

TEDC 2023 CEDA APPLICATION

All Applications Must Be Received by August 25, 2023

The 2023 CEDA nominations will be judged in each of the five categories that have made the most significant contribution to economic development in their community and the State of Texas.

AWARD CATEGORIES

The CEDA will be given to one community from each of the following five population categories: (as currently marketed). Mark the population category for which you are applying.

- Population less than 10,000 _____
- Population 10,001 to 20,000 _____
- Population 20,001 to 50,000 ✓ _____
- Population 50,001 to 100,000 _____
- Population 100,001 to 250,000 _____
- Population 250,001 and above _____

NOMINATION:

Name of Community: Seguin, Texas | Seguin Economic Development Corporation

TEDC Member Name: Josh Schneuker (individual member, not organization)

Telephone #: 830-401-2415

Email Address: jschneuker@seguintexas.gov

Community Population (as currently marketed): 35,000

Application Submitted By: Josh Schneuker

Email Address: jschneuker@seguintexas.gov

Media Contacts: [optional]

Organization: _____ Contact Name: _____

Email Address: _____

Organization: _____ Contact Name: _____

Email Address: _____



2023

TEDC CEDA AWARD Application

SEGUIN, TEXAS

POPULATION 20,001-50,000



**ECONOMIC
DEVELOPMENT
CORPORATION**



Maruichi Recruitment Project

PROJECT OVERVIEW

On September 7, 2022, the Seguin Economic Development Corporation (SEDC) and the City of Seguin announced that Maruichi Stainless Tube Texas Corporation (Maruichi) would build their 156,000 square foot state-of-the-art manufacturing facility on a 33-acre site purchased from the SEDC, within the Rio Nogales Industrial Park in Seguin, Texas. Upon completion of construction, the project will represent a total capital investment of at least \$75 million and will result in the creation of at least 106 new jobs over a two-year ramp-up period. The Maruichi Project (Project Balloon) was one of the fastest and most aggressive economic development projects that the SEDC has ever worked on. Project Balloon itself started with a site visit on June 29, 2022, however, the genesis of everything can be traced back to 2014.

PROJECT OVERVIEW – PRE PROJECT BALLOON (2014 TO 2020)

Located along Interstate 10, the more than 280-acre Rio Nogales Industrial Park was created through the assemblage of land purchased by the SEDC starting in 2014 and concluding in 2019. In order to create shovel-ready sites within the Industrial Park, the City of Seguin and the SEDC made significant investments in infrastructure including the construction of new roadways, installation and extension of industrial grade utilities, and the construction of a regional detention facility. These investments in real estate and infrastructure resulted in the SEDC being able to successfully recruit Niagara Bottling to the Rio Nogales Industrial Park in June 2015 and Teijin Automotive Technologies in September 2019.

In early 2019, the SEDC was heavily engaged with a site selector and manufacturing prospect that was pushing forward with a project that had significant interest in Seguin. While working on that project, the prospect shortlisted a 60-acre property located within the Rio Nogales Industrial Park. At the time, the shortlisted 60-acre site was the only remaining piece of property located within the Industrial Park not owned by the SEDC. The SEDC knew that to put together a competitive incentive package we would need to obtain ownership of the 60-acre site. The SEDC successfully acquired the 60-acre property in June 2019. Unfortunately, Seguin was not successful in our pursuit of this Project. Though we lost the project, the SEDC viewed the acquisition of the 60-acre site as a win, as now we had full control of all real estate assets within the Industrial Park.

It did not take long for the SEDC to find a suitor for a portion of the newly acquired 60-acre property within the Rio Nogales Industrial Park. On December 4, 2019, the SEDC announced that United Alloy would build their new 200,000 square foot manufacturing facility in Seguin, Texas. United Alloy built their facility on a portion of the 60-acre property, leaving the SEDC with a 33-acre site for future development.

As a result of subdividing the 60-acre tract for the United Alloy project, the remaining 33-acres now lacked direct roadway access from the Industrial Park's main thoroughfare, 8th Street. To address this issue, the SEDC successfully secured a U.S. Economic Development Administration Grant to partially offset the costs associated with extending the roadway in order to provide the 33-acre tract with access.

