



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

March 31, 2020

Dr. Mark Porterie
Superintendent
Port Arthur Independent School District
Port Arthur, TX 77641-1388

Re: Certificate for Limitation on Appraised Value of Property for School District
Maintenance and Operations taxes by and between Port Arthur Independent School
District and Motiva Enterprises LLC, Application 1418

Dear Superintendent Porterie:

On February 5, 2020, the Comptroller issued written notice that Motiva Enterprises LLC (applicant) submitted a completed application (Application 1418) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on August 26, 2019, to the Port Arthur 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 C; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the Comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a) Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b) Applicant is proposing to use the property for an eligible project.

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 1418.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district'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 within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of February 5, 2020, 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,

A handwritten signature in cursive script that reads "Lisa Craven".

Lisa Craven
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Motiva Enterprises LLC (project) applying to Port Arthur 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 Motiva Enterprises LLC.

Applicant	Motiva Enterprises LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Port Arthur ISD
2018-2019 Average Daily Attendance	7,309
County	Jefferson
Proposed Total Investment in District	\$4,688,000,000
Proposed Qualified Investment	\$4,050,200,000
Limitation Amount	\$30,000,000
Qualifying Time Period (Full Years)	2024-2025
Number of new qualifying jobs committed to by applicant	10
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,595.63
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,595.63
Minimum annual wage committed to by applicant for qualified jobs	\$82,973
Minimum weekly wage required for non-qualifying jobs	\$1,111.75
Minimum annual wage required for non-qualifying jobs	\$57,811
Investment per Qualifying Job	\$468,800,000
Estimated M&O levy without any limit (15 years)	\$257,870,551
Estimated M&O levy with Limitation (15 years)	\$82,357,636
Estimated gross M&O tax benefit (15 years)	\$175,512,915

Table 2 is the estimated statewide economic impact of Motiva Enterprises LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2021	900	950	1850	\$72,000,000	\$76,320,000	\$148,320,000
2022	2320	2,475	4795	\$185,600,000	\$217,110,000	\$402,710,000
2023	2750	2,996	5746	\$220,000,000	\$293,920,000	\$513,920,000
2024	1500	1,719	3219	\$120,000,000	\$211,420,000	\$331,420,000
2025	150	196	346	\$12,000,000	\$77,840,000	\$89,840,000
2026	10	(49)	-39	\$829,730	\$42,750,270	\$43,580,000
2027	10	(137)	-127	\$829,730	\$23,830,270	\$24,660,000
2028	10	(158)	-148	\$829,730	\$13,090,270	\$13,920,000
2029	10	(121)	-111	\$829,730	\$8,450,270	\$9,280,000
2030	10	(73)	-63	\$829,730	\$7,470,270	\$8,300,000
2031	10	(14)	-4	\$829,730	\$9,910,270	\$10,740,000
2032	10	49	59	\$829,730	\$14,060,270	\$14,890,000
2033	10	103	113	\$829,730	\$19,190,270	\$20,020,000
2034	10	154	164	\$829,730	\$25,290,270	\$26,120,000
2035	10	189	199	\$829,730	\$30,910,270	\$31,740,000

