

# POWELL & LEON, LLP

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March 1, 2019

Ms. Michelle Luera, CTCM  
Senior Research Analyst  
Data Analysis and Transparency Division  
Texas Comptroller of Public Accounts  
111 E. 17<sup>th</sup> Street  
Austin, Texas 78774

Re: Application #1327 Sealy Independent School District – Hailiang Copper Texas, Inc.  
Amendment #001 Transmittal Letter

Dear Ms. Luera:

This letter is in response to your email correspondence dated January 23, 2019 and February 20, 2019. Per your request, Hailiang Copper Texas, Inc. (the “Applicant”) has made the following changes to Application #1327. Enumerated below are the changes contained in Amendment #001:

1. **Section 6, Item 3:** *Are you requesting that any of the land be classified as qualified investment?*  
The Applicant confirms the answer, “Yes.”
2. **Section 9, Item 3:** *Beginning of Qualifying Time Period*  
The Applicant has changed the start of the Qualifying Time Period to January 1, 2020.
3. **Section 9, Item 5:** *Begin Hiring New Employees*  
The Applicant has changed the date to January 2020, and this is reflected in Schedule C.
4. **Section 14:** *Wage and Employment Information*  
Wages have been updated to include 2018 Q3 available wage information. Tab 13 of the Application has been updated to reflect this information (see below).
5. **Tab 4:** *Detailed Description of the Project*  
The project description has been updated to provide additional detail that would address the Comptroller’s comments related to Tab 10.
6. **Tab 5:** *Limitation as a Determining Factor*  
Financial viability of the project and other competitive locations are addressed.
7. **Tab 7:** *Description of Qualified Investment*  
The qualified investment description has been updated to address concerns with Tab 11 maps, and to provide additional detail that would address the Comptroller’s comments related to Tab 10.
8. **Tab 8:** *Description of Qualified Property*
9. The qualified property description has been updated to address concerns with Tab 11 maps, and to provide additional detail that would address the Comptroller’s comments related to Tab 10.
10. **Tab 9:** *Description of Land*  
The prior use of the land in the last five years has been detailed.

11. **Tab 10:** *Description of Existing Improvements*

Existing improvements are labeled on the updated map provided.

12. **Tab 13:** *Calculation of three possible wage requirements with TWC Documentation*

Wages have been updated to include 2018 Q3 available wage information.

13. **Tab 14:** *Schedules*

- a. Schedule A1 has been updated to reflect Year 2020 as first complete year of the Qualifying Time Period.
- b. Schedule A1 has been updated to reflect a total qualified investment of \$156,089,450.
- c. Schedule C, Column B now includes the salary for Construction FTEs. Wages have also been updated to reflect changes in Section 14 and Tab 13 (see above).

14. **Tab 16:** *Description of Reinvestment Zone*

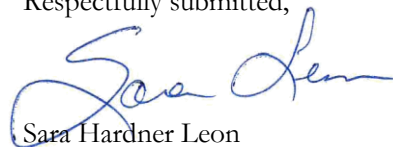
The reinvestment zone is to be adopted by the City of Sealy. Guidelines are attached.

15. **Section 16:** *Authorized Signatures and Applicant Certification*

A new signature page is attached.

If you have any questions, or would like to discuss this matter further, please contact me, or Shelly Leung, at (512) 494-1177.

Respectfully submitted,



Sara Hardner Leon

Enclosures

cc: Via Electronic Mail: [Mike@keatax.com](mailto:Mike@keatax.com)

Mr. Mike Fry, Director of Energy Services, K.E. Andrews & Company

Via Electronic Mail: [smoore@sealyisd.com](mailto:smoore@sealyisd.com)

Ms. Sheryl Moore, Superintendent of Schools, Sealy Independent School District

## 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 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.**

## SECTION 9: Projected Timeline

1. Application approval by school board .....
2. Commencement of construction .....
3. Beginning of qualifying time period .....
4. First year of limitation .....
5. Begin hiring new employees .....
6. Commencement of commercial operations .....
7. Do you propose to construct a new building or to erect or affix a new improvement after your application review start date (*date your application is finally determined to be complete*)? ..... ☐ Yes ☐ No  
**Note:** Improvements made before that time may not be considered qualified property.
8. When do you anticipate the new buildings or improvements will be placed in service? .....

## SECTION 10: The Property

1. Identify county or counties in which the proposed project will be located .....
2. Identify Central Appraisal District (CAD) that will be responsible for appraising the property .....
3. Will this CAD be acting on behalf of another CAD to appraise this property? ..... ☐ Yes ☐ No
4. List all taxing entities that have jurisdiction for the property, the portion of project within each entity and tax rates for each entity:  
 County: ..... (Name, tax rate and percent of project)  
 City: ..... (Name, tax rate and percent of project)  
 Hospital District: ..... (Name, tax rate and percent of project)  
 Water District: ..... (Name, tax rate and percent of project)  
 Other (describe): ..... (Name, tax rate and percent of project)  
 Other (describe): ..... (Name, tax rate and percent of project)
5. Is the project located entirely within the ISD listed in Section 1? ..... ☐ Yes ☐ No  
 5a. If no, attach in **Tab 6** additional information on the project scope and size to assist in the economic analysis.
6. Did you receive a determination from the Texas Economic Development and Tourism Office that this proposed project and at least one other project seeking a limitation agreement constitute a single unified project (SUP), as allowed in §313.024(d-2)? ..... ☐ Yes ☐ No  
 6a. If yes, attach in **Tab 6** supporting documentation from the Office of the Governor.

## SECTION 11: Investment

**NOTE:** The minimum amount of qualified investment required to qualify for an appraised value limitation and the minimum amount of appraised value limitation vary depending on whether the school district is classified as Subchapter B or Subchapter C, and the taxable value of the property within the school district. For assistance in determining estimates of these minimums, access the Comptroller's website at [comptroller.texas.gov/economy/local/ch313/](http://comptroller.texas.gov/economy/local/ch313/).

1. At the time of application, what is the estimated minimum qualified investment required for this school district? .....
  2. What is the amount of appraised value limitation for which you are applying? .....
- Note:** The property value limitation amount is based on property values available at the time of application and may change prior to the execution of any final agreement.
3. Does the qualified investment meet the requirements of Tax Code §313.021(1)? ..... ☐ Yes ☐ No
  4. Attach a description of the qualified investment [See §313.021(1).] The description must include:
    - a. a specific and detailed description of the qualified investment you propose to make on the property for which you are requesting an appraised value limitation as defined by Tax Code §313.021 (**Tab 7**);
    - b. a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your minimum qualified investment (**Tab 7**); and
    - c. a detailed map of the qualified investment showing location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period, with vicinity map (**Tab 11**).
  5. Do you intend to make at least the minimum qualified investment required by Tax Code §313.023 (or §313.053 for Subchapter C school districts) for the relevant school district category during the qualifying time period? ..... ☐ Yes ☐ No

