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**FINDINGS  
OF THE  
SHELDON INDEPENDENT  
SCHOOL DISTRICT BOARD OF TRUSTEES  
UNDER THE  
TEXAS ECONOMIC DEVELOPMENT ACT  
ON THE APPLICATION SUBMITTED BY  
EQUISTAR CHEMICALS, L.P.**

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**AUGUST 20, 2013**

Board Findings of the Sheldon Independent School District

FINDINGS OF THE SHELDON INDEPENDENT SCHOOL  
DISTRICT BOARD OF TRUSTEES UNDER THE  
TEXAS ECONOMIC DEVELOPMENT ACT  
ON THE APPLICATION SUBMITTED BY  
EQUISTAR CHEMICALS, L.P.

*STATE OF TEXAS* §

*COUNTY OF HARRIS* §

On the 20<sup>th</sup> day of August, 2013, a public meeting of the Board of Trustees of the Sheldon Independent School District was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board of Trustees took up and considered the application of Equistar Chemicals, L.P. (Equistar) for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations on the Application from interested parties within the District. After hearing presentations from the District's administrative staff, and from consultants retained by the District to advise the Board in this matter, the Board of Trustees of the Sheldon Independent School District makes the following findings with respect to the application of Equistar, and the economic impact of that application:

On April 8, 2013, the Superintendent of Schools of the Sheldon Independent School District, acting as an agent of the Board of Trustees, and the Texas Comptroller of Public Accounts received a completed Application from Equistar for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. A copy of the Amended Application is attached as **Attachment A**.

The Applicant, Equistar (Texas Taxpayer Id. 17605504814), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be in good standing with the Texas Comptroller of Public Accounts. See **Attachment B**.

The Board of Trustees has acknowledged receipt of the Application, along with the requisite application fee, as established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy.

Board Findings of the Sheldon Independent School District

The Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(d). A copy of the Application was delivered to the Harris County Appraisal District for review pursuant to 34 Tex. Admin. Code § 9.1054.

The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.026, and a favorable recommendation was issued on April 15, 2013. A copy of the Comptroller's letter is attached to the findings as **Attachment C**.

After receipt of the Application, the Texas Comptroller of Public Accounts caused to be conducted an economic impact evaluation pursuant to Texas Tax Code § 313.026 and the Board of Trustees has carefully considered such evaluation. A copy of the economic impact evaluation is attached to these findings as **Attachment D**.

The Board of Trustees also directed that a specific financial analysis be conducted of the impact of the proposed value limitation on the finances of the Sheldon Independent School District. A copy of a report prepared by Moak, Casey & Associates, Inc. is attached to these findings as **Attachment E**.

The Board of Trustees has confirmed that the taxable value of property in the Sheldon Independent School District for the preceding tax year, as determined under Subchapter M, Chapter 403, Government Code, is as stated in **Attachment F**.

After receipt of the Application, the District entered into negotiations with Equistar, over the specific language to be included in the Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, including appropriate revenue protection provisions for the District. The proposed Agreement is attached to these findings as **Attachment G**.

Board Findings of the Sheldon Independent School District

After review of the Comptroller's recommendation, and in consideration of its own economic impact study the Board finds:

**Board Finding Number 1.**

**There is a strong relationship between the Applicant's industry and the types of qualifying jobs to be created by the Applicant and the long-term economic growth plan of this State as described in the strategic plan for economic development (ED Plan) submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Texas Government Code.**

In support of Finding 1, the economic impact evaluation states:

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Equistar Chemicals, L.P. project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

**Board Finding Number 2.**

**The economic condition of Harris County is in need of long-term improvement, based on the state's analysis of the county data.**

Based on information provided by the Comptroller's Office that focused on the county level, Harris County is the 1st largest county in the state in terms of population. Population growth in Harris County is up; the population of Harris County grew by 1.8 percent between 2009 and 2010, the same as the state average.

September 2011 employment for Harris County was up 1.8 percent from September 2010, above the state's 0.9 percent increase in total employment during the same period, based on information provided by the Comptroller's Office. Even with the increase in total employment, however, the unemployment rate in Harris County was 8.6 percent in September 2011, slightly higher than the state average of 8.5 percent.

Board Findings of the Sheldon Independent School District

Harris County has a higher per capita personal income than the state as a whole. In terms of per capita income, Harris County's \$48,337 in 2009 ranked 7<sup>th</sup> among the 254 counties in Texas, while the Texas average was \$38,609 for the same period.

The local economy in Harris County will benefit from economic activity like that associated with the Equistar project. Major capital investments like this project are beneficial to the community on a number of fronts, including direct and indirect employment, expanded opportunities for existing businesses and increased local tax bases.

**Board Finding Number 3.**

**The average salary level of qualifying jobs is expected to be at least \$65,000 per year. The review of the application by the State Comptroller's Office indicated that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs must pay 110 percent of the regional average manufacturing wage. Equistar indicates that total employment will be approximately 25 new jobs, 20 of which will be qualifying jobs.**

In support of Finding 3, the economic impact evaluation states:

After construction, the project will create 25 new jobs when fully operational. Twenty jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Houston-Galveston Area Council of Governments Region, where Harris County is located was \$53,711 in 2011. The annual average manufacturing wage for 2011-2012 for Harris County is \$78,936. That same year, the county annual average wage for all industries was \$63,700. In addition to a salary of \$65,000, each qualifying position will receive include but are not limited to the following are medical coverage (company pays 80% of the employee health insurance premiums), dental plan, group life insurance, paid holidays, paid vacation and 401(k) retirement savings plan.

**Board Finding Number 4.**

**The level of the applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately \$17.7 million on the basis of the goal of 20 new qualifying positions for the entire Equistar project.**

In support of Finding 4, the economic impact evaluation states:

The project's total investment is \$355.5 million, resulting in a relative level of investment per qualifying job of \$17.7 million.

**Board Finding Number 5.**

**Subsequent economic effects on the local and regional tax bases will be significant. In addition, the impact of the added infrastructure will be significant to the region.**

In support of Finding 5, the economic impact evaluation states:

Table 1 depicts Equistar Chemicals, L.P.'s estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 17 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

**Table 1: Estimated Statewide Economic Impact of Investment and Employment in Equistar Chemicals, L.P.**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	15	23	38	\$1,350,000	\$1,650,000	\$3,000,000
2013	230	348	578	\$20,450,000	\$20,550,000	\$41,000,000
2014	125	239	364	\$10,625,000	\$17,375,000	\$28,000,000
2015	125	233	358	\$10,625,000	\$18,375,000	\$29,000,000
2016	25	104	129	\$1,625,000	\$11,375,000	\$13,000,000
2017	25	93	118	\$1,625,000	\$10,375,000	\$12,000,000
2018	25	90	115	\$1,625,000	\$9,375,000	\$11,000,000
2019	25	88	113	\$1,625,000	\$9,375,000	\$11,000,000
2020	25	88	113	\$1,625,000	\$9,375,000	\$11,000,000
2021	25	96	121	\$1,625,000	\$10,375,000	\$12,000,000
2022	25	98	123	\$1,625,000	\$11,375,000	\$13,000,000
2023	25	106	131	\$1,625,000	\$12,375,000	\$14,000,000
2024	25	94	119	\$1,625,000	\$11,375,000	\$13,000,000
2025	25	98	123	\$1,625,000	\$12,375,000	\$14,000,000
2026	25	96	121	\$1,625,000	\$13,375,000	\$15,000,000
2027	25	96	121	\$1,625,000	\$13,375,000	\$15,000,000
2028	25	96	121	\$1,625,000	\$13,375,000	\$15,000,000

Source: CPA, REMI, Equistar Chemicals, L.P.

The statewide average ad valorem tax base for school districts in Texas was \$1.74 billion in 2011-2012. Sheldon ISD's ad valorem tax base in 2011-2012 was \$4.057 billion. The statewide average wealth per WADA was estimated at \$347,943 for fiscal 2011-2012. During that same year, Sheldon ISD's estimated wealth per WADA was \$445,720. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Harris County, Harris County Flood Control District, Port of Houston Authority, Harris County Hospital District, Harris County Education Department and San Jacinto College District with all property tax incentives sought being granted using estimated market value from Equistar Chemicals, L.P.'s application. Equistar Chemicals, L.P. has applied only for a value limitation under Chapter 313, Tax Code. Table 3 illustrates the estimated tax impact of the Equistar Chemicals, L.P. project on the region if all taxes are assessed.

Board Findings of the Sheldon Independent School District

**Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought**

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	Sheldon ISD I&S Levy	Sheldon ISD M&O Levy	Sheldon ISD M&O and I&S Tax Levies (Before Credit Credited)	Sheldon ISD M&O and I&S Tax Levies (After Credit Credited)	Harris County Tax Levy	Harris County Flood Control District Tax Levy	Port of Houston Authority Tax Levy	Harris County Hospital District Tax Levy	Harris County Education Department Tax Levy	San Jacinto College District Tax Levy	Estimated Total Property Taxes
				<b>0.0340</b>	<b>1.0900</b>			<b>0.3912</b>	<b>0.0281</b>	<b>0.0186</b>	<b>0.1922</b>	<b>0.0066</b>	<b>0.1856</b>	
2014	\$157,110,200	\$157,110,200		\$53,417	\$1,712,501	\$1,765,919	\$1,765,919	\$614,568	\$44,132	\$29,160	\$301,903	\$10,339	\$291,600	\$3,057,621
2015	\$216,071,800	\$216,071,800		\$73,464	\$2,355,183	\$2,428,647	\$2,428,647	\$845,208	\$60,695	\$40,103	\$415,204	\$14,220	\$401,034	\$4,205,109
2016	\$310,181,000	\$80,000,000		\$105,462	\$872,000	\$977,462	\$977,462	\$1,213,335	\$87,130	\$57,570	\$596,044	\$20,413	\$575,702	\$3,527,655
2017	\$308,565,800	\$80,000,000		\$104,912	\$872,000	\$976,912	\$644,957	\$1,207,017	\$86,676	\$57,270	\$592,940	\$20,307	\$572,704	\$3,181,871
2018	\$296,223,200	\$80,000,000		\$100,716	\$872,000	\$972,716	\$640,761	\$1,158,736	\$83,209	\$54,979	\$569,223	\$19,494	\$549,796	\$3,076,198
2019	\$284,374,300	\$80,000,000		\$96,687	\$872,000	\$968,687	\$636,732	\$1,112,387	\$79,881	\$52,780	\$546,454	\$18,715	\$527,804	\$2,974,753
2020	\$272,999,400	\$80,000,000		\$92,820	\$872,000	\$964,820	\$632,865	\$1,067,892	\$76,686	\$50,669	\$524,596	\$17,966	\$506,692	\$2,877,365
2021	\$262,079,300	\$80,000,000		\$89,107	\$872,000	\$961,107	\$629,152	\$1,025,176	\$73,618	\$48,642	\$503,612	\$17,247	\$486,424	\$2,783,871
2022	\$251,596,100	\$80,000,000		\$85,543	\$872,000	\$957,543	\$625,588	\$984,168	\$70,673	\$46,696	\$483,467	\$16,558	\$466,967	\$2,694,118
2023	\$241,532,300	\$80,000,000		\$82,121	\$872,000	\$954,121	\$622,166	\$944,802	\$67,846	\$44,828	\$464,128	\$15,895	\$448,289	\$2,607,955
2024	\$231,871,000	\$231,871,000		\$78,836	\$2,527,394	\$2,606,230	\$2,606,230	\$907,010	\$65,133	\$43,035	\$445,563	\$15,259	\$430,357	\$4,512,588
2025	\$222,596,100	\$222,596,100		\$75,683	\$2,426,297	\$2,501,980	\$2,501,980	\$870,729	\$62,527	\$41,314	\$427,741	\$14,649	\$413,143	\$4,332,083
2026	\$213,692,300	\$213,692,300		\$72,655	\$2,329,246	\$2,401,901	\$2,401,901	\$835,900	\$60,026	\$39,661	\$410,631	\$14,063	\$396,617	\$4,158,800
2027	\$205,144,600	\$205,144,600		\$69,749	\$2,236,076	\$2,305,825	\$2,305,825	\$802,464	\$57,625	\$38,075	\$394,206	\$13,501	\$380,752	\$3,992,448
2028	\$196,938,800	\$196,938,800		\$66,959	\$2,146,633	\$2,213,592	\$2,213,592	\$770,366	\$55,320	\$36,552	\$378,438	\$12,961	\$365,522	\$3,832,750
						<b>Total</b>	<b>\$21,633,777</b>	<b>\$14,359,758</b>	<b>\$1,031,177</b>	<b>\$681,333</b>	<b>\$7,054,148</b>	<b>\$241,587</b>	<b>\$6,813,405</b>	<b>\$51,815,185</b>

Assumes School Value Limitation.

Source: CPA, Equistar Chemicals, L.P.

<sup>1</sup>Tax Rate per \$100 Valuation

**Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives**

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	Sheldon ISD I&S Levy	Sheldon ISD M&O Levy	Sheldon ISD M&O and I&S Tax Levies	Harris County Tax Levy	Harris County Flood Control District Tax Levy	Port of Houston Authority Tax Levy	Harris County Hospital District Tax Levy	Harris County Education Department Tax Levy	San Jacinto College District Tax Levy	Estimated Total Property Taxes	
				<b>0.0340</b>	<b>1.0900</b>		<b>0.3912</b>	<b>0.0281</b>	<b>0.0186</b>	<b>0.1922</b>	<b>0.0066</b>	<b>0.1856</b>		
2014	\$157,110,200	\$157,110,200		\$53,417	\$1,712,501	\$1,765,919	\$614,568	\$44,132	\$29,160	\$301,903	\$10,339	\$291,600	\$3,057,621	
2015	\$216,071,800	\$216,071,800		\$73,464	\$2,355,183	\$2,428,647	\$845,208	\$60,695	\$40,103	\$415,204	\$14,220	\$401,034	\$4,205,109	
2016	\$310,181,000	\$310,181,000		\$105,462	\$3,380,973	\$3,486,434	\$1,213,335	\$87,130	\$57,570	\$596,044	\$20,413	\$575,702	\$6,036,628	
2017	\$308,565,800	\$308,565,800		\$104,912	\$3,363,367	\$3,468,280	\$1,207,017	\$86,676	\$57,270	\$592,940	\$20,307	\$572,704	\$6,005,193	
2018	\$296,223,200	\$296,223,200		\$100,716	\$3,228,833	\$3,329,549	\$1,158,736	\$83,209	\$54,979	\$569,223	\$19,494	\$549,796	\$5,764,986	
2019	\$284,374,300	\$284,374,300		\$96,687	\$3,099,680	\$3,196,367	\$1,112,387	\$79,881	\$52,780	\$546,454	\$18,715	\$527,804	\$5,534,387	
2020	\$272,999,400	\$272,999,400		\$92,820	\$2,975,693	\$3,068,513	\$1,067,892	\$76,686	\$50,669	\$524,596	\$17,966	\$506,692	\$5,313,013	
2021	\$262,079,300	\$262,079,300		\$89,107	\$2,856,664	\$2,945,771	\$1,025,176	\$73,618	\$48,642	\$503,612	\$17,247	\$486,424	\$5,100,490	
2022	\$251,596,100	\$251,596,100		\$85,543	\$2,742,397	\$2,827,940	\$984,168	\$70,673	\$46,696	\$483,467	\$16,558	\$466,967	\$4,896,470	
2023	\$241,532,300	\$241,532,300		\$82,121	\$2,632,702	\$2,714,823	\$944,802	\$67,846	\$44,828	\$464,128	\$15,895	\$448,289	\$4,700,612	
2024	\$231,871,000	\$231,871,000		\$78,836	\$2,527,394	\$2,606,230	\$907,010	\$65,133	\$43,035	\$445,563	\$15,259	\$430,357	\$4,512,588	
2025	\$222,596,100	\$222,596,100		\$75,683	\$2,426,297	\$2,501,980	\$870,729	\$62,527	\$41,314	\$427,741	\$14,649	\$413,143	\$4,332,083	
2026	\$213,692,300	\$213,692,300		\$72,655	\$2,329,246	\$2,401,901	\$835,900	\$60,026	\$39,661	\$410,631	\$14,063	\$396,617	\$4,158,800	
2027	\$205,144,600	\$205,144,600		\$69,749	\$2,236,076	\$2,305,825	\$802,464	\$57,625	\$38,075	\$394,206	\$13,501	\$380,752	\$3,992,448	
2028	\$196,938,800	\$196,938,800		\$66,959	\$2,146,633	\$2,213,592	\$770,366	\$55,320	\$36,552	\$378,438	\$12,961	\$365,522	\$3,832,750	
						<b>Total</b>	<b>\$41,261,772</b>	<b>\$14,359,758</b>	<b>\$1,031,177</b>	<b>\$681,333</b>	<b>\$7,054,148</b>	<b>\$241,587</b>	<b>\$6,813,405</b>	<b>\$71,443,181</b>

Source: CPA, Equistar Chemicals, L.P.

<sup>1</sup>Tax Rate per \$100 Valuation

**Board Finding Number 6.**

**The revenue gains that will be realized by the school district if the Application is approved will be significant in the long-term, with special reference to revenues used for supporting school district debt.**

The Equistar project remains fully taxable for debt services taxes, with SISD currently levying a \$0.340 per \$100 I&S tax rate. The value of the Equistar project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value is expected to increase the District's tax base by an amount equivalent to about eight percent

Board Findings of the Sheldon Independent School District

of its current tax base at its peak value in the 2016-17 tax year. This increase should assist SISD in meeting its debt service needs, since the District is currently ineligible for state facilities support, due to property wealth per student that exceeds the maximum provided by the state program (\$350,000 per ADA).

**Board Finding Number 7.**

**The effect of the applicant's proposal, if approved, on the number or size of needed school district instructional facilities is not expected to increase the District's facility needs, with current trends suggest little underlying enrollment growth based on the impact of the Equistar project.**

The summary of financial impact prepared by Moak, Casey & Associates, Inc., indicates that there will be little to no impact on school facilities created by the new manufacturing project. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in Sheldon ISD as stated in **Attachment D**.

**Board Finding Number 8.**

**The ability of the applicant to locate the proposed facility in another state or another region of this state is substantial, as a result of the highly competitive marketplace for economic development.**

In support of Finding 8, the economic impact evaluation states:

According to Equistar Chemicals, L.P.'s application, "Equistar Chemicals, LP is wholly owned by LyondellBasell Industries which is a global manufacturer of petrochemicals. The Channelview plant is an olefins plant that produces ethylene, propylene, butadiene, and other related hydrocarbon byproducts. Equistar Chemicals, LP has other plants that produce similar products in La Porte, Texas, Corpus Christi, Texas, Morris, Illinois, and Clinton, Iowa. LyondellBasell has the ability to invest in new or existing facilities in many countries around the world as well as numerous existing facilities in the United States."

**Board Finding Number 9.**

**During the past two years, 24 projects in the Houston-Galveston Area Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.**

**Board Finding Number 10.**

**The Board of Trustees hired consultants to review and verify the information in the Application from Equistar. Based upon the consultants' review, the Board has determined that the information provided by the Applicant is true and correct.**

**Board Finding Number 11.**

**The Board of Trustees has determined that the Tax Limitation Amount requested by Applicant is currently Eighty Million Dollars, which is consistent with the minimum values currently set out by Tax Code, §§ 313.054(a).**

According to the Texas Comptroller of Public Accounts' School and Appraisal Districts' Property Value Study 2012 Final Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year, Attachment F, the total 2012 taxable value for Sheldon ISD is \$4.3 billion. Sheldon ISD is categorized as Subchapter B. It is classified as a Category II district which can offer a minimum value limitation of \$80 million.

**Board Finding Number 12.**

**The Applicant (Taxpayer Id. 17605504814) is eligible for the limitation on appraised value of qualified property as specified in the Agreement based on its "good standing" certification as a franchise-tax paying entity.**

**Board Finding Number 13.**

**The Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Attachment G, includes adequate and appropriate revenue protection provisions for the District.**

In support of this finding, the report of Moak, Casey & Associates, Inc. shows that the District will incur a revenue loss under current law in the first year that the value limitation is in effect without the proposed Agreement. However, with this Agreement, the negative consequences of granting the value limitation are offset through the revenue protection provisions agreed to by the Applicant and the District. Revenue protection measures are in place for the duration of the Agreement.

Board Findings of the Sheldon Independent School District

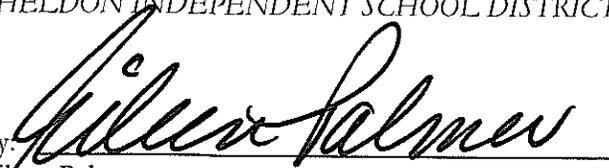
**Board Finding Number 14.**

**Considering the purpose and effect of the law and the terms of the Agreement, that it is in the best interest of the District and the State to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.**

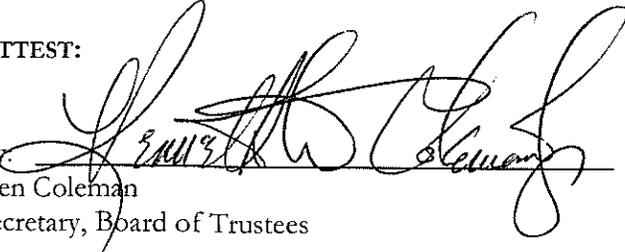
It is therefore ORDERED that the Agreement attached hereto as **Attachment G** is approved and hereby authorized to be executed and delivered by and on behalf of the Sheldon Independent School District. It is further ORDERED that these findings and the Attachments referred to herein be attached to the Official Minutes of this meeting, and maintained in the permanent records of the Board of Trustees of the Sheldon Independent School District.

Dated the 20th day of August 2013.

*SHELDON INDEPENDENT SCHOOL DISTRICT*

By:   
Eileen Palmer  
President, Board of Trustees

ATTEST:

By:   
Ken Coleman  
Secretary, Board of Trustees

# SHELDON INDEPENDENT SCHOOL DISTRICT

December 19, 2012

Local Government Assistance & Economic Analysis  
The Comptroller of Public Accounts  
PO Box 13528  
Austin, TX 78711-3528

## Board of Trustees

Ken Coleman, President  
Eileen Palmer, Vice President  
Latricia Archie, Secretary  
Debbie Kolacny, Member  
Ed Lipscomb, Member  
Keith Norwood, Member  
Fred Rivas, Member

Dr. Vickey M. Giles  
Superintendent of Schools

11411 C. E. King Parkway  
Houston, Texas 77044-2009  
281-727-2000 • Fax: 281-727-2085

RE: Application for Appraised Value Limitation on  
Qualified Property

To Whom It May Concern:

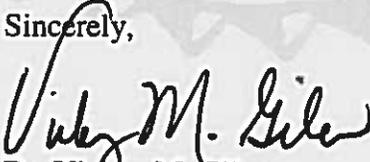
This is notification that Sheldon ISD has received an application for appraised value limitation on qualified property from Equistar Chemicals, LP. The required particulars of the application are as follows:

- Date on which the District received the application: November 13, 2012
- Date on which the District determined that the application is complete: December 18, 2012
- Date on which the School Board decided to consider the application: December 18, 2012

As required, the original completed application in a three-ring binder with an electronic copy on CD is enclosed. Please proceed to prepare an economic impact analysis of the application.

Our contact information is included in the application. Please let us know if there are any other formalities in this regard.

Sincerely,

  
Dr. Vickey M. Giles

cc: Harris County Appraisal District



# Application for Appraised Value Limitation on Qualified Property

(Tax Code, Chapter 313, Subchapter B or C)

**Form 50-296**  
(Revised May 2010)

**INSTRUCTIONS:** This application must be completed and filed with the school district. In order for an application to be processed, the governing body (school board) must elect to consider an application, but — by Comptroller rule — the school board may elect to consider the application only after the school district has received a completed application. Texas Tax Code, Section 313.025 requires that any completed application and any supplemental materials received by the school district must be forwarded within seven days to the Comptroller of Public Accounts.

If the school board elects to consider the application, the school district must:

- notify the Comptroller that the school board has elected to consider the application.

This notice must include:

- the date on which the school district received the application;
  - the date the school district determined that the application was complete;
  - the date the school board decided to consider the application; and
  - a request that the comptroller prepare an economic impact analysis of the application;
- provide a copy of the notice to the appraisal district;
  - must complete the sections of the application reserved for the school district and provide information required in the Comptroller rules located at 34 Texas Administrative Code (TAC) Section 9.1054; and
  - forward the original completed application to the Comptroller in a three-ring binder with tabs separating each section of the documents, in addition to an electronic copy on CD. See 34 TAC Chapter 9, Subchapter F.

The governing body may, at its discretion, allow the applicant to supplement or amend the application after the filing date, subject to the restrictions in 34 TAC Chapter 9, Subchapter F.

When the Comptroller receives the notice and required information from the school district, the Comptroller will publish all submitted application materials on its Web site. The Comptroller is authorized to treat some application information as confidential and withhold it from publication on the Internet. To do so, however, the information must be segregated and comply with the other requirements set out in the Comptroller rules as explained in the Confidentiality Notice below.

The Comptroller will independently determine whether the application has been completed according to the Comptroller's rules (34 TAC Chapter 9, Subchapter F). If the Comptroller finds the application is not complete, the Comptroller will request additional materials from the school district. When the Comptroller determines that the application is complete, it will send the school district a notice indicating so. The Comptroller will determine the eligibility of the project, make a recommendation to the school board regarding the application and prepare an economic impact evaluation by the 90th day after the Comptroller receives a complete application—as determined by the Comptroller.

The school board must approve or disapprove the application before the 151st day after the application review start date (the date the application is finally determined to be complete), unless an extension is granted. The Comptroller and school district are authorized to request additional information from the applicant that is reasonably necessary to complete the recommendation, economic impact evaluation or consider the application at any time during the application review period.

Please visit the Comptroller's Web site to find out more about the program at <http://www.window.state.tx.us/taxinfo/proptax/hb1200/index.html>. There are links on this Web page to the Chapter 313 statute, rules and forms. Information about minimum limitation values for particular districts and wage standards may also be found at that site.

## SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION

<b>Authorized School District Representative</b>		Date application received by district
First Name	Last Name	
Title		
School District Name		
Street Address		
Mailing Address		
City	State	ZIP
Phone Number	Fax Number	
Mobile Number (optional)	E-mail Address	

I authorize the consultant to provide and obtain information related to this application.....  Yes  No

Will consultant be primary contact? .....  Yes  No

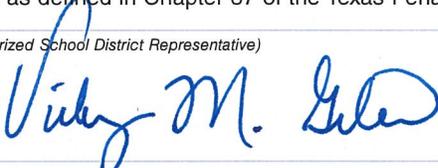


**SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)**

**Authorized School District Consultant (If Applicable)**

First Name <b>Jeffrey D.</b>		Last Name <b>Janota</b>	
Title <b>Attorney</b>			
Firm Name <b>Henslee Schwartz LLP</b>			
Street Address <b>816 Congress Ave., Suite 800</b>			
Mailing Address <b>816 Congress Ave., Suite 800</b>			
City <b>Austin</b>		State <b>TX</b>	ZIP <b>78701-1648</b>
Phone Number <b>512-708-1804</b>		Fax Number <b>512-708-9037</b>	
Mobile Number (Optional)		E-mail Address <b>jjanota@hensleeschwartz.com</b>	

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.

Signature (Authorized School District Representative) 	Date <b>1/25/2013</b>
---	--------------------------

Has the district determined this application complete? .....  Yes  No

If yes, date determined complete. 12/18/2012

Have you completed the school finance documents required by TAC 9.1054(c)(3)? .....  Yes  No

**SCHOOL DISTRICT CHECKLIST AND REQUESTED ATTACHMENTS**

	Checklist	Page X of 16	Check Completed
1	Date application received by the ISD	1 of 16	✓
2	Certification page signed and dated by authorized school district representative	2 of 16	✓
3	Date application deemed complete by ISD	2 of 16	✓
4	Certification pages signed and dated by applicant or authorized business representative of applicant	4 of 16	✓
5	Completed company checklist	12 of 16	✓
6	School finance documents described in TAC 9.1054(c)(3) (Due within 20 days of district providing notice of completed application)	2 of 16	



**SCHOOL DISTRICT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)**

**Authorized School District Consultant (If Applicable)**

First Name	Last Name	
Title		
Firm Name		
Street Address		
Mailing Address		
City	State	ZIP
Phone Number	Fax Number	
Mobile Number (Optional)	E-mail Address	

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.

Signature (Authorized School District Representative)	Date
---	------

Has the district determined this application complete? .....  Yes  No

If yes, date determined complete. \_\_\_\_\_

Have you completed the school finance documents required by TAC 9.1054(c)(3)? .....  Yes  No

**SCHOOL DISTRICT CHECKLIST AND REQUESTED ATTACHMENTS**

	Checklist	Page X of 16	Check Completed
1	Date application received by the ISD	1 of 16	
2	Certification page signed and dated by authorized school district representative	2 of 16	
3	Date application deemed complete by ISD	2 of 16	
4	Certification pages signed and dated by applicant or authorized business representative of applicant	4 of 16	
5	Completed company checklist	12 of 16	
6	School finance documents described in TAC 9.1054(c)(3) (Due within 20 days of district providing notice of completed application)	2 of 16	



**APPLICANT INFORMATION - CERTIFICATION OF APPLICATION**

**Authorized Business Representative (Applicant)**

First Name		Last Name	
Title			
Organization			
Street Address			
Mailing Address			
City		State	ZIP
Phone Number		Fax Number	
Mobile Number (optional)		Business e-mail Address	

Will a company official other than the authorized business representative be responsible for responding to future information requests? .....  Yes  No

If yes, please fill out contact information for that person.

First Name		Last Name	
Title			
Organization			
Street Address			
Mailing Address			
City		State	ZIP
Phone Number		Fax Number	
Mobile Number (optional)		E-mail Address	

I authorize the consultant to provide and obtain information related to this application.. .....  Yes  No

Will consultant be primary contact? .....  Yes  No



APPLICANT INFORMATION - CERTIFICATION OF APPLICATION (CONTINUED)

Authorized Company Consultant (If Applicable)

First Name <b>D. Dale</b>		Last Name <b>Cummings</b>	
Title <b>Partner</b>			
Firm Name <b>Cummings Westlake LLC</b>			
Street Address <b>12837 Louetta Road, Suite 201</b>			
Mailing Address <b>12837 Louetta Road, Suite 201</b>			
City <b>Cypress</b>		State <b>TX</b>	ZIP <b>77429</b>
Phone Number <b>713-266-4456 x1</b>		Fax Number <b>713-266-2333</b>	
Business email Address <b>dcummings@cwlp.net</b>			

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 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.

Signature (Authorized Business Representative (Applicant)) <i>Stephen R. Ward</i>	Date <i>Nov. 8, 2012</i>
--	-----------------------------

GIVEN under my hand and seal of office this 8<sup>th</sup> day of November 2012



(Notary Seal)

*Mary Sue Patronella*  
Notary Public, State of Texas

My commission expires 4-16-2015

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 § 37.10.



FEES AND PAYMENTS

Enclosed is proof of application fee paid to the school district.

For the purpose of this question, "payments to the school district" include any and all payments or transfers of things of value made to the school district or to any person or persons in any form if such payment or transfer of thing of value being provided is in recognition of, anticipation of, or consideration for the agreement for limitation on appraised value.

Please answer only either A OR B:

A. Will any "payments to the school district" that you may make in order to receive a property tax value limitation agreement result in payments that are not in compliance with Tax Code, 313.027(i)?

B. If "payments to the school district" will only be determined by a formula or methodology without a specific amount being specified, could such method result in "payments to the school district" that are not in compliance with Tax Code §313.027(i)?

BUSINESS APPLICANT INFORMATION

Legal Name under which application is made

Texas Taxpayer I.D. Number of entity subject to Tax Code, Chapter 171 (11 digits)

NAICS code

Is the applicant a party to any other Chapter 313 agreements?

If yes, please list name of school district and year of agreement.

APPLICANT BUSINESS STRUCTURE

Registered to do business in Texas with the Texas Secretary of State?

Identify business organization of applicant (corporation, limited liability corporation, etc.)

1. Is the applicant a combined group, or comprised of members of a combined group, as defined by Texas Tax Code Chapter 171.0001(7)?

2. Is the applicant current on all tax payments due to the State of Texas?

3. Are all applicant members of the combined group current on all tax payments due to the State of Texas?

If the answer to either question is no, please explain and/or disclose any history of default, delinquencies and/or any material litigation, including litigation involving the State of Texas. (Use attachment if necessary.)



ELIGIBILITY UNDER TAX CODE CHAPTER 313.024

- Are you an entity to which Tax Code, Chapter 171 applies?
The property will be used as an integral part, or as a necessary auxiliary part, in one of the following activities:
(1) manufacturing
(2) research and development.
(3) a clean coal project, as defined by Section 5.001, Water Code
(4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code
(5) renewable energy electric generation
(6) electric power generation using integrated gasification combined cycle technology.
(7) nuclear electric power generation
(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)
Are you requesting that any of the land be classified as qualified investment?
Will any of the proposed qualified investment be leased under a capitalized lease?
Will any of the proposed qualified investment be leased under an operating lease?
Are you including property that is owned by a person other than the applicant?
Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment?

PROJECT DESCRIPTION

Provide 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. (Use attachments as necessary)

Describe the ability of your company to locate or relocate in another state or another region of the state.

PROJECT CHARACTERISTICS (CHECK ALL THAT APPLY)

- Checkboxes for: New Jobs, Relocation from Out-of-State, Consolidation, Construct New Facility, Expansion, Relocation within Texas, New Business / Start-up, Expand Existing Facility, Purchase Machinery & Equipment

PROJECTED TIMELINE

Begin Construction, Construction Complete, Purchase Machinery & Equipment, Begin Hiring New Employees, Fully Operational

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)?
Note: Improvements made before that time may not be considered qualified property.

When do you anticipate the new buildings or improvements will be placed in service?



**ECONOMIC INCENTIVES**

Identify state programs the project will apply for:

State Source	Amount
_____	_____
_____	_____
_____	_____
Total	_____

Will other incentives be offered by local units of government? . . . . .  Yes  No

Please use the following box for additional details regarding incentives. (Use attachments if necessary.)

**THE PROPERTY**

Identify county or counties in which the proposed project will be located \_\_\_\_\_

Central Appraisal District (CAD) that will be responsible for appraising the property \_\_\_\_\_

Will this CAD be acting on behalf of another CAD to appraise this property? . . . . .  Yes  No

List all taxing entities that have jurisdiction for the property and the portion of project within each entity

County: \_\_\_\_\_ (Name and percent of project)      City: \_\_\_\_\_ (Name and percent of project)

Hospital District: \_\_\_\_\_ (Name and percent of project)      Water District: \_\_\_\_\_ (Name and percent of project)

Other (describe): \_\_\_\_\_ (Name and percent of project)      Other (describe): \_\_\_\_\_ (Name and percent of project)

Is the project located entirely within this ISD? . . . . .  Yes  No

If not, please provide additional information on the project scope and size to assist in the economic analysis.



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 rural, and the taxable value of the property within the school district. For assistance in determining estimates of these minimums, access the Comptroller's Web site at www.window.state.tx.us/taxinfo/proptax/hb1200/values.html.

At the time of application, what is the estimated minimum qualified investment required for this school district? \_\_\_\_\_

What is the amount of appraised value limitation for which you are applying? \_\_\_\_\_

What is your total estimated qualified investment? \_\_\_\_\_

NOTE: See 313.021(1) for full definition. Generally, Qualified Investment is the sum of the investment in tangible personal property and buildings and new improvements made between beginning of the qualifying time period (date of application final approval by the school district) and the end of the second complete tax year.

What is the anticipated date of application approval? \_\_\_\_\_

What is the anticipated date of the beginning of the qualifying time period? \_\_\_\_\_

What is the total estimated investment for this project for the period from the time of application submission to the end of the limitation period? \_\_\_\_\_

Describe the qualified investment.[See 313.021(1).]

Attach the following items to this application:

- (1) 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,
(2) a description of any new buildings, proposed improvements or personal property which you intend to include as part of your minimum qualified investment and
(3) a map of the qualified investment showing location of new buildings or new improvements with vicinity map.

Do you intend to make at least the minimum qualified investment required by Tax Code §313.023 (or 313.053 for rural school districts) for the relevant school district category during the qualifying time period? Yes No

Except for new equipment described in Tax Code §151.318(q) or (q-1), is the proposed tangible personal property to be placed in service for the first time:

- (1) in or on the new building or other new improvement for which you are applying? Yes No
(2) if not in or on the new building or other new improvement for which you are applying for an appraised value limitation, is the personal property necessary and ancillary to the business conducted in the new building or other new improvement? Yes No
(3) on the same parcel of land as the building for which you are applying for an appraised value limitation? Yes No

("First placed in service" means the first use of the property by the taxpayer.)

Will the investment in real or personal property you propose be counted toward the minimum qualified investment required by Tax Code §313.023, (or 313.053 for rural school districts) be first placed in service in this state during the applicable qualifying time period? Yes No

Does the investment in tangible personal property meet the requirements of Tax Code §313.021(1)? Yes No

If the proposed investment includes a building or a permanent, non-removable component of a building, does it house tangible personal property? Yes No

QUALIFIED PROPERTY

Describe the qualified property. [See 313.021(2)] (If qualified investment describes qualified property exactly you may skip items (1), (2) and (3) below.)

Attach the following items to this application:

- (1) a specific and detailed description of the qualified property for which you are requesting an appraised value limitation as defined by Tax Code §313.021,
(2) a description of any new buildings, proposed improvements or personal property which you intend to include as part of your qualified property and
(3) a map of the qualified property showing location of new buildings or new improvements – with vicinity map.

