

S U S A N  
C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



October 17, 2014

Steve Post  
Superintendent  
Tulia Independent School District  
702 NW 8<sup>th</sup> Street  
Tulia, Texas 79088

Dear Superintendent Post:

On September 10, 2014, the Comptroller issued written notice that TX Nazareth Solar, LLC (the applicant) submitted a completed application (Application #1023) for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted on August 8, 2014, to the Tulia 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 C; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

**Determination required by 313.025(h)**

- |                   |  |
|-------------------|--|
| Sec. 313.024(a)   | Applicant is subject to tax imposed by Chapter 171.  |
| Sec. 313.024(b)   | Applicant is proposing to use the property for an eligible project.  |
| 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 #1023.   |

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

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

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district 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.

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

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. See Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-286) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of September 10, 2014, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact 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

## Attachment A – Economic Impact Analysis

This following tables summarizes the Comptroller’s economic impact analysis of TX Nazareth Solar, LLC (the project) applying to Tulia 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 TX Nazareth Solar, LLC.

Applicant	TX Nazareth Solar LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy - Solar
School District	Tulia ISD
2012-13 Enrollment in School District	1,110
County	Swisher
Proposed Total Investment in District	\$182,850,000
Proposed Qualified Investment	\$182,850,000
Limitation Amount	\$20,000,000
Number of new qualifying jobs committed to by applicant	2*
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$723
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$719
Minimum annual wage committed to by applicant for qualified jobs	\$37,600
Minimum weekly wage required for non-qualifying jobs	
Minimum annual wage required for non-qualifying jobs	
Investment per Qualifying Job	\$91,425,000
Estimated M&O levy without any limit (15 years)	\$13,490,779
Estimated M&O levy with Limitation (15 years)	\$4,255,091
Estimated gross M&O tax benefit (15 years)	\$9,235,689
<i>* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).</i>	

**Table 2** is the estimated statewide economic impact of TX Nazareth Solar, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2015	200	227	427	\$7,000,000	\$18,000,000	\$25,000,000
2016	302	368	670	\$10,575,200	\$31,424,800	\$42,000,000
2017	2	47	49	\$75,200	\$7,924,800	\$8,000,000
2018	2	19	21	\$75,200	\$4,924,800	\$5,000,000
2019	2	(10)	-8	\$75,200	\$1,924,800	\$2,000,000
2020	2	(25)	-23	\$75,200	\$924,800	\$1,000,000
2021	2	(31)	-29	\$75,200	-\$1,075,200	-\$1,000,000
2022	2	(29)	-27	\$75,200	-\$1,075,200	-\$1,000,000
2023	2	(27)	-25	\$75,200	-\$2,075,200	-\$2,000,000
2024	2	(27)	-25	\$75,200	-\$2,075,200	-\$2,000,000
2025	2	(29)	-27	\$75,200	-\$3,075,200	-\$3,000,000
2026	2	(23)	-21	\$75,200	-\$2,075,200	-\$2,000,000
2027	2	(22)	-20	\$75,200	-\$2,075,200	-\$2,000,000
2028	2	(14)	-12	\$75,200	-\$2,075,200	-\$2,000,000
2029	2	(12)	-10	\$75,200	-\$1,075,200	-\$1,000,000

