

# Harbor lease hinges on port development

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Clyde Sutton of Austin launches his boat from one of the ramps at Dennis Dreyer Municipal Harbor on Friday, June 22. Hundreds of boaters use the city harbor every year. The Port Authority of Corpus Christi owns the harbor, leasing it to the City of Port Aransas. Port and city officials recently agreed on a new 30-year lease. Staff photo by Ron Farmer

The city's new harbor lease with the Port of Corpus Christi includes a provision that the lease will be terminated if the City of Port Aransas tries to change Harbor Island's zoning to further restrict development there.

Termination could mean that Port Aransas city government no longer would be able to operate Dennis Dreyer Municipal Harbor. That would include

everything on the marina side of J.C. Barr Boulevard, the road that runs between Roberts Point Park and the marina.

It might come as a surprise to the average resident or visitor, but Dennis Dreyer Municipal Harbor, a facility that's used by thousands of boaters and hosts a variety of beloved Port Aransas-based fishing tournaments every year, doesn't really belong to the City of Port Aransas. The property is owned by the Port of Corpus Christi, and the port long has leased it to the city.

The last lease expired in December last year.

The new lease, which was approved in a 6-0 vote by the Port Aransas City Council on March 22 (with council member Beth Owens absent), comes into play at a time when the Port of Corpus Christi is working toward establishing a tank farm and an oil-export terminal for extra big tanker ships on Harbor Island.

### **What would happen?**

Port Aransas City Manager Dave Parsons said there's no way to know for sure what the port would do with the harbor if the lease terminates.

Asked to respond to the hypothetical question of what might happen, Port of Corpus Christi Commission Chairman Charlie Zahn said he would expect the port to find a third-party firm to operate it.

Slip rates likely would go up, as a result, Zahn said. Parsons said the rates likely would double. Also, he said, there's no guarantee that a private operator would want to continue the decades-long tradition of hosting fishing tournaments in the marina.

Perhaps even more significantly, loss of city control of the harbor also would mean loss of Port Aransas citizen control of what's long been a vital part of the town's economy, character and history.



But these appear to be moot points, at least for now. The Port Aransas City Council so far has expressed no interest in changing Harbor Island's zoning or doing anything else to prevent the proposed shipping terminal.

In a recent interview with the South Jetty, Parsons and Mayor Charles Bujan said the termination clause represents just one small part of a lease that, overall, is good for Port Aransas, providing for 30 years of access to the harbor on reasonable financial terms.



"The port by no means is being a bad neighbor just because that provision is in there," said Parsons, who worked with city attorneys and port representatives during the process of putting together a lease that both sides could agree on.

The termination clause "is business," Bujan said.

"They bent over backwards, letting us have that thing, cheap," Parsons said. "And so, to me, that provision of leaving the existing zoning in place, no more changing it, I have no qualms with that."



## **Citizen objections**

A citizens' group, Port Aransas Conservancy, recently was formed to oppose construction of the facility (see separate story, this issue).

The organization lists a myriad of objections, many of them based on environmental issues. Concerns include the potential for oil spills, increased erosion from larger ship wakes and negative impacts to Port Aransas property values.

Some community members have raised objections to the lease clause that prevents the city from further limiting development on Harbor Island.

Resident Dan Pecore said he sees it as a strong-arm tactic by the port.

“Even if the city has no plan to change the zoning there, the idea that the port hinges the marina lease to future development on Harbor Island – it’s offensive, and frankly, it’s incomprehensible why the city would sign that,” said Pecore, a member of Port Aransas Conservancy. “It’s clear the port is using the leverage of having the marina lease to have free rein for developing Harbor Island.”

But Bujan also said the Port of Corpus Christi was prepared to take the city harbor away from Port Aransas if the city wasn’t willing to agree to that clause.

Parsons agreed that the port wouldn’t have approved the lease if not for that provision.

Zahn said he supported including the termination clause in the lease because it is important to the port to be able to use its Harbor Island property as a revenue source.

“We have spent significant sums studying the types of development we could do on Harbor Island, consistent with zoning ordinances that exist today in the City of Port Aransas,” he said.

The port closed on a \$6 million deal late last year, for example, to buy Harbor Island property where a pipeline could be built to bring crude oil from the Permian Basin and Eagle Ford Shale to Harbor Island for offloading onto tanker ships.

“By making those types of commitments, we didn’t want to have the City of Port Aransas come in at the last minute and try to upset what we have developed as our long-range plan,” Zahn said.

### **Past controversy**

The termination clause in the new lease stems from a controversy in which the City of Port Aransas and Port of Corpus Christi butted heads a few years ago over land use on Harbor Island.

In fall 2013, the port tried to sell a Harbor Island parcel for \$34 million to the Martin Midstream company. It’s the same parcel where the oil-export terminal is planned now.

The port rescinded its offer to sell after The Berry Company filed a lawsuit alleging that the sale process wasn't fair to other potential buyers. The port said the attempted sale was conducted properly but pulled out anyway.

Around the same time, numerous Port Aransans and people with second homes in town began worrying that Martin Midstream's plans could have resulted in an industrial presence that would have produced air, water, noise and light pollution.

It eventually came to light that the company planned to build a plant that would process Eagle Ford condensate and light crude oil in two 50,000 barrels per day "splitters," producing naphtha, jet fuel, diesel fuel and fuel oil. The company also wanted to install a natural gas liquids fractionator to produce propane, butane and natural gasoline.