Land

Is the land on which you propose new construction or improvements currently located in an area designated as a reinvestment zone under Tax Code Chapter 311 or 312 or as an enterprise zone under Government Code Chapter 2303? Yes No

If you answered "no" to the question above, what is the anticipated date on which you will submit proof of a reinvestment zone with boundaries encompassing the land on which you propose new construction or improvements? \_\_\_\_\_

Will the applicant own the land by the date of agreement execution? Yes No

Will the project be on leased land? Yes No



QUALIFIED PROPERTY (CONTINUED)

If the land upon which the new building or new improvement is to be built is part of the qualified property described by §313.021(2)(A), please attach complete documentation, including:

- 1. Legal description of the land
2. Each existing appraisal parcel number of the land on which the improvements will be constructed, regardless of whether or not all of the land described in the current parcel will become qualified property
3. Owner
4. The current taxable value of the land. Attach estimate if land is part of larger parcel.
5. A detailed map (with a vicinity map) showing the location of the land

Attach a map of the reinvestment zone boundaries, certified to be accurate by either the governmental entity creating the zone, the local appraisal district, or a licensed surveyor. (With vicinity map)

Attach the order, resolution or ordinance establishing the zone, and the guidelines and criteria for creating the zone, if applicable.

Miscellaneous

Is the proposed project a building or new improvement to an existing facility? [ ] Yes [ ] No

Attach a description of any existing improvements and include existing appraisal district account numbers.

List current market value of existing property at site as of most recent tax year. (Market Value) (Tax Year)

Is any of the existing property subject to a value limitation agreement under Tax Code 313? [ ] Yes [ ] No

Will all of the property for which you are requesting an appraised value limitation be free of a tax abatement agreement entered into by a school district for the duration of the limitation? [ ] Yes [ ] No

WAGE AND EMPLOYMENT INFORMATION

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)?

The last complete calendar quarter before application review start date is the:

- [ ] First Quarter [ ] Second Quarter [ ] Third Quarter [ ] Fourth Quarter of (year)

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 TWC?

Note: For job definitions see TAC §9.1051(14) and Tax Code 313.021(3). If the applicant intends to apply a definition for "new job" other than TAC §9.1051(14)(C), then please provide the definition of "new job" as used in this application.

Total number of new jobs that will have been created when fully operational

Do you plan to create at least 25 new jobs (at least 10 new jobs for rural school districts) on the land and in connection with the new building or other improvement? [ ] Yes [ ] No

Do you intend to request that the governing body waive the minimum new job creation requirement, as provided under Tax Code §313.025(f-1)? [ ] Yes [ ] No

If you answered "yes" to the question above, attach evidence documenting that the new job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards. Note: Even if a minimum new job waiver is provided, 80% of all new jobs must be qualifying jobs pursuant to Texas Tax Code, §313.024(d).

What is the maximum number of qualifying jobs meeting all criteria of §313.021(3) you are committing to create?

If this project creates more than 1,000 new jobs, the minimum required wage for this project is 110% of the average county weekly wage for all jobs as described by 313.021(3)(E)(ii).

If this project creates less than 1,000 new jobs, does this district have territory in a county that meets the demographic characteristics of 313.051(2)? (see table of information showing this district characteristic at http://www.window.state.tx.us/taxinfo/proptax/hb1200/values.html)

If yes, the applicant must meet wage standard described in 313.051(b) (110% of the regional average weekly wage for manufacturing)

If no, the applicant shall designate one of the wage standards set out in §§313.021(5)(A) or 313.021(5)(B).



WAGE AND EMPLOYMENT INFORMATION (CONTINUED)

For the following three wage calculations please include on an attachment the four most recent quarters of data for each wage calculation. Show the average and the 110% calculation. Include documentation from TWC Web site. 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(7).

110% of the county average weekly wage for all jobs (all industries) in the county is \_\_\_\_\_

110% of the county average weekly wage for manufacturing jobs in the county is \_\_\_\_\_

110% of the county average weekly wage for manufacturing jobs in the region is \_\_\_\_\_

Please identify which Tax Code section you are using to estimate the wage standard required for this project:

§313.021(5)(A) or  §313.021(5)(B) or  §313.021(3)(E)(ii), or  §313.051(b)?

What is the estimated minimum required annual wage for each qualifying job based on the qualified property? \_\_\_\_\_

What is the estimated minimum required annual wage you are committing to pay for each of the qualifying jobs you create on the qualified property? \_\_\_\_\_

Will 80% of all new jobs created by the owner be qualifying jobs as defined by 313.021(3)? .....  Yes  No

Will each qualifying job require at least 1,600 of work a year? .....  Yes  No

Will any of the qualifying jobs be jobs transferred from one area of the state to another? .....  Yes  No

Will any of the qualifying jobs be retained jobs? .....  Yes  No

Will any of the qualifying jobs be created to replace a previous employee? .....  Yes  No

Will any required qualifying jobs be filled by employees of contractors? .....  Yes  No

If yes, what percent? \_\_\_\_\_

Does the applicant or contractor of the applicant offer to pay at least 80% of the employee's health insurance premium for each qualifying job? .....  Yes  No

Describe each type of benefits to be offered to qualifying jobholders. (Use attachments as necessary.)

See Attachment 15

ECONOMIC IMPACT

Is an Economic Impact Analysis attached (If supplied by other than the Comptroller's office)? .....  Yes  No

Is Schedule A completed and signed for all years and attached? .....  Yes  No

Is Schedule B completed and signed for all years and attached? .....  Yes  No

Is Schedule C (Application) completed and signed for all years and attached? .....  Yes  No

Is Schedule D completed and signed for all years and attached? .....  Yes  No

Note: Excel spreadsheet versions of schedules are available for download and printing at URL listed below.

If there are any other payments made in the state or economic information that you believe should be included in the economic analysis, please attach a separate schedule showing the amount for each year affected, including an explanation.

**CONFIDENTIALITY NOTICE****Property Tax Limitation Agreement Applications  
Texas Government Code Chapter 313  
Confidential Information Submitted to the Comptroller**

Generally, an application for property tax value limitation, the information provided therein, and documents submitted in support thereof, are considered public information subject to release under the Texas Public Information Act.

There is an exception, outlined below, by which information will be withheld from disclosure.

The Comptroller's office will withhold information from public release if:

- 1) it describes the specific processes or business activities to be conducted or the specific tangible personal property to be located on real property covered by the application;
- 2) the information has been segregated in the application from other information in the application; and
- 3) the party requesting confidentiality provides the Comptroller's office a list of the documents for which confidentiality is sought and for each document lists the specific reasons, including any relevant legal authority, stating why the material is believed to be confidential.

All applications and parts of applications which are not segregated and marked as confidential as outlined above will be considered public information and will be posted on the internet.

Such information properly identified as confidential will be withheld from public release unless and until the governing body of the school district acts on the application, or we are directed to do so by a ruling from the Attorney General.

Other information in the custody of a school district or the comptroller submitted in connection with the application, including information related to the economic impact of a project or the essential elements of eligibility under Texas Tax Code, Chapter 313, such as

the nature and amount of the projected investment, employment, wages, and benefits, will not be considered confidential business information and will be posted on the internet.

All documents submitted to the Comptroller, as well as all information in the application once the school district acts thereon, are subject to public release unless specific parts of the application or documents submitted with the application are identified as confidential. Any person seeking to limit disclosure of such submitted records is advised to consult with their legal counsel regarding disclosure issues and also to take the appropriate precautions to safeguard copyrighted material, trade secrets, or any other proprietary information. The Comptroller assumes no obligation or responsibility relating to the disclosure or nondisclosure of information submitted by respondents. A person seeking to limit disclosure of information must submit in writing specific detailed reasons, including any relevant legal authority, stating why that person believes the material to be confidential.

The following outlines how the Comptroller's office will handle requests for information submitted under the Texas Public Information Act for application portions and submitted records appropriately identified as confidential.

- This office shall forward the request for records and a copy of the documents at issue to the Texas Attorney General's office for an opinion on whether such information may be withheld from disclosure under the Texas Public Information Act.
- The Comptroller will notify the person who submitted the application/documents when the information is forwarded to the Attorney General's office.
- Please be aware that this Office is obligated to comply with an Attorney General's decision, including release of information ruled public even if it was marked confidential.

**COMPANY CHECKLIST AND REQUESTED ATTACHMENTS**

	<b>Checklist</b>	<b>Page X of 16</b>	<b>Check Completed</b>
1	Certification pages signed and dated by Authorized Business Representative (applicant)	4 of 16	
2	Proof of Payment of Application Fee (Attachment)	5 of 16	
3	For applicant members, documentation of Combined Group membership under Texas Tax Code 171.0001(7) (if Applicable) (Attachment)	5 of 16	
4	Detailed description of the project	6 of 16	
5	If project is located in more than one district, name other districts and list percentage in each district (Attachment)	7 of 16	
6	Description of Qualified Investment (Attachment)	8 of 16	
7	Map of qualified investment showing location of new buildings or new improvements with vicinity map.	8 of 16	
8	Description of Qualified Property (Attachment)	8 of 16	
9	Map of qualified property showing location of new buildings or new improvements with vicinity map	8 of 16	
10	Description of Land (Attachment)	9 of 16	
11	A detailed map showing location of the land with vicinity map.	9 of 16	
12	A description of all existing (if any) improvements (Attachment)	9 of 16	
13	Request for Waiver of Job Creation Requirement (if applicable) (Attachment)	9 of 16	
14	Calculation of three possible wage requirements with TWC documentation. (Attachment)	10 of 16	
15	Description of Benefits	10 of 16	
16	Economic Impact (if applicable)	10 of 16	
17	Schedule A completed and signed	13 of 16	
18	Schedule B completed and signed	14 of 16	
19	Schedule C (Application) completed and signed	15 of 16	
20	Schedule D completed and signed	16 of 16	
21	Map of Reinvestment Zone (Attachment) (Showing the actual or proposed boundaries and size, Certified to be accurate by either the government entity creating the zone, the local appraisal district, or a licensed surveyor, with vicinity map)*	9 of 16	
22	Order, Resolution, or Ordinance Establishing the Zone (Attachment)*	9 of 16	
23	Legal Description of Reinvestment Zone (Attachment)*	9 of 16	
24	Guidelines and Criteria for Reinvestment Zone(Attachment)*	9 of 16	

**\*To be submitted with application or before date of final application approval by school board.**

Applicant Name: Equistar Chemicals, LP  
 ISD Name: Sheldon ISD

PROPERTY INVESTMENT AMOUNTS									
(Estimated investment in each year. Do not put cumulative totals.)									
	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A: Tangible Personal Property (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)		
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	2012-2013	2012					\$ -		
	2013-2014	2013					\$ -		
	2012-2013	2012					\$ -		
	2013-2014	2013					\$ -		
	2012-2013	2012					\$ -		
	2013-2014	2013					\$ -		
	2014-2015	2014	\$ 192,930,450	\$ 1,948,792	\$ 194,879,242	\$ -	\$ 194,879,242		
	2015-2016	2015	\$ 115,830,000	\$ 1,170,000	\$ 117,000,000	\$ -	\$ 117,000,000		
	2016-2017	2016	\$ 34,650,000	\$ 350,000	\$ 35,000,000	\$ -	\$ 35,000,000		
	2017-2018	2017	\$ 1,980,000	\$ 20,000	\$ 2,000,000	\$ -	\$ 2,000,000		
	2018-2019	2018					\$ -		
	2019-2020	2019					\$ -		
	2020-2021	2020					\$ -		
	2021-2022	2021					\$ -		
	2022-2023	2022					\$ -		
2023-2024	2023					\$ -			
2024-2025	2024					\$ -			
2025-2026	2025					\$ -			
2026-2027	2026					\$ -			
2027-2028	2027					\$ -			
2028-2029	2028					\$ -			
Tax Credit Period (with 50% cap on credit)	1								
	2								
Credit Settle-Up Period	3								
	4								
	5								
	6								
	7								
	8								
	9								
	10								
	11								
	12								
Post-Settle-Up Period	13								
	14								
Post-Settle-Up Period	15								
	16								

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.021(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property. Include estimates of investment for "replacement" property that is part of original agreement but scheduled for probable replacement during limitation period. The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E).

Column D: For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings. Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value for planning, construction and operation of the facility. The most significant example for many projects would be land. Other examples may be items such as professional services, etc. Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

*Stephen K. W.J.*

11/8/12

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

Schedule B (Rev. May 2010): Estimated Market And Taxable Value

Form 50-296

Applicant Name:  
ISD Name

Sheldon ISD

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	Final taxable value for M&O--after all reductions	Final taxable value for M&O--after all reductions
				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 building or "in or on the new improvement"				
	pre- year 1	2012-2013	2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	pre- year 2	2013-2014	2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Complete tax years of qualifying time period	1	2014-2015	2014	\$ -	\$ 1,653,800	\$ 163,725,400	\$ 8,269,000	\$ 157,110,200	\$ 157,110,200	
	2	2015-2016	2015	\$ -	\$ 2,274,400	\$ 225,169,600	\$ 11,372,200	\$ 216,071,800	\$ 216,071,800	
	3	2016-2017	2016	\$ -	\$ 3,265,100	\$ 323,241,200	\$ 16,325,300	\$ 310,181,000	\$ 80,000,000	
	4	2017-2018	2017	\$ -	\$ 3,248,100	\$ 321,558,000	\$ 16,240,300	\$ 308,565,800	\$ 80,000,000	
	5	2018-2019	2018	\$ -	\$ 3,118,200	\$ 308,695,700	\$ 15,590,700	\$ 296,223,200	\$ 80,000,000	
Value Limitation Period	6	2019-2020	2019	\$ -	\$ 2,993,500	\$ 296,347,900	\$ 14,967,100	\$ 284,374,300	\$ 80,000,000	
	7	2020-2021	2020	\$ -	\$ 2,873,800	\$ 284,494,000	\$ 14,368,400	\$ 272,999,400	\$ 80,000,000	
	8	2021-2022	2021	\$ -	\$ 2,758,800	\$ 273,114,200	\$ 13,793,700	\$ 262,079,300	\$ 80,000,000	
	9	2022-2023	2022	\$ -	\$ 2,648,400	\$ 262,189,600	\$ 13,241,900	\$ 251,596,100	\$ 80,000,000	
	10	2023-2024	2023	\$ -	\$ 2,542,500	\$ 251,702,000	\$ 12,712,200	\$ 241,532,300	\$ 80,000,000	
Credit Settle-Up Period	11	2024-2025	2024	\$ -	\$ 2,440,800	\$ 241,633,900	\$ 12,203,700	\$ 231,871,000	\$ 231,871,000	
	12	2025-2026	2025	\$ -	\$ 2,343,200	\$ 231,968,500	\$ 11,715,600	\$ 222,596,100	\$ 222,596,100	
	13	2026-2027	2026	\$ -	\$ 2,249,500	\$ 222,689,800	\$ 11,247,000	\$ 213,692,300	\$ 213,692,300	
Post- Settle-Up Period	14	2027-2028	2027	\$ -	\$ 2,159,500	\$ 213,782,200	\$ 10,797,100	\$ 205,144,600	\$ 205,144,600	
Post- Settle-Up Period	15	2028-2029	2028	\$ -	\$ 2,073,100	\$ 205,230,900	\$ 10,365,200	\$ 196,938,800	\$ 196,938,800	

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed enter those amounts for future years.

*Stephen K. W.J.*

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

*11/8/12*

DATE



Schedule D: (Rev. May 2010) Other Tax Information

Equistar Chemicals, LP

Sheldon ISD

Form 50-296

Applicant Name

	Sales Tax Information				Franchise Tax	Other Property Tax Abatements Sought				
	Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Column F: Estimate of total annual expenditures* subject to state sales tax		Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Franchise Tax	County	City	Hospital
		2012-2013	2012	\$ -	\$ -	\$ -	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)		2013-2014	2013	\$ 51,819,242	\$ 146,060,000	\$ 400,000	N/A	N/A	N/A	N/A
	1	2014-2015	2014	\$ 39,870,000	\$ 77,130,000	\$ 1,500,000	N/A	N/A	N/A	N/A
	2	2015-2016	2015	\$ 9,860,000	\$ 25,140,000	\$ 1,500,000	N/A	N/A	N/A	N/A
	3	2016-2017	2016	\$ -	\$ 2,000,000	\$ 1,500,000	N/A	N/A	N/A	N/A
	4	2017-2018	2017	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	5	2018-2019	2018	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	6	2019-2020	2019	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	7	2020-2021	2020	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	8	2021-2022	2021	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	9	2022-2023	2022	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	10	2023-2024	2023	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	11	2024-2025	2024	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	12	2025-2026	2025	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	13	2026-2027	2026	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	14	2027-2028	2027	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	15	2028-2029	2028	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
Tax Credit Period (with 50% cap on credit)										
Credit Settle-Up Period										
Post-Settle-Up Period										

\*For planning, construction and operation of the facility.

*Steph K. W.J.*

*11/8/12*

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

**ATTACHMENT 1**

See application

**ATTACHMENT 2**

Copy of check attached

Proof of payment of filing fee received by the  
Comptroller of Public Accounts per TAC Rule  
§9.1054 (b)(5)

*(Page Inserted by Office of Texas Comptroller of Public  
Accounts)*

**ATTACHMENT 3**

See attached documentation of combined group membership



Comptroller  
of Public  
Accounts  
FORM

05-165  
(Rev.9-11/3)

### Texas Franchise Tax Extension Affiliate List

■ Tcode 13298

■ Reporting entity taxpayer number

1 7 6 0 5 5 0 4 8 1 4

■ Report year

2 0 1 2

Reporting entity taxpayer name

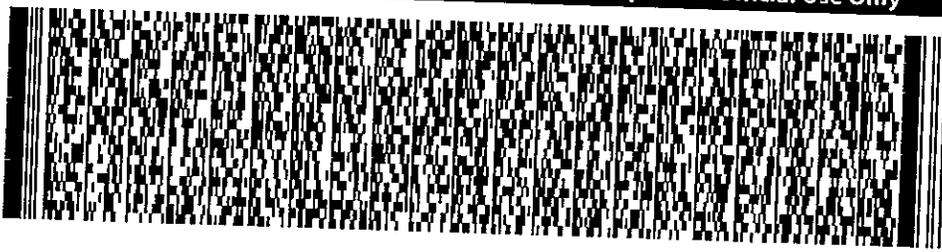
EQUISTAR CHEMICALS, LP & AFFILIATES

LEGAL NAME OF AFFILIATE	AFFILIATE'S TEXAS TAXPAYER NUMBER <small>(If none, enter FEI number)</small>										BLACKEN CIRCLE IF AFFILIATE DOES NOT HAVE NEXUS IN TEXAS	
1. LYONDELLBASELL FINANCE COMPANY	7	5	3	2	6	0	8	0	6			■ ○
2. LYONDELL CHEMICAL COMPANY	1	9	5	4	1	6	0	5	5	8	0	■ ○
3. EQUISTAR GP, LLC	3	2	0	4	1	2	5	3	5	3	8	■ ○
4. EQUISTAR LP, LLC	2	7	1	1	9	1	0	1	7			■ ○
5. LYONDELL CHEMICAL OVERSEAS SERVICE, INC.	3	2	0	0	3	4	9	7	0	0	8	■ ○
6. LYONDELL CHEMICAL DELAWARE COMPANY	5	1	0	3	0	9	0	9	4			■ ○
7. LYONDELL CHEMICAL HOLDING COMPANY	5	1	0	3	2	9	8	0	0			■ ○
8. LYONDELL CHEMICAL INTERNATIONAL COMPANY	5	1	0	1	0	9	8	0	3			■ ○
9. LYONDELL CENTENNIAL CORP.	9	5	3	0	4	6	2	7	2			■ ○
10. LYONDELL CHEMICAL TECHNOLOGY, L.P.	3	2	0	3	6	4	6	8	6	0	4	■ ○
11. LYONDELL CHEMICAL TECHNOLOGY MANAGEMENT, INC	1	2	3	2	6	3	1	3	8	9	4	■ ○
12. LYONDELL CHEMICAL PROPERTIES, L.P.	2	3	2	8	3	6	1	0	5			■ ○
13. LYONDELL POTECHGP, INC.	3	2	0	3	8	7	9	7	6	7	9	■ ○
14. LYONDELL POTECHLP, INC	5	1	0	3	9	7	8	2	4			■ ○
15. LYONDELL CHEMICAL TECHNOLOGY 1 INC.	5	6	2	5	6	1	5	8	8			■ ○
16. POSM DELAWARE, INC.	3	0	1	1	4	1	5	9	2	9	3	■ ○
17. LYONDELLBASELL ACETYLS HOLDCO, LLC	2	7	1	1	9	1	1	3	3			■ ○
18. LYONDELLBASELL ACETYLS, LLC	1	2	7	1	1	9	1	2	3	3	2	■ ○
19. LYONDELLBASELL F&F HOLDCO, INC.	2	7	1	1	9	1	3	2	0			■ ○
20. LYONDELL REFINING COMPANY LLC	3	2	0	2	8	1	5	4	1	1	3	■ ○
21. LYONDELLBASELL METHANOL LP, INC.	2	2	3	4	5	2	6	2	6			■ ○

Note: To file an extension request for a reporting entity and its affiliates, Form 05-164 (Texas Franchise Tax Extension Request) must be submitted with this affiliate list. The filing of this list by itself does not constitute a properly filed Extension Request.

Do not file this form when requesting a second extension.

**Texas Comptroller Official Use Only**



VE/DE  FM





Comptroller of Public Accounts FORM

05-165 (Rev.9-11/3)

# Texas Franchise Tax Extension Affiliate List

Tcode 13298

Reporting entity taxpayer number

1 7 6 0 5 5 0 4 8 1 4

Report year

2 0 1 2

Reporting entity taxpayer name

EQUISTAR CHEMICALS, LP & AFFILIATES

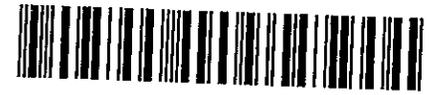
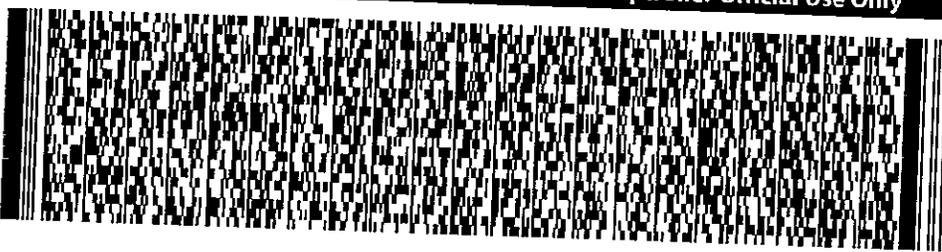
LEGAL NAME OF AFFILIATE	AFFILIATE'S TEXAS TAXPAYER NUMBER <small>(If none, enter FEI number)</small>										BLACKEN CIRCLE IF AFFILIATE DOES NOT HAVE NEXUS IN TEXAS	
22. BASELL NORTH AMERICA INC.	5	1	0	2	7	2	0	9	0			<input type="checkbox"/>
23. HOUSTON REFINING LP	1	7	6	0	3	9	5	3	0	3	9	<input type="checkbox"/>
24. LAPORTE METHANOL COMPANY, L.P.	1	7	6	0	5	9	8	7	5	1	4	<input type="checkbox"/>
25. TECHNOLOGY JV, LP	3	2	0	3	6	6	5	5	4	3	2	<input type="checkbox"/>
26. PO JV, LP	1	5	1	0	3	9	8	5	1	7	0	<input type="checkbox"/>
27. POSM II LIMITED PARTNERSHIP, L.P.	3	2	0	4	0	6	7	4	2	0	5	<input type="checkbox"/>
28. POSM II PROPERTIES PARTNERSHIP, LLC	3	2	0	3	6	4	6	0	4	8	6	<input type="checkbox"/>
29. EQUISTAR OLEFINS OFFTAKE LP(DISREGARD, ENTITY)	3	2	0	3	5	7	9	3	3	7	4	<input type="checkbox"/>
30. EQUISTAR MONT BELVIEU CORP	3	0	0	0	9	8	2	9	1	1	7	<input type="checkbox"/>
31. EQUISTAR OLEFINS OFFTAKE G.P., LLC (DISREGARDED)	3	2	0	1	1	0	4	7	6	5	4	<input type="checkbox"/>
32. EQUISTAR OLEFINS G.P.,LLC(DISREGARDED ENTITY)	3	2	0	1	1	0	4	7	6	9	6	<input type="checkbox"/>
33. EQUISTAR BAYPORT, LLC (DISREGARDED ENTITY)	0	0	0	0	0	0	0	0	0	0	0	<input type="checkbox"/>
34. PO OFFTAKE, LP (DISREGARDED ENTITY)	3	2	0	3	6	6	5	5	4	4	0	<input type="checkbox"/>
35. LYONDELL REFINING I LLC	4	5	3	4	5	3	3	9	1			<input type="checkbox"/>
36. LYONDELL POJVG, LLC(DISREGARDED ENTITY)	1	5	1	0	3	9	8	0	4	4	5	<input type="checkbox"/>
37. LYONDELL POJVLP, LLC	9	0	0	2	4	9	0	1	1			<input type="checkbox"/>
38. LYONDELLBASELL METHANOL GP, INC.	1	2	2	3	4	5	2	6	2	7	0	<input type="checkbox"/>
39. EQUISTAR CHEMICALS, LP	1	7	6	0	5	5	0	4	8	1	4	<input type="checkbox"/>
40. OLEFINS JV, LP	1	4	1	2	0	8	5	4	4	0	2	<input type="checkbox"/>
41. EQUISTAR CHEMICALS DE MEXICO, INC.	3	0	1	1	3	8	4	7	7	1	6	<input type="checkbox"/>
42.												<input type="checkbox"/>

Note: To file an extension request for a reporting entity and its affiliates, Form 05-164 (Texas Franchise Tax Extension Request) must be submitted with this affiliate list. The filing of this list by itself does not constitute a properly filed Extension Request.

Do not file this form when requesting a second extension.

Texas Comptroller Official Use Only

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## TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774

November 8, 2012

### CERTIFICATE OF ACCOUNT STATUS

THE STATE OF TEXAS  
COUNTY OF TRAVIS

I, Susan Combs, Comptroller of Public Accounts of the State of Texas, DO  
HEREBY CERTIFY that according to the records of this office

**EQUISTAR CHEMICALS, LP**

is, as of this date, in good standing with this office having no franchise  
tax reports or payments due at this time. This certificate is valid through  
the date that the next franchise tax report will be due November 15, 2012.

This certificate does not make a representation as to the status of the  
entity's registration, if any, with the Texas Secretary of State.

This certificate is valid for the purpose of conversion when the converted  
entity is subject to franchise tax as required by law. This certificate is  
not valid for any other filing with the Texas Secretary of State.

GIVEN UNDER MY HAND AND  
SEAL OF OFFICE in the City of  
Austin, this 8th day of  
November 2012 A.D.

A handwritten signature in cursive script that reads "Susan Combs".

Susan Combs  
Texas Comptroller

Taxpayer number: 17605504814  
File number: 0010258111

Form 05-304 (Rev. 12-07/17)

## ATTACHMENT 4

Equistar Chemicals plans to invest in the following projects within its existing Channelview North Plant located at 8280 Sheldon Road in Channelview, Texas.

1. Equistar plans to restart its methanol unit. The methanol unit has been out of service since 2004. Employment at the unit has been zero since its shut down for economic reasons in 2004. The unit will produce the same product as it did when shut down in 2004. Since it was shut down in 2004, the unit has not produced any quantity of methanol and has been fenced off from the other operating units with no employee activity there other than periodic safety inspections to ensure the safety of plant personnel working in operating units in close proximity to the methanol unit. As of January 1, 2012 the methanol unit was valued at zero for property tax purposes. If the unit was appraised for more than zero, the value of the unit would be included in property account 050-214-000-0018. The planned cost of the methanol unit restart is \$140 million. Of this amount, Equistar plans to spend approximately \$6.62 million on inspection of the unit and refurbishing, repainting, and repairing existing unit assets. Thus, the qualified investment for the restart of the methanol unit is approximately \$133.4 million. New equipment that will be installed includes, but is not limited to, the following:
  - Cooling tower
  - Selective catalytic reduction system
  - Ammonia storage tanks
  - Reformer burners
  - Process vessels
  - Thermocouples
  - Piping
  - Pumps
  - Motors
  - Exchangers
  - Deaerator drums
  - Demineralized water system
  - Process analyzers
  - Process analyzer shelters
  - Distributed control systems
  - Flare system
2. Equistar plans to expand invest in additional equipment to debottleneck the acetylene removal process at C4 recovery and maximize the recovery of butadiene. Estimated cost of the new equipment is \$18 million. New equipment includes but is not limited to the following:
  - Sodium borohydride feed pumps
  - Crude C4 feed pumps
  - Green oil tower bottoms pumps
  - Motors
  - Heat exchangers
  - Process analyzers
  - Process analyzer shelters
  - Distributed control systems (DCS)
  - Process piping
  - Pipe racks and supports

3. Equistar plans to construct a flare gas recovery project for the two olefins production units. The project will route flare gas back into the olefins production process at the suction of the olefin unit charge gas compressors. Estimated cost of the new equipment is \$2.5 million. New equipment includes but is not limited to the following:
  - Steam powered ejector skids including control valves and instrumentation
  - Piping for steam and flare gas
  - Nitrogen analyzer
  - Oxygen analyzer
4. Equistar plans to construct two new liquid feed olefins furnaces. One new furnace will be added at the OP-1 unit and one furnace will be added at the OP-2 unit. The two additional furnaces will add approximately 190 million pounds of ethylene capacity. Estimated cost of the additional ethylene furnaces is \$175 million. New equipment includes, but is not limited to, the following:
  - Olefins furnaces (including low NOx burners)
  - Pumps
  - Motors
  - Process piping
  - Vessels
  - Distributive control systems
  - Analyzers
  - Waste water treatment units
5. Equistar is considering plans to construct an ethylene fractionator. The proposed fractionator would convert a C2 stream sent to the plant from a nearby refinery into ethylene and ethane feedstock. Estimated cost of the new equipment is \$20 million. New equipment includes, but is not limited to, all equipment required to operate a fractionator as follows:
  - Ethylene fractionator
  - Pipeline connections and metering equipment
  - Process vessels
  - Process pumps
  - Process piping
  - Process tanks
  - Storage tanks
  - Process control system

**ATTACHMENT 4A**

Equistar Chemicals, LP is wholly owned by LyondellBasell Industries which is a global manufacturer of petrochemicals. The Channelview plant is an olefins plant that produces ethylene, propylene, butadiene, and other related hydrocarbon byproducts. Equistar Chemicals, LP has other plants that produce similar products in La Porte, Texas, Corpus Christi, Texas, Morris, Illinois, and Clinton, Iowa.

LyondellBasell has the ability to invest in new or existing facilities in many countries around the world as well as numerous existing facilities in the United States.

## **ATTACHMENT 5**

The project is located in the following taxing jurisdictions:

- Harris County (100%)
- Sheldon ISD (100%)
- Harris County Flood Control District (100%)
- Port of Houston Authority (100%)
- Harris County Hospital District (100%)
- Harris County Education Department (100%)
- San Jacinto College District (100%)

## ATTACHMENT 6

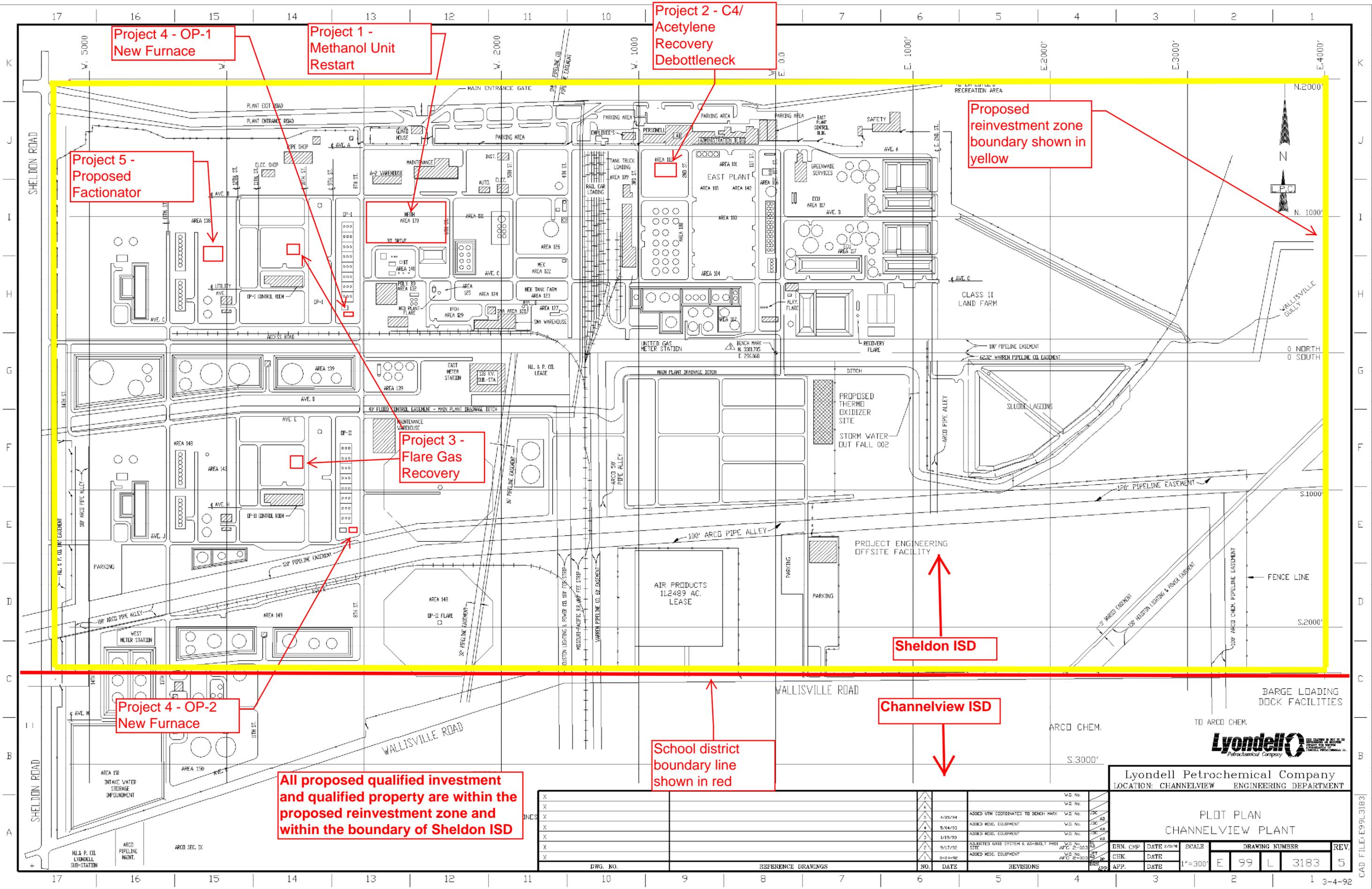
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  - Cooling tower
  - Selective catalytic reduction system
  - Ammonia storage tanks
  - Reformer burners
  - Process vessels
  - Thermocouples
  - Piping
  - Pumps
  - Motors
  - Exchangers
  - Deaerator drums
  - Demineralized water system
  - Process analyzers
  - Process analyzer shelters
  - Distributed control systems
  - Flare system
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  - Sodium borohydride feed pumps
  - Crude C4 feed pumps
  - Green oil tower bottoms pumps
  - Motors
  - Heat exchangers
  - Process analyzers
  - Process analyzer shelters
  - Distributed control systems (DCS)
  - Process piping
  - Pipe racks and supports

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  - Steam powered ejector skids including control valves and instrumentation
  - Piping for steam and flare gas
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  - Oxygen analyzer
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  - Olefins furnaces (including low NOx burners)
  - Pumps
  - Motors
  - Process piping
  - Vessels
  - Distributive control systems
  - Analyzers
  - Waste water treatment units
5. Equistar is considering plans to construct an ethylene fractionator. The proposed fractionator would convert a C2 stream sent to the plant from a nearby refinery into ethylene and ethane feedstock. Estimated cost of the new equipment is \$20 million. New equipment includes, but is not limited to, all equipment required to operate a fractionator as follows:
  - Ethylene fractionator
  - Pipeline connections and metering equipment
  - Process vessels
  - Process pumps
  - Process piping
  - Process tanks
  - Storage tanks
  - Process control system

