



**ECONOMIC
DEVELOPMENT
CORPORATION**

MEMORANDUM

To: Mayor Donna Dodgen
Seguin City Council

CC: Steve Parker, City Manager
Andy Quittner, City Attorney

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

Date: October 3, 2022

Subject: Amendment to the Performance Agreement with Maruichi

Original Performance Agreement (PA) Details

On September 6, 2022, the SEDC Board of Directors and the Seguin City Council approved a Resolution authorizing a Performance Agreement with Maruichi Stainless Tube Texas Corporation. Per the Agreement, Maruichi will make a new Capital Investment of at least \$25,000,000 for the construction of the Facility, designed specifically for the production and manufacturing operations of the Company, to be constructed on the Property, and a capital investment of at least \$30,000,00.00 for new machinery and equipment for Company operations; combining for a total Capital Investment of at least \$55,000,000.00. The Capital Investment shall be finalized on or before October 1, 2024. Maruichi is also obligated to create, in total, at least 106 new Full-Time Jobs at a total Annual Payroll of at least \$4,770,000.00.

In exchange for Maruichi meeting the performance obligations outlined within the agreement, the SEDC shall release incremental portions of the Performance Based Cash Grant (PBC Grant) funds, which total \$1,013,249.16 to the Company in accordance with the following schedule:

- a) Distribution 1 – Commencement of Construction: A cash grant in the amount of \$253,312.29 shall be paid to the Company no later than 30 days following the receipt by the SEDC of the Compliance Reporting Form certifying the Commencement of Construction.
- b) Distribution 2 – Commencement of Business Operations: A cash grant in the amount of \$253,312.29 shall be paid to the Company no later than 30 days following the receipt by the SEDC of the Compliance Reporting Form certifying the Commencement of Business Operations.

- c) Distribution 3 – Employment and Payroll Obligation 1: A cash grant in the amount of \$253,312.29 shall be paid to the Company no later than 30 days following the receipt by the SEDC of the Compliance Reporting Form certifying that the Company has fulfilled the New Jobs obligation.

- d) Distribution 4 – Employment and Payroll Obligation 2: A cash grant in the amount of \$253,312.29 shall be paid to the Company no later than 30 days following the receipt by the SEDC of the Compliance Reporting Form certifying that the Company has fulfilled the New Jobs obligation.

Proposed Amendment to the PA

The proposed amendment would be applicable to Article V of the PA, adjusting the total PBC Grant amount from \$1,013,249.13 to \$955,865.32. The total PBC Grant amount was determined by subtracting the difference between the total purchase price at market rate (\$3.00/SF) and total purchase price at a discounted rate (\$2.30/SF). The new PBC Grant amount reflects the proposed change to the net square feet of land subject to the purchase rate of \$3.00 per square foot, which upon approval of Agenda Item 13 would be 31.4202 acres. The distribution amounts of the PBC Grant would also change from \$253,312.29 to \$238,966.33.

Staff Recommendation

On September 29, 2022, the SEDC Board of Directors approved Resolution 2022-17, authorizing an amendment to the Performance Agreement between the Seguin Economic Development Corporation and Maruichi Stainless Tube Texas Corporation. The SEDC Board of Directors and Staff recommend approval of the amendment to the Performance Agreement.