



March 16, 2021

TO: SOUTH EAST TEXAS ECONOMIC DEVELOPMENT DISTRICT
LUNCHEON MEETING

FROM: BOB DICKINSON, DIRECTOR
TRANSPORTATION AND ENVIRONMENTAL RESOURCES
SOUTH EAST TEXAS REGIONAL PLANNING COMMISSION

SUBJECT: SOUTH EAST TEXAS ECONOMIC DEVELOPMENT DISTRICT LUNCHEON
MEETING

A lunch meeting will be held on **Tuesday, March 30, 2021** at the Industrial Safety Training Council Office at **11:00 a.m.** The purpose for this meeting is to get feedback from the Commercial, Retail, Small Businesses and Real Estate sectors. In turn, it will help define work elements that our Economic Development Consultant, Mike Barnes, will utilize to develop our short- and long-term Economic Recovery and Resiliency Plan in response to the Coronavirus (COVID-19) Pandemic.

**Industrial Safety Training Council
3749 Highway 69 North
Beaumont, Texas 77705**

At 11:00 a.m.

SEE ATTACHED FOR DISCUSSION TOPICS

If any questions arise, please do not hesitate to contact me at bdickinson@setrpc.org or (409) 899-8444 ext. 7520.



DISCUSSION TOPICS

We are looking forward to meeting with representatives from the Commercial, Retail, Small Business and Real Estate sectors within the South East Texas Region to discuss how a COVID-19 Economic Development Strategy could enhance your businesses. We would specifically like to get your input regarding the following topics:

1. Has COVID-19 decreased the foot traffic into retail spaces?
2. Have retail leases slowed during COVID-19?
3. Has COVID-19 impacted the availability of retail employees?
4. Has COVID-19 decreased the overall spending capacity of families and individuals, thus decreasing retail sales?
5. Have retail spaces closed temporarily or permanently resulting from COVID-19?
6. Did PPP sustain retailers? Did stimulus sustain laid off employees?
7. What is needed by the retail community to offset COVID-19?
8. What suggestions moving forward might be offered?
9. Do retailers anticipate shopping habits to be changed for the long term resulting from COVID-19? More utilization of on-line shopping?
10. Are there programs and policies that entities of government might implement to assist? Is the mask requirement detrimental or otherwise?

Our Plan

2 Prepare a Coronavirus (Covid-19) Pandemic Short & Long Term Economic Recovery & Resiliency Plan to address the pandemic through a strategic approach directly.

Mike Barnes Group, Inc. was the economic development firm chosen to develop a short and long-term Coronavirus (Covid-19) Pandemic Economic Recovery and Resiliency Plan. Also, to create a Resiliency component for our SETRPC Comprehensive Economic Development Strategy (CEDS) to deal with future pandemics.

- Stakeholder roundtables to discuss opportunities and challenges. Including disruptions to the supply chain and workforce, and highlight those aspects of the regional economy most likely to be under stress due to the COVID-19 pandemic. Important participation from:
 - Small Business
 - Major Employers
 - Elected Officials
 - Real Estate Commercial & Residential
- Identify opportunities for accelerating SETX rebound. Including expansion & modernization of manufacturing and commercial & retail opportunities.

SOUTH EAST TEXAS ECONOMIC DEVELOPMENT DISTRICT (SETEDD) BOARD OF DIRECTORS

MEETING MINUTES

DATE: February 23, 2021

TIME: 11:00 a.m.

LOCATION: Industrial Safety Training Council Office
3749 Highway 69 North, Beaumont, Texas 77705

Mr. Bob Dickinson, Director, SETRPC, Transportation & Environmental Resources Division introduced and welcomed everyone for attending the meeting. He briefly went over the topics we discussed during the previous meeting held on January 27, 2021.

Here are the main topics and responses discussed:

Mr. John Durkay, General Counsel, Industrial Safety Training Council, stated that most of the plants have not had severe COVID-19 challenges in terms of operating. The control rooms were arguably the biggest issue, but it was still manageable.

-The Keystone Pipeline Project has already been built from Oklahoma to Port Arthur, and it's being utilized right now and is the biggest crude oil supply for Valero.