Source: CPA, REMI, TX Nazareth Solar, LLC

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	Tulia ISD I&S Tax Levy	Tulia ISD M&O Tax Levy	Tulia ISD M&O and I&S Tax Levies	Swisher County Tax Levy	Swisher County Memorial Hospital District Tax Levy	High Plains Underground WCD #1 Tax Levy	Estimated Total Property Taxes
			0.0000	0.0000	1.1600		0.7650	0.3183	0.0075	
2015	\$5,000,000	\$5,000,000		\$0	\$58,000	\$58,000	\$38,250	\$15,915	\$377	\$112,542
2016	\$182,850,000	\$182,850,000		\$0	\$2,121,060	\$2,121,060	\$1,398,803	\$582,012	\$13,787	\$4,115,661
2017	\$155,947,500	\$155,947,500		\$0	\$1,808,991	\$1,808,991	\$1,192,998	\$496,381	\$11,758	\$3,510,129
2018	\$133,027,875	\$133,027,875		\$0	\$1,543,123	\$1,543,123	\$1,017,663	\$423,428	\$10,030	\$2,994,245
2019	\$113,498,944	\$113,498,944		\$0	\$1,316,588	\$1,316,588	\$868,267	\$361,267	\$8,558	\$2,554,680
2020	\$96,856,827	\$96,856,827		\$0	\$1,123,539	\$1,123,539	\$740,955	\$308,295	\$7,303	\$2,180,092
2021	\$82,672,756	\$82,672,756		\$0	\$959,004	\$959,004	\$632,447	\$263,147	\$6,234	\$1,860,831
2022	\$70,581,850	\$70,581,850		\$0	\$818,749	\$818,749	\$539,951	\$224,662	\$5,322	\$1,588,685
2023	\$60,273,579	\$60,273,579		\$0	\$699,174	\$699,174	\$461,093	\$191,851	\$4,545	\$1,356,662
2024	\$51,483,648	\$51,483,648		\$0	\$597,210	\$597,210	\$393,850	\$163,872	\$3,882	\$1,158,815
2025	\$43,987,096	\$43,987,096		\$0	\$510,250	\$510,250	\$336,501	\$140,011	\$3,317	\$990,079
2026	\$38,131,124	\$38,131,124		\$0	\$442,321	\$442,321	\$291,703	\$121,371	\$2,875	\$858,271
2027	\$43,214,192	\$43,214,192		\$0	\$501,285	\$501,285	\$330,589	\$137,551	\$3,258	\$972,682
2028	\$42,884,691	\$42,884,691		\$0	\$497,462	\$497,462	\$328,068	\$136,502	\$3,234	\$965,266
2029	\$42,588,140	\$42,588,140		\$0	\$494,022	\$494,022	\$325,799	\$135,558	\$3,211	\$958,591
					<b>Total</b>	<b>\$13,490,779</b>	<b>\$8,896,936</b>	<b>\$3,701,823</b>	<b>\$87,690</b>	<b>\$26,177,229</b>

Source: CPA, TX Nazareth Solar, LLC

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

**Table 4** examines the estimated direct impact on ad valorem taxes to the school district and Swisher 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 Swisher County and Swisher County Memorial Hospital District.

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	Tulia ISD I&S Tax Levy	Tulia ISD M&O Tax Levy	Tulia ISD M&O and I&S Tax Levies	Swisher County Tax Levy	Swisher County Memorial Hospital District Tax Levy	High Plains Underground WCD #1 Tax Levy	Estimated Total Property Taxes	
				0.0000	1.1600		0.7650	0.3183	0.0075		
2015	\$5,000,000	\$5,000,000		\$0	\$58,000	\$58,000	\$38,250	\$15,915	\$377	\$112,542	
2016	\$182,850,000	\$20,000,000		\$0	\$232,000	\$232,000	\$1,398,803	\$582,012	\$13,787	\$2,226,601	
2017	\$155,947,500	\$20,000,000		\$0	\$232,000	\$232,000	\$202,810	\$84,385	\$11,758	\$530,953	
2018	\$133,027,875	\$20,000,000		\$0	\$232,000	\$232,000	\$173,003	\$71,983	\$10,030	\$487,016	
2019	\$113,498,944	\$20,000,000		\$0	\$232,000	\$232,000	\$147,605	\$61,415	\$8,558	\$449,579	
2020	\$96,856,827	\$20,000,000		\$0	\$232,000	\$232,000	\$125,962	\$52,410	\$7,303	\$417,676	
2021	\$82,672,756	\$20,000,000		\$0	\$232,000	\$232,000	\$107,516	\$44,735	\$6,234	\$390,484	
2022	\$70,581,850	\$20,000,000		\$0	\$232,000	\$232,000	\$91,792	\$38,193	\$5,322	\$367,306	
2023	\$60,273,579	\$20,000,000		\$0	\$232,000	\$232,000	\$78,386	\$32,615	\$4,545	\$347,545	
2024	\$51,483,648	\$20,000,000		\$0	\$232,000	\$232,000	\$66,954	\$27,858	\$3,882	\$330,695	
2025	\$43,987,096	\$20,000,000		\$0	\$232,000	\$232,000	\$57,205	\$23,802	\$3,317	\$316,324	
2026	\$38,131,124	\$38,131,124		\$0	\$442,321	\$442,321	\$49,590	\$20,633	\$2,875	\$515,419	
2027	\$43,214,192	\$43,214,192		\$0	\$501,285	\$501,285	\$330,589	\$137,551	\$3,258	\$972,682	
2028	\$42,884,691	\$42,884,691		\$0	\$497,462	\$497,462	\$328,068	\$136,502	\$3,234	\$965,266	
2029	\$42,588,140	\$42,588,140		\$0	\$494,022	\$494,022	\$325,799	\$135,558	\$3,211	\$958,591	
						<b>Total</b>	<b>\$4,313,091</b>	<b>\$3,522,331</b>	<b>\$1,465,566</b>	<b>\$87,690</b>	<b>\$9,388,678</b>
						<b>Diff</b>	<b>\$9,177,689</b>	<b>\$5,374,605</b>	<b>\$2,236,257</b>	<b>\$0</b>	<b>\$16,788,552</b>
Assumes School Value Limitation and Tax Abatements with Swisher County and Swisher County Memorial Hospital District											