Source: CPA REMI, Motiva Enterprises LLC

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Port Arthur I&S Tax Levy	Port Arthur M&O Tax Levy	Port Arthur M&O and I&S Tax Levies	Jefferson County Tax Levy	Jefferson County Drainage District No 7 Tax Levy	Port of Port Arthur Navigation District Tax Levy	Sabine-Naches Navigation District Tax Levy	Estimated Total Property Taxes
				0.4100	1.0600		0.3650	0.2399	0.2131	0.0921	
2023	\$191,367,676	\$191,367,676		\$784,607	\$2,028,497	\$2,813,105	\$698,454	\$458,995	\$407,862	\$176,192	\$4,554,608
2024	\$538,451,975	\$538,451,975		\$2,207,653	\$5,707,591	\$7,915,244	\$1,965,242	\$1,291,477	\$1,147,603	\$495,753	\$12,815,319
2025	\$1,049,437,485	\$1,049,437,485		\$4,302,694	\$11,124,037	\$15,426,731	\$3,830,237	\$2,517,076	\$2,236,666	\$966,217	\$24,976,927
2026	\$2,100,594,828	\$2,100,594,828		\$8,612,439	\$22,266,305	\$30,878,744	\$7,666,751	\$5,038,277	\$4,476,998	\$1,934,018	\$49,994,787
2027	\$1,995,565,087	\$1,995,565,087		\$8,181,817	\$21,152,990	\$29,334,807	\$7,283,413	\$4,786,363	\$4,253,148	\$1,837,317	\$47,495,048
2028	\$1,895,786,832	\$1,895,786,832		\$7,772,726	\$20,095,340	\$27,868,066	\$6,919,243	\$4,547,045	\$4,040,490	\$1,745,451	\$45,120,295
2029	\$1,800,997,491	\$1,800,997,491		\$7,384,090	\$19,090,573	\$26,474,663	\$6,573,281	\$4,319,692	\$3,838,466	\$1,658,178	\$42,864,281
2030	\$1,710,947,616	\$1,710,947,616		\$7,014,885	\$18,136,045	\$25,150,930	\$6,244,617	\$4,103,708	\$3,646,543	\$1,575,269	\$40,721,067
2031	\$1,625,400,235	\$1,625,400,235		\$6,664,141	\$17,229,242	\$23,893,383	\$5,932,386	\$3,898,522	\$3,464,216	\$1,496,506	\$38,685,013
2032	\$1,544,130,223	\$1,544,130,223		\$6,330,934	\$16,367,780	\$22,698,714	\$5,635,766	\$3,703,596	\$3,291,005	\$1,421,681	\$36,750,763
2033	\$1,466,923,712	\$1,466,923,712		\$6,014,387	\$15,549,391	\$21,563,779	\$5,353,978	\$3,518,417	\$3,126,455	\$1,350,597	\$34,913,224
2034	\$1,393,577,527	\$1,393,577,527		\$5,713,668	\$14,771,922	\$20,485,590	\$5,086,279	\$3,342,496	\$2,970,132	\$1,283,067	\$33,167,563
2035	\$1,323,898,650	\$1,323,898,650		\$5,427,984	\$14,033,326	\$19,461,310	\$4,831,965	\$3,175,371	\$2,821,625	\$1,218,913	\$31,509,185
2036	\$1,257,703,718	\$1,257,703,718		\$5,156,585	\$13,331,659	\$18,488,245	\$4,590,367	\$3,016,602	\$2,680,544	\$1,157,968	\$29,933,726
2037	\$1,194,818,532	\$1,194,818,532		\$4,898,756	\$12,665,076	\$17,563,832	\$4,360,849	\$2,865,772	\$2,546,517	\$1,100,069	\$28,437,040
2038	\$1,135,077,605	\$1,135,077,605		\$4,653,818	\$12,031,823	\$16,685,641	\$4,142,806	\$2,722,484	\$2,419,191	\$1,045,066	\$27,015,188
2039	\$1,078,323,725	\$1,078,323,725		\$4,421,127	\$11,430,231	\$15,851,359	\$3,935,666	\$2,586,359	\$2,298,231	\$992,813	\$25,664,428
2040	\$1,024,407,539	\$1,024,407,539		\$4,200,071	\$10,858,720	\$15,058,791	\$3,738,883	\$2,457,041	\$2,183,320	\$943,172	\$24,381,207
			Total	\$99,742,383	\$257,870,551	\$357,612,934	\$88,790,183	\$58,349,294	\$51,849,010	\$22,398,247	\$578,999,667

