value chain,' said Next Wave Executive Chairman Patrick Diamond. 'The outlook for abundant and reasonably priced NGL volumes in North America provides an opportunity for U.S. companies to use these products and their derivatives in value-added ways that compete with or complement the export market. Changing crude oil quality profiles and refinery product slates create additional complexities that ripple across the system and add to the opportunity set.' "
- Pasadena Performance Products, LP has applied for a New Source Review Air Permit with the Texas Commission on Environmental Quality for the project.
- Attached are Railroad Commission of Texas Public GIS Viewer maps depicting pipelines and railroads on and near the project site.

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
c) Additional information provided by the Applicant or located by the Comptroller

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:
   - ☑ Land has no existing improvements
   - ☐ Land has existing improvements *(complete Section 13)*
   - ☐ Expansion of existing operation on the land *(complete Section 13)*
   - ☐ 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.

Supporting Information

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

Tab #5
Limitation is a Determining Factor

1. **Does the applicant currently own the land on which the proposed project will occur?**

   No. Applicant (previously defined as "Pasadena Performance Products, LP") has long-term lease on the proposed project site. The lease has a termination clause that Applicant can utilize if project does not move forward.

2. **Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?**

   Applicant has entered into non-binding Letters of Intent ("LOI") for a portion of feedstock supply and alkylate offtake. Applicant's business model necessitates these LOI's be in place prior to investment decisions being made so there is available feedstock if the proposed project moves forward.

3. **Does the applicant have current business activities at the location where the proposed project will occur?**

   No.

4. **Has the applicant made any public statements in SEC filings or other documents regarding its intentions regarding the proposed project location?**

   No.

5. **Has the applicant received any local or state permits for activities on the proposed project site?**

   Yes – Air Permit.

6. **Has the applicant received commitments for state or local incentives at the proposed project site?**

   No.

7. **Is the applicant evaluating other locations not in Texas for the proposed project?**

   Yes. Applicant is evaluating other locations outside of Texas for the proposed project to which this application pertains. To date, locations evaluated include the Louisiana Gulf Coast and the Northeast United States.

Applicant is an independent energy company focused on the development, operation, acquisition, and expansion of midstream and downstream petrochemical and fuels assets. Applicant's core capabilities include customized toll processing, manufacturing and logistics solutions for natural gas liquids, petrochemicals and gasoline blending components.

Applicant's investment decisions are in part driven by geo-tech feasibility of a location. Applicant is currently spending dollars to move dirt for the purpose of evaluating the proposed project site.

Applicant's capital investments are allocated to projects and locations based on anticipated return on investment. Once the investment is made, one of the largest ongoing costs to operations is property tax liabilities. Diligence is one of the most important factors when securing funding for a capital investment, and the internal rate of return is a key driver in Applicant's cost/benefit analysis. The Chapter 313 Value Limitation, if granted, would make the location in Texas a feasible investment.

8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with alternative investment opportunities?

No.

9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project?

N/A

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?

No.

Key Determining Factors:

- An appraised value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incentivize the Applicant to invest capital in the proposed project rather than making an alternative investment.
- The expected property tax burden for the Applicant's proposed project is significant to the internal rate of return expected. The property tax burden has both a direct and indirect impact on the proposed project's overall economic viability, and Applicant's ultimate decision to invest in Texas.

- The ability for Applicant to enter into a Chapter 313 appraised value limitation agreement with the school district is a determining factor in deciding whether to invest in this project.
- Capital investments by the Applicant are based on anticipated return on investment. Once the investment is made, one of the largest ongoing costs to operations is property tax liabilities. The property tax liabilities directly influence the internal rate of return on investment required by Applicant to secure funding. Without the Chapter 313 tax incentive, the economics of this project become less competitive with other capital-intensive projects, and the viability of the proposed project becomes increasingly uncertain.
- Tax incentives play an important role in calculating internal rate of return on investment for projects in Texas due to the high property tax burden.
- Applicant has taken Chapter 313 appraised value limitation as an important component for evaluating whether to commit a substantial amount of capital in this area of Texas.