## SECTION 14: Wage and Employment Information

1. What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? ..... \_\_\_\_\_
2. What is the last complete calendar quarter before application review start date:  
☐ First Quarter    ☐ Second Quarter    ☐ Third Quarter    ☐ Fourth Quarter of \_\_\_\_\_  
(year)
3. What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the Texas Workforce Commission (TWC)? ..... \_\_\_\_\_  
**Note:** For job definitions see TAC §9.1051 and Tax Code §313.021(3).
4. What is the number of new qualifying jobs you are committing to create? ..... \_\_\_\_\_
5. What is the number of new non-qualifying jobs you are estimating you will create? ..... \_\_\_\_\_
6. Do you intend to request that the governing body waive the minimum new qualifying job creation requirement, as provided under Tax Code §313.025(f-1)? ..... ☐ Yes    ☐ No
  - 6a. If yes, attach evidence in **Tab 12** documenting that the new qualifying job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards.
7. Attach in **Tab 13** the four most recent quarters of data for each wage calculation below, including documentation from the TWC website. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(21) and (22).
  - a. Average weekly wage for all jobs (all industries) in the county is ..... \_\_\_\_\_
  - b. 110% of the average weekly wage for manufacturing jobs in the county is ..... \_\_\_\_\_
  - c. 110% of the average weekly wage for manufacturing jobs in the region is ..... \_\_\_\_\_
8. Which Tax Code section are you using to estimate the qualifying job wage standard required for this project? ..... ☐ §313.021(5)(A) or ☐ §313.021(5)(B)
9. What is the minimum required annual wage for each qualifying job based on the qualified property? ..... \_\_\_\_\_
10. What is the annual wage you are committing to pay for each of the new qualifying jobs you create on the qualified property? ..... \_\_\_\_\_
11. Will the qualifying jobs meet all minimum requirements set out in Tax Code §313.021(3)? ..... ☐ Yes    ☐ No
12. Do you intend to satisfy the minimum qualifying job requirement through a determination of cumulative economic benefits to the state as provided by §313.021(3)(F)? ..... ☐ Yes    ☐ No
  - 12a. If yes, attach in **Tab 12** supporting documentation from the TWC, pursuant to §313.021(3)(F).
13. Do you intend to rely on the project being part of a single unified project, as allowed in §313.024(d-2), in meeting the qualifying job requirements? ..... ☐ Yes    ☐ No
  - 13a. If yes, attach in **Tab 6** supporting documentation including a list of qualifying jobs in the other school district(s).

## SECTION 15: Economic Impact

1. Complete and attach Schedules A1, A2, B, C, and D in **Tab 14**. Note: Excel spreadsheet versions of schedules are available for download and printing at URL listed below.
2. Attach an Economic Impact Analysis, if supplied by other than the Comptroller's Office, in **Tab 15**. (*not required*)
3. If there are any other payments made in the state or economic information that you believe should be included in the economic analysis, attach a separate schedule showing the amount for each year affected, including an explanation, in **Tab 15**.



## Tab 4

### *Detailed Description of the Project*

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.

In compliance with the criteria and guidelines set forth in Title 3, Chapter 313 of the Texas Property Tax Code, Hailiang Copper Texas, INC requests an appraised value limitation from Sealy Independent School District. Hailiang Copper Texas, INC is proposing to construct a copper tubing manufacturing facility. The facility, which will encompass approximately 57 acres of the former 5 Star Industrial Park will be located in the southern portion of Austin County. Additionally, the entirety of the project will be within Sealy Independent School District. Please find attached in Tab 11 maps that further define the location of the facility.

Construction is anticipated to commence in April 2019, and is projected to be complete by January 2020. The plant is expected to be fully operational by January 2020.

The facility at which Hailiang Copper Texas, INC will be established was priorly used as a testing facility for BAE systems plant. The facility served as a production site for FMTV (Family of Medium Tactical Vehicles) and JLTV (Joint Light Tactical Vehicles) for projects in conjunction with contracts for Lockheed Martin. The plant closed in June of 2014 and has remained vacant since. Hailiang Copper Texas, INC plans to retrofit the current facility and utilize existing buildings and equipment to meet their needs in the copper tubing manufacturing process.

Hailiang Copper Texas, INC will be managed and developed by Hailiang America Corporation. Hailiang America Corporation serves as the U.S. Division of the China Hailiang Group—a national supplier of copper and brass tubular and fitting products. Founded in 1989, Hailiang America Corporation is headquartered in Leesport, Pennsylvania, with manufacturing facilities around the United States. Hailiang America Corporation prides themselves on the production of premier mineral and mineral alloy products and are committed to efficient production and well-organized management. Their dedication to research and development, quality control, and expansion of global presence is an influential factor in their desire to establish Hailiang Copper Texas, INC.

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## **Summary of Production Process**

The initial stages of production begin with special-grade or grade-one electrolytic tough pitch copper with high purity and low impurity contents. Most of this copper is sourced from mines throughout China, Mexico, South America, and the southwestern United States. Due to the chemical properties of copper, it is highly valued for use in areas where anti-corrosion, machinability, and efficient heat transfer are imperative. Once the special grade copper reaches the manufacturing facility it then undergoes a series of processes until the finished product, copper tubing is available for sale and distribution.

### **Melting**

The initial manufacturing begins with the melting of the copper. Typically this is conducted in a horizontal casting furnace. These furnaces are combined furnaces with metal flowing beneath the surface, a crystallizer, a cooling water distribution system, a servo control withdrawal system, an in-line synchronous saw, a saw for mold changing, a hydraulic system, and an electric control. Once ultra-high temperatures melt the copper it is then transferred to the sawing station.

### **Sawing, Milling, Rolling, Combined Drawing Line**

Through the process of sawing, milling, and rolling the melted copper is then transformed into a tubular structure. Combined drawing machines then middle the copper to specified diameters where it is then ready for the next steps in the manufacturing process.

### **Spinner Block**

Once the copper tubing reaches the spinner block, the final dimensions of the pipe are established and created through an outside die and inner floating plug.





### **On-line annealing**

Once the copper tubing diameters and dimensions have been finalized, the annealing process begins. Essentially the purpose of annealing is to remove stress and return the copper tubing to a workable state. The process of annealing occurs through the reheating of materials above their respective crystallization temperature. This temperature is then held until previous thermal histories are removed. After the product is cooled, the materials are then elongated and made uniform without tarnishing, resulting in a more refined, malleable product.

### **Internal Thread Forming**



In the internal thread forming process, internal thread rolling heads carve specified threads in the wire. This occurs through cold forming technology which eliminates chip-removal problems and ensures accurate thread sizes for gage limits.

### **Winding**

Once the internal threads have been created the copper tubing is then fed through a winding machine which simply rounds the tubes onto circular wheels for easier distribution.

### **Final Annealing**

The last step in the manufacturing process occurs in the final annealing of the copper tubing which essentially is a safeguard to ensure a zero-chip, and tarnish free product through a reheating of the tubing after placement on spools.

### **Description of Facilities**

Once raw materials have entered the facility, the manufacturing process will begin in the Fabrication Center where the copper will be melted, sawed, and placed on the spinner block. From this stage, the product will then be annealed and threaded in the E-coat 2 building. Upon threading, the winding and final annealing will occur in the AT final. The product will then move to the Quality Final where the copper tubing will undergo its final inspection and be surveyed for any faults or damages. Lastly, the product will be transferred to the Shipping Area for distribution. The Annex Building will serve as additional administrative space for office staff. The Locker Room will provide storage for safety and maintenance gear for facility workers. The Guardhouse will serve as entrance/exit security for the facility. Additionally, the 21,800 sq. ft. building will be used for storage.



## Tab 5

### *Limitation as a Determining Factor*

Hailiang Copper Texas, Inc is being managed and developed by Hailiang America Corporation, a U.S. division of the China Hailiang Group. Hailiang Group has offices across the globe including China, Mongolia, Vietnam and the United States. Currently there are multiple locations within the United States being evaluated for an additional Hailiang Copper tubing manufacturing facility . These sites include areas in Pennsylvania and California where similar economic incentives exist as well as conditions which make both locations ideal for copper manufacturing, including access to copper mines and proximity to national ports.

Ultimately, the 313 value limitation agreement will be the deciding factor for Hailiang America Corporation to select southeast Texas for the placement of a new facility. Like the sites being evaluted in Pennsylvania and California, Sealy, Texas, is also an ideal location for the placement of an additional copper tubing manufacturing facility considering its proximity to the Port of Houston and South Louisiana. Without the 313 value limitation agreement, the Sealy, Texas, location however is not as attractive as sites elsewhere primarily because the Sealy location does not have the ease of access to raw copper as California does. In the event a 313 value limitation agreement is not reached, Hailiang Copper Texas, Inc could undoubtedly reallocate the capital to be used for the establishment of this facility to another state or country where similar economic incentives exist as well as access to greater amounts of raw copper and shipping ports.

Hailiang Group remains a leading copper tubing manufacturing company, producing 25,000 tons of copper products every month, with global clients across 188 countries. Currently, Hailiang's assets total \$1.4 Billion USD with a total profit of \$76.5 Million USD. Considering Hailiang Group footprint across the world, their decision on manufacturing facility placement is largely determined by area economic incentives.