Source: CPA, Motiva Enterprises LLC

*Tax Rate per \$100 Valuation

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

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		Port Arthur I&S Tax Levy	Port Arthur M&O Tax Levy	Port Arthur M&O and I&S Tax Levies	Jefferson County Tax Levy	Jefferson County Drainage District No 7 Tax Levy	Port of Port Arthur Navigation District Tax Levy	Sabine-Naches Navigation District Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.4100	1.0600		0.3650	0.2399	0.2131	0.0921	
2023	\$191,367,676	\$191,367,676		\$784,607	\$2,028,497	\$2,813,105	\$698,454	\$458,995	\$407,862	\$176,192	\$3,970,554
2024	\$538,451,975	\$538,451,975		\$2,207,653	\$5,707,591	\$7,915,244	\$1,965,242	\$1,291,477	\$1,147,603	\$495,753	\$11,171,963
2025	\$1,049,437,485	\$1,049,437,485		\$4,302,694	\$11,124,037	\$15,426,731	\$3,830,237	\$2,517,076	\$2,236,666	\$966,217	\$21,774,044
2026	\$2,100,594,828	\$30,000,000		\$8,612,439	\$318,000	\$8,930,439	\$7,666,751	\$5,038,277	\$4,476,998	\$1,934,018	\$21,635,466
2027	\$1,995,565,087	\$30,000,000		\$8,181,817	\$318,000	\$8,499,817	\$7,283,413	\$4,786,363	\$4,253,148	\$1,837,317	\$20,569,593
2028	\$1,895,786,832	\$30,000,000		\$7,772,726	\$318,000	\$8,090,726	\$6,919,243	\$4,547,045	\$4,040,490	\$1,745,451	\$19,557,014
2029	\$1,800,997,491	\$30,000,000		\$7,384,090	\$318,000	\$7,702,090	\$6,573,281	\$4,319,692	\$3,838,466	\$1,658,178	\$18,595,063
2030	\$1,710,947,616	\$30,000,000		\$7,014,885	\$318,000	\$7,332,885	\$6,244,617	\$4,103,708	\$3,646,543	\$1,575,269	\$17,681,210
2031	\$1,625,400,235	\$30,000,000		\$6,664,141	\$318,000	\$6,982,141	\$5,932,386	\$3,898,522	\$3,464,216	\$1,496,506	\$16,813,049
2032	\$1,544,130,223	\$30,000,000		\$6,330,934	\$318,000	\$6,648,934	\$5,635,766	\$3,703,596	\$3,291,005	\$1,421,681	\$15,988,297
2033	\$1,466,923,712	\$30,000,000		\$6,014,387	\$318,000	\$6,332,387	\$5,353,978	\$3,518,417	\$3,126,455	\$1,350,597	\$15,204,782
2034	\$1,393,577,527	\$30,000,000		\$5,713,668	\$318,000	\$6,031,668	\$5,086,279	\$3,342,496	\$2,970,132	\$1,283,067	\$14,460,443
2035	\$1,323,898,650	\$30,000,000		\$5,427,984	\$318,000	\$5,745,984	\$4,831,965	\$3,175,371	\$2,821,625	\$1,218,913	\$13,753,321
2036	\$1,257,703,718	\$1,257,703,718		\$5,156,585	\$13,331,659	\$18,488,245	\$4,590,367	\$3,016,602	\$2,680,544	\$1,157,968	\$26,095,214
2037	\$1,194,818,532	\$1,194,818,532		\$4,898,756	\$12,665,076	\$17,563,832	\$4,360,849	\$2,865,772	\$2,546,517	\$1,100,069	\$24,790,453
2038	\$1,135,077,605	\$1,135,077,605		\$4,653,818	\$12,031,823	\$16,685,641	\$4,142,806	\$2,722,484	\$2,419,191	\$1,045,066	\$23,550,931
2039	\$1,078,323,725	\$1,078,323,725		\$4,421,127	\$11,430,231	\$15,851,359	\$3,935,666	\$2,586,359	\$2,298,231	\$992,813	\$22,373,384
2040	\$1,024,407,539	\$1,024,407,539		\$4,200,071	\$10,858,720	\$15,058,791	\$3,738,883	\$2,457,041	\$2,183,320	\$943,172	\$21,254,715
			Total	\$99,742,383	\$82,357,636	\$182,100,018	\$88,790,183	\$58,349,294	\$51,849,010	\$22,398,247	\$329,239,495
			Diff	\$0	\$175,512,915	\$175,512,915	\$0	\$0	\$0	\$0	\$249,760,172

