

TEDC 2022 CEDA APPLICATION

All Applications Must Be Received by August 19, 2022

The 2022 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: Sherman, Texas

TEDC Member Name: Kent Sharp (individual member, not organization)

Telephone #: 903.868.2566

Email Address: kents@sedco.org

Community Population (as currently marketed): 43,000

Application Submitted By: Kent Sharp, SEDCO President

Email Address: kents@sedco.org

Media Contacts: [optional]

Organization: Herald Democrat Contact Name: Michael Hutchins

Email Address: mhutchins@heralddemocrat.com

Organization: KXII Contact Name: _____

Email Address: news12@kxii.com

SUBMITTED FOR:

- | | |
|--|--|
| <input type="checkbox"/> Business Retention | <input type="checkbox"/> Business Attraction |
| <input checked="" type="checkbox"/> Business Expansion | <input type="checkbox"/> Community Involvement |

SUMMARY REVIEW

Please attach a brief description of the economic development efforts and accomplishments of the project or program (specific to the project or program for which you are submitting the application). Within this description, address the awards criteria of innovativeness, transferability, community commitment, measured objectives and secondary benefits. The narrative portion of the application is limited to four (4) conventionally formatted 8.5" x 11" pages. Please also submit up to five (5) digital photographs (jpeg) to amy@texasedc.org. The photos must be submitted with the application form. The photographs will be presented during the CEDA luncheon at the TEDC's 2022 Annual Conference.

INTRODUCTION

In January 2020, Texas Instruments notified the leadership of Sherman, Texas that it would be closing its Sherman 150-mm semiconductor wafer fabrication plant between 2023-2025. This plant has existed in the Sherman community since 1965, a full 57 years of employing thousands of Sherman and Grayson County residents.

In late June 2021, a representative from Texas Instruments (TI) walked into the offices of the Sherman Economic Development Corporation (SEDCO) in Sherman, Texas and asked the President to sign a non-disclosure agreement. Over the course of the next five months, SEDCO staff along with the City of Sherman, Grayson County, Sherman Independent School District (SISD), Grayson College, and many of our economic development partners would develop the most aggressive economic development proposal of which our community has ever engaged...and land the largest economic development project ever announced in the State of Texas.

THE PROJECT

The purpose of that June 2021 meeting with TI at SEDCO was to inform the SEDCO President of TI's intention to construct a four-phase, 300-mm semiconductor wafer fabrication plant over the next 10 years. Each phase would generate a capital expenditure in excess of \$7 Billion and generate 800 high paying jobs. Total capital expenditures at complete build out would be approximately \$30 Billion with 3,200 new jobs being created. TI had already fielded a very competitive proposal from Singapore's national government and gave Sherman only six weeks to get the major deal points of the proposal to TI headquarters in Dallas.

Understanding the complexity of putting a proposal of this magnitude together, SEDCO staff took the lead on negotiations between the company and our economic development partners. Several factors complicated the development of this proposal:

- Local taxing entities had never developed a proposal which considered four phases spread out over a 10-year period.
- Local taxing entities had never contemplated, much less considered, a tax abatement period that would last 30 years.
- Neither SEDCO staff nor the staff of SISD had ever been involved in a Chapter 313 school property tax negotiation before.
- TI would not disclose the information on the level of incentives that Singapore had offered, and the information was not publicly available.
- There was a tight timeline to coordinate meetings among the local taxing entities, assist each entity in reaching the level of incentive to be competitive, meet deadlines to publish notices, conduct public hearings, and arrive at the final votes from each taxing entity.

- The volume of utility upgrades needed for each phase required utility providers to quickly assess their current capabilities and determine if they could meet the per phase demand by the time each phase is brought online.

With those factors in mind, the leadership team in Sherman and Grayson County came together and curated an extensive incentive proposal for TI. Numerous meetings were held, and communications exchanged during Q3 of 2021 to plan and execute a successful deal. Taxing entities including SISD, the City of Sherman, Grayson County, Grayson College, and SEDCO immediately developed a calendar of deadlines to accommodate TI's aggressive schedule. One missed deadline would have jeopardized Sherman securing the project. The City of Sherman and Grayson County used traditional Chapter 312 property tax abatement as well as Chapter 380 and 381 property tax rebate agreements to achieve a 90%, 30-year incentive. In addition, Grayson College participated with a 50%, 10-year ad valorem tax reduction. The City of Sherman also offered a 25% water rate reduction for the first phase of the project. SEDCO agreed to provide a \$1 million investment each year from 2023-2026 to the City of Sherman to help offset the cost of debt service of \$100 million the city will incur to build water and wastewater infrastructure.

Under extreme time constraints, SISD applied the Texas Chapter 313 school property tax abatement to gain the largest single incentive element of the overall proposal. This agreement had to be approved by the Texas Comptroller. Nearing TI's deadline of December 1st, Sherman leadership successfully requested the State Comptroller expedite the application review process, and on November 15th, the Texas Comptroller approved the SISD Chapter 313 application.