## Tab 7

### *Description of Qualified Investment*

Hailiang Copper Texas, INC is proposing to construct a copper tubing manufacturing facility. The facility, which will encompass approximately 57 acres of the former 5 Star Industrial Park will be located in the southern portion of Austin County. Additionally, the entirety of the project will be within Sealy Independent School District. Please find attached in Tab 11 maps that further define the location of the facility.

Construction is anticipated to commence in April 2019, and is projected to be complete by January 2020. The plant is expected to be fully operational by January 2020.

Hailiang Copper Texas, INC requests that this application includes but is not limited to the following components of this project:

- Maintenance & Operations Buildings
- Melting Equipment
- Sawing Equipment
- Milling Equipment
- Combined Drawing Lines
- Spinner Blocks
- Annealing Equipment
- Internal Thread Formers

Hailiang Copper Texas, INC will be managed and developed by Hailiang America Corporation. Hailiang America Corporation serves as the U.S. Division of the China Hailiang Group—a national supplier of copper and brass tubular and fitting products. Founded in 1989, Hailiang America Corporation is headquartered in Leesport, Pennsylvania, with manufacturing facilities around the United States. Hailiang America Corporation prides themselves on the production of premier mineral and mineral alloy products and are committed to efficient production and well-organized management. Their dedication to research and development, quality control, and expansion of global presence is an influential factor in their desire to establish Hailiang Copper Texas, INC.

### **Summary of Production Process**

The initial stages of production begin with special-grade or grade-one electrolytic tough pitch copper with high purity and low impurity contents. Most of this copper is sourced from mines throughout China, Mexico, South America, and the southwestern United States. Due to the chemical properties of copper, it is highly valued for use in areas where anti-corrosion,

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machinability, and efficient heat transfer are imperative. Once the special grade copper reaches the manufacturing facility it then undergoes a series of processes until the finished product, copper tubing is available for sale and distribution.

### **Melting**

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Through the process of sawing, milling, and rolling the melted copper is then transformed into a tubular structure. Combined drawing machines then middle the copper to specified diameters where it is then ready for the next steps in the manufacturing process.

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### **On-line annealing**

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their respective crystallization temperature. This temperature is then held until previous thermal histories are removed. After the product is cooled, the materials are then elongated and made uniform without tarnishing, resulting in a more refined, malleable product.

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## Tab 8

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## Tab 9

*Description of Land:* the proceeding chart is a description of the parcel for Hailiang Copper Texas, INC.

Parcel ID	Size (approximate acreage)	Owner	Property Address	Property Coordinates
14268	196.10	Five Star Properties Sealy, LLC	5000 NW I-10 Frontage Road, Sealy, Texas 77474	29°45'51.81" N 96°13'07.74" W

The prior use of the facility was a BAE systems plant which served as a production site for FMTV (Family of Medium Tactical Vehicles) and JLTV (Joint Light Tactical Vehicles) for projects in conjunction with contracts for Lockheed Martin. The plant closed in June of 2014 and has remained vacant since.



## Tab 10

### *Description of Existing Improvement*

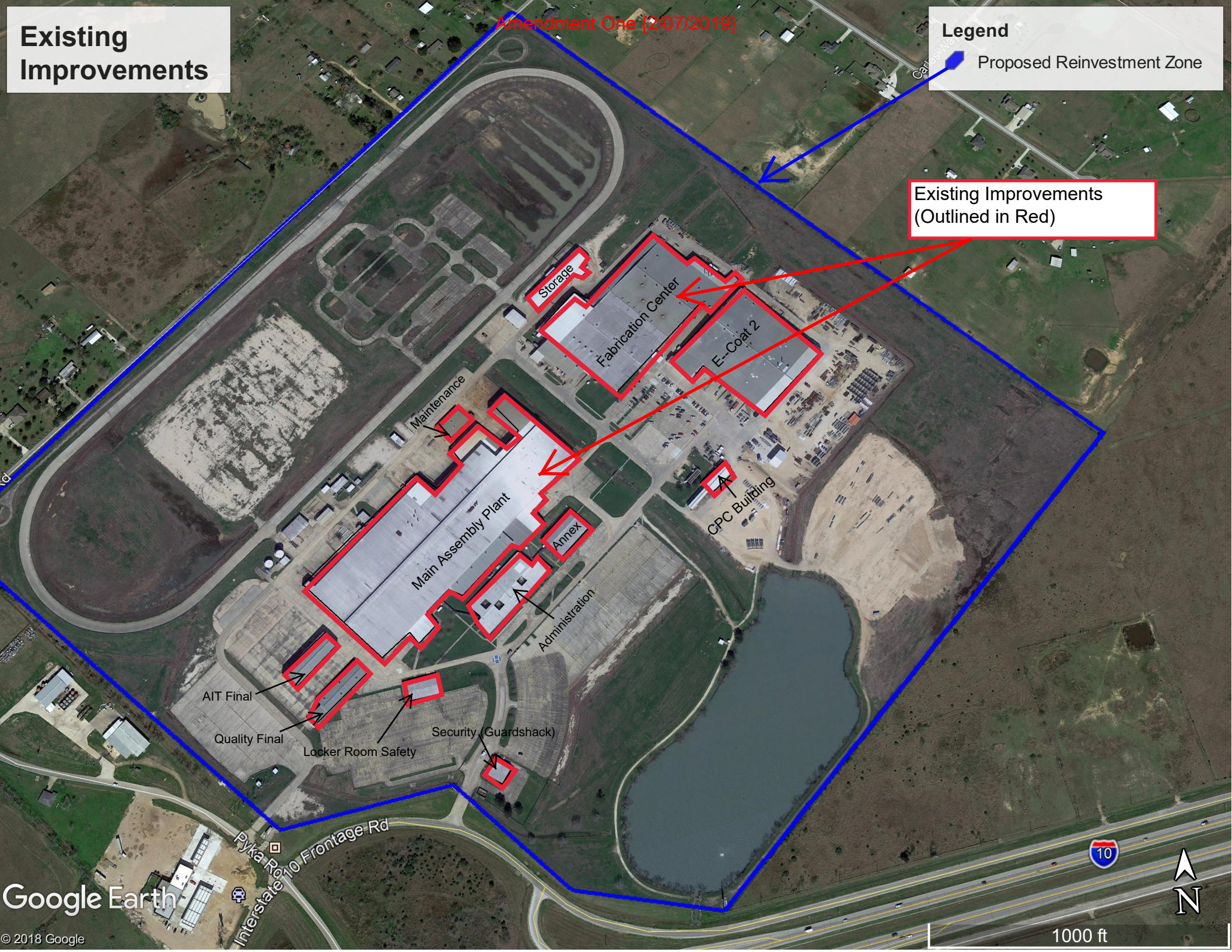
The total value of existing improvements is \$21,089,450. Improvements are further detailed in the proceeding records from the Austin County Appraisal District, as well as the attached map.

