

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



August 29, 2014

Glen Conner  
Superintendent  
Woodville Independent School District  
505 N. Charlton St.  
Woodville, Texas 75979

Dear Superintendent Conner:

On June 25, 2014, the Comptroller issued written notice that Woodville Lumber, Inc. (the applicant) submitted a completed application (Application #1009) for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted on May 19, 2014, to the Woodville 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 #1009.   |

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 June 25, 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 Woodville Lumber, Inc. (the project) applying to Woodville 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 Woodville Lumber, Inc.

Applicant	Woodville Lumber, Inc.
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Woodville ISD
2012-13 Enrollment in School District	1315
County	Tyler
Proposed Total Investment in District	\$112,789,949
Proposed Qualified Investment	\$79,099,276
Limitation Amount	\$20,000,000
Number of new qualifying jobs committed to by applicant	10
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$713
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$713
Minimum annual wage committed to by applicant for qualified jobs	\$37,068
Minimum weekly wage required for non-qualifying jobs	
Minimum annual wage required for non-qualifying jobs	
Investment per Qualifying Job	\$11,278,995
Estimated M&O levy without any limit (15 years)	\$6,917,682
Estimated M&O levy with Limitation (15 years)	\$3,836,058
Estimated gross M&O tax benefit (15 years)	\$3,081,624

**Table 2** is the estimated statewide economic impact of Woodville Lumber, Inc. (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2014	202	206	408	\$6,200,680	\$14,799,320	\$21,000,000
2015	10	32	42	\$370,680	\$3,629,320	\$4,000,000
2016	10	21	31	\$370,680	\$2,629,320	\$3,000,000
2017	10	10	20	\$370,680	\$1,629,320	\$2,000,000
2018	10	8	18	\$370,680	\$1,629,320	\$2,000,000
2019	10	2	12	\$370,680	\$629,320	\$1,000,000
2020	10	2	12	\$370,680	\$629,320	\$1,000,000
2021	10	4	14	\$370,680	\$629,320	\$1,000,000
2022	10	2	12	\$370,680	\$629,320	\$1,000,000
2023	10	(2)	8	\$370,680	\$629,320	\$1,000,000
2024	10	2	12	\$370,680	\$629,320	\$1,000,000
2025	10	0	10	\$370,680	\$629,320	\$1,000,000
2026	10	(2)	8	\$370,680	\$1,629,320	\$2,000,000
2027	10	2	12	\$370,680	\$629,320	\$1,000,000
2028	10	10	20	\$370,680	\$1,629,320	\$2,000,000
2029	10	4	14	\$370,680	\$1,629,320	\$2,000,000

Source: CPA, REMI, Woodville Lumber, Inc.

