



AGENDA MEMORANDUM

Corpus Christi B Corporation Meeting of October 17, 2022

DATE: October 3, 2022

TO: President and Honorable Board Members,
Corpus Christi B Corporation

FROM: Mike Culbertson, COO, CCREDC
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Project RSK Transportation

STAFF PRESENTER:

<u>Name</u>	<u>Title/Position</u>	<u>Department</u>
1. Mike Culbertson	Interim CEO	Corpus Christi Regional EDC

BACKGROUND:

CCREDC received an application from RSK Transport for possible incentives. The company is a hot-shot outfit located at 7901 Bearden Drive, south of IH37 off of Suntide Road. The company moves equipment quickly primarily for oil and gas industry although they provide this service for customers in other industries also. They are a subsidiary of Hazel's Company which is headquartered in Dallas, Texas. The Corpus Christi location currently employees 28 full-time employees.

The company submitted a request for incentives to reconstruct Bearden Drive. The PCI (pavement condition index) for the part of the road that RSK is located, is 47. The company wishes to expand by adding another building with an estimated investment of \$1.2 million and add 50 part-time jobs over five years with an average salary of \$75,0000. The Company is currently leasing the space and building with the lease is set to expire in 2025. Due to the condition of Bearden Drive, the company has experienced damage to their equipment and challenges accessing the current location. They do not wish to move forward with the expansion with the road in its current condition. The estimates for the road from the City are \$325,900 for asphalt and over \$1.5 million for concrete. The City believes that the road would need to be concrete to hold up to the weight for the trucks and equipment. There are three other trucking companies on that section of Bearden Drive and one other sent in a letter asking that Bearden Drive be repaved. The letter is included in the supporting documentation.

Economic Impact Summary:

The current value of the land is \$497,095. The added value will increase the taxes collected over 10 years from \$32,125 up to \$109,676. The proposed Type B incentive award of

\$1,594,667, will result in a **1.2% return on investment** and a **payback of 43 years**. See attached economic impact study.

Staff Recommendations:

The EDC has in the past, recommended a project to the Type B Board, if it had a payback of five years or less, and a rate of return of 12% or greater. This project has a payback 43 years and a rate of return of 1.2%.

Staff presented to the EDC Board on September 8, 2022. The Board had an in-depth discussion on this project and decided to not recommend approval for a grant to the Type B Board. The payback period and return on investment is way out of the normal ranges that are recommended.

The City has a plan for street repair and the EDC Board did not feel a need to interpose in the process. Additionally, if this project was approved it could set a precedent for requests from other companies with bad roads or perceived bad roads to request to have their street redone.

In discussions with the City Manager, the road has been put on as an alternate for the 2023 Type B roads portion. Annually Type B funds are divided into 50% for economic development projects, \$500,000 for Affordable Housing, and the remainder to road projects for roads that are arterials and collectors per the Tax Code.

The EDC has recommended approval of projects that had road repair included in the grant. Specifically, Majak Boats had to retain 24 jobs and create 26 jobs and invests at least \$1.05 million in facilities over five years. The Type A Board granted a \$210,000 grant to rebuild Saluki Road. The Type A Board also approved a grant of up to \$850,000 for the rebuilding of McCampbell Road at the HEB Bakery entrance if HEB retained 388 employees and invested over \$17 million in their facility. Note both of these projects still had payback and ROI within the standards.

There was a discussion of should we use the entire cost of the road in the determination of the payback and ROI since the City gets the road in the end. I would like to hear the Board's opinion.

LIST OF SUPPORTING DOCUMENTS:

Type B Application
Letter from Western Gulf Recycling
Economic Impact Study