



**GLENN HEGAR** TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

July 2, 2015

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

Dear Superintendent Adair:

On April 6, 2015, the Comptroller issued written notice that The Lubrizol Corporation (the applicant) submitted a completed application (Application #1055) for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted on Jan. 18, 2015, to the Deer Park Independent School District (the school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter B; and
- 2) under Section 313.025(a)(2) to determine whether the application is accompanied by information sufficient to show that the real and personal property identified in the application as qualified property meets the applicable criteria established by Section 313.021(2)
- 3) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

**Determination required by 313.025(h)**

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.
Sec. 313.024(d)	Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application #1055.

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

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

**Determination required by 313.025 (a)(2)**

The Comptroller has **not been able** to determine that the application is accompanied by information sufficient to show that the real and personal property identified in the application as qualified property meets the applicable criteria established by Section 313.021(2). See Attachment D.

**Certificate decision required by 313.025(d)**

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period. See Attachment B.

Determination required by 313.026(c)(2)

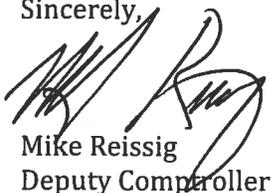
The Comptroller has **not been able** to determine that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. See Attachment C.

Based on these determinations, the Comptroller **does not** issue a certificate for a limitation on appraised value. Per 313.025 (d-1), the governing body of the school district may not approve an application without a certificate from this office.

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application.

Should you have any questions, please contact Robert Wood, Associate Deputy Comptroller, by email at [robert.wood@cpa.texas.gov](mailto:robert.wood@cpa.texas.gov) or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Mike Reissig  
Deputy Comptroller

Enclosure

cc: Robert Wood

## Attachment A – Economic Impact Analysis

This following tables summarize the Comptroller’s economic impact analysis of The Lubrizol Corporation (the project) applying to Deer Park Independent School District (the district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

**Table 1** is a summary of investment, employment and tax impact of The Lubrizol Corporation.

Applicant	The Lubrizol Corporation
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Deer Park
2013-14 Enrollment in School District	12968
County	Harris
Proposed Total Investment in District	\$300,000,000
Proposed Qualified Investment	\$300,000,000
Limitation Amount	\$80,000,000
Number of new qualifying jobs committed to by applicant	25
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,250
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$1,150
Minimum annual wage committed to by applicant for qualified jobs	\$65,000
Minimum weekly wage required for non-qualifying jobs	
Minimum annual wage required for non-qualifying jobs	
Investment per Qualifying Job	\$12,000,000
Estimated M&O levy without any limit (15 years)	\$36,284,660
Estimated M&O levy with Limitation (15 years)	\$20,200,055
Estimated gross M&O tax benefit (15 years)	\$16,084,605

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

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2015	12	20	32	\$1,084,615	\$915,385	\$2,000,000
2016	231	384	615	\$21,692,308	\$25,307,692	\$47,000,000
2017	231	414	645	\$21,692,308	\$31,307,692	\$53,000,000
2018	25	143	168	\$1,625,000	\$15,375,000	\$17,000,000
2019	25	118	143	\$1,625,000	\$14,375,000	\$16,000,000
2020	25	90	115	\$1,625,000	\$12,375,000	\$14,000,000
2021	25	79	104	\$1,625,000	\$11,375,000	\$13,000,000
2022	25	71	96	\$1,625,000	\$10,375,000	\$12,000,000
2023	25	71	96	\$1,625,000	\$11,375,000	\$13,000,000
2024	25	79	104	\$1,625,000	\$11,375,000	\$13,000,000
2025	25	73	98	\$1,625,000	\$11,375,000	\$13,000,000
2026	25	86	111	\$1,625,000	\$12,375,000	\$14,000,000
2027	25	90	115	\$1,625,000	\$12,375,000	\$14,000,000
2028	25	100	125	\$1,625,000	\$15,375,000	\$17,000,000
2029	25	96	121	\$1,625,000	\$15,375,000	\$17,000,000
2030	25	102	127	\$1,625,000	\$16,375,000	\$18,000,000
2031	25	112	137	\$1,625,000	\$17,375,000	\$19,000,000
2032	25	110	135	\$1,625,000	\$19,375,000	\$21,000,000
2033	25	108	133	\$1,625,000	\$20,375,000	\$22,000,000

