



AGENDA MEMORANDUM

Future Item for the City Council Meeting of November 13, 2012
Action Item for the City Council Meeting of November 20, 2012

DATE: October 24, 2012

TO: Ronald L. Olson, City Manager

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Nominating Valero Refining-Texas, L.P. as a Double Jumbo Texas Enterprise Zone Project

CAPTION:

Approving a resolution nominating Valero Refining-Texas, L.P. ("Valero") 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 Valero as a double jumbo Texas Enterprise Zone project and make them eligible for State sales tax rebates for investments and retention of employees.

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.

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. This project is located within an Enterprise Zone.

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.

The maximum refund that a business may receive is for 500 employees. If a company has more than 500 employees it can request a designation to receive rebates for those employees over 500. To do this they must have another investment over and above the original designation.

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, TPCO Americas Corporation for this biennium for a triple jumbo. The State awarded TPCO only a single slot due to the highly competitive nature of this incentive. 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, Flint Hills Resources, and TPCO. To date, the designated enterprise zone projects have resulted in at least \$2.278 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.

Valero currently owns and operates an integrated refinery in Corpus Christi, known as the Bill Greehey Complex, which is actually two plants. The West Plant is considered one of the most complex refineries in the world and specializes in the production of environmentally clean fuels and products, primarily RFG and ultra-low-sulfur diesel. The East Plant, located less than a mile from the West Plant, is capable of processing heavy, high-sulfur crude oil into light products, asphalt and petroleum coke. Combined, the East and West plant facilities have a total feedstock throughput capacity of about 325,000 BPD.

Valero estimates that over the next five years, it will make capital expenditures of approximately \$200 million to upgrade and repair its Corpus Christi refinery complex. Planned investment projects include firewater system upgrades at the East and West plants, major tank repairs and replacements, plant-wide HVAC system upgrades, and a new boiler project at the West Plant. These investments, among others, will increase efficiency and allow Valero to maintain the refinery's current throughput capacity and uphold its targeted market position. Additionally, Valero expects to maintain the existing level of employment at its Corpus Christi refinery complex. This capital investment 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:

Corpus Christi has nine designations for the current biennium and has used only one for TPCO.

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:

Constance P. Sanchez, Interim Director of Financial Services
Eddie Houlihan, Assistant Director of Management and Budget

FINANCIAL IMPACT:

Operating Revenue Capital Not applicable

Fiscal Year: 2012-2013	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget				
Encumbered / Expended Amount				
This item				
BALANCE				

Fund(s):

Comments: This incentive is paid out of the State’s portion of the sales tax and does not affect City funds.

RECOMMENDATION:

Staff recommends approval of the Resolution to nominate Valero Refining – Texas, L.P. as a double jumbo Enterprise Project, as presented.

LIST OF SUPPORTING DOCUMENTS:

Nominating Resolution
Copy of Ordinance No. 025513