PROJECT OVERVIEW – PROJECT BALLOON (2022 TO TODAY)

Project Balloon began to come to life in June 2022 through an RFI that was sent out by Greater SATX. The SEDC responded to the Project Balloon RFI and submitted the 33-acre tract within the Rio Nogales Industrial Park for consideration. At the same time, the SEDC began soliciting purchase offers from industrial developers for the 33-acre property within the Rio Nogales Industrial Park. The SEDC Board of Directors was scheduled to review three purchase offers from developers at a Meeting on June 30, 2022. On June 29th, one day before the Board Meeting, Maruichi visited Seguin and the site for the first time, but certainly not the last. At the conclusion of the site visit on June 29th, SEDC staff felt incredibly optimistic about our chances to be competitive in the pursuit of Project Balloon. The next day at the Board Meeting, the three purchase offers were presented and considered. The Board was also briefed about the site visit with Maruichi representatives the day before. After a lengthy discussion, the SEDC Board directed staff to continue pursuing Project Balloon, and in the event the Project did not progress over the next 30-days, then we could reconsider the purchase offers from the industrial developers.

Going into July 2022, activity picked up substantially with Project Balloon. By the end of July, Maruichi had visited Seguin two additional times, and on August 3rd, the SEDC and Mariuchi entered into an Option to Purchase Contract for the 33-acre property. The Option Contract gave Maruichi first right of refusal on the property for a 45-day period, allowing them to further evaluate the site for their proposed operation.

Just two months after the initial site visit, Maruichi notified the SEDC that they would exercise their option to purchase the property. On September 7, 2022, the SEDC Board of Directors and the Seguin City Council approved a Purchase and Sale Agreement for the 33-acre property, as well as a Performance Agreement and a Tax Abatement Agreement. The real estate (Purchase and Sale Agreement) and incentive agreements (Performance Agreement and a Tax Abatement Agreement) were immediately executed. Per the terms of the incentive agreements, Maruichi has committed to investing at least \$55 million, and will create at least 106 new jobs and \$4.77 million in wages over a two year ramp up period.

On December 9, 2022, Mariuchi closed on the purchase of the SEDC's 33-acre property located within the Rio Nogales Industrial Park. Shortly after their acquisition of the property, Maruichi was issued a Site Development Permit by the City of Seguin and broke ground on the construction of their future manufacturing facility. Mariuchi anticipates construction to be completed in the Spring of 2024, with manufacturing operations commencing shortly afterwards.

INNOVATIVENESS

In just six months, Maruichi/Project Balloon went from the initial site visit to breaking ground. The SEDC would not have been able to successfully recruit this project to Seguin without some forward thinking and creativity. The SEDC has a long and successful track record of acquiring real estate and doing upfront work to ensure those sites are shovel ready for prospects. The Maruichi project is a prime example of this. The SEDC took a proactive approach to establish the Rio Nogales Industrial Park through land assemblage and investments in infrastructure between 2014 and 2019.

In 2014/2015, when the SEDC made some of the initial land purchases to establish the industrial park, we worked with the City of Seguin to create a regional stormwater detention pond that was sized for full build out of the 280-acre Rio Nogales Industrial Park. The creation of the regional detention pond allowed for companies such Maruichi to maximize the developable area of their land site.

When the SEDC sold United Alloy 27-acres of land in 2019, SEDC Staff immediately began exploring ways to extend 8th Street so that the remaining 33-acres that Maruichi ultimately ended up purchasing had adequate roadway access. The SEDC successfully secured a U.S. Economic Development Administration Grant to partially offset the costs associated with extending 8th Street. The SEDC and the City of Seguin committed the remaining funds that were needed for this Project. The extension of 8th Street was completed in April 2023, well before Maruichi intends to commence manufacturing production.