Source: CPA, REMI, The Lubrizol Corporation

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	Deer Park ISD I&S Levy	Deer Park ISD M&O Levy	Deer Park ISD M&O and I&S Tax Levies	Harris County Tax Levy	Harris County Hospital District Tax Levy	City of Deer Park	Estimated Total Property Taxes
				0.3200	1.2367		0.41455	0.170000	0.72	
2019	\$240,000,000	\$240,000,000		\$768,000	\$2,968,080	\$3,736,080	\$994,920	\$408,000	\$1,728,000	\$6,867,000
2020	\$232,800,000	\$232,800,000		\$744,960	\$2,879,038	\$3,623,998	\$965,072	\$395,760	\$1,676,160	\$6,660,990
2021	\$225,816,000	\$225,816,000		\$722,611	\$2,792,666	\$3,515,278	\$936,120	\$383,887	\$1,625,875	\$6,461,160
2022	\$219,041,520	\$219,041,520		\$700,933	\$2,708,886	\$3,409,819	\$908,037	\$372,371	\$1,577,099	\$6,267,325
2023	\$212,470,274	\$212,470,274		\$679,905	\$2,627,620	\$3,307,525	\$880,796	\$361,199	\$1,529,786	\$6,079,306
2024	\$206,096,166	\$206,096,166		\$659,508	\$2,548,791	\$3,208,299	\$854,372	\$350,363	\$1,483,892	\$5,896,927
2025	\$199,913,281	\$199,913,281		\$639,722	\$2,472,328	\$3,112,050	\$828,741	\$339,853	\$1,439,376	\$5,720,019
2026	\$193,915,883	\$193,915,883		\$620,531	\$2,398,158	\$3,018,689	\$803,878	\$329,657	\$1,396,194	\$5,548,418
2027	\$188,098,406	\$188,098,406		\$601,915	\$2,326,213	\$2,928,128	\$779,762	\$319,767	\$1,354,309	\$5,381,966
2028	\$182,455,454	\$182,455,454		\$583,857	\$2,256,427	\$2,840,284	\$756,369	\$310,174	\$1,313,679	\$5,220,507
2029	\$176,981,790	\$176,981,790		\$566,342	\$2,188,734	\$2,755,076	\$733,678	\$300,869	\$1,274,269	\$5,063,891
2030	\$171,672,337	\$171,672,337		\$549,351	\$2,123,072	\$2,672,423	\$711,668	\$291,843	\$1,236,041	\$4,911,975
2031	\$166,522,167	\$166,522,167		\$532,871	\$2,059,380	\$2,592,251	\$690,318	\$283,088	\$1,198,960	\$4,764,616
2032	\$161,526,502	\$161,526,502		\$516,885	\$1,997,598	\$2,514,483	\$669,608	\$274,595	\$1,162,991	\$4,621,677
2033	\$156,680,707	\$156,680,707		\$501,378	\$1,937,670	\$2,439,049	\$649,520	\$266,357	\$1,128,101	\$4,483,027
			<b>Total</b>	<b>\$9,388,770</b>	<b>\$36,284,660</b>	<b>\$45,673,430</b>	<b>\$12,162,858</b>	<b>\$4,987,784</b>	<b>\$21,124,732</b>	<b>\$83,948,803</b>

