



AGENDA MEMORANDUM

First Reading Ordinance the City Council Meeting of June 24, 2014
Second Reading Ordinance for the City Council Meeting of July 8, 2014

DATE: June 10, 2014

TO: Ronald L. Olson, City Manager

THROUGH: Wes Pierson, Assistant City Manager
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Type A Loan to Solid Rock Commercial Properties

CAPTION:

Approving a Business Incentive Agreement between the Corpus Christi Business and Job Development Corporation ("Type A Corporation") and Solid Rock Commercial Properties, Ltd. ("Solid Rock") to provide an interest-free loan of up to \$1,497,000 payable in 10 years, to expand Junior Beck Drive to Old Brownsville Road and authorizing the City Manager, or designee, to execute a Business Incentive Project Service Agreement with the Type A Corporation regarding implementation and administration of the Solid Rock Business Incentive Agreement; and appropriating \$1,497,000 from the unreserved fund balance in the No. 1140 Business/Job Development Fund for said business incentive grant from the Type A Corporation to Solid Rock and changing the FY 2013-2014 operating budget, adopted by Ordinance No. 029915, by increasing proposed expenditures by \$1,497,000.

PURPOSE:

The loan will be used to extend Junior Beck Drive to Old Brownsville Road and double the size of the industrial park.

BACKGROUND AND FINDINGS:

The Industrial Technology Park was developed in 1980 by an organization called the Corpus Christi Industrial Foundation (CCIF), which was a private group that tried to assist the City's Business Development Office. This was before the EDC was created in 1986. The EDC took over the function of the City's business development efforts. The perceived need at the time was for ready-to-build industrial sites, so local banks funded the land purchase and development for the non-profit. The first sale was to Harris Corp., a manufacturer of small motors for electrical appliances. Harris Corp changed its mind on the project and never started, so the CCIF bought the property back because it did not want a vacant tract in front held by someone for speculative purposes.

Due to the economic downturn in the 1980's, lot sales were slow. The project took about 20 years to pay off the bank financing. Although the original plan was to construct a Phase II extending Junior Beck Drive to Old Brownsville Rd, that never materialized due to the slow lot sales, the extended financing period, and the conflict between wanting to hold parcels for a technology related company to attract to Corpus Christi and the need to liquidate the lot inventory to pay off the bank loans.

The main street was re-named after the owner of one of the main construction contractors at that time, O. J. Beck & Sons, passed away suddenly about the time the project was completed. O.J. Beck had been a key player in economic development and the CCIF in those days.

Solid Rock Commercial Properties acquired the property in 2001. In 2005 McTurbine Inc. was searching for a location. came to us for a new site at this point it was their last effort in keeping the company in Corpus versus moving to San Antonio Solid Rock preceded with development and gained approval to extend Junior Beck an additional 300'. During that time Allis Chalmers Energy saw the development and put in a request for a new building, for a new company that was going to be moved to the City. So by the completion of these two developments Solid Rock had helped one company stay in Corpus while bringing another in. In 2009 Allis Chalmers Energy, now Great White, wanted to bring in another division of its company and wanted the facility to be located adjacent to their existing facility. Solid Rock submitted a request to extend Junior Beck and given the approval for another additional 300'. As of today all four lots that were available have been developed with companies from outside our region.

Today the tenants include: Time Warner, McTurbine, Andrews Distributing, Cintas, Carrier Air Conditioning Sales & Distribution, Blue Bell Creameries, Ferguson Enterprises, Air Liquide, and Great White. Solid Rock Commercial Properties owns the rest of the land from McTurbine to Old Brownsville Road.

The approved wastewater master plan shows a wastewater trunk line extending south along the Old Brownsville Road to a point which would then extend west along the extension of West Point Road to a proposed lift station. From the proposed lift station a force main would then be constructed from the lift station out to Old Brownsville Road to Holly Road and connect to an existing manhole in Holly Road.

Platting requirements for this property will include the construction of the wastewater facilities in compliance with the approved master plan. These improvements would be eligible for 100% reimbursement from the trust fund. The balance in the trust fund would be inadequate to fund a project of this magnitude; therefore, due to the expense and distance of the required sewer line extension the developer will have the option to request a wastewater fee exemption and use septic systems for the development. The developer has not indicated the intended method of providing sewer service.

In researching this loan we found that the Type A Board in Wichita Falls does many loans. A loan is backed by a Letter of Credit so the Corporation is covered, it provides funds for infrastructure projects that may not get completed without the loan, and the Corporation receives its money back for future projects.

ALTERNATIVES:

The Type A Board approved a loan; they could have approved a grant or denied the grant request. There are no other programs that can get the road

OTHER CONSIDERATIONS:

The current industrial park has property appraised at \$66.6 million and the companies in the

industrial park have 490 jobs. Doubling the industrial park should double these numbers and result in an increase in taxable value and permanent jobs that will equal what is currently in place.

CONFORMITY TO CITY POLICY:

This project is consistent with the City’s stated goals of promoting economic development and incentivizing business to expand and thrive in Corpus Christi.

EMERGENCY / NON-EMERGENCY:

Non-Emergency

DEPARTMENTAL CLEARANCES:

FINANCIAL IMPACT:

Operating Revenue Capital Not applicable

Fiscal Year: 2013-2014	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget				
Encumbered / Expended Amount				
This item		1,497,000	(1,497,000)	0
BALANCE		1,497,000	(1,497,000)	0

Fund: Type A fund 1140

Comments: The loan will be disbursed in this fiscal year. The repayment will occur over 10 years with required annual payments and/or when portions of the street are zoned. The loan may be paid off early if the entire length of the street is zoned before 10 years.

RECOMMENDATION:

CCREDC presents this item while operating under the supplemental contract. This item was not presented to our Board for approval.

LIST OF SUPPORTING DOCUMENTS:

Type A Agreement
Project Service Agreement