Source: CPA, Motiva Enterprises LLC

*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 Motiva Enterprises LLC (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy and direct, indirect and induced tax effects from project employment directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2023	\$2,028,497	\$2,028,497	\$0	\$0
	2024	\$5,707,591	\$7,736,088	\$0	\$0
	2025	\$11,124,037	\$18,860,126	\$0	\$0
Limitation Period (10 Years)	2026	\$318,000	\$19,178,126	\$21,948,305	\$21,948,305
	2027	\$318,000	\$19,496,126	\$20,834,990	\$42,783,295
	2028	\$318,000	\$19,814,126	\$19,777,340	\$62,560,636
	2029	\$318,000	\$20,132,126	\$18,772,573	\$81,333,209
	2030	\$318,000	\$20,450,126	\$17,818,045	\$99,151,254
	2031	\$318,000	\$20,768,126	\$16,911,242	\$116,062,496
	2032	\$318,000	\$21,086,126	\$16,049,780	\$132,112,277
	2033	\$318,000	\$21,404,126	\$15,231,391	\$147,343,668
	2034	\$318,000	\$21,722,126	\$14,453,922	\$161,797,590
	2035	\$318,000	\$22,040,126	\$13,715,326	\$175,512,915
Maintain Viable Presence (5 Years)	2036	\$13,331,659	\$35,371,785	\$0	\$175,512,915
	2037	\$12,665,076	\$48,036,861	\$0	\$175,512,915
	2038	\$12,031,823	\$60,068,684	\$0	\$175,512,915
	2039	\$11,430,231	\$71,498,916	\$0	\$175,512,915
	2040	\$10,858,720	\$82,357,636	\$0	\$175,512,915
Additional Years as Required by 313.026(c)(1) (10 Years)	2041	\$10,315,784	\$92,673,419	\$0	\$175,512,915
	2042	\$9,799,995	\$102,473,414	\$0	\$175,512,915
	2043	\$9,309,995	\$111,783,409	\$0	\$175,512,915
	2044	\$8,844,495	\$120,627,904	\$0	\$175,512,915
	2045	\$8,402,270	\$129,030,175	\$0	\$175,512,915
	2046	\$7,982,157	\$137,012,332	\$0	\$175,512,915
	2047	\$7,583,049	\$144,595,381	\$0	\$175,512,915
	2048	\$7,203,897	\$151,799,278	\$0	\$175,512,915
	2049	\$6,843,702	\$158,642,979	\$0	\$175,512,915
	2050	\$6,501,517	\$165,144,496	\$0	\$175,512,915

\$165,144,496 is less than \$175,512,915

Analysis Summary	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	No

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

Year	Employment			Personal Income			Revenue & Expenditure		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2021	900	950	1850	\$72,000,000	\$76,320,000	\$148,320,000	18280000	-7590000	\$25,870,000
2022	2320	2,475	4795	\$185,600,000	\$217,110,000	\$402,710,000	22640000	-6010000	\$28,650,000
2023	2750	2,996	5746	\$220,000,000	\$293,920,000	\$513,920,000	14310000	2520000	\$11,790,000
2024	1500	1,719	3219	\$120,000,000	\$211,420,000	\$331,420,000	4210000	9510000	-\$5,300,000
2025	150	196	346	\$12,000,000	\$77,840,000	\$89,840,000	3260000	9580000	-\$6,320,000
2026	10	(49)	-39	\$829,730	\$42,750,270	\$43,580,000	2700000	8930000	-\$6,230,000
2027	10	(137)	-127	\$829,730	\$23,830,270	\$24,660,000	2440000	8180000	-\$5,740,000
2028	10	(158)	-148	\$829,730	\$13,090,270	\$13,920,000	2370000	7410000	-\$5,040,000
2029	10	(121)	-111	\$829,730	\$8,450,270	\$9,280,000	2300000	6660000	-\$4,360,000
2030	10	(73)	-63	\$829,730	\$7,470,270	\$8,300,000	2270000	5900000	-\$3,630,000
2031	10	(14)	-4	\$829,730	\$9,910,270	\$10,740,000	2370000	5290000	-\$2,920,000
2032	10	49	59	\$829,730	\$14,060,270	\$14,890,000	2460000	4710000	-\$2,250,000
2033	10	103	113	\$829,730	\$19,190,270	\$20,020,000	2530000	4260000	-\$1,730,000
2034	10	154	164	\$829,730	\$25,290,270	\$26,120,000	2490000	3880000	-\$1,390,000
2035	10	189	199	\$829,730	\$30,910,270	\$31,740,000	2010000	3610000	-\$1,600,000
2036	10	162	172	\$829,730	\$29,200,270	\$30,030,000	1940000	3290000	-\$1,350,000
2037	10	166	176	\$829,730	\$29,930,270	\$30,760,000	1860000	3040000	-\$1,180,000
2038	10	162	172	\$829,730	\$32,130,270	\$32,960,000	1770000	2750000	-\$980,000
2039	10	162	172	\$829,730	\$33,840,270	\$34,670,000	1680000	2510000	-\$830,000
2040	10	160	170	\$829,730	\$34,080,270	\$34,910,000	1650000	2260000	-\$610,000
2041	10	164	174	\$829,730	\$35,790,270	\$36,620,000	1710000	2090000	-\$380,000
2042	10	158	168	\$829,730	\$38,960,270	\$39,790,000	1740000	1920000	-\$180,000
2043	10	156	166	\$829,730	\$41,650,270	\$42,480,000	1830000	1830000	\$0
2044	10	160	170	\$829,730	\$45,070,270	\$45,900,000	1800000	1650000	\$150,000
2045	10	166	176	829,730	\$47,020,270	\$47,850,000	1910000	1580000	\$330,000
2046	10	164	174	829,730	\$50,440,270	\$51,270,000	2000000	1480000	\$520,000
2047	10	174	184	829,730	\$55,320,270	\$56,150,000	2040000	1400000	\$640,000
2048	10	179	189	829,730	\$59,720,270	\$60,550,000	2040000	1320000	\$720,000
Total							\$117,580,000	\$90,530,000	\$27,050,000
							\$192,194,496	is greater than	\$175,512,915
Analysis Summary									
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?									Yes