The SEDC also needed to get creative when it came to deal structure associated with the real estate and incentives for Project Balloon. In July 2023, when Maruichi was just beginning to evaluate the site, they approached the SEDC with concerns that the site could ultimately be sold to a developer or to another user. To address those concerns, the SEDC and Mariuchi entered into an Option to Purchase Contract for the 33-acre property. The Option Contract gave Maruichi first right of refusal on the property for a 45-day period, allowing them to further evaluate the site for their proposed operation. Once Maruichi notified the SEDC that they would exercise their option to purchase the property, we began to negotiate the terms of the real estate transaction and incentives. Historically, the SEDC has sold land to companies at either a reduced cost or at no cost, subject to these companies agreeing to and fulfilling certain performance obligations. Traditionally, structuring deals with the sale of land at a reduced cost or at no cost was done upfront. The SEDC decided to change things up and get creative with the way we would sell the land to Maruichi. Instead of selling the land to Maruichi at a discounted rate upfront, the SEDC sold the land to Maruichi at market rate. We then negotiated with Maruichi to determine a set incentive monetary value that would be paid out to Maruichi upon fulfilling performance obligations outlined within the Performance Agreement. Structuring the real estate and incentive agreements in this manner helped mitigate risk to the SEDC, and placed the onus on Maruichi to meet their performance obligations if they want to realize the full value of their incentive.

Because of this proactive and creative approach, the SEDC was not only able to successfully recruit Maruichi to Seguin but were also able to generate revenue as a result of the sale of land to Maruichi. The SEDC has since used the revenue from the real estate transaction to pay off all of our outstanding debt obligations and pay for the design and construction of a new water line that will help active a new industrial site in Seguin.

TRANSFERABILITY

Economic Development Corporations within the State of Texas can leverage their funding to invest in real estate and infrastructure to promote the creation of primary jobs. Seguin has been highly successful at recruiting manufacturing companies to the region because of investments like this. The Maruichi project under construction within the Rio Nogales Industrial Park demonstrates the benefit of being forward thinking, proactive, and investing in real estate and infrastructure. Between 2014 and 2019, investments in infrastructure by the City of Seguin and the SEDC ensured that the Rio Nogales Industrial Park had access to industrial grade electric, water, and wastewater utilities, regional detention to maximize developable land, and immediate access to Interstate 10 via 8th Street. It was these factors, in addition to our team's responsiveness and ability to deliver what we promised that helped land this investment in Seguin. Not only was the SEDC able to leverage the shovel-ready real estate to successfully recruit Maruichi but we were also able to utilize the revenue from the sale of land and invest it into a major water infrastructure project that will help activate a new industrial site in Seguin. Economic Development Corporation's around the State can follow the same road map that Seguin used and find themselves in a position to bring in companies that will help create new jobs and investments within their respective communities.

COMMUNITY COMMITMENT AND LEVERAGE

For Mariuchi/Project Balloon, the SEDC assembled an incentive package that leverages components from the SEDC and the City. The incentive package included an SEDC performance-based cash grant and a 5-year partial tax abatement from the City of Seguin. In exchange, Maruichi entered into a Performance Agreement with the SEDC and a Tax Abatement Agreement with the City of Seguin, committing to a capital investment of at least \$55 million and the creation of at least 106 full-time jobs with an annual payroll of at least \$4.77 million. Because the SEDC cash-grant incentive to Maruichi is performance based, no up-front incentive dollars were paid out to Maruichi. Maruichi can realize the full value of the SEDC Performance Based Cash Grant upon meeting performance obligations such as commencing business operations, meeting capital investment benchmarks, and meeting job and payroll benchmarks. Structuring the SEDC Performance Agreement in this manner helped mitigate the risk to the SEDC, and placed the onus on Maruichi to meet their performance obligations if they want to realize the full value of their incentive. In addition to commitments from the SEDC and the City to provide these economic development incentives, the SEDC and the City of Seguin also made certain infrastructure commitments, specifically the extension of 8th Street in order to provide the site with access. The 8th Street extension project actually got started well before the SEDC started working with Maruichi, however, once the Maruichi project was announced publicly, the SEDC and the City of Seguin ramped up efforts to expedite the Project. The 8th Street Project was successfully completed in April of 2023, providing Maruichi with access well in advance of their projected operational start date.

