



AGENDA MEMORANDUM

First Reading Ordinance the City Council Meeting of July 14, 2015
Second Reading Ordinance for the City Council Meeting of July 21, 2015

DATE: June 23, 2015
TO: Ronald L. Olson, City Manager
FROM: Iain Vasey, President/CEO, CCREDC
Emily Martinez, Vice President, CCREDC
Phone: (361) 882-7448
Email: emartinez@ccredc.com

First Amendment to a Type A Grant for HEB Grocery Company, LP

CAPTION:

Ordinance approving the attached First Amendment to the Business Incentive Agreement between the Corpus Christi Business and Job Development Corporation ("Type A Corporation") and HEB Grocery Company, LP ("HEB") which provides an additional amount up to \$250,000 for the improvement of McCampbell Road; and appropriating \$250,000 from the unreserved fund balance in the No. 1140 Business/Job Development Fund for said business incentive grant from the Type A Corporation to HEB; and changing the FY 2014-2015 operating budget, adopted by Ordinance No. 030294, by increasing proposed expenditures by \$250,000.

PURPOSE:

HEB will make improvements to McCampbell Road, and related infrastructure, in front of its manufacturing and distribution facilities. Company is required to retain over 388 of jobs and payroll of \$12.5 million, plus \$17.7 million in capital improvements.

BACKGROUND AND FINDINGS:

HEB has been a part of Corpus Christi since 1905 and currently has 418 employees at its bakery plant on McBride Lane. This facility is not a retail operation, but operates as the central tortilla bakery distributing to all HEB stores in Texas. The section of McCampbell Road outside of its facility is in a deteriorated condition, and HEB has proposed to improve the street and infrastructure in conjunction with its \$17.7 million private capital investment in the bakery facility.

- May 21, 2012: Type A Board approved a grant of \$750,000 for this project.
- September 17, 2012: Type A Board, per City Engineer's recommendation, amended stipulation to require concrete construction of road improvements and increased maximum reimbursable amount to \$850,000.
- January 29, 2013: City Council approved ordinance allocating \$850,000 in Type A funds for McCampbell Road improvement project.
- 2013-14: As part of the project's engineering and design phase, additional underground utility and infrastructure work was identified as necessary by City and company engineers,

prior to road improvements beginning. Additional railroad spur crossing improvements were identified by Kansas City Southern Railroad (KCS), which required extensive negotiation and review.

- January 2015: HEB issued a notice for bid on the construction of the infrastructure and road improvements, as well as the required railroad crossing.
- February 4, 2015: HEB received three bids from local contractors, all exceeding the amount of the initially approved amount due primarily to the additional work required by KCS for the railroad crossing and related work.

KCS improvements include at-grade spur crossing, permit fees, flagman/traffic control costs and contingencies which will all be contracted via HEB, and reimbursed based on submitted invoices not to exceed the total contract amount. The railroad crossing is projected to cost \$170,000. Additional materials testing, engineering plans and geotechnical analysis are also required as part of the amended scope.

- April 16, 2015: HEB requested to increase the approved grant award from \$850,000 to \$1,100,000 to complete the road reconstruction project. The agreement states that HEB will be reimbursed for actual work completed (invoices & evidence of payment), and any unspent funds will be de-obligated and returned to the Type A general fund.
- May 14, 2015: CCREDC Board voted to recommend approval of the first amendment.
- May 18, 2015: Type A Board voted to recommend approval of the first amendment to the agreement, increasing the amount of the grant by \$250,000 to \$1,100,000.

ALTERNATIVES:

The company is not eligible for any other incentives.

OTHER CONSIDERATIONS:

HEB has been a major employer in Corpus Christi for over 100 years and has an investment in this facility valued at over \$17 million. HEB has been in compliance for the first two years of the agreement for employment and payroll requirements.

CONFORMITY TO CITY POLICY:

Project is consistent with the City's stated goals of promoting economic development and incentivizing business to expand.

EMERGENCY / NON-EMERGENCY:

Non-emergency

DEPARTMENTAL CLEARANCES:

Engineering

FINANCIAL IMPACT:

Operating Revenue Capital Not applicable

Fiscal Year: 2014-2015	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget				
Encumbered / Expended Amount				

This item		250,000		250,000
BALANCE		250,000		250,000

Fund: Type A 1140

RECOMMENDATION:

CCREDC, Type A Board, and Staff recommends approval of the first amendment to the Type A Grant to HEB in the amount of \$250,000 for improvements to McCampbell Road to increase total project allocation from \$850,000 to a not-to-exceed amount of \$1,100,000.

LIST OF SUPPORTING DOCUMENTS:

Ordinance
Agreement Amendment - HEB