Source: CPA, The Lubrizol Corporation

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

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

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

Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought										
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	Deer Park ISD I&S Levy	Deer Park ISD M&O Levy	Deer Park ISD M&O and I&S Tax Levies (After Credit Credited)	Harris County Tax Levy	Harris County Hospital District Tax Levy	City of Deer Park	Estimated Total Property Taxes
				0.3200	1.2367		0.41455	0.170000	0.72	
2019	\$240,000,000	\$80,000,000		\$768,000	\$989,360	\$1,757,360	\$994,920	\$408,000	\$0	\$3,160,280
2020	\$232,800,000	\$80,000,000		\$744,960	\$989,360	\$1,734,320	\$965,072	\$395,760	\$0	\$3,095,152
2021	\$225,816,000	\$80,000,000		\$722,611	\$989,360	\$1,711,971	\$936,120	\$383,887	\$0	\$3,031,979
2022	\$219,041,520	\$80,000,000		\$700,933	\$989,360	\$1,690,293	\$908,037	\$372,371	\$473,130	\$3,443,830
2023	\$212,470,274	\$80,000,000		\$679,905	\$989,360	\$1,669,265	\$880,796	\$361,199	\$994,361	\$3,905,621
2024	\$206,096,166	\$80,000,000		\$659,508	\$989,360	\$1,648,868	\$854,372	\$350,363	\$964,530	\$3,818,133
2025	\$199,913,281	\$80,000,000		\$639,722	\$989,360	\$1,629,082	\$828,741	\$339,853	\$935,594	\$3,733,270
2026	\$193,915,883	\$80,000,000		\$620,531	\$989,360	\$1,609,891	\$803,878	\$329,657	\$907,526	\$3,650,952
2027	\$188,098,406	\$80,000,000		\$601,915	\$989,360	\$1,591,275	\$779,762	\$319,767	\$1,354,309	\$4,045,113
2028	\$182,455,454	\$80,000,000		\$583,857	\$989,360	\$1,573,217	\$756,369	\$310,174	\$1,313,679	\$3,953,440
2029	\$176,981,790	\$176,981,790		\$566,342	\$2,188,734	\$2,755,076	\$733,678	\$300,869	\$1,274,269	\$5,063,891
2030	\$171,672,337	\$171,672,337		\$549,351	\$2,123,072	\$2,672,423	\$711,668	\$291,843	\$1,236,041	\$4,911,975
2031	\$166,522,167	\$166,522,167		\$532,871	\$2,059,380	\$2,592,251	\$690,318	\$283,088	\$1,198,960	\$4,764,616
2032	\$161,526,502	\$161,526,502		\$516,885	\$1,997,598	\$2,514,483	\$669,608	\$274,595	\$1,162,991	\$4,621,677
2033	\$156,680,707	\$156,680,707		\$501,378	\$1,937,670	\$2,439,049	\$649,520	\$266,357	\$1,128,101	\$4,483,027
			<b>Total</b>	<b>\$9,388,770</b>	<b>\$20,200,055</b>	<b>\$29,588,823</b>	<b>\$12,162,858</b>	<b>\$4,987,784</b>	<b>\$12,943,490</b>	<b>\$59,682,955</b>
			<b>Diff</b>	<b>\$0</b>	<b>\$16,084,605</b>	<b>\$16,084,607</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,181,241</b>	<b>\$24,265,848</b>

