



AGENDA MEMORANDUM

First Reading of an Ordinance for the City Council Meeting of Sept 20, 2016
Second Reading of an Ordinance for the City Council Meeting of October 18, 2016

DATE: August 9, 2016
TO: Margie C. Rose, City Manager
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Disannexation of CITGO Owned Property and Creation of new Industrial District Agreement

CAPTION:

Ordinance disannexing from the City of Corpus Christi, Texas, an approximately 54.35-acre tract of land and an approximately 3.89-acre tract of land, both owned by CITGO Refining and Chemicals Company, L.P., and located in Nueces County; adjusting the City boundaries; amending Ordinance No. 029958 by adjusting the boundary of the City's Industrial District No. 1 to include the disannexed tracts; authorizing the City Manager, or designee, to execute an industrial district agreement with CITGO Refining and Chemicals Company, L.P., requiring the payment in lieu of taxes in an amount equal to 100 percent of the ad valorem taxes that would be due if the tracts were in city limits, and to file the industrial district agreement in the official records of Nueces County; providing for publication; and providing for severance.

PURPOSE:

This item is a two-part action to disannex certain property owned by CITGO Refining and Chemicals Company, LP (CITGO), from the City and create an Industrial District Agreement (IDA) with CITGO for 100% Payment-In-Lieu-of-Taxes (PILOT). CITGO intends to invest \$8 million in these properties over the next three years.

BACKGROUND AND FINDINGS:

In September 2013, the City Council approved a Master IDA with modifications to key financial provisions, including the removal of a clause regarding treatment of "contiguous property," in the City limits. Since the creation of the Industrial District in 1980, companies had acquired properties inside City limits, but the "contiguous property," clause created an avenue for operations to continue as though the property was in the Industrial District.

Many of these properties were vacant, meaning the PILOT on land was the same as the taxes due on land in city limits. For the 2015 IDA, the clause was removed because as development continued and improvements were constructed on the properties, future PILOT would be lower at a rate. Removal of the “contiguous property” clause was agreed to by industry representatives during our 5-month negotiation process, but the City did receive inquiries during the first billing cycle of the new IDA.

One inquiry came from CITGO, who had begun planning construction of \$8 million in improvements on vacant properties inside City limits (no longer subject to a “contiguous property,” clause). These improvements include parking facilities, buildings and other support facilities, not heavy industrial improvements. CITGO provided written request to have the properties disannexed and included in their existing IDA.

Another key provision in the 2015 IDA, the Most Favored Nations clause, states the City cannot offer any more favorable treatment to one landowner in the Industrial District. Thus disannexing the property to accommodate a lower PILOT on the improvements was not an option. CITGO has agreed to a 100% PILOT on Land and Improvements for the properties, and continuing to pay Business Personal Property at 100%.

The subject properties are generally located between Poth Lane and Buddy Lawrence Drive and between IH 37 and Gibson Street. All of the properties are located within the boundaries of Industrial District No. 1 and, once disannexed the property will be subject to an executed IDA. (See attached)

Following the 1st reading of this item, Staff has incorporated a provision in the IDA that restates the existing use limitations for the properties, established in the 1997 Oak Park Program Protocol Agreement. These changes provide clarity to the public that CITGO will still preserve the buffer intention of the properties.

ALTERNATIVES:

To deny CITGO’s request for disannexation.

OTHER CONSIDERATIONS:

Not applicable.

CONFORMITY TO CITY POLICY:

Provide adequate and suitably-zoned land for both light and heavy Industries. (Corpus Christi Policy Statements, Land Use, Industrial a.)

EMERGENCY / NON-EMERGENCY:

Non-emergency.

DEPARTMENTAL CLEARANCES:

Legal Department
Development Services
Business Liaison, Executive Departments

FINANCIAL IMPACT:

Operating Revenue Capital X Not applicable

| Fiscal Year: 2015-2016 | Current Year | Future Years | TOTALS |
|-----------------------------------|---------------------|---------------------|---------------|
| Line Item Budget | | | |
| Encumbered / Expended Amount | | | |
| This item | | | |
| BALANCE | | | |

Fund(s):

Comments: No budgetary impact as CITGO will pay a fee in lieu of property taxes equal to the amount of taxes required if the property was inside city limits.

RECOMMENDATION:

Approval

LIST OF SUPPORTING DOCUMENTS:

Ordinance – CITGO Disannexation / IDA 6B

Site Maps - Disannexation Area

Industrial District Agreement 6B - CITGO

Presentation – CITGO Disannexation / IDA 6B