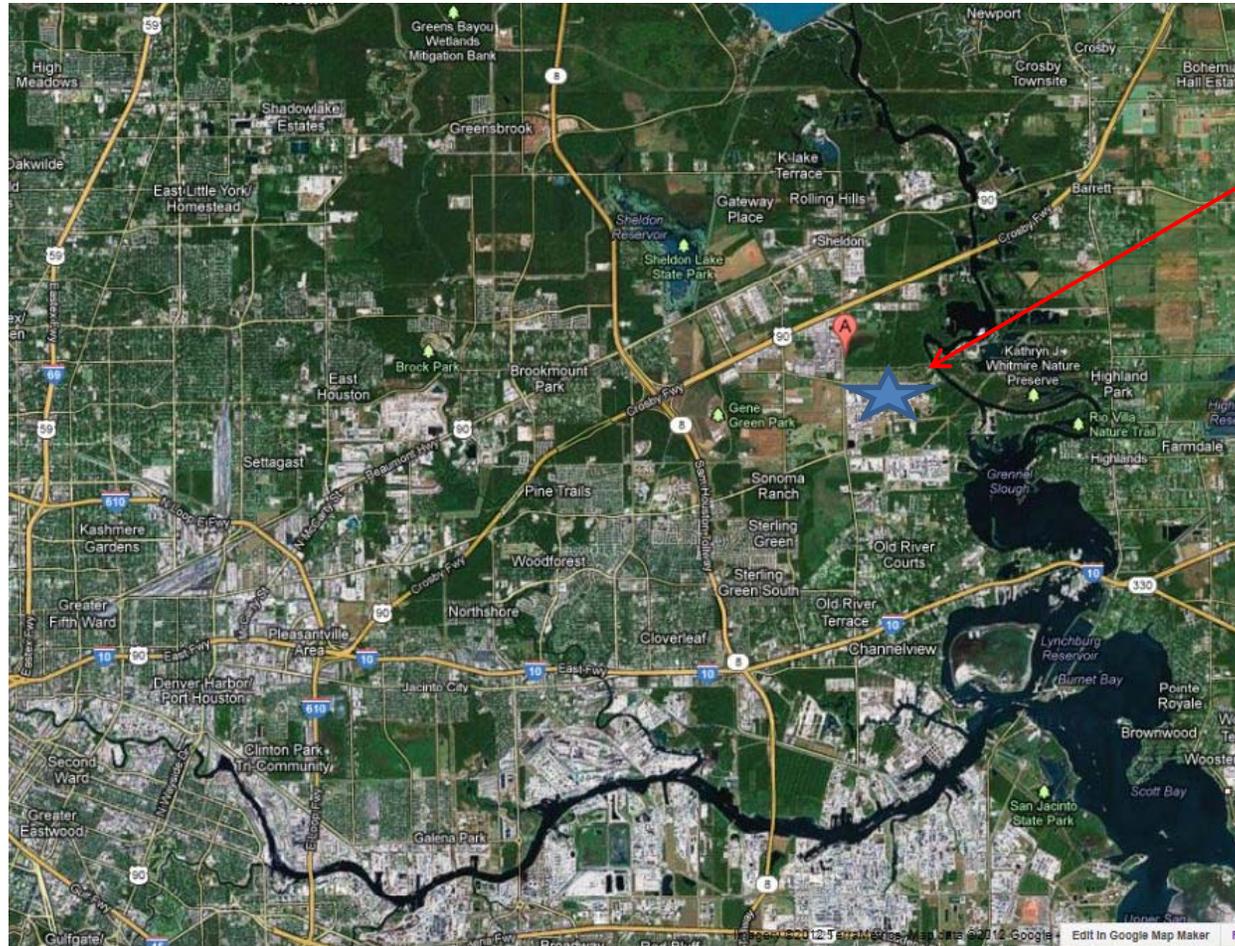
**ATTACHMENT 7**

See attached maps



**Attachment 7 - Reinvestment Zone Map**

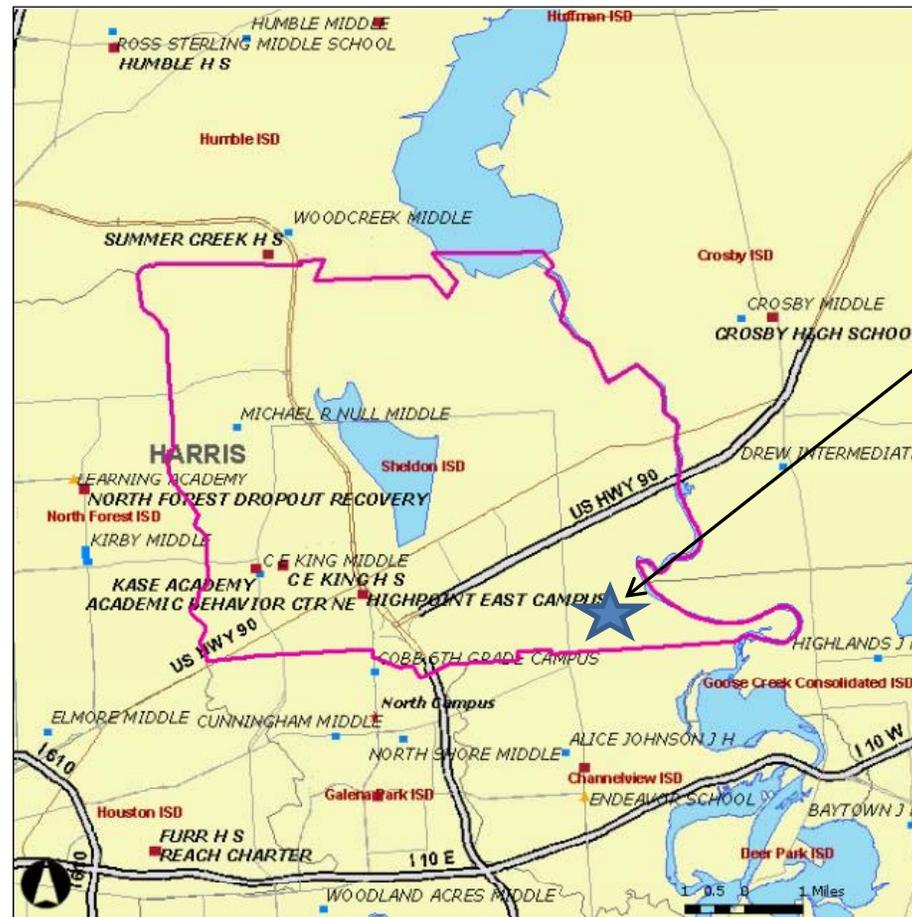
# Equistar Chemicals, LP Vicinity Map



Project Site

Attachment 7 - Vicinity Map

# Sheldon ISD Map



Project Site

Attachment 7 - Sheldon ISD Map

## ATTACHMENT 8

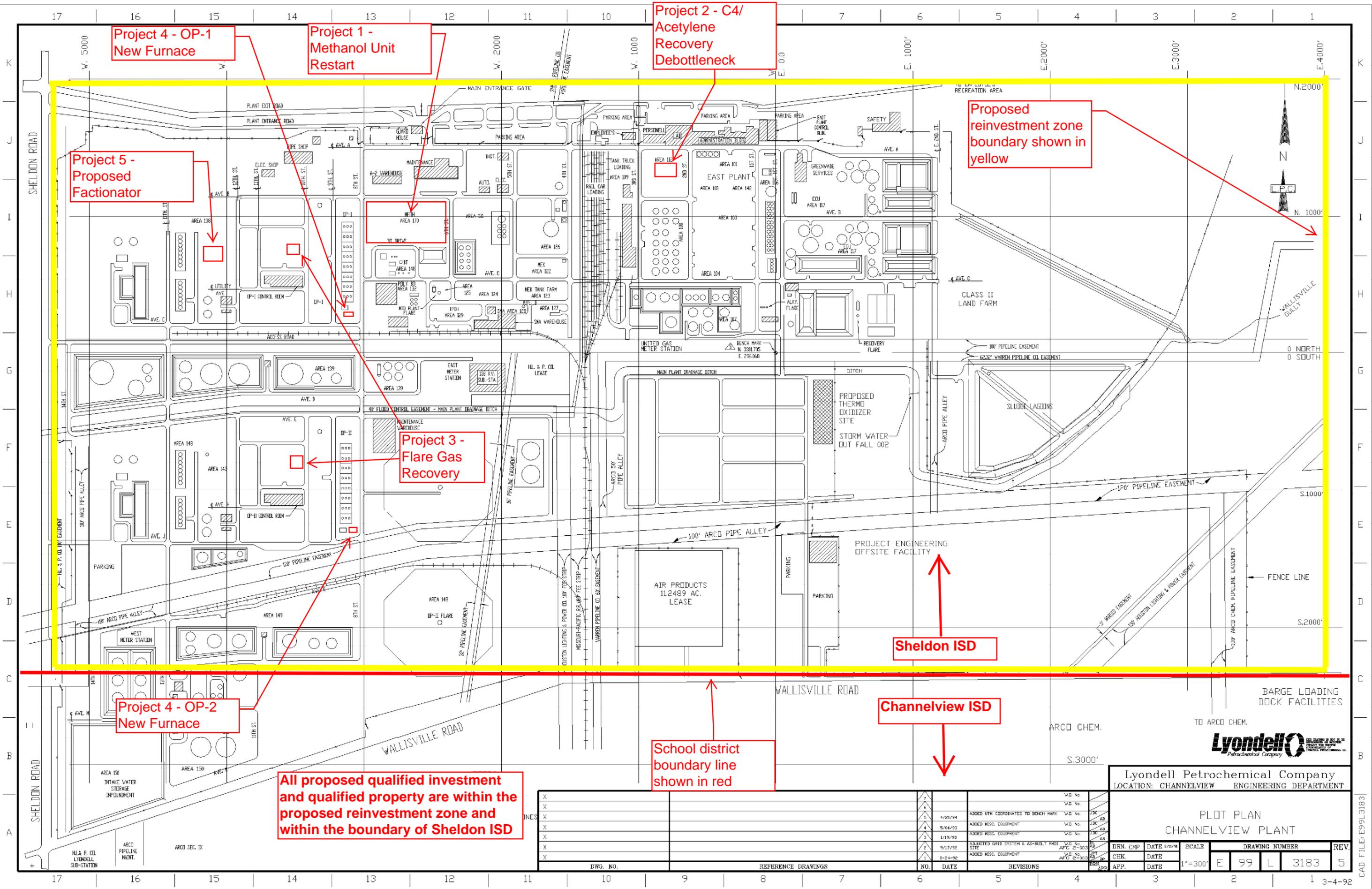
Equistar Chemicals plans to invest in the following projects within its existing Channelview North Plant located at 8280 Sheldon Road in Channelview, Texas.

1. Equistar plans to restart its methanol unit. The methanol unit has been out of service since 2004. Employment at the unit has been zero since its shut down for economic reasons in 2004. The unit will produce the same product as it did when shut down in 2004. Since it was shut down in 2004, the unit has not produced any quantity of methanol and has been fenced off from the other operating units with no employee activity there other than periodic safety inspections to ensure the safety of plant personnel working in operating units in close proximity to the methanol unit. As of January 1, 2012 the methanol unit was valued at zero for property tax purposes. If the unit was appraised for more than zero, the value of the unit would be included in property account 050-214-000-0018. The planned cost of the methanol unit restart is \$140 million. Of this amount, Equistar plans to spend approximately \$6.62 million on inspection of the unit and refurbishing, repainting, and repairing existing unit assets. Thus, the qualified investment for the restart of the methanol unit is approximately \$133.4 million. New equipment that will be installed includes, but is not limited to, the following:
  - Cooling tower
  - Selective catalytic reduction system
  - Ammonia storage tanks
  - Reformer burners
  - Process vessels
  - Thermocouples
  - Piping
  - Pumps
  - Motors
  - Exchangers
  - Deaerator drums
  - Demineralized water system
  - Process analyzers
  - Process analyzer shelters
  - Distributed control systems
  - Flare system
2. Equistar plans to expand invest in additional equipment to debottleneck the acetylene removal process at C4 recovery and maximize the recovery of butadiene. Estimated cost of the new equipment is \$18 million. New equipment includes but is not limited to the following:
  - Sodium borohydride feed pumps
  - Crude C4 feed pumps
  - Green oil tower bottoms pumps
  - Motors
  - Heat exchangers
  - Process analyzers
  - Process analyzer shelters
  - Distributed control systems (DCS)
  - Process piping
  - Pipe racks and supports

3. Equistar plans to construct a flare gas recovery project for the two olefins production units. The project will route flare gas back into the olefins production process at the suction of the olefin unit charge gas compressors. Estimated cost of the new equipment is \$2.5 million. New equipment includes but is not limited to the following:
  - Steam powered ejector skids including control valves and instrumentation
  - Piping for steam and flare gas
  - Nitrogen analyzer
  - Oxygen analyzer
4. Equistar plans to construct two new liquid feed olefins furnaces. One new furnace will be added at the OP-1 unit and one furnace will be added at the OP-2 unit. The two additional furnaces will add approximately 190 million pounds of ethylene capacity. Estimated cost of the additional ethylene furnaces is \$175 million. New equipment includes, but is not limited to, the following:
  - Olefins furnaces (including low NOx burners)
  - Pumps
  - Motors
  - Process piping
  - Vessels
  - Distributive control systems
  - Analyzers
  - Waste water treatment units
5. Equistar is considering plans to construct an ethylene fractionator. The proposed fractionator would convert a C2 stream sent to the plant from a nearby refinery into ethylene and ethane feedstock. Estimated cost of the new equipment is \$20 million. New equipment includes, but is not limited to, all equipment required to operate a fractionator as follows:
  - Ethylene fractionator
  - Pipeline connections and metering equipment
  - Process vessels
  - Process pumps
  - Process piping
  - Process tanks
  - Storage tanks
  - Process control system

**ATTACHMENT 9**

See attached maps



NO.	DATE	REVISIONS
1	8-2-98	ADDED MISC. EQUIPMENT
2	9/17/92	ADJUSTED GRID SYSTEM & AS-BUILT PHOT
3	1/19/93	ADDED MISC. EQUIPMENT
4	5/6/93	ADDED MISC. EQUIPMENT
5	4/21/94	ADDED UTM COORDINATES TO BENCH MARK
6		
7		

**Lyondell**  
Petrochemical Company

Lyondell Petrochemical Company  
LOCATION: CHANNELVIEW ENGINEERING DEPARTMENT

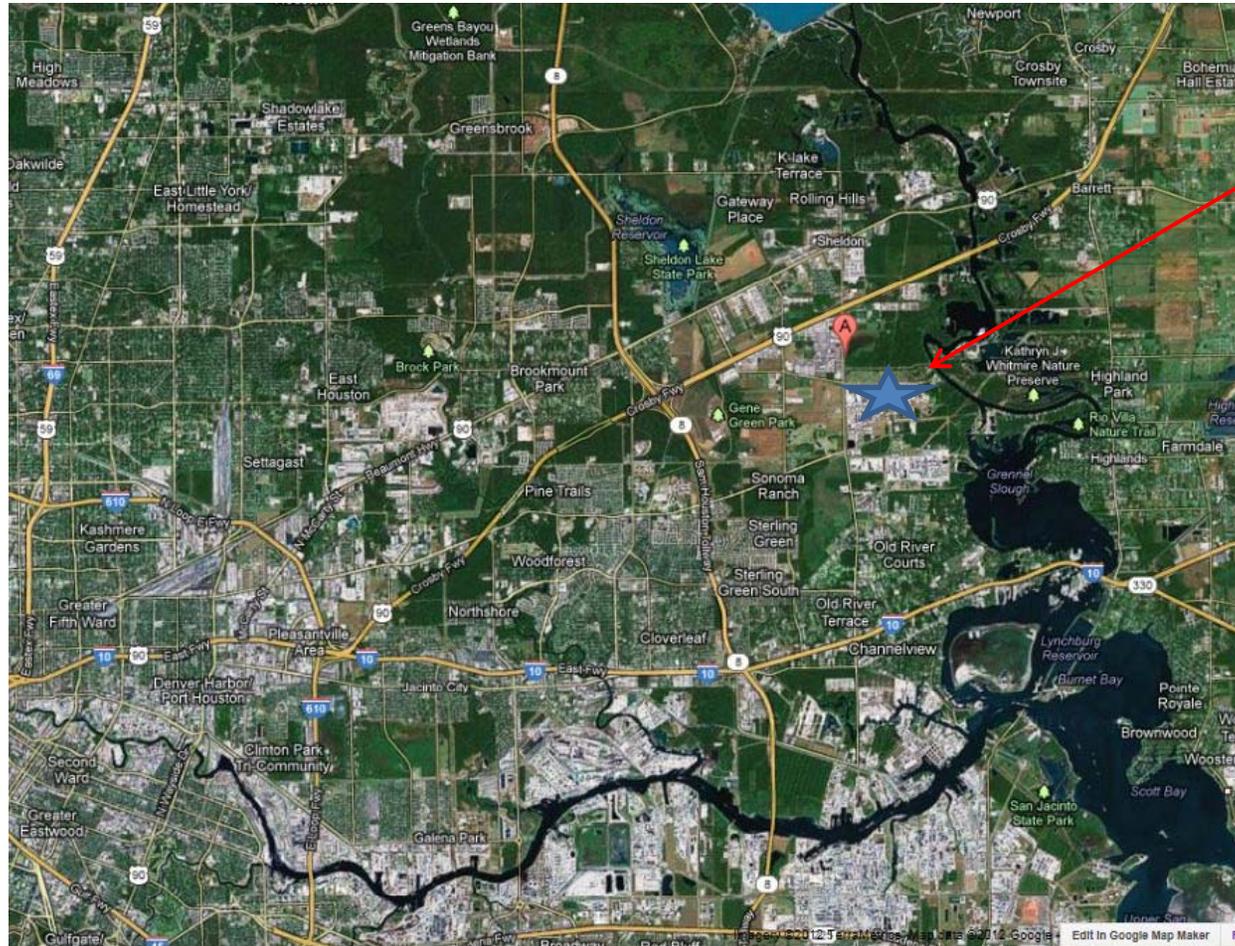
**PLOT PLAN  
CHANNELVIEW PLANT**

DRN. CMP.	DATE 2/1/94	SCALE	DRAWING NUMBER	REV.
CHK.	DATE	1"=300'	E 99 L 3183	5
APP.	DATE			

CAD FILE: E99L3183

**Attachment 9 - Reinvestment Zone Map**

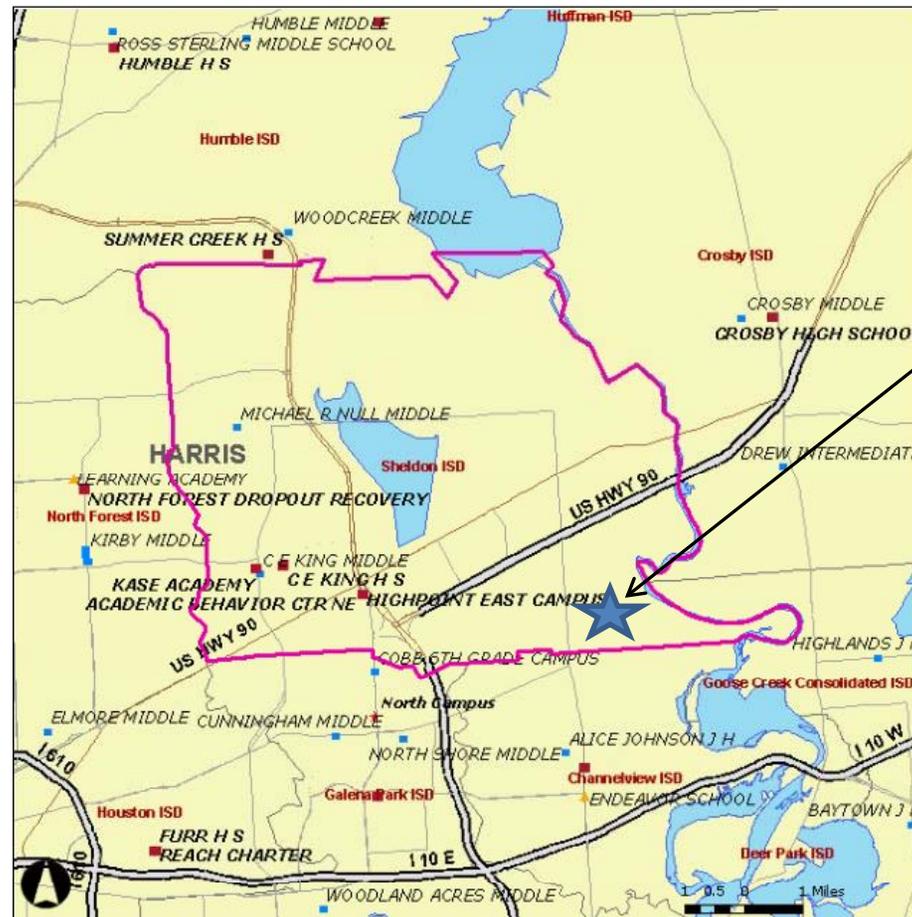
# Equistar Chemicals, LP Vicinity Map



Project Site

Attachment 9 - Vicinity Map

# Sheldon ISD Map



Project Site

Attachment 9 - Sheldon ISD Map

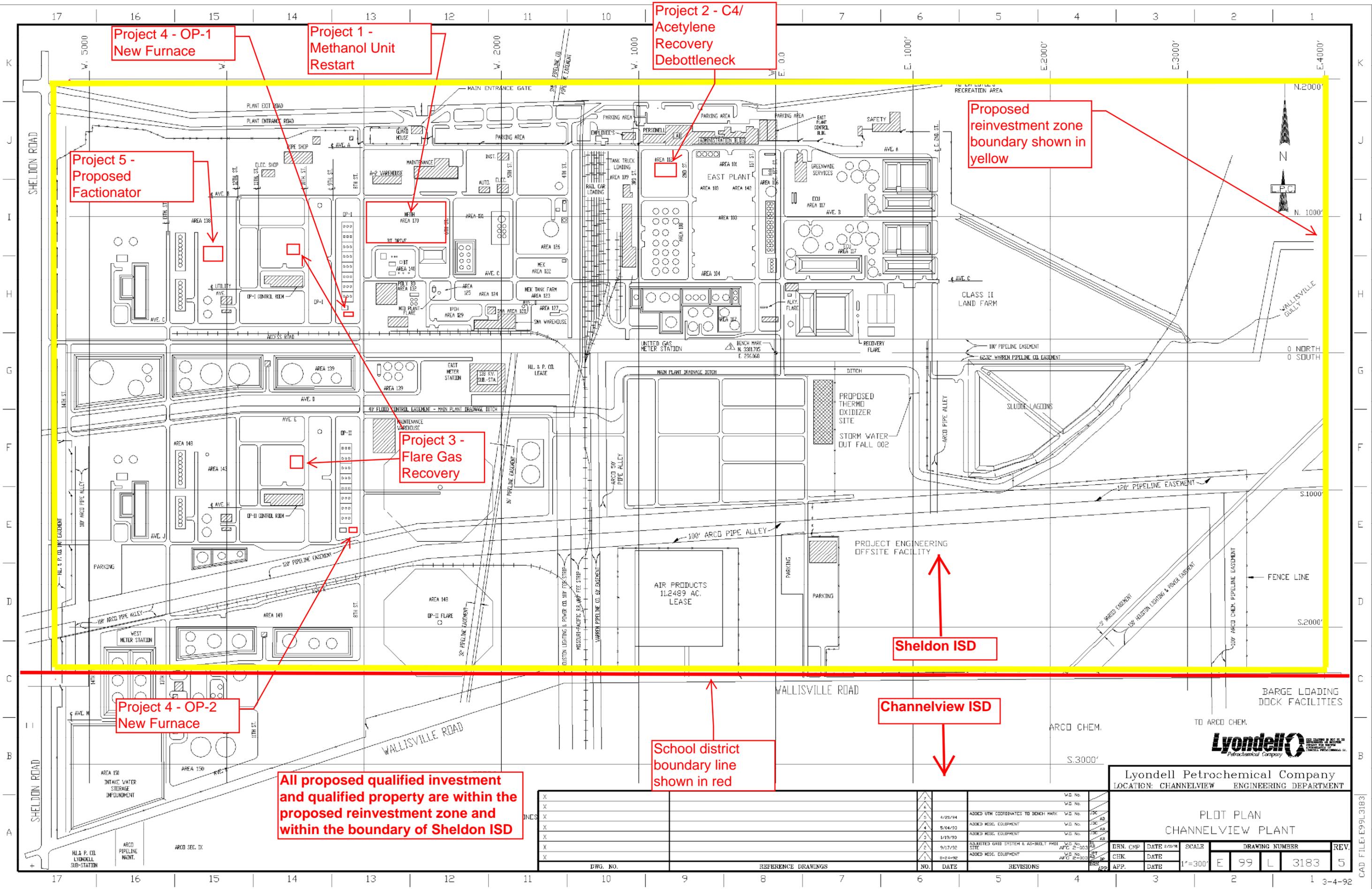
**ATTACHMENT 10**

The legal description of the proposed reinvestment zone will be provided upon completion of the survey.

The reinvestment zone will consist of property owned by Equistar Chemicals, LP. No qualified investment or qualified property will be constructed on any land that Equistar does not own.

**ATTACHMENT 11**

Please see attached maps



Project 4 - OP-1  
New Furnace

Project 1 -  
Methanol Unit  
Restart

Project 2 - C4/  
Acetylene  
Recovery  
Debottleneck

Proposed  
reinvestment zone  
boundary shown in  
yellow

Project 5 -  
Proposed  
Factionator

Project 3 -  
Flare Gas  
Recovery

Sheldon ISD

Project 4 - OP-2  
New Furnace

Channelview ISD

All proposed qualified investment  
and qualified property are within the  
proposed reinvestment zone and  
within the boundary of Sheldon ISD

School district  
boundary line  
shown in red



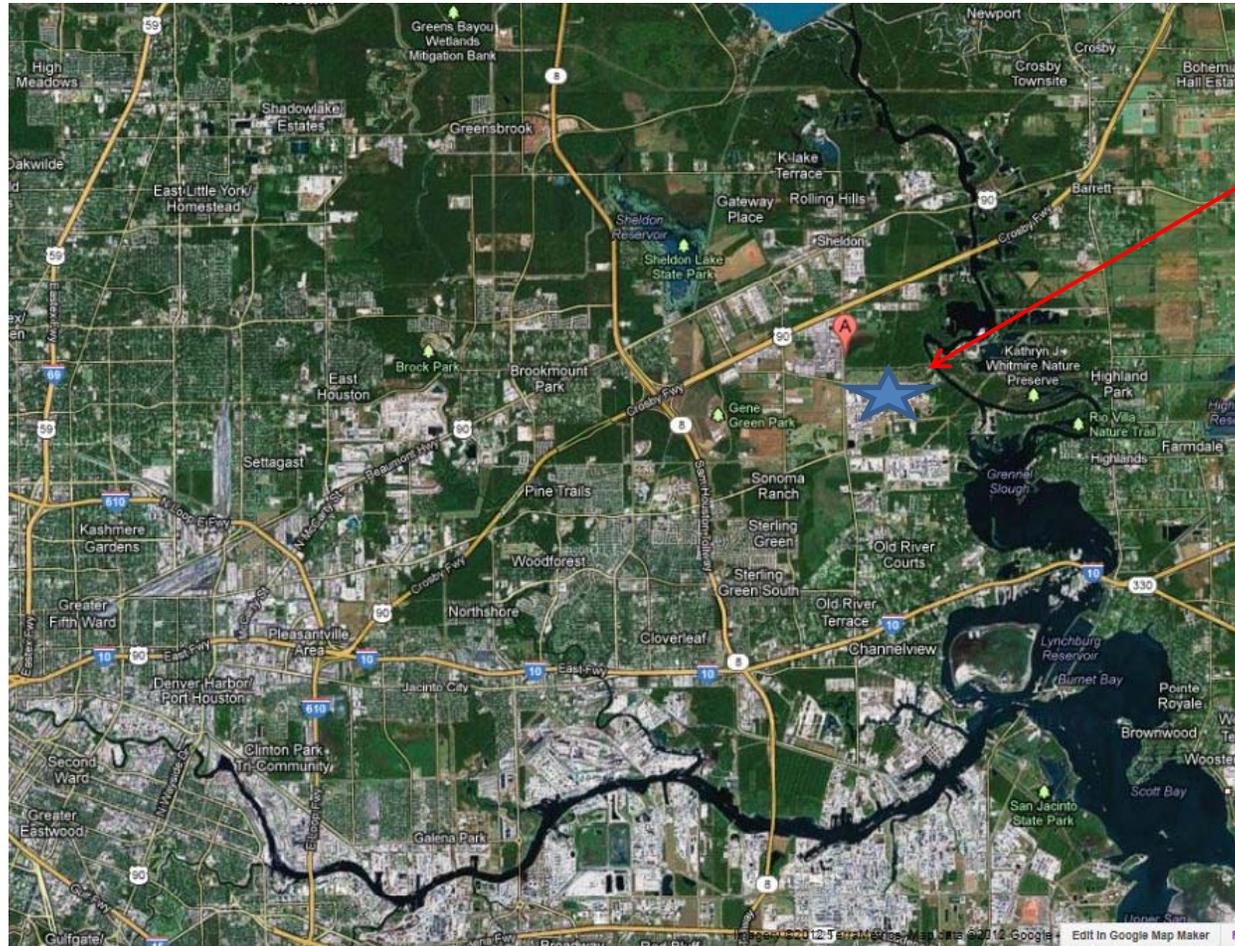
Lyondell Petrochemical Company  
LOCATION: CHANNELVIEW ENGINEERING DEPARTMENT

LOT PLAN  
CHANNELVIEW PLANT

NO.	DATE	REVISIONS	DRN. CMP.	DATE	SCALE	DRAWING NUMBER	REV.
1	8-2-98	ADDED MISC. EQUIPMENT	APP.	DATE	1"=300'	E 99 L 3183	5
2	9/17/92	ADJUSTED GRID SYSTEM & AS-BUILT PHOT	APP.	DATE			
3	5/6/93	ADDED MISC. EQUIPMENT	APP.	DATE			
4	5/6/93	ADDED MISC. EQUIPMENT	APP.	DATE			
5	4/21/94	ADDED UTM COORDINATES TO BENCH MARK	APP.	DATE			
6							
7							

Attachment 11 - Reinvestment Zone Map

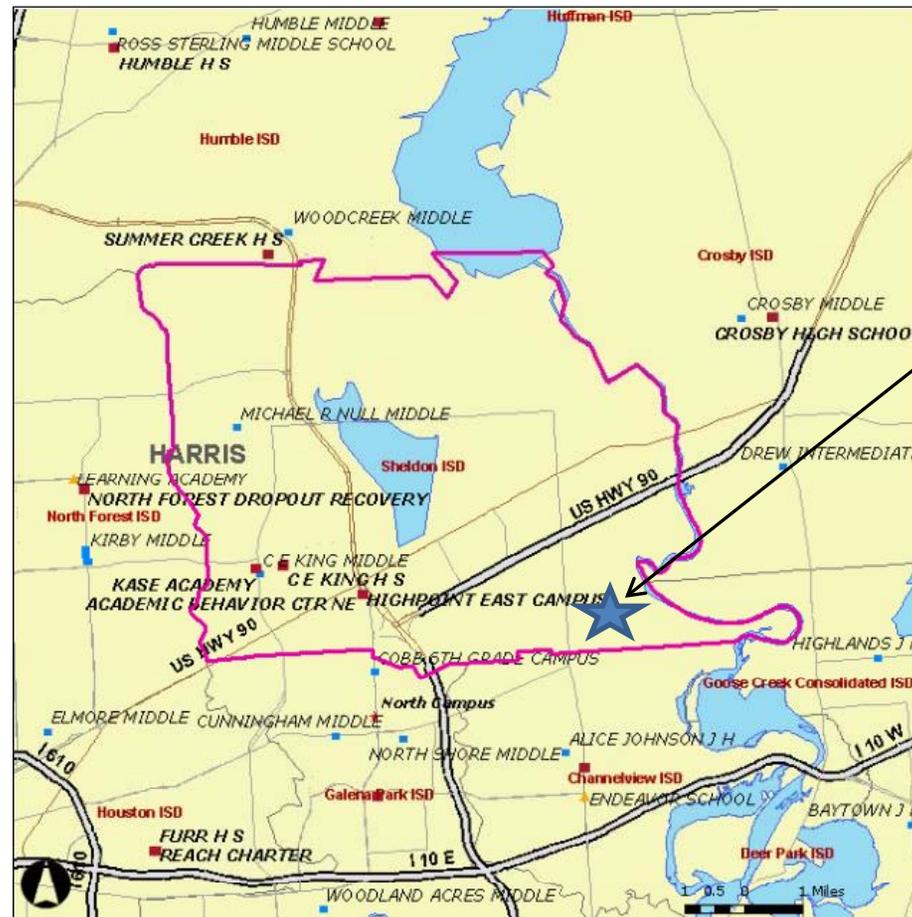
# Equistar Chemicals, LP Vicinity Map



Project Site

Attachment 11 - Vicinity Map

# Sheldon ISD Map



Project Site

Attachment 11 - Sheldon ISD Map

## **ATTACHMENT 12**

Equistar has existing chemical processing units at the Channelview plant. These assets consist of the following:

- 2 Olefins units (OP1 and OP2)
- Alcohols Unit (IPOH)
- Alkylation Unit
- Butadiene Unit
- Metathesis Unit
- Tank Farms
- Utilities
- Waste water treatment plant
- Various buildings
- Pollution Control Equipment

The improvements listed above are assessed by Harris County Appraisal District.

The Harris County Appraisal District account numbers and the most recent property values are shown in Exhibit 12A.

**Equistar will request that Harris County Appraisal District create new property account numbers for the property that is the subject of this application so as to be able to track the increased value attributable to the qualified property.**

**ATTACHMENT 12 A**

Harris County Appraisal District account numbers and 2012 property values for Equistar property tax accounts are shown below and in the supporting attachments.

<b>HCAD Property Account Number</b>	<b>Property Description</b>	<b>2012 Appraised Value</b>
050-214-000-0018	OP1 & other plant process units and plant infrastructure (projects 1, 2, 3, one new furnace in project 4, and 5 will be in the plant area covered by this existing account)	\$169,677,433
041-037-000-0040	OP2 Unit (one new furnace will in the area covered by this existing account)	\$105,099,122
048-096-000-0030	Water treatment and tanks	\$3,211,586
050-214-000-0055	Pollution control equipment	\$38,486,000
050-214-000-0061	Assets owned by Cray Valley on Equistar land (Equistar operates)	\$5,382,882

HARRIS COUNTY APPRAISAL DISTRICT  
 REAL PROPERTY ACCOUNT INFORMATION  
**0502140000018**

Tax Year: 2012

Owner and Property Information									
Owner Name & Mailing Address: <b>EQUISTAR CHEMICALS LP % PROPERTY TAX DEPT PO BOX 3646 HOUSTON TX 77253-3646</b>				Legal Description: <b>TRS 16 17 &amp; 18 (IMPS*#0051 0052 0055 &amp; 0060 &amp; 0061) (PC IMPS*-0062) (670 &amp; 672*PURE SEE #56 &amp; 57) HOUSTON FARMS</b>					
				Property Address: <b>8280 SHELDON RD HOUSTON TX 77049</b>					
State Class Code	Land Use Code	Building Class	Total Units	Land Area	Building Area	Net Rentable Area	Neighborhood	Map Facet	Key Map®
F2 -- Real, Industrial	4410 -- Products Recovered from Natural Gas	E	0	17,835,233 SF	0	0	9794.01	6061C	458L

Value Status Information			
Capped Account	Value Status	Notice Date	Shared CAD
No	Noticed	06/01/2012	No

Exemptions and Jurisdictions					
Exemption Type	Districts	Jurisdictions	ARB Status	2011 Rate	2012 Rate
<b>None</b>	023	SHELDON ISD	Certified: 08/10/2012	1.430000	
	040	HARRIS COUNTY	Certified: 08/10/2012	0.391170	0.400210
	041	HARRIS CO FLOOD CNTRL	Certified: 08/10/2012	0.028090	0.028090
	042	PORT OF HOUSTON AUTHY	Certified: 08/10/2012	0.018560	0.019520
	043	HARRIS CO HOSP DIST	Certified: 08/10/2012	0.192160	0.182160
	044	HARRIS CO EDUC DEPT	Certified: 08/10/2012	0.006581	0.006617
	047	SAN JACINTO COM COL D	Certified: 08/10/2012	0.185602	0.185602

Valuations			
Value as of January 1, 2011		Value as of January 1, 2012	
	Market	Appraised	
Land	1,810,427		Land
Improvement	164,787,100		Improvement
Total	166,597,527	166,597,527	Total
			Market
			Appraised
			2,496,933
			167,180,500
			169,677,433
			169,677,433

Land												
Market Value Land												
Line	Description	Site Code	Unit Type	Units	Size Factor	Site Factor	Appr O/R Factor	Appr O/R Reason	Total Adj	Unit Price	Adj Unit Price	Value
1	4410 -- Products Recovered from Natural Gas	SF1	SF	1,819,937	1.00	1.00	0.56	--	0.56	0.25	0.14	254,791
2	4410 -- Products Recovered from Natural Gas	SF2	SF	16,015,297	1.00	1.00	0.56	Shape or Size	0.56	0.25	0.14	2,242,142

Building												
Vacant (No Building Data)												

HARRIS COUNTY APPRAISAL DISTRICT  
 REAL PROPERTY ACCOUNT INFORMATION  
**041037000040**

Tax Year: 2012

Owner and Property Information									
Owner Name & Mailing Address: <b>EQUISTAR CHEMICALS LP % PROPERTY TAX DEPT PO BOX 3646 HOUSTON TX 77253-3646</b>				Legal Description: <b>TRS 11 22 22A 22B-1 22C-1 22E-2 &amp; 30 (670&amp;672*PURE ACCT SEE 0410370000254) (PC IMPS*0410370000258) ABST 81 A WHITE</b>					
				Property Address: <b>8280 SHELDON RD HOUSTON TX 77049</b>					
State Class Code	Land Use Code	Building Class	Total Units	Land Area	Building Area	Net Rentable Area	Neighborhood	Map Facet	Key Map®
F2 -- Real, Industrial	4410 -- Products Recovered from Natural Gas	E	0	8,603,012 SF	0	0	9794.01	6060A	458Q

Value Status Information			
Capped Account	Value Status	Notice Date	Shared CAD
No	Noticed	06/01/2012	No

Exemptions and Jurisdictions					
Exemption Type	Districts	Jurisdictions	ARB Status	2011 Rate	2012 Rate
<b>None</b>	023	SHELDON ISD	Certified: 08/10/2012	1.430000	
	040	HARRIS COUNTY	Certified: 08/10/2012	0.391170	0.400210
	041	HARRIS CO FLOOD CNTRL	Certified: 08/10/2012	0.028090	0.028090
	042	PORT OF HOUSTON AUTHY	Certified: 08/10/2012	0.018560	0.019520
	043	HARRIS CO HOSP DIST	Certified: 08/10/2012	0.192160	0.182160
	044	HARRIS CO EDUC DEPT	Certified: 08/10/2012	0.006581	0.006617
	047	SAN JACINTO COM COL D	Certified: 08/10/2012	0.185602	0.185602

Valuations			
Value as of January 1, 2011		Value as of January 1, 2012	
	Market	Appraised	
Land	1,115,101		Land
Improvement	68,889,400		Improvement
Total	70,004,501	70,004,501	Total
			105,099,122
			105,099,122

