



**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 18, 2022

Subject: Tax Abatement Agreement between the City of Seguin and Maruichi Stainless Steel Texas Corporation

1. About the Developer (the “Company”)

Maruichi Stainless Steel Tube Texas Corporation is a subsidiary of Maruichi Stainless Tube Co., Ltd, a leading provider of high-quality seamless stainless steel pipes and tubes. The Company produces high-growth products, such as semiconductor bright annealed pipes and precision bright annealed tubes, for direct injection automotive engines. Maruichi has produced seamless stainless-steel pipes and tubes fabricated through the hot extrusion process for over 60 years. With the support of their domestic and international customers, Maruichi has continuously provided new and high-quality products, evolving to meet the needs of each era.

2. Summary of Proposed Project (“Project Balloon”)

The Company is seeking to construct a new approximately 125,000 square foot manufacturing facility. At the facility, the Company will manufacturer high-quality seamless stainless-steel pipes and tubes for customers in the Semiconductor Industry. Raw material will be produced in Japan and shipped to the Facility via the Port of Houston. Once the material arrives at the Facility, the Company would then heat, form, treat and straighten the stainless-steel tubing to the specs of the customer. The Company’s operations will take place inside of a building, will have minimal or no outdoor storage, and do not emit detectable particulates, odor, smoke, gas fumes, light, vibrations, or noise beyond the property lines.

The Project is expected to represent a total capital investment of at least \$55,000,000 by the Company. The Company anticipates investing at least \$25,000,000 in the construction of the Facility and other Real Property Improvements. The Company also anticipates investing at least \$30,000,000 in machinery and equipment.

3. Summary of Proposed Incentive – City of Seguin Tax Abatement

In exchange for the Company’s commitment to the performance obligations outlined below, the City of Seguin is proposing a 5-year tax abatement to the Company at an average value of approximately 25% over the term of the agreement. The abatement would be applicable to the increased value of real and eligible

personal property located within their Property, which is located within Seguin Reinvestment Zone #5. The proposed Abatement Period shall begin on January 1, 2025 and conclude on December 31, 2029.

The proposed City of Seguin Tax Abatement over the 5-year Abatement Period would be scheduled as follows:

Tax Abatement Values	
Year	% of Added Value of Real Property and Eligible Personal Property to be abated
2025	25%
2026	25%
2027	25%
2028	25%
2029	25%

Upon approval, the Agreement will become effective on January 1, 2023. If the Company does not acquire fee simple ownership of the Property by January 1, 2023, this Agreement shall be void and never take effect. This Agreement will terminate on December 31, 2029,

4. Tax Abatement Agreement – Company Performance Obligations

Development of the Property

The Company commits to the building of a 125,000 square foot manufacturing facility which shall represent a total capital investment of at least \$55,000,000.00

The Company will also commit to the following construction and operation schedule:

- By July 1, 2023, the Company will commence construction of the Facility which must be evidenced by a letter of commencement from the general contractor and issuance of a Site Development by the City of Seguin.
- The Owner will commence business operations at the Facility no later than October 1, 2024. Completion of construction and commencement of operations will be evidenced by the receipt of a temporary or final Certificate of Occupancy.

Minimum Annual Performance Criteria

Throughout the term of this Agreement, the Company shall maintain the minimum number of Full-Time Jobs, Annual Payroll, and Taxable Value according to the table below (the “Minimum Annual Performance Criteria”). For purposes of this Agreement (i) “Full-Time Jobs” shall mean the number of the Company’s employees that (1) with a regular work schedule of at least 36 hours per week as reported on the Texas Employers Quarterly Wage Report from the Texas Workforce, and (2) entitled to at least the customary employer-sponsored benefits package afforded by the Company to its similarly situated employees at other locations, (ii) “Annual Payroll” shall mean the total wages and bonuses paid, exclusive of benefits, to the Full-Time Jobs, and (iii) “Taxable Value” shall mean the total Real Property and Eligible Personal Property ad valorem taxable value that are reported by the Guadalupe Appraisal District for a given calendar year that is directly attributable to the Property.

Minimum Annual Performance Criteria			
As Of	MARUICHI's Full Time Jobs	MARUICHI's Annual Payroll	Taxable Value
December 31, 2024	40	N/A	N/A
December 31, 2025	106	\$4,770,000	\$40,000,000
December 31, 2026	106	\$4,770,000	\$35,000,000
December 31, 2027	106	\$4,770,000	\$30,000,000
December 31, 2028	106	\$4,770,000	\$30,000,000

5. Annual Certification

During each year of the Abatement Period, the Company shall submit an Annual Certification Report ("Annual Report") to the City each year no later than February 15th. The Annual Report shall report the Company's compliance with this Agreement and the Minimum Annual Performance Criteria. Annual abatements for each calendar year will be conditioned upon the Company being in compliance with the Agreement and the Minimum Annual Performance Criteria. With each Annual Report, the Company shall also submit the Certification Regarding Employment of Undocumented Workers. The first Annual Report shall be filed no later than February 15, 2025.

6. Summary of Project Economic Impact

Based on the Taxable Value requirements per the Company's Minimum Annual Performance Criteria, Staff projects that the City of Seguin will generate at least \$730,620 in net new property tax revenue over the 5-year period of the agreement.

The Project is located within the City of Seguin electric service territory, as well as the City's water and wastewater CCN. Water and wastewater usage is anticipated to minimal, however, the Project is anticipated to be a sizeable electric user, helping generate additional utility fund revenues for the City of Seguin.

7. Staff Recommendation

Staff Recommends approval of the Tax Abatement Agreement between the City of Seguin and Maruichi Stainless Tube Texas Corporation.