



AGENDA MEMORANDUM

Action Item for the City Council Meeting August 19, 2025

DATE: August 19, 2025

TO: Peter Zaroni, City Manager

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Nominating Flint Hills Resources Corpus Christi, LLC as a Texas Enterprise Project

CAPTION:

Resolution nominating Flint Hills Resources Corpus Christi, LLC to the Office of the Governor Economic Development & Tourism through the Economic Development Bank as a single enterprise project pursuant to the Texas Enterprise Zone Act.

SUMMARY:

This resolution will designate Flint Hills Resources (FHR) for a single enterprise designation for the Texas Enterprise Zone incentive. This incentive uses state sales tax funds to reimburse FHR for their investment and the retention of jobs.

BACKGROUND AND FINDINGS:

FHR Corpus Christi is planning new capital investments beginning in 2025 and continuing over the next five years to upgrade machinery and equipment (M&E) at its West refinery, located at 2825 Suntide Road, Corpus Christi, Texas (the "Qualified Business Site"). The planned investment is expected to exceed \$150 million. This proposed capital investment supports long-term operations beyond standard maintenance, with a focus on value creation and continuous business improvement across all processing units at the site. The M&E upgrades are expected to enhance operational reliability, increase processing efficiency, and reduce downtime. These improvements are designed to modernize production lines and optimize throughput and product quality. In addition to core M&E enhancements, the project includes the final installation and commissioning of an onsite solar power generation system.

As part of this investment, FHR Corpus Christi will retain 500 jobs at the Qualified Business Site, reflecting the level of commitment required to fully realize the benefits available under the Texas Enterprise Zone program. This figure does not imply any reduction in the broader workforce and is consistent with FHR's ongoing commitment to the Corpus Christi community.

FHR Corpus Christi seeks to continue growing by investing in the community, serving as a leading business partner in building a stronger and more dynamic workplace for current and future employees. The short-term goal of this investment is to improve operational capabilities, update

technologies, and enhance working environments. Ultimately, the long-term benefit of these improvements is to better serve customers. This capital investment and job retention form the basis for this single Texas Enterprise Zone project nomination.

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 one 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 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.

Flint Hills Resources Corpus Christi, LLC, ("FHR Corpus Christi" or the "Company") is a member of the Flint Hills Resources group. FHR Corpus Christi operates out of two refining facilities in Corpus Christi, Texas and employs 994 personnel. These refineries receive crude oil and other raw materials via the Corpus Christi Ship Channel and pipelines and have crude oil refining

capacity of about 356,000 barrels per day. Once refined, products including jet fuel and ultra-low sulphur gasoline and diesel flow through the company's pipelines to terminals in San Antonio, Bastrop, Austin, Waco, and the Dallas/Ft. Worth area, including the Dallas/Ft. Worth International Airport. This refining operation has earned industry and government accolades for its safety performance. The refineries have earned Star status from the U.S. Occupational Safety and Health Administration's Voluntary Protection Program, which recognizes facilities with exceptionally safe performance as verified by an extensive audit. In addition, FHR has earned an American Fuel & Petrochemical Manufacturers (AFPM) trade association a Safety or Process Safety Innovation Award for three consecutive years as recognition for developing unique and innovative programs or practices that have improved facility safety performance. Recently, FHR Copus Christi achieved the U.S Environmental Protection Agency's ENERGY STAR Challenge for Industry by reducing its energy intensity by 10.3% within three years.

FHR Corpus Christi has deep history in Corpus Christi as being a responsible corporate citizen and contributing member of the local economy. The Company is committed to understanding the needs of the community and partners with organizations to develop projects and activities that add value to our neighbors and improve the quality of life. As evidence, the Company has participated in philanthropic activities via donation to various charitable organizations such as Driscoll Children's Hospital, Texas State Aquarium, Del Mar College, Texas A&M University-Corpus Christi to name a few. We are proud of the partnerships we have developed and supported over the past three decades that work to improve the quality of life in our community.

ALTERNATIVES:

Due to State statute no other taxing entity can be the nominating authority. The City can choose not to nominate the company. There is no fiscal impact on the City and it helps a large employer in our area be more cost efficient and retain jobs.

FINANCIAL IMPACT:

This incentive is a rebate of the State's portion of the sales tax and does not affect the City in any way.

Funding Detail:

Fund: NA
Organization/Activity: NA
Mission Element: NA
Project # (CIP Only): NA
Account: NA

RECOMMENDATION:

Staff recommend approval of the Resolution to nominate Flint Hills Resources Corpus Christi, LLC as a single Enterprise Project, as presented. This will aid a large employer in our area and keep those jobs here, helping our economy stay strong.

LIST OF SUPPORTING DOCUMENTS:

Resolution
TEZ Ordinance