Land												
Market Value Land												
Line	Description	Site Code	Unit Type	Units	Size Factor	Site Factor	Appr O/R Factor	Appr O/R Reason	Total Adj	Unit Price	Adj Unit Price	Value
1	4410 -- Products Recovered from Natural Gas	SF1	SF	849,333	1.00	1.00	0.56	--	0.56	0.25	0.14	118,907
2	4410 -- Products Recovered from Natural Gas	SF2	SF	7,753,680	1.00	1.00	0.56	Shape or Size	0.56	0.25	0.14	1,085,515

Building												
Vacant (No Building Data)												

HARRIS COUNTY APPRAISAL DISTRICT  
 REAL PROPERTY ACCOUNT INFORMATION  
**048096000030**

Tax Year: 2012

Owner and Property Information									
Owner Name & Mailing Address: <b>EQUISTAR CHEMICALS LP % PROPERTY TAX DEPT PO BOX 3646 HOUSTON TX 77253-3646</b>				Legal Description: <b>TR 3 WATER TREAT &amp; FINISHED TANKS (670*PURE ACCT SEE 048096000082) ABST 1559 M STROIN</b>					
				Property Address: <b>8280 SHELDON RD HOUSTON TX 77049</b>					
State Class Code	Land Use Code	Building Class	Total Units	Land Area	Building Area	Net Rentable Area	Neighborhood	Map Facet	Key Map®
F2 -- Real, Industrial	4416 -- Chemical and Allied Products	E	0	28,462,939,785 SF	0	0	9232	5960B	458P

Value Status Information			
Capped Account	Value Status	Notice Date	Shared CAD
No	Noticed	06/01/2012	No

Exemptions and Jurisdictions					
Exemption Type	Districts	Jurisdictions	ARB Status	2011 Rate	2012 Rate
<b>None</b>	006	CHANNELVIEW ISD	Certified: 08/10/2012	1.465500	1.495600
	040	HARRIS COUNTY	Certified: 08/10/2012	0.391170	0.400210
	041	HARRIS CO FLOOD CNTRL	Certified: 08/10/2012	0.028090	0.028090
	042	PORT OF HOUSTON AUTHY	Certified: 08/10/2012	0.018560	0.019520
	043	HARRIS CO HOSP DIST	Certified: 08/10/2012	0.192160	0.182160
	044	HARRIS CO EDUC DEPT	Certified: 08/10/2012	0.006581	0.006617
	047	SAN JACINTO COM COL D	Certified: 08/10/2012	0.185602	0.185602

Valuations					
Value as of January 1, 2011			Value as of January 1, 2012		
	Market	Appraised		Market	Appraised
Land	399,654		Land	208,486	
Improvement	3,001,100		Improvement	3,003,100	
<b>Total</b>	<b>3,400,754</b>	<b>3,400,754</b>	<b>Total</b>	<b>3,211,586</b>	<b>3,211,586</b>

Land												
Market Value Land												
Line	Description	Site Code	Unit Type	Units	Size Factor	Site Factor	Appr O/R Factor	Appr O/R Reason	Total Adj	Unit Price	Adj Unit Price	Value
1	4416 -- Chemical and Allied Products	SF1	SF	835,786	1.00	1.00	0.56	Shape or Size	0.56	0.25	0.14	117,010
2	4416 -- Chemical and Allied Products	SF2	AC	653,400.0000	1.00	1.00	0.56	Shape or Size	0.56	0.25	0.14	91,476

Building												
Vacant (No Building Data)												

HARRIS COUNTY APPRAISAL DISTRICT  
 REAL PROPERTY ACCOUNT INFORMATION  
**050214000055**

Tax Year: 2012

Owner and Property Information									
Owner Name & Mailing Address: <b>EQUISTAR CHEMICALS LP % PROPERTY TAX DEPT PO BOX 3646 HOUSTON TX 77253-3646</b>					Legal Description: <b>TRS 16 17 &amp; 18 (IMPS ONLY) (LAND*050214000018) (POLLUTION CONTROL) HOUSTON FARMS</b>				
					Property Address: <b>8280 SHELDON RD HOUSTON TX 77049</b>				
State Class Code	Land Use Code	Building Class	Total Units	Land Area	Total Living Area	Net Rentable Area	Neighborhood	Map Facet	Key Map®
F2 -- Real, Industrial	3300 -- Industrial Imps Only Land	E	0	0 SF	0	0	9794.01	6061C	458L

Value Status Information			
Capped Account	Value Status	Notice Date	Shared CAD
No	Noticed	06/01/2012	No

Exemptions and Jurisdictions					
Exemption Type	Districts	Jurisdictions	ARB Status	2011 Rate	2012 Rate
<b>Pollution Control</b>	023	SHELDON ISD	Certified: 08/10/2012	1.430000	
	040	HARRIS COUNTY	Certified: 08/10/2012	0.391170	0.400210
	041	HARRIS CO FLOOD CNTRL	Certified: 08/10/2012	0.028090	0.028090
	042	PORT OF HOUSTON AUTHY	Certified: 08/10/2012	0.018560	0.019520
	043	HARRIS CO HOSP DIST	Certified: 08/10/2012	0.192160	0.182160
	044	HARRIS CO EDUC DEPT	Certified: 08/10/2012	0.006581	0.006617
	047	SAN JACINTO COM COL D	Certified: 08/10/2012	0.185602	0.185602

Valuations					
Value as of January 1, 2011			Value as of January 1, 2012		
	Market	Appraised		Market	Appraised
Land	0		Land	0	
Improvement	27,124,300		Improvement	38,486,000	
<b>Total</b>	<b>27,124,300</b>	<b>27,124,300</b>	<b>Total</b>	<b>38,486,000</b>	<b>38,486,000</b>

Land												
Market Value Land												
Line	Description	Site Code	Unit Type	Units	Size Factor	Site Factor	Appr O/R Factor	Appr O/R Reason	Total Adj	Unit Price	Adj Unit Price	Value
1	3300 -- Industrial Imps Only Land	--	GR	0	1.00	1.00	1.00	--	1.00	0.00	0.00	0

Building												
Vacant (No Building Data)												

HARRIS COUNTY APPRAISAL DISTRICT  
 REAL PROPERTY ACCOUNT INFORMATION  
**050214000061**

Tax Year: 2012

Owner and Property Information									
Owner Name & Mailing Address: <b>EQUISTAR CHEMICALS LP % PROPERTY TAX DEPT PO BOX 3646 HOUSTON TX 77253-3646</b>				Legal Description: <b>TRS 16 17 &amp; 18 (IMPS ONLY) (LAND*0502140000018) HOUSTON FARMS</b>					
				Property Address: <b>8280 SHELDON RD HOUSTON TX 77049</b>					
State Class Code	Land Use Code	Building Class	Total Units	Land Area	Total Living Area	Net Rentable Area	Neighborhood	Map Facet	Key Map®
F2 -- Real, Industrial	3300 -- Industrial Imps Only Land	--	0	0 SF	0	0	9794.01	6061C	458L

Value Status Information			
Capped Account	Value Status	Notice Date	Shared CAD
No	Noticed	06/01/2012	No

Exemptions and Jurisdictions					
Exemption Type	Districts	Jurisdictions	ARB Status	2011 Rate	2012 Rate
None	023	SHELDON ISD	Certified: 08/10/2012	1.430000	
	040	HARRIS COUNTY	Certified: 08/10/2012	0.391170	0.400210
	041	HARRIS CO FLOOD CNTRL	Certified: 08/10/2012	0.028090	0.028090
	042	PORT OF HOUSTON AUTHY	Certified: 08/10/2012	0.018560	0.019520
	043	HARRIS CO HOSP DIST	Certified: 08/10/2012	0.192160	0.182160
	044	HARRIS CO EDUC DEPT	Certified: 08/10/2012	0.006581	0.006617
	047	SAN JACINTO COM COL D	Certified: 08/10/2012	0.185602	0.185602

Valuations					
Value as of January 1, 2011			Value as of January 1, 2012		
	Market	Appraised		Market	Appraised
Land	0		Land	0	
Improvement	5,350,490		Improvement	5,382,882	
Total	5,350,490	5,350,490	Total	5,382,882	5,382,882

Land												
Market Value Land												
Line	Description	Site Code	Unit Type	Units	Size Factor	Site Factor	Appr O/R Factor	Appr O/R Reason	Total Adj	Unit Price	Adj Unit Price	Value
1	3300 -- Industrial Imps Only Land	--	GR	0	1.00	1.00	1.00	--	1.00	0.00	0.00	0

Building												
Vacant (No Building Data)												

**ATTACHMENT 13**

Not Applicable

**ATTACHMENT 14**

The calculation of the three possible wage requirements with TWC documentation is attached. Equistar has chosen to use \$65,000 as the wage rate for permanent jobs. This amount exceeds 110% of the current regional wage rate of \$53,711 ( $\$53,711 \times 110\% = \$59,082$ ).

**EQUISTAR CHEMICALS, LP**  
**ATTACHMENT TO CHAPTER 313 APPLICATION**

**CHAPTER 313 WAGE CALCULATION - ALL JOBS - ALL INDUSTRIES**

QUARTER	YEAR	AVG WEEKLY WAGES*	ANNUALIZED
SECOND	2012	\$ 1,166	\$ 60,632
FIRST	2012	\$ 1,338	\$ 69,576
FOURTH	2011	\$ 1,240	\$ 64,480
THIRD	2011	\$ 1,158	\$ 60,216
AVERAGE		\$ 1,245	\$ 63,726
		X 110%	110%
		\$ 1,370	\$ 70,099

**CHAPTER 313 WAGE CALCULATION - MANUFACTURING JOBS**

QUARTER	YEAR	AVG WEEKLY WAGES*	ANNUALIZED
SECOND	2012	\$ 1,416	\$ 73,632
FIRST	2012	\$ 1,672	\$ 86,944
FOURTH	2011	\$ 1,556	\$ 80,912
THIRD	2011	\$ 1,426	\$ 74,152
AVERAGE		\$ 1,551	\$ 78,910
		X 110%	110%
		\$ 1,706	\$ 86,801

**CHAPTER 313 WAGE CALCULATION - REGIONAL WAGE RATE**

QUARTER	YEAR	AVG WEEKLY WAGES*	ANNUALIZED
	2011	\$ 1,033	\$ 53,711
		X 110%	110%
		\$ 1,136	\$ 59,082

\* SEE ATTACHED TWC DOCUMENTATION

## Quarterly Employment and Wages (QCEW)

Page 1 of 1 (40 results/page)

 Year	 Period	 Area	 Ownership	 Division	 Level	 Ind Code	 Industry	 Avg Weekly Wages
2012	1st Qtr	Harris County	Total All	00	0	10	Total, All Industries	\$1,338
2012	2nd Qtr	Harris County	Total All	00	0	10	Total, All Industries	\$1,166
2011	3rd Qtr	Harris County	Total All	00	0	10	Total, All Industries	\$1,158
2011	4th Qtr	Harris County	Total All	00	0	10	Total, All Industries	\$1,240

## Quarterly Employment and Wages (QCEW)

Page 1 of 1 (40 results/page)

 Year	 Period	 Area	 Ownership	 Division	 Level	 Ind Code	 Industry	 Avg Weekly Wages
2012	1st Qtr	Harris County	Total All	31	2	31-33	Manufacturing	\$1,672
2012	2nd Qtr	Harris County	Total All	31	2	31-33	Manufacturing	\$1,416
2011	3rd Qtr	Harris County	Total All	31	2	31-33	Manufacturing	\$1,426
2011	4th Qtr	Harris County	Total All	31	2	31-33	Manufacturing	\$1,556

**2011 Manufacturing Wages by Council of Government Region  
Wages for All Occupations**

COG	Wages	
	Hourly	Annual
<b>Texas</b>	<b>\$22.89</b>	<b>\$47,610</b>
<a href="#">1. Panhandle Regional Planning Commission</a>	\$19.32	\$40,196
<a href="#">2. South Plains Association of Governments</a>	\$16.45	\$34,210
<a href="#">3. NORTEX Regional Planning Commission</a>	\$18.14	\$37,733
<a href="#">4. North Central Texas Council of Governments</a>	\$24.03	\$49,986
<a href="#">5. Ark-Tex Council of Governments</a>	\$16.52	\$34,366
<a href="#">6. East Texas Council of Governments</a>	\$18.27	\$37,995
<a href="#">7. West Central Texas Council of Governments</a>	\$17.76	\$36,949
<a href="#">8. Rio Grande Council of Governments</a>	\$15.69	\$32,635
<a href="#">9. Permian Basin Regional Planning Commission</a>	\$21.32	\$44,349
<a href="#">10. Concho Valley Council of Governments</a>	\$15.92	\$33,123
<a href="#">11. Heart of Texas Council of Governments</a>	\$18.82	\$39,150
<a href="#">12. Capital Area Council of Governments</a>	\$26.46	\$55,047
<a href="#">13. Brazos Valley Council of Governments</a>	\$15.71	\$33,718
<a href="#">14. Deep East Texas Council of Governments</a>	\$15.48	\$32,207
<a href="#">15. South East Texas Regional Planning Commission</a>	\$28.23	\$58,724
<b>16. Houston-Galveston Area Council</b>	\$25.82	<b>\$53,711</b>
<a href="#">17. Golden Crescent Regional Planning Commission</a>	\$20.38	\$42,391
<a href="#">18. Alamo Area Council of Governments</a>	\$18.00	\$37,439
<a href="#">19. South Texas Development Council</a>	\$13.85	\$28,806
<a href="#">20. Coastal Bend Council of Governments</a>	\$22.35	\$46,489
<a href="#">21. Lower Rio Grande Valley Development Council</a>	\$15.08	\$31,365
<a href="#">22. Texoma Council of Governments</a>	\$20.76	\$43,190
<a href="#">23. Central Texas Council of Governments</a>	\$16.17	\$33,642
<a href="#">24. Middle Rio Grande Development Council</a>	\$13.65	\$28,382

$110\% \times \$53,711 = \$59,082$

Source: Texas Occupational Employment and Wages

Data published: July 2012

Data published annually, next update will be summer 2013

Note: Data is not supported by the Bureau of Labor Statistics (BLS).

Wage data is produced from Texas OES data, and is not to be compared to BLS estimates.

Data intended for TAC 313 purposes only.

## **ATTACHMENT 15**

Equistar provides its employees with benefits including but not limited to the following:

- Medical Coverage (company pays 80% of employee health insurance premiums)
- Dental Plan
- Group Life Insurance
- Paid Holidays
- Paid Vacation
- 401(k) Retirement Savings Plan

**ATTACHMENT 16**

The economic impact study will be performed by the Comptroller at a future date.

**ATTACHMENT 17**

Please see attached Schedule A

Please note revised Schedule A



Amended: This page is replaced by previous page which contains a revised schedule A Schedule A (Rev. 10): Investment

Applicant Name: Equistar Chemicals, LP  
 ISD Name: Sheldon ISD

Form 50-296

PROPERTY INVESTMENT AMOUNTS									
(Estimated investment in each year. Do not put cumulative totals.)									
	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A: Tangible Personal Property (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)		
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	2012-2013	2012					\$ -		
	2013-2014	2013					\$ -		
	2012-2013	2012					\$ -		
	2013-2014	2013					\$ -		
	2012-2013	2012					\$ -		
	2013-2014	2013	\$ 192,930,450	\$ 1,948,792	\$ 194,879,242		\$ -		
	2014-2015	2014	\$ 115,830,000	\$ 1,170,000	\$ 117,000,000		\$ -	\$ 194,879,242	
	2015-2016	2015	\$ 34,650,000	\$ 350,000	\$ 35,000,000		\$ -	\$ 35,000,000	
	2016-2017	2016	\$ 1,980,000	\$ 20,000	\$ 2,000,000		\$ -	\$ 2,000,000	
	2017-2018	2017					\$ -	\$ -	
	2018-2019	2018					\$ -	\$ -	
	2019-2020	2019					\$ -	\$ -	
	2020-2021	2020					\$ -	\$ -	
	2021-2022	2021					\$ -	\$ -	
	2022-2023	2022					\$ -	\$ -	
2023-2024	2023					\$ -	\$ -		
2024-2025	2024					\$ -	\$ -		
2025-2026	2025					\$ -	\$ -		
2026-2027	2026					\$ -	\$ -		
2027-2028	2027					\$ -	\$ -		
2028-2029	2028					\$ -	\$ -		
Tax Credit Period (with 50% cap on credit)	1								
	2								
Credit Settle-Up Period	3								
	4								
	5								
	6								
	7								
	8								
	9								
	10								
	11								
	12								
Post-Settle-Up Period	13								
	14								
Post-Settle-Up Period	15								
	15								

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.021(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property. Include estimates of investment for "replacement" property that is part of original agreement but scheduled for probable replacement during limitation period. The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E).

Column D: For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings. Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value for planning, construction and operation of the facility. The most significant example for many projects would be land. Other examples may be items such as professional services, etc.

Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

Signature: Stephen K. W.J. DATE: 11/8/12

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

**ATTACHMENT 18**

Please see attached Schedule B

Schedule B (Rev. May 2010): Estimated Market And Taxable Value

Form 50-296

Applicant Name:  
ISD Name

Sheldon ISD

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	Final taxable value for M&O--after all reductions	Final taxable value for M&O--after all reductions
				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 building or "in or on the new improvement"				
	pre- year 1	2012-2013	2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	pre- year 2	2013-2014	2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Complete tax years of qualifying time period	1	2014-2015	2014	\$ -	\$ 1,653,800	\$ 163,725,400	\$ 8,269,000	\$ 157,110,200	\$ 157,110,200	
	2	2015-2016	2015	\$ -	\$ 2,274,400	\$ 225,169,600	\$ 11,372,200	\$ 216,071,800	\$ 216,071,800	
	3	2016-2017	2016	\$ -	\$ 3,265,100	\$ 323,241,200	\$ 16,325,300	\$ 310,181,000	\$ 80,000,000	
	4	2017-2018	2017	\$ -	\$ 3,248,100	\$ 321,558,000	\$ 16,240,300	\$ 308,565,800	\$ 80,000,000	
	5	2018-2019	2018	\$ -	\$ 3,118,200	\$ 308,695,700	\$ 15,590,700	\$ 296,223,200	\$ 80,000,000	
Value Limitation Period	6	2019-2020	2019	\$ -	\$ 2,993,500	\$ 296,347,900	\$ 14,967,100	\$ 284,374,300	\$ 80,000,000	
	7	2020-2021	2020	\$ -	\$ 2,873,800	\$ 284,494,000	\$ 14,368,400	\$ 272,999,400	\$ 80,000,000	
	8	2021-2022	2021	\$ -	\$ 2,758,800	\$ 273,114,200	\$ 13,793,700	\$ 262,079,300	\$ 80,000,000	
	9	2022-2023	2022	\$ -	\$ 2,648,400	\$ 262,189,600	\$ 13,241,900	\$ 251,596,100	\$ 80,000,000	
	10	2023-2024	2023	\$ -	\$ 2,542,500	\$ 251,702,000	\$ 12,712,200	\$ 241,532,300	\$ 80,000,000	
Credit Settle-Up Period	11	2024-2025	2024	\$ -	\$ 2,440,800	\$ 241,633,900	\$ 12,203,700	\$ 231,871,000	\$ 231,871,000	
	12	2025-2026	2025	\$ -	\$ 2,343,200	\$ 231,968,500	\$ 11,715,600	\$ 222,596,100	\$ 222,596,100	
	13	2026-2027	2026	\$ -	\$ 2,249,500	\$ 222,689,800	\$ 11,247,000	\$ 213,692,300	\$ 213,692,300	
Post- Settle-Up Period	14	2027-2028	2027	\$ -	\$ 2,159,500	\$ 213,782,200	\$ 10,797,100	\$ 205,144,600	\$ 205,144,600	
Post- Settle-Up Period	15	2028-2029	2028	\$ -	\$ 2,073,100	\$ 205,230,900	\$ 10,365,200	\$ 196,938,800	\$ 196,938,800	

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed enter those amounts for future years.

*Stephen K. W.J.*

11/8/12

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

**ATTACHMENT 19**

Please see attached Schedule C



**ATTACHMENT 20**

Please see attached Schedule D

Schedule D: (Rev. May 2010) Other Tax Information

Equistar Chemicals, LP

Sheldon ISD

Form 50-296

Applicant Name

	Sales Tax Information				Franchise Tax	Other Property Tax Abatements Sought				
	Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Column F: Estimate of total annual expenditures* subject to state sales tax		Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	County	City	Hospital
		2012-2013	2012	\$ -	\$ -	\$ -	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)		2013-2014	2013	\$ 51,819,242	\$ 146,060,000	\$ 400,000	N/A	N/A	N/A	N/A
Complete tax years of qualifying time period	1	2014-2015	2014	\$ 39,870,000	\$ 77,130,000	\$ 1,500,000	N/A	N/A	N/A	N/A
	2	2015-2016	2015	\$ 9,860,000	\$ 25,140,000	\$ 1,500,000	N/A	N/A	N/A	N/A
	3	2016-2017	2016	\$ -	\$ 2,000,000	\$ 1,500,000	N/A	N/A	N/A	N/A
	4	2017-2018	2017	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	5	2018-2019	2018	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	6	2019-2020	2019	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	7	2020-2021	2020	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	8	2021-2022	2021	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	9	2022-2023	2022	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	10	2023-2024	2023	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	11	2024-2025	2024	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	12	2025-2026	2025	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	13	2026-2027	2026	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	14	2027-2028	2027	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
	15	2028-2029	2028	\$ -	\$ -	\$ 1,500,000	N/A	N/A	N/A	N/A
Tax Credit Period (with 50% cap on credit)	Value Limitation Period									
Credit Settle-Up Period	Continue to Maintain Viable Presence									
Post-Settle-Up Period										

\*For planning, construction and operation of the facility.

*Steph K. W.J.*

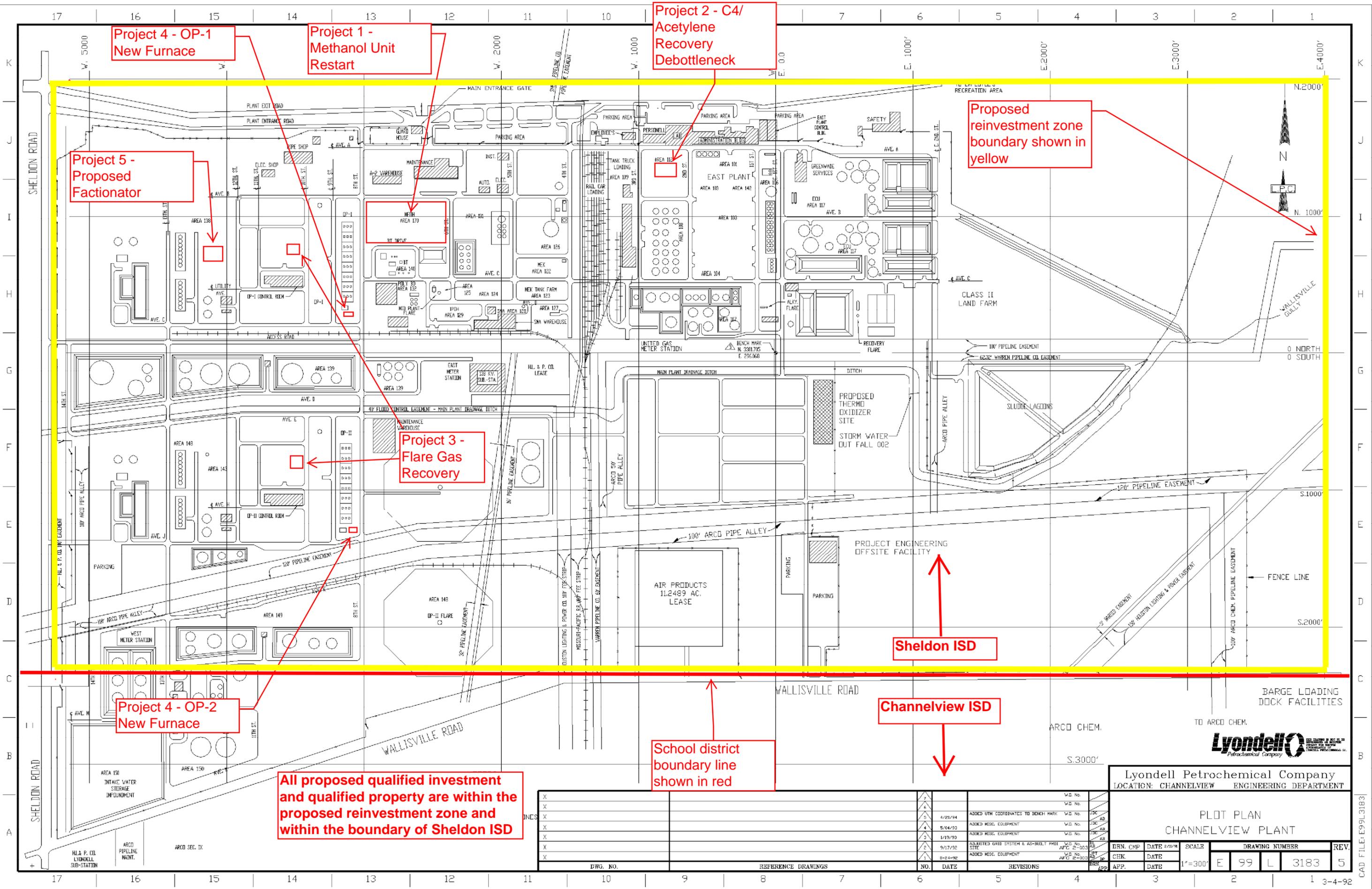
*11/8/12*

DATE

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

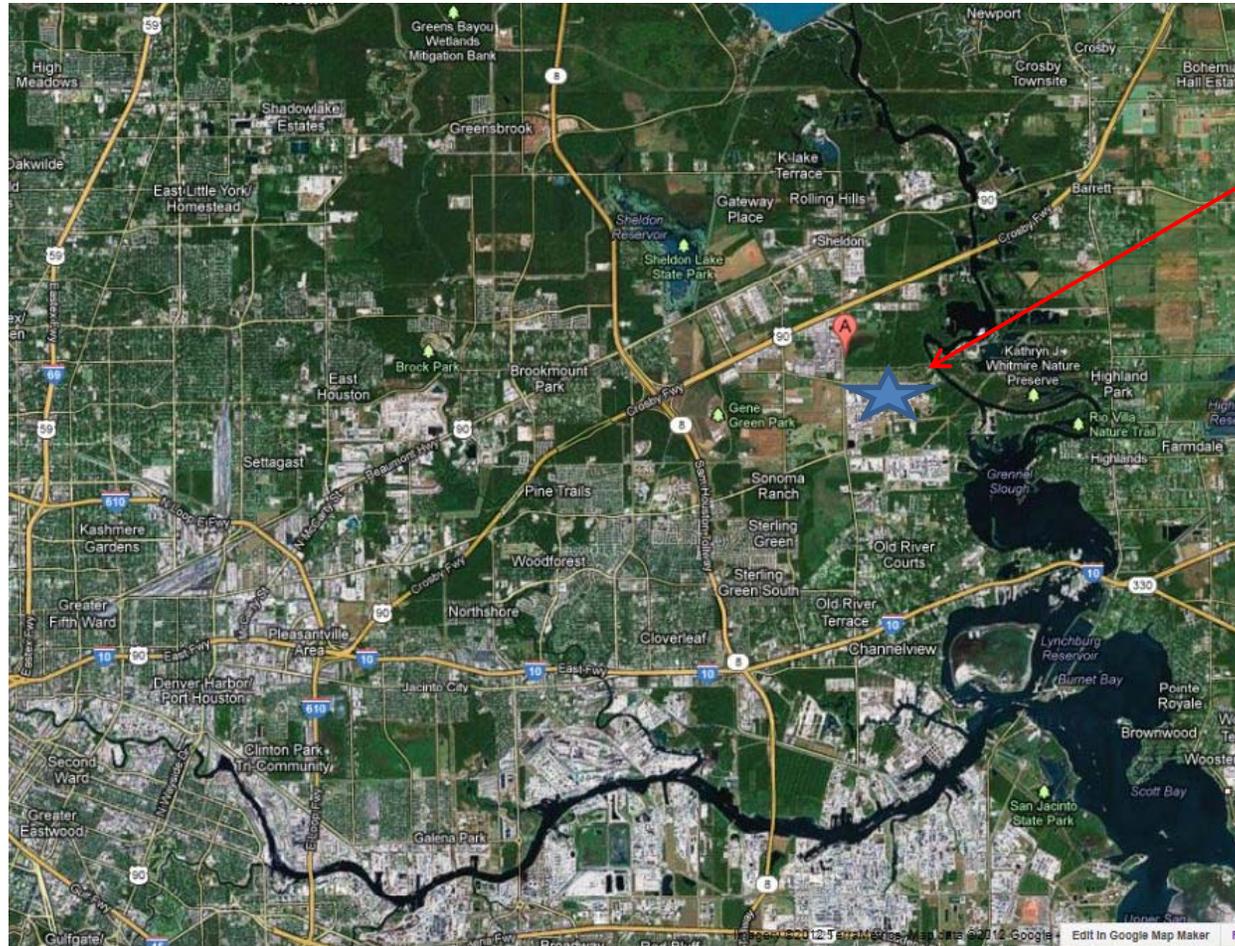
**ATTACHMENT 21**

A map of the proposed reinvestment zone is attached as is a vicinity map. The reinvestment zone will be established by the Board of Trustees of Sheldon ISD at a later date and will be certified by the school district.



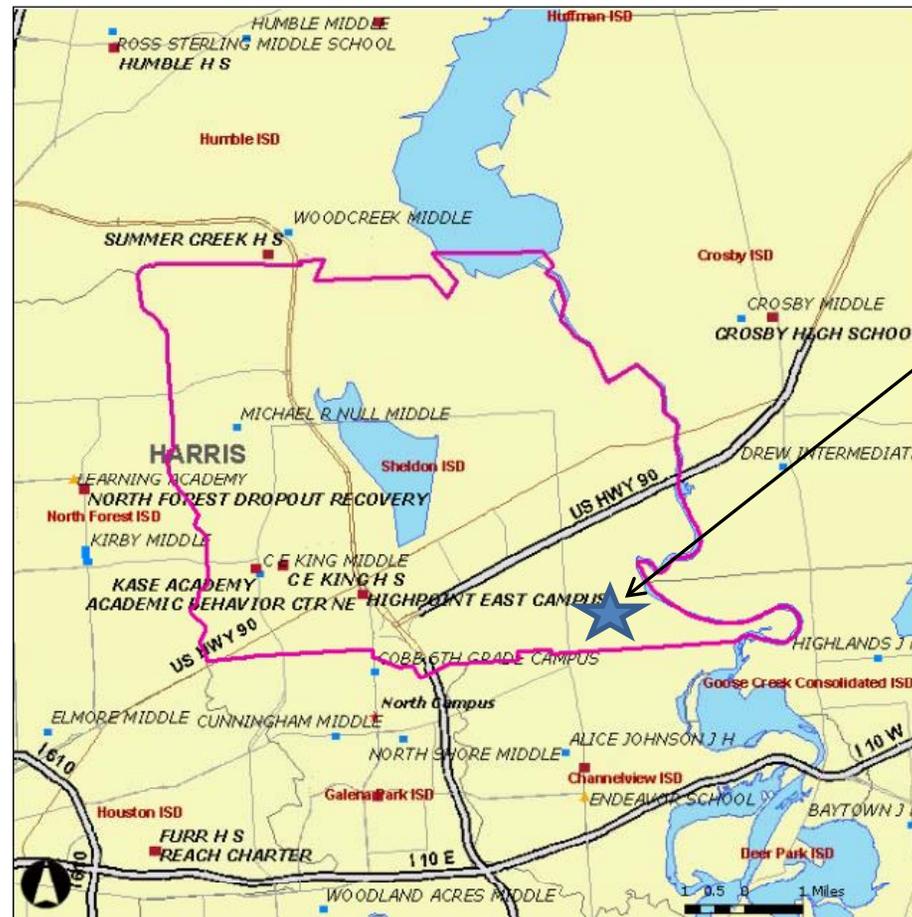
**Attachment 21 - Reinvestment Zone Map**

# Equistar Chemicals, LP Vicinity Map



Project Site

# Sheldon ISD Map



Project Site

Attachment 21 - Sheldon ISD Map

**ATTACHMENT 22**

The resolution of the Board of Trustees of Sheldon ISD establishing the reinvestment zone will be provided at a later date.

**ATTACHMENT 23**

The legal description of the proposed reinvestment zone will be provided upon completion of the survey.

**ATTACHMENT 24**

Not applicable. No guidelines and criteria are required for Sheldon ISD to create the reinvestment zone.



## Franchise Tax Account Status

As of: 08/13/2013 02:29:11 PM

**This Page is Not Sufficient for Filings with the Secretary of State**

EQUISTAR CHEMICALS, LP	
Texas Taxpayer Number	17605504814
Mailing Address	1221 MCKINNEY ST STE 300 ATTN: TAX DEPT HOUSTON, TX 77010-2036
Right to Transact Business in Texas	ACTIVE
State of Formation	DE
Effective SOS Registration Date	11/04/1997
Texas SOS File Number	0010258111
Registered Agent Name	CT CORPORATION SYSTEM
Registered Office Street Address	350 N. ST. PAUL ST. STE. 2900 DALLAS, TX 75201

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



April 15, 2013

Dr. Vickey Giles  
Superintendent  
Sheldon Independent School District  
11411 C.E. King Parkway  
Houston, Texas 77044-2002

Dear Superintendent Giles:

On April 8, 2013, the Comptroller received the completed application (Application # 259) for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted in November 2012 to the Sheldon Independent School District (the school district) by Equistar Chemicals, L.P. (the applicant). This letter presents the results of the Comptroller's review of the application:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter B; and
- 2) under Section 313.025(d), to make a recommendation to the governing body of the school district as to whether the application should be approved or disapproved using the criteria set out by Section 313.026.

The school district is currently classified as a non-rural school district in Category 2 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter B, applicable to non-rural school districts. The amount of proposed qualified investment (\$355.5 million) is consistent with the proposed appraised value limitation sought (\$80 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

The applicant is an active franchise taxpayer in good standing, as required by Section 313.024(a), and is proposing the construction of a manufacturing facility in Harris County, an eligible property use under Section 313.024(b). The Comptroller has determined that the property, as described in the application, meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter B.

After reviewing the application using the criteria listed in Section 313.026, and the information provided by the applicant, the Comptroller's recommendation is that this application under Tax Code Chapter 313 be approved.

Our review of the application assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements; the school district is responsible for verifying that all requirements of the statute have been fulfilled. Additionally, Section 313.025 requires the school district to only approve an application if the school district finds that the information in the application is true and

<sup>1</sup> All statutory references are to the Texas Tax Code, unless otherwise noted.

correct, finds that the applicant is eligible for a limitation and determines that granting the application is in the best interest of the school district and this state. As stated above, the Comptroller's recommendation is prepared by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria.

Note that any new building or other improvement existing as of the application review start date of January 18, 2013, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2).

The Comptroller's recommendation is based on the application submitted by the school district and reviewed by the Comptroller. The recommendation may not be used by the school district to support its approval of the property value limitation agreement if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this recommendation is contingent on future compliance with the Chapter 313 and the Texas Administrative Code, with particular reference to the following requirements related to the execution of the agreement:

- 1) The applicant must provide the Comptroller a copy of the proposed limitation on appraised value agreement no later than ten (10) days prior to the meeting scheduled by the school district to consider approving the agreement, so that the Comptroller may review it for compliance with the statutes and the Comptroller's rules as well as consistency with the application;
- 2) The Comptroller must confirm that it received and reviewed the draft agreement and affirm the recommendation made in this letter;
- 3) The school district must approve and execute a limitation agreement that has been reviewed by the Comptroller within a year from the date of this letter; and
- 4) The school district must provide a copy of the signed limitation agreement to the Comptroller within seven (7) days after execution, as required by Section 313.025.

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

Sincerely,



Martin A. Hubert  
Deputy Comptroller

Enclosure

cc: Robert Wood

**Economic Impact for Chapter 313 Project**

Applicant	Equistar Chemicals, L.P.
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Sheldon
2011-2012 Enrollment in School District	7,159
County	Harris
Total Investment in District	\$355,500,000
Qualified Investment	\$346,879,242
Limitation Amount	\$80,000,000
Number of total jobs committed to by applicant	25
Number of qualifying jobs committed to by applicant	20
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,250
Minimum Weekly Wage Required Tax Code, 313.021(5)(B)	\$1,136
Minimum Annual Wage committed to by applicant for qualified jobs	\$65,000
Investment per Qualifying Job	\$17,775,000
Estimated 15 year M&O levy without any limit or credit:	\$40,013,641
Estimated gross 15 year M&O tax benefit	\$19,627,995
Estimated 15 year M&O tax benefit (after deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$19,408,559
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$2,655,300
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$20,605,082
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	48.5%
Percentage of tax benefit due to the limitation	86.5%
Percentage of tax benefit due to the credit.	13.5%

This presents the Comptroller's economic impact evaluation of Equistar Chemicals, L.P. (the project) applying to Sheldon Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

- (1) the recommendations of the comptroller;
- (2) the name of the school district;
- (3) the name of the applicant;
- (4) the general nature of the applicant's investment;
- (5) the relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant to the long-term economic growth plans of this state as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Government Code, as that section existed before February 1, 1999;
- (6) the relative level of the applicant's investment per qualifying job to be created by the applicant;
- (7) the number of qualifying jobs to be created by the applicant;
- (8) the wages, salaries, and benefits to be offered by the applicant to qualifying job holders;
- (9) the ability of the applicant to locate or relocate in another state or another region of this state;
- (10) the impact the project will have on this state and individual local units of government, including:
  - (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller; and
  - (B) economic effects of the project, including the impact on jobs and income, during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller;
- (11) the economic condition of the region of the state at the time the person's application is being considered;
- (12) the number of new facilities built or expanded in the region during the two years preceding the date of the application that were eligible to apply for a limitation on appraised value under this subchapter;
- (13) the effect of the applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Education Code;
- (14) the projected market value of the qualified property of the applicant as determined by the comptroller;
- (15) the proposed limitation on appraised value for the qualified property of the applicant;
- (16) the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated;
- (17) the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated;
- (18) the projected effect on the Foundation School Program of payments to the district for each year of the agreement;
- (19) the projected future tax credits if the applicant also applies for school tax credits under Section 313.103; and
- (20) the total amount of taxes projected to be lost or gained by the district over the life of the agreement computed by subtracting the projected taxes stated in Subdivision (17) from the projected taxes stated in Subdivision (16).