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

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that “the limitation on appraised value is a determining factor in the applicant’s decision to invest capital and construct the project in this state.” This represents the basis for the Comptroller’s determination.

Methodology

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

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

Determination

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

- Per Motiva Enterprises LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “Motiva Enterprises LLC (“Motiva”) is a wholly-owned indirect subsidiary of the Saudi Arabian Oil Company (“Saudi Aramco”).”
 - B. “The project is still in an evaluation stage; only very preliminary development activities have begun. No public announcements of a definitive intent to construct the project have been made.”
 - C. “Agreements pertaining to preliminary design and engineering work and the development of other technical studies and estimates have been entered into; this work is necessary for purposes of determining whether the project is technically viable and can be cost-competitive in the global marketplace.”
 - D. “For the tax year 2018, Port Arthur ISD’s maintenance and operations (M&O) tax rate represents Motiva Enterprises LLC Chapter 313 Application to Port Arthur ISD almost 50% of the total property tax burden imposed on taxable property located at the proposed site. Consequently, a limitation on appraised value under Chapter 313 of the Texas Tax Code is a determining factor in the decision to invest capital and construct the project in the State of Texas.”
- An August 19, 2019 *CNBC* article stated the following:
 - A. Motiva Enterprises “has signed an agreement to buy the Flint Hills Resources chemical plant adjacent to its Port Arthur, Texas, oil refinery, kicking off a push into petrochemicals.”
 - B. “Motiva, the U.S. refining arm of Saudi Aramco <IPO-ARMO.SE>, plans to operate the chemical plant while it builds three giant petrochemical units within its Port Arthur complex as part of an \$18 billion expansion of operations along the U.S. Gulf Coast”
 - C. “Motiva and Flint Hills confirmed the pending deal after Reuters disclosed it had agreed to buy the operation. Motiva said it expects the deal to close by late 2019.”

- Per an October 30, 2019 *Hydrocarbon Processing* article:
 - A. "Motiva Enterprises said on Tuesday that, pending final regulatory approval, the purchase of a Port Arthur, Texas, chemical plant from Flint Hills Resources will close on Oct. 31."
 - B. "Motiva also said it had adjusted the schedule for the construction of new chemical units planned at its Port Arthur refinery to prioritize a polyethylene unit and decelerate aromatics unit and ethane cracker projects."
 - C. "'The acquisition ... enables Motiva to accelerate its entry into the chemicals business and provides the company an exciting opportunity to develop synergy-capture projects between its Port Arthur Refinery and the Flint Hill assets.'"
 - D. "The chemical plant being acquired from Flint Hills, a subsidiary of privately-held Koch Industries, has an ethane cracker but lacks units to process ethylene coming from the cracker, said sources familiar with Motiva's plans."
 - E. "Due to the accelerated timeline for the polyethylene unit, Motiva is slowing down work on an ethane cracker and an aromatics unit it plans to build in the refinery, the sources said."
 - F. "Motiva has been investing heavily in the Port Arthur area since becoming the sole owner of the 607,000 bpd Port Arthur refinery, after the 2017 break-up of a partnership with Royal Dutch Shell Plc that created Motiva."

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:

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

Supporting Information

Attachments provided in Tab 4
of the Application for a
Limitation on Appraised Value

Motiva Enterprises LLC

Chapter 313 Application to Port Arthur ISD

Amendment No. 1 – Port Arthur ISD No. 1418, Motiva Enterprises LLC – 01/24/2020

Tab 4

Detailed Description of the Project

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.