Supporting Information

Additional information provided by the Applicant or located by the Comptroller

Tab #4
Detailed Description of the Project

Proposed Project Description

The proposed project to which this application pertains is to construct an on-purpose alkylate manufacturing facility. The facility will consist of two units, an olefins unit ("Olefins Unit") and an alkylation unit, as well as associated process infrastructure, auxiliary equipment and logistics assets.

The Olefins Unit produces olefins via a catalyst and co-catalyst. The alkylation unit will react light olefins – including the olefins produced by the Olefins Unit – with isobutane in the presence of a sulfuric acid catalyst to form alkylate. Alkylate is a premium blendstock used in the formulation of gasoline and is sought after for its high octane and low vapor pressure characteristics.

Pasadena Performance Products, LP, a wholly-owned subsidiary of Next Wave Energy Partners, (hereinafter referred to as "Applicant") anticipates investments for construction of approximately $575 million. This anticipated investment amount includes engineering, equipment, and construction costs.

Preliminary Project Timeline

- Q2 2019 – final investment decision
- Q3 2019 – begin construction, pending receipt of permits
- Q2 2021 – commencement of commercial production

EnergyCapital Partners

Next Wave Energy Partners Announces Investment of up to $500 Million by Energy Capital Partners

Apr 14, 2015

NEXT WAVE ENERGY PARTNERS

Next Wave Energy Partners, LP ("Next Wave" or "the company") today announced that Energy Capital Partners ("ECP"), a private equity firm focused on investing in North America's energy infrastructure, has made an investment in the company. ECP will provide Next Wave with up to $500 million in equity capital to focus on the development, operation, acquisition and expansion of midstream and downstream petrochemical and fuels assets. ECP is joined by members of Next Wave's senior management in the investment. Next Wave's core capabilities include customized toll processing, manufacturing and logistics solutions for natural gas liquids, petrochemicals and gasoline blending components. The company, which is focused on opportunities in the United States and Canada, expects to utilize ECP's funding to pursue greenfield development projects and potential acquisitions.

Next Wave is led by its four founders: Patrick Diamond, executive chairman; Michael Bloesch, president and chief executive officer; Dan Fahey, vice president of engineering and technology; and Sean Diamond, vice president of operations and commercial. The Next Wave management team has nearly nine decades of collective energy industry experience with a focus on midstream, petrochemical and fuels value chains.

"We are excited to announce our partnership with ECP and look forward to working together to build a company that is well positioned to capitalize on the opportunities created by the changes in the North American energy landscape," said Patrick Diamond, executive chairman of Next Wave. "ECP's financial strength and depth of industry expertise provide Next Wave with a powerful platform."

Scott Rogan, principal at ECP said, "ECP is thrilled to partner with such an outstanding management team which brings an extensive track record of success in both the midstream and downstream sectors of the energy industry. We believe the Next Wave team possesses the experience and expertise necessary to provide its customers with attractive solutions that address the challenges and opportunities resulting from the secondary and tertiary effects of the shale-driven hydrocarbon revolution. ECP is confident in Next Wave's ability to execute its business plan and looks forward to supporting the company's future growth."

Market Perspective

"The renaissance in North American hydrocarbon production has had a ripple effect on the energy industry, creating waves of opportunity further down the value chain," said Next Wave Executive Chairman Patrick Diamond. "The outlook for abundant and reasonably priced NGL volumes in North America provides an opportunity for U.S.

companies to use these products and their derivatives in value-added ways that compete with or complement the export market. Changing crude oil quality profiles and refinery product slates create additional complexities that ripple across the system and add to the opportunity set."

"These developments are altering the traditional relationships between natural gas liquids, petrochemicals and fuels, driving value chains to become increasingly intertwined," said Next Wave President and CEO Michael Bloesch. "Next Wave will capitalize on these changing market dynamics to create value for our customers by optimizing their value chains and further developing markets for their products; thus, we are focused on building strong, collaborative and long-term relationships with our customers. Our team has a proven track record of project conception, development and execution, as well as the technical expertise and experience necessary to successfully design and safely and reliably operate midstream and downstream assets."

