



AGENDA MEMORANDUM

First Reading for the City Council Meeting November 12, 2019
Second Reading for the City Council Meeting November 19, 2019

DATE: October 11, 2019
TO: Peter Zanoni, City Manager
FROM: Daniel McGinn, AICP, Director of Planning & Environmental Services
DanielMc@cctexas.com
(361) 826-7011

Disannexation of 540.79 Acres in the La Quinta Corridor for Voestalpine Texas, LLC

CAPTION:

Ordinance disannexing approximately 540.79 acres of land located in the La Quinta corridor from the City of Corpus Christi, Texas pursuant to an amendment to a Chapter 380 economic development incentive agreement with the Port of Corpus Christi Authority and Voestalpine Texas, LLC; adjusting the City boundaries accordingly; providing for severance, publication, and an effective date.

SUMMARY:

The City recently annexed property in San Patricio County, including Port of Corpus Christi Authority property leased and developed by Voestalpine Texas, who has a Chapter 380 economic development incentive agreement with the City. The annexation affected the anticipated taxes Voestalpine would have to pay. The proposed disannexation, in conjunction with an amendment to the Chapter 380 agreement, will resolve Voestalpine's taxation issue while protecting the City's interest. Staff recommends approval of the disannexation to continue to support regional economic development and Voestalpine's presence in the Coastal Bend.

BACKGROUND AND FINDINGS:

In 2013, the City entered into a Chapter 380 economic development incentive agreement with the Port of Corpus Christi and its tenant Voestalpine Texas, LLC, an Austrian steel manufacturing company, to rebate ad valorem taxes and the 1% sales tax that goes to the City's General Fund in consideration of Voestalpine's positive economic benefits through capital investments and job creation. The property is in the La Quinta Corridor and Voestalpine opened their plant on this site in 2017.

On May 21, 2019, the City annexed approximately 3,451.31 acres of land (or 5.40 square miles) land in San Patricio County, including property owned by the Port and leased/developed by Voestalpine. Annexation of the property resulted in changes to Voestalpine's tax liabilities. Specifically, Voestalpine would now have to pay sales tax owed to the City. The 2013 Chapter 380 agreement already provided an agreed upon rebate of taxes. The City, Voestalpine, and the Port have been negotiating terms of an amendment to the Chapter 380 agreement to allow

the disannexation. The amendment to the agreement guarantees that the City will disannex the property by the end of 2019. Voestalpine and the Port also agree that they will enter into an Industrial District Agreement with the City, which is another type of economic development incentive, before the Chapter 380 agreement expires on December 31, 2033. Failure to enter into an Industrial District Agreement will require Voestalpine to pay back taxes the City rebated.

Staff recommends disannexation of the 540.79 acres that includes the Port/Voestalpine property in conjunction with an amendment to the Chapter 380 agreement described above. The proposed disannexation is a means by which the City can continue to support regional economic development and Voestalpine's presence in the Coastal Bend. Upon disannexation, the remaining annexed territory in San Patricio County will be 2,910.52 acres or 4.55 square miles.

Analysis of the Request:

The proposed disannexation is consistent with City policy and the Comprehensive Plan as follows:

- Plan CC's Vision Statements identifies that "Our broadly diversified economy provides opportunity for all."
- Plan CC's Future Land Use Plan indicates this area for industrial development.
- Plan CC Element 7, Goal 6 states "Annexation plans provide for orderly growth and industrial agreements in the ETJ."
- Plan CC Element 7, Goal 6, Strategy 6 states, "Support the evaluation of the use of industrial district agreements in lieu of annexation for industrial area of the city and ETJ."

ALTERNATIVES:

In lieu of the proposed disannexation, staff considered further negotiating the economic development incentives contained within Voestalpine's Chapter 380 agreement. Staff did not pursue this alternative because it would require additional time, which could lead to additional tax liability for Voestalpine. Collection of taxes would be inefficient for the City because the majority of any taxes paid would ultimately have to be refunded under the terms of the current Chapter 380 agreement.

FISCAL IMPACT:

Of the 1.5% of sales tax revenues the City receives from the State, 1% goes to the General Fund, ¼% goes to Type A, 1/8% goes to Type B, and 1/8% goes to Crime Control. The financial impact of disannexing this property is the loss of the potential ½% of the sales tax revenue that goes to Type A, Type B, and Crime Control. Under Voestalpine's current Chapter 380 economic development incentive agreement, ad valorem tax and the 1% of sales tax revenue that goes to the General Fund must be reimbursed even if the property remained within the City Limits.

RECOMMENDATION:

Staff recommends approval of the proposed disannexation. The proposed disannexation is a means by which the City can continue to support regional economic development and Voestalpine's presence in the Coastal Bend.

LIST OF SUPPORTING DOCUMENTS:

Ordinance with Map Exhibit
Presentation