Gregory-Portland Independent School District

BOARD MEMORANDUM

TO: DR. MICHELLE CAVAZOS

FROM: DR. ISMAEL GONZALEZ III

CC: BOARD OF TRUSTEES
BRITTNEY SOLIZ SANDOVAL
DEBORAH GARZA
DR. MICHAEL NORRIS
PENNY ARMSTRONG
DR. WILLIAM STOUT

DATE: Monday, September 21, 2026

SUBJECT: Discuss and take possible action to approve the Second Amended and Restated Payment in Lieu of Taxes Agreement with Cheniere Energy, Inc. and Corpus Christi Liquefaction, LLC relating to Foreign-Trade Zone No. 122 and the related Non-Opposition Letter for modification of the FTZ Site boundaries

PRIORITIES

PRIORITY 1: EXCEPTIONAL STUDENT PERFORMANCE
N/A
PRIORTY 2: HIGH PERFORMING AND ENGAGED WORKFORCE
N/A
PRIORITY 3: QUALITY SERVICE AND IMPACTFUL COMMUNITY ENGAGEMENT
N/A
PRIORITY 4: EFFICIENT AND EFFECTIVE DISTRICT AND CAMPUS OPERATIONS
4.2 Maintain fiscal viability; stewardship; and improve staff knowledge of sustainable budgeting processes

BACKGROUND INFORMATION:

Type: Action

Background and Purpose

Cheniere Energy, Inc. and Corpus Christi Liquefaction, LLC ("Cheniere") operate the Corpus Christi Liquefaction facility located within Gregory-Portland ISD. A portion of the facility is included within **Foreign-Trade Zone (FTZ) No. 122**, which is sponsored by the Port of Corpus Christi.

A Foreign-Trade Zone is a federally authorized area where qualifying goods may receive certain customs and tax benefits. Under federal law, certain qualifying inventory located within an activated FTZ may also be exempt from state and local **ad valorem property taxes**. Because an exemption of this type could otherwise result in a loss of property tax revenue to G-PISD, the District and Cheniere previously entered into a **Payment in Lieu of Taxes (PILOT) Agreement**.

The original PILOT Agreement was entered into on **August 19, 2019**, and was subsequently amended and restated on **October 19, 2022**. Cheniere is now seeking to modify and expand the boundaries of its existing FTZ site. As a result, the existing PILOT Agreement must be updated so that the agreement corresponds with the modified FTZ boundaries.

What Is a PILOT Agreement?

A **Payment in Lieu of Taxes Agreement**, or PILOT, is intended to protect the District from losing local property tax revenue if qualifying inventory located within the FTZ receives the federal property tax exemption.

Simply stated:

If the property remains taxable: Cheniere pays the normal property taxes owed to G-PISD, and no PILOT payment is required for that property.

If qualifying inventory becomes exempt because of its FTZ status: the PILOT Agreement requires a payment to G-PISD intended to replace the property tax revenue the District otherwise would have received.

The agreement establishes a **100% tax-equivalency structure**. The annual PILOT payment is calculated by applying the District's applicable tax rate to the taxable value that the qualifying FTZ inventory would have had if it were not exempt. The agreement applies not only to inventory owned by Cheniere, but also to qualifying inventory owned by affiliated or unaffiliated third parties operating within the FTZ site.

Is There an Immediate Financial Impact to G-PISD?

No immediate fiscal impact is anticipated.

Based on information provided during the District's review, Cheniere does **not currently claim the federal property tax exemption for inventory located within the FTZ site and has represented that it does not anticipate doing so in the future.**

Therefore, approval of this agreement is **not expected to reduce the property tax revenue currently received by G-PISD.**

Instead, the PILOT Agreement serves as a **financial safeguard for the District**. If Cheniere or another qualifying entity were to claim the FTZ property tax exemption in the future, the agreement requires PILOT payments intended to replace the local property tax revenue that otherwise could be lost.

What Is Changing?