Existing Improvements

Amendment One (2/07/2019)

Legend  
Proposed Reinvestment Zone

Existing Improvements  
(Outlined in Red)





## Tab 13

### *Calculation of Wage Requirements*

U.S. Department of Labor—Bureau of Labor Statistics

The proceeding calculations are for the following wage requirements:

Calculation A: Austin County Average Weekly Wage

Calculation B: 110% of Austin County Average for Manufacturing Jobs

Calculation C: 110% of Houston-Galveston Area Council of Governments Regional Average for Manufacturing Jobs

#### **Calculation A: Austin County Average Weekly Wage for all Jobs**

Year	Quarter	Average Weekly Wage
2017	Q4	\$961.00
2018	Q1	\$901.00
2018	Q2	\$876.00
2018	Q3	\$885.00
<b>2017-2018</b>	<b>Q Average</b>	<b>\$905.75</b>

In order to calculate the Austin County Average Weekly Wage for all Jobs, the following calculations were completed:

Quarterly Average Calculation:

Step 1:  $\$961.00 + \$901.00 + \$876.00 + \$885.00 = \$3623.00$

Step 2:  $\$3623.00 / 4 = \$905.75$

#### **Calculation B: 110% Austin County Average for Manufacturing Jobs**

Year	Quarter	Average Weekly Wage
2017	Q4	\$1165.00
2018	Q1	\$1011.00
2018	Q2	\$1049.00
2018	Q3	\$1028.00
<b>2017-2018</b>	<b>Q Average</b>	<b>\$1063.25</b>
<b>2017-2018</b>	<b>110 % Q Average</b>	<b>\$1169.58</b>



In order to calculate 110% of the Austin County Average Weekly Wage for Manufacturing Jobs, the following calculations were completed:

Quarterly Average Calculation:

Step 1:  $\$1165.00 + \$1011.00 + \$1049.00 + 1028.00 = \$4253.00$

Step 2:  $\$4253.00 / 4 = \$1063.25$

Step 3:  $\$1063.25 * 1.10 = 1169.58$

**Calculation C: 110% of Houston-Galveston Area Council Average Weekly Wage for Manufacturing Jobs**

2017 Houston-Galveston Area Council of Government Regional Annual Wage: \$60,202.00

2017 Houston-Galveston Area Council of Government 110% Regional Wage: \$66,222.20 annually or \$1,273.50 weekly

In order to calculate 110% of the Houston-Galveston Area Council of Government Average Weekly Wage for Manufacturing Jobs the following calculations were completed:

Step 1:  $\$60,202.00 * 1.10 = \$66,222.20$

Step 2:  $\$66,222.20 / 52 = \$1,273.50$



Year	✕ ▼	Area	✕ ▼	Ownership	✕ ▼	Industry	✕ ▼	Average Weekly Wage	✕ ▼
2017		Austin		Total All		Total, All Industries		860	
2017		Austin		Total All		Total, All Industries		877	
2017		Austin		Total All		Total, All Industries		855	
2017		Austin		Total All		Total, All Industries		961	
2018		Austin		Total All		Total, All Industries		901	
2018		Austin		Total All		Total, All Industries		876	
2018		Austin		Total All		Total, All Industries		885	

Year	✕ ▼	Area	✕ ▼	Ownership	✕ ▼	Industry	✕ ▼	Average Weekly Wage	✕ ▼
2017		Austin		Private		Manufacturing		991	
2017		Austin		Private		Manufacturing		1,021	
2017		Austin		Private		Manufacturing		978	
2017		Austin		Private		Manufacturing		1,165	
2018		Austin		Private		Manufacturing		1,011	
2018		Austin		Private		Manufacturing		1,049	
2018		Austin		Private		Manufacturing		1,028	

Source: Texas Labor Market Information  
Date: 2/27/2019  
Link: <https://texaslmi.com/LMIbyCategory/QCEW>

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# Tab 14

*Schedules A1-D*

PROPERTY INVESTMENT AMOUNTS								
(Estimated Investment in each year. Do not put cumulative totals.)								
				Column A	Column B	Column C	Column D	Column E
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	New investment (original cost) in <b>tangible personal property</b> placed in service during this year that will become Qualified Property	New investment made during this year in <b>buildings or permanent nonremovable components of buildings</b> that will become Qualified Property	Other new investment made during this year that will <u>not</u> become Qualified Property [SEE NOTE]	Other new investment made during this year that may become Qualified Property [SEE NOTE]	<b>Total Investment</b> (Sum of Columns A+B+C+D)
Investment made before filing complete application with district		2018-2019	2018	Not eligible to become Qualified Property			[The only other investment made before filing complete application with district that may become Qualified Property is land.]	
Investment made after filing complete application with district, but before final board approval of application						\$21,089,450.00	\$1,675,896.00	\$22,765,346.00
Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period	Year preceding the first complete tax year of the qualifying time period (assuming no	2019-2020	2019	\$75,000,000.00	\$40,000,000.00			\$115,000,000.00
Complete tax years of qualifying time period	QTP1	2020-2021	2020	\$20,000,000.00				\$20,000,000.00
	QTP2	2021-2022	2021					\$-
Total Investment through Qualifying Time Period [ENTER this row in Schedule A2]								
				\$95,000,000.00	\$40,000,000.00	\$21,089,450.00	\$1,675,896.00	\$157,765,346.00
				Enter amounts from TOTAL row above in Schedule A2				
Total Qualified Investment (sum of green cells)				\$157,765,346.00				

For All Columns: List amount invested each year, not cumulative totals.

Column A: This represents the total dollar amount of planned investment in tangible personal property. Only include estimates of investment for "replacement" property if the property is specifically described in the application. Only tangible personal property that is specifically described in the application can become qualified property.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings.

Column C: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that will not become qualified property include investment meeting the definition of 313.021(1) but not creating a new improvement as defined by TAC 9.1051. This is proposed property that functionally replaces existing property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property—described in SECTION 13, question #5 of the application.

Column D: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.

Total Investment: Add together each cell in a column and enter the sum in the blue total investment row. Enter the data from this row into the first row in Schedule A2.

Qualified Investment: For the green qualified investment cell, enter the sum of all the green-shaded cells.

PROPERTY INVESTMENT AMOUNTS								
(Estimated Investment in each year. Do not put cumulative totals.)								
				Column A	Column B	Column C	Column D	Column E
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	New investment (original cost) in <b>tangible personal property</b> placed in service during this year that will become Qualified Property	New investment made during this year in <b>buildings or permanent nonremovable components of buildings</b> that will become Qualified Property	Other investment made during this year that will <u>not</u> become Qualified Property [SEE NOTE]	Other investment made during this year that will become Qualified Property {SEE NOTE]	Total Investment (A+B+C+D)
Total Investment from Schedule A1*	--	TOTALS FROM SCHEDULE A1		Enter amounts from TOTAL row in Schedule A1 in the row below				
				\$135,000,000.00		\$21,089,450.00	\$1,675,896.00	\$157,765,346.00
Each year prior to start of value limitation period** <i>Insert as many rows as necessary</i>	0	2018-2019	2018			\$21,089,450.00	\$1,675,896.00	\$22,765,346.00
Each year prior to start of value limitation period** <i>Insert as many rows as necessary</i>	0	2019-2020	2019	\$75,000,000.00	\$40,000,000.00			\$115,000,000.00
Value limitation period***	1	2020-2021	2020	\$20,000,000.00				\$20,000,000.00
	2	2021-2022	2021					
	3	2022-2023	2022					
	4	2023-2024	2023					
	5	2024-2025	2024					
	6	2025-2026	2025					
	7	2026-2027	2026					
	8	2027-2028	2027					
	9	2028-2029	2028					
	10	2029-2030	2029					
Total Investment made through limitation				\$95,000,000.00	\$40,000,000.00	\$21,089,450.00	\$1,675,896.00	\$157,765,346.00
Continue to maintain viable presence	11	2030-2031	2030					
	12	2031-2032	2031					
	13	2032-2033	2032					
	14	2033-2034	2033					
	15	2034-2035	2034					
Additional years for 25 year economic impact as required by 313.026(c)(1)	16	2035-2036	2035					
	17	2036-2037	2036					
	18	2037-2038	2037					
	19	2038-2039	2038					
	20	2039-2040	2039					
	21	2040-2041	2040					
	22	2041-2042	2041					
	23	2042-2043	2042					
	24	2043-2044	2043					
	25	2044-2045	2044					

\* All investments made through the qualifying time period are captured and totaled on Schedule A1 [blue box] and incorporated into this schedule in the **first row**.

\*\* Only investment made during deferrals of the start of the limitation (after the end of qualifying time period but before the start of the Value Limitation Period) should be included in the "year prior to start of value limitation period" row(s). If the limitation starts at the end of the qualifying time period or the qualifying time period overlaps the limitation, no investment should be included on this line.

\*\*\* If your qualifying time period will overlap your value limitation period, do not also include investment made during the qualifying time period in years 1 and/or 2 of the value limitation period, depending on the overlap. Only include investments/years that were **not** captured on Schedule A1.