### **Wages, salaries and benefits [313.026(6-8)]**

After construction, the project will create 25 new jobs when fully operational. Twenty jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Houston-Galveston Area Council of Governments Region, where Harris County is located was \$53,711 in 2011. The annual average manufacturing wage for 2011-2012 for Harris County is \$78,936. That same year, the county annual average wage for all industries was \$63,700. In addition to a salary of \$65,000, each qualifying position will receive include but are not limited to the following are medical coverage (company pays 80% of the employee health insurance premiums), dental plan, group life insurance, paid holidays, paid vacation and 401(k) retirement savings plan. The project's total investment is \$355.5 million, resulting in a relative level of investment per qualifying job of \$17.8 million.

### **Ability of applicant to locate to another state and [313.026(9)]**

According to Equistar Chemicals, L.P.'s application, "Equistar Chemicals, LP is wholly owned by LyondellBasell Industries which is a global manufacturer of petrochemicals. The Channelview plant is an olefins plant that produces ethylene, propylene, butadiene, and other related hydrocarbon byproducts. Equistar Chemicals, LP has other plants that produce similar products in La Porte, Texas, Corpus Christi, Texas, Morris, Illinois, and Clinton, Iowa. LyondellBasell has the ability to invest in new or existing facilities in many countries around the world as well as numerous existing facilities in the United States."

### **Number of new facilities in region [313.026(12)]**

During the past two years, 24 projects in the Houston-Galveston Area Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

### **Relationship of applicant's industry and jobs and Texas's economic growth plans [313.026(5)]**

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Equistar Chemicals, L.P. project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

### **Economic Impact [313.026(10)(A), (10)(B), (11), (13-20)]**

Table 1 depicts Equistar Chemicals, L.P.'s estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 17 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

**Table 1: Estimated Statewide Economic Impact of Investment and Employment in Equistar Chemicals, L.P.**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	15	23	38	\$1,350,000	\$1,650,000	\$3,000,000
2013	230	348	578	\$20,450,000	\$20,550,000	\$41,000,000
2014	125	239	364	\$10,625,000	\$17,375,000	\$28,000,000
2015	125	233	358	\$10,625,000	\$18,375,000	\$29,000,000
2016	25	104	129	\$1,625,000	\$11,375,000	\$13,000,000
2017	25	93	118	\$1,625,000	\$10,375,000	\$12,000,000
2018	25	90	115	\$1,625,000	\$9,375,000	\$11,000,000
2019	25	88	113	\$1,625,000	\$9,375,000	\$11,000,000
2020	25	88	113	\$1,625,000	\$9,375,000	\$11,000,000
2021	25	96	121	\$1,625,000	\$10,375,000	\$12,000,000
2022	25	98	123	\$1,625,000	\$11,375,000	\$13,000,000
2023	25	106	131	\$1,625,000	\$12,375,000	\$14,000,000
2024	25	94	119	\$1,625,000	\$11,375,000	\$13,000,000
2025	25	98	123	\$1,625,000	\$12,375,000	\$14,000,000
2026	25	96	121	\$1,625,000	\$13,375,000	\$15,000,000
2027	25	96	121	\$1,625,000	\$13,375,000	\$15,000,000
2028	25	96	121	\$1,625,000	\$13,375,000	\$15,000,000

Source: CPA, REMI, Equistar Chemicals, L.P.

The statewide average ad valorem tax base for school districts in Texas was \$1.74 billion in 2011-2012. Sheldon ISD's ad valorem tax base in 2011-2012 was \$4.057 billion. The statewide average wealth per WADA was estimated at \$347,943 for fiscal 2011-2012. During that same year, Sheldon ISD's estimated wealth per WADA was \$445,720. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Harris County, Harris County Flood Control District, Port of Houston Authority, Harris County Hospital District, Harris County Education Department and San Jacinto College District with all property tax incentives sought being granted using estimated market value from Equistar Chemicals, L.P.'s application. Equistar Chemicals, L.P. has applied only for a value limitation under Chapter 313, Tax Code. Table 3 illustrates the estimated tax impact of the Equistar Chemicals, L.P. project on the region if all taxes are assessed.

**Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought**

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	Sheldon ISD I&S Levy	Sheldon ISD M&O Levy	Sheldon ISD M&O and I&S Tax Levies (Before Credit Credited)	Sheldon ISD M&O and I&S Tax Levies (After Credit Credited)	Harris County Tax Levy	Harris County Flood Control District Tax Levy	Port of Houston Authority Tax Levy	Harris County Hospital District Tax Levy	Harris County Education Department Tax Levy	San Jacinto College District Tax Levy	Estimated Total Property Taxes	
2014	\$157,110,200	\$157,110,200		0.0340	1.0900	\$53,417	\$1,712,501	\$1,765,919	\$614,568	\$44,132	\$29,160	\$301,903	\$10,339	\$291,603	\$3,057,621
2015	\$216,071,800	\$216,071,800		\$73,464	\$2,355,183	\$2,428,647	\$2,428,647	\$845,208	\$60,695	\$40,103	\$415,204	\$14,220	\$401,034	\$4,205,109	
2016	\$310,181,000	\$80,000,000		\$105,462	\$872,000	\$977,462	\$977,462	\$1,213,335	\$87,130	\$57,570	\$596,044	\$20,413	\$575,702	\$3,527,655	
2017	\$308,565,800	\$80,000,000		\$104,912	\$872,000	\$976,912	\$644,957	\$1,207,017	\$86,676	\$57,270	\$592,940	\$20,307	\$572,704	\$3,181,871	
2018	\$296,223,200	\$80,000,000		\$100,716	\$872,000	\$972,716	\$640,761	\$1,158,736	\$83,209	\$54,979	\$569,223	\$19,494	\$549,796	\$3,076,198	
2019	\$284,374,300	\$80,000,000		\$96,687	\$872,000	\$968,687	\$636,732	\$1,112,387	\$79,881	\$52,780	\$546,454	\$18,715	\$527,804	\$2,974,753	
2020	\$272,999,400	\$80,000,000		\$92,820	\$872,000	\$964,820	\$632,865	\$1,067,892	\$76,686	\$50,669	\$524,596	\$17,966	\$506,692	\$2,877,365	
2021	\$262,079,300	\$80,000,000		\$89,107	\$872,000	\$961,107	\$629,152	\$1,025,176	\$73,618	\$48,642	\$503,612	\$17,247	\$486,424	\$2,783,871	
2022	\$251,596,100	\$80,000,000		\$85,543	\$872,000	\$957,543	\$625,588	\$984,168	\$70,673	\$46,696	\$483,467	\$16,558	\$466,967	\$2,694,118	
2023	\$241,532,300	\$80,000,000		\$82,121	\$872,000	\$954,121	\$622,166	\$944,802	\$67,846	\$44,828	\$464,128	\$15,895	\$448,289	\$2,607,955	
2024	\$231,871,000	\$211,871,000		\$78,836	\$2,527,394	\$2,606,230	\$2,606,230	\$907,010	\$65,133	\$43,035	\$445,563	\$15,259	\$430,357	\$4,512,588	
2025	\$222,596,100	\$222,596,100		\$75,683	\$2,426,297	\$2,501,980	\$2,501,980	\$870,729	\$62,527	\$41,314	\$427,741	\$14,649	\$413,143	\$4,332,083	
2026	\$213,692,300	\$213,692,300		\$72,655	\$2,329,246	\$2,401,901	\$2,401,901	\$835,900	\$60,026	\$39,661	\$410,631	\$14,063	\$396,617	\$4,158,800	
2027	\$205,144,600	\$205,144,600		\$69,749	\$2,236,076	\$2,305,825	\$2,305,825	\$802,464	\$57,625	\$38,075	\$394,206	\$13,501	\$380,752	\$3,992,448	
2028	\$196,938,800	\$196,938,800		\$66,959	\$2,146,633	\$2,213,592	\$2,213,592	\$770,366	\$55,320	\$36,552	\$378,438	\$12,961	\$365,522	\$3,832,750	
						<b>Total</b>	<b>\$21,633,777</b>	<b>\$14,359,758</b>	<b>\$1,031,177</b>	<b>\$681,333</b>	<b>\$7,054,148</b>	<b>\$241,587</b>	<b>\$6,813,405</b>	<b>\$51,815,185</b>	

Assumes School Value Limitation.

Source: CPA, Equistar Chemicals, L.P.

<sup>1</sup>Tax Rate per \$100 Valuation

**Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives**

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	Sheldon ISD I&S Levy	Sheldon ISD M&O Levy	Sheldon ISD M&O and I&S Tax Levies	Harris County Tax Levy	Harris County Flood Control District Tax Levy	Port of Houston Authority Tax Levy	Harris County Hospital District Tax Levy	Harris County Education Department Tax Levy	San Jacinto College District Tax Levy	Estimated Total Property Taxes	
2014	\$157,110,200	\$157,110,200		0.0340	1.0900	\$1,765,919	\$614,568	\$44,132	\$29,160	\$301,903	\$10,339	\$291,603	\$3,057,621	
2015	\$216,071,800	\$216,071,800		\$73,464	\$2,355,183	\$2,428,647	\$845,208	\$60,695	\$40,103	\$415,204	\$14,220	\$401,034	\$4,205,109	
2016	\$310,181,000	\$310,181,000		\$105,462	\$3,380,973	\$3,486,434	\$1,213,335	\$87,130	\$57,570	\$596,044	\$20,413	\$575,702	\$6,036,628	
2017	\$308,565,800	\$308,565,800		\$104,912	\$3,363,367	\$3,468,280	\$1,207,017	\$86,676	\$57,270	\$592,940	\$20,307	\$572,704	\$6,085,193	
2018	\$296,223,200	\$296,223,200		\$100,716	\$3,228,833	\$3,329,549	\$1,158,736	\$83,209	\$54,979	\$569,223	\$19,494	\$549,796	\$5,764,986	
2019	\$284,374,300	\$284,374,300		\$96,687	\$3,099,680	\$3,196,367	\$1,112,387	\$79,881	\$52,780	\$546,454	\$18,715	\$527,804	\$5,534,387	
2020	\$272,999,400	\$272,999,400		\$92,820	\$2,975,693	\$3,068,513	\$1,067,892	\$76,686	\$50,669	\$524,596	\$17,966	\$506,692	\$5,313,013	
2021	\$262,079,300	\$262,079,300		\$89,107	\$2,856,664	\$2,945,771	\$1,025,176	\$73,618	\$48,642	\$503,612	\$17,247	\$486,424	\$5,100,490	
2022	\$251,596,100	\$251,596,100		\$85,543	\$2,742,397	\$2,827,940	\$984,168	\$70,673	\$46,696	\$483,467	\$16,558	\$466,967	\$4,896,470	
2023	\$241,532,300	\$241,532,300		\$82,121	\$2,632,702	\$2,714,823	\$944,802	\$67,846	\$44,828	\$464,128	\$15,895	\$448,289	\$4,700,612	
2024	\$231,871,000	\$231,871,000		\$78,836	\$2,527,394	\$2,606,230	\$907,010	\$65,133	\$43,035	\$445,563	\$15,259	\$430,357	\$4,512,588	
2025	\$222,596,100	\$222,596,100		\$75,683	\$2,426,297	\$2,501,980	\$870,729	\$62,527	\$41,314	\$427,741	\$14,649	\$413,143	\$4,332,083	
2026	\$213,692,300	\$213,692,300		\$72,655	\$2,329,246	\$2,401,901	\$835,900	\$60,026	\$39,661	\$410,631	\$14,063	\$396,617	\$4,158,800	
2027	\$205,144,600	\$205,144,600		\$69,749	\$2,236,076	\$2,305,825	\$802,464	\$57,625	\$38,075	\$394,206	\$13,501	\$380,752	\$3,992,448	
2028	\$196,938,800	\$196,938,800		\$66,959	\$2,146,633	\$2,213,592	\$770,366	\$55,320	\$36,552	\$378,438	\$12,961	\$365,522	\$3,832,750	
						<b>Total</b>	<b>\$41,261,772</b>	<b>\$14,359,758</b>	<b>\$1,031,177</b>	<b>\$681,333</b>	<b>\$7,054,148</b>	<b>\$241,587</b>	<b>\$6,813,405</b>	<b>\$71,443,181</b>

Source: CPA, Equistar Chemicals, L.P.

<sup>1</sup>Tax Rate per \$100 Valuation

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement information.

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$40,013,641. The estimated gross 15 year M&O tax benefit, or levy loss, is \$19,627,995.

Attachment 3 is an economic overview of Harris County.

**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.

April 11, 2013

Mr. Robert Wood  
Director, Economic Development and Analysis  
Texas Comptroller of Public Accounts  
Lyndon B. Johnson State Office Building  
111 East 17th Street  
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency (TEA) has analyzed the revenue gains that would be realized by the proposed Equistar Chemicals project for the Sheldon Independent School District (SISD). Projections prepared by the TEA State Funding Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe the firm's assumptions regarding the potential revenue gain are valid, and its estimates of the impact of the Equistar Chemicals project on SISD are correct.

Please feel free to contact me by phone at (512) 463-9186 or by email at [al.mckenzie@tea.state.tx.us](mailto:al.mckenzie@tea.state.tx.us) if you need further information about this issue.

Sincerely,



Al McKenzie, Manager  
Foundation School Program Support

AM/bd

April 11, 2013

Mr. Robert Wood  
Director, Economic Development and Analysis  
Texas Comptroller of Public Accounts  
Lyndon B. Johnson State Office Building  
111 East 17th Street  
Austin, Texas 78774

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed Equistar Chemicals project on the number and size of school facilities in Sheldon Independent School District (SISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the SISD business manager, Abraham George, the TEA has found that the Equistar Chemicals project would not have a significant impact on the number or size of school facilities in SISD.

Please feel free to contact me by phone at (512) 463-9186 or by email at [al.mckenzie@tea.state.tx.us](mailto:al.mckenzie@tea.state.tx.us) if you need further information about this issue.

Sincerely,



Al McKenzie, Manager  
Foundation School Program Support

AM/bd

## Harris County

### Population

- Total county population in 2010 for Harris County: 4,147,218 , up 1.8 percent from 2009. State population increased 1.8 percent in the same time period.
- Harris County was the state's 11th largest county in population in 2010 and the 46th fastest growing county from 2009 to 2010.
- Harris County's population in 2009 was 35.3 percent Anglo (below the state average of 46.7 percent), 17.9 percent African-American (above the state average of 11.3 percent) and 39.8 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Harris County:

Houston:	2,257,926	Pasadena:	145,789
Baytown:	70,872	La Porte:	34,191
Deer Park:	30,938	Bellaire:	18,176
South Houston:	16,346	West University Place:	15,613
Humble:	14,865	Katy:	13,891

### Economy and Income

#### *Employment*

- September 2011 total employment in Harris County: 1.9 million, up 1.8 percent from September 2010. State total employment increased 0.9 percent during the same period.  
(October 2011 employment data will be available November 18, 2011).
- September 2011 Harris County unemployment rate: 8.6 percent, up from 8.3 percent in September 2010. The statewide unemployment rate for September 2011 was 8.5 percent, up from 8.2 percent in September 2010.
- September 2011 unemployment rate in the city of:

Houston:	8.5 percent, up from 8.1 percent in September 2010.
Pasadena:	10.0 percent, unchanged from 10.0 percent in September 2010.
Baytown:	11.6 percent, up from 11.3 percent in September 2010.
La Porte:	8.9 percent, down from 9.4 percent in September 2010.
Deer Park:	8.4 percent, unchanged from 8.4 percent in September 2010.

(Note: County and state unemployment rates are adjusted for seasonal fluctuations, but the Texas Workforce Commission city unemployment rates are not. Seasonally-adjusted unemployment rates are not comparable with unadjusted rates).

#### *Income*

- Harris County's ranking in per capita personal income in 2009: 7th with an average per capita income of \$48,337, down 6.1 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

#### *Industry*

- Agricultural cash values in Harris County averaged \$419.01 million annually from 2007 to 2010. County total agricultural values in 2010 were unchanged 0.0 percent from 2009. Major agriculture related commodities in Harris County during 2010 included:
  - Timber
  - Horses
  - Hay
  - Other Beef
  - Nursery
- 2011 oil and gas production in Harris County: 756,538.0 barrels of oil and 13.6 million Mcf of gas. In September 2011, there were 328 producing oil wells and 146 producing gas wells.

### Taxes

#### *Sales Tax - Taxable Sales*

(County and city taxable sales data for 1st quarter 2011 is currently targeted for release in mid-September 2011).

*Quarterly (September 2010 through December 2010)*

- Taxable sales in Harris County during the fourth quarter 2010: \$16.08 billion, up 11.5 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Houston:	\$12.97 billion, up 12.2 percent from the same quarter in 2009.
Pasadena:	\$352.50 million, up 3.3 percent from the same quarter in 2009.
Baytown:	\$193.94 million, up 3.5 percent from the same quarter in 2009.
La Porte:	\$71.70 million, up 25.1 percent from the same quarter in 2009.
Deer Park:	\$93.27 million, up 13.2 percent from the same quarter in 2009.
Bellaire:	\$38.04 million, down 9.7 percent from the same quarter in 2009.
South Houston:	\$27.61 million, up 0.7 percent from the same quarter in 2009.
West University Place:	\$14.26 million, up 5.1 percent from the same quarter in 2009.
Humble:	\$272.85 million, up 3.3 percent from the same quarter in 2009.
Katy:	\$161.63 million, up 6.3 percent from the same quarter in 2009.

<b>Seabrook:</b>	\$26.48 million, up 3.7 percent from the same quarter in 2009.
<b>Webster:</b>	\$152.51 million, up 1.5 percent from the same quarter in 2009.
<b>Tomball:</b>	\$97.38 million, up 4.3 percent from the same quarter in 2009.
<b>Galena Park:</b>	\$9.24 million, up 8.2 percent from the same quarter in 2009.
<b>Jacinto City:</b>	\$11.37 million, down 1.1 percent from the same quarter in 2009.
<b>Jersey Village:</b>	\$37.18 million, up 4.2 percent from the same quarter in 2009.
<b>Hunters Creek Village:</b>	\$3.51 million, up 1.7 percent from the same quarter in 2009.
<b>Nassau Bay:</b>	\$8.79 million, up 43.1 percent from the same quarter in 2009.
<b>Spring Valley Village:</b>	\$20.66 million, up 26.7 percent from the same quarter in 2009.
<b>Bunker Hill Village:</b>	\$533,920.00, up 24.9 percent from the same quarter in 2009.
<b>Taylor Lake Village:</b>	\$490,161.00, down 18.9 percent from the same quarter in 2009.
<b>Piney Point Village:</b>	\$2.05 million, up 255.5 percent from the same quarter in 2009.
<b>El Lago:</b>	\$1.81 million, up 12.8 percent from the same quarter in 2009.
<b>Hedwig Village:</b>	\$46.87 million, up 6.5 percent from the same quarter in 2009.
<b>Southside Place:</b>	\$7.99 million, down 2.1 percent from the same quarter in 2009.
<b>Shoreacres:</b>	\$500,657.00, up 2.5 percent from the same quarter in 2009.
<b>Hilshire Village:</b>	\$139,643.00, down 3.3 percent from the same quarter in 2009.
<b>Morgan's Point:</b>	\$2.86 million, up 2.4 percent from the same quarter in 2009.

*Taxable Sales through the end of 4th quarter 2010 (January 2010 through December 30, 2010)*

- Taxable sales in Harris County through the fourth quarter of 2010: \$58.57 billion, up 0.6 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

<b>Houston:</b>	\$46.99 billion, up 0.6 percent from the same period in 2009.
<b>Pasadena:</b>	\$1.33 billion, down 4.8 percent from the same period in 2009.
<b>Baytown:</b>	\$709.79 million, down 3.8 percent from the same period in 2009.
<b>La Porte:</b>	\$254.55 million, up 7.9 percent from the same period in 2009.
<b>Deer Park:</b>	\$337.69 million, up 1.4 percent from the same period in 2009.
<b>Bellaire:</b>	\$164.62 million, down 1.4 percent from the same period in 2009.
<b>South Houston:</b>	\$111.12 million, down 4.3 percent from the same period in 2009.
<b>West University Place:</b>	\$51.05 million, down 2.2 percent from the same period in 2009.
<b>Humble:</b>	\$936.31 million, up 0.4 percent from the same period in 2009.
<b>Katy:</b>	\$528.44 million, up 6.1 percent from the same period in 2009.
<b>Seabrook:</b>	\$106.27 million, down 2.5 percent from the same period in 2009.
<b>Webster:</b>	\$544.62 million, down 4.9 percent from the same period in 2009.
<b>Tomball:</b>	\$364.93 million, up 1.7 percent from the same period in 2009.
<b>Galena Park:</b>	\$35.96 million, down 8.8 percent from the same period in 2009.
<b>Jacinto City:</b>	\$47.71 million, down 2.7 percent from the same period in 2009.
<b>Jersey Village:</b>	\$143.42 million, down 1.6 percent from the same period in 2009.
<b>Hunters Creek Village:</b>	\$12.44 million, down 7.4 percent from the same period in 2009.
<b>Nassau Bay:</b>	\$28.91 million, down 5.0 percent from the same period in 2009.
<b>Spring Valley Village:</b>	\$71.86 million, up 5.3 percent from the same period in 2009.
<b>Bunker Hill Village:</b>	\$2.18 million, down 15.3 percent from the same period in 2009.
<b>Taylor Lake Village:</b>	\$1.60 million, up 1.4 percent from the same period in 2009.
<b>Piney Point Village:</b>	\$5.91 million, up 129.5 percent from the same period in 2009.
<b>El Lago:</b>	\$7.15 million, up 6.2 percent from the same period in 2009.
<b>Hedwig Village:</b>	\$157.84 million, up 8.4 percent from the same period in 2009.
<b>Southside Place:</b>	\$26.60 million, down 0.3 percent from the same period in 2009.
<b>Shoreacres:</b>	\$1.98 million, up 9.3 percent from the same period in 2009.
<b>Hilshire Village:</b>	\$551,837.00, down 51.7 percent from the same period in 2009.
<b>Morgan's Point:</b>	\$12.83 million, down 3.4 percent from the same period in 2009.

*Annual (2010)*

- Taxable sales in Harris County during 2010: \$58.57 billion, up 0.6 percent from 2009.
- Harris County sent an estimated \$3.66 billion (or 21.40 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

<b>Houston:</b>	\$46.99 billion, up 0.6 percent from 2009.
<b>Pasadena:</b>	\$1.33 billion, down 4.8 percent from 2009.
<b>Baytown:</b>	\$709.79 million, down 3.8 percent from 2009.
<b>La Porte:</b>	\$254.55 million, up 7.9 percent from 2009.
<b>Deer Park:</b>	\$337.69 million, up 1.4 percent from 2009.
<b>Bellaire:</b>	\$164.62 million, down 1.4 percent from 2009.
<b>South Houston:</b>	\$111.12 million, down 4.3 percent from 2009.
<b>West University Place:</b>	\$51.05 million, down 2.2 percent from 2009.
<b>Humble:</b>	\$936.31 million, up 0.4 percent from 2009.
<b>Katy:</b>	\$528.44 million, up 6.1 percent from 2009.
<b>Seabrook:</b>	\$106.27 million, down 2.5 percent from 2009.
<b>Webster:</b>	\$544.62 million, down 4.9 percent from 2009.
<b>Tomball:</b>	\$364.93 million, up 1.7 percent from 2009.
<b>Galena Park:</b>	\$35.96 million, down 8.8 percent from 2009.
<b>Jacinto City:</b>	\$47.71 million, down 2.7 percent from 2009.
<b>Jersey Village:</b>	\$143.42 million, down 1.6 percent from 2009.
<b>Hunters Creek Village:</b>	\$12.44 million, down 7.4 percent from 2009.
<b>Nassau Bay:</b>	\$28.91 million, down 5.0 percent from 2009.
<b>Spring Valley Village:</b>	\$71.86 million, up 5.3 percent from 2009.
<b>Bunker Hill Village:</b>	\$2.18 million, down 15.3 percent from 2009.
<b>Taylor Lake Village:</b>	\$1.60 million, up 1.4 percent from 2009.
<b>Plney Point Village:</b>	\$5.91 million, up 129.5 percent from 2009.
<b>El Lago:</b>	\$7.15 million, up 6.2 percent from 2009.
<b>Hedwig Village:</b>	\$157.84 million, up 8.4 percent from 2009.
<b>Southside Place:</b>	\$26.60 million, down 0.3 percent from 2009.
<b>Shoreacres:</b>	\$1.98 million, up 9.3 percent from 2009.
<b>Hilshire Village:</b>	\$551,837.00, down 51.7 percent from 2009.
<b>Morgan's Point:</b>	\$12.83 million, down 3.4 percent from 2009.

### ***Sales Tax – Local Sales Tax Allocations***

***(The release date for sales tax allocations to cities for the sales activity month of September 2011 is currently scheduled for November 9, 2011.)***

#### ***Monthly***

- Statewide payments based on the sales activity month of August 2011: \$505.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Harris County based on the sales activity month of August 2011: \$50.26 million, up 11.6 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

<b>Houston:</b>	\$41.60 million, up 12.2 percent from August 2010.
<b>Pasadena:</b>	\$1.88 million, up 0.6 percent from August 2010.
<b>Baytown:</b>	\$1.12 million, up 27.9 percent from August 2010.
<b>La Porte:</b>	\$496,096.00, down 1.1 percent from August 2010.
<b>Deer Park:</b>	\$337,908.46, down 12.2 percent from August 2010.
<b>Bellaire:</b>	\$151,464.38, up 1.9 percent from August 2010.
<b>South Houston:</b>	\$217,348.75, up 17.8 percent from August 2010.
<b>West University Place:</b>	\$83,229.63, down 9.1 percent from August 2010.
<b>Humble:</b>	\$884,514.03, up 5.0 percent from August 2010.
<b>Katy:</b>	\$712,343.61, up 9.7 percent from August 2010.
<b>Seabrook:</b>	\$156,900.34, unchanged 0.0 percent from August 2010.
<b>Webster:</b>	\$1.13 million, up 25.1 percent from August 2010.
<b>Tomball:</b>	\$782,963.98, up 9.6 percent from August 2010.
<b>Galena Park:</b>	\$81,533.61, up 31.3 percent from August 2010.
<b>Jacinto City:</b>	\$43,105.63, up 6.7 percent from August 2010.
<b>Jersey Village:</b>	\$209,463.65, up 4.2 percent from August 2010.
<b>Hunters Creek Village:</b>	\$23,962.64, up 2.7 percent from August 2010.
<b>Nassau Bay*:</b>	\$68,510.08, up 22.1 percent from August 2010.
<b>Spring Valley Village:</b>	\$81,322.11, up 21.1 percent from August 2010.
<b>Bunker Hill Village:</b>	\$3,742.40, down 6.9 percent from August 2010.

Taylor Lake Village:	\$3,504.55, down 8.0 percent from August 2010.
Piney Point Village:	\$20,019.31, up 91.3 percent from August 2010.
El Lago:	\$10,406.16, up 2.7 percent from August 2010.
Hedwig Village:	\$110,761.01, up 4.8 percent from August 2010.
Southside Place:	\$24,973.30, up 0.1 percent from August 2010.
Shoreacres*:	\$5,381.38, up 16.4 percent from August 2010.
Hilshire Village:	\$3,000.30, up 13.7 percent from August 2010.
Morgan's Point:	\$22,653.71, down 3.0 percent from August 2010.

**Fiscal Year**

- Statewide payments based on sales activity months from September 2010 through August 2011: \$6.08 billion, up 8.0 percent from the same period in 2010.
- Payments to all cities in Harris County based on sales activity months from September 2010 through August 2011: \$604.18 million, up 5.8 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

Houston:	\$499.83 million, up 6.1 percent from fiscal 2010.
Pasadena:	\$23.73 million, up 4.0 percent from fiscal 2010.
Baytown:	\$12.14 million, up 2.9 percent from fiscal 2010.
La Porte:	\$5.62 million, up 4.4 percent from fiscal 2010.
Deer Park:	\$4.21 million, up 1.0 percent from fiscal 2010.
Bellaire:	\$2.04 million, down 9.6 percent from fiscal 2010.
South Houston:	\$2.32 million, up 3.6 percent from fiscal 2010.
West University Place:	\$971,835.68, down 7.3 percent from fiscal 2010.
Humble:	\$11.13 million, up 5.1 percent from fiscal 2010.
Katy:	\$8.88 million, up 12.3 percent from fiscal 2010.
Seabrook:	\$2.12 million, up 1.2 percent from fiscal 2010.
Webster:	\$13.59 million, up 4.8 percent from fiscal 2010.
Tomball:	\$9.16 million, up 5.0 percent from fiscal 2010.
Galena Park:	\$835,705.85, up 15.4 percent from fiscal 2010.
Jacinto City:	\$586,319.01, up 2.4 percent from fiscal 2010.
Jersey Village:	\$2.50 million, up 5.9 percent from fiscal 2010.
Hunters Creek Village:	\$280,913.52, up 1.4 percent from fiscal 2010.
Nassau Bay*:	\$697,089.68, up 0.9 percent from fiscal 2010.
Spring Valley Village:	\$909,058.37, up 15.4 percent from fiscal 2010.
Bunker Hill Village:	\$70,751.11, up 2.6 percent from fiscal 2010.
Taylor Lake Village:	\$54,619.56, up 9.9 percent from fiscal 2010.
Piney Point Village:	\$117,523.19, up 2.1 percent from fiscal 2010.
El Lago:	\$127,088.67, down 4.6 percent from fiscal 2010.
Hedwig Village:	\$1.55 million, up 8.0 percent from fiscal 2010.
Southside Place:	\$295,068.35, up 0.1 percent from fiscal 2010.
Shoreacres*:	\$65,389.62, up 7.7 percent from fiscal 2010.
Hilshire Village:	\$33,321.98, up 0.3 percent from fiscal 2010.
Morgan's Point:	\$318,555.46, up 20.7 percent from fiscal 2010.

**January 2011 through August 2011 (Sales Activity Year-To-Date)**

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
- Payments to all cities in Harris County based on sales activity months through August 2011: \$397.02 million, up 6.5 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

Houston:	\$329.28 million, up 7.1 percent from the same period in 2010.
Pasadena:	\$15.53 million, up 3.3 percent from the same period in 2010.
Baytown:	\$8.03 million, up 3.4 percent from the same period in 2010.
La Porte:	\$3.63 million, up 0.9 percent from the same period in 2010.
Deer Park:	\$2.71 million, up 1.6 percent from the same period in 2010.
Bellaire:	\$1.30 million, down 13.9 percent from the same period in 2010.
South Houston:	\$1.53 million, up 3.0 percent from the same period in 2010.
West University Place:	\$637,456.21, down 10.9 percent from the same period in 2010.

<b>Humble:</b>	\$7.12 million, up 5.0 percent from the same period in 2010.
<b>Katy:</b>	\$5.55 million, up 6.6 percent from the same period in 2010.
<b>Seabrook:</b>	\$1.38 million, down 0.1 percent from the same period in 2010.
<b>Webster:</b>	\$8.77 million, up 6.6 percent from the same period in 2010.
<b>Tomball:</b>	\$5.98 million, up 4.1 percent from the same period in 2010.
<b>Galena Park:</b>	\$575,774.79, up 17.3 percent from the same period in 2010.
<b>Jacinto City:</b>	\$388,281.03, up 1.2 percent from the same period in 2010.
<b>Jersey Village:</b>	\$1.70 million, up 6.4 percent from the same period in 2010.
<b>Hunters Creek Village:</b>	\$190,726.12, up 4.9 percent from the same period in 2010.
<b>Nassau Bay*:</b>	\$455,909.40, up 3.9 percent from the same period in 2010.
<b>Spring Valley Village:</b>	\$640,187.56, up 18.7 percent from the same period in 2010.
<b>Bunker Hill Village:</b>	\$47,170.87, down 2.8 percent from the same period in 2010.
<b>Taylor Lake Village:</b>	\$35,502.33, up 9.6 percent from the same period in 2010.
<b>Piney Point Village:</b>	\$72,779.00, down 9.4 percent from the same period in 2010.
<b>El Lago:</b>	\$79,540.23, down 9.2 percent from the same period in 2010.
<b>Hedwig Village:</b>	\$976,432.35, up 7.9 percent from the same period in 2010.
<b>Southside Place:</b>	\$182,173.91, up 1.1 percent from the same period in 2010.
<b>Shoreacres*:</b>	\$44,169.76, up 7.7 percent from the same period in 2010.
<b>Hilshire Village:</b>	\$19,496.08, up 3.1 percent from the same period in 2010.
<b>Morgan's Point:</b>	\$185,767.94, down 7.8 percent from the same period in 2010.

*12 months ending in August 2011*

- Statewide payments based on sales activity in the 12 months ending in August 2011: \$6.08 billion, up 8.0 percent from the previous 12-month period.
- Payments to all cities in Harris County based on sales activity in the 12 months ending in August 2011: \$604.18 million, up 5.8 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

<b>Houston:</b>	\$499.83 million, up 6.1 percent from the previous 12-month period.
<b>Pasadena:</b>	\$23.73 million, up 4.0 percent from the previous 12-month period.
<b>Baytown:</b>	\$12.14 million, up 2.9 percent from the previous 12-month period.
<b>La Porte:</b>	\$5.62 million, up 4.4 percent from the previous 12-month period.
<b>Deer Park:</b>	\$4.21 million, up 1.0 percent from the previous 12-month period.
<b>Bellaire:</b>	\$2.04 million, down 9.6 percent from the previous 12-month period.
<b>South Houston:</b>	\$2.32 million, up 3.6 percent from the previous 12-month period.
<b>West University Place:</b>	\$971,835.68, down 7.3 percent from the previous 12-month period.
<b>Humble:</b>	\$11.13 million, up 5.1 percent from the previous 12-month period.
<b>Katy:</b>	\$8.88 million, up 12.3 percent from the previous 12-month period.
<b>Seabrook:</b>	\$2.12 million, up 1.2 percent from the previous 12-month period.
<b>Webster:</b>	\$13.59 million, up 4.8 percent from the previous 12-month period.
<b>Tomball:</b>	\$9.16 million, up 5.0 percent from the previous 12-month period.
<b>Galena Park:</b>	\$835,705.85, up 15.4 percent from the previous 12-month period.
<b>Jacinto City:</b>	\$586,319.01, up 2.4 percent from the previous 12-month period.
<b>Jersey Village:</b>	\$2.50 million, up 5.9 percent from the previous 12-month period.
<b>Hunters Creek Village:</b>	\$280,913.52, up 1.4 percent from the previous 12-month period.
<b>Nassau Bay*:</b>	\$697,089.68, up 0.9 percent from the previous 12-month period.
<b>Spring Valley Village:</b>	\$909,058.37, up 15.4 percent from the previous 12-month period.
<b>Bunker Hill Village:</b>	\$70,751.11, up 2.6 percent from the previous 12-month period.
<b>Taylor Lake Village:</b>	\$54,619.56, up 9.9 percent from the previous 12-month period.
<b>Piney Point Village:</b>	\$117,523.19, up 2.1 percent from the previous 12-month period.
<b>El Lago:</b>	\$127,088.67, down 4.6 percent from the previous 12-month period.
<b>Hedwig Village:</b>	\$1.55 million, up 8.0 percent from the previous 12-month period.
<b>Southside Place:</b>	\$295,068.35, up 0.1 percent from the previous 12-month period.
<b>Shoreacres*:</b>	\$65,389.62, up 7.7 percent from the previous 12-month period.
<b>Hilshire Village:</b>	\$33,321.98, up 0.3 percent from the previous 12-month period.
<b>Morgan's Point:</b>	\$318,555.46, up 20.7 percent from the previous 12-month period.

- *City Calendar Year-To-Date (RJ 2011)*

■ Payment to the cities from January 2011 through October 2011:

<b>Houston:</b>	\$419.51 million, up 6.8 percent from the same period in 2010.
<b>Pasadena:</b>	\$19.86 million, up 3.6 percent from the same period in 2010.
<b>Baytown:</b>	\$10.23 million, up 2.9 percent from the same period in 2010.
<b>La Porte:</b>	\$4.63 million, up 2.5 percent from the same period in 2010.
<b>Deer Park:</b>	\$3.47 million, up 3.9 percent from the same period in 2010.
<b>Bellaire:</b>	\$1.69 million, down 10.0 percent from the same period in 2010.
<b>South Houston:</b>	\$1.92 million, up 3.2 percent from the same period in 2010.
<b>West University Place:</b>	\$798,014.35, down 10.3 percent from the same period in 2010.
<b>Humble:</b>	\$9.41 million, up 4.2 percent from the same period in 2010.
<b>Katy:</b>	\$7.51 million, up 12.2 percent from the same period in 2010.
<b>Seabrook:</b>	\$1.74 million, up 0.5 percent from the same period in 2010.
<b>Webster:</b>	\$11.53 million, up 8.2 percent from the same period in 2010.
<b>Tomball:</b>	\$7.71 million, up 5.3 percent from the same period in 2010.
<b>Galena Park:</b>	\$704,147.86, up 16.0 percent from the same period in 2010.
<b>Jacinto City:</b>	\$482,029.54, up 0.5 percent from the same period in 2010.
<b>Jersey Village:</b>	\$2.12 million, up 6.5 percent from the same period in 2010.
<b>Hunters Creek Village:</b>	\$234,813.77, up 2.1 percent from the same period in 2010.
<b>Nassau Bay*:</b>	\$599,365.98, up 9.7 percent from the same period in 2010.
<b>Spring Valley Village:</b>	\$781,620.50, up 17.6 percent from the same period in 2010.
<b>Bunker Hill Village:</b>	\$59,987.49, down 0.3 percent from the same period in 2010.
<b>Taylor Lake Village:</b>	\$45,492.06, up 6.6 percent from the same period in 2010.
<b>Piney Point Village:</b>	\$103,038.24, up 5.6 percent from the same period in 2010.
<b>El Lago:</b>	\$104,396.51, down 3.5 percent from the same period in 2010.
<b>Hedwig Village:</b>	\$1.30 million, up 8.0 percent from the same period in 2010.
<b>Southside Place:</b>	\$250,112.33, up 2.1 percent from the same period in 2010.
<b>Shoreacres*:</b>	\$54,222.77, up 6.2 percent from the same period in 2010.
<b>Hilshire Village:</b>	\$26,900.10, up 9.3 percent from the same period in 2010.
<b>Morgan's Point:</b>	\$250,864.49, up 10.1 percent from the same period in 2010.