-When the pipeline project was cancelled by President Biden, the price of the barrel went from \$48 to \$62. The rig count in the Permian Basin went from 40 rigs to 440 rigs.

-When the world mines for natural gas, they burn it. Texas does not. We separate it first, we clean it, we get the water out, we get the propane out and we get the ethane out. We have become the major source of propane for the world and it has become a very needed fuel.

-Propane has become the growth gas of the world.

-The Port of Beaumont is the largest port in the country for importation of wind turbine blades.

Mr. Larry Kelley, Port Director, Port of Port Arthur, stated that Texas is the largest importer of wind turbine blades as the Port of Corpus Christi also handles very significant volumes. Looking forward, there's no stopping it for two reasons:

1. Tax Credits continue to exist.
2. Wind Turbines are at the 4th or 5th generation, and now we are seeing replacement technology. We are replacing generation 1 and 2 with generation 4 and 5.

-The wind turbines are just getting bigger and bigger. Currently, the wind blades length is 218 meters. The towers will not fit on rail cars and many of them will not fit through bridges.

-Texas is the largest wind energy in the US.

-There are not a lot of domestic (Canada, Mexico or US) manufacturing capacity, most blades are coming from overseas. Spain and South America primarily.

-The downfall is finding use for the fiberglass once it has been used. These blades take up a lot of space in a landfill.

Ms. Patricia Avery, President/CEO, Port Arthur Chamber of Commerce, stated that her biggest concern is carbon recapture. She believes there will be tax credits for this industry.

-Lamar University is one of the top schools in the country for studying carbon recapture. They are working with University of Cincinnati and LSU.

-She thinks it will become an issue for the industry and Texas needs to stay on top of it.

-Mr. Durkay stated that Valero had already addressed it. Ms. Avery responded by stating Total refineries have as well.

-Mr. Durkay stated that our area is in Air Quality Attainment. No other community in the country is in Air Quality Attainment. We already meet the standard and possibly the advanced standard.

-He stated that he believes plants will close in Philadelphia, New Jersey and California and will increase Texas' market share. This should bring us to 18% of total fuels within a relatively short amount of time.

-Mr. Larry Kelley agreed with an earlier statement made by Mr. Durkay regarding the infrastructure already in place to move crude oil. He added that no matter where the barrels are, they will find a way to the water. The Canadian barrels will always find a way to Texas either by rail, pipe or however.

-There is a current project in Port Arthur where KCS is taking the diluent out in Canada and they are shipping it here. From here, they can either add the diluent in or heat it and move it by barge to the local plants and it becomes a proprietary mix.

-Another point to mention is that, in Texas, other than a Federal post office, military installation or Big Ben National Park, there are no Federal land taxes. If you look to New Mexico, it is a different story. The ability for producers to get replacement barrels in Texas is going to be unfettered compared to the constraints in New Mexico.

-Our area has such a complex pipeline infrastructure, it doesn't really matter where it comes from, there is a way for the crude to get to Beaumont or Port Arthur.

-Ms. Avery added to the previous discussion regarding the closing of refineries. She also believes there will be refineries that will close based on a conversation she had with the Motiva Manager, Greg Lucchesi. He stated he was surprised some of the smaller plants were still running.

-Mr. Kelley agreed with Ms. Avery that there will be some refineries that will close. More than likely the older, less desirable communities in Philadelphia, as well as, the smaller plants in Washington. Canada will also see some closures on the East and West coast.

-Mr. Durkay stated that Exxon Mobil, Valero and Motiva out refine all of California. Our plants are newer, so the air quality is better, and they can take any kind of crude from anywhere. The Port Arthur plant is the only plant that can refine the crude oil coming in from Alberta, Canada. This area has become the #1 place to invest in the world when it comes to petrol. We are the direct outlet for a lot of crude coming from Qatar, Saudi Arabia Motiva and Exxon Mobil.

-There will be a transition to electric cars, but we will never run out of crude oil.

-Ms. Avery stated that people forget that there's no real clean energy. You have electric cars, but that involves strip mining and other environmental issues.

-Mr. Kelley stated that he is seeing the need for cleaner fuel to burn closer to shore.

-Mr. Durkay stated that the very bottom product of crude is asphalt and it has become in very high demand.

