

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

TO: Mayor and City Council

FROM: Ramiro A. Cavazos, Director

SUBJECT: Nomination of Futaba Industrial Texas Corp. as a State Enterprise Project

DATE: November 17, 2005

SUMMARY AND RECOMMENDATIONS

The purpose of this resolution is to nominate Futaba Industrial Texas Corp. ("Futaba") to the Office of the Governor, Economic Development and Tourism, for designation as a State Enterprise Project. Futaba is a Toyota Tier 1 supplier who will locate operations at the Toyota Supplier Park. If approved by the State, the Enterprise Project designation will qualify Futaba for a refund of State sales and use taxes of approximately \$400,000 over 5 years, based on a capital investment of \$50 million and the creation of 160 manufacturing jobs.

Staff recommends approval of this resolution.

BACKGROUND INFORMATION

The State Enterprise Zone (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 State EZ areas. San Antonio has 413 qualifying census block groups that qualify as State 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 Enterprise Projects per State fiscal biennium (September 2005 through August 2007). Nominations for the second quarter of the current State biennium are due December 1, 2005. The City may nominate up to six Enterprise Projects per State biennium. On September 1, 2005, the City nominated Toyoda Gosei Texas (TGTX), LLC, a supplier located at the Toyota Supplier Park, to the State as an Enterprise Project. With the nomination of TGTX, the City has 5 State Enterprise Projects remaining. Overall, the City has nominated 24 companies for Enterprise Project designation since the Program's inception in 1988. There are currently 7 active Enterprise Projects in the City, including Toyota and two other Toyota Tier 1 suppliers, Avanzar Interior Technologies, LTD. and Vutex, Inc.

Futaba Industrial Texas Corp. was organized in Texas in 2005 and is a wholly owned subsidiary of FIC America Corporation, based in Carol Stream, Illinois. Futaba is a Toyota Tier 1 supplier locating at the Toyota Supplier Park. Futaba intends to invest \$50 million in real and personal property and create 160 jobs. Futaba will produce stamped and welded metal components for the Toyota Tundra truck. On October 10, 2005, Futaba requested that the City nominate their project for State Enterprise Project designation. As a State Enterprise Project, Futaba will qualify for a State refund of approximately \$400,000 in sales and use taxes paid on labor and materials for construction based on investment and job creation (a refund of \$2,500 per job). With the nomination of Futaba, the City will have 4 State Enterprise Projects remaining in the current State biennium ending August 31, 2007.

To qualify as a State Enterprise Project, Futaba must locate within an approved State EZ area. The Toyota Supplier Park is within the City's Federal Empowerment Zone, which meets the State's criteria for qualification as a State EZ area. Futaba must also 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 Futaba Project for State Enterprise Project designation fulfills one of the City's commitments to provide business incentives to help attract Toyota Tier 1 suppliers to the Toyota Supplier Park. Futaba will be the fourth Toyota Tier 1 supplier at the Toyota Supplier Park nominated by the City for State Enterprise Project designation.

The Toyota 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 Futaba 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 21 Toyota Tier 1 suppliers, including Futaba, 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

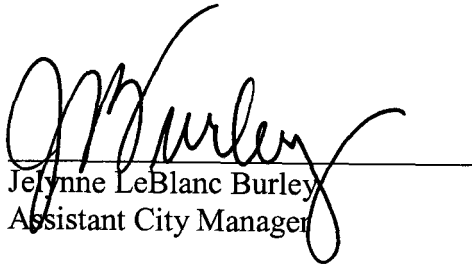
The State EZ Program benefits are awarded by the State of Texas. As such, there is no direct fiscal impact to the City of San Antonio. The City will continue to receive its portion of the sales and use tax.

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.



Ramiro A. Cavazos
Director, Economic Development Department



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