*Annual (2010)*

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Harris County based on sales activity months in 2010: \$579.94 million, up 0.7 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

<b>Houston:</b>	\$478.01 million, up 0.8 percent from 2009.
<b>Pasadena:</b>	\$23.23 million, down 3.5 percent from 2009.
<b>Baytown:</b>	\$11.87 million, down 2.7 percent from 2009.
<b>La Porte:</b>	\$5.59 million, up 11.1 percent from 2009.
<b>Deer Park:</b>	\$4.16 million, down 1.9 percent from 2009.
<b>Bellaire:</b>	\$2.25 million, up 3.1 percent from 2009.
<b>South Houston:</b>	\$2.28 million, down 3.4 percent from 2009.
<b>West University Place:</b>	\$1.05 million, up 10.9 percent from 2009.
<b>Humble:</b>	\$10.78 million, down 1.2 percent from 2009.
<b>Katy:</b>	\$8.54 million, up 14.1 percent from 2009.
<b>Seabrook:</b>	\$2.12 million, down 2.9 percent from 2009.
<b>Webster:</b>	\$13.05 million, down 3.2 percent from 2009.
<b>Tomball:</b>	\$8.93 million, up 0.4 percent from 2009.
<b>Galena Park:</b>	\$750,580.78, up 6.6 percent from 2009.
<b>Jacinto City:</b>	\$581,584.28, up 3.1 percent from 2009.
<b>Jersey Village:</b>	\$2.40 million, up 1.2 percent from 2009.
<b>Hunters Creek Village:</b>	\$271,978.08, down 5.2 percent from 2009.
<b>Nassau Bay*:</b>	\$679,854.28, down 6.5 percent from 2009.
<b>Spring Valley Village:</b>	\$807,981.43, up 2.0 percent from 2009.
<b>Bunker Hill Village:</b>	\$72,086.00, up 17.7 percent from 2009.
<b>Taylor Lake Village:</b>	\$51,516.47, up 16.2 percent from 2009.

<b>Piney Point Village:</b>	\$125,031.28, up 26.0 percent from 2009.
<b>El Lago:</b>	\$135,168.06, up 4.4 percent from 2009.
<b>Hedwig Village:</b>	\$1.48 million, up 8.0 percent from 2009.
<b>Southside Place:</b>	\$293,163.92, down 0.3 percent from 2009.
<b>Shoreacres*:</b>	\$62,215.94, up 23.4 percent from 2009.
<b>Hilshire Village:</b>	\$32,733.90, down 16.1 percent from 2009.
<b>Morgan's Point:</b>	\$334,244.58, up 71.7 percent from 2009.

\*On 1/1/2009, the city of Nassau Bay's local sales tax rate increased by 0.00 from 1.750 percent to 1.750 percent.

\*On 10/1/2009, the city of Shoreacres's local sales tax rate increased by 0.00 from 1.250 percent to 1.250 percent.

### ***Property Tax***

- As of January 2009, property values in Harris County: \$337.95 billion, up 1.3 percent from January 2008 values. The property tax base per person in Harris County is \$83,014, below the statewide average of \$85,809. About 0.1 percent of the property tax base is derived from oil, gas and minerals.

### **State Expenditures**

- Harris County's ranking in state expenditures by county in fiscal year 2010: 1st. State expenditures in the county for FY2010: \$14.82 billion, up 0.2 percent from FY2009.
- In Harris County, 50 state agencies provide a total of 46,388 jobs and \$690.59 million in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
  - University of Texas (MD Anderson)
  - University of Houston
  - University of Texas Health Science Center
  - Department of Family and Protective Services

### **Higher Education**

- Community colleges in Harris County fall 2010 enrollment:
  - Tomball College, a Public Community College (part of Lone Star College System), had 10,791 students.
  - South Campus (San Jacinto Community College), a Public Community College (part of San Jacinto Community College), had 10,497 students.
  - North Harris College, a Public Community College (part of Lone Star College System), had 15,213 students.
  - North Campus (San Jacinto Community College), a Public Community College (part of San Jacinto Community College), had 6,573 students.
  - Lee College, a Public Community College, had 6,719 students.
  - Kingwood College, a Public Community College (part of Lone Star College System), had 9,807 students.
  - Houston Community College, a Public Community College, had 49,717 students.
  - Cy-Fair College, a Public Community College (part of Lone Star College System), had 16,861 students.
  - Central Campus (San Jacinto Community College), a Public Community College (part of San Jacinto Community College), had 15,035 students.
- Harris County is in the service area of the following:
  - Houston Community College with a fall 2010 enrollment of 49,717 . Counties in the service area include:
    - Fort Bend County
    - Harris County
    - Waller County
  - Lee College with a fall 2010 enrollment of 6,719 . Counties in the service area include:
    - Chambers County
    - Hardin County
    - Harris County
    - Liberty County
  - Lone Star College System with a fall 2010 enrollment of 63,826 . Counties in the service area include:
    - Harris County
    - Liberty County
    - Montgomery County
    - San Jacinto County
    - Walker County
  - San Jacinto Community College with a fall 2010 enrollment of 32,105 . Counties in the service area include:
    - Chambers County
    - Harris County

■ Institutions of higher education in Harris County fall 2010 enrollment:

- University of St. Thomas, an Independent University, had 3,437 students.
- University of Houston-Downtown, a Public University (part of University of Houston System), had 12,900 students.
- University of Houston-Clear Lake, a Public University (part of University of Houston System), had 8,099 students.
- University of Houston, a Public University (part of University of Houston System), had 38,752 students.
- The University of Texas M.D. Anderson Cancer Center, a Public Health-Related Institution (part of The University of Texas System), had 248 students.
- The University of Texas Health Science Center at Houston, a Public Health-Related Institution (part of The University of Texas System), had 4,485 students.
- Texas Southern University, a Public University, had 9,557 students.
- Texas Chiropractic College, an Independent Senior College/University, had 292 students.
- South Texas College of Law, an Independent Senior College/University, had 1,295 students.
- Rice University, an Independent University, had 5,879 students.
- Houston Baptist University, an Independent University, had 2,597 students.
- Baylor College of Medicine, an Independent Health-Related Institution, had 1,485 students.

## School Districts

■ Harris County had 20 school districts with 897 schools and 773,881 students in the 2009-10 school year.

(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)

- Aldine ISD had 62,532 students in the 2009-10 school year. The average teacher salary was \$51,698. The percentage of students meeting the 2010 TAKS passing standard for all tests was 78 percent.
- Alief ISD had 45,410 students in the 2009-10 school year. The average teacher salary was \$51,983. The percentage of students meeting the 2010 TAKS passing standard for all tests was 72 percent.
- Channelview ISD had 8,628 students in the 2009-10 school year. The average teacher salary was \$51,435. The percentage of students meeting the 2010 TAKS passing standard for all tests was 72 percent.
- Crosby ISD had 4,997 students in the 2009-10 school year. The average teacher salary was \$47,973. The percentage of students meeting the 2010 TAKS passing standard for all tests was 74 percent.
- Cypress-Fairbanks ISD had 103,897 students in the 2009-10 school year. The average teacher salary was \$48,160. The percentage of students meeting the 2010 TAKS passing standard for all tests was 83 percent.
- Deer Park ISD had 12,436 students in the 2009-10 school year. The average teacher salary was \$54,620. The percentage of students meeting the 2010 TAKS passing standard for all tests was 86 percent.
- Galena Park ISD had 21,409 students in the 2009-10 school year. The average teacher salary was \$49,054. The percentage of students meeting the 2010 TAKS passing standard for all tests was 81 percent.
- Goose Creek ISD had 20,819 students in the 2009-10 school year. The average teacher salary was \$50,503. The percentage of students meeting the 2010 TAKS passing standard for all tests was 76 percent.
- Houston ISD had 200,944 students in the 2009-10 school year. The average teacher salary was \$52,535. The percentage of students meeting the 2010 TAKS passing standard for all tests was 72 percent.
- Huffman ISD had 3,150 students in the 2009-10 school year. The average teacher salary was \$46,579. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.
- Humble ISD had 34,689 students in the 2009-10 school year. The average teacher salary was \$46,844. The percentage of students meeting the 2010 TAKS passing standard for all tests was 81 percent.
- Katy ISD had 58,444 students in the 2009-10 school year. The average teacher salary was \$50,374. The percentage of students meeting the 2010 TAKS passing standard for all tests was 88 percent.
- Klein ISD had 44,695 students in the 2009-10 school year. The average teacher salary was \$51,719. The percentage of students meeting the 2010 TAKS passing standard for all tests was 82 percent.
- La Porte ISD had 7,818 students in the 2009-10 school year. The average teacher salary was \$50,976. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.
- North Forest ISD had 7,662 students in the 2009-10 school year. The average teacher salary was \$47,706. The percentage of students meeting the 2010 TAKS passing standard for all tests was 61 percent.
- Pasadena ISD had 51,923 students in the 2009-10 school year. The average teacher salary was \$48,436. The percentage of students meeting the 2010 TAKS passing standard for all tests was 72 percent.
- Sheldon ISD had 6,525 students in the 2009-10 school year. The average teacher salary was \$48,991. The percentage of students meeting the 2010 TAKS passing standard for all tests was 68 percent.
- Spring ISD had 35,276 students in the 2009-10 school year. The average teacher salary was \$48,690. The percentage of students meeting the 2010 TAKS passing standard for all tests was 69 percent.
- Spring Branch ISD had 32,415 students in the 2009-10 school year. The average teacher salary was \$50,971. The percentage of students meeting the 2010 TAKS passing standard for all tests was 78 percent.
- Tomball ISD had 10,212 students in the 2009-10 school year. The average teacher salary was \$51,337. The percentage of students meeting the 2010 TAKS passing standard for all tests was 85 percent.

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED EQUISTAR  
CHEMICALS, LP PROJECT ON THE FINANCES OF THE SHELDON  
INDEPENDENT SCHOOL DISTRICT UNDER A REQUESTED  
CHAPTER 313 PROPERTY VALUE LIMITATION**

**February 4, 2013**

**Final Report**

**PREPARED BY**



# Estimated Impact of the Proposed Equistar Chemicals, LP Project on the Finances of the Sheldon Independent School District under a Requested Chapter 313 Property Value Limitation

## Introduction

Equistar Chemicals, LP (Equistar) has requested that the Sheldon Independent School District (SISD) consider granting a property value limitation under Chapter 313 of the Tax Code, also known as the Texas Economic Development Act. In an application submitted to SISD on December 4, 2012, Equistar proposes to invest \$349 million to construct a methanol expansion project in SISD.

The Equistar project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, Chapter 313 of the Tax Code granted eligibility to companies engaged in manufacturing, research and development, and renewable electric energy production to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others.

Under the provisions of Chapter 313, SISD may offer a minimum value limitation of \$80 million. The provisions of Chapter 313 call for the project to be fully taxable in the 2014-15 and 2015-16 school years, unless the District and the Company agree to an extension of the start of the two-year qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2014-15 and 2015-16 school years. Beginning in the 2016-17 school year, the project would go on the local tax roll at \$80 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes.

The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with SISD currently levying a \$0.340 per \$100 I&S tax rate. The full value of the investment is expected to reach \$310 million in the 2016-17 school year, which should assist the District in meeting its debt service needs. The project value is expected to depreciate over the course of the value limitation agreement.

In the case of the Equistar project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. SISD would experience a revenue loss as a result of the implementation of the value limitation in the 2016-17 school year (-\$219,435). Based on the assumptions used in this report, no out-year revenue losses are expected for the Equistar project.

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$19.4 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District.

## School Finance Mechanics

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct its property value study and now the planned audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter). The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

The third year is often problematical financially for a school district that approves a Chapter 313 value limitation. The implementation of the value limitation often results in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant under the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study, assuming a similar deduction is made in the state property values.

Under the HB 1 system adopted in 2006, most school districts received additional state aid for tax reduction (ASATR) that was used to maintain their target revenue amounts established at the revenue levels under old law for the 2005-06 or 2006-07 school years, whichever was highest. In terms of new Chapter 313 property value limitation agreements, adjustments to ASATR funding often moderated the impact of the reduced M&O collections as a result of the limitation, in contrast with the earlier formula-driven finance system.

House Bill 3646 as enacted in 2009 created more "formula" school districts that were less dependent on ASATR state aid than had been the case previously. The formula reductions enacted under Senate Bill 1 (SB 1) as approved in the First Called Session in 2011 are designed to make \$4 billion in reductions to the existing school funding formulas for the 2011-12 and 2012-13 school years. For the 2011-12 school year, across-the-board reductions were made that reduced each district's WADA count and resulted in an estimated 815 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 209 districts operating directly on the state formulas.

For the 2012-13 school year, the SB 1 changes called for smaller across-the-board reductions and funding ASATR-receiving target revenue districts at 92.35 percent of the level provided for under the existing funding formula. As a result of these changes, the number of ASATR districts is expected to be reduced to 421 in the 2012-13 school year, with 603 districts expected to be operating on state formulas.

For the 2013-14 school year and beyond, the ASATR reduction percentage will be set in the General Appropriations Act. The recent legislative session also saw the adoption of a statement of legislative intent to no longer fund target revenue (through ASATR) by the 2017-18 school year. It is likely that ASATR state funding will be eliminated by the 2017-18 school year, based on current state policy.

One key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the

Equistar project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f)(1) of the Tax Code to provide school district revenue protection language in the agreement.

### **Underlying Assumptions**

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The Chapter 313 application now requires 15 years of data and analysis on the project being considered for a property value limitation.

The general approach used here is to maintain static enrollment and base property values in order to isolate the effects of the value limitation under the school finance system. The current SB 1 reductions are reflected in the underlying models. With regard to ASATR funding the 92.35 percent reduction enacted for the 2012-13 school year and thereafter, until the 2017-18 school year. A statement of legislative intent was adopted in 2011 to no longer fund target revenue by the 2017-18 school year, so that change is reflected in the estimates presented below. The projected taxable values of the Equistar Chemicals, LP project are factored into the base model used here. The impact of the limitation value for the proposed Equistar project is isolated separately and the focus of this analysis.

Student enrollment counts are held constant at 7,100 students in average daily attendance (ADA) in analyzing the effects of the Equistar project on the finances of SISD. The District's local tax base reached an estimated \$4.1 billion for the 2012 tax year and is maintained for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.09 is used throughout this analysis. SISD has estimated state property wealth per weighted ADA or WADA of approximately \$495,890 for the 2011-12 school year. The enrollment and property value assumptions for the 15 years that are the subject of this analysis are summarized in Table 1.

### **School Finance Impact**

School finance models were prepared for SISD under the assumptions outlined above through the 2028-29 school year. Beyond the 2012-13 school year, no attempt was made to forecast the 88<sup>th</sup> percentile or Austin yield that influence future state funding beyond the projected level for that school year. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed Equistar facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A second model is developed which adds the Equistar value but imposes the proposed property value limitation effective in the third year, which in this case is the 2016-17 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue protection provisions of the proposed agreement (see Table 3). A summary of the differences between these models is shown in Table 4.

Under these assumptions, SISD would experience a revenue loss as a result of the implementation of the value limitation in the 2016-17 school year (-\$219,435). The revenue reduction results from the mechanics of the up to six cents beyond the compressed M&O tax rate equalized to the Austin yield or not subject to recapture, which reflect the one-year lag in value associated with the property value study.

As noted previously, no attempt was made to forecast further reductions in ASATR funding beyond the 92.35 percent adjustment adopted for the 2012-13 school year, although it is assumed that ASATR will be eliminated beginning in the 2017-18 school year, based on the 2011 statement of legislative intent.

One risk factor under the estimates presented here relates to the implementation of the value limitation in the 2016-17 school year. It is assumed that Equistar would realize gross savings of about \$2.5 million when the \$80 million value limitation takes effect. Under the estimates presented here and as highlighted in Table 4, an increase in ASATR funding of \$2.2 million is expected to offset most of the reduction in M&O taxes in the first year the value limitation is in effect.

In general, the ASATR offset poses little financial risk to the school district as a result of the adoption of the value limitation agreement. But a significant reduction of ASATR funding prior to the assumed 2017-18 school year elimination of these funds could reduce the residual tax savings in the first year that the \$80 million value limitation takes effect.

The Comptroller's state property value study influences these calculations, as noted previously. At the school-district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect. Two state property value determinations are now made for school districts granting Chapter 313 agreements, consistent with local practice. A consolidated single state property value had been provided previously.

### **Impact on the Taxpayer**

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.09 per \$100 of taxable value M&O rate is assumed in 2012-13 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$17.3 million over the life of the agreement. In addition, Equistar would be eligible for a tax credit for M&O taxes paid on value in excess of the value limitation in each of the first two qualifying years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13. The tax credits are expected to total approximately \$2.3 million over the life of the agreement, with no unpaid tax credits anticipated. The school district is to be reimbursed by the Texas Education Agency for the cost of these credits.

The key SISD revenue losses are expected to total approximately -\$219,435, limited to the first year the limit takes effect under these estimates. In total, the potential net tax benefits (inclusive of tax credits but after hold-harmless payments are made) are estimated to total \$19.4 million

over the life of the agreement. While legislative changes to ASATR funding could increase the hold-harmless amount owed in the initial year of the agreement, there would still be a substantial tax benefit to Equistar under the value limitation agreement for the remaining years that the limitation is in effect.

### **Facilities Funding Impact**

The Equistar project remains fully taxable for debt services taxes, with SISD currently levying a \$0.340 per \$100 I&S rate. The value of the Equistar project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value is expected to increase the District's tax base by an amount equivalent to about eight percent of its current tax base at its peak value in the 2016-17 tax year. This increase should assist SISD in meeting its debt service needs, since the District is currently ineligible for state facilities support, due to property wealth per student that exceeds the maximum provided by the state program (\$350,000 per ADA).

The Equistar project is not expected to affect SISD in terms of enrollment. The project is expected to create 25 full-time positions when it goes into operation. Continued expansion of the project and related development could result in additional employment in the area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

### **Conclusion**

The proposed Equistar methanol expansion project enhances the tax base of SISD. It reflects continued capital investment in keeping with the goals of Chapter 313 of the Tax Code.

Under the assumptions outlined above, the potential tax savings for the applicant under a Chapter 313 agreement could reach an estimated \$19.4 million. (This amount is net of any anticipated revenue losses for the District.) The additional taxable value also enhances the tax base of SISD in meeting its future debt service obligations.

**Table 1 – Base District Information with Equistar Chemicals, LP Project Value and Limitation Values**

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
Pre-Year 1	2013-14	7,100.00	9,278.02	\$1.0900	\$0.3400	\$4,100,000,000	\$4,100,000,000	\$4,171,569,275	\$4,171,569,275	\$449,618	\$449,618
1	2014-15	7,100.00	9,278.02	\$1.0900	\$0.3400	\$4,257,110,200	\$4,257,110,200	\$4,171,569,275	\$4,171,569,275	\$449,618	\$449,618
2	2015-16	7,100.00	9,421.41	\$1.0900	\$0.3400	\$4,316,071,800	\$4,316,071,800	\$4,328,679,475	\$4,328,679,475	\$459,451	\$459,451
3	2016-17	7,100.00	9,421.41	\$1.0900	\$0.3400	\$4,410,181,100	\$4,180,000,000	\$4,387,641,075	\$4,387,641,075	\$465,710	\$465,710
4	2017-18	7,100.00	9,421.41	\$1.0900	\$0.3400	\$4,408,565,800	\$4,180,000,000	\$4,481,750,375	\$4,251,569,275	\$475,698	\$451,267
5	2018-19	7,100.00	9,421.41	\$1.0900	\$0.3400	\$4,396,223,200	\$4,180,000,000	\$4,480,135,075	\$4,251,569,275	\$475,527	\$451,267
6	2019-20	7,100.00	9,421.41	\$1.0900	\$0.3400	\$4,384,374,300	\$4,180,000,000	\$4,467,792,475	\$4,251,569,275	\$474,217	\$451,267
7	2020-21	7,100.00	9,421.41	\$1.0900	\$0.3400	\$4,372,999,400	\$4,180,000,000	\$4,455,943,575	\$4,251,569,275	\$472,959	\$451,267
8	2021-22	7,100.00	9,421.41	\$1.0900	\$0.3400	\$4,362,079,300	\$4,180,000,000	\$4,444,568,675	\$4,251,569,275	\$471,752	\$451,267
9	2022-23	7,100.00	9,421.41	\$1.0900	\$0.3400	\$4,351,596,100	\$4,180,000,000	\$4,433,648,575	\$4,251,569,275	\$470,593	\$451,267
10	2023-24	7,100.00	9,421.41	\$1.0900	\$0.3400	\$4,341,532,300	\$4,180,000,000	\$4,423,165,375	\$4,251,569,275	\$469,480	\$451,267
11	2024-25	7,100.00	9,421.41	\$1.0900	\$0.3400	\$4,331,871,000	\$4,331,871,000	\$4,413,101,575	\$4,251,569,275	\$468,412	\$451,267
12	2025-26	7,100.00	9,421.41	\$1.0900	\$0.3400	\$4,322,596,100	\$4,322,596,100	\$4,403,440,275	\$4,403,440,275	\$467,387	\$467,387
13	2026-27	7,100.00	9,421.41	\$1.0900	\$0.3400	\$4,313,692,300	\$4,313,692,300	\$4,394,165,375	\$4,394,165,375	\$466,402	\$466,402
14	2027-28	7,100.00	9,421.41	\$1.0900	\$0.3400	\$4,305,144,600	\$4,305,144,600	\$4,385,261,575	\$4,385,261,575	\$465,457	\$465,457
15	2028-29	7,100.00	9,421.41	\$1.0900	\$0.3400	\$4,296,938,800	\$4,296,938,800	\$4,376,713,875	\$4,376,713,875	\$464,550	\$464,550

\*Tier II Yield: \$47.65; AISD Yield: \$59.97; Equalized Wealth: \$476,500 per WADA

**Table 2 – “Baseline Revenue Model”--Project Value Added with No Value Limitation**

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2013-14	\$40,498,828	\$5,716,058	\$10,078,159	\$0	\$0	\$3,642,687	\$811,065	-\$333,454	\$60,413,344
1	2014-15	\$42,022,874	\$5,716,058	\$8,554,113	\$0	\$0	\$3,779,768	\$841,587	-\$346,002	\$60,568,398
2	2015-16	\$42,594,830	\$4,860,486	\$9,708,949	\$0	\$0	\$3,831,213	\$780,092	-\$369,142	\$61,406,428
3	2016-17	\$43,507,736	\$4,270,840	\$9,385,689	\$0	\$0	\$3,913,325	\$751,025	-\$388,621	\$61,439,994
4	2017-18	\$43,492,066	\$3,329,700	\$0	\$0	\$0	\$3,911,916	\$680,197	-\$406,307	\$51,007,573
5	2018-19	\$43,372,337	\$3,345,854	\$0	\$0	\$0	\$3,901,147	\$679,508	-\$404,889	\$50,893,956
6	2019-20	\$43,257,397	\$3,469,286	\$0	\$0	\$0	\$3,890,808	\$686,749	-\$401,532	\$50,902,708
7	2020-21	\$43,147,055	\$3,587,781	\$0	\$0	\$0	\$3,880,884	\$693,702	-\$398,308	\$50,911,113
8	2021-22	\$43,041,125	\$3,701,536	\$0	\$0	\$0	\$3,871,356	\$700,379	-\$395,213	\$50,919,182
9	2022-23	\$42,939,433	\$3,810,742	\$0	\$0	\$0	\$3,862,209	\$706,790	-\$392,242	\$50,926,932
10	2023-24	\$42,841,809	\$3,915,580	\$0	\$0	\$0	\$3,853,428	\$712,947	-\$389,389	\$50,934,375
11	2024-25	\$42,748,090	\$4,016,223	\$0	\$0	\$0	\$3,844,998	\$718,858	-\$386,649	\$50,941,520
12	2025-26	\$42,658,119	\$4,112,841	\$0	\$0	\$0	\$3,836,906	\$724,535	-\$384,019	\$50,948,381
13	2026-27	\$42,571,747	\$4,205,594	\$0	\$0	\$0	\$3,829,137	\$729,985	-\$381,494	\$50,954,970
14	2027-28	\$42,488,831	\$4,294,637	\$0	\$0	\$0	\$3,821,679	\$735,218	-\$379,070	\$50,961,295
15	2028-29	\$42,409,230	\$4,380,118	\$0	\$0	\$0	\$3,814,520	\$740,243	-\$376,742	\$50,967,369

**Table 3– “Value Limitation Revenue Model”--Project Value Added with Value Limit**

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2013-14	\$40,498,828	\$5,716,058	\$10,078,159	\$0	\$0	\$3,642,687	\$811,065	-\$333,454	\$60,413,344
1	2014-15	\$42,022,874	\$5,716,058	\$8,554,113	\$0	\$0	\$3,779,768	\$841,587	-\$346,002	\$60,568,398
2	2015-16	\$42,594,830	\$4,860,486	\$9,708,949	\$0	\$0	\$3,831,213	\$780,092	-\$369,142	\$61,406,428
3	2016-17	\$41,274,867	\$4,270,840	\$11,618,557	\$0	\$0	\$3,712,489	\$712,482	-\$368,676	\$61,220,559
4	2017-18	\$41,274,867	\$5,631,626	\$0	\$0	\$0	\$3,712,489	\$814,541	-\$342,892	\$51,090,631
5	2018-19	\$41,274,867	\$5,631,626	\$0	\$0	\$0	\$3,712,489	\$814,541	-\$342,892	\$51,090,631
6	2019-20	\$41,274,867	\$5,631,626	\$0	\$0	\$0	\$3,712,489	\$814,541	-\$342,892	\$51,090,631
7	2020-21	\$41,274,867	\$5,631,626	\$0	\$0	\$0	\$3,712,489	\$814,541	-\$342,892	\$51,090,631
8	2021-22	\$41,274,867	\$5,631,626	\$0	\$0	\$0	\$3,712,489	\$814,541	-\$342,892	\$51,090,631
9	2022-23	\$41,274,867	\$5,631,626	\$0	\$0	\$0	\$3,712,489	\$814,541	-\$342,892	\$51,090,631
10	2023-24	\$41,274,867	\$5,631,626	\$0	\$0	\$0	\$3,712,489	\$814,541	-\$342,892	\$51,090,631
11	2024-25	\$42,748,090	\$5,631,626	\$0	\$0	\$0	\$3,844,998	\$843,615	-\$355,130	\$52,713,198
12	2025-26	\$42,658,119	\$4,112,841	\$0	\$0	\$0	\$3,836,906	\$724,535	-\$384,019	\$50,948,381
13	2026-27	\$42,571,747	\$4,205,594	\$0	\$0	\$0	\$3,829,137	\$729,985	-\$381,494	\$50,954,970
14	2027-28	\$42,488,831	\$4,294,637	\$0	\$0	\$0	\$3,821,679	\$735,218	-\$379,070	\$50,961,295
15	2028-29	\$42,409,230	\$4,380,118	\$0	\$0	\$0	\$3,814,520	\$740,243	-\$376,742	\$50,967,369

**Table 4 – Value Limit less Project Value with No Limit**

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2013-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2016-17	-\$2,232,868	\$0	\$2,232,868	\$0	\$0	-\$200,836	-\$38,544	\$19,944	-\$219,435
4	2017-18	-\$2,217,199	\$2,301,926	\$0	\$0	\$0	-\$199,427	\$134,344	\$63,415	\$83,059
5	2018-19	-\$2,097,470	\$2,285,772	\$0	\$0	\$0	-\$188,658	\$135,034	\$61,997	\$196,675
6	2019-20	-\$1,982,530	\$2,162,340	\$0	\$0	\$0	-\$178,320	\$127,792	\$58,640	\$187,923
7	2020-21	-\$1,872,188	\$2,043,845	\$0	\$0	\$0	-\$168,395	\$120,839	\$55,417	\$179,518
8	2021-22	-\$1,766,258	\$1,930,090	\$0	\$0	\$0	-\$158,867	\$114,162	\$52,322	\$171,449
9	2022-23	-\$1,664,565	\$1,820,884	\$0	\$0	\$0	-\$149,720	\$107,751	\$49,350	\$163,699
10	2023-24	-\$1,566,942	\$1,716,046	\$0	\$0	\$0	-\$140,939	\$101,594	\$46,497	\$156,256
11	2024-25	\$0	\$1,615,403	\$0	\$0	\$0	\$0	\$124,756	\$31,519	\$1,771,678
12	2025-26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2026-27	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Table 5 - Estimated Financial Impact of the Equistar Chemicals, LP Project Property Value Limitation Request Submitted to SISD at \$1.09 M&O Tax Rate**

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
Pre-Year 1	2013-14	\$0	\$0	\$0	\$1.090	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$157,110,200	\$157,110,200	\$0	\$1.090	\$1,712,501	\$1,712,501	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$216,071,800	\$216,071,800	\$0	\$1.090	\$2,355,183	\$2,355,183	\$0	\$0	\$0	\$0	\$0
3	2016-17	\$310,181,100	\$80,000,000	\$230,181,100	\$1.090	\$3,380,974	\$872,000	\$2,508,974	\$0	\$2,508,974	-\$219,435	\$2,289,538
4	2017-18	\$308,565,800	\$80,000,000	\$228,565,800	\$1.090	\$3,363,367	\$872,000	\$2,491,367	\$331,955	\$2,823,322	\$0	\$2,823,322
5	2018-19	\$296,223,200	\$80,000,000	\$216,223,200	\$1.090	\$3,228,833	\$872,000	\$2,356,833	\$331,955	\$2,688,788	\$0	\$2,688,788
6	2019-20	\$284,374,300	\$80,000,000	\$204,374,300	\$1.090	\$3,099,680	\$872,000	\$2,227,680	\$331,955	\$2,559,635	\$0	\$2,559,635
7	2020-21	\$272,999,400	\$80,000,000	\$192,999,400	\$1.090	\$2,975,693	\$872,000	\$2,103,693	\$331,955	\$2,435,648	\$0	\$2,435,648
8	2021-22	\$262,079,300	\$80,000,000	\$182,079,300	\$1.090	\$2,856,664	\$872,000	\$1,984,664	\$331,955	\$2,316,619	\$0	\$2,316,619
9	2022-23	\$251,596,100	\$80,000,000	\$171,596,100	\$1.090	\$2,742,397	\$872,000	\$1,870,397	\$331,955	\$2,202,352	\$0	\$2,202,352
10	2023-24	\$241,532,300	\$80,000,000	\$161,532,300	\$1.090	\$2,632,702	\$872,000	\$1,760,702	\$331,955	\$2,092,657	\$0	\$2,092,657
11	2024-25	\$231,871,000	\$231,871,000	\$0	\$1.090	\$2,527,394	\$2,527,394	\$0	\$0	\$0	\$0	\$0
12	2025-26	\$222,596,100	\$222,596,100	\$0	\$1.090	\$2,426,297	\$2,426,297	\$0	\$0	\$0	\$0	\$0
13	2026-27	\$213,692,300	\$213,692,300	\$0	\$1.090	\$2,329,246	\$2,329,246	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$205,144,600	\$205,144,600	\$0	\$1.090	\$2,236,076	\$2,236,076	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$196,938,800	\$196,938,800	\$0	\$1.090	\$2,146,633	\$2,146,633	\$0	\$0	\$0	\$0	\$0
<b>Totals</b>						<b>\$40,013,642</b>	<b>\$22,709,330</b>	<b>\$17,304,311</b>	<b>\$2,323,684</b>	<b>\$19,627,995</b>	<b>-\$219,435</b>	<b>\$19,408,560</b>
<b>Tax Credit for Value Over Limit in First 2 Years</b>								<b>Year 1</b>	<b>Year 2</b>	<b>Max Credits</b>		
								\$840,501	\$1,483,183	\$2,323,684		
								Credits Earned		\$2,323,684		
								Credits Paid		<u>\$2,323,684</u>		
								Excess Credits Unpaid		\$0		

**\*Note:** School District Revenue-Loss estimates are subject to change based on numerous factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year appraisals of project values, and changes in school district tax rates. One of the most substantial changes to the school finance formulas related to Chapter 313 revenue-loss projections could be the treatment of Additional State Aid for Tax Reduction (ASATR). Legislative intent is to end ASATR in 2017-18 school year. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.



# Window on State Government

Susan Combs Texas Comptroller of Public Accounts

## 2012 ISD Summary Worksheet

### 101/Harris

### 101-924/Sheldon ISD

Category	Local Tax Roll Value	2012 WTD Mean Ratio	2012 PTAD Value Estimate	2012 Value Assigned
A. Single-Family Residences	611,460,268	N/A	611,460,268	611,460,268
B. Multi-Family Residences	9,346,951	N/A	9,346,951	9,346,951
C. Vacant Lots	58,020,267	N/A	58,020,267	58,020,267
D. Rural Real(Taxable)	62,249,638	N/A	62,249,638	62,249,638
F1. Commercial Real	225,943,807	N/A	225,943,807	225,943,807
F2. Industrial Real	562,580,052	N/A	562,580,052	562,580,052
G. Oil, Gas, Minerals	22,412,740	N/A	22,412,740	22,412,740
J. Utilities	58,761,552	N/A	58,761,552	58,761,552
L1. Commercial Personal	168,281,408	N/A	168,281,408	168,281,408
L2. Industrial Personal	2,715,687,494	N/A	2,715,687,494	2,715,687,494
M. Other Personal	16,241,351	N/A	16,241,351	16,241,351
N. Intangible Pers/Uncert	0	N/A	0	0
O. Residential Inventory	6,305,377	N/A	6,305,377	6,305,377

S. Special Inventory	524,789	N/A	524,789	524,789
Subtotal	4,517,815,694		4,517,815,694	4,517,815,694
Less Total Deductions	176,420,214		176,420,214	176,420,214
Total Taxable Value	4,341,395,480		4,341,395,480	4,341,395,480 T2

Category D Detail	Local Tax Roll	Ratio	PTAD Value
Market Value Non-Qualified Acres And Farm/Ranch Imp	61,661,307	N/A	61,661,307
Prod Value Qualified Acres	588,331	N/A	588,331
Taxable Value	62,249,638		62,249,638

The taxable values shown here will not match the values reported by your appraisal district

See the ISD DEDUCTION Report for a breakdown of deduction values

Government code subsections 403.302 (J) AND (K) require the Comptroller to certify alternative measures of school district wealth. These measures are reported for taxable values for maintenance and operation (M&O) tax purposes and for interest and sinking fund (I&S) tax purposes. For districts that have not entered into value limitation agreements, T1 through T6 will be the same as T7 through T12.

### Value Taxable For M&O Purposes

T1	T2	T3	T4	T5	T6
4,396,535,674	4,341,395,480	4,354,286,170	4,299,145,976	4,343,871,494	4,301,621,990

Loss To the Additional \$10,000 Homestead Exemption	50% of the loss to the Local Optional Percentage Homestead Exemption
55,140,194	42,249,504

T1 = School district taxable value for M&O purposes before the loss to the additional \$10,000 homestead

exemption

T2 = School district taxable value for M&O purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T3 = T1 minus 50% of the loss to the local optional percentage homestead exemption

T4 = T2 minus 50% of the loss to the local optional percentage homestead exemption

T5 = T2 before the loss to the tax ceiling reduction

T6 = T5 minus 50% of the loss to the local optional percentage homestead exemption

### **Value Taxable For I&S Purposes**

<b>T7</b>	<b>T8</b>	<b>T9</b>	<b>T10</b>	<b>T11</b>	<b>T12</b>
4,396,535,674	4,341,395,480	4,354,286,170	4,299,145,976	4,343,871,494	4,301,621,990

T7 = School district taxable value for I&S purposes before the loss to the additional \$10,000 homestead exemption

T8 = School district taxable value for I&S purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T9 = T7 minus 50% of the loss to the local optional percentage homestead exemption

T10 = T8 minus 50% of the loss to the local optional percentage homestead exemption

T11 = T8 before the loss to the tax ceiling reduction

T12 = T11 minus 50% of the loss to the local optional percentage homestead exemption

The PVS found your local value to be valid, and local value was certified

**AGREEMENT FOR LIMITATION ON APPRAISED VALUE  
OF PROPERTY FOR SCHOOL DISTRICT  
MAINTENANCE AND OPERATIONS TAXES**

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by and between

**SHELDON INDEPENDENT SCHOOL DISTRICT**

and

**EQUISTAR CHEMICALS, LP**

*(Texas Taxpayer ID # 17605504814)*

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TEXAS COMPTROLLER APPLICATION No. 259

Dated

August 20, 2013

**AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR  
SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES**

*STATE OF TEXAS* §

*COUNTY OF HARRIS* §

THIS AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES, hereinafter referred to as this “Agreement,” is executed and delivered by and between the **SHELDON INDEPENDENT SCHOOL DISTRICT**, hereinafter referred to as the “District,” a lawfully created independent school district within the State of Texas operating under and subject to the Texas Education Code, and **EQUISTAR CHEMICALS, LP**, Texas Taxpayer Identification Number *17605504814*, hereinafter referred to as the “Applicant.” The Applicant and the District are hereinafter sometimes referred to individually as a “Party” and collectively as the “Parties.” Certain capitalized and other terms used in this Agreement shall have the meanings ascribed to them in Section 1.3.