The week before Thanksgiving 2021, TI made the announcement that Sherman, Texas was selected as the location for their 4.7 million square foot, 300-mm semiconductor wafer fabrication plant. The North Texas site will meet the demand as semiconductor growth in electronics, particularly in industrial and automotive markets, is expected to continue well into the future. TI's investment will come in four phases over the next 10 years, with the first and second FABs already under construction. Production from the first new facility will begin as early as 2025. At full build-out, the new TI site will be the largest electronics production facility in Texas and among the largest manufacturing plants of any kind in the United States.

INNOVATIVENESS

From an institutional level, this project was very challenging. As previously mentioned, this project included several taxing entities in Sherman and Grayson County. SEDCO was innovative in that we took the lead in acting as a "clearing house" for most of the communication among the entities. In this way, we were able to prevent many incidents of miscommunication or mistranslation among each of the entities and/or the company. We also democratized the process early on, encouraging each entity to go directly to the company for information requests or clarification of material specific to that taxing entity. SEDCO maintained a centralized database of frequently asked questions (FAQs) as well as a master calendar of all dates each taxing entity needed to make to comply with the statutes related to ad valorem tax abatement.

Neither the staff of SEDCO nor SISD had ever been involved in the negotiation of a Chapter 313 school property tax abatement before this project, and we had less than one month to become experts. SEDCO recommended that SISD engage a law firm which has had considerable experience with Chapter 313 contracts. Likewise, TI engaged another law firm with similar experience. Using these two firms drastically cut the time to complete the application, negotiate the terms, and gain approval from the Texas Comptroller's office.

TRANSFERABILITY

With one notable exception, both the incentives and the process of developing the incentives could easily be duplicated in most Texas communities. Cities, counties, independent school districts, and community colleges all operate under the same state laws regarding the tax abatement process specific to their own entity. The only difference going forward, beyond 2022, is that Chapter 313 will expire at the end of December 2022.

EDC participation with a city by using sales tax for economic development to help offset infrastructure costs incurred for the industrial project is common across the state as well.

Serving as a liaison between community leaders and companies is at the core of being an economic developer. Having the EDC fulfill the role as the "clearing house" for communications, information requests, the database for materials specific to each taxing entity and FAQs, as well as the keeper of the master calendar with all the deadlines can easily be replicated in all Texas communities.

COMMUNITY COMMITMENT AND LEVERAGE

Much of this was addressed in the innovativeness section, however it is worth noting again that five different taxing entities, collectively governed by 30 different elected and appointed officials, all achieved unanimous consent on every incentive considered by each entity.

TI received a 10-year, 90% property tax abatement from the City of Sherman and Grayson County under Chapter 312, and the city and county extended another 20 years of 90% property tax rebate to the company using Chapters 380 and 381. Grayson College extended a 10-year, 50% property tax abatement to the company.

SISD made up the largest benefit of local property tax abatement for school taxes using Chapter 313. It is important to note that absolutely none of the Interest and Sinking (I&S) Rate of the school property tax is abated pursuant to state law. SISD essentially abated approximately 85% of the Maintenance and Operation (M&O) Rate for 10 years.

SEDCO has agreed to provide a \$1 million investment each year from 2023-2026 to the City of Sherman to help offset the cost of debt service of \$100 million the city will incur to build water and wastewater infrastructure from Lake Texoma to the water treatment plant and continuing

into the industrial park, as well as new elevated water storage tanks for added pressure to the new fabrication facilities.

All incentives were local; no funds came from the state or federal government. However, it is anticipated that TI will apply for and will most likely receive some of the allocation from the recently passed federal Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act, a \$52 billion incentive pool Congress passed to entice semiconductor research and development and manufacturing back to the United States.

MEASURED OBJECTIVES

According to Austin-based Impact DataSource, TI's new \$30 Billion wafer fabrication facility in Sherman, Texas will have a total direct economic impact of \$434,993,441 over 30 years. The total indirect economic impact will be \$123,398,939, and the total induced impact will be \$82,265,960 over the same period.

At full production in all four FABs, the TI Sherman project has an anticipated employment impact of 3,200 direct, 2,335 indirect, and 1,556 induced jobs. Direct wages are estimated to be \$274,002,369, indirect wages of \$71,481,738, and induced wages of \$47,654,492.

SECONDARY BENEFITS

Since the TI announcement, secondary benefits have already begun to accrue to Sherman. From upgraded infrastructure, the draw of a highly skilled workforce, and ancillary support structures, Sherman has seen a significant increase in interest from related semiconductor industry sectors. In June 2022, GlobalWafers USA announced Sherman had been selected over South Korea and Ohio for a \$5 billion, "Best in Class" 300-mm wafer production facility. This project will create 1,500 direct jobs and provide state-of-the-art 300-mm silicon wafers for chip companies across the United States including TI, Intel, Samsung, TSMC, and many others.

Due to the enormous investment in Sherman and Grayson County by TI, most of our taxing entities have reduced their tax rates for the city and county citizens. As well, the increased revenue flowing into the taxing entities will enable each entity to have more funds for operating and capital expenditures.

CONCLUSION

Realizing the total economic impact a project like this would have on our city and county for decades to come, all of our elected and appointed officials put in the maximum effort to secure this investment for Sherman and Grayson County. When complete, the Texas Instruments' fabrication facilities will seed our economic landscape with many future opportunities including great paying jobs, increased local economic output, and a higher standard of living for current and future generations.