Motiva Enterprises LLC (“Motiva”) is evaluating the possible development, design and construction of a world-scale steam cracker, including related buildings, utility, infrastructure, logistics improvements, and all other ancillary improvements and tangible personal property necessary to operate the production facilities. The steam cracker would process ethane received by pipeline from various suppliers on the U.S. Gulf Coast, as well as various other hydrocarbons from the Motiva Port Arthur Refinery, to produce ethylene, which is used as a feedstock to manufacture a variety of petrochemicals. In addition, the steam cracker would produce smaller quantities of refinery-grade propylene, crude butadiene, and pyrolysis gasoline. It is expected that all products produced by the steam cracker would be sold in the U.S. Gulf Coast market. One of the potential locations for the new facilities is unimproved land located within the Motiva Port Arthur Refinery Complex in Jefferson County, Texas.

The proposed improvements for which the tax limitation is sought would include the steam cracker along with all process infrastructure and eligible ancillary and necessary equipment, cracking furnaces, compressors, motors, drums, vessels, distillation towers, absorbers, heat exchangers, pumps, filters, reactors, utility service lines providing cooling water, air, boiler feed water, and steam from a new utility complex to the steam cracker, process tanks containing steam cracker chemicals, product storage tanks and spheres containing steam cracker products, electrical switchgear, transformers, substations, instrumentation, cooling towers, structural foundations including supports, control equipment and facilities, raw material receipt facilities for steam cracker catalyst and chemicals, flares and other pollution control equipment, laboratory and laboratory equipment for analysis of steam cracker products and control of the steam cracker operation, new road improvements and paving to establish access to the new steam cracker and provide proper sloping and draining, fencing and facility security systems to establish steam cracker property boundaries, fire prevention and safety equipment, dedicated new rail track to the project storage area for loading pyrolysis gasoline produced by the steam cracker, outside operator building, administration building, maintenance buildings for housing maintenance employees and conducting maintenance on steam cracker equipment, and water and sewer treatment facilities.

Motiva Enterprises LLC

Chapter 313 Application to Port Arthur ISD

Amendment No. 1 – Port Arthur ISD No. 1418, Motiva Enterprises LLC – 01/24/2020

There are seven (7) interconnections with surrounding existing property:

1. Electrical grid interconnection: Tie-ins will be made to the refinery electrical grid for power used for the Steam Cracker complex.
2. Waste-water treatment plant interconnection: Tie-ins will be made to the refinery waste-water system for processing of potentially contaminated water from the Steam Cracker complex drains.
3. Utilities systems interconnection: Tie-ins will be made to the refinery utilities systems to obtain utility supply for the Steam Cracker complex. These utilities include natural gas, nitrogen, hydrogen, steam, clarified water, potable water and fire water.
4. Product connections to third party pipelines: Tie-ins will be made to third party pipelines for Steam Cracker product sales to the market.
5. Feedstock connections to third party pipelines: Tie-ins will be made to third party pipelines for Steam Cracker feedstock purchases.
6. Connection to the Ethylene Derivatives project: Tie-ins will be made to the Ethylene Derivatives project to supply ethylene from the Steam Cracker as feedstock for that project.
7. Connection to Flint Hills Resources: Tie-ins will be made to Motiva Chemicals LLC (formerly known as Flint Hills Resources Port Arthur, LLC) for product storage.

Upon timely granting of all required permits from respective federal, state, and local agencies, construction is currently proposed to commence in the fourth quarter of 2021 with completion estimated in the fourth quarter of 2025.

Supporting Information

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

Motiva Enterprises LLC

Chapter 313 Application to Port Arthur ISD

Tab 5

Documentation to assist in determining if limitation is a determining factor

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.

Motiva Enterprises LLC ("Motiva") is a wholly-owned indirect subsidiary of the Saudi Arabian Oil Company ("Saudi Aramco"). Saudi Aramco, together with its subsidiaries and joint ventures (the "Group"), is a fully integrated, global petroleum enterprise and a world leader in exploration, production, refining, distribution, marketing and petrochemicals manufacturing. Saudi Aramco manages the world's largest proven conventional crude oil and condensate reserves of 260.2 billion barrels and the world's fourth-largest natural gas reserves of 288.4 trillion standard cubic feet. It is also among the top producers of natural gas, maintaining the fourth-largest natural gas reserves in the world.

Through subsidiary and joint venture operations, the Group's activities span the globe. As such, Motiva's proposed project competes with other potential projects in the Group for its capital investment budget for the funding necessary to construct the project. Opportunities to invest, locate, and develop new projects, such as the one that is subject of this Application, are viable in numerous locations throughout the world. For example, with respect to potential locations in North America, the proposed new facilities could be constructed at potential sites along the U.S. Gulf Coast, including locations in Texas and Louisiana.