**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>	Woodville ISD I&S Levy	Woodville ISD M&O Levy	Woodville ISD M&O and I&S Tax Levies	Tyler County Tax Levy	Tyler County Hospital District Tax Levy	Estimated Total Property Taxes
				<b>0.0650</b>	<b>1.0400</b>		<b>0.732970</b>	<b>0.151380</b>	
2015	\$59,421,105	\$59,421,105		\$38,624	\$617,979	\$656,603	\$435,539	\$89,952	\$1,182,094
2016	\$57,213,056	\$57,213,056		\$37,188	\$595,016	\$632,204	\$419,355	\$86,609	\$1,138,168
2017	\$54,511,952	\$54,511,952		\$35,433	\$566,924	\$602,357	\$399,556	\$82,520	\$1,084,434
2018	\$52,513,626	\$52,513,626		\$34,134	\$546,142	\$580,276	\$384,909	\$79,495	\$1,044,680
2019	\$50,506,966	\$50,506,966		\$32,830	\$525,272	\$558,102	\$370,201	\$76,457	\$1,004,760
2020	\$48,491,973	\$48,491,973		\$31,520	\$504,317	\$535,836	\$355,432	\$73,407	\$964,675
2021	\$46,468,647	\$46,468,647		\$30,205	\$483,274	\$513,479	\$340,601	\$70,344	\$924,424
2022	\$44,436,987	\$44,436,987		\$28,884	\$462,145	\$491,029	\$325,710	\$67,269	\$884,007
2023	\$42,396,994	\$42,396,994		\$27,558	\$440,929	\$468,487	\$310,757	\$64,181	\$843,425
2024	\$40,348,668	\$40,348,668		\$26,227	\$419,626	\$445,853	\$295,744	\$61,080	\$802,676
2025	\$38,292,008	\$38,292,008		\$24,890	\$398,237	\$423,127	\$280,669	\$57,966	\$761,762
2026	\$36,031,181	\$36,031,181		\$23,420	\$374,724	\$398,145	\$264,098	\$54,544	\$716,786
2027	\$33,770,355	\$33,770,355		\$21,951	\$351,212	\$373,162	\$247,527	\$51,122	\$671,811
2028	\$31,509,529	\$31,509,529		\$20,481	\$327,699	\$348,180	\$230,955	\$47,699	\$626,835
2029	\$29,248,702	\$29,248,702		\$19,012	\$304,187	\$323,198	\$214,384	\$44,277	\$581,859
			<b>Total</b>	<b>\$432,355</b>	<b>\$6,917,682</b>	<b>\$7,350,037</b>	<b>\$4,875,436</b>	<b>\$1,006,922</b>	<b>\$13,232,395</b>

Source: CPA, Woodville Lumber, Inc.

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

**Table 4** examines the estimated direct impact on ad valorem taxes to the school district and Tyler 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 county and the hospital district.

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

<b>Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought</b>									
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate <sup>1</sup>	Woodville ISD I&S Levy	Woodville ISD M&O Levy	Woodville ISD M&O and I&S Tax Levies	Tyler County Tax Levy	Tyler County Hospital District Tax Levy	Estimated Total Property Taxes
				<b>0.0650</b>	<b>1.0400</b>		<b>0.732970</b>	<b>0.151380</b>	
2015	\$59,421,105	\$20,000,000		\$38,624	\$208,000	\$246,624	\$0	\$0	\$246,624
2016	\$57,213,056	\$20,000,000		\$37,188	\$208,000	\$245,188	\$41,935	\$8,661	\$295,785
2017	\$54,511,952	\$20,000,000		\$35,433	\$208,000	\$243,433	\$79,911	\$16,504	\$339,848
2018	\$52,513,626	\$20,000,000		\$34,134	\$208,000	\$242,134	\$115,473	\$23,849	\$381,455
2019	\$50,506,966	\$20,000,000		\$32,830	\$208,000	\$240,830	\$148,080	\$30,583	\$419,493
2020	\$48,491,973	\$20,000,000		\$31,520	\$208,000	\$239,520	\$177,716	\$36,704	\$453,939
2021	\$46,468,647	\$20,000,000		\$30,205	\$208,000	\$238,205	\$204,361	\$42,207	\$484,772
2022	\$44,436,987	\$20,000,000		\$28,884	\$208,000	\$236,884	\$227,997	\$47,088	\$511,969
2023	\$42,396,994	\$20,000,000		\$27,558	\$208,000	\$235,558	\$248,606	\$51,344	\$535,508
2024	\$40,348,668	\$20,000,000		\$26,227	\$208,000	\$234,227	\$266,169	\$54,972	\$555,368
2025	\$38,292,008	\$38,292,008		\$24,890	\$398,237	\$423,127	\$280,669	\$57,966	\$761,762
2026	\$36,031,181	\$36,031,181		\$23,420	\$374,724	\$398,145	\$264,098	\$54,544	\$716,786
2027	\$33,770,355	\$33,770,355		\$21,951	\$351,212	\$373,162	\$247,527	\$51,122	\$671,811
2028	\$31,509,529	\$31,509,529		\$20,481	\$327,699	\$348,180	\$230,955	\$47,699	\$626,835
2029	\$29,248,702	\$29,248,702		\$19,012	\$304,187	\$323,198	\$214,384	\$44,277	\$581,859
			<b>Total</b>	<b>\$432,355</b>	<b>\$3,836,058</b>	<b>\$4,268,414</b>	<b>\$2,747,881</b>	<b>\$567,519</b>	<b>\$7,583,814</b>
			<b>Diff</b>	<b>\$0</b>	<b>\$3,081,624</b>	<b>\$3,081,624</b>	<b>\$2,127,555</b>	<b>\$439,403</b>	<b>\$5,648,582</b>

