



AGENDA MEMORANDUM
City Council Meeting of October 10, 2023

DATE: August 29, 2023
TO: Peter Zaroni, City Manager
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Motion to amend the required development and completion date for Industrial Development Agreement 110-B with Bootstrap LLC

CAPTION:

Motion to amend section 3.08 Required Development of the Industrial Development Agreement 110-B with Bootstrap LLC to allow for development of a Battery Energy Storage facility and extension of the placed in-use requirement from December 31, 2023 to December 31, 2025.

SUMMARY:

The purpose of this item is to amend the Required Development section 3.08 of the Industrial District Agreement 110-B with Bootstrap Energy LLC. The original agreement allowed only the development of a crypto currency mining facility. Due to the change in the crypto market, Bootstrap LLC is requesting an amendment to expand the allowable development type to include battery/energy storage and to extend the placed in-use deadline from December 31, 2023 to December 31, 2025.

BACKGROUND AND FINDINGS:

On March 29, 2022, City Council passed a resolution authorizing the execution of an Industrial District Agreement (IDA) 110 with Bootstrap Energy LLC (Bootstrap) for the Corpus Christi Energy Park. The project had two portions, 110 and 110B, and the original agreement was to create a cryptocurrency (bitcoin) mining operation on each portion.

With the recent FTX crypto exchange bankruptcy, the demand for cryptocurrency mining has been dramatically reduced. Bootstrap is moving forward with the original crypto currency mining facility project in IDA-110. The infrastructure is planned to be in place before the December 31, 2023, deadline, but the connection to AEP may not occur shortly after the first of the year.

For the second parcel which is covered by Industrial District Agreement 110-B, Bootstrap is proposing a battery energy storage facility in place of the mining operations with an estimated

capital investment of \$100 million and will occupy a similar footprint to the planned crypto currency mining operation. This facility would add power grid resilience and stability by storing energy and returning it to the grid when the demand is high. Bootstrap intends to develop the Battery Energy storage facility and then sell it to a company that operates within the energy storage industry similarly to the crypto mining facility.

Highlights of the battery storage facility are:

- Batteries will absorb electricity at night when cost is low and renewable energy supply is high.
- Sell stored energy back to ERCOT when demand and price is high.
- Buildings will be similar to the mining operations but will create fewer jobs and the capital equipment replenishment will be every 10 years vs every 5 due to a longer depreciation period.
- Business profile works due to incentives for new energy storage facilities included in the Inflation Reduction Act.

Legal has determined that this use qualifies as an industrial application and eligible under the industrial district agreement.

As originally proposed, both phases of the project were planned to create 70-100 new jobs with salary ranges of \$50,000 to \$80,000 annually, depending on skill levels and certifications. Both phases combined were projected to generate an average of \$3.17 million in new General Fund revenues to the City annually through Industrial District PILOT program for a 5-year total of \$12.7 million and a 10-year total of \$31.7 million. Due to the reduction in cost of the crypto-mining equipment in the first phase and the lower cost of the battery energy storage equipment as compared to the crypto-mining equipment in the second phase, both phases combined are now projected to generate an average of \$1.6 million in new General Fund revenues to the City annually for a 5-year total of \$7.2 million and a 10-year total of \$15.9 million. The jobs created will be less due to the reduced maintenance needed for the battery energy storage equipment. Total jobs created are estimated to be 45-50 instead of 70-100.

In addition to approving the addition of a battery storage facility as an allowable development, the City Council would also need to consider approval of an extension of the completion deadline for the 110-B agreement. Based on the currently estimated timeline for the battery storage facility, the AEP in-service date for the electrical sub-station will not be until June 2025. The anticipated lead time on the required battery storage equipment mirrors the 2025 timeframe so Bootstrap is requesting that the in-use deadline be amended from December 31, 2023 to December 31, 2025 for the 110-B agreement.

ALTERNATIVES:

City Council can revise or disapprove the required development amendment.

FISCAL IMPACT:

Both phases of the project combined are now projected to generate an average of \$1.6 million in new General Fund revenues to the City annually for a 5-year total of \$7.2 million and a 10-year total of \$15.9 million.

RECOMMENDATION:

Staff recommends approval of the motion as presented.

LIST OF SUPPORTING DOCUMENTS:

Resolution
Presentation