Motiva takes a disciplined, long-term approach to investing and consistently seeks new investment opportunities that create value. Its business model is to conduct an extensive evaluation before making any final investment decision. A project team is evaluating these opportunities with a focus on global logistics, efficiency, scale and site integration.

The project is still in an evaluation stage; only very preliminary development activities have begun. No public announcements of a definitive intent to construct the project have been made. Agreements pertaining to preliminary design and engineering work and the development of other technical studies and estimates have been entered into; this work is necessary for purposes of determining whether the project is technically viable and can be cost-competitive in the global marketplace.

Competitive abatement programs for the proposed new facilities exist in alternative locations. The impact of the property tax burden on the economic return of the proposed new facilities is an important factor in the site selection evaluation and decision. For the tax year 2018, Port Arthur ISD's maintenance and operations (M&O) tax rate represents almost 50% of the total property tax burden imposed on taxable property located at the proposed site. Consequently, a limitation on appraised value under Chapter 313 of the

Motiva Enterprises LLC

Chapter 313 Application to Port Arthur ISD

Texas Tax Code is a determining factor in the decision to invest capital and construct the project in the State of Texas.

The decision to invest in a particular country or state depends on the economics of the investment in the particular jurisdiction. In the case of the investment in the proposed project in Texas, the decision will be based on a number of commercial and financial considerations, including the ability to obtain relief regarding local property taxes. Obtaining a limitation on appraised value under Chapter 313 of the Texas Tax Code is a necessary part of the economic analysis for investment in Texas. The petrochemicals market is very competitive. Without a limitation on appraised value under Chapter 313 from Port Arthur ISD, siting the project in Jefferson County is not competitive with comparable investments.

Supporting Information

Additional information
provided by the Applicant or
located by the Comptroller



WIRES

UPDATE 2-Motiva to buy Flint Hills Port Arthur, Texas chemical plant

PUBLISHED MON, AUG 19 2019 2:10 PM EDT

 REUTERS Erwin Seba

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(Updates with company confirmation; adds details on previous plans)

HOUSTON, Aug 19 (Reuters) - Motiva Enterprises said on Monday it has signed an agreement to buy the Flint Hills Resources chemical plant adjacent to its Port Arthur, Texas, oil refinery, kicking off a push into petrochemicals.

Motiva, the U.S. refining arm of Saudi Aramco <IPO-ARMO.SE>, plans to operate the chemical plant while it builds three giant petrochemical units within its Port Arthur complex as part of an \$18 billion expansion of operations along the U.S. Gulf Coast, said three sources familiar with the agreement.

Motiva and Flint Hills confirmed the pending deal after Reuters disclosed it had agreed to buy the operation. Motiva said it expects to deal to close by late 2019.

A Flint Hills spokesman did not reply to requests for comment.

The purchase price was not disclosed. Flint Hills acquired the plant from Huntsman Corp in 2007 for \$770 million.



MARKETS



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BREAKING Stocks open slightly higher as Procter & Gamble and McDonald's
The Flint Hills plant operates a 1.57-billion-pound-per-year ethylene cracker, a unit producing nylon component cyclohexane, and a network of pipelines and storage caverns, the sources said. Ethylene is a building block for plastics.

Motiva has been investing heavily in the Port Arthur area since becoming the sole owner of the 607,000 bpd refinery, after the 2017 break-up of a partnership with Royal Dutch Shell Plc that created Motiva.

In April, Houston-based Motiva announced it would refurbish two empty, historic buildings in downtown Port Arthur for use as offices. It also has filed documents with the state to build a \$5 billion steam cracker that would produce ethylene.

The sources said the Flint Hills chemical plant buys petrochemical feedstock from Motiva's refinery, the largest in the United States.

The acquisition comes as the market for chemicals is growing faster than for gasoline and other refined products.

Motiva has considered acquiring oil refineries or taking over existing plants, but no deals were struck. In February, it ended talks with the government of Curacao over a request to operate its 335,000 barrel-per-day Isla refinery and storage terminal.

Before the split with Shell in 2017, Motiva weighed buying Lyondell Basell Industries' 263,776-bpd Houston refinery to replace plants it was turning over to Shell.

A 2018 plan to expand Port Arthurs oil refining operations to make it the largest plant by capacity in the world was shelved over worries of too much processing at one U.S. Gulf Coast site vulnerable to severe storms, like 2017's Hurricane Harvey.