The primary reason for bringing the agreement back to the Board is **Cheniere's proposed modification of the boundaries of its existing FTZ site.**

The Second Amended and Restated Agreement largely maintains the financial protections and structure of the District's existing agreement while incorporating the modified FTZ site boundaries.

The proposed agreement continues to provide for:

- **100% tax-equivalency PILOT payments** for qualifying FTZ inventory that receives the property tax exemption;
- Application of the agreement to qualifying **Cheniere-owned, affiliate-owned, and third-party inventory** within the FTZ site;
- Annual valuation of applicable inventory through the **San Patricio County Appraisal District**;
- PILOT payments generally due by **January 31** following the applicable tax year;
- Interest on delinquent PILOT payments;
- Reporting and documentation requirements necessary for the District to verify applicable inventory and values;
- District/Board involvement in certain future changes to the FTZ site;
- Default, notice, and cure provisions; and
- Termination of the agreement if the FTZ site's authorization is revoked.

The proposed FTZ boundaries are depicted in **Exhibit A of the agreement**.

What Is the Non-Opposition Letter?

In addition to approving the amended PILOT Agreement, Cheniere is requesting that G-PISD provide a **Non-Opposition Letter** to the U.S. Department of Commerce Foreign-Trade Zones Board.

The letter indicates that the District **does not oppose Cheniere's application to modify the boundaries of the existing FTZ site.**

Importantly, the letter also recognizes that qualifying personal property admitted into an activated FTZ may be exempt from certain local property taxes under federal law. The PILOT Agreement is therefore the mechanism that protects the District financially if such an exemption is utilized.

The proposed Non-Opposition Letter is included as **Exhibit B** to the agreement.

District Protections Included in the Agreement

The agreement contains several provisions intended to protect G-PISD.

First, if qualifying inventory receives an FTZ exemption, the PILOT payment is designed to equal the property taxes the District otherwise would have received. In other words, the agreement is structured to make the District financially whole with respect to qualifying exempt FTZ inventory.

Second, Cheniere is responsible for obtaining and providing the information necessary to determine the applicable value and payment. The agreement also provides for interest when required payments are delinquent.

Third, certain significant future changes involving the FTZ site require approval by the District's Board of Trustees before becoming effective under the agreement. These include modifications to FTZ boundaries, transfers of ownership interests in portions of the FTZ site to parties other than Cheniere affiliates, and authorization for other entities to operate or utilize the FTZ site.

Finally, the agreement provides default and cure provisions and terminates if the FTZ site's authorization is revoked.

What the Board Is Being Asked to Approve

Approval of this agenda item would authorize **two related actions**:

1. Second Amended and Restated PILOT Agreement
Approve the updated agreement between G-PISD, Cheniere Energy, Inc., and Corpus Christi Liquefaction, LLC so that the District's existing PILOT protections continue to apply to the modified FTZ site boundaries.

2. Non-Opposition Letter
Authorize the District to provide the requested letter indicating that G-PISD does not oppose Cheniere's application to the Foreign-Trade Zones Board to modify the boundaries of its existing FTZ site.

RECOMMENDATION:

Administration recommends approval of the **Second Amended and Restated Payment in Lieu of Taxes Agreement** and the related **Non-Opposition Letter**. The proposed agreement maintains the District's existing financial protections while accommodating the requested modification of Cheniere's FTZ site boundaries.

FINANCIAL IMPACT AMOUNT AND FUNDING SOURCE (IF APPLICABLE):

No immediate financial impact is anticipated; the PILOT Agreement is intended to protect the District from the potential loss of property tax revenue should qualifying inventory within the FTZ become exempt from local property taxation.

BOARD RELATED POLICY:

N/A

ACTION ITEM SUGGESTED MOTION (if applicable):

That the board make a motion and approve the Second Amended and Restated Payment in Lieu of Taxes Agreement with Cheniere Energy, Inc. and Corpus Christi Liquefaction, LLC relating to Foreign-Trade Zone No. 122 and the related Non-Opposition Letter for modification of the FTZ Site boundaries, and authorize the Board President to execute the Agreement and related documents.