

AN ORDINANCE     **2016-04-07-0243**

**AUTHORIZING AN ASSIGNMENT, ASSUMPTION AND THIRD  
AMENDMENT TO THE TAX PHASE-IN AGREEMENT WITH MAXIM  
INTEGRATED PRODUCTS, INC. ("MAXIM") TO PROVIDE FOR THE  
ACQUISITION OF MAXIM'S SAN ANTONIO FACILITY BY TOWER  
SEMICONDUCTOR LTD./TOWER JAZZ.**

\* \* \* \* \*

**WHEREAS**, the City of San Antonio ("City") and Maxim entered into that certain Tax Phase-In Agreement (the "Agreement") authorized by City Ordinance No. 100069 which was passed and approved on December 9, 2004, and

**WHEREAS**, on February 15, 2007, the City amended the Agreement in accordance with City Ordinance No. 2007-02-15-0181 to increase the required personal property investment from \$50 million to \$82 million (the "First Amendment"); and

**WHEREAS**, on June 9, 2011 the City again amended the Agreement in accordance with City Ordinance No. 2011-06-09-0491 to reduce the amount of abated taxes from 100% to 85% and to lower the full-time job requirement from 800 to 575 (the "Second Amendment"); and

**WHEREAS**, Maxim has requested to assign its interest in the Agreement to Tower Semiconductor Ltd./TowerJazz ("Tower"), to: (1) assume all rights and obligations of Maxim under the Agreement; (2) amend the terms and conditions of the Agreement to include a six-year recapture period from the date of transfer from Maxim to Tower; and (3) to increase the number of full-time jobs required from 575 to 600; and

**WHEREAS**, the City finds that providing for the assignment, assumption and amendment of the Agreement would continue the goals of the City by maintaining 600 full-time jobs and significant investment in the manufacturing industry; **NOW THEREFORE:**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:**

**SECTION 1.** The terms and conditions of an Assignment, Assumption and Third Amendment (the "Amendment") to the Tax Phase-In Agreement with Maxim Integrated Products, Inc. are hereby approved. The City Manager, or her designee, is authorized to execute the Amendment in accordance with this Ordinance. A copy of the Amendment in substantially final form is attached as "Exhibit A" and is made a part of this Ordinance. The final copy of the Amendment shall be attached when fully executed.


**SECTION 2.** This Ordinance shall become effective immediately upon its passage by eight (8) votes or more and upon ten (10) days following its passage if approved by fewer than eight (8) votes.

RR  
04/07/16  
Item No. 15

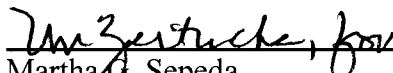
**PASSED AND APPROVED** this 7<sup>th</sup> day of April, 2016.

  
M A Y O R  
Ivy R. Taylor

**ATTEST:**

  
Leticia M. Vacek  
City Clerk

**APPROVED AS TO FORM:**

  
Martha G. Sepeda  
Acting City Attorney

<b>Agenda Item:</b>	<b>15 ( in consent vote: 5, 6, 7, 8, 9, 12, 13, 14, 15, 16, 17, 19, 20 )</b>						
<b>Date:</b>	04/07/2016						
<b>Time:</b>	11:21:42 AM						
<b>Vote Type:</b>	Motion to Approve						
<b>Description:</b>	An Ordinance authorizing a Third Amendment to the Tax Phase-In Agreement with Maxim Integrated Products, Inc. to provide for the acquisition of Maxim's interest by TJ Texas, Inc. [Carlos Contreras, Assistant City Manager; Rene Dominguez, Director, Economic Development]						
<b>Result:</b>	Passed						
<b>Voter</b>	<b>Group</b>	<b>Not Present</b>	<b>Yea</b>	<b>Nay</b>	<b>Abstain</b>	<b>Motion</b>	<b>Second</b>
Ivy R. Taylor	Mayor		x				
Roberto C. Treviño	District 1	x					
Alan Warrick	District 2		x			x	
Rebecca Viagran	District 3	x					
Rey Saldaña	District 4	x					
Shirley Gonzales	District 5		x				x
Ray Lopez	District 6	x					
Cris Medina	District 7		x				
Ron Nirenberg	District 8		x				
Joe Krier	District 9		x				
Michael Gallagher	District 10		x				