MARKETS



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BREAKING Stocks open slightly higher as Procter & Gamble and McDonald's
A final investment decision on the petrochemical units is expected to be made between the end of 2019 and the spring of 2020, the sources said.



Motiva had considered building one of the petrochemical units in Anahuac, Texas, but those plans were changed to place all of the units in Port Arthur, the sources said.

Port Arthur is 90 miles (145 km) east of Houston. Anahuac is about halfway between the two.

Motiva plans to finance the proposed petrochemical expansion in part through profits from sales of lower-sulfur marine fuel that will be mandated for shippers by the International Maritime Organization on Jan. 1, 2020, the sources said. (Reporting by Erwin Seba Editing by Dan Grebler and Steve Orlofsky)

4



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Motiva expects Port Arthur, Tx., chem plant purchase close on Oct. 31

10/30/2019

HOUSTON, Oct 1 (Reuters)- Motiva Enterprises said on Tuesday that, pending final regulatory approval, the purchase of a Port Arthur, Texas, chemical plant from Flint Hills Resources will close on Oct. 31.

Motiva also said it had adjusted the schedule for the construction of new chemical units planned at its Port Arthur refinery to prioritize a polyethylene unit and decelerate aromatics unit and ethane cracker projects.

"The acquisition ... enables Motiva to accelerate its entry into the chemicals business and provides the company an exciting opportunity to develop synergy-capture projects between its Port Arthur Refinery and the Flint Hill assets."

Motiva's statement confirmed a Reuters report from earlier on Tuesday.

A Flint Hills spokesman did not reply to a request for a comment.

The chemical plant being acquired from Flint Hills, a subsidiary of privately-held Koch Industries, has an ethane cracker but lacks units to process ethylene coming from the cracker, said sources familiar with Motiva's plans.

Due to the accelerated timeline for the polyethylene unit, Motiva is slowing down work on an ethane cracker and an aromatics unit it plans to build in the refinery, the sources said.

The final investment decision on the last two units is being pushed back to late 2021, the sources said.

Motiva said slowing the aromatics and ethane cracker projects would "... allow execution of proposed projects in a more efficient manner."

A final investment decision on the polyethylene and aromatics units, as well as the ethane cracker, had been expected between late this year and spring 2020.

Motiva, a subsidiary of state oil company Saudi Aramco <IPO-ARMO.SE>, has not disclosed what it is paying Flint Hills, a subsidiary of privately-held Koch Industries

Flint Hills acquired the plant from Huntsman Corp in 2007 for \$770 million.

The two companies announced the sale on Aug. 19.

Motiva has been investing heavily in the Port Arthur area since becoming the sole owner of the 607,000 bpd Port Arthur refinery, after the 2017 break-up of a partnership with Royal Dutch Shell Plc that created Motiva.

In April, Houston-based Motiva announced it would refurbish two empty, historic buildings in downtown Port Arthur for use as offices. It also has filed documents with the state to build a \$5 billion steam cracker that would produce ethylene.

The sources said the Flint Hills chemical plant buys petrochemical feedstock from Motiva's refinery, the largest in the United States. (Reporting by Erwin Seba Editing by Marguerita Choy)

From the Archive

- Six considerations for turbomachinery control upgrades (</magazine/2018/august-2018/special-focus-fluid-flow-and-rotating-equipment/six-considerations-for-turbomachinery-control-upgrades>)
- Viewpoint: "Intelligizing" the refinery for business sustainability (</magazine/2016/june-2016/columns/viewpoint-intelligizing-the-refinery-for-business-sustainability>)
- Business Trends: Global petrochemical overview –Part 1 (</magazine/2016/april-2016/trends-and-resources/business-trends-global-petrochemical-overview-part-1>)
- Maximize petrochemicals in the FCCU to boost refinery margins, improve gasoline pool quality (</magazine/2016/february-2016/special-report-clean-fuels-and-the-environment/maximize-petrochemicals-in-the-fccu-to-boost-refinery-margins-improve-gasoline-pool-quality>)
- Business Trends: Clean fuels—a global shift to a low-sulfur world (</magazine/2016/february-2016/trends-and-resources/business-trends-clean-fuels-a-global-shift-to-a-low-sulfur-world>)
- Top seven causes for lost olefin production (</magazine/2015/april-2015/special-report-petrochemical-developments/top-seven-causes-for-lost-olefin-production>)

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