New Source Review Air Permits

12/19/2018 ----------AirPermits IMS - PROJECT RECORD ----------

Project#: **271986** Status: **COMPLETE**
Project Administrative Name: **PASADENA SITE**
Project Technical Name: **PASADENA SITE**

PROJECT ACTIONS

Permit	Action Type	Permit Type	Received Date	Permit Status	Renewal Date	Action Status	Complete Date
147756	INITIAL	PBR	07/20/2017	ISSUED		COMPLETE	09/13/2017

Assigned Staff:
PEERREVIEW: ALLISON , HOPE **REVIEW ENG: BANDA , MONICO**
PEERREVIEW: JOHNSON , DANA **REVIEWR1_2: PIPER , STEVEN**

Customer Name: **PASADENA PERFORMANCE PRODUCTS, LP**
Legal Name: **Pasadena Performance Products, LP**
CN Number : **CN605397520**

Permit Information:
REGULATED ENTITY NUMBER: RN109867283

Permit	Account	Permittee Name	County	Region	City	State	Location
147756		PASADENA SITE	HARRIS	REGION 12 - HOUSTON	PASADENA	TEXAS	601 N SOUTH ST

FEE:

Permit	Action Type	Reference	Fee Receipt Number	Fee Amount Paid	Fee Refund Amount	Fee Receipt Date	Fee Payment Type
147756	INITIAL	328975	582EA000264886	100.00		07/20/2017	ePAY

TRACKING ELEMENTS

TE Name	Start Date	Complete Date
APIRT RECEIVED PROJECT (DATE)	**07/21/2017**	
APIRT TRANSFERRED PROJECT TO TECHNICAL STAFF (DATE)	**07/24/2017**	
PROJECT RECEIVED BY ENGINEER (DATE)	**07/26/2017**	
ENGINEER INITIAL REVIEW COMPLETED (DATE)	**08/02/2017**	
DEFICIENCY CYCLE	**08/04/2017**	**09/08/2017**
PEER / MANAGER REVIEW PERIOD	**09/08/2017**	**09/13/2017**

PROJECT RULES:

Unit Desc	Rule Desc	On Application	Approve
COOLING-WATER UNITS	106.371	Y	Y
ENGINES AND TURBINES	106.511	Y	Y
FACILITIES (EMISSION AND DISTANCE LIMITATIONS)	106.262	Y	Y
FACILITIES (EMISSION LIMITATIONS)	106.261	Y	Y
FLARES	106.492	Y	Y
ORGANIC AND INORGANIC LIQUID LOADING AND UNLOADING	106.472	Y	Y
ROUTINE MAINTENANCE STARTUP AND SHUTDOWN OF FACIL	106.263	Y	Y
STORAGE TANK AND CHANGE OF SERVICE	106.478	Y	Y

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January 7, 2019

1 inch = 752 feet

#1321 Deer Park-Pasadena Performance Products, LP
(Alkylate manufacturing facility)

PREPARED BY:

RAILROAD COMMISSION of TEXAS

P.O. BOX 12967
AUSTIN, TX 78711-2967

0 0.1 0.2 0.3 0.4
Miles

0 320 640 1,280 1,920 2,560
Feet

NOTICE/DISCLAIMER: Mapping data sets are provided for informational purposes only. These data sets are continuously being updated and refined. Users are responsible for checking the accuracy, completeness, currency,and/or suitability of these data sets themselves. This is not a survey grade product and should not be used to define orestablish survey boundaries.