# **Exhibit A**

### **THIRD AMENDMENT TO TAX PHASE-IN AGREEMENT**

#### **BETWEEN THE CITY OF SAN ANTONIO AND MAXIM INTEGRATED PRODUCTS, INC.**

This Third Amendment to Tax Phase-In Agreement (this "Third Amendment") is entered into by and between the City of San Antonio ("CITY"), a municipal corporation governed by the laws of the State of Texas, and MAXIM INTEGRATED PRODUCTS, INC. (MAXIM), a Delaware corporation. Together, CITY and MAXIM may be referred to, herein, as "the Parties."

#### **RECITALS**

A. CITY and MAXIM entered into that certain TAX PHASE-IN AGREEMENT (as amended, the "Agreement") authorized by City Ordinance No. 100069, passed and approved on December 9, 2004, and attached hereto as **Exhibit A**.

B. On February 15, 2007, the Parties amended the Agreement in accordance with City Ordinance No. 2007-02-15-0181 to increase the required Personal Property Investment from \$50 million to \$82 million and to abate Real Property Improvements taxes on a required \$4.2 million Real Property Improvement.

C. On June 9, 2011 the Parties again amended the Agreement in accordance with City Ordinance No. 2011-06-09-0491 to reduce the amount of abated taxes from 100% to 85% and to lower the Full-Time Job requirement from 800 to 575.

D. On February 1, 2016, TJ Texas Inc., a Delaware corporation authorized to transact business in Texas and a wholly owned subsidiary of Tower Semiconductor, Ltd. ("TJ TEXAS"), purchased (the "Purchase") the 178 acre Facility located at 9651 Westover Hills Boulevard from MAXIM.

E. In connection with the Purchase and in accordance with Article 6, Paragraph P of the Agreement, MAXIM assigned all its rights and obligations under the Agreement to TJ TEXAS as of February 1, 2016. A copy of the executed Assignment and Assumption of Tax Phase-In Agreement between MAXIM and TJ TEXAS is incorporated herein and attached hereto as **Exhibit B** (the "Assignment").

F. The Parties, now seek to amend the terms and conditions of the Agreement as of the Effective Date (defined below) as stated in this Third Amendment and affirm that all other provisions of the Agreement remain in full force and effect.

#### **AMENDMENT**

**NOW THEREFORE**, the Parties hereby agree as follows:

1. **Definitions.** All capitalized terms used in this Third Amendment without definition herein shall have the meanings assigned to such terms in the Agreement.

2. **CITY's Obligations.** Notwithstanding anything to the contrary contained in this Third Amendment, this Third Amendment shall not enlarge or increase CITY's obligations or liability under the Agreement or otherwise.

3. **Amendment.** The Parties hereby mutually agree to amend the Agreement as follows:

- (A) No later than December 31, 2017, MAXIM shall employ no fewer than FIVE HUNDRED THIRTY-FOUR (534) Full-Time Employees at the Facility.
- (B) No later than December 31, 2018, MAXIM shall employ no fewer than SIX HUNDRED (600) Full-Time Employees at the Facility and shall continue to employ 600 Full-Time Employees for four consecutive years thereafter.
- (C) At no time during the term of the Agreement shall MAXIM employ less than 484 Full-Time jobs at the Facility.
- (D) Notwithstanding anything contained in the Agreement to the contrary, including, without limitation, cure periods, should MAXIM fail to meet the requirements of Section 2(A), Section 2(B), and/or Section 2(C) above, then, CITY shall have the right to terminate this Agreement upon written notice to MAXIM, and MAXIM shall pay CITY the amount of ONE MILLION EIGHT HUNDRED TWENTY-FOUR THOUSAND DOLLARS AND 0 CENTS (\$1,824,000.00) within thirty (30) days after the date of such notice from CITY, it being acknowledged by the Parties that such amount represents a 100% recapture of abated real and personal property taxes under the Agreement, which amount is secured by all lien rights and rules of priority and security under state law.

