



## AGENDA MEMORANDUM

First Reading for the City Council Meeting of August 27, 2024  
Second Reading for the City Council Meeting of September 3, 2024

**DATE:** August 27, 2024

**TO:** Peter Zaroni, City Manager

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Reestablishing Industrial Districts and authorizing City Manager to execute Industrial District Agreements for a 15 year period

### **CAPTION:**

Ordinance authorizing execution of new 15 year Industrial District Agreements (IDAs); and reestablishing the land areas located within the extraterritorial jurisdiction of the City of Corpus Christi, Texas as Industrial Districts Nos. 1, 2, 4, 5, 6, 7, 8, 9, 10, and 11.

### **SUMMARY:**

The current IDAs expire December 31, 2024. The new IDA provides for annual payments to the City in lieu of ad valorem taxes ("PILOT) equal to: (1) 100% of the ad valorem taxes based on market value of the land; and (2) 74.5% of ad valorem taxes based on market value of the improvements affixed and placed in use for more than 4 calendar years. In exchange, the City agrees not to annex the land during the term of the IDA except as otherwise provided in the IDA. In addition, the IDAs provide for voluntary annexation (1) when the land owner fails to timely cure any default or (2) when the Texas Legislature adopts a bill that will in the sole but reasonable and continuing opinion of the City result in a prohibition of annexation of all or part of the land or (3) when the land owner indicates an intent to seek annexation in lieu of the application of the Industrial District Agreement or (4) to the extent necessary to annex a corridor of property as provided for in Section 1.03 of the Industrial District Agreement.

### **BACKGROUND AND FINDINGS:**

The City has had industrial districts since 1981 to enhance economic stability by attracting

the location of new and the expansion of existing industries to be located within the industrial districts. Texas Local Government Code Section 42.044 authorizes municipalities to contract with owners of land in an industrial district to guarantee the continuation of the extraterritorial jurisdiction (ETJ) status of the district and its immunity from annexation for a period not to exceed 15 years each.

The City currently has about 80 current IDAs with terms that expire December 31, 2024. In FY 2023, the estimated billing for IDAs was \$28,000,000. The companies are billed each year for their PILOTs under the terms of the IDAs. Payments are due January 31 each year. The City provides limited services to the companies located within the industrial districts and does not maintain streets within the districts.

Negotiations with industries for a new IDA began in December 2023. The City worked with experts in the field and reviewed practices of other cities that have Industrial Districts including Houston for best practices. The major contract aspects that resulted as a product of the negotiations are as follows:

- The new PILOTs on improvements affixed and placed in use for more than 4 calendar years will increase from 62.5% to 74.5% of the amount of ad valorem taxes which would otherwise be payable if the improvements were located within the City limits. This is a 19% increase from the prior agreement.
- The PILOTs for land will remain at 100% of the amount of the ad valorem taxes which would otherwise be payable if the property were located within the City limits.
- The new IDA allows companies to receive same tax exemption as allowed by Texas Tax Code Section 11.31 for pollution control property.
- The new IDA allows companies to submit an alternate estimated PILOT in the event there is a legal challenge to the appraised value. Upon finalization of the lawsuit, the PILOT is adjusted to reflect the adjudicated value. The proposed Ordinance authorizes execution of a new standard form IDA attached to the Ordinance.
- The new IDA requires the companies to execute a voluntary petition for annexation to be utilized in any of the following events 1) if the land owner fails to timely cure any default or (2) if the Texas Legislature adopts a bill that will in the sole but reasonable and continuing opinion of the City result in a prohibition of annexation of all or part of the land or (3) if the land owner indicates an intent to seek annexation in lieu of the application of the Industrial District Agreement or (4) to the extent necessary to annex a corridor of property as provided for in Section 1.03 of the Industrial District Agreement. In the event of voluntary annexation due to bill adopted by the Texas Legislature, the IDA provides for execution of a 380 Agreement to allow the parties to receive the same benefits as if the land remained in the City's ETJ.
- The new IDA requires all companies to install backflow/airgap equipment in accordance with the City Plumbing Code to ensure the safety of the City's water supply.

In addition to the standard form IDA, the Ordinance also authorizes IDAs with payments equal to 100% ad valorem taxation on all land, improvements and property for the three companies whose properties had previously received requested disannexation.

The new agreements are estimated to generate an additional \$5.0 million annually in revenue for the City beginning in Fiscal Year 2026. Per the City's financial policy, 5% of the revenue generated by the IDA's funds Residential Streets and 5% funds Street Maintenance.

**ALTERNATIVES:**

- Not execute a new IDA and collect no payments from the Industrial Districts
- Not execute a new IDA and pursue annexation of the Industrial District land
- Extend the current IDA with the same terms

**FISCAL IMPACT:**

**Funding Detail:**

Fund:

Organization/Activity:

Mission Element:

Project # **(CIP Only):**

Account:

**RECOMMENDATION: Staff recommends approval of the Ordinance.**

**LIST OF SUPPORTING DOCUMENTS:**

Ordinance reestablishing Industrial Districts and authorizing new 15 year IDAs.

-Exhibit A Map depicting location of Industrial Districts

-Exhibit B Standard form of Industrial District Agreement which includes Voluntary Petition for Annexation, Municipal Services Agreement in event of annexation, and standard 380 agreement in event of annexation

-Exhibit C 100% IDA with Citgo for tracts previously disannexed by ordinance

-Exhibit D 100% IDA with Basic Equipment for tracts previously disannexed by ordinance

-Exhibit E 100% IDA with Bootstrap Energy LLC for tracts previously disannexed by ordinance

-Exhibit F copy of City Code 55-96 industrial backflow as referenced in IDA