Source: CPA, The Lubrizol Corporation

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

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

## Attachment B – Tax Revenue over 25 Years

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

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
<b>Limitation Pre-Years</b>	2016	\$98,936	\$98,936	\$0	\$0
	2017	\$927,525	\$1,026,461	\$0	\$0
	2018	\$1,984,904	\$3,011,365	\$0	\$0
<b>Limitation Period (10 Years)</b>	2019	\$989,360	\$4,000,725	\$1,978,720	\$1,978,720
	2020	\$989,360	\$4,990,085	\$1,889,678	\$3,868,398
	2021	\$989,360	\$5,979,445	\$1,803,306	\$5,671,704
	2022	\$989,360	\$6,968,805	\$1,719,526	\$7,391,231
	2023	\$989,360	\$7,958,165	\$1,638,260	\$9,029,490
	2024	\$989,360	\$8,947,525	\$1,559,431	\$10,588,922
	2025	\$989,360	\$9,936,885	\$1,482,968	\$12,071,889
	2026	\$989,360	\$10,926,245	\$1,408,798	\$13,480,687
	2027	\$989,360	\$11,915,605	\$1,336,853	\$14,817,540
	2028	\$989,360	\$12,904,965	\$1,267,067	\$16,084,607
<b>Maintain Viable Presence (5 Years)</b>	2029	\$2,188,734	\$15,093,698	\$0	\$16,084,607
	2030	\$2,123,072	\$17,216,770	\$0	\$16,084,607
	2031	\$2,059,380	\$19,276,150	\$0	\$16,084,607
	2032	\$1,997,598	\$21,273,748	\$0	\$16,084,607
	2033	\$1,937,670	\$23,211,418	\$0	\$16,084,607
<b>Additional Years as Required by 313.026(c)(1) (10 Years)</b>	2034	\$1,879,540	\$25,090,958	\$0	\$16,084,607
	2035	\$1,823,154	\$26,914,112	\$0	\$16,084,607
	2036	\$1,768,459	\$28,682,572	\$0	\$16,084,607
	2037	\$1,715,406	\$30,397,977	\$0	\$16,084,607
	2038	\$1,663,943	\$32,061,921	\$0	\$16,084,607
	2039	\$1,614,025	\$33,675,946	\$0	\$16,084,607
	2040	\$1,565,604	\$35,241,550	\$0	\$16,084,607
	2041	\$1,518,636	\$36,760,187	\$0	\$16,084,607
	2042	\$1,473,077	\$38,233,264	\$0	\$16,084,607
	2043	\$1,428,885	\$39,662,148	\$0	\$16,084,607

**\$39,662,148**

is greater than

**\$16,084,607**

**Analysis Summary**

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

Yes

Source: CPA, The Lubrizol Corporation

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

## Attachment C – Limitation as a Determining Factor

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

### Methodology

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

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

### Determination

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

- Per the applicant, it currently owns the land and has existing improvements.
- Per the applicant, it has current business activities at the proposed location.
- The company stated “the location for this project is highly competitive. For Deer Park to achieve the project, cost effectiveness in Texas versus elsewhere must be demonstrated, a significant part of which must come from the State and local tax incentives Texas has to offer.”
- Per the applicant, potential sites are in Texas, France and Southeast Asia, though it is unclear if all foreign sites are still viable options. Applicant response to inquiries stated that, in general, the competitive siting for the project is Southeast Asia.
- Per the applicant, “No public statements have been made regarding the possible construction of this chemical manufacturing facility.”
- Applicant states that project feedstock is common to current processing units at the existing Deer Park facility. Additionally, Applicant states that the manufactured product will be used internally by their existing Deer Park facility to manufacture critical components for additive packages. Both indicate a clear advantage of locating the project in Texas at the Deer Park location.

### Supporting Information

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
- c) Additional information provided by the Applicant or located by the Comptroller

# **Supporting Information**

**Section 8 of the Application for  
a Limitation on Appraised Value**

**SECTION 6: Eligibility Under Tax Code Chapter 313.024**

1. Are you an entity subject to the tax under Tax Code, Chapter 171?  Yes  No
2. The property will be used for one of the following activities:
  - (1) manufacturing  Yes  No
  - (2) research and development  Yes  No
  - (3) a clean coal project, as defined by Section 5.001, Water Code  Yes  No
  - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code  Yes  No
  - (5) renewable energy electric generation  Yes  No
  - (6) electric power generation using integrated gasification combined cycle technology  Yes  No
  - (7) nuclear electric power generation  Yes  No
  - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7)  Yes  No
  - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051  Yes  No
3. Are you requesting that any of the land be classified as qualified investment?  Yes  No
4. Will any of the proposed qualified investment be leased under a capitalized lease?  Yes  No
5. Will any of the proposed qualified investment be leased under an operating lease?  Yes  No
6. Are you including property that is owned by a person other than the applicant?  Yes  No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment?  Yes  No