Source: CPA, TX Nazareth Solar, LLC

<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 TX Nazareth Solar, LLC (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy 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>	2014	\$0	\$0	\$0	\$0
	2015	\$0	\$0	\$0	\$0
	2016	\$58,000	\$58,000	\$0	\$0
<b>Limitation Period (10 Years)</b>	2017	\$232,000	\$290,000	\$1,889,060	\$1,889,060
	2018	\$232,000	\$522,000	\$1,576,991	\$3,466,051
	2019	\$232,000	\$754,000	\$1,311,123	\$4,777,174
	2020	\$232,000	\$986,000	\$1,084,588	\$5,861,762
	2021	\$232,000	\$1,218,000	\$891,539	\$6,753,301
	2022	\$232,000	\$1,450,000	\$727,004	\$7,480,305
	2023	\$232,000	\$1,682,000	\$586,749	\$8,067,055
	2024	\$232,000	\$1,914,000	\$467,174	\$8,534,228
	2025	\$232,000	\$2,146,000	\$365,210	\$8,899,439
	2026	\$232,000	\$2,378,000	\$278,250	\$9,177,689
<b>Maintain Viable Presence (5 Years)</b>	2027	\$442,321	\$2,820,321	\$0	\$9,177,689
	2028	\$501,285	\$3,321,606	\$0	\$9,177,689
	2029	\$497,462	\$3,819,068	\$0	\$9,177,689
	2030	\$494,022	\$4,313,091	\$0	\$9,177,689
	2031	\$490,926	\$4,804,017	\$0	\$9,177,689
<b>Additional Years as Required by 313.026(c)(1) (10 Years)</b>	2032	\$488,140	\$5,292,157	\$0	\$9,177,689
	2033	\$487,422	\$5,779,579	\$0	\$9,177,689
	2034	\$487,422	\$6,267,002	\$0	\$9,177,689
	2035	\$487,422	\$6,754,424	\$0	\$9,177,689
	2036	\$487,422	\$7,241,847	\$0	\$9,177,689
	2037	\$487,422	\$7,729,269	\$0	\$9,177,689
	2038	\$487,422	\$8,216,692	\$0	\$9,177,689
	2039	\$487,422	\$8,704,114	\$0	\$9,177,689
	2040	\$487,422	\$9,191,537	\$0	\$9,177,689
	2041	\$487,422	\$9,678,959	\$0	\$9,177,689

**\$9,678,959**

is greater than

**\$9,177,689**

**Analysis Summary**

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

Yes

Source: CPA, TX Nazareth Solar LLC

**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 **has determined** that the limitation on appraised value is a determining factor in the TX Nazareth Solar, LLC 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, the company has entered into a number of contracts related to the project including long-term lease agreements with landowners, contracts with environmental consultants to assess the suitability of the site, and a request for studies leading to an interconnection agreement with the transmission provider.
- Per the company, the company is a national solar developer with the ability to locate projects of this type in other states within the United States and other regions within Texas with favorable solar characteristics. The applicant is actively assessing and developing other projects that are competing for limited investment funds.
- Per the applicant, the value limitation is critical to the ability of the project to move forward as currently sited.
- Per the applicant, without the available tax incentives, the economics of the Project become far less attractive and the likelihood of selling the electricity at a competitive price will decrease.

### Supporting Information

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

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

# **Supporting Information**

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

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

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

**SECTION 7: Project Description**

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

<input checked="" type="checkbox"/> Land has no existing improvements	<input type="checkbox"/> Land has existing improvements ( <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

## TAB 5

### Documentation to assist in determining if limitation is a determining factor

The Applicant for this Project has entered into a number of contracts related to the project, including long-term lease option agreements with area landowners, contracts with environmental consultants to assess the suitability of the site, and a request for studies leading to an interconnection agreement with the transmission provider.

The Applicant is a national solar developer with the ability to locate projects of this type in other states within the United States and other regions within Texas with favorable solar characteristics. The Applicant is actively assessing and developing other projects that are competing for limited investment funds. This appraised value limitation is critical to the ability of the Project to move forward as currently sited.

Without the available tax incentives, the economics of the Project become far less attractive and the likelihood of selling the electricity at a competitive price will decrease. The Applicant for this project is competing against other developers who have been offered or are in the process of applying for Value Limitation Agreements with other school districts. Obtaining the limitation is critical to the economic and competitive viability of this Project.