



## AGENDA MEMORANDUM

Future Item for the City Council Meeting of August 19, 2014

Action Item for the City Council Meeting of August 29, 2014

**DATE:** August 5, 2014  
**TO:** Ronald L. Olson, City Manager  
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Nominating Equistar Chemicals, LP as a Double Jumbo Texas Enterprise Project

### **CAPTION:**

Approving a resolution nominating Equistar Chemicals, LP ("Equistar") to the Office of the Governor Economic Development & Tourism ("EDT") through the Economic Development Bank ("Bank") as a double jumbo enterprise project pursuant to the Texas Enterprise Zone Act ("Act").

### **PURPOSE:**

Nominate Equistar as a double jumbo Texas Enterprise Zone project and make them eligible for State sales tax rebates for investments and the creation and retention of jobs.

### **BACKGROUND AND FINDINGS:**

Under State Law, the Office of the Governor – Economic Development and Tourism Division through the Texas Economic Development Bank administers the Texas Enterprise Zone (TEZ) Program. According to the Texas Enterprise Zone Act, Chapter 2303, Texas Government Code, the purpose of the program is to encourage job creation and retention and capital investment in areas of economic distress.

The 78th legislature amended the act to increase participation in the program, decrease paperwork and streamline the process. Under the amended act, communities are no longer required to submit an application and fee to create an enterprise zone; designation of an enterprise zone is automatic based on decennial figures. Areas designated as enterprise zones include census block groups with 20 percent poverty and areas federally designated as Renewal Communities. Previously designated enterprise zones will be designated until their expiration, after which the area would need to meet the 20 percent poverty guideline. A project seeking designation as a Texas Enterprise Zone Project still must seek nomination from the governing body to the Office of the Governor for consideration and designation.

Communities participating in the Texas Enterprise Zone Program are required to provide incentives to the project in addition to offering nomination for participation in the Texas Enterprise Zone Program. At least one of the incentives must be exclusive to the Texas Enterprise Zone.

A designated project located in the Texas Enterprise Zone must agree to hire at least 25

percent of its employees from the enterprise zone or economically disadvantaged groups and in return will receive a refund of sales and use tax (SUT) paid to the Office of the Comptroller. If the project is located outside the zone, the project must agree to hire at least 35 percent of its new employees from the enterprise zone or economically distressed groups.

The program allows a refund of \$2,500 for each job created or retained. If investment levels are adequate, the local nominating governing body may nominate a project as a Double or Triple Jumbo Project designation, increasing the value per job created or retained to \$5,000 or \$7,500, respectively. Therefore, a double jumbo project can receive a rebate of up to \$2.5 million, and a triple jumbo project can receive a rebate of up to \$3.75 million.

State Law allows each participating community with a population less than 250,000 to nominate up to six projects per biennium and communities with a population more than 250,000 to nominate up to nine projects per biennium. Since City of Corpus Christi's population exceeds the 250,000 threshold, up to nine projects can receive designation during this biennium. A double jumbo project assumes two of the number of projects allowable and a triple assumes three. Thus far, the City has nominated one business for this biennium. This nomination will use two of the City's eight remaining nominations of local businesses.

The City of Corpus Christi has nominated a number of projects in the past including the Valero, Bay Ltd, CITGO, Stripes, and Flint Hills Resources. To date, the designated enterprise zone projects have resulted in at least \$2 billion in investment in Corpus Christi. This local capital investment represents a significant portion of all of the combined capital investment made in enterprise zones across the state.

The Lyondellbasell Corpus Christi Olefins complex began ethylene production in July 1980 as the Corpus Christi Petrochemical Company (CCPC), a Joint Venture between ICI, Solvay, and Champlin (Union Pacific). Originally designed to process liquid hydrocarbons, the plant was modified in 1982 to allow ethane and propane processing, and the facility's ability to process a wide range of feedstocks remains a major advantage to this day. The facility received its first OSHA STAR Certification in 1986 and has maintained that distinction since that time. After a brief period of ownership by Cain Chemicals, in 1988 the facility was purchased by Occidental Petroleum and in the next few years the cogeneration facility and new processing capacity was added. The facility changed ownership again in 1998 with the formation of Equistar Chemicals, a joint venture that was eventually wholly owned by Lyondell. When Lyondell was purchased by Basell AF at the end of 2007, the site became part of the newly-formed Lyondellbasell. The facility still operates under the Equistar Chemicals, LP ("Equistar") legal entity, however.

The Equistar site utilizes 15 "steam cracking" furnaces to react available hydrocarbons, currently domestically produced, into valuable chemicals ranging from ethylene and propylene, which are building blocks for plastics, to liquid hydrocarbons that are used as components in gasoline or for other industrial uses. This project will modify 7 of the furnaces to double their capacity to process the available ethane from domestic gas, and upgrade all 15 of the furnaces to reduce emissions per pound to the environment. Processing the additional ethane will require new distillation columns, modification to existing and new internals in several other columns, new and modified compressors (some as large as 59,000 hp), new reactors, and several new pumps, exchangers, drums, and ancillary equipment pieces. The cooling tower and onsite wastewater treatment capacities will increase as well, with a concurrent increase in the ability of the site to recycle and reuse any additional wastewater generated. Equistar expects to spend over \$500 million on the project. The project will enable Equistar to retain the existing 196 jobs while adding approximately 18 new positions/jobs once the project is complete.

This capital investment, as well as the creation and retention of jobs represent the basis for this double jumbo enterprise project nomination.

**ALTERNATIVES:**

Due to State statute no other entity can be the nominating authority. The City can choose not to nominate the company.

**OTHER CONSIDERATIONS:**

Not applicable

**CONFORMITY TO CITY POLICY:**

This conforms to City policy of promoting economic development, attracting primary jobs to the area, and is regional in scope.

**EMERGENCY / NON-EMERGENCY:**

Non-emergency

**DEPARTMENTAL CLEARANCES:**

Legal

**FINANCIAL IMPACT:**

Operating       Revenue       Capital       Not applicable

<b>Fiscal Year: 2013-2014</b>	<b>Project to Date Expenditures (CIP only)</b>	<b>Current Year</b>	<b>Future Years</b>	<b>TOTALS</b>
Line Item Budget				
Encumbered / Expended Amount				
This item				
BALANCE				

Funds:

**Comments:** This incentive is a rebate of the State’s portion of the sales tax and does not affect the City in anyway.

**RECOMMENDATION:**

Staff recommends approval of the Resolution to nominate Equistar Chemicals, LP as a double jumbo Enterprise Project, as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Resolution – Equistar TEZ