



**ECONOMIC
DEVELOPMENT
CORPORATION**

MEMORANDUM

To: Mayor Don Keil
Seguin City Council

Cc: Douglas G. Faseler, City Manager

From: Joshua Schneuker, Director of Economic Development

Date: May 8, 2018

Re: Application for Tax Abatement

Minigrip, LLC. is proposing an expansion and modernization of production equipment in existing manufacturing plants, located at 1650 N Heideke St. and 1024 Freeport Way. The new equipment will impact two parts of Minigrip's three-part manufacturing process, Extrusion and Conversion.

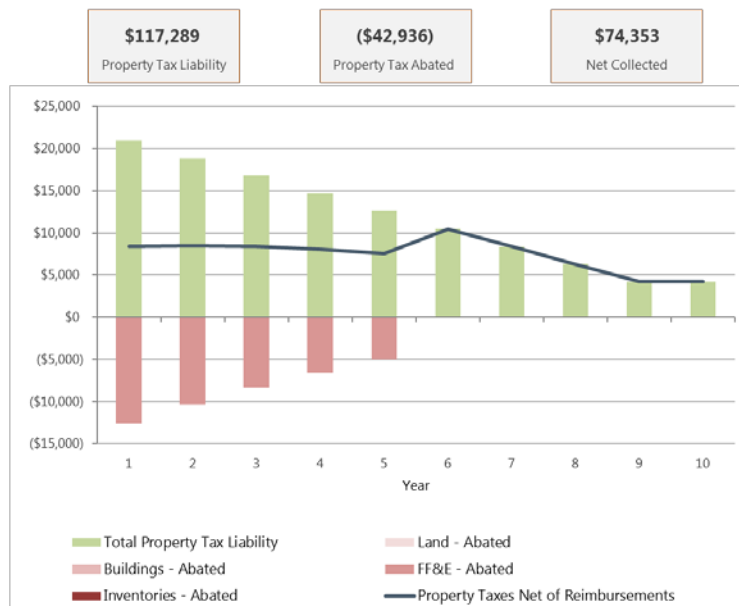
- **Extrusion:** This part of the plastic bag production process produces spools of film with the reclosable zipper already attached. Minigrip currently have 14 extruders available to produce approx. 1.5mm LBS of plastic film per month. Minigrip would purchase 4 additional extruders. With this expansion Minigrip is adding capacity for an additional 500k LBS of plastic film per month. Estimated cost \$2,197,000.
- **Conversion:** This part of the plastic bag production process produces the actual bag from the spools of film into small bundles of bags. In this process, Minigrip uses 18 bag converting machines of which 17 machines require extra shutdown, maintenance time and expenses for worn out parts and have reduced output rates. Minigrip would purchase an additional 8 bag machines with upgraded technology to reduce cost and increase output. Estimated cost \$1,673,000.

With the proposed investments, Minigrip could increase capacity and gain back production that they were forced to outsource in past years. Minigrip has requested a tax abatement to offset the increased financial/capital expenses from the expansion/modernization to remain competitive in their marketplace. Minigrip General Manager Garth Bielke has informed Economic Development staff that local governments in other markets have been aggressive in partnering with the Inteplast Group, Minigrip's parent company, on providing incentive packages to partner in the expenses of the capital expansion. The partnerships forged between the Interplast Group and local municipalities has helped secure new capital investment and create/retain jobs within these regions. The decision by Interplast Corporate on the proposed capital investment at the Seguin facility could be redirected to other facilities in the nation. A potential incentive could help secure this \$3.87 million investment at the Seguin facility.

Proposed Abatement Schedule/Terms – City of Seguin

- Per currently adopted City of Seguin Tax Abatement Guidelines, Minigrip does qualify for tax abatement under “Schedule Two: Personal Property Tax Abatement Schedule”. Maximum allowable abatement schedule is a period of 8 years at 90%.
- Proposed abatement would span 5 Years at an average value of 50%
- Proposed abatement would applicable to only additional value of personal property improvements (i.e. the new equipment) installed at the facilities before December 31, 2018.
- Proposed abatement schedule would start at 60% and decrease 5% each year during the term of the abatement
 - **Year 1:** 60%
 - **Year 2:** 55%
 - **Year 3:** 50%
 - **Year 4:** 45%
 - **Year 5:** 40%
- No new jobs are being created because of this project, the proposed abatement agreement would require Minigrip to retention jobs at the current level of employment (180). This would last throughout the term of the abatement.

Property Tax Analysis City of Seguin (Over 10 Years)



Property Tax Analysis – Other Taxing Entities (Over 10 Years)

	Guadalupe County	Lateral Road	Seguin ISD
Property Tax Liability	\$71,756	\$11,703	\$307,742