**SECTION 7: Project Description**

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:
 

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

**SECTION 8: Limitation as Determining Factor**

1. Does the applicant currently own the land on which the proposed project will occur?  Yes  No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?  Yes  No
3. Does the applicant have current business activities at the location where the proposed project will occur?  Yes  No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location?  Yes  No
5. Has the applicant received any local or state permits for activities on the proposed project site?  Yes  No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site?  Yes  No
7. Is the applicant evaluating other locations not in Texas for the proposed project?  Yes  No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities?  Yes  No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project?  Yes  No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas?  Yes  No

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

# **Supporting Information**

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

### Competitive Siting Information

Obviously, all companies have internal competition for limited capital resources. Lubrizol is no different. Additionally, current potential sites with existing logistics and infrastructure are in France and Texas. Our plans could also provide the flexibility of siting this project regionally in the America's or in other potential global sites. The logistical and financial feasibility of each option are factors to consider in determining the optimal site location.

### Public Statements:

No public statements have been made regarding the possible construction of this chemical manufacturing facility. Public statements have been made regarding an unrelated expansion of the blending operations and materials handling operations at the Deer Park facility. These expansions are not related to or necessary components of the possible chemical manufacturing plant that is the subject of this application.

# **Supporting Information**

Additional information  
provided by the Applicant or  
located by the Comptroller



## News Release

### Lubrizol Enables Preparation for Spec Upgrades



#### The Lubrizol Corporation

29400 Lakeland Boulevard, Wickliffe, Ohio 44092-2298

News Release

### Lubrizol Enables Preparation for Spec Upgrades

*Lubrizol expands blending capacity in Texas*

**CLEVELAND, December 3, 2014** - The Lubrizol Corporation has enhanced its blending plant operations in Deer Park, Texas, as pending heavy-duty diesel, passenger car and marine diesel specification upgrades drive demand for higher-performing engine oils. The \$28 million expansion will improve blending efficiency and increase capacity to ensure supply reliability as the market shifts and grows.

In addition to responding to market specifications, Lubrizol is also committed to improving service to its customers by investing in materials handling operations. An additional \$37 million will provide infrastructure improvements to railcar loading and unloading operations and enhance tank truck and isotainer handling.

"The upgrades to our Deer Park facility come from anticipating the needs of our customers to help them meet present and future engine-oil performance requirements," says Dave Fries, corporate manufacturing director, Americas. "It's part of our commitment to putting our customers and their long-term success at the center of everything we do."

The expansion strengthens Deer Park's position as an efficient, high-volume finished product supplier. It includes installation of new component storage tanks, state-of-the-art automated piggable component manifolds, new automated unloading locations and additional capability in the company's automated inline blending technology. The project also reduces manual labor and improves flexibility and customer response time.

"We are in a unique position to be nimble and highly responsive to the needs of our customers," says Fries. The upgrades at Deer Park are a great example of our underlying commitment to investing in our people, processes and products to help our customers succeed around the world."

Lubrizol Additives is fully committed to helping companies differentiate and succeed by bringing unmatched market expertise, testing capabilities and global supply, part of its focus on working with customers to achieve Success Together. Learn more, visit [Lubrizol.com/successstogether](http://Lubrizol.com/successstogether).

#### **About The Lubrizol Corporation**

The Lubrizol Corporation, a Berkshire Hathaway company, is a technology-driven global company that combines complex, specialty chemicals to optimize the quality, performance and value of customers' products while reducing their environmental impact. It produces and supplies technologies to customers in the global transportation, industrial and consumer markets. These technologies include lubricant additives for engine oils, driveline and other transportation-related oils, industrial lubricants, as well as additives for gasoline and diesel fuel. In addition, Lubrizol makes ingredients and additives for home care and personal care products and pharmaceuticals, and specialty materials, including plastics technology and performance coatings in the form of specialty resins and additives.