For All Columns: List amount invested each year, not cumulative totals. Only include investments in the remaining rows of Schedule A2 that were not captured on Schedule A1.

Column A: This represents the total dollar amount of planned investment in tangible personal property. Only include estimates of investment for "replacement" property if the property is specifically described in the application.

Only tangible personal property that is specifically described in the application can become qualified property.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings.

Column C: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that will not become qualified property include investment meeting the definition of 313.021(1) but not creating a new improvement as defined by TAC 9.1051. This is proposed property that functionally replaces existing property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property—described in SECTION 13, question #5 of the application.

Column D: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.

## Schedule B: Estimated Market And Taxable Value (of Qualified Property Only)

Date

11/15/2018

Applicant Name

Hailiang Copper Texas, INC

Amendment One {2/07/2019}

Form 50-296A

ISD Name

Sealy ISD

Revised May 2014

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Estimated Taxable Value		
				Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new buildings or "in or on the new improvements"	Market Value less any exemptions (such as pollution control) and before limitation	Final taxable value for I&S after all reductions	Final taxable value for M&O after all reductions
Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i>	0	2018-2019	2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i>	0	2019-2020	2019	\$ 1,675,896.00		\$ -	\$ -	\$ -	\$ 1,675,896.00
Value Limitation Period	1	2020-2021	2020	\$ 1,675,896.00	\$ 40,000,000.00	\$ 75,000,000.00	\$ 116,675,896.00	\$ 116,675,896.00	\$ 30,000,000.00
	2	2021-2022	2021	\$ 1,675,896.00	\$ 38,800,000.00	\$ 94,000,000.00	\$ 134,475,896.00	\$ 134,475,896.00	\$ 30,000,000.00
	3	2022-2023	2022	\$ 1,675,896.00	\$ 37,636,000.00	\$ 90,240,000.00	\$ 129,551,896.00	\$ 129,551,896.00	\$ 30,000,000.00
	4	2023-2024	2023	\$ 1,675,896.00	\$ 36,472,000.00	\$ 86,480,000.00	\$ 124,627,896.00	\$ 124,627,896.00	\$ 30,000,000.00
	5	2024-2025	2024	\$ 1,675,896.00	\$ 35,308,000.00	\$ 82,720,000.00	\$ 119,703,896.00	\$ 119,703,896.00	\$ 30,000,000.00
	6	2025-2026	2025	\$ 1,675,896.00	\$ 34,144,000.00	\$ 78,960,000.00	\$ 114,779,896.00	\$ 114,779,896.00	\$ 30,000,000.00
	7	2026-2027	2026	\$ 1,675,896.00	\$ 32,980,000.00	\$ 75,200,000.00	\$ 109,855,896.00	\$ 109,855,896.00	\$ 30,000,000.00
	8	2027-2028	2027	\$ 1,675,896.00	\$ 31,816,000.00	\$ 71,440,000.00	\$ 104,931,896.00	\$ 104,931,896.00	\$ 30,000,000.00
	9	2028-2029	2028	\$ 1,675,896.00	\$ 30,652,000.00	\$ 67,680,000.00	\$ 100,007,896.00	\$ 100,007,896.00	\$ 30,000,000.00
	10	2029-2030	2029	\$ 1,675,896.00	\$ 29,488,000.00	\$ 63,920,000.00	\$ 95,083,896.00	\$ 95,083,896.00	\$ 30,000,000.00
Continue to maintain viable presence	11	2030-2031	2030	\$ 1,675,896.00	\$ 28,324,000.00	\$ 60,160,000.00	\$ 90,159,896.00	\$ 90,159,896.00	\$ 90,159,896.00
	12	2031-2032	2031	\$ 1,675,896.00	\$ 27,160,000.00	\$ 56,400,000.00	\$ 85,235,896.00	\$ 85,235,896.00	\$ 85,235,896.00
	13	2032-2033	2032	\$ 1,675,896.00	\$ 25,996,000.00	\$ 52,640,000.00	\$ 80,311,896.00	\$ 80,311,896.00	\$ 80,311,896.00
	14	2033-2034	2033	\$ 1,675,896.00	\$ 24,832,000.00	\$ 48,880,000.00	\$ 75,387,896.00	\$ 75,387,896.00	\$ 75,387,896.00
	15	2034-2035	2034	\$ 1,675,896.00	\$ 23,668,000.00	\$ 45,120,000.00	\$ 70,463,896.00	\$ 70,463,896.00	\$ 70,463,896.00
Additional years for 25 year economic impact as required by 313.026(c)(1)	16	2035-2036	2035	\$ 1,675,896.00	\$ 22,504,000.00	\$ 41,360,000.00	\$ 65,539,896.00	\$ 65,539,896.00	\$ 65,539,896.00
	17	2036-2037	2036	\$ 1,675,896.00	\$ 21,340,000.00	\$ 37,600,000.00	\$ 60,615,896.00	\$ 60,615,896.00	\$ 60,615,896.00
	18	2037-2038	2037	\$ 1,675,896.00	\$ 20,176,000.00	\$ 33,840,000.00	\$ 55,691,896.00	\$ 55,691,896.00	\$ 55,691,896.00
	19	2038-2039	2038	\$ 1,675,896.00	\$ 19,012,000.00	\$ 30,080,000.00	\$ 50,767,896.00	\$ 50,767,896.00	\$ 50,767,896.00
	20	2039-2040	2039	\$ 1,675,896.00	\$ 17,848,000.00	\$ 26,320,000.00	\$ 45,843,896.00	\$ 45,843,896.00	\$ 45,843,896.00
	21	2040-2041	2040	\$ 1,675,896.00	\$ 16,684,000.00	\$ 22,560,000.00	\$ 40,919,896.00	\$ 40,919,896.00	\$ 40,919,896.00
	22	2041-2042	2041	\$ 1,675,896.00	\$ 15,520,000.00	\$ 18,800,000.00	\$ 35,995,896.00	\$ 35,995,896.00	\$ 35,995,896.00
	23	2042-2043	2042	\$ 1,675,896.00	\$ 14,356,000.00	\$ 18,800,000.00	\$ 34,831,896.00	\$ 34,831,896.00	\$ 34,831,896.00
	24	2043-2044	2043	\$ 1,675,896.00	\$ 13,192,000.00	\$ 18,800,000.00	\$ 33,667,896.00	\$ 33,667,896.00	\$ 33,667,896.00
	25	2044-2045	2044	\$ 1,675,896.00	\$ 12,028,000.00	\$ 18,800,000.00	\$ 32,503,896.00	\$ 32,503,896.00	\$ 32,503,896.00

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation.

Only include market value for eligible property on this schedule.

				Construction		Non-Qualifying Jobs	Qualifying Jobs	
				Column A	Column B	Column C	Column D	Column E
	Year	School Year (YYYY-YYYY)	Tax Year (Actual tax year) YYYY	Number of Construction FTE's or man-hours (specify)	Average annual wage rates for construction workers	Number of non-qualifying jobs applicant estimates it will create (cumulative)	Number of new qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Average annual wage of new qualifying jobs
Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i>	0	2018-2019	2018					
Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i>	0	2019-2020	2019	400FTE	\$ 66,222.20	N/A	10	\$ 66,222.20
Value Limitation Period <i>The qualifying time period could overlap the value limitation period.</i>	1	2020-2021	2020				10	\$ 66,222.20
	2	2021-2022	2021				10	\$ 66,222.20
	3	2022-2023	2022				10	\$ 66,222.20
	4	2023-2024	2023				10	\$ 66,222.20
	5	2024-2025	2024				10	\$ 66,222.20
	6	2025-2026	2025				10	\$ 66,222.20
	7	2026-2027	2026				10	\$ 66,222.20
	8	2027-2028	2027				10	\$ 66,222.20
	9	2028-2029	2028				10	\$ 66,222.20
	10	2029-2030	2029				10	\$ 66,222.20
Years Following Value Limitation Period	11 through 25	2030-2044	2030-2044				10	\$ 66,222.20

Notes: See TAC 9.1051 for definition of non-qualifying jobs.  
Only include jobs on the project site in this school district.