Source: RRC Public GIS Viewer

January 7, 2019

1 inch = 376 feet

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0 0.055 0.11 0.165 0.22
Miles

0 160 320 640 960 1,280
Feet

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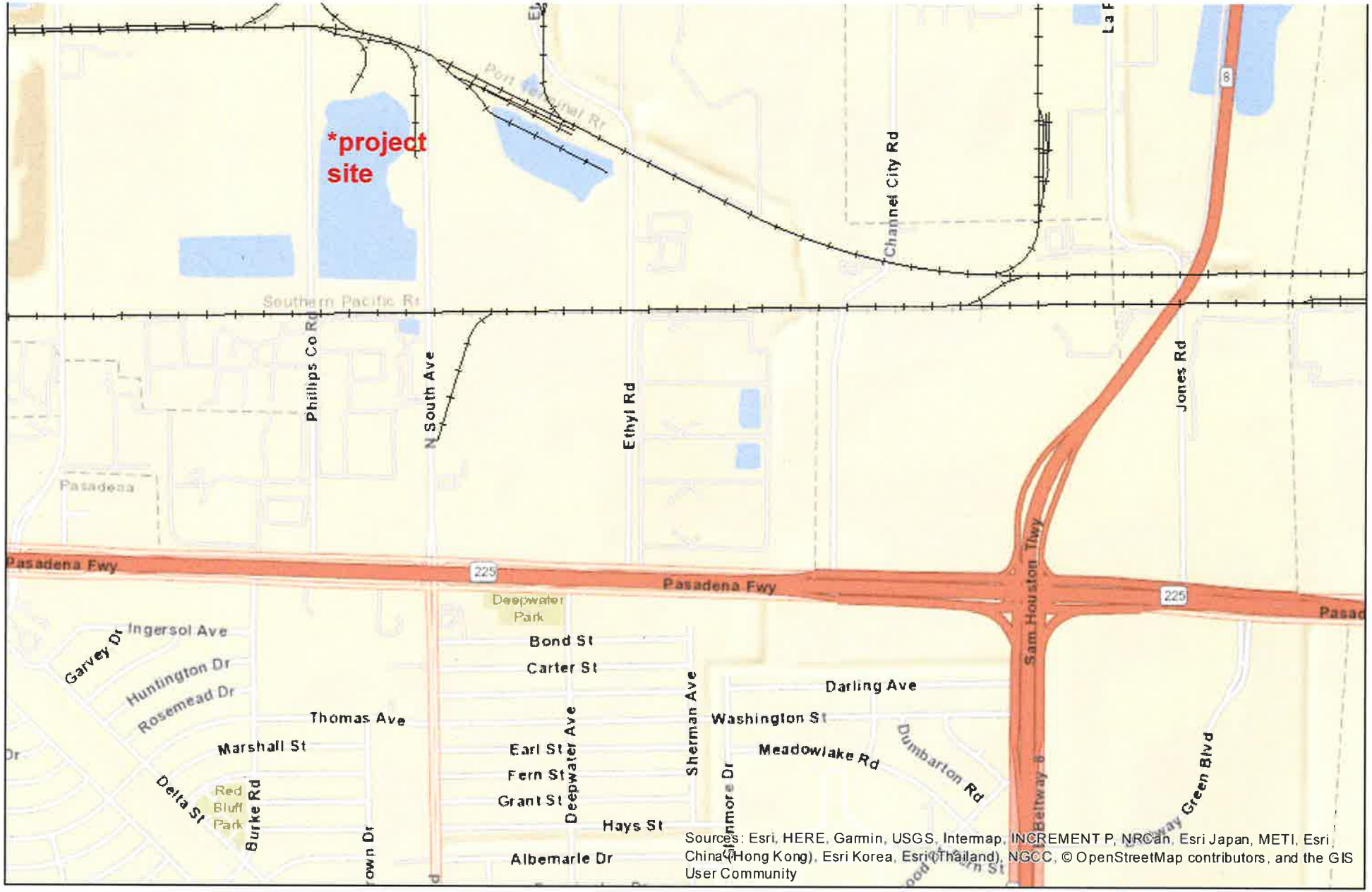
Source: RRC Public GIS Viewer



January 7, 2019

1 inch = 1,505 feet

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0 0.2 0.4 0.6 0.8
Miles

0 625 1,250 2,500 3,750 5,000
Feet

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