

**CITY OF SAN ANTONIO
ECONOMIC DEVELOPMENT DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Mayor and City Council

FROM: Ramiro A. Cavazos, Director

SUBJECT: Nomination of Toyoda Gosei Texas, LLC as a State Enterprise Zone Project

DATE: August 18, 2005

SUMMARY AND RECOMMENDATIONS

The purpose of this resolution is to nominate Toyoda Gosei Texas, LLC ("TGTX") to the Office of the Governor, Economic Development and Tourism, for designation as a State Enterprise Zone (EZ) Project. TGTX is a Toyota Tier 1 supplier who intends to locate in the Toyota Supplier Park. The Supplier Park is within the City's Federal Empowerment Zone and meets the State's criteria for qualification as a State EZ area. If approved by the State, the EZ Project designation will qualify TGTX for a refund of State sales and use tax of approximately \$395,000 over 5 years, based on the creation of approximately 158 jobs.

Staff recommends approval of this resolution.

BACKGROUND INFORMATION

The State EZ Program is an economic development tool that allows communities to partner with the State in promoting development in economically distressed areas. Under this program, census block groups, with a poverty rate of at least 20 percent (as identified during the 2000 census), automatically qualify as EZ areas. San Antonio has 413 qualifying census block groups that now qualify as EZ areas. The City's Federal Empowerment Zone areas, including the developable sites at Brooks City-Base, KellyUSA/Toyota and the Fredericksburg Road corridor, also qualify as State EZ areas.

The State is authorized to award up to 85 EZ Projects per State fiscal biennium (every two years). Nominations for the first quarter of the next biennium are due September 1, 2005. The City may nominate up to 6 EZ Projects per State fiscal biennium and has nominated 23 companies for EZ Project designation since the program's inception in 1988. There are currently 7 active EZ Projects in the City, including Toyota and two other Toyota Tier 1 suppliers, Avanzar Interior Technologies, LTD. and Vutex, Inc. As a State EZ Project, a company qualifies for State sales and use tax refunds on taxes paid on labor and materials for construction based on investment and job creation. On July 29, 2005, TGTX requested that the City nominate their project for State EZ designation. TGTX will be the City's first EZ Project nomination for the next State fiscal biennium.

TGTX was organized in Texas in 2005 and is a wholly owned subsidiary of Toyoda Gosei North America Corporation, based in Troy, Michigan. Beginning in October 2006, TGTX will commence production of manufactured and assembled automotive parts and components for Toyota, including the center console box, glove box, ashtray and instrument panel meter cluster. The Toyota Supplier Park is located in a qualifying EZ census block group and is also within the City's Federal Empowerment Zone, which qualify as State EZ areas.

TGTX intends to invest \$25 million (\$15 million in real property, \$9 million in personal property and \$1 million in supplies) and create 158 jobs. A State EZ designation will qualify TGTX for a State sales tax refund of up to a \$1,250,000 (\$2,500 per job up to 500 jobs). TGTX expects to receive a refund of approximately \$395,000 in State sales and use tax based on their projected 158 jobs. To qualify for the State EZ Project designation, a business must locate within an approved EZ area and fill 25 percent of all new jobs with either EZ residents or economically disadvantaged individuals. Economically disadvantaged individuals include those who are unemployed for at least three months, receiving public assistance, disabled, homeless or a low/moderate income family.

POLICY ANALYSIS

As required by State statute, the City Council held a public hearing and approved an ordinance (No. 99627) on August 26, 2004, declaring the City's intent to participate in the State EZ program. Nominating the TGTX project for State EZ designation fulfills one of the City's commitments to provide business incentives that help attract Toyota Tier 1 suppliers to the Toyota Supplier Park.

The Supplier Park project supports the City's *Strategic Plan for Enhanced Economic Development* by encouraging the attraction of new businesses and good paying jobs to the targeted southern sector. The TGTX project also promotes growth in the targeted industry of manufacturing and enhances the potential for Toyota to further expand its operations and commitments to San Antonio.

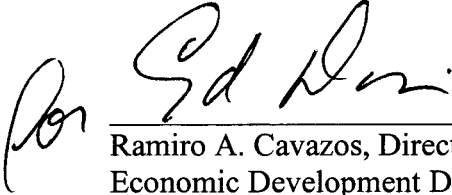
Presently, a total of 17 Toyota Tier 1 suppliers, including TGTX, have committed to locate at the Supplier Park, invest \$307 million and create approximately 2,108 jobs. The attraction and concentration of additional investment and good-paying jobs at the Toyota Supplier Park will allow the City to maximize the full economic benefit of Toyota's presence in the community.

FISCAL IMPACT

The EZ program benefits are awarded by the State of Texas. As such, there is no direct fiscal impact to the City of San Antonio.

COORDINATION

The Economic Development Department staff coordinated this item with the City Attorney's Office and the Office of the Governor, Economic Development and Tourism.



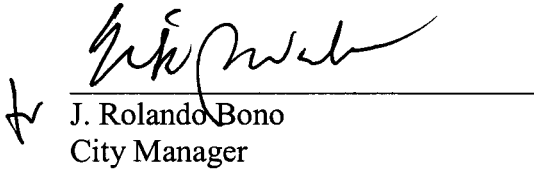
Handwritten signature of Ramiro A. Cavazos in cursive script.

Ramiro A. Cavazos, Director
Economic Development Department



Handwritten signature of Jelynn LeBlanc Burley in cursive script.

Jelynn LeBlanc Burley
Assistant City Manager



Handwritten signature of J. Rolando Bono in cursive script.

J. Rolando Bono
City Manager