



AGENDA MEMORANDUM

Action Item for the City Council Meeting November 12, 2019

DATE: October 11, 2019

TO: Peter Zanoni, City Manager

FROM: Daniel McGinn, AICP, Director of Planning & Environmental Services
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Amendment to Voestalpine Texas' Chapter 380 Economic Development Incentive Agreement

CAPTION:

Resolution authorizing Amendment No. 1 to Chapter 380 Economic Development Agreement between the City of Corpus Christi, Texas, voestalpine Texas LLC, and the Port of Corpus Christi Authority of Nueces County, Texas, relating to the development of property.

SUMMARY:

Voestalpine Texas, LLC, has a Chapter 380 economic development incentive agreement with the City and Port of Corpus Christi Authority regarding Voestalpine's development of Port-owned property located within the City's jurisdiction. The City's recent annexation of land in San Patricio County included the property developed by Voestalpine and affected Voestalpine's anticipated taxes. The proposed amendment to the Chapter 380 agreement, in conjunction with disannexation, will resolve Voestalpine's taxation issue while protecting the City's interest. Staff recommends approval of the amendment to the Chapter 380 agreement 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 Authority and its tenant Voestalpine Texas, LLC, an Austrian steel manufacturing company, to rebate ad valorem taxes and 1% of the 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) in San Patricio County, including the approximately 460-acre property that the Port leases to Voestalpine. Annexation of the property resulted in changes to Voestalpine's tax liabilities, specifically a requirement to pay the 1/2% of sales tax that goes to the Type A, Type B and Crime Control funds. 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 in accordance with Section 5.4(A) of the Chapter 380 agreement. The amended agreement contains terms similar to those in the agreements the City executed with Cheniere and Gulf Coast Growth Ventures.

The proposed amendment to the Chapter 380 agreement is consistent with City policy and the Comprehensive Plan as follows:

- 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.”
- Plan CC’s Future Land Use Plan indicates this area for industrial development.
- Plan CC’s Vision Statements identifies that “Our broadly diversified economy provides opportunity for all.”

ALTERNATIVES:

Staff considered further negotiating the amendment to Voestalpine’s Chapter 380 agreement. Staff did not pursue this alternative because it would require additional time, leading 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.

FINANCIAL IMPACT:

The financial impact of the amendment to the Chapter 380 agreement would occur in 2033 when Voestalpine enters into an Industrial District Agreement upon the expiration of the Chapter 380 agreement and begins “payment in lieu of taxes” (PILOT) or payment for failure to enter into an Industrial District Agreement.

RECOMMENDATION:

Staff recommends approval of the proposed amendment to the Chapter 380 agreement. The proposed agreement 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:

Resolution with Amendment to Chapter 380 Agreement Attached Presentation