Assumes School Value Limitation and Tax Abatements with the County and Hospital District.

Source: CPA, Woodville Lumber, Inc.

<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 Woodville Lumber, Inc. (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	\$8,675	\$8,675	\$0	\$0
<b>Limitation Period (10 Years)</b>	2015	\$208,000	\$216,675	\$409,979	\$409,979
	2016	\$208,000	\$424,675	\$387,016	\$796,995
	2017	\$208,000	\$632,675	\$358,924	\$1,155,920
	2018	\$208,000	\$840,675	\$338,142	\$1,494,061
	2019	\$208,000	\$1,048,675	\$317,272	\$1,811,334
	2020	\$208,000	\$1,256,675	\$296,317	\$2,107,650
	2021	\$208,000	\$1,464,675	\$275,274	\$2,382,924
	2022	\$208,000	\$1,672,675	\$254,145	\$2,637,069
	2023	\$208,000	\$1,880,675	\$232,929	\$2,869,998
	2024	\$208,000	\$2,088,675	\$211,626	\$3,081,624
<b>Maintain Viable Presence (5 Years)</b>	2025	\$398,237	\$2,486,912	\$0	\$3,081,624
	2026	\$374,724	\$2,861,636	\$0	\$3,081,624
	2027	\$351,212	\$3,212,848	\$0	\$3,081,624
	2028	\$327,699	\$3,540,547	\$0	\$3,081,624
	2029	\$304,187	\$3,844,733	\$0	\$3,081,624
<b>Additional Years as Required by 313.026(c)(1) (10 Years)</b>	2030	\$280,674	\$4,125,407	\$0	\$3,081,624
	2031	\$257,161	\$4,382,568	\$0	\$3,081,624
	2032	\$233,649	\$4,616,217	\$0	\$3,081,624
	2033	\$210,136	\$4,826,353	\$0	\$3,081,624
	2034	\$186,624	\$5,012,977	\$0	\$3,081,624
	2035	\$163,111	\$5,176,088	\$0	\$3,081,624
	2036	\$139,598	\$5,315,686	\$0	\$3,081,624
	2037	\$116,086	\$5,431,772	\$0	\$3,081,624
	2038	\$92,573	\$5,524,345	\$0	\$3,081,624
	2039	\$69,061	\$5,593,405	\$0	\$3,081,624

**\$5,593,405**

is greater than

**\$3,081,624**

**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, Woodville Lumber, Inc.

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

## **Attachment C – Limitation as a Determining Factor**

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

### **Methodology**

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

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

### **Determination**

The Comptroller has determined that the limitation on appraised value is a determining factor in the Woodville Lumber, Inc.’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:

- Abundant raw wood resources can be found outside of Texas.
- The applicant has location outside of Texas.
- Some portion of the material on which this determination is based is confidential as requested by the applicant. However, it will be made public after the agreement is executed, as required by Texas Tax Code Section 313.028.

### **Supporting Information**

- a) Section 8 of the Application for a Limitation on Appraised Value

**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 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 or contracts for work to be performed 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 official 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. 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
8. Has the applicant considered or is the applicant considering other locations not in Texas for the proposed project?  Yes  No
9. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities?  Yes  No
10. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project?  Yes  No

If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.