



**ECONOMIC
DEVELOPMENT
CORPORATION**

To: Seguin City Council
Donna Dodgen, Mayor

CC: Steve Parker, City Manager
Mark Kennedy, City Attorney

From: Josh Schneuker
Director of Economic Development | SEDC Executive Director

Date: June 3, 2025

Subject: First Amendment to EDPA – Aceroteca Metals, LLC

Historical Background

On August 3, 2023, the SEDC Board of Directors approved a resolution authorizing a Performance Agreement with Aceroteca Metals, LLC. Under the Agreement, Aceroteca committed to making a capital investment of at least \$5,000,000 for the construction of a new 59,000 square foot steel service center in Seguin for steel coil processing. Additionally, Aceroteca committed to the creation of at least 20 new full-time jobs, at a total minimum annual payroll of \$1.2 million, beginning no later than December 31, 2024.

In exchange for meeting these performance obligations, the SEDC agreed to provide Aceroteca with a five-year, 0% interest loan of \$200,000, to be paid back in monthly installments. Additionally, 2.5% of the loan amount (\$5,000) was authorized by the SEDC to be forgiven upon successful completion of the facility and commencement of business operations, to be referenced by the obtention of a Certificate of Occupancy. An additional 7.5% (\$15,000) would be forgiven on the loan by the SEDC, as outlined in the approved performance agreement, if they were able to meet the job creation and annual payroll thresholds identified on or before December 31, 2024.

Over the course of the facility's development, Aceroteca has experienced major staffing changes, as is common for international companies who are new to a region and building an operations team. When SEDC staff reached out to Aceroteca in early 2025 to request a completed annual incentive compliance record, they were informed by the new Seguin division CEO that the company had been experiencing significant delays with getting their machinery up and running and had been unable to hire the intended number of employees by the deadline outlined in their performance agreement. The following request was made by the new CEO to the SEDC for a deadline extension and reads, as follows:

Alora,

As we discussed on 2/25/2025, Aceroteca Metals is still very much in the trial phase of production. Hector Morales had planned to begin production sometime midsummer 2024 but that was hampered by unexpected delays with our equipment. The lifeblood of our facility lies with the slitting/CTL line. This allows us to process materials for sales. Without it, we are not able to produce and invoice. The equipment is quite technical in nature and requires specialized skillsets to install, repair and operate. Following COVID, there has been an unexpected demand on contractors and parts that are needed to complete install. We have been delayed by nearly a year. The final phase of install is expected to be completed by April and production is expected to begin in May. We will begin hiring for additional roles and responsibilities here in Seguin to fill those needs. We expect to be in full production and fulfill our obligations set forth in the agreement by December 24th, 2025. In retrospect, our planned spend with local labor has been replaced with the hiring of local contractors/services as well as parts. The local community has been a great deal of help to us during this very trying time. We very much appreciate your patience as we near our onboarding phase and transition into full production. Please feel free to contact myself or Hector Morales should you have additional questions.

Best Regards,
Jim Conn

The proposed First Amendment to the Performance Agreement attached herein provides Aceroteca a one-year extension to the deadline for the employment and payroll obligations as follows:

- **Article IV: Performance Obligations of Company, Section 2.(c):**
 - COMPANY shall create a minimum of 20 Full-Time jobs at a minimum Annual Payroll of \$1,200,000.00 no later than December 31, 2025. *(Date in original agreement was December 31, 2024)*
- **Article V: SEDC Obligations, Section 1.c.ii:**
 - If COMPANY creates a minimum of 20 Full-Time jobs at a minimum Annual Payroll of \$1,200,000.00 no later than December 31, 2025, as described in Section IV(c) above, seven-and-a-half percent (7.5%, or \$15,000.00) of the Loan shall be forgiven by the SEDC. *(Date in original agreement was December 31, 2024)*
- **Article VII: Termination, Section 1.(b):**
 - The Company satisfying all the Performance Obligations set forth in Article IV, but in no event later than December 31, 2025; or *(Date in original agreement was December 31, 2024)*

In an effort to ensure that Aceroteca is making progress toward these hiring goals and has a plan in place to meet this extended deadline, they have provided the SEDC with a timeline, title, and salary estimate for their staffing ramp-up schedule, to include:

- **Outside Sales – \$85,000 salary – Expected hire date: June 2025**
- **Admin AP – \$50,000 salary – Expected hire date: May 2025**
- **Material Handler (2) – \$43,000 salary x 2 positions = \$86,000 – Expected hire date: May 2025**
- **Driver – \$48,000 salary – Expected hire date: September 2025**
- **Material Handler (2) - \$43,000 salary x 2 = \$86,000 – Expected hire date: September 2025**
- **Inside Sales - \$55,000 salary – Expected hire date: October 2025**

Fiscal Impact

None.

Staff Recommendation

On May 15, 2025, the SEDC Board of Directors approved Resolution NO. 2025-06, authorizing a First Amendment to the Economic Development Performance Agreement with Aceroteca Metals, LLC. Staff and the SEDC Board of Directors recommend approval of the Resolution.

Attachments

- SEDC Resolution 2025-05 Aceroteca EDPA First Amendment
- First Amended Aceroteca Performance Agreement - 2025