C1.

Are the cumulative number of qualifying jobs listed in Column D less than the number of qualifying jobs required by statute? (25 qualifying jobs in Subchapter B districts, 10 qualifying jobs in Subchapter C districts)  
If yes, answer the following two questions:

☐

Yes

☒

No

C1a.

Will the applicant request a job waiver, as provided under 313.025(f-1)?

☐

Yes

☒

No

C1b.

Will the applicant avail itself of the provision in 313.021(3)(F)?

☐

Yes

☒

No

Schedule D: Other Incentives (Estimated)

Date 11/15/2018  
Applicant Name Hailiang Copper Texas, INC  
ISD Name Sealy ISD

State and Local Incentives for which the Applicant intends to apply (Estimated)						
Incentive Description	Taxing Entity (as applicable)	Beginning Year of Benefit	Duration of Benefit	Annual Tax Levy without Incentive	Annual Incentive	Annual Net Tax Levy
Tax Code Chapter 311	County:					
	City:					
	Other:					
Tax Code Chapter 312	County: Austin County	2020	2020-2029	\$ 549,284.00	75% / Year	\$ 137,321.00
	City: City of Sealy	2020	2020-2029	\$ 556,471.00	75% / Year	\$ 139,117.75
Local Government Code Chapters 380/381	County:					
	City:					
	Other:					
Freeport Exemptions						
Non-Annexation Agreements						
Enterprise Zone/Project						
Economic Development Corporation						
Texas Enterprise Fund						
Employee Recruitment						
Skills Development Fund						
Training Facility Space and Equipment						
Infrastructure Incentives						
Permitting Assistance						
Other:						
Other:						
Other:						
Other:						
TOTAL				\$ 1,105,755.00	75%	\$ 276,438.75

Additional information on incentives for this project:



## Tab 16

### *Description of Reinvestment Zone*

Hailiang Copper Texas, Inc. is to be located within a proposed reinvestment zone. The adoption of this measure will not be complete until the City of Sealy creates and approves an agreement creating the reinvestment zone. We anticipate that this will occur sometime in the first fiscal quarter of 2019. Upon creation of the reinvestment zone, the legal description of the zone as well as the order, resolution, or ordinance that establishes the reinvestment zone will be submitted to the Texas Comptroller. Please find attached the abatement guidelines and criteria for creating a reinvestment zone within the City of Sealy.

# City of Sealy, Texas

## **Tax Abatement Policy**



Adopted: May 23, 2017

## TAX ABATEMENT GUIDELINES SUMMARY

<b>TERMS</b>	Each project is reviewed on a case-by-case basis. The amount of the abatement will be determined based on the merits of the project, including, but not limited to, total capital investment value, the number of permanent and temporary jobs created, the costs and benefits for the City, and the project's impact on Sealy's economy.
<b>FACILITIES THAT QUALIFY</b>	Corporate Headquarters Facility Manufacturing Facility Research Facility Agriculture Facility Regional Distribution Facility Regional Service Facility Regional Entertainment/Tourism Facility Retail Facility, or Other Basic Industry Facility
<b>AUTHORIZED INVESTMENTS</b>	New Facilities Expansions Modernizations
<b>PROPERTY ABATED</b>	Site improvements including buildings and permanent structures, fixed machinery and equipment and personal property.
<b>ECONOMIC CRITERIA</b>	<p><b>New business:</b> Minimum of five-million dollars (\$5,000,000.00) increase in appraised value and the creation of ten (10) full-time jobs.</p> <p><b>Expansions:</b> Minimum of two-million dollars (\$2,000,000.00) increase in appraised value and the creation of five (5) full-time jobs; and prevent the loss of payroll or retain, increase, or create payroll on a permanent basis in the City of Sealy.</p>
<b>SPECIAL CIRCUMSTANCES</b>	The city reserves the right to grant a tax abatement for a lower percentage or term indicated in Section 3 (i).

**CITY OF SEALY, TEXAS  
TAX ABATEMENT POLICY**

**SECTION 1: GENERAL PURPOSE AND OBJECTIVES**

The City of Sealy is committed both to the promotion of high quality development within the City and to improving the quality of life for its citizens. In order to help meet these goals, the City will, on a case-by-case basis, give consideration to providing tax abatement within designated reinvestment zones as stimulation for economic development in the City.

The City of Sealy will consider tax abatement for qualified business and property owners in accordance with the procedures and criteria outlined in this document and the provisions of Chapter 312 of the Texas Tax Code. Nothing herein shall imply or suggest that the City is under any obligation to provide any incentive to any applicant. All applications shall be considered on a case-by-case basis.

All applications for tax abatement must be for commercial and/or industrial improvements. Tax abatement is available for both new facilities and for the expansion and modernization of existing facilities. No residential developments will be considered for tax abatement. Tax abatement will not be ordinarily considered for projects that would be developed without such incentives unless it is demonstrated that higher development standards or other community development goals will be achieved through the use of abatement. The project shall either add to the diversity of the City's industrial or commercial base and/or has the potential to attract other business development.

## SECTION 2: DEFINITIONS

- (a) **Abatement** means the full or partial exemption from ad valorem taxes of certain new improvements of real and/or personal property in a reinvestment zone designated for economic development purposes.
- (b) **Agreement** means a contractual agreement between the City of Sealy and a property owner and/or lessee for the purpose of tax abatement.
- (c) **Agriculture facility** means buildings, structures and major earth structure improvements, including fixed machinery and equipment, the primary purpose of which is processing, refining, packaging, and distributing food and/or fiber products in commercially marketable quantities.
- (d) **Base Year Value** means the assessed value of eligible property on January 1 preceding the execution of the Agreement plus the agreed upon value of eligible property improvements made after January 1 but before the execution of the Agreement.
- (e) **Corporate Headquarters Facility** means the facility or portion of a facility where corporate staff employees are physically employed and where the majority of the company's financial, personnel, legal, planning or other headquarters related functions are handled either on a national, regional or division basis.
- (f) **Deferred Maintenance** means improvements necessary for continued operations, which do not improve productivity or alter the process technology.
- (g) **Economic life** means the number of years a property improvement is expected to be in service at a facility. Provided, however, that in no circumstance shall the number of years exceed the depreciation allowance specified in the United States Internal Revenue Code.
- (h) **Effective Date of Abatement** means the first (1<sup>st</sup>) day of January immediately following the date the Agreement is executed by the City of Sealy and the applicant.
- (i) **Eligible Jurisdiction** means the City of Sealy, Austin County, emergency services district and any school district or college district which levies ad valorem taxes upon, and provides services to, property located within the proposed or existing reinvestment zone.
- (j) **Expansion** means the addition of buildings, structures, fixed machinery, equipment, and/or personal property for the purpose of increasing production capacity or services.
- (k) **Facility** means property improvements completed or in the process of construction which together comprise an integral whole.
- (l) **Housing** means new housing designed to accommodate shelter and living quarters for one or a few families in separate units, including new single-or multi-family housing projects or apartments, but excluding hotels and motels.
- (m) **Manufacturing Facility** means buildings, structures, fixed machinery, equipment and personal property, the primary purpose of which is or will be the manufacture of tangible

goods or materials or the processing of such goods or materials by physical or chemical change.