People flooded council chambers and called on the council to do something to prevent such a development from ever occurring on Harbor Island.

The council, city staff and city-hired consultants began a weeks-long rezoning effort to prevent the most obnoxious kinds of industry from ever locating on Harbor Island. Martin Midstream and the port authority opposed the city's efforts to rezone the property.

The city's work culminated with the council voting 7-0 in February 2014 to give final approval to an ordinance to rezone portions of Harbor Island within the city limits so no refineries or similar plants can be built there.

The new zoning, which hasn't changed since 2014, still allows for a variety of uses, many of them industrial. That includes construction of facilities for oil storage and transfer, Parsons said.

The port's current proposal doesn't include refining on Harbor Island.

### **Today's proposal**

Estimated to cost \$200 to \$400 million, the terminal proposed by the port would be built on a 256-acre parcel on the Corpus Christi Ship Channel between the ferry landings and a Martin Midstream facility.

The terminal could host a kind of ship known as a VLCC – very large crude carrier, a kind of super tanker.

Getting the ships into position to dock at Harbor Island would require a nearby turning basin in which the massive vessels would have to be turned 180 degrees before docking.

The facility also would involve construction of a tank farm and a pipeline that would carry crude oil from inland locations to tanks on Harbor Island.

In May, port commissioners voted to hire a company to conduct feasibility and environmental studies in connection with the proposed shipping terminal.

Further details on what the port plans remain unclear. Repeated messages left for port staff over the past few weeks haven't been returned.

### **The new lease**

Parsons said he went to port officials in May last year to talk to them about negotiating a new lease.

Parsons recalled: "The head of the port said, 'Now, remember, the old guard is gone at the port, and the new guard is all about getting the port's financial business in order, meaning your wonderful dollar a-year lease at the port – those days are gone. Expect to pay a going, fair-price rate. You guys are going to get an increase, and you're going to pay in accordance to what other people pay.' "

The first couple of versions of the draft lease were looking to be "pretty expensive" for Port Aransas, Parsons said.

But Zahn, a longtime Port Aransas resident, and other port officials "really fought for Port Aransas to keep those rates down," Parsons said.

In determining how much Port Aransas would pay to lease the harbor, the port took into consideration the fact that the city council in November approved \$6.3 million in certificate of obligation bonds to finance reconstruction of harbor docks, which were heavily damaged by Hurricane Harvey.

The lease has the city paying the port about \$12,000 a year as long as the city is paying off the 15-year bond, Parsons said.

"You know what that waterfront is worth? A fortune. And we get it for \$1,000 a month," he said, adding that it can be difficult to find even a small apartment that cheap in Port Aransas.

"Then, once the bond is paid off, the rent goes to 20 percent of the harbor's net revenues (from slip rentals and other income), meaning your maintenance and operation costs are deducted before you give them the net, and we think that's great, because initially, it was gross, not net," Parsons said.

"We felt like everybody benefited from that lease," Zahn said. "We want to be good neighbors."

As for the termination clause, Parsons said, "After what (the city) did to the port in 2014, would you expect anything less of (the port)? ... It's their land, right? They're good business people. Do you think they're going to (be hurt by) a lease from us? They're holding all the cards."

Parsons pointed out that the city won a round when it made its zoning change four years ago.

"We got what we wanted," Parsons said. "Now you have people who want to undo that zoning change and say it's not enough. ... I won't speak for (Bujan), but I'm not going to turn around and snatch what we approved in 2014 and say, 'Oh, wait a second: We don't want you to do these, either.'"

Bujan said it's a property rights issue, and he said he had no problem with the lease's termination clause.

"In that 2014 deal that was made, they broke the relationship, the good relationship between the Port of Corpus Christi and Port Aransas," Bujan said. By "they," he said he referred to "the people who pushed the issue of heavy industry."

### **What almost happened**

"Those people (with the port) don't trust us anymore," said Bujan, who wasn't mayor or city councilman at the time of the 2013-14 controversy. "That's why that (clause) is in that lease."

Bujan agreed with Parsons that the port wouldn't have forged a new lease with Port Aransas without that clause.

"Here's what almost happened," Bujan said. "The ... Port of Corpus Christi was going to have a marina at Port Aransas. They would have taken it over."

Asked by a South Jetty reporter if he believes the port really was prepared to make such a drastic move as to take the harbor away from the city, Bujan replied, "Absolutely. ... That's why they put that in the lease."

Parsons said the lease could have been much worse for Port Aransas than it ended up. By way of the lease, not only could the port have charged Port Aransas a lot more money, the port also could have demanded that the city to undo the zoning change it made in 2014, according to Parsons.

"What would we have done? Undo your zoning, or lose your marina," the city manager said.

Bujan said the idea of the shipping terminal being built on Harbor Island isn't alarming to him from an environmental point of view. He pointed out that Harbor Island was used as a shipping terminal for decades in the 20th Century.

"Oh, I'm not worried about it," he said. "When I was a kid, we used to go down there on the point, Roberts Point it is now, and watch the ships turn around, and tourists used to pour down there on that island strip and watch it and listen to the pilots and the horns and watch them turn it around and put them in there. And I used to get the biggest flounder in the world there, before dark ... right with the ships turning around."