4. **Wage Requirement.** Article 5, Paragraph B shall be replaced in its entirety with the following:

B. TOWER covenants and agrees that it shall, as of the Effective Date, pay one hundred percent (100%) of its employees located at the Facility at least the City's effective prevailing "living" wage as determined by the City Council in its Tax Abatement Guidelines as of January 22, 2014, which is ELEVEN DOLLARS AND FORTY-SEVEN CENTS (\$11.47) per hour. Commencing on December 31, 2017, seventy percent (70%) of all new and existing employees working at the Property must earn at least FOURTEEN DOLLARS AND FORTY-FOUR CENTS (\$14.44) per hour.

5. **Effective Date.** Upon passage of a duly authorized ordinance of the City Council of the City of San Antonio, which shall be attached hereto and made a part of this Third Amendment, the Effective Date of this Third Amendment shall be January 31, 2016.

6. **No Other Changes.** Except as specifically set forth in this Third Amendment, all of the terms and conditions of the Agreement shall remain the same and are hereby ratified and confirmed. The Agreement shall continue in full force and effect and along with the First Amendment, Second Amendment and this Third Amendment shall be read and construed as one instrument.

7. **Entire Agreement; Waiver.** This Third Amendment constitutes the final, complete and exclusive statement between the parties to this Third Amendment pertaining to the amendment of the terms and conditions of the Agreement as set forth herein, supersedes all prior and contemporaneous understandings or agreements of the parties pertaining to the matters set forth herein, and is binding on and inures to the benefit of their respective heirs, representatives, successors, successors-interest, and assigns. No Party has been induced to enter into this Third Amendment by, nor is any Party relying on, any representation or warranty other than the Guarantee in favor of the City contained in the attached Assignment those expressly set forth in this Third Amendment. Any agreement made after the date of this Third Amendment is ineffective to modify, waive, or terminate this Third Amendment, in whole or in part, unless that agreement is in writing, is signed by the parties to this Third Amendment, and specifically states that agreement modifies this Third Amendment.

8. **Choice of Law.** This Third Amendment shall be construed in accordance with and governed by the laws of the State of Texas.

9. **Counterparts.** This Third Amendment may be executed in any number of counterparts, but all such counterparts shall together constitute but one instrument. In making proof of this Third Amendment it shall not be necessary to produce or account for more than one counterpart signed by each party hereto by and against which enforcement hereof is sought.

*Signatures appear on next page.*

**WITNESS HEREOF**, the parties hereto have executed in triplicate originals this Third Amendment on the \_\_\_\_\_ day of April 2016.

**CITY OF SAN ANTONIO,**  
a municipal corporation

**MAXIM INTEGRATED  
PRODUCTS, INC.,**  
a Delaware corporation

\_\_\_\_\_  
Sheryl L. Sculley  
City Manager

\_\_\_\_\_  
Name:  
Title:

ATTEST:

\_\_\_\_\_  
Leticia Vacek  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney



Exhibit A  
(Ordinance)

AN ORDINANCE 100069

APPROVING THE TERMS AND CONDITIONS AND AUTHORIZING  
EXECUTION OF A TAX PHASE-IN AGREEMENT WITH MAXIM  
INTEGRATED PRODUCTS, INC. ("MAXIM") TO EXEMPT 100% OF  
AD VALOREM TAXES FOR 10 YEARS ON PERSONAL PROPERTY  
IMPROVEMENTS OF \$50 MILLION; AND APPROVING AN  
EXCEPTION TO THE TAX PHASE-IN GUIDELINES TO ALLOW FOR  
A 10 YEAR VERSUS A 6 YEAR TERM OF THE AGREEMENT.