**RECITALS**

**WHEREAS**, on November 13, 2012, the Superintendent (hereinafter referred to as the “Superintendent”) of the Sheldon Independent School District, acting as agent of the Board of Trustees of the District (the “Board of Trustees”), received from the Applicant an Application for Appraised Value Limitation on Qualified Property, and acknowledged receipt of the Application and the requisite application fee as established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy CCG (Local) pursuant to Chapter 313 of the Texas Tax Code; and,

**WHEREAS**, on December 18, 2012, the Board of Trustees authorized the Superintendent to accept, on behalf of the District, the Application from the Applicant; and,

**WHEREAS**, on December 28, 2012, the Application was delivered to the office of the Comptroller for review pursuant to Texas Tax Code § 313.025(d); and,

**WHEREAS**, the Comptroller has established April 8, 2013, as the completed Application date; and,

**WHEREAS**, pursuant to 34 Texas Administrative Code § 9.1054, the Application was delivered to the Harris County Appraisal District established in Harris County, Texas (the “Appraisal District”), pursuant to Texas Tax Code § 6.01; and,

**WHEREAS**, the Comptroller reviewed the Application pursuant to Texas Tax Code § 313.025(d), and on April 15, 2013, the Comptroller, via letter, recommended that the Application be approved; and,

**WHEREAS**, the Comptroller conducted an economic impact evaluation pursuant to Chapter 313 of the Texas Tax Code, which evaluation was presented to the Board of Trustees at the August 20, 2013, public hearing held in connection with the Board of Trustees' consideration of the Application; and,

**WHEREAS**, on August 20, 2013, at a duly called and noticed meeting of the Board of Trustees, the Board of Trustees granted a 90 day extension of time until August 26, 2013, in accordance with Texas Tax Code § 313.025(b), for final action upon the pending Application; and,

**WHEREAS**, on August \_\_, 2013, the District received written notification, pursuant to 34 Texas Administrative Code § 9.1055(e)(2)(A), that the Comptroller reviewed this Agreement, and reaffirmed the recommendation previously made on April 15, 2013, that the Application be approved; and,

**WHEREAS**, the Board of Trustees has carefully reviewed the economic impact evaluation prepared pursuant to Texas Tax Code § 313.026 and has carefully considered the Comptroller's positive recommendation for the Application; and,

**WHEREAS**, on August 20, 2013, the Board of Trustees conducted a public hearing to create the *Equistar Reinvestment Zone Number One* (as created by the District and described in Section 2.1, below, and **EXHIBIT 1** attached hereto); and,

**WHEREAS**, on August 20, 2013, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District; and,

**WHEREAS**, on August 20, 2013, the Board of Trustees made factual findings pursuant to Texas Tax Code § 313.025(f), including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) this Agreement is in the best interest of the District and the State of Texas; (iii) the Applicant is eligible for the limitation on appraised value of the Applicant's Qualified Property; and, (iv) each criterion referenced in Texas Tax Code § 313.025(e) has been met; and,

**WHEREAS**, on August 20, 2013, the Board of Trustees determined that the Tax Limitation Amount requested by the Applicant, and as defined in Sections 1.2 and 1.3, below, is consistent with the minimum values set out by Texas Tax Code §§ 313.022(b) and 313.052, as such Tax Limitation Amount was computed as of the date of this Agreement; and,

**WHEREAS**, on August 20, 2013, the Board of Trustees approved the Application and the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, and authorized the President and Secretary of the Board of Trustees to execute and deliver such Agreement to the Applicant.

**NOW, THEREFORE**, for and in consideration of the premises and the mutual

covenants and agreements herein contained, the Parties agree as follows:

## **ARTICLE I**

### **AUTHORITY, TERM, DEFINITIONS, AND GENERAL PROVISIONS**

#### **Section 1.1. AUTHORITY**

This Agreement is executed by the District as its written agreement with the Applicant pursuant to the provisions and authority granted to the District in Texas Tax Code § 313.027.

#### **Section 1.2. TERM OF THE AGREEMENT**

This Agreement shall commence and first become effective on the Commencement Date, as defined in Section 1.3, below. In the event that Applicant makes a Qualified Investment in the amount defined in Section 2.6 below, or greater, between the Commencement Date and the end of the Qualifying Time Period, the Applicant will be entitled to the Tax Limitation Amount defined in Section 1.3 below, for the following Tax Years: 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023. The limitation on the local ad valorem property values for Maintenance and Operations purposes shall commence with the property valuations made as of January 1, 2016, the appraisal date for the third full Tax Year following the Commencement Date.

The period beginning with the Commencement Date of August 20, 2013 and ending on December 31, 2015, is referred to herein as the “Qualifying Time Period,” as that term is defined in Texas Tax Code § 313.021(4). Applicant shall not be entitled to a tax limitation during the Qualifying Time Period.

Unless sooner terminated as provided herein, the limitation on the local ad valorem property values shall terminate on December 31, 2023. Except as otherwise provided herein, this Agreement will terminate in full on the Final Termination Date, as defined in Section 1.3, below. The termination of this Agreement shall not (i) release any obligations, liabilities, rights and remedies arising out of any breach of, or failure to comply with, this Agreement occurring prior to such termination, or (ii) affect the right of a Party to enforce the payment of any amount, including any earned Tax Credit, to which such Party was entitled before such termination or to which such Party became entitled as a result of an event that occurred before such termination.

Except as otherwise provided herein, the Tax Years for which this Agreement is effective are as set forth below and set forth opposite each such Tax Year are the corresponding year in the term of this Agreement, the date of the Appraised Value determination for such Tax Year, and a summary description of certain provisions of this Agreement corresponding to such Tax Year (it being understood and agreed that such summary descriptions are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement):

<b>Full Tax Year of Agreement</b>	<b>Date of Appraisal</b>	<b>School Year</b>	<b>Tax Year</b>	<b>Summary Description of Provisions</b>
Partial Year Beginning on the Commencement Date (August 20, 2013)	January 1, 2013	2013-14	2013	Start of Qualifying Time Period, beginning with Commencement Date (08/20/13). No limitation on value. First year for computation of Annual Limit.
1	January 1, 2014	2014-15	2014	Qualifying Time Period. No limitation on value. Possible Tax Credit in future years.
2	January 1, 2015	2015-16	2015	Qualifying Time Period. No limitation on value. Possible Tax Credit in future years.
3	January 1, 2016	2016-17	2016	\$ 80 million property value limitation.
4	January 1, 2017	2017-18	2017	\$ 80 million property value limitation. Possible Tax Credit due to Applicant.
5	January 1, 2018	2018-19	2018	\$ 80 million property value limitation. Possible Tax Credit due to Applicant.
6	January 1, 2019	2019-20	2019	\$ 80 million property value limitation. Possible Tax Credit due to Applicant.
7	January 1, 2020	2020-21	2020	\$ 80 million property value limitation. Possible Tax Credit due to Applicant.
8	January 1, 2021	2021-22	2021	\$ 80 million property value limitation. Possible Tax Credit due to Applicant.
9	January 1, 2022	2022-23	2022	\$ 80 million property value limitation. Possible Tax Credit due to Applicant.

<b>Full Tax Year of Agreement</b>	<b>Date of Appraisal</b>	<b>School Year</b>	<b>Tax Year</b>	<b>Summary Description of Provisions</b>
10	January 1, 2023	2023-24	2023	\$ 80 million property value limitation. Possible Tax Credit due to Applicant.
11	January 1, 2024	2024-25	2024	No tax limitation. Possible Tax Credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
12	January 1, 2025	2025-26	2025	No tax limitation. Possible Tax Credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.
13	January 1, 2026	2026-27	2026	No tax limitation. Possible Tax Credit due to Applicant. Applicant obligated to Maintain Viable Presence if no early termination.

### **Section 1.3. DEFINITIONS**

Wherever used herein, the following terms shall have the following meanings, to-wit:

“Act” means the Texas Economic Development Act set forth in Chapter 313 of the Texas Tax Code, as amended.

“Affiliate” of any specified person or entity means any other person or entity which, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under direct or indirect common control with such specified person or entity. For purposes of this definition “control” when used with respect to any person or entity means (i) the ownership, directly or indirectly, or fifty percent (50%) or more of the voting securities of such person or entity, or (ii) the right to direct the management or operations of such person or entity, directly or indirectly, whether through the ownership (directly or indirectly) of securities, by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Aggregate Limit” means, for any Tax Year during the term of this Agreement, the cumulative total of the Annual Limit amount for such Tax Year and for all previous Tax Years during the term of this Agreement, less all amounts paid by the Applicant to or on behalf of the District under Article IV, below.

“Agreement” means this Agreement, as the same may be modified, amended, restated, amended and restated, or supplemented from time to time in accordance with Section 8.4.

“Annual Limit” means the maximum annual benefit which can be paid directly to the District as a Supplemental Payment under the provisions of Texas Tax Code § 313.027(i) and this Agreement. For purposes of this Agreement, the amount of the Annual Limit shall be calculated for each year by multiplying the District’s average daily attendance for the applicable school year, as calculated pursuant to Texas Education Code § 42.005, times the greater of \$100, or any larger amount allowed by Texas Tax Code § 313.027(i), if such limit amount is increased for any future year of this Agreement; provided, however, that in no event shall the Annual Limit for any such year exceed Six Hundred Ninety-Five Thousand Four Hundred and No/100’s Dollars (\$695,400.00), which amount is based upon the District’s 2012-2013 average daily attendance of 6,953.56, rounded up to the nearest integer (that is, 6,954), multiplied by \$100. The Annual Limit shall first be computed for Tax Year 2013, which, by virtue of the Commencement Date, is the first Tax Year that includes the date of August 20, 2013, on which the Qualifying Time Period commences under this Agreement.

“Applicant” means Equistar Chemicals, LP (Texas Taxpayer ID #17605504814), the company listed in the Preamble of this Agreement, which on November 13, 2012, filed the Application with the District for an Appraised Value Limitation on Qualified Property pursuant to Chapter 313 of the Texas Tax Code. The term “Applicant” shall also include the Applicant’s assigns and successors-in-interest.

“Applicable School Finance Law” means Chapters 41 and 42 of the Texas Education Code, the Texas Economic Development Act (Chapter 313 of the Texas Tax Code), Chapter 403, Subchapter M, of the Texas Government Code applicable to the District, and the Constitution and general laws of the State applicable to the independent school districts of the State, including specifically, the applicable rules and regulations of the agencies of the State having jurisdiction over any matters relating to the public school systems and school districts of the State, and judicial decisions construing or interpreting any of the above. The term also includes any amendments or successor statutes that may be adopted in the future that could impact or alter the calculation of the Applicant’s ad valorem tax obligation to the District, either with or without the limitation of property values made pursuant to this Agreement.

“Application” means the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C, of the Texas Tax Code) filed with the District by the Applicant on November 13, 2012, which has been certified by the Comptroller’s office to constitute a complete final Application as of the date of April 8, 2013. The term includes all forms required by the Comptroller, the schedules attached thereto, and all other documentation submitted by the Applicant for the purpose of obtaining an Agreement with the District. The term also includes all amendments and supplements thereto submitted by the Applicant.

“Appraised Value” shall have the meaning assigned to such term in Section 1.04(8) of the Texas Tax Code.

“Appraisal District” means the Harris County Appraisal District.

“Board of Trustees” means the Board of Trustees of the District.

“Commencement Date” means August 20, 2013, the date upon which this Agreement was approved by the Board of Trustees and the Qualifying Time Period begins.

“Completed Application Date” means April 8, 2013, the date which the Comptroller determined to be the date of its receipt of a completed Application for Appraised Value Limitation on Qualified Property (Tax Code, Chapter 313, Subchapter B or C), Comptroller Form 50-296, from the Applicant.

“Comptroller” means the Texas Comptroller of Public Accounts, or the designated representative of the Texas Comptroller of Public Accounts acting on behalf of the Comptroller.

“Comptroller’s Rules” means the applicable rules and regulations of the Comptroller set forth at Title 34 of the Texas Administrative Code, Part 1, Chapter 9, Subchapter F, together with any court or administrative decisions interpreting same.

“County” means Harris County, Texas.

“Determination of Breach and Notice of Contract Termination” shall have the meaning assigned to such term in Section 7.8 of this Agreement.

“District” or “School District” means the Sheldon Independent School District, being a duly authorized and operating independent school district in the State, having the power to levy, assess, and collect ad valorem taxes within its boundaries and to which Subchapter C of the Act applies. The term also includes any successor independent school district or other successor governmental authority having the power to levy and collect ad valorem taxes for school purposes on the Applicant’s Qualified Property or the Applicant’s Qualified Investment.

“Final Termination Date” means December 31, 2026.

“Force Majeure” means a failure caused by (a) provisions of law, or the operation or effect of rules, regulations or orders promulgated by any governmental authority having jurisdiction over the Applicant, the Applicant’s Qualified Property or the Applicant’s Qualified Investment or any upstream, intermediate or downstream equipment or support facilities as are necessary to the operation of the Applicant’s Qualified Property or the Applicant’s Qualified Investment; (b) any demand or requisition, arrest, order, request, directive, restraint or requirement of any government or governmental agency whether federal, state, military, local or otherwise; (c) the action, judgment or decree of any court; (d) floods, storms, hurricanes, evacuation due to threats of hurricanes, lightning, earthquakes, washouts, high water, fires, acts of God or public enemies, wars (declared or undeclared), blockades, epidemics, riots or civil disturbances, insurrections, strikes, labor disputes (it being understood that nothing contained in this Agreement shall require the Applicant to settle any such strike or labor dispute),

explosions, breakdown or failure of plant, machinery, equipment, lines of pipe or electric power lines (or unplanned or forced outages or shutdowns of the foregoing for inspections, repairs or maintenance), inability to obtain, renew or extend franchises, licenses or permits, loss, interruption, curtailment or failure to obtain electricity, gas, steam, water, wastewater disposal, waste disposal or other utilities or utility services, inability to obtain or failure of suppliers to deliver feedstock, raw materials, equipment, parts or material, or inability of the Applicant to ship or failure of carriers to transport to or from the Applicant's facilities products (finished or otherwise), feedstock, raw materials, equipment, parts or material; or (e) any other cause (except financial), whether similar or dissimilar, over which the Applicant has no reasonable control and which forbids or prevents performance.

"Land" shall have the meaning assigned to such term in Section 2.2.

"Maintain Viable Presence" means, after the development and construction of the project described in the Application and in the description of Qualified Investment/Qualified Property as set forth in Section 2.3, below, (i) the operation over the term of this Agreement of the facility or facilities for which the tax limitation is granted, as the same may from time to time be expanded, upgraded, improved, modified, changed, remodeled, repaired, restored, reconstructed, reconfigured, and/or reengineered; (ii) the maintenance of at least the number of New Jobs set forth in Column C of Schedule C of the Application from the time they are created until the Final Termination Date, and (iii) the maintenance of at least eighty percent (80%) of such New Jobs as Qualifying Jobs from the time they are created until the Final Termination Date.

"M&O Amount" shall have the meaning assigned to such term in Section 3.2 of this Agreement.

"Maintenance and Operations Revenue" or "M&O Revenue" means (i) those revenues which the District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to Texas Education Code § 45.002 and Article VII § 3 of the Texas Constitution, plus (ii) all State revenues to which the District is or may be entitled under Chapter 42 of the Texas Education Code or any other statutory provision as well as any amendment or successor statute to these provisions, plus (iii) any indemnity payments received by the District under other agreements similar to this Agreement to the extent that such payments are designed to replace District M&O Revenue lost as a result of such similar agreements, less (iv) any amounts necessary to reimburse the State of Texas or another school district for the education of additional students pursuant to Chapter 41 of the Texas Education Code.

"Market Value" shall have the meaning assigned to such term in Section 1.04(7) of the Texas Tax Code.

"Net Tax Benefit" means an amount (but not less than zero) equal to: (i) the sum of (A) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for all Tax Years during the term of this Agreement if this Agreement had not been entered into by the Parties; plus (B) any Tax Credits received by Applicant under this Agreement; minus, (ii) an amount equal to the sum of (A) all maintenance and operations ad

valorem school taxes actually due to the District or any other governmental entity, including the State of Texas, for all Tax Years during the term of this Agreement, plus (B) any and all payments due to the District under Article III of this Agreement.

“New Jobs” means at least the number of “new jobs,” as set forth in Column C of Schedule C of the Application and as defined by 34 Texas Administrative Code § 9.1051(14)(C), which the Applicant will create in connection with the project described in the Application and in the description of the Applicant’s Qualified Investment and Qualified Property as set forth in Section 2.3 below. In accordance with the requirements of Texas Tax Code § 313.024(d), at least eighty percent (80%) of all New Jobs shall also be Qualifying Jobs, as defined below.

“Qualified Investment” has the meaning set forth in Chapter 313 of the Texas Tax Code, as interpreted by the Comptroller’s Rules, as these provisions existed on the date of this Agreement.

“Qualifying Jobs” means at least eighty percent (80%) of all New Jobs, which must meet the requirements of Texas Tax Code § 313.021(3). For the avoidance of doubt, at least eighty percent (80%) of all New Jobs must be Qualifying Jobs (that is, eighty percent (80%) of all New Jobs must meet the requirements of Texas Tax Code § 313.021(3)).

“Qualified Property” has the meaning set forth in Chapter 313 of the Texas Tax Code, as interpreted by the Comptroller’s Rules and the Texas Attorney General, as these provisions existed on the date of this Agreement.

“Qualifying Time Period” means the period that begins on the Commencement Date of August 20, 2013, and ends on December 31, 2015.

“State” means the State of Texas.

“Tax Credit” means the tax credit, either to be paid by the District to the Applicant, or to be applied against any taxes that the District imposes on the Applicant’s Qualified Property, as computed under the provisions of Subchapter D of the Act, and rules adopted by the Comptroller and/or the Texas Education Agency, provided that the Applicant complies with the requirements imposed on the Applicant under such provisions, including the timely filing of a completed application under Texas Tax Code § 313.103 and the duly adopted administrative rules relating thereto.

“Tax Limitation Amount” means the maximum amount that may be placed as the Appraised Value on Qualified Property/Qualified Investment for years three (3) through ten (10) of this Agreement pursuant to Texas Tax Code § 313.054. That is, for each of the eight (8) Tax Years 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023, the Appraised Value of the Applicant’s Qualified Investment for the District’s maintenance and operations ad valorem tax purposes shall not exceed, and the Tax Limitation Amount shall be, the lesser of:

- (a) the Market Value of the Applicant's Qualified Investment; or
- (b) Eighty Million Dollars (\$80,000,000.00).

The Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the effective date of this Agreement, as set out by Texas Tax Code, § 313.022(b) or § 313.052, as applicable.

“Tax Year” shall have the meaning assigned to such term in Section 1.04(13) of the Texas Tax Code (*i.e.*, the calendar year).

“Taxable Value” shall have the meaning assigned to such term in Section 1.04(10) of the Texas Tax Code.

“Texas Education Agency Rules” means the applicable rules and regulations adopted by the Texas Commissioner of Education in relation to the administration of Chapter 313, Texas Tax Code, which are set forth at Title 19 – Part 2, Texas Administrative Code (including, but not limited to, § 61.1019), together with any court or administrative decisions interpreting same.

## ARTICLE II

### PROPERTY DESCRIPTION

#### **Section 2.1. LOCATION WITHIN A QUALIFIED REINVESTMENT OR ENTERPRISE ZONE**

The Applicant's Qualified Property upon which the Applicant's Qualified Investment will be located is within an area designated as a reinvestment zone under Chapter 311 or 312 of the Texas Tax Code. The legal description of the reinvestment zone in which the Applicant's Qualified Property is located is attached to this Agreement as **EXHIBIT 1** and is incorporated herein by reference for all purposes.

#### **Section 2.2. LOCATION OF QUALIFIED PROPERTY**

The location of the Qualified Property upon which the Applicant's Qualified Investment will be located (the “Applicant's Qualified Property”) is described in the legal description which is attached to this Agreement as **EXHIBIT 2** and is incorporated herein by reference for all purposes. The land described in **EXHIBIT 2** (the “Land”) qualifies as Qualified Property, and the Parties expressly agree that the boundaries of the Land may not be materially changed from its configuration described in **EXHIBIT 2** without the express authorization of each of the Parties.

### **Section 2.3. DESCRIPTION OF QUALIFIED INVESTMENT AND QUALIFIED PROPERTY**

The Qualified Investment and/or Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 3**, which is attached hereto and incorporated herein by reference for all purposes (the “Applicant’s Qualified Investment”). The Applicant’s Qualified Investment shall be that property, described in **EXHIBIT 3**, which is placed in service under the terms of the Application, during the Qualifying Time Period described in both Section 1.2, above, and the definition of Qualifying Time Period set forth in Section 1.3, above. The Applicant’s Qualified Property shall be all property, described in **EXHIBIT 3**, including, but not limited to, the Applicant’s Qualified Investment, together with the Land described in **EXHIBIT 2** which: (1) is owned or leased by the Applicant; (2) is first placed in service after the Completed Application Date established by the Comptroller; and (3) is used in connection with the activities described in the Application. Property which is not specifically described in **EXHIBIT 3** shall not be considered by the District or the Appraisal District to be part of the Applicant’s Qualified Investment or the Applicant’s Qualified Property for purposes of this Agreement, unless pursuant to Texas Tax Code § 313.027(e) and Section 8.4 of this Agreement, the Board of Trustees, by official action, provides that such other property is a part of the Applicant’s Qualified Investment for purposes of this Agreement.

Property owned by the Applicant which is not described on **EXHIBIT 3** may not be considered to be Qualified Property unless the Applicant:

- (a) submits to the District and the Comptroller a written request to add such property to this Agreement, which request shall include a specific description of the additional property to which the Applicant requests that the Tax Limitation Amount apply;
- (b) notifies the District and the Comptroller of any other changes to the information that was provided in the Application approved by the District; and,
- (c) provides any additional information reasonably requested by the District or the Comptroller that is necessary to re-evaluate the economic impact analysis for the new or changed conditions.

Notwithstanding the foregoing, any replacement property shall not be subject to the foregoing restrictions and shall be considered Qualified Property hereunder.

### **Section 2.4. APPLICANT’S OBLIGATIONS TO PROVIDE CURRENT INVENTORY OF QUALIFIED PROPERTY**

At the end of the Qualifying Time Period, the Applicant shall provide to the District, the Comptroller, and the Appraisal District a reasonably specific and detailed description of the material tangible personal property, buildings, or permanent, nonremovable building

components (including any affixed to or incorporated into real property) on the Applicant's Qualified Property to which the Tax Limitation Amount applies, including maps or surveys of sufficient detail and description to locate all such described property within the boundaries of the real property which is subject to this Agreement. The information described in the immediately preceding sentence will be provided by the Applicant to the District at any other time when there is a material change in the Applicant's Qualified Property located on the Land described in **EXHIBIT 2** or upon a reasonable request by the District or the Comptroller.

### **Section 2.5. QUALIFYING USE**

The Applicant's Qualified Investment described above in Section 2.3 qualifies for a tax limitation agreement under Texas Tax Code § 313.024(b)(1) as a manufacturing facility.

### **Section 2.6. LIMITATION ON APPRAISED VALUE**

So long as the Applicant makes a Qualified Investment in the amount of Eighty Million Dollars (\$80,000,000.00), or greater, during the Qualifying Time Period, and unless this Agreement has been terminated as provided herein before such Tax Year, for each of the eight (8) Tax Years 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023, the Appraised Value of the Applicant's Qualified Investment for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

- (a) the Market Value of the Applicant's Qualified Investment; or
- (b) Eighty Million Dollars (\$80,000,000.00).

This Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the effective date of this Agreement, as set out by Texas Tax Code § 313.023.

## **ARTICLE III**

### **PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES**

#### **Section 3.1. INTENT OF THE PARTIES**

Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that the District shall, in accordance with the provisions of Texas Tax Code § 313.027(f)(1), be compensated by the Applicant for any loss that the District incurs in its Maintenance and Operations Revenue solely as a result of, or on account of, entering into this Agreement, after taking into account any payments to be made under this Agreement. Such payments shall be independent of, and in addition to, such other payments as set forth in Article IV. Subject to the limitations contained in this Agreement (including Section 5.1), it is the intent of the Parties that in connection with the District making the decision to enter into this Agreement, the risk of any negative financial consequence to the District with respect to its Maintenance and Operations Revenue will be borne by the Applicant and not by the District.

**Section 3.2. CALCULATING THE AMOUNT OF LOSS OF REVENUES BY THE DISTRICT**

Subject to the provisions of Sections 5.1 and 5.2, the amount to be paid by the Applicant to compensate the District for loss of Maintenance and Operations Revenue resulting from, or on account of, this Agreement for each year during the term of this Agreement (the "M&O Amount") shall be determined in accordance with the Applicable School Finance Law in effect for such year and according to the following formula:

The M&O Amount owed by the Applicant to the District means the Original M&O Revenue *minus* the New M&O Revenue;

Where:

- i. "Original M&O Revenue" means the total State and local Maintenance & Operations Revenue that the District would have received for the school year under the Applicable School Finance Law had this Agreement not been entered into by the Parties and the Applicant's Qualified Property and/or the Applicant's Qualified Investment been subject to the ad valorem maintenance & operations tax at the District-adopted tax rate for the applicable year.
- ii. "New M&O Revenue" means the total State and local Maintenance & Operations Revenue that the District actually received for such school year, after all adjustments have been made to such Maintenance and Operations Revenue because of any portion of this Agreement.

In making the calculations required by this Section 3.2:

- i. The Taxable Value of property for each school year will be determined under the Applicable School Finance Law.
- ii. For purposes of this calculation, the tax collection rate on the Applicant's Qualified Property and/or the Applicant's Qualified Investment will be presumed to be one hundred percent (100%).
- iii. If, for any year of this Agreement, the difference between the Original M&O Revenue and the New M&O Revenue as calculated under this Section 3.2 results in a negative number, the negative number will be considered to be zero.
- iv. All calculations made for years three (3) through ten (10) of this Agreement under Section 3.2, Subsection *ii* of this Agreement

relating to the definition of “New M&O Revenue” will reflect the Tax Limitation Amount for such year.

- v. All calculations made under this Section 3.2 shall be made by a methodology which isolates only the full M & O revenue impact caused by this Agreement. The Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements or any other factors not contained in this Agreement.

### **Section 3.3. COMPENSATION FOR LOSS OF OTHER REVENUES**

In addition to the amounts determined pursuant to Section 3.2 above, and to the extent provided in Section 6.3, the Applicant, on an annual basis, shall also indemnify and reimburse the District for the following:

- (a) All non-reimbursed costs incurred by the District in paying or otherwise crediting to the account of the Applicant any applicable Tax Credit to which the Applicant may be entitled pursuant to Chapter 313, Subchapter D of the Texas Tax Code, and for which the District does not receive reimbursement from the State pursuant to Texas Education Code § 42.2515, or other similar or successor statute.
- (b) All non-reimbursed costs certified by the District’s external auditor to have been incurred by the District for extraordinary education-related expenses related to the Applicant’s Qualified Investment that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment attributable to the Applicant’s Qualified Investment. The Applicant may contest any such costs certified by the District’s external auditor under the provisions of Section 3.8.
- (c) Any other loss of the District’s revenues which directly results from, or is reasonably attributable to, any payment made by the Applicant to or on behalf of any third party beneficiary of this Agreement.

### **Section 3.4. CALCULATIONS TO BE MADE BY THIRD PARTY**

All calculations under this Agreement shall be made annually by an independent third party (the “Third Party”) jointly approved each year by the District and the Applicant. If the Parties cannot agree on the Third Party, then the Third Party shall be selected by the mediator provided in Section 7.9 of this Agreement.

### **Section 3.5. DATA USED FOR CALCULATIONS**

The calculations for payments under this Agreement shall be initially based upon the valuations placed upon the Applicant’s Qualified Investment and/or the Applicant’s Qualified

Property by the Appraisal District in its annual certified tax roll submitted to the District pursuant to Texas Tax Code § 26.01 on or about July 25 of each year of this Agreement. Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to the Third Party selected under Section 3.4. The certified tax roll data shall form the basis of the calculation of any and all amounts due under this Agreement. All other data utilized by the Third Party to make the calculations contemplated by this Agreement shall be based upon the best available current estimates. The data utilized by the Third Party shall be adjusted from time to time by the Third Party to reflect actual amounts, subsequent adjustments by the Appraisal District to the District's certified tax roll or any other changes in student counts, tax collections, or other data.

### **Section 3.6. DELIVERY OF CALCULATIONS**

On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 3.4 of this Agreement shall forward to the Parties a certification containing the calculations required under Sections 3.2 and/or 3.3, Article IV, and/or Section 5.1 of this Agreement in sufficient detail to allow the Parties to understand the manner in which the calculations were made. The Third Party shall simultaneously submit his, her or its invoice for fees for services rendered to the Parties, if any fees are being claimed.. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party's offices, personnel, books, records, and correspondence pertaining to the calculation and fee for the purpose of verification. The Third Party shall maintain supporting data consistent with generally accepted accounting practices, and the employees and agents of the Applicant shall have the right to reproduce and retain for purpose of audit, any of these documents. The Third Party shall preserve all documents pertaining to the calculation and fee for a period of five (5) years after payment. The Applicant shall not be liable for any of the Third Party's costs resulting from an audit of the Third Party's books, records, correspondence, or work papers pertaining to the calculations contemplated by this Agreement or the fee paid by the Applicant to the Third Party pursuant to Section 3.7, if such fee is timely paid.

### **Section 3.7. PAYMENT BY APPLICANT**

The Applicant shall pay any amount determined to be due and owing to the District under this Agreement on or before the January 31 next following the tax levy for each year for which this Agreement is effective. By such date, the Applicant shall also pay any reasonable amount billed by the Third Party for all calculations under this Agreement under Section 3.6, above, plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or financial consultants for the preparation and filing of any financial reports, disclosures, or Tax Credit or other reimbursement applications filed with or sent to the State of Texas which are, or may be, required under the terms or because of the execution of this Agreement. For no Tax Year during the term of this Agreement shall the Applicant be responsible for the payment of an aggregate amount of fees and expenses under this Section 3.7 and Section 3.6 which exceeds Ten Thousand Dollars (\$10,000.00).

### **Section 3.8. RESOLUTION OF DISPUTES**

Pursuant to Sections 3.3(b), 3.4, 3.6 and 3.9, should the Applicant disagree with the certification containing the calculations, the Applicant may appeal the findings, in writing, to the Third Party within thirty (30) days following the later of (i) receipt of the certification, or (ii) the date the Applicant is granted access to the books, records and other information in accordance with Section 3.6 for purposes of auditing or reviewing the information in connection with the certification. Within thirty (30) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the certification containing the calculations. Thereafter, the Applicant may appeal the final determination of certification containing the calculations to the Board of Trustees. Any such appeal by the Applicant of the final determination of the Third Party must be made, in writing, to the Board of Trustees within thirty (30) days of the Applicant's receipt of the Third Party's final determination of certification containing the calculations, and shall be without limitation of the Applicant's other rights and remedies available hereunder, at law or in equity.

**Section 3.9. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT**

If at the time the Third Party selected under Section 3.4 makes its calculations under this Agreement, the Applicant has appealed any matter relating to the valuations placed by the Appraisal District on the Applicant's Qualified Property, and/or the Applicant's Qualified Property and such appeal remains unresolved, the Third Party shall base its calculations upon the values placed upon the Applicant's Qualified Property and/or the Applicant's Qualified Property by the Appraisal District for the preceding year.

If as a result of an appeal or for any other reason, the Taxable Value of the Applicant's Qualified Investment and/or the Applicant's Qualified Property is changed, once the determination of the new Taxable Value becomes final, the Parties shall immediately notify the Third Party who shall immediately issue new calculations for the applicable year or years using the new Taxable Value. In the event the new calculations result in a change in any amount paid or payable by the Applicant under this Agreement, the Party from whom the adjustment is payable shall remit such amounts to the other Party within thirty (30) days of the receipt of the new calculations from the Third Party. Any dispute by Applicant with respect to this new calculation shall be appealable to the Board of Trustees in accordance with the provisions of Section 3.8.

**Section 3.10. EFFECT OF STATUTORY CHANGES**

Notwithstanding any other provision in this Agreement, but subject to the limitations contained in Section 5.1, in the event that, by virtue of statutory changes to the Applicable School Finance Law, administrative interpretations by the Comptroller, Commissioner of Education, or the Texas Education Agency, or for any other reason attributable to statutory change, the District reasonably determines that it will receive less Maintenance and Operations Revenue, or, if applicable, will be required to increase its payment of funds to the State, because of its participation in this Agreement, the Applicant shall make payments to the District, up to the revenue protection amount limit set forth in Section 5.1, that are necessary to offset any actual negative impact on the District as a result of its participation in this Agreement. Such calculation shall take into account any adjustments to the amount calculated for the current fiscal year that should be made in order to reflect the actual impact on the District.

**ARTICLE IV**

**SUPPLEMENTAL PAYMENTS**

**Section 4.1. INTENT OF PARTIES WITH RESPECT TO SUPPLEMENTAL PAYMENTS**

In interpreting the provisions of Article IV, the Parties agree as follows:

(a) Amounts Exclusive of Indemnity Amounts

In addition to undertaking the responsibility for the payment of all of the amounts set forth under Article III, and as further consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the supplemental payments set forth in this Article IV (the "Supplemental Payments"). The Applicant shall not be responsible to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313, Texas Tax Code, unless it is explicitly set forth in this Agreement. It is the express intent of the Parties that the Applicant's obligation to make Supplemental Payments under this Article IV is separate and independent of the obligation of the Applicant to pay the amounts described in Article III; provided, however, that all payments under Articles III and IV are subject to the limitations contained in Section 5.1, and that all payments under this Article IV are subject to the separate limitations contained in Section 4.4.

(b) Adherence to Statutory Limits on Supplemental Payments

It is the express intent of the Parties that any Supplemental Payments made to or on behalf of the District by the Applicant under this Article IV shall exceed

neither (i) the limit imposed by the provisions of Texas Tax Code § 313.027(i), nor (ii) the lesser of the amounts described in Section 4.2(a) and (b).

**Section 4.2. STIPULATED SUPPLEMENTAL PAYMENT AMOUNT – SUBJECT TO AGGREGATE LIMIT**

During the term of this Agreement, the District shall not be entitled to receive Supplemental Payments that exceed the lesser of:

- (a) the “Applicant’s Stipulated Supplemental Payment Amount,” which is hereby defined as forty percent (40%) of the “Net Tax Benefit,” as the term is defined in Section 1.3, above; or,
- (b) the “Aggregate Limit,” as such term is defined in Section 1.3, above.

**Section 4.3. ANNUAL CALCULATION OF STIPULATED SUPPLEMENTAL PAYMENT AMOUNT**

The Parties agree that for each Tax Year during the term of this Agreement, beginning with the third full Tax Year following the Commencement Date (Tax Year 2016), the Applicant’s Stipulated Supplemental Payment Amount, as defined in Section 4.2, will annually be calculated based upon the then most current estimate of tax savings to the Applicant, which will be made, based upon assumptions of student counts, tax collections, and other applicable data, in accordance with the following formula:

Taxable Value of the Applicant’s Qualified Property for such Tax Year had this Agreement not been entered into by the Parties (i.e., the Taxable Value of the Applicant’s Qualified Property used for the District’s interest and sinking fund tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

*Minus,*

The Taxable Value of the Applicant’s Qualified Property for such Tax Year after giving effect to this Agreement (i.e., the Taxable Value of the Applicant’s Qualified Property used for the District’s maintenance and operations tax purposes for such Tax Year, or school taxes due to any other governmental entity, including the State of Texas, for such Tax Year);

*Multiplied by,*

The District’s maintenance and operations tax rate for such Tax Year;

*Plus,*

Any Tax Credit received by the Applicant with respect to such Tax Year;

*Minus,*

Any amounts previously paid to the District under Article III;

*Multiplied by,*

The number 0.4;

*Minus,*

Any amounts previously paid to the District under Sections 4.2 and 4.3 with respect to such Tax Year.

In the event that there are changes in the data upon which the calculations set forth herein are made, the Third Party described in Section 3.4, above, shall adjust the Applicant's Stipulated Supplemental Payment Amount calculation to reflect such changes in the data.

**Section 4.4. CALCULATION OF ANNUAL SUPPLEMENTAL PAYMENTS TO THE DISTRICT AND APPLICATION OF AGGREGATE LIMIT**

For each Tax Year during the term of this Agreement beginning with the third full Tax Year following the Commencement Date (Tax Year 2016) and continuing thereafter through the thirteenth full Tax Year following the Commencement Date (Tax Year 2026), the District, or its successor beneficiary should one be designated under Section 4.6 below shall not be entitled to receive Supplemental Payments, computed under Sections 4.2 and 4.3 above, that exceed the Aggregate Limit, as such term is defined in Section 1.3, above.

Any of the Applicant's Stipulated Supplemental Payment Amounts which cannot be paid to the District prior to the end of the thirteenth full Tax Year following the Commencement Date (Tax Year 2026) because such payment would exceed the Aggregate Limit, will be deemed to have been cancelled by operation of law, and the Applicant shall have no further obligation with respect thereto.

**Section 4.5. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS**

(a) All calculations required by this Article IV, including but not limited to: (i) the calculation of the Applicant's Stipulated Supplemental Payment Amount; (ii) the determination of both the Annual Limit and the Aggregate Limit; and (iii) the effect, if any, of the Aggregate Limit upon the actual amount of Supplemental Payments eligible to be paid to the District by the Applicant, shall be calculated by the Third Party selected pursuant to Section 3.4.

(b) The calculations made by the Third Party shall be made at the same time and on

the same schedule as the calculations made pursuant to Section 3.6.

- (c) The payment of all amounts due under this Article IV shall be made at the time set forth in Section 3.7.

