

## EXHIBIT A

### SALES TAX INCENTIVE POLICY FOR DATA CENTERS

#### Overview

The City of Carrollton is dedicated to achieving the highest quality of development, infrastructure, and quality of life for its citizens. These objectives are met, in part, by the enhancement and expansion of the city's economy. Due to the competitive nature of economic development at the local, state and national levels, additional inducements are often needed in order to attract businesses and capital investment to the community.

On June 14, 2013, the Texas Legislature approved legislation (H.B. No. 1223) to create a temporary sales tax exemption intended to attract major data center projects to Texas. The City of Carrollton Sales Tax Incentive Policy for Data Centers is being proposed in conjunction with H.B. No. 1223 (Appendix A) and represents an economic development tool designed to recruit large data centers to Carrollton.

#### Eligibility Criteria

The proposed data center project must meet the following criteria:

- The data center occupies at least 100,000 sq. ft. of space in a single building or a portion of a single building that was not previously used as a data center;
- It is used by a single occupant for the processing, storage, and distribution of data;
- The applicant makes or agrees to make a capital investment on or after September 1, 2013, of at least \$200 million in that particular data center over a five-year period. A capital investment of at least \$100 million must be made by the end of Year 2 of the Sales Tax Incentive Agreement; and
- As a result of this project, at least 20 qualifying jobs must be created in Carrollton.
  - Qualifying Job – a full-time, permanent job (the employment position will exist for at least five years after the date the job is created) that pays at least 120 percent of the current tri-county (Denton, Dallas and Collin) average weekly wage of \$988.67 (as of Third Quarter, 2012). The average weekly wage is subject to change as the Bureau of Labor Statistics releases the most current employment and wages information.

In order to apply for a sales tax incentive with the City of Carrollton, the applicant must have first qualified for and received a temporary sales and use tax exemption from the Texas Comptroller of Public Accounts (“Texas Comptroller’s Office”) as provided by H.B. No. 1223.

When submitting an application for sales tax incentives, the applicant is required to provide:

- All necessary documentation proving the project meets the eligibility criteria set forth in this policy;
- A copy of the application submitted to the Comptroller’s Office to be certified as a qualified data center as described by H.B. No. 1223;
- All necessary documentation issued by the Texas Comptroller’s Office to indicate approval of sales and use tax exemption as provided by H.B. No. 1223.

Furthermore, the applicant is required to apply for a Direct Payment Permit with the Texas Comptroller’s Office and submit a copy of the permit to the City.

Because this policy is an incentive to recruit business to Carrollton, an application for sales tax incentives must be submitted to the City’s Economic Development Department within ninety (90) days of receiving a temporary sales and use tax exemption from the Texas Comptroller’s Office.

The applicant cannot be delinquent in any way in payment of any City taxes.

## **Policy Guidelines**

### **Extent of Rebate**

The incentives provided under this policy are in the form of a tax rebate and are granted utilizing Chapter 380 of the Texas Local Government Code. The City Council will review each incentive request on a case-by-case basis and determine the percentage of sales tax to be rebated.

Under this policy, the City Council may rebate up to one-half of the One Percent (1%) Sales and Use Tax on the purchase of certain tangible personal property that is necessary and essential to the operation of a qualified data center as described in H.B. No. 1223. The following is a list of eligible tangible personal property that a portion of the applicable city sales tax can be rebated under this policy:

1. Electricity;
2. An electrical system;
3. A cooling system;
4. An emergency generator;
5. Hardware or a distributed mainframe computer or server;
6. A data storage device;
7. Network connectivity equipment;
8. A rack, cabinet, and raised floor system;
9. A peripheral component or system;

10. Software;
11. A mechanical, electrical or plumbing system that is necessary to operate any tangible personal property listed above (2-10);
12. Any other item of equipment necessary to or system necessary to operate any tangible personal property listed above (2-11), including a fixture; and
13. A component part of any tangible personal property listed above (2-10).

This policy does not apply to:

- Office equipment or supplies;
- Maintenance or janitorial supplies or equipment;
- Equipment or supplies used primarily in sales activities or transportation activities;
- Tangible personal property not otherwise rebated under this policy that is incorporated into real estate or into an improvement of real estate;
- Tangible personal property that is rented or leased for a term of one year or less; or
- A taxable service that is performed on tangible personal property rebated under this policy.

### **Term**

The maximum period a sales tax rebate may be authorized is ten (10) years.

The sales tax rebate incentive will start on the day the Sales Tax Incentive Agreement is approved by City Council and expire the earlier of:

- the date the Texas Comptroller's exemption of sales and use tax expires or is revoked; or
- ten years following the original date of issue of the Comptroller's exemption certificate.

Should H.B. No. 1223 be repealed or otherwise invalidated at any time, the City of Carrollton has the right to terminate or suspend this policy immediately as well as any and all grant incentives that were awarded through this policy but not paid as of the date of repeal.

### **Rebate Payment**

In order to process any rebate payments, the applicant is required to submit a certified payment request form that includes the following documentation:

- An itemized schedule of all tangible personal property and services that were purchased during a specific period of time. The schedule will clearly identify all tangible personal property that is tax exempt under H.B. No. 1223. The City will only rebate eligible tangible personal property for which the City has collected sales taxes.

No sales tax rebates shall be paid to the applicant until the requested documentation is received and reviewed by the City.

Any sales tax rebates approved by City Council will become payable only after receipt by the City of corresponding sales tax receipts from the Texas Comptroller's Office and the related

confidentiality report from the Comptroller allowing the City to verify that it has received at least the amount of sales tax from data center that has been included in the rebate request.

### **Compliance**

On the first day of February of each year for the duration of the Incentive Agreement, the applicant shall certify to the City its compliance with each applicable term of the City's Sales Tax Incentive Agreement.

The applicant shall be required to notify the City of Carrollton immediately in the event the Texas Comptroller's Office revokes the applicant's sales and use tax exemption. Furthermore, the applicant shall be required to notify the City of Carrollton of any audits performed by the Texas Comptroller's Office in relation to the applicant's sales and use tax exemption obtained under H.B. No. 1223. The applicant shall be required to submit to the City a copy of the Comptroller's audit report and its findings within 30 days of its receipt. Should the Comptroller's Office find the applicant in default of any of the provisions of H.B. No. 1223 or revoke the applicant's sales and use tax exemption, the City of Carrollton has the right to terminate or suspend rebate payments immediately until remedial action is taken and full compliance is accomplished.

The City of Carrollton reserves the right to conduct an audit at any time of the applicant's books, papers, records and equipment to ensure compliance with the Sales Tax Incentive Agreement. Furthermore, in the event of termination of the Agreement, the City has the right to recapture any and all rebated taxes for the calendar year in which any default occurred.

### **Administration**

The Sales Tax Incentive Policy shall be administered by the City's Economic Development Department in partnership with the Finance Department.