\* \* \* \* \*

**WHEREAS,** Maxim Integrated Products, Inc. (hereinafter "Maxim") is a publicly-held company and a worldwide leader in design, development, and manufacturer of linear and mixed-signal integrated circuits; and

**WHEREAS,** the company was founded in 1983 and employs more than 7,500 people at its headquarters in Sunnyvale, California and at facilities worldwide; and

**WHEREAS,** Maxim manufactures approximately 5,000 types of analog and mixed-signal integrated circuits (ICs), more than any other company in the industry, introducing an average of 500 new products per year with revenues expected to reach \$3.8 billion by 2007; and

**WHEREAS,** thousands of electronics manufacturers use Maxim's products in computers and peripherals, industrial controls, telecommunications and networking equipment, military systems, medical devices, instrumentation and video displays; and

**WHEREAS,** in October 2003, Maxim informed City staff that it was considering the purchase and future use of the former Philips Semiconductor facility with plans to retrofit the existing 300,000 square-foot facility situated on the 178.5 acre site to manufacture 8-inch semiconductor wafers; and

**WHEREAS,** Maxim purchased the facility in November 2003 for \$40 million with plans to invest an additional \$50 million in facility improvements and equipment; and

**WHEREAS,** by December 31, 2007, Maxim will also create a total of 500 new full-time jobs and has to date hired 235 people, 80 percent of whom previously worked for Sony or Philips; and

**WHEREAS,** the Maxim jobs would entail working in production, equipment and process engineering, automation and management, among other areas; and

**WHEREAS,** the semi-conductor industry is presently in the midst of the longest economic downturn in its history, so Maxim is seeking a tax phase-in to achieve every available cost-minimizing opportunity to aid the Westover Hills facility as a viable business unit; and

**WHEREAS,** as an incentive to reinvest in this facility and re-establish operations in San Antonio, Maxim has requested a 10-year, 100% tax phase-in on \$50 million in personal property improvements, as more particularly described in Attachment I; and

**WHEREAS**, the project is eligible for an abatement term of up to 6 years since the site is located outside of Loop 410 and north of U.S. Highway 90, but due to the exceptional investment, Maxim seeks a 10-year term and requests City Council approve an exception to the City's Tax Phase-In Guidelines; and

**WHEREAS**, Maxim offers an excellent benefits package for employees and dependents, intends to actively recruit new employees from local colleges to expand its labor force and to hire economically disadvantaged individuals through Alamo WorkSource while also contributing to local schools of higher education in an effort to encourage interest in the technology industry; and

**WHEREAS**, the project supports the City's *Strategic Plan for Enhanced Economic Development* by encouraging the attraction of new businesses to the community while promoting growth in the targeted industry of manufacturing and technology, as well as retaining and creating high-paying jobs for our community; and

**WHEREAS**, the City Council also finds that it is in the best interest of the City of San Antonio to approve a Tax Phase-In Agreement with Maxim to induce the desired and beneficial economic development in the area and to approve an exception to the Tax Phase-In Guidelines; **NOW THEREFORE:**

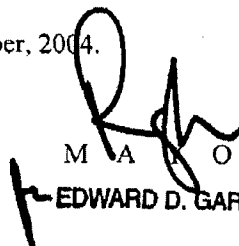
**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:**

**SECTION 1.** The City Council hereby approves the terms and conditions of the Maxim Tax Phase-In Agreement for a 10-year, 100% abatement of ad valorem taxes on personal property improvements as more particularly described in the copy of the signed Agreement in Attachment I, attached hereto and incorporated herein. An exception to the Tax Phase-In Guidelines is also approved to allow for a 10 year, versus a 6 year, term of the Agreement.

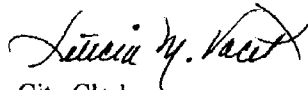
**SECTION 2.** The City Council also hereby authorizes the Interim City Manager or his designee to execute the Agreement described in Section 1 within 60 days.

**SECTION 3.** This ordinance shall be effective on and after the tenth (10<sup>th</sup>) day after passage hereof.

PASSED AND APPROVED this 9th day of December, 2004.

  
M A O R  
EDWARD D. GARZA

ATTEST:

  
City Clerk

APPROVED AS TO FORM:

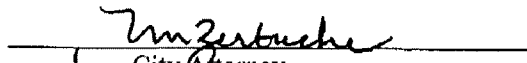
  
for City Attorney

Exhibit B  
(Copy of executed Assignment)