-Mr. Kelly confirmed that asphalt is indeed a big-ticket item. So much so that it's in shortage and has affected how they handle projects. Especially when it's in season with TxDOT; as they become a priority. It's easier to pour concrete on projects and add a little material expense because this allows variability with contractors, as well as, more control over the timeline.

Mr. Mike Barnes, President/CEO, Mike Barnes Group, asked if it was reasonable to say that COVID-19 hasn't negatively impacted the refining business.

-Ms. Avery responded by stating she believes it has, due to the lack of consumption of fuel.

-Mr. Kelley added that there is a direct economic impact on quarterly earnings. There were no capital improvement projects based on what has been coming through on the project cargo side. Fortunately, we are now just starting to see it pick up again.

-Ms. Avery stated that before the pandemic, she was receiving several calls from all over the world from people who wanted to come here. That hasn't pick up.

-Mr. Durkay stated that 50% of all barge traffic on the US intercoastal waterway occurs between Lake Charles and Houston. Orange wanted to capitalize on that because they had a 30-foot draft.

-Mr. Barnes asked if COVID-19 impacted workforce issues.

-Ms. Avery replied, stating contractors were the ones who were affected the most. There have been numerous layoffs and deferred work such as turn-arounds and shut-downs. This means no work for contractors, as all capital work has stopped.

-All the hotels in the area took this time to refurbish their establishments to be ready when business resumes.

-Mr. Durkay stated that the construction workforce loses an average of 25% a year and gains a new 25%. This is caused by workers getting tired. They decide to leave construction to do something else, most likely to work in restaurants. However, they don't make as much money working in the restaurants, so eventually, they come back to construction. With the closing of restaurants, that will push/force individuals into the construction mode.

-Mr. Durkay stated he is really interested in seeing what the Census will show.

-Ms. Avery responded, stating that the legislators from Austin say it isn't as bad as they thought it was going to be.

-Mr. Durkay stated that he believed the community will continue to have a great 10 years due to:

1. The deepening projects have been unabated.
2. The levees are under construction.
3. Possible reclassification of HW 69 from Woodville to Port Arthur designated as an Interstate.

-Ms. Avery stated that something needs to be done about Sabine Pass. There's still a lot of room to grow in that area, but the issue remains that there is still only one way in and one way out.

-Mr. Dickinson stated that we could possibly include those issues as part of the long-term resiliency plan. We can designate a group to study and come up with a community development plan.

-Mr. Kelley revisited the census conversation. He is concerned about the stalled population increase in Port Arthur since this is how they allocate funds. Texas is growing at a rate of 10 to 16% and this area has been flat for the past 30 years. We don't know what the 2020 census will show, but we will have to come up with an argument that can't be solely supported by the population, which should be about transportation and economics.

-Mr. Mike Barnes stated that it would be helpful to get the perspective of the workforce and their issues. Especially the small Mom and Pops businesses and retail businesses. He suggested to have another meeting to focus on those points of view.

-Mr. Kelley brought up the lack of broadband in the Port Arthur and rural areas as there is a huge connectivity issue that needs to be addressed.

-Mr. Dickinson responded, stating he is working on setting up a broadband advisory committee. He has hired someone to specifically work on this issue, but it will be done separately to this project. Once the team is set, we will do a survey and then try to put together a grant application and submit it to the Economic Development Administration to develop a South East Texas Broadband Strategic Plan.

-Mr. Durkay suggested we look into Southern Broadband Company. They are a company that provides broadband internet to Bolivar and have expanded to Labelle and Fannett. Taylor's Landing has a fiber optics construction program going on right now.

Mr. Dickinson thanked everyone for participating in the meeting.

Meeting ended at 12:44 p.m.

MEMBERS PRESENT

John Durkay
Larry Kelley
Mike Barnes
Pat Avery

General Counsel, Industrial Safety Training Council
Port Director, Port of Port Arthur
President, CEO, Mike Barnes Group
President/CEO, Port Arthur Chamber of Commerce

SETRPC STAFF PRESENT

Bob Dickinson
Shanna Burke
Lucie Michaud

Director, T&ER Division, SETRPC
Executive Director, SETRPC
Administrative Assistant, SETRPC