



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: November 19, 2024

Subject: Second Amendment to EDPA – Maruichi Stainless Tube Texas Corp.

Historical Background

On September 6, 2022, the SEDC Board of Directors approved a resolution authorizing a Performance Agreement with Maruichi Stainless Tube Texas Corporation. Under the Agreement, Maruichi committed to making a capital investment of at least \$25,000,000 for the construction of a facility specifically designed for the company's production and manufacturing operations. Additionally, Maruichi will invest at least \$30,000,000 in new machinery and equipment for its operations, for a total capital investment of at least \$55,000,000. Maruichi also agreed to create at least 106 new full-time jobs with an annual payroll totaling at least \$4,770,000.

In exchange for meeting these performance obligations, SEDC agreed to release portions of the Performance-Based Cash Grant (PBC Grant) funds incrementally. The original PBC Grant amount of \$1,013,249.16 was calculated based on the difference between the market rate (\$3.00/SF) and a discounted rate (\$2.30/SF) for the land, which was sold to Maruichi at the market rate.

On September 29, 2022, the SEDC Board approved a First Amendment to the Performance Agreement with Maruichi, adjusting the PBC Grant amount from \$1,013,249.13 to \$955,865.32. This adjustment was due to a drainage easement dedicated within the property, which reduced the total acreage subject to the market and discounted rates. The revised PBC Grant amount reflects the new acreage of 31.4202 acres. As a result, the distribution amounts for the PBC Grant were adjusted from \$253,312.29 to \$238,966.33.

Per the First Amendment, the SEDC will release PBC Grant funds to Maruichi incrementally as follows:

- **Distribution 1 – Commencement of Construction:** \$238,966.33, payable within 30 days of receiving the Compliance Reporting Form certifying the Commencement of Construction.
- **Distribution 2 – Commencement of Business Operations:** \$238,966.33, payable within 30 days of receiving the Compliance Reporting Form certifying Business Operations have commenced.
- **Distribution 3 – Employment and Payroll Obligation 1:** \$238,966.33, payable within 30 days of receiving the Compliance Reporting Form certifying the New Jobs obligation has been met.
- **Distribution 4 – Employment and Payroll Obligation 2:** \$238,966.33, payable within 30 days of receiving the Compliance Reporting Form certifying the final New Jobs obligation.

Distributions 1 and 2 have already been released, as Maruichi met these performance obligations.

Action Requested

Due to circumstances beyond Maruichi's control, they have requested an amendment to their employment performance obligations. The proposed Second Amendment to the Performance Agreement adjusts the timelines for the employment obligations outlined in Article IV, as follows:

- **New Jobs:** Maruichi will create at least 106 full-time positions with a total annual payroll of at least \$4,770,000, as follows:
 - At least 40 full-time positions, with an annual payroll of at least \$1,800,000, by December 31, 2025 (extended from December 31, 2024).
 - At least 106 full-time positions, with an annual payroll of at least \$4,770,000, by December 31, 2026 (extended from December 31, 2025).

On November 7, 2024, the SEDC Board of Directors approved Resolution 2024-19, authorizing a Second Amendment to the Economic Development Performance Agreement with Maruichi Stainless Tube Texas Corporation.

Fiscal Impact

None.

Staff Recommendation

Staff and the SEDC Board of Directors recommend approval of the Resolution authorizing a Second Amendment to the Economic Development Performance Agreement with Maruichi Stainless Tube Texas Corporation.

Attachments

- Second Amendment to the Economic Development Performance Agreement with Maruichi Stainless Tube Texas Corporation.