



## AGENDA MEMORANDUM

Future Item for the City Council Meeting of August 19, 2014  
Action Item for the City Council Meeting of August 29, 2014

**DATE:** August 5, 2014  
**TO:** Ronald L. Olson, City Manager  
**FROM:** Mike Culbertson  
(361) 882-7448  
mculbertson@ccredc.com

Nominating Valero Refining – Texas, L.P. as a Triple Jumbo Texas Enterprise 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 triple jumbo enterprise project pursuant to the Texas Enterprise Zone Act (“Act”)

### **PURPOSE:**

Nominate Valero as a triple jumbo Texas Enterprise Zone project and make them eligible for State sales tax rebates for investments and the retention of jobs.

### **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.

Communities participating in the Texas Enterprise Zone Program are required to provide incentives to the project in addition to offering nomination for participation in the Texas Enterprise Zone Program. At least one of the incentives must be exclusive to the Texas Enterprise Zone.

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. If the project is located outside the zone, the project must agree to hire at least 35 percent of its new employees from the enterprise zone or economically distressed groups.

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.

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 for this biennium. 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, and Flint Hills Resources. To date, the designated enterprise zone projects have resulted in at least \$2 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.

Over the next five (5) years, Valero anticipates investing approximately \$650 million in capital improvement projects at the Corpus Christi refinery aimed at reaching a higher level of production capacity and operational efficiency. Included in the capital investment is approximately \$340 million to construct a new crude processing unit capable of processing approximately 70,000 BPD of light sweet crude. This investment will allow the Corpus Christi refinery the ability to reduce its purchases of higher-priced intermediate feed stocks from third-party suppliers in lieu of more favorably priced Eagle Ford crude, from which the refinery can produce and then process its own intermediates. The planned refinery upgrades come as part of Valero's plan to continue capitalizing on the benefits of economically attractive and advantageously located light tight oil (LTO) production from North American shale plays, specifically the Eagle Ford Shale. As a result of these investments, 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 triple jumbo enterprise project nomination.

This capital investment and retention of jobs represent the basis for this triple 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:**

Not applicable

**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:**

Legal

**FINANCIAL IMPACT:**

Operating       Revenue       Capital       Not applicable

<b>Fiscal Year: 2013-2014</b>	<b>Project to Date Expenditures (CIP only)</b>	<b>Current Year</b>	<b>Future Years</b>	<b>TOTALS</b>
Line Item Budget				
Encumbered / Expended Amount				
This item				
BALANCE				

Fund:

**Comments:** This incentive is a rebate of the State’s portion of the sales tax and does not affect the City in anyway.

**RECOMMENDATION:**

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

**LIST OF SUPPORTING DOCUMENTS:**

Resolution – Valero TEZ