#### **Section 4.6. DISTRICT'S OPTION TO DESIGNATE SUCCESSOR BENEFICIARY**

At any time during this Agreement, the Board of Trustees may, in its sole discretion, direct that any of the Applicant's payments under this Article IV be made to the District's educational foundation or to a similar entity, provided that such decision and direction of the Board of Trustees does not result in additional costs to the Applicant. Such foundation or entity may only use such funds received under this Article IV to support the educational mission of the District and its students. Any designation of such foundation or entity must be made by recorded vote of the Board of Trustees at a properly posted public meeting of the Board of Trustees. Any such designation will become effective after such public vote and the delivery of notice of said vote to the Applicant in conformance with the provisions of Section 8.1 below. Such designation may be rescinded by the Board of Trustees, by Board action, at any time, and any such rescission will become effective after delivery of notice of such action to the Applicant in conformance with the provisions of Section 8.1.

Any designation of a successor beneficiary under this Section 4.6 shall not alter the Aggregate Limit on Supplemental Payments described in Section 4.4 above.

Notwithstanding the foregoing, any payments made by Applicant shall be made in the manner and to the Party designated in this Agreement unless Applicant receives unambiguous written notice from the District that such payments are to be made to a different party.

### **ARTICLE V**

#### **ANNUAL LIMITATION OF PAYMENTS BY APPLICANT**

##### **Section 5.1. ANNUAL LIMITATION AFTER FIRST THREE YEARS**

Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year during the term of this Agreement after the 2016 Tax Year, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid by the Applicant to the District for such Tax Year, plus the sum of all payments otherwise due from the Applicant to the District under Articles III and IV with respect to such Tax Year, exceed (ii) the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District for such Tax Year (determined by using the District's actual maintenance and operations tax rate for such Tax Year) if the Parties had not entered into this Agreement. The calculation and comparison of the amounts described in clauses (i) and (ii) of the preceding sentence shall be included in all calculations made pursuant to Sections 3.4 and 3.6, and in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the payments otherwise due from the Applicant to the District under Articles

III and IV shall be reduced until such excess is eliminated.

### **Section 5.2. OPTION TO CANCEL AGREEMENT**

In the event that any payment otherwise due from the Applicant to the District under Article III and/or Article IV with respect to a Tax Year is subject to reduction in accordance with the provisions of Section 5.1 above, then the Applicant shall have the option to terminate this Agreement. The Applicant may exercise such option to cancel this Agreement by notifying the District of its election in writing not later than the July 31 of the year next following the Tax Year with respect to which a reduction under Section 5.1 is applicable. Any cancellation of this Agreement under the foregoing provisions of this Section 5.2 shall be effective immediately prior to the second Tax Year next following the Tax Year in which the reduction giving rise to the option occurred. Upon such termination this Agreement shall terminate and be of no further force or effect; provided, however, that the Parties' respective rights and obligations under this Agreement with respect to the Tax Year or Tax Years (as the case may be) through and including the Tax Year during which such notification is delivered to the District shall not be impaired or modified as a result of such termination and shall survive such termination unless and until satisfied and discharged.

## **ARTICLE VI**

### **TAX CREDITS**

#### **Section 6.1. APPLICANT'S ENTITLEMENT TO TAX CREDITS**

The Applicant shall be entitled to Tax Credits from the District under and in accordance with the provisions of Subchapter D of the Act and the Comptroller's Rules, provided that the Applicant complies with the requirements under such provisions, including the filing of a completed application under Section 313.103 of the Texas Tax Code and the Comptroller's Rules.

#### **Section 6.2. DISTRICT'S OBLIGATIONS WITH RESPECT TO TAX CREDITS**

The District shall timely comply and shall cause the District's collector of taxes to timely comply with their respective obligations under Subchapter D of the Act and the Comptroller's Rules, including, but not limited to, such obligations set forth in Section 313.104 of the Texas Tax Code, and the Comptroller's Rules and/or the Texas Education Agency's rules, as applicable.

**Section 6.3. COMPENSATION FOR LOSS OF TAX CREDIT PROTECTION REVENUES**

If after the Applicant has actually received the benefit of a Tax Credit under Section 6.1, the District does not receive aid from the State pursuant to Texas Education Code § 42.2515 or other similar or successor statute with respect to all or any portion of such Tax Credit for reasons other than the District's failure to comply with the requirements for obtaining such aid, then the District shall notify the Applicant in writing thereof and the circumstances surrounding the State's failure to provide such aid to the District. The Applicant shall pay to the District the amount of such Tax Credit for which the District did not receive such aid within thirty (30) calendar days after receipt of such notice, and such payment shall be subject to the same provisions for late payment as are set forth in Sections 7.4 and 7.5. If the District receives aid from the State for all or any portion of a Tax Credit with respect to which the Applicant has made a payment to the District under this Section 6.3, then the District shall pay to the Applicant the amount of such aid within thirty (30) calendar days after the District's receipt thereof.

**ARTICLE VII**

**ADDITIONAL OBLIGATIONS OF THE PARTIES**

**Section 7.1. DATA REQUESTS**

During the term of this Agreement, and upon the written request of one Party or by the Comptroller (the "Requesting Party"), the other Party shall provide the Requesting Party with all information reasonably necessary for the Requesting Party to determine whether the other Party is in compliance with its obligations, including any employment obligations, which may arise under this Agreement. The Applicant shall allow authorized employees of the District, the Comptroller, and/or the Appraisal District to have access to the Applicant's Qualified Property and/or business records, in accordance with Texas Tax Code § 22.07, during the term of this Agreement, in order to inspect the project to determine compliance with the terms hereof. All inspections will be made at a mutually agreeable time after the giving of not less than five (5) business days prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of the Applicant's Qualified Property or with the Applicant's adjacent or surrounding property or operations. All inspections may be accompanied by one or more representatives of the Applicant, and shall be conducted in accordance with the Applicant's safety, security, and operational standards and rules. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant to provide the District, the Comptroller, or the Appraisal District with any technical or business information that contains private personnel data, or is proprietary, a trade secret, confidential in nature or subject to a confidentiality agreement with any third party or any other information that is not necessary for the District, the Comptroller, and/or the Appraisal District to determine the Applicant's compliance with this Agreement.

## **Section 7.2. REPORTS TO OTHER GOVERNMENTAL AGENCIES**

The Applicant shall timely make any and all reports that are or may be required under the provisions of law or administrative regulation as a result of this Agreement, including but not limited to the annual report or certifications that may be required to be submitted by the Applicant to the Comptroller under the provisions of Texas Tax Code § 313.032. Applicant shall forward a copy of all such required reports or certifications to the District contemporaneously with the filing thereof. Currently, the Comptroller requires an Annual Eligibility Report and the Biennial Progress Reports, Forms 50-772 and 50-773, respectively, and an Application for Tax Credit, Form 50-300. The obligation to make all such required filings shall be a material obligation under this Agreement.

## **Section 7.3. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE**

By entering into this Agreement, the Applicant warrants that:

- (a) it will abide by all of the terms of this Agreement;
- (b) it will Maintain Viable Presence in the District through the Final Termination Date of this Agreement; provided, however, that notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of this Agreement, and shall not be subject to any liability for failure to Maintain Viable Presence to the extent such failure is caused by Force Majeure (as defined herein), provided the Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure; and,
- (c) it will meet the applicable minimum eligibility requirements under Tax Code, Chapter 313, throughout the period from and including the Tax Year 2016 through and including the last Tax Year during the term of this Agreement with respect to which the Applicant receives the benefit of a Tax Credit.

## **Section 7.4. CONSEQUENCES OF EARLY TERMINATION OR OTHER BREACH BY APPLICANT**

(a) In the event of a Material Breach of this Agreement (as hereinafter defined), except as provided in Section 5.2 or to the extent such Material Breach of this Agreement is caused by Force Majeure, after the notice and cure period provided by Section 7.8, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of interest, as calculated in accordance with Section 7.5, on that recaptured ad valorem tax revenue. For purposes of this recapture calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV.

(b) Notwithstanding Section 7.4(a), in the event that the District determines that the Applicant has failed to Maintain Viable Presence and provides written notice of termination of

this Agreement, then the Applicant shall pay to the District liquidated damages for such failure within thirty (30) days after receipt of such termination notice. The sum of liquidated damages due and payable shall be the sum total of the District ad valorem maintenance and operations taxes for all of the Tax Years for which a Tax Limitation Amount was allowed pursuant to this Agreement that are prior to the Tax Year in which the default occurs that otherwise would have been due and payable by the Applicant to the District without the benefit of this Agreement, including interest, as calculated in accordance with Section 7.5. For purposes of this liquidated damages calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Article III. The Applicant shall also be entitled to a credit for any amounts paid to the District pursuant to Article IV. Upon payment of such liquidated damages, the Applicant's obligations under this Agreement shall be deemed fully satisfied, and such payment shall constitute the District's sole remedy.

### **Section 7.5. CALCULATION OF INTEREST**

In determining the amount of interest due in the event of a breach of this Agreement, the District shall first determine the base amount of recaptured taxes owed less all credits under Section 7.4 for each Tax Year during the term of this Agreement since the Commencement Date. The District shall calculate interest for each Tax Year during the term of this Agreement since the Commencement Date in accordance with the methodology set forth in Chapter 33 of the Texas Tax Code, as if the base amount calculated for such Tax Year less all credits under Section 7.4 had become due and payable on February 1 of the calendar year following such Tax Year. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(c), or its successor statute.

### **Section 7.6 MATERIAL BREACH OF AGREEMENT**

Applicant shall be in "Material Breach of this Agreement" (herein so called) if it commits one or more of the following acts or omissions:

- (a) The Applicant is determined to have failed to meet its obligations to make accurate material representations of fact in the submission of its Application as is required by Section 8.14, below.
- (b) Subject to Section 5.2, the Applicant fails to Maintain Viable Presence in the District, as required by Section 7.3 of this Agreement, through the Final Termination Date of this Agreement.
- (c) The Applicant fails to make any payment required under Article III or IV of this Agreement on or before its due date.
- (d) Subject to Section 5.2, the Applicant fails to create and maintain at least the number of New Jobs it committed to create and maintain as set forth in Column C of Schedule C of the Application.

- (e) Subject to Section 5.2, the Applicant fails to create and maintain at least eighty percent (80%) of all such New Jobs as Qualifying Jobs.
- (f) The Applicant makes any payments to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement in excess of the amounts set forth in Articles III and IV above. Such payments to any other person or persons do not include payments to attorneys, consultants, or advisors retained by the Applicant in connection with applying for, negotiating and entering into this Agreement. Voluntary donations made by the Applicant to the District after the date of execution of this Agreement, and not mandated by this Agreement or made in recognition of or in consideration for this Agreement are not barred by this provision.
- (h) The Applicant fails to materially comply in any material respect with any other material term of this Agreement, or the Applicant materially fails to meet its obligations under the applicable Comptroller's Rules, and under the Act.

#### **Section 7.7 LIMITED STATUTORY CURE OF MATERIAL BREACH**

In accordance with the provisions of Texas Tax Code § 313.0275, for any full Tax Year which commences after the project has become operational, the Applicant may cure any Material Breach of this Agreement, described in Sections 7.6(d) and 7.6(e) or 7.6(f), above, without the termination of the remaining term of this Agreement. In order to cure any such non-compliance with Sections 7.6(d) and 7.6(e) or 7.6(f) for any such Tax Year, the Applicant may make the liquidated damages payment required by Texas Tax Code § 313.0275(b), in accordance with the provisions of Texas Tax Code § 313.0275(c).

#### **Section 7.8. DETERMINATION OF MATERIAL BREACH AND TERMINATION OF AGREEMENT**

Prior to making a determination under Section 7.4 or Section 7.6 that the Applicant is in Material Breach of this Agreement, the District shall provide the Applicant with a written notice of the facts which it believes have caused the Material Breach of this Agreement, and if cure is possible, the cure proposed by the District. After receipt of the notice, the Applicant shall be given ninety (90) days to present any facts or arguments to the Board of Trustees showing that a Material Breach of this Agreement has not occurred and/or that it has cured or undertaken to cure any such Material Breach of this Agreement.

If the Board of Trustees is not reasonably satisfied with such response and/or that such Material Breach of this Agreement has been cured, then the Board of Trustees shall, after reasonable notice to the Applicant, conduct a hearing called and held for the purpose of determining whether such Material Breach of this Agreement has occurred and, if so, whether such Material Breach of this Agreement has been cured. At any such hearing, the Applicant shall have the opportunity, together with its counsel, to be heard before the Board of Trustees. At the hearing, the Board of Trustees shall make findings as to whether or not a Material

Breach of this Agreement has occurred, the date such Material Breach of this Agreement occurred, if any, and whether or not any such Material Breach of this Agreement has been cured. In the event that the Board of Trustees determines that such a Material Breach of this Agreement has occurred and has not been cured, it shall also terminate this Agreement and determine the amount of recaptured taxes under Section 7.4 (net of all credits under Section 7.4), and the amount of any interest under Section 7.5 that are owed to the District.

After making its determination regarding any alleged Material Breach of this Agreement, the Board of Trustees shall cause the Applicant to be notified in writing of its determination (a "Determination of Breach and Notice of Contract Termination").

### **Section 7.9. DISPUTE RESOLUTION**

After receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 7.8, the Applicant shall have ninety (90) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resorting to litigation and within ninety (90) days after the Applicant's receipt of notice of the Board of Trustee's Determination of Breach and Notice of Contract Termination under Section 7.8, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then residing in Harris County, Texas. The Parties agree to sign a document that designates the mediator and provides that the mediation will be governed by the provisions of Chapter 154 of the Texas Civil Practice and Remedies Code and such other rules as the mediator shall prescribe. With respect to such mediation, (i) the District shall bear one-half of such mediator's fees and expenses and the Applicant shall bear one-half of such mediator's fees and expenses, and (ii) otherwise each Party shall bear all of its costs and expenses (including attorneys' fees) incurred in connection with such mediation.

In the event that any mediation is not successful in resolving the dispute or that payment is not received before the expiration of such ninety (90) days, the District shall have the remedies for the collection of the amounts determined under Section 7.8 as are set forth in Texas Tax Code Chapter 33, Subchapters B and C, for the collection of delinquent taxes. In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of reasonable attorney's fees and a tax lien on the Applicant's Qualified Property and the Applicant's Qualified Investment pursuant to Texas Tax Code § 33.07 to the attorneys representing the District pursuant to Texas Tax Code § 6.30. In the event that the Applicant is a prevailing party in any such legal proceedings under this section, the Applicant reserves the right to seek the Applicant's reasonable attorney's fees to the maximum extent permitted by applicable law.

In any event where a dispute between the District and the Applicant under this Agreement cannot be resolved by the Parties, after completing the procedures required above in this Section 7.9, either the District or the Applicant may seek a judicial declaration of their

respective rights and duties under this Agreement or otherwise, in any judicial proceeding, assert any rights or defenses, or seek any remedy in law or in equity, against the other Party with respect to any claim relating to any breach, default, or nonperformance of any covenant, agreement or undertaking made by a Party pursuant to this Agreement.

#### **Section 7.10. LIMITATION OF OTHER DAMAGES**

Notwithstanding anything contained in this Agreement to the contrary, in the event of default or breach of this Agreement by the Applicant, the District's damages for such a default or breach shall under no circumstances exceed the greater of either any amounts calculated under Sections 7.4 and 7.5 above, or the monetary sum of the difference between the payments and credits due and owing to the Applicant at the time of such default or breach and the District taxes that would have been lawfully payable to the District had this Agreement not been executed. In addition, the District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement.

The Parties further agree that the limitation of damages and remedies set forth in this Section 7.10 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

#### **Section 7.11. BINDING ON SUCCESSORS**

In the event of a merger or consolidation of the District with another school district or other governmental authority, this Agreement shall be binding on the successor school district or other governmental authority.

### **ARTICLE VIII**

#### **MISCELLANEOUS PROVISIONS**

##### **Section 8.1. INFORMATION AND NOTICES**

Unless otherwise expressly provided in this Agreement, all notices required or permitted hereunder shall be in writing and deemed sufficiently given for all purposes hereof if delivered in person, by courier (e.g., by Federal Express) or by registered or certified United States Mail to the Party to be notified, with receipt obtained, in each case to the appropriate address as set forth below. Each notice shall be deemed effective on receipt by the addressee as aforesaid; provided that, notice received after 5:00 p.m. at the location of the addressee of such notice shall be deemed received on the first business day following the date of such receipt.

Notices to the District shall be addressed as follows:

Dr. Vickey M. Giles, Superintendent  
**SHELDON INDEPENDENT SCHOOL DISTRICT**  
11411 C.E. King Parkway  
Houston, Texas 77044  
E-mail: vgiles@sheldon.k12.tx.us

or at such other address and to the attention of such other person as the District may designate by written notice to the Applicant.

Notices to the Applicant shall be addressed to:

Stephen R. Wessels, Assistant Secretary & Chief Tax Counsel  
**EQUISTAR CHEMICALS, LP**  
P.O. Box 3646  
Houston, Texas 77010  
E-mail: stephen.wessels@lyondellbasell.com

or at such other address and to the attention of such other person as the Applicant may designate by written notice to the District.

## **Section 8.2. EFFECTIVE DATE; TERMINATION OF AGREEMENT**

- (a) This Agreement shall be and become effective on the date of final approval of this Agreement by the Board of Trustees.
- (b) Subject to Sections 5.2 and 7.3(b), the obligation to Maintain Viable Presence under this Agreement shall remain in full force and effect through the Final Termination Date.
- (c) In the event that the Applicant fails to make a Qualified Investment in the amount of Eighty Million Dollars (\$80,000,000.00), or greater, during the Qualifying Time Period, this Agreement shall become null and void on December 31, 2015.

## **Section 8.3 FORCE MAJEURE**

The Applicant shall not be considered in default in the performance of its obligations hereunder if such performance is prevented or delayed because of Force Majeure, provided that the Applicant shall (i) give notice thereof to the District as soon as reasonably practicable after the occurrence of such event of Force Majeure, and (ii) use commercially reasonable efforts to overcome the event of Force Majeure. In the event of Force Majeure, the Parties shall consult with each other to determine how best to overcome the effect on the Parties' obligations under this Agreement.

#### **Section 8.4. AMENDMENTS TO AGREEMENT; WAIVERS**

This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties. Waiver of any term, condition or provision of this Agreement by any Party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach of, or failure to comply with, the same term, condition or provision, or a waiver of any other term, condition or provision of this Agreement. By official action of the Board of Trustees, this Agreement may be amended to include, in the Applicant's Qualified Investment, additional Qualified Property or Qualified Investment not specified in **EXHIBIT 3**, provided that the Applicant reports to the District, the Comptroller, and the Appraisal District, in the same format, style, and presentation as the Application, all relevant investment, value, and employment information that is related to the additional property. Any amendment of this Agreement adding additional Qualified Property or Qualified Investment pursuant to this Section 8.4 shall (1) require that all property added by amendment be eligible property as defined by Texas Tax Code § 313.024; (2) clearly identify the property, investment, and employment information added by amendment from the property, investment, and employment information in the original Agreement; and (3) define minimum eligibility requirements for the Applicant. This Agreement may not be amended to extend the value limitation time period beyond its eight-year statutory term.

#### **Section 8.5. ASSIGNMENT**

The Applicant may assign this Agreement, or a portion of this Agreement, to an Affiliate or a new owner or lessee of all or a portion of the Applicant's Qualified Property and/or the Applicant's Qualified Investment, provided that the Applicant shall provide written notice of such assignment to the District. Upon such assignment, the Applicant's assignee will be liable to the District for outstanding taxes or other obligations arising under this Agreement with respect to the transferred or leased Qualified Property and/or Qualified Investment. A recipient of limited value under Texas Tax Code, Chapter 313 shall notify immediately the District, the Comptroller, and the Appraisal District in writing of any change in address or other contact information for the owner of the property subject to the limitation agreement for the purposes of Texas Tax Code § 313.032. The assignee's or its reporting entity's Texas Taxpayer Identification Number shall be included in the notification.

#### **Section 8.6. MERGER**

This Agreement contains all of the terms and conditions of the understanding of the Parties relating to the subject matter hereof. All prior negotiations, discussions, correspondence, and preliminary understandings between the Parties and others relating hereto are superseded by this Agreement.

#### **Section 8.7. MAINTENANCE OF COUNTY APPRAISAL DISTRICT RECORDS**

When appraising the Applicant's Qualified Property and the Applicant's Qualified Investment subject to a limitation on Appraised Value under this Agreement, the Chief Appraiser of the Appraisal District shall determine the Market Value thereof and include both such Market Value and the appropriate value thereof under this Agreement in its appraisal records.

#### **Section 8.8. GOVERNING LAW**

This Agreement and the transactions contemplated hereby shall be governed by and interpreted in accordance with the laws of the State of Texas without giving effect to principles thereof relating to conflicts of law or rules that would direct the application of the laws of another jurisdiction. Venue in any legal proceeding shall be in Harris County, Texas.

#### **Section 8.9. AUTHORITY TO EXECUTE AGREEMENT**

Each of the Parties represents and warrants that its undersigned representative has been expressly authorized to execute this Agreement for and on behalf of such Party.

#### **Section 8.10. SEVERABILITY**

If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal or unenforceable in any respect under any Law (as hereinafter defined), this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision or condition cannot be so reformed, then such term, provision or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality and enforceability of the remaining terms, provisions and conditions contained herein (and any other application of such term, provision or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement in a mutually acceptable manner so as to effect the original intent of the Parties as closely as possible to the end that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 8.10, the term "Law" shall mean any applicable statute, law (including common law), ordinance, regulation, rule, ruling, order, writ, injunction, decree or other official act of or by any federal, state or local government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body having jurisdiction over the matter or matters in question.

#### **Section 8.11. PAYMENT OF EXPENSES**

Except as otherwise expressly provided in this Agreement, or as covered by the application fee, (i) each of the Parties shall pay its own costs and expenses relating to this Agreement, including, but not limited to, its costs and expenses of the negotiations leading up to this Agreement, and of its performance and compliance with this Agreement, and (ii) in the event of a dispute between the Parties in connection with this Agreement, the prevailing Party

in the resolution of any such dispute, whether by litigation or otherwise, shall be entitled to full recovery of all attorneys' fees (including a reasonable hourly fee for in-house legal counsel), costs and expenses incurred in connection therewith, including costs of court, from the non-prevailing Party.

#### **Section 8.12. INTERPRETATION**

When a reference is made in this Agreement to a Section, Article or Exhibit, such reference shall be to a Section or Article of, or Exhibit to, this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The words "include," "includes" and "including" when used in this Agreement shall be deemed in such case to be followed by the phrase ", but not limited to,". Words used in this Agreement, regardless of the number or gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context shall require. This Agreement is the joint product of the Parties and each provision of this Agreement has been subject to the mutual consultation, negotiation and agreement of each Party and shall not be construed for or against any Party.

#### **Section 8.13. EXECUTION OF COUNTERPARTS**

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute but one and the same instrument, which may be sufficiently evidenced by one counterpart.

#### **Section 8.14. ACCURACY OF REPRESENTATIONS CONTAINED IN APPLICATION**

The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application. The Applicant warrants that to the best of Applicant's knowledge all material representations, material information, and material facts contained in the Application are true and correct in all material respects. The Parties further agree that the Application and all the attachments thereto are included by reference into this Agreement as if set forth herein in full; provided, however, that to the extent of any differences or inconsistencies between the terms, conditions, representations, information, and facts contained in the Application and those contained in this Agreement, the terms, conditions, representations, information, and facts contained in this Agreement shall be controlling.

In the event that the Board of Trustees, after completing the procedures required by Sections 7.8 and 7.9 of this Agreement, makes a written determination that the Application was either incomplete or inaccurate as to any material representation, material information, or material fact, then this Agreement shall be invalid and void except for the enforcement of the provisions required by 34 Texas Administrative Code § 9.1053(f)(2)(K).

**Section 8.15. PUBLICATION OF DOCUMENTS**

The Parties acknowledge that the District is required to publish the Application and its required schedules, or any amendment thereto; all economic analyses of the proposed project submitted to the District; the approved and executed copy of this Agreement or any amendment thereto; and each application requesting Tax Credits under Texas Tax Code § 313.103, as follows:

- (a) Within seven (7) days of such document, the District shall submit a copy to the Comptroller for publication on the Comptroller's Internet website.
- (b) The District shall provide on its website a link to the location of those documents posted on the Comptroller's website.
- (c) This Section 8.15 does not require the publication of information that is confidential under Texas Tax Code § 313.028.

*IN WITNESS WHEREOF*, this Agreement has been executed by the Parties in multiple originals on this 20<sup>th</sup> day of August, 2013.

**EQUISTAR CHEMICALS, LP**

By:

Name:

Title:

*Craig B. Studdie*  
*Craig B. Studdie*  
*Executive Vice President*

**SHELDON INDEPENDENT SCHOOL DISTRICT**

By:

EILEEN PALMER

President

Board of Trustees

ATTEST:

*Ken Coleman*  
KEN COLEMAN

Secretary

Board of Trustees

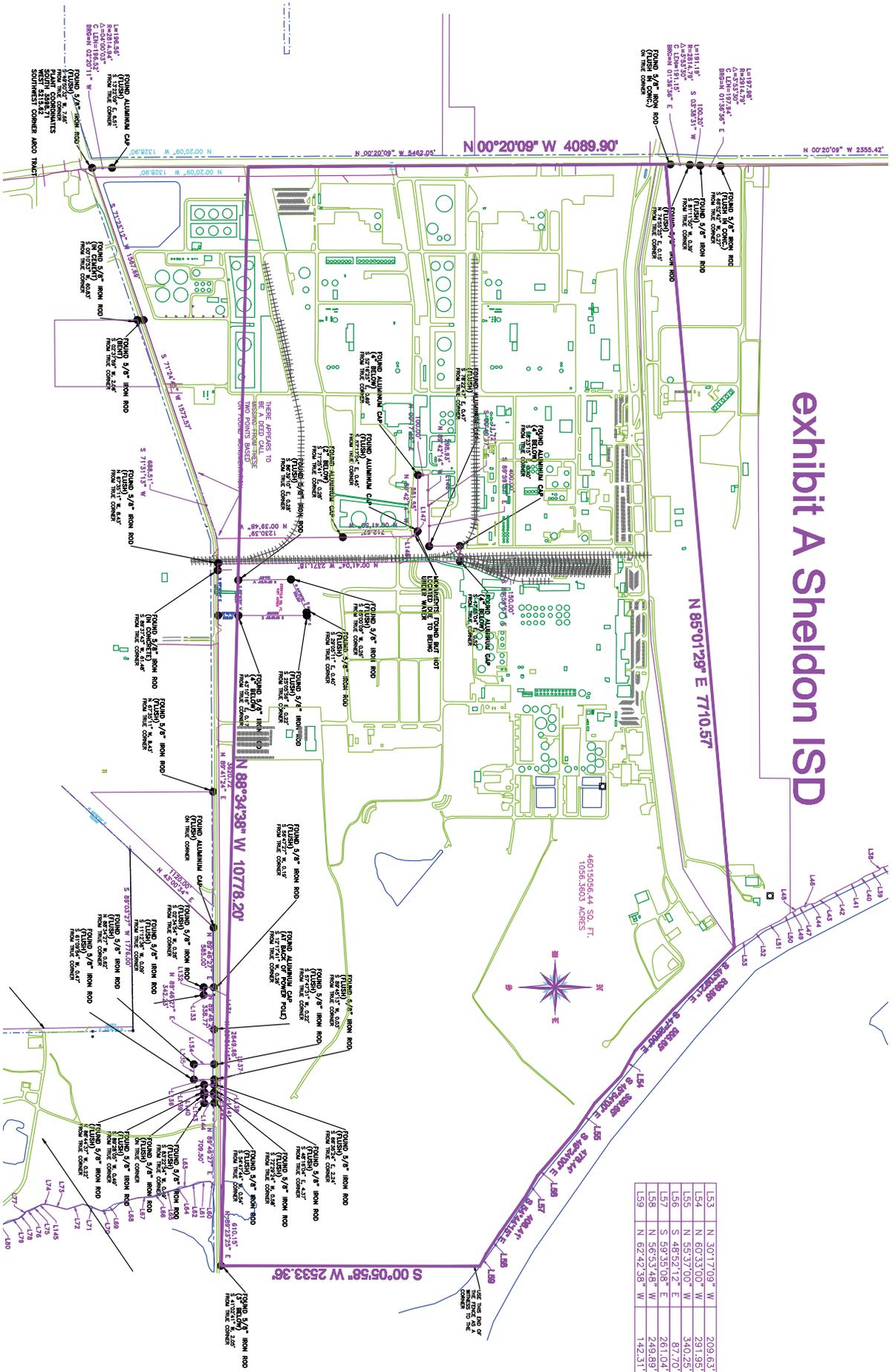
## **EXHIBIT 1**

### **DESCRIPTION OF QUALIFIED REINVESTMENT ZONE**

The *Equistar Reinvestment Zone Number One* was originally created on August 20, 2013 by action of the Board of Trustees of the Sheldon Independent School District. A survey of the *Equistar Reinvestment Zone Number One* is attached as the next page following this **EXHIBIT 1**.

As a result of the action of the Board of Trustees of the Sheldon Independent School District, all real property within the boundaries of the *Equistar Reinvestment Zone Number One*, which is described in this **EXHIBIT 1**, will be eligible to be included in this Agreement. The legal description of the boundaries of the *Equistar Reinvestment Zone* is attached following the survey attached as the next page following this **EXHIBIT 1**.

# exhibit A Sheldon ISD



# U.S. SURVEYOR®

A 1,056.360 Acre tract of land in the Sheldon Independent School District in the Amy White Survey, A-81, and being a portion of those tracts sold to Atlantic Richfield Company as described in deeds recorded under Harris County Clerk's file number D 962903 (section V and VII) and being more particularly described as follows with all bearings based on the North Plant Coordinate system, said bearing system being rotated 2 deg. 48 min. clockwise from the Texas State Plane Coordinate system, South Central Zone:

Commencing at the intersection of the north Right-of-Way line of Wallisville Road (variable width) with the east Right-of-Way of Sheldon Road as widened to 100.00 feet as per instrument Recorded under Harris County Clerk's file number E 655120, E 655127 and F 103764 and the Southwest corner of said Section 7;

Thence along the East Right-of-Way line of said Sheldon Road along an arc concave to the east having a length of 196.56 feet, a radius of 2814.94 feet and a chord of North 02 deg. 20 min. 11 sec. West 196.52 feet;

Thence North 00 deg. 20 min. 09 sec. West 1328.90 feet to the PLACE OF BEGINNING;  
Thence North 00 deg. 20 min. 09 sec. West 4089.96 feet;  
Thence North 85 deg. 01 min. 29 sec. East 7710.57 feet to a point on the west edge of the San Jacinto River;  
Thence South 30 deg. 17 min. 09 sec. East along the West edge of said River 209.63 feet;

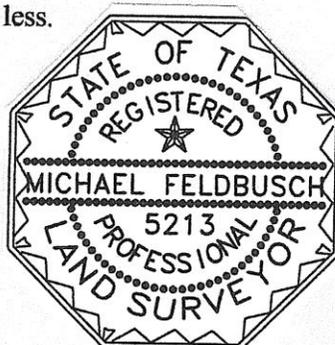
Thence continuing downstream along the west edge of the San Jacinto River as approximated by the meanders performed in July, 1962:

South 45 deg. 09 min. 21 sec. East 839.85 feet;  
South 47 deg. 26 min. 00 sec. East 555.65 feet;  
South 60 deg. 33 min. 00 sec. East 291.95 feet;  
South 45 deg. 54 min. 00 sec. East 359.65 feet;  
South 55 deg. 37 min. 00 sec. East 340.25 feet;  
South 49 deg. 24 min. 00 Sec. East 478.44 feet;

Thence continuing downstream along the west edge of the San Jacinto River as approximated by the following meanders performed in January, 1975;

South 48 deg. 52 min. 12 sec. East 87.70 feet;  
South 59 deg. 35 min. 08 sec. East 261.04 feet;  
South 54 deg. 44 min. 15 sec. East 408.41 feet;  
South 56 deg. 53 min. 48 sec. East 249.89 feet;  
South 62 deg. 42 min. 38 sec. East 142.31 feet; to the Northwest corner of that tract of land quitclaimed to American Plant Food Corporation as described in a deed recorded under Harris County Clerk's file number E 480858;

Thence South 88 deg. 34 min. 38 sec. East 10778.20 feet to the PLACE OF BEGINNING, containing 1056.360 acres more or less.



*M. Feldbusch*  
03/08/13

## **EXHIBIT 2**

### **LOCATION OF QUALIFIED INVESTMENT/QUALIFIED PROPERTY**

All Qualified Property owned or leased by the Applicant and located within the boundaries of both the Sheldon Independent School District and the *Equistar Reinvestment Zone Number One* will be included in and subject to this Agreement. Specifically, all Qualified Property of the Applicant located within the area described on the survey and by the legal description attached to the foregoing **EXHIBIT 1**.

### EXHIBIT 3

#### DESCRIPTION OF THE APPLICANT'S QUALIFIED INVESTMENT/QUALIFIED PROPERTY

Equistar Chemicals plans to invest in the following projects within its existing Channelview North Plant located at 8280 Sheldon Road in Channelview, Texas.

1. Equistar plans to restart its methanol unit. The methanol unit has been out of service since 2004. Employment at the unit has been zero since its shut down for economic reasons in 2004. The unit will produce the same product as it did when shut down in 2004. Since it was shut down in 2004, the unit has not produced any quantity of methanol and has been fenced off from the other operating units with no employee activity there other than periodic safety inspections to ensure the safety of plant personnel working in operating units in close proximity to the methanol unit. As of January 1, 2012 the methanol unit was valued at zero for property tax purposes. If the unit was appraised for more than zero, the value of the unit would be included in property account 050-214-000-0018. The planned cost of the methanol unit restart is \$140 million. Of this amount, Equistar plans to spend approximately \$6.62 million on inspection of the unit and refurbishing, repainting, and repairing existing unit assets. Thus, the qualified investment for the restart of the methanol unit is approximately \$133.4 million. New equipment that will be installed includes, but is not limited to, the following:
  - Cooling tower
  - Selective catalytic reduction system
  - Ammonia storage tanks
  - Reformer burners
  - Process vessels
  - Thermocouples
  - Piping
  - Pumps
  - Motors
  - Exchangers
  - Deaerator drums
  - Demineralized water system
  - Process analyzers
  - Process analyzer shelters
  - Distributed control systems
  - Flare system
  
2. Equistar plans to expand invest in additional equipment to debottleneck the acetylene removal process at C4 recovery and maximize the recovery of butadiene. Estimated cost of the new equipment is \$18 million. New equipment includes but is not limited to the following:
  - Sodium borohydride feed pumps

- Crude C4 feed pumps
  - Green oil tower bottoms pumps
  - Motors
  - Heat exchangers
  - Process analyzers
  - Process analyzer shelters
  - Distributed control systems (DCS)
  - Process piping
  - Pipe racks and supports
3. Equistar plans to construct a flare gas recovery project for the two olefins production units. The project will route flare gas back into the olefins production process at the suction of the olefin unit charge gas compressors. Estimated cost of the new equipment is \$2.5 million. New equipment includes but is not limited to the following:
- Steam powered ejector skids including control valves and instrumentation
  - Piping for steam and flare gas
  - Nitrogen analyzer
  - Oxygen analyzer
4. Equistar plans to construct two new liquid feed olefins furnaces. One new furnace will be added at the OP-1 unit and one furnace will be added at the OP-2 unit. The two additional furnaces will add approximately 190 million pounds of ethylene capacity. Estimated cost of the additional ethylene furnaces is \$175 million. New equipment includes, but is not limited to, the following:
- Olefins furnaces (including low NOx burners)
  - Pumps
  - Motors
  - Process piping
  - Vessels
  - Distributive control systems
  - Analyzers
  - Waste water treatment units
5. Equistar is considering plans to construct an ethylene fractionator. The proposed fractionators would convert a C2 stream sent to the plant from a nearby refinery into ethylene and ethane feedstock. Estimated cost of the new equipment is \$20 million. New equipment includes, but is not limited to, all equipment required to operate a fractionator as follows:
- Ethylene fractionator
  - Pipeline connections and metering equipment
  - Process vessels
  - Process pumps

- Process piping
- Process tanks
- Storage tanks
- Process control system

Equistar has existing chemical processing units at the Channelview plant. These assets consist of the following:

- 2 Olefins units (OP1 and OP2)
- Alcohols Unit (IPOH)
- Alkylation Unit
- Butadiene Unit
- Metathesis Unit
- Tank Farms
- Utilities
- Waste water treatment plant
- Various buildings
- Pollution Control Equipment

The pre-existing improvements are assessed on the Harris County Appraisal District accounts listed below. It is understood that these pre-existing improvements are not eligible to become Qualified Property and will remain fully taxable throughout the term of this agreement. To ensure segregation of preexisting improvements with qualified new investments, Equistar will request from Harris County Appraisal District that all qualified investment improvements related to this project be added to a separate new account number created for appraisal of Qualified Property.

The most recent 2012 Harris County Appraisal District property values are attached.

A detailed breakdown of the pre-existing improvements is outlined below.

<b>HCAD Account Number</b>	<b>Property Description</b>	<b>2012 Appraised Value</b>
050-214-000-0018	OP1 & other plant process units and plant infrastructure (projects 1, 2, 3, and 5 and one new furnace in project 4 will be located in the plant area covered by this existing account)	\$169,677,433
041-037-000-0040	OP2 Unit (one new furnace in project 4 will be located in the plant area covered by	\$105,099,122

	this existing account)	
048-096-000-0030	Water treatment and tanks	\$3,211,586
050-214-000-0055	Pollution control equipment	\$38,486,000
050-214-000-0061	Assets owned by Cray Valley on Equistar land (Equistar operates)	\$5,382,882
<b>TOTALS</b>		<b>\$321,857,023</b>