



MEMORANDUM

To: Mayor Don Keil
Seguin City Council

Cc: Douglas G. Faseler, City Manager

From: Josh Schneuker, Director of Economic Development

Date: February 13, 2018

Re: Texas Enterprise Zone Program Ordinance Nomination for Structural Metals, Inc.

The Texas Enterprise Zone Program (TEZP) is an economic development tool for local communities to partner with the State of Texas to promote job creation and significant private investment that will assist economically distressed areas of the State. For a business to potentially receive benefits under the Program, the local community must initially nominate a business for enterprise project designation. Designated projects are eligible to apply for state sales and use tax refunds on qualified expenditures. Qualified expenditures include building materials, machinery and equipment, electricity, gas and tangible property purchased and consumed in the normal course of business, and taxable services. Applications for the TEZP are accepted quarterly with the deadlines on the first working day of March, June, September, and December. Enterprise project designation is for a period of up to five years. Employment and capital investment commitments must be incurred and met within the period starting 90 days before the application date through the designation expiration date. Projects may be physically located inside or outside of an enterprise zone. If located within a zone, the company commits that 25 percent of new or retained employees will meet economically disadvantaged, enterprise zone residency, or veteran requirements. If located outside of a zone, the company commits that 35 percent of new or retained employees will meet economically disadvantaged, enterprise zone residency, or veteran requirements.

Staff has been working with Structural Metals, Inc. (CMC Steel Texas) and their consultant on preparing a nomination as an Enterprise Project. The ordinance presented to City Council authorizes the City of Seguin's participation in the program pursuant to the Texas Enterprise Zone Act, Chapter 2303; designates the Director of Economic Development as the City's liaison to communicate and negotiate with the Governor's Office, Economic Development and Tourism (EDT) through the Economic Development Bank and enterprise project(s) and to oversee zone activities and communications with qualified businesses and other entities in an enterprise zone or affected by an enterprise project; and nominates Structural Metals, Inc. to the Office of the Governor Economic Development and Tourism through the Economic Development Bank as an Enterprise Project.

Structural Metals, Inc. meets the criteria as an enterprise project under Chapter 2303, Subchapter f of the Act. Under these grounds, Structural Metals, Inc. is a “qualified business” since it will be engaged in the active conduct of a trade or business at a qualified business site within the governing body’s jurisdiction, located outside of an enterprise zone and at least thirty-five percent (35%) of the business’ new and/or retained employees will be residents of an enterprise zone, economically disadvantaged individuals, or veterans. Structural Metals, Inc. will also be committing to a capital investment of at least \$150 million over the next 5 years. Staff is recommending approval of the ordinance.