- (n) **Modernization** means the upgrading of existing facilities, which increases the productive input or output, updates the technology or substantially lowers the unit cost of the operation; modernization may result from the construction, alteration, or installation of buildings, structures, fixed machinery, equipment and personal property. It shall not be for the purpose of reconditioning, refurbishing or repairing.
- (o) **New Facility** means a property, previously undeveloped that is placed into service by means other than or in conjunction with expansion or modernization.
- (p) **New Machinery and Equipment** means tangible machinery, equipment, or personal property that is securely placed or fastened and stationary within a building or structure or permanently resides in the City of Sealy.
- (q) **Other Basic Industry Facility** means buildings and structures including fixed machinery, equipment, and personal property not elsewhere described, used or to be used for the production of products or services which primarily serve a market outside the City of Sealy and result in the creation of new permanent jobs and bring new wealth in to the City.
- (r) **Real Property** means the land on which a facility is placed.
- (s) **Reinvestment Zone** is a specific parcel of property designated by the City within which tax abatement can be granted, as defined by Chapter 312 of the Texas Tax Code.
- (t) **Regional Distribution Facility** means buildings and structures including fixed machinery, equipment, and personal property used or to be used primarily to receive, store, service or distribute goods or materials owned by the facility, from which a majority of revenues generated by the activity at the facility are derived from outside the City of Sealy.
- (u) **Regional Entertainment/Tourism Facility** means buildings and structures, including fixed machinery, equipment, and personal property used or to be used to provide entertainment and/or tourism related services, from which a majority of revenues generated by activity at the facility are derived from outside the City of Sealy.
- (v) **Regional Service Facility** means buildings and structures, including fixed machinery, equipment, and personal property used or to be used to provide a service, from which a majority of revenues generated by activity at the facility are derived from outside the City of Sealy.
- (w) **Research Facility** means buildings and structures, including fixed machinery, equipment, and personal property used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes thereto.
- (x) **Retail Facility** means space provided for the conducting and management of business, and the storing and selling of goods directly to consumers.

### SECTION 3: GUIDELINES AND CRITERIA

#### **Minimum Standards for Tax Abatement**

- (a) The project shall not have any negative environmental impacts on the community (e.g., significant pollution or hazardous waste).
- (b) Companies must make every effort to use local resources (services, employees, suppliers, etc.)
- (c) The project should be expected to increase or create payroll on a permanent basis or prevent the loss or retention of payroll in the city.
- (d) **New Facilities:** The project will have an increased appraised ad valorem tax value of at least \$5,000,000.00, excluding land, upon completion of the anticipated improvements based upon the Austin County Appraisal Districts assessment of the eligible property, and create a minimum of ten (10) full-time jobs.
- (e) **Expansion/Modernization:** The project must prevent the loss of payroll or retain, increase or create payroll on a permanent basis in the City of Sealy and have an increased appraised ad valorem tax value of at least \$2,000,000.00, excluding land, upon completion of the anticipated expansion or modernization based upon the Austin County Appraisal Districts assessment of the eligible property, and create a minimum of five (5) full-time jobs.
- (f) Tax abatement may only be granted for the additional tax value resulting from any of the following:
- (1) construction of a new facility of any type herein defined;
  - (2) expansion of existing facilities of any type as herein defined; or
  - (3) modernization of existing facilities of any type as herein defined.
- (g) The project will not solely and primarily have the effect of transferring employment from one part of the city to another.
- (h) The development must conform to the City's code of ordinances.
- (i) The cost of city services required for the development should not exceed the amount of taxes generated if abatement is provided.
- (j) Maximum Available Abatements Per Year\*\*

#### **New Facilities:**

Taxable Investment (millions)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
5.0 to 9.99	100	90	80	70	60	50	40
10.0 to 19.99	100	100	90	80	70	60	50
20.0 or more	100	100	100	90	80	70	60

\*\*The City of Sealy reserves the right to grant abatements less than the maximum percentages stated and up to the state maximum of 100% for a period not to exceed 10 years.\*\*

**Expansion/Modernization:**

Taxable Investment (millions)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
2.0 to 4.99	90	80	70	60	50	40	30
5.0 to 9.99	100	90	80	70	60	50	40
10.0 to 19.99	100	95	85	75	65	55	45
20.0 or more	100	100	90	80	70	60	50

\*\* The City of Sealy reserves the right to grant abatements less than the maximum percentages stated and up to the state maximum of 100% for a period not to exceed 10 years.\*\*

## SECTION 4: ABATEMENT AUTHORIZED

**(a) Authorized Tax Abatement Categories:** A facility may be eligible for tax abatement if it is a:

Corporate Headquarters Facility  
Manufacturing Facility  
Research Facility  
Agriculture Facility  
Regional Distribution Facility  
Regional Service Facility  
Regional Entertainment/Tourism Facility  
Retail Facility, or  
Other Basic Industry Facility

**(b) Creation of New Value:** Abatement may only be granted for the additional value of eligible property improvements made subsequent to and in an abatement agreement between the City of Sealy and the property owner and/or lessee, subject to such limitations as the City Council may require.

**(c) Eligible Property:** Abatement may be extended to the value of buildings, structures, fixed machinery, equipment, personal property, and related fixed improvements necessary to the operation and administration of the facility.

**(d) Ineligible Property:** The following types of property shall generally be fully taxable and ineligible for abatement: land; inventories; supplies; tools; furnishings; and other forms of moveable personal property; vehicles; vessels; aircraft; housing; deferred maintenance investments; property owned or used by the State of Texas or its political subdivision or by any organization owned, operated or directed by a political subdivision of the State of Texas, or any property exempted by local, state, or federal law; and property owned or leased by a member of city council or a member of the planning commission of the City.

**(e) Leased Facilities:** If a leased facility is granted abatement, the agreement shall be executed with the lessor and the lessee.

**(f) Value of Term of Abatement:** Abatement shall be granted effective with the January 1 valuation date immediately following the date of the execution of the agreement. The value and term of abatement will be determined based on the merits of the project, including, but not limited to, total taxable investment value and added jobs, if applicable, as determined by the referenced tables in Section 3 (i). However, each application will be considered on a case-by-case basis and the City of Sealy may abate the value of new eligible property for a total term of abatement not to exceed ten (10) years.

If a modernization project includes facility replacement, the abated value shall be the value of the new property less the replaced property.

**(g) Taxability:** From the execution of the abatement to the end of the agreement, taxes shall be payable as follows:

- (1) The value of ineligible property as provided in Section 4 (d) shall be fully taxable;

- (2) The base year value of existing eligible property as determined each year shall be fully taxable; and,
- (3) The additional value of new eligible property shall be fully taxable at the end of any abatement period.

## **SECTION 5: APPLICATION**

(a) Any present or potential owner of taxable property in the City of Sealy may request tax abatement by filing a written application with the City Manager or his/her designated person. An application for tax abatement must be filed prior to the commencement of any construction, alteration, or installation of any improvements related to a proposed new facility, expansion, or modernization.

(b) The application shall consist of a completed application form accompanied by: a general description of the project to be undertaken; a descriptive list of the improvements for which an abatement is requested; a list of the kind, number and location of all proposed improvements of the property; a list of the estimated value of inventory and the location where the inventory will be stored; the projected number of new and/or retained employees at the proposed facility and the estimated average salaries or wages; the estimated annual sales subject to State Sales & Use Tax; a map showing the location of the proposed site/project, a property description; and a time schedule for undertaking and completing the proposed improvements. The applicant shall also include information pertaining to the reasons the abatement is necessary in order to have the project undertaken in the City of Sealy. In the case of a modernization, a statement of the assessed value of the facility separately stated for real and personal property, shall be given for the tax year immediately preceding the application. The application form may require such financial and other information as the Sealy City Council deems appropriate for evaluating the financial capacity and other factors of the applicant.

(c) The applicant must certify that the applicant does not employ nor will it employ any undocumented workers (an individual who, at the time of employment, is not lawfully admitted for permanent residence to the United States or, authorized under law to be employed in that manner in the United States). The applicant must agree that if it is convicted of a violation under 8 U.S.C. Section 1324a(f) after receiving a tax abatement, applicant shall repay the amount of the tax abatement received with interest, at the rate of 12% per annum, within 120 days after the City notifies the applicant of the violation. The City shall have the authority to bring a civil action to recover any amounts which the applicant must repay to the City under this provision, and in such action may recover court costs and reasonable attorney's fees.

(d) The City of Sealy may request additional information as deemed appropriate for evaluating the financial capacity of the applicant and compatibility of the proposed improvements with these guidelines and criteria.

(e) After receipt of a completed application, the City Manager and his/her designated person shall review the application to determine if it qualifies for abatement under the terms of these guidelines and criteria.

