

Agenda item #31
(B)

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

TO: Sheryl Sculley, City Manager

FROM: Ramiro A. Cavazos, Director

SUBJECT: Amendment to the Tax Phase-In Agreement with Millennium Steel of Texas.

DATE: June 1, 2006

SUMMARY AND RECOMMENDATIONS

This ordinance authorizes an amendment to the Tax Phase-In Agreement with Millennium Steel of Texas, L.P., a Toyota Tier 1 Supplier, increasing the minimum wage the company is obligated to pay to its employees from \$9.06 to \$11.03 and, in accordance with the City's Toyota Supplier Park Incentive Guidelines, increasing the amount of the abatement on real and personal property from 80% to 100%.

Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

On June 16, 2005, City Council authorized the execution of sixteen (16) Tax Phase-In Agreements with Toyota Tier 1 suppliers (Attachment 1) who agreed to locate their facilities at the Toyota Supplier Park. Included in this list of suppliers was Millennium Steel of Texas, L.P., a minority-owned company who manufactures steel blanks from steel coils for the Toyota Tundra truck. By the original terms of the Agreement, Millennium Steel committed to investing \$37 million in real and personal property improvements to its facility on the Toyota Supplier Park and to creating 45 jobs paying not less than \$9.06 per hour. Based upon this hourly wage and in accordance with the City's Toyota Supplier Park Guidelines, the City agreed to abate 80% of taxes on new real and personal property improvements for a term of ten (10) years. The company is now requesting an amendment to their Agreement increasing the minimum hourly wage required to be paid to all employees to \$11.03 per hour, the City's wage standard for durable goods manufacturing, and increasing the percentage of the City's tax abatement from 80% to 100%.

POLICY ANALYSIS

The Supplier Park Project supports the City's Strategic Plan for Enhanced Economic Development by promoting growth in the targeted manufacturing industry and in the targeted southern sector. The Supplier Park Project allows the City to maximize the full economic benefit of the Toyota automotive manufacturing plant. Millennium Steel offers a full benefits package, including health care coverage for the employee and their families.

The Toyota property is located within the City's Federal Empowerment Zone and, therefore qualifies as a Reinvestment Zone. The Supplier Park Project qualifies under the Joint Tax Phase-In Guidelines as a Level 3 "exceptional investment" project, since the Project collectively exceeds \$50,000,000 in total property investment and creates at least 500 permanent, full-time jobs. The Supplier Park Project is located south of U.S. Highway 90, therefore, qualifying for a 10-year term of abatement under the City's Tax Phase-In Guidelines.

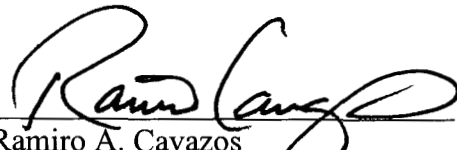
FISCAL IMPACT

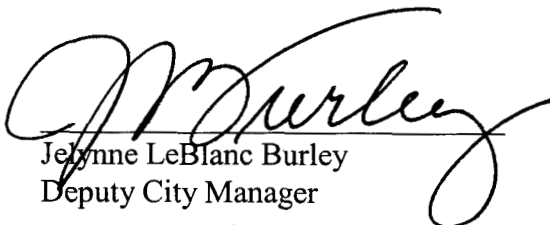
The City's Tax Phase-In Agreement allows for the recapture of up to 100% of abated taxes during the 10 year term, and for 6 years following on a declining percentage basis, if the company relocates their business or ceases operations. The City may also terminate the Agreement if a supplier fails to meet and maintain the minimum wage standard as specified in the Tax Phase-In Agreement.

COORDINATION

This item was presented to the Economic Development and International Affairs Committee on March 30, 2006. The Committee recommended approval.

The Economic Development Department (EDD) staff has met with the City Attorney's Office to finalize the proposed Amendment.


Ramiro A. Cavazos
Director, Economic Development Department


Jelynn LeBlanc Burley
Deputy City Manager

**TOYOTA SUPPLIER PARK PROJECT
TAX PHASE-IN APPLICATIONS
APPROVED BY CITY COUNCIL SINCE JUNE 16, 2005**

	Applicant Company	Description	Level of Investment	Number of Jobs	Percent Abatement
1.	Ark, Inc. and Toyota Tsusho America, Inc.	Industrial Waste Management; Recycling	\$2.2M	13	80%
2.	Avanzar Interior Technologies, Ltd.	Motor Vehicle Seating, and Interior Trim Manufacturing	\$42.2M	500	100%
3.	Curtis-Maruyasu America, Inc.	Brake and Fuel Line Systems	\$1.5M	14	100%
4.	Futaba Industrial Texas Corp.	Metal stamping and welding for automotive structural components	\$40M	170	80%
5.	Green Metals, Inc. and Toyota Tsusho America, Inc.	Scrap Metal Recycling	\$5.4M	8	80%
6.	HERO Assemblers, LP. and Toyota Tsusho America, Inc.	Tire and Wheel Assembly	\$19M	46	100%
7.	HERO Logistics, LP. and Toyota Tsusho America, Inc.	Receive, Sort, and Store Vehicle Components for Delivery	\$1.5M	104	80%
8.	Metalsa Light Truck, Inc.	Logistics and Distribution of Chassis Frames	\$5M	15	80%
9.	Millennium Steel of Texas, LP. and Toyota Tsusho America, Inc.	Manufacture Steel Blanks from Steel Coils	\$37.2M	46	100%

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	Applicant Company	Description	Level of Investment	Number of Jobs	Percent Abatement
10.	Reyes Automotive Group, LLC.	Manufacture Automotive Interior and Exterior Trim Products	\$20.3M	69	80%
11.	Reyes-Amtex Automotive, LLC.	Manufacture Automotive Carpets	\$1.6M	30	80%
12.	Takumi Stamping Texas, Inc.	Metal Stamping	\$19M	140	80%
13.	Toyota Tsusho America, Inc. and Tenneco Automotive Operating Company, Inc.	Manufacture Exhaust Systems	\$5.7M	30	80%
14.	Toyotetsu Texas, Inc.	Metal Stamping, welding for automotive structural components	\$32.5M	160	80%
15.	Vutex, Inc.	Instrument panel, windshield and door glass subassembly	\$9.0M	525	80%
16.	Toyoda Gosei Texas, LLC. (Approved August 18, 2005)	Center console box, glove box, ashtray and instrument panel	\$25M	158	80%