MEASURED OBJECTIVES

With a tremendous asset in the Rio Nogales Industrial Park, the SEDC set out to recruit manufacturers that would add to the City's tax base, grow customer base and revenue for Seguin Utilities (City of Seguin Publicly Owned Utilities Department), and most importantly, create new jobs with wages that exceed the County Average Annual Wage. To achieve these goals, the SEDC and the City of Seguin made the decision to be proactive rather than reactive. The SEDC proactively extended industrial-grade utilities to the property that Maruichi is currently building on, and we also made a forward-thinking decision to build a regional detention facility to serve the entire industrial park. The next step was to ensure that the property had roadway access. 8th Street, the main thoroughfare for the industrial park, terminated before reaching the property. An extension of the road was required in order to provide the site with adequate roadway access. Knowing that with economic development projects, speed to market is vital, we wanted to ensure that prospects had all the appropriate infrastructure in place, so no additional time would need to be added to their construction schedules. The SEDC also invested in aggressively marketing the site on a regional and national level to prospective businesses, commercial real estate brokers and site selectors. Leveraging their ownership of the property, the SEDC was also able to ensure that the developer aligned with the community's targeted industry. Through investments in infrastructure, real estate, and marketing, the SEDC secured Maruichi as the community's newest employer, bolstering our economic landscape.

The incentive packages assembled for this project, allow us to measure the performance and direct impacts that Maruichi will have on the City of Seguin through their capital investments and the creation of primary jobs with

wages that exceed the County's Average Annual Wage. Based on an economic impact analysis conducted through Impact Data Source, the Maruichi project will generate over \$1 Million in new net property tax collections over the next 5 years as a result of the investments being made by Maruichi.

SECONDARY BENEFITS

Manufacturing is the heart of the Seguin economy. Big-name corporations such as Caterpillar, Vitesco Technologies, Tyson Foods, Niagara Bottling, Hexcel, and CMC Steel all have major manufacturing operations within our city. In fact, the Seguin region has over 7,000 manufacturing jobs; this is more than three times the national average. The addition of Maruichi and the 106 direct jobs they will create in Seguin will help further grow our manufacturing base, while at the same time creating numerous secondary benefits within Seguin and the surrounding area. According to Impact Data Source, this project is anticipated to create over 57 spin-off jobs. This project will also generate new sales and property tax revenue within the city, which will be invested in other projects to enhance the quality of life for our citizens. In addition, the revenue derived from the sale of real estate to Maruichi is already being invested in a major water line extension that upon completion will help active a new industrial site in Seguin. The SEDC also anticipates that some of the future workforce for Maruichi will relocate to the City of Seguin, thus increasing our already growing population and improving key demographic data indicators such as median household income, per capita income, and disposable income. The SEDC hopes to use this as leverage in recruiting new commercial and retail development to our community.

Another important secondary benefit as a result of this project is that it will help strengthen our manufacturing workforce development capabilities and efforts that the SEDC is currently pursuing. The growth of manufacturing in our region has placed a high demand on our existing labor force. It has become a top priority to create a skilled and plentiful labor pool that can meet the needs of manufacturers not only today, but into the future. The SEDC, in partnership with many of our regional workforce development partners, are working towards establishing new workforce development initiatives that will help address these needs. One such initiative that has gained traction in Seguin and the surrounding area is the establishment of a new regional chapter of the Federation of Advanced Manufacturing (FAME). FAME is an industry-led collaborative of employers who work collectively to participate in and support the Advanced Manufacturing Career Pathways, including the Advanced Manufacturing Technician (AMT) Program. FAME companies collaborate on developing a skilled workforce and also benchmark successful strategies off of one another. By working with local training providers, FAME companies can grow their own talent through short, mid, and long-term pipeline development strategies. Maruichi has strengthened the Seguin manufacturing cluster and with their help, and the help of our existing manufacturers, we hope to take giant strides towards cultivating a workforce development environment that will foster additional growth.

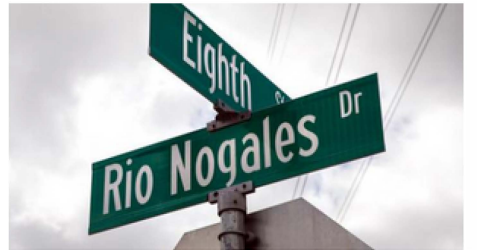
Secondary benefits of this project span far beyond the Seguin city limit. Not only does this project significantly impact the Seguin community but has far-reaching economic implications for the South-Central Texas region. With Maruichi added to the San Antonio region, South Central Texas has gained additional leverage to recruit more large-scale semiconductor manufacturing and supplier facilities. With global demand for semiconductor manufacturing increasing, the Maruichi facility in Seguin will make the South-Central Texas region even more attractive for semiconductor fabricators knowing that they have a supply chain ecosystem developing in the area.



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