(f) The City council shall not establish a reinvestment zone or enter into a tax abatement agreement if it finds that the request for abatement was filed after the commencement of construction, alteration, or installation of improvements related to a proposed new facility,

expansion, or modernization or if the applicant deliberately provided false or misleading information that is material to the application.

## **SECTION 6: PUBLIC HEARING AND APPROVAL**

(a) The governing body may not adopt an ordinance designating an area as a reinvestment zone until the governing body has held a public hearing on the designation and has found that the improvements sought are feasible and practical and would be a benefit to the land to be included in the zone and to the municipality after the expiration of an agreement entered into under Section 312.204 or 312.211, as applicable. At the hearing interested persons are entitled to speak and present evidence for or against the designation. Not later than the seventh day before the date of the hearing, notice of the hearing must be:

- (1) published in a newspaper having general circulation in the municipality; and
- (2) delivered in writing to the presiding officer of the governing body of each taxing unit that includes in its boundaries real property that is to be included in the proposed reinvestment zone.

(b) In order to enter into a tax abatement agreement, the City Council must find that the terms of the proposed agreement meet these GUIDELINES AND CRITERIA and that:

- (1) There will be no substantial adverse effect on the provision of the City of Sealy's services or tax base; and
- (2) The planned use of the property will not constitute a hazard to public safety, health or morals.

## **SECTION 7: AGREEMENT**

(a) After approval of a tax abatement application within a designated reinvestment zone and a public hearing, the Sealy City Council shall formally pass a resolution and execute an agreement with the owner of the facility and/or lessee as required, which shall include:

- (1) Estimated value to be abated and the base year value;
- (2) Percent of value to be abated each year;
- (3) The commencement date and the termination date of abatement;
- (4) The proposed use of the facility, nature of construction, time schedule for completion of the project, site location map and property description;
- (5) The contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, recapture, administration and assignment, or other provisions that may be required for uniformity or compliance with state law;
- (6) Amount of investment, increase in assessed value or other capital investment and the number of jobs or payroll required to be retained or created;

- (7) A requirement that the applicant submit to the City on or before March 1st of each year of the abatement a report showing the employee count for the abated facility which corresponds to employment counts reported in the facility's Employer's Quarterly Report to the Texas Workforce Commission, and a separate letter certifying that the number of jobs created or retained as a direct result of the abated improvements within the City of Sealy. The annual report shall be used to determine abatement eligibility for that year and shall be subject to audit, if requested by the City of Sealy. Failure to submit may result in the applicant's ineligibility to receive an abatement for that year, termination of the tax abatement agreement and the recapture of abated taxes pursuant to Section 8 hereof.

(b) The City Council may impose any other conditions in a tax abatement agreement that the City Council deems necessary to promote the purposes of these guidelines.

### **SECTION 8: RECAPTURE**

(a) In the event that the facility is completed and begins producing product or providing service, but subsequently discontinues producing product or service for any reason except fire, explosion or other casualty or accident or natural disaster for a period of one (1) year during the abatement period, then the agreement shall terminate and so shall the abatement of the taxes for the calendar year during which the facility no longer produces. The taxes otherwise to be abated for that calendar year shall be paid to the City of Sealy within sixty (60) days from the date of notification of termination by the City of Sealy.

(b) Should the City Council determine that the company or individual applicant is in default according to the terms and conditions of its agreement, the City of Sealy shall notify the company or individual in writing at the address stated in the agreement, and if such is not cured within sixty (60) days from the date of such notice (the Cure Period), then the agreement may be terminated.

(c) In the event that the company or individual allows its ad valorem taxes owed the City of Sealy to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest, or violates any of the terms and conditions of the abatement agreement and fails to cure during the Cure Period, then the City may terminate the agreement and all taxes previously abated by virtue of the agreement will be recaptured and paid within sixty (60) days of the termination and Cure Period.

### **SECTION 9: ADMINISTRATION**

(a) Each year, the company or individual receiving abatement shall furnish the City with such information as may be necessary for the abatement.

(b) The agreement shall stipulate that employees and/or designated representatives of the City of Sealy will have access to the reinvestment zone during the term of the abatement to inspect the facility to determine if the terms and conditions of the agreement are being met. All inspections will be made only after the giving of twenty-four (24) hours prior notice and will only be conducted in such manner as to not unreasonably interfere with the construction and/or

operation of the facility. All inspections will be made with one or more representatives of the company or individual and in accordance with its safety standards.

(c) Upon completion of construction, the city manager or his/her designated person shall annually evaluate each facility receiving abatement to ensure compliance with the agreement and report possible violations of the agreement to the City of Sealy and its attorney.

(d) All documents related to tax abatements, including the annual certifications, will be kept on file with the City Secretary.

## **SECTION 10: ASSIGNMENT**

An abatement may be assigned by the holder to a new owner or lessee of the same facility and/or abated property with the written consent of the Sealy City Council, which consent shall not be unreasonably withheld. Any assignment shall provide that the assignee shall irrevocably and unconditionally assume all the duties and obligations of the assignor upon the same terms and conditions as set out in the agreement. Any assignment of a tax abatement agreement shall be to an entity that contemplates the same improvements or repairs to the property, except to the extent such improvements or repairs have been completed. No assignment shall be approved if the assignor or the assignee is indebted to the City of Sealy for ad valorem taxes or other obligations.

## **SECTION 11: CONFIDENTIALITY OF PROPRIETARY INFORMATION**

Subject to the provisions and limitations of Chapter 552 of the Texas Government Code, information that is provided to the City of Sealy in connection with an application or request for the creation of a reinvestment zone for the purpose of tax abatement in accordance with the above criteria and guidelines and which describes the specific process or business activities to be conducted or equipment or other property to be located on the property for which the tax abatement is sought is confidential and not subject to public disclosure until the tax abatement agreement is executed. The information in the custody of the City of Sealy after the agreement is executed will be treated as confidential to the extent allowed by law.

## **SECTION 12: SUNSET PROVISION**

These GUIDELINES AND CRITERIA are effective upon the date of their adoption and will remain in force for two (2) years, at which time all reinvestment zones and tax abatement agreements created pursuant to its provisions will be reviewed by the Sealy City Council to determine whether the goals have been achieved. Based on that review, the GUIDELINES AND CRITERIA will be modified, renewed or eliminated providing that such actions shall not affect existing agreements.

## Texas Comptroller of Public Accounts

Data Analysis and  
Transparency  
Form 50-296-A

## SECTION 16: Authorized Signatures and Applicant Certification

After the application and schedules are complete, an authorized representative from the school district and the business should review the application documents and complete this authorization page. Attach the completed authorization page in Tab 17. NOTE: If you amend your application, you will need to obtain new signatures and resubmit this page. Section 16, with the amendment request.

## 1. Authorized School District Representative Signature

I am the authorized representative for the school district to which this application is being submitted. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code.

print  
here

Sheryl Moore

Print Name (Authorized School District Representative)

Title

2-28-19

sign  
here

Sheryl Moore

Signature (Authorized School District Representative)

Date

2-28-19

## 2. Authorized Company Representative (Applicant) Signature and Notarization

I am the authorized representative for the business entity for the purpose of filing this application. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code. The information contained in this application and schedules is true and correct to the best of my knowledge and belief.

I hereby certify and affirm that the business entity I represent is in good standing under the laws of the state in which the business entity was organized and that no delinquent taxes are owed to the State of Texas.

print  
here

Wang Lin

Print Name (Authorized Company Representative (Applicant))

Title

CEO

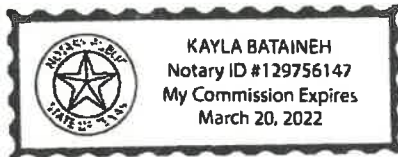
sign  
here

Wang Lin

Signature (Authorized Company Representative (Applicant))

Date

02/14-2019



(Notary Seal)

GIVEN under my hand and seal of office this, the

14th day of February, 2019

K Bataineh

Notary Public in and for the State of Texas

My Commission expires: March 20, 2022

If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code Section 37.10.