



**ECONOMIC
DEVELOPMENT
CORPORATION**

MEMORANDUM

To: Mayor Donna Dodgen
Seguin City Council

CC: Steve Parker, City Manager
Sam Aguirre, City Attorney

From: Josh Schneuker, Director of Economic Development / SEDC Executive Director

Date: April 11, 2023

Subject: Promissory Note and Performance Agreement – SEDC and Aceroteca Metals

Company Information

Aceroteca Metals (“Aceroteca”) was established with a goal to promote steel by offering the service in the best way feasible and for the lowest cost. Aceroteca utilizes their knowledge as a service center and as a trader to provide clients with steel of origin that is more competitive by exploiting the capacity set up in Mexico. Aceroteca’s primary area of focus is on flat steel products for the automotive, heavy industry, commercial, HVAC, white line, metal and mechanical, and construction applications.

Project Description

Aceroteca is proposing to construct new 59,000 square foot steel service center on a 23.2-acre site located at the northeast corner of Heideke Street and Seideman Street (“Project Appliance”). The facility will handle steel coils, cutting and slitting them into steel sheets for downstream processing. The project is anticipated to represent a capital investment of at least \$5 million. Aceroteca anticipates creating at least 20 new full-time jobs and \$1.2 million in total annualized payroll by December 31, 2024.

SEDC Promissory Note and Performance Agreement Terms/Conditions

Staff is proposing a Performance Based Loan in the amount of **\$200,000** to Aceroteca. The obligations, terms and conditions associated with the Performance Based Loan to Aceroteca are to be formalized through a Promissory Note and Performance Agreement. The obligation of the SEDC to pay funds from the Performance Based Loan shall be conditioned upon the Company’s continued compliance with and satisfaction of each of the Company’s obligations outlined within the Performance Agreement. The Performance Obligations and the primary terms and conditions of the Performance Agreement are as follows:

1. **Loan:** Aceroteca shall enter into a loan agreement with SEDC. The loan to be in the amount of \$200,000.00 at 0% interest for a period of 5 years, with payment being due on the first (1st) of each month, and a 5% late fee being incurred after the 10th day of the month and other terms as identified in that Promissory Note.
2. **Improvements; Operations; Jobs:**
 - a. Aceroteca shall commence construction of the Facility no later than September 1, 2023; commencement of construction will be evidenced by a letter of commencement from the general contractor and issuance of all required building permits by the City of Seguin.
 - b. Aceroteca shall commence Business Operations no later than June 1, 2024; commencement of Business Operations will be evidenced by the issuance of a Certificate of Occupancy by the City of Seguin.
 - c. Aceroteca shall create a minimum of 20 Full-Time jobs at a minimum Annual Payroll of \$1,200,000.00 no later than December 31, 2024.

The SEDC will forgive up to ten percent (10%) of the loan, conditioned upon the following:

1. If Aceroteca receives a Certificate of Occupancy and commences Business Operations no later than June 1, 2024, two-and-a-half percent (2.5%, or \$5000.00) of the Loan shall be forgiven by the SEDC.
2. If Aceroteca creates a minimum of 20 Full-Time jobs at a minimum Annual Payroll of \$1,200,000.00 no later than December 31, 2024, seven-and-a-half percent (7.5%, or \$15,000.00) of the Loan shall be forgiven by the SEDC.

The SEDC's loan to Aceroteca will be secured by a Standby Letter of Credit. Before loan funds are distributed to Aceroteca, it will be the responsibility of the Company to have the Letter of Credit issued by a US based bank.

Economic Impact Analysis

Staff has evaluated the potential economic impact of the Project Appliance to the City of Seguin assuming the Project will result in \$5 million in new taxable value and will create at least 20 jobs and \$1.2 million in total annualized payroll. Over a 5-year period, it is estimated that Project South will generate more than \$120,000 in new property tax revenue for the City of Seguin. And over a 10-year period, it is estimated that the City will see more than \$216,000 in new property tax revenue. Project Appliance is located within the service areas of all three City utilities (water, wastewater, electric), and is anticipated to be a valuable electric utility customer once fully operational. In addition to the fiscal benefits to the City, Aceroteca can provide benefits to many of Seguin's manufacturers. Metal fabrication is a key industry sector in Seguin. As a metal service center, Aceroteca could potentially serve many of Seguin manufacturers in the fabrication sector with the raw materials they rely on for their business operations.

SEDC Board and Staff Recommendation

On April 6, 2023, the SEDC Board of Directors approved Resolution 2023-08, authorizing a Promissory Note and Performance Agreement between the Seguin Economic Development Corporation and Aceroteca Metals, LLC. The SEDC Board of Directors and Staff recommend approval of the Resolution.