



AGENDA MEMORANDUM

Future Item for the City Council Meeting of May 10, 2016
Action Item for the City Council Meeting of May 17, 2016

DATE: April 26, 2016
TO: Ronald L. Olson, City Manager
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Nominating CITGO Refining & Chemical Co. L.P. as a Texas Enterprise Project

CAPTION:

Resolution nominating CITGO Refining & Chemical Co. L.P. ("CITGO") to the Office of the Governor Economic Development & Tourism ("EDT") through the Economic Development Bank ("Bank") as a single enterprise project pursuant to the Texas Enterprise Zone Act ("Act").

PURPOSE:

The purpose of this item is to nominate CITGO as a single Texas Enterprise Zone project and in order to make them eligible for State sales tax rebates for investments and the creation and 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% 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% poverty guideline. A project seeking designation as a TEZ Project still must seek nomination from the governing body to the Office of the Governor for consideration and designation.

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

A designated project located in the TEZ must agree to retain at least 25% 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% 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.

- State Law allows each participating community with a population < 250,000 to nominate up to six projects per biennium and communities with a population > 250,000 to nominate up to nine projects per biennium.
- This biennium runs from September 1, 2015 to December 1, 2017.
- Corpus Christi qualifies for up to nine projects nominations this biennium.
- A Double Jumbo Project assumes two of the number of projects allowable and a Triple Jumbo Project assumes three.
- The City has not nominated any businesses this biennium.
- This nomination will use one of the City's nine nominations of local businesses.

The City of Corpus Christi has nominated a number of projects in the past including the Valero, Bay Ltd, M&G Resins, voestalpine, and Flint Hills Resources. To date, the designated TEZ 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.

Over the next five years, CITGO plans to invest in excess of \$240 million to upgrade and repair its Corpus Christi Refinery complex, which will allow CITGO to continue to improve its production capacity and operational efficiency, while enforcing its commitment to the environment and safety standards. Planned investments are outlined below:

Approximate Expenditure	Focus
\$57,000,000	Regulatory projects to comply with recent EPA Regulations and other health, safety, and environmental regulations.
\$63,000,000	Maintenance projects to upgrade or repair equipment, tools, facilities, and infrastructure in order to maintain continued operations in a safe and environmentally sound manner.
\$6,000,000	Strategic projects to improve or increase the overall performance of the Corpus Christi facility.
\$18,000,000	Safety and risk mitigation projects to manage risks to health, safety, the environment, security, operations, maintenance, and mechanical reliability.
\$96,000,000	Turnarounds.
\$240,000,000	Total Planned Investment

Construction for investments began in January 2016 and is expected to be complete by June 2021. The project will enable CITGO to retain the existing 546 jobs once the project is complete.

This capital investment, as well as the creation and retention of jobs represent the basis for this 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, retaining 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

Fiscal Year: 2015-2016	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget				
Encumbered / Expended Amount				
This item				
BALANCE				

Funds:

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 CITGO Refining & Chemical Co. L.P. as a single Texas Enterprise Zone project, as presented.

LIST OF SUPPORTING DOCUMENTS:

Resolution – CITGO TEZ