With headquarters in Wickliffe, Ohio, Lubrizol owns and operates manufacturing facilities in 17 countries, as well as sales and technical offices around the world. Founded in 1928, Lubrizol has approximately 7,500 employees worldwide. Revenues for 2013 were \$6.4 billion. For more information, visit [Lubrizol.com](http://Lubrizol.com).

**Media Contact**

Meredith Bruder  
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*Media Note: If you would like to obtain images to accompany your editorial coverage, please contact [Meredith Bruder](#) with Deer Park Image Request in the Subject Line.*

###

HUG#1877014

COMPTROLLER QUERY RELATED TO TAX CODE CHAPTER 313.026(c)(2)  
–The Lubrizol Corporation - Application #1055 – Deer Park ISD

Comptroller Question (via email on Mar. 24, 2015):

*Let us know the connection to existing operations, through inputs? through outputs? Any new investment shared with or connected to existing operations?*

Applicant Response (via email on Mar. 26, 2015):

*Confidential*

Comptroller Question (via email on June 29, 2015):

*We would like to request more info about this application to help us to determine this agreement is a determining factor for this project to come to Texas.*

- 1. Specific locations in competing regions that you are considering.*
- 2. The pros and cons of different locations.*
- 3. Financial and other comparisons.*
- 4. Any other supporting information that you can provide to us.*

Applicant Response (via email on June 30, 2015):

*Please see the narrative below for alternative siting information. We do not necessarily have any financial modeling to supply, but are researching other considerations.*

*I. Alternative Siting*

*In general, the competitive siting for the project is Southeast Asia. There are existing facilities, financing and technology by other industry participants there that could be used for the project. However, the holders of those assets and capabilities desire to have a product presence in the Western Hemisphere marketplace. Lubrizol's Deer Park location is an attractive potential location if the incentives sought and others were to be granted.*

## **Attachment D – Qualified Property**

Tax Code 313.025(a)(2) states that “An application must be made on the form prescribed by the comptroller and include the information required by the comptroller, and it must be accompanied by:

- (1) the application fee established by the governing body of the school district;
- (2) information sufficient to show that the real and personal property identified in the application as qualified property meets the applicable criteria established by Section 313.021(2);”

The real and personal property identified in the application may not meet the definition of Qualified Property. Additional information is needed to verify that the property to be included in a limitation on appraise value agreement meets that criteria in statute and definitions in Texas Administrative Code.

### **Section 9.1051(16) of Texas Administrative Code**

Qualified property –Land, new building, or new improvement erected or affixed to the land after the application review start date, or eligible tangible personal property first placed in service after the application review start date that:

- (A) meets the requirements of Tax Code, §313.021(2), and that is used either as an integral part, or as a necessary auxiliary part, in manufacturing, research and development, a clean coal project, an advanced clean energy project, renewable energy electric generation, electric power generation using integrated gasification combined cycle technology, nuclear electric power generation, a Texas Priority Project, or a computer center;
- (B) is clearly distinguished from any existing property and clearly distinguished from any proposed property that is not a new improvement;
- (C) is separate from, and not a component of, any existing property;
- (D) if buildings or improvements, did not exist before the application review start date or if tangible personal property, was first placed in service after the application review start date;
- (E) is not used to renovate, refurbish, upgrade, maintain, modify, improve, or functionally replace existing buildings or existing improvements;
- (F) does not replace or modify existing buildings other than expansion of an existing building; and
- (G) is not used solely for the transportation of product prior to the commencement, or subsequent to the completion, of an applicable qualifying activity described in subparagraph (A) of this paragraph.

### **Section 9.1051(24) of Texas Administrative Code**

New improvement--A building, structure, or fixture that, after the application review start date:

- (A) is a discrete unit of property erected on or affixed to land eligible to be qualified property; and
- (B) is not erected or affixed as part of maintenance, renovation, refurbishment, improvement, modification, or upgrade of existing property, nor is newly added or proposed to be added property functionally replacing existing property, provided however that a proposed improvement may be considered a new improvement if it is an addition to an existing building that will contain new tangible personal property that did not exist before the application review start date.

**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.