City of San Antonio

Legislation Details (With Text)

File #:	21-4013
Type:	Miscellaneous Item
	In control: City Council A Session
On agenda:	6/17/2021
Title:	Ordinance approving a five-year Chapter 380 economic development grant agreement with ElringKlinger USA, Inc. [Alejandra Lopez; Assistant City Manager and Interim Director, Economic Development]
Sponsors:	
Indexes:	
Code sections:	
Attachments:	1. Contract Disclosure Form, 2. Draft Ordinance, 3. Agreement - Final, signed version, 4. Ordinance 2021-06-17-0476

Date	Ver.	Action By	Action	Result

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Alejandra Lopez

COUNCIL DISTRICTS IMPACTED: District 2

SUBJECT:

City Council consideration of an ordinance authorizing a five-year Chapter 380 economic development grant agreement with ElringKlinger USA, Inc.

SUMMARY:

This ordinance authorizes a five-year Chapter 380 economic development grant agreement with an estimated amount of $198,564, based on a capital investment of at least $16,840,000 and the creation of 52 new, full-time jobs at the project site.

BACKGROUND INFORMATION:

Founded in 1879, ElringKlinger AG is an international automotive supplier headquartered in Dettingen an der Erms, Germany, that employs over 10,000 people worldwide. ElringKlinger USA, Inc (ElringKlinger) is the U.S.-based branch of the company, which employs 800 people at manufacturing facilities in Buford, GA, Fremont, CA, Fort Wayne, IN, and Southfield, MI.

ElringKlinger is considering the development of a new advanced manufacturing facility focused on plastic injection molding to create lightweight automobile parts, to be located at 4222 IH-35 North in City Council District 2. The facility will support ElringKlinger's supplier relationship with a leading electric car and battery company. To establish the facility, ElringKlinger will invest or cause to be invested $1,940,000 in real property improvements and $14,900,000 in personal property improvements for a total of $16,840,000 in capital improvements over a two-year period.

The project will create 52 new, full time jobs over four years, including production worker, engineering, and technician jobs, with an average wage of $50,163. At least 16 of the 52 jobs (30%) will make an annual salary of at least $50,000 exclusive of benefits, bonuses and other non-guaranteed pay. At least 85% of the jobs must exceed the City's All Industry Wage ($17.37) and 100% of the jobs must exceed the Living Wage ($12.74) requirements.

The company will also collaborate with the City to market open positions through the Ready to Work Program, as well as engage in preferential interviewing for qualified applicants in the program.

ISSUE:

To secure this project, staff recommends approval of a five-year Chapter 380 economic development grant agreement with an estimated amount of $198,564. The agreement is contingent on ElringKlinger investing or causing an investment of $14,900,000 in personal property and $1,940,000 in real property, creating 52 jobs, and paying an average annual salary of at least $50,163 at the facility.

ALTERNATIVES:

Based on the City's competitive offer and local support for the project, ElringKlinger will make its final decision regarding the location for its new manufacturing facility following the City Council consideration of this ordinance. City Council could choose not to approve the ordinance authorizing the agreement, which may adversely impact ElringKlinger's decision to invest in San Antonio.

FISCAL IMPACT:

This ordinance authorizes a five-year Chapter 380 economic development grant agreement with an estimated amount of $198,564, which is based on the value of a 50% tax rebate on new real and personal property. This incentive is contingent on a capital investment of at least $16,840,000 and the creation of 52 new, full-time jobs at the project site.

Based on the cost-benefit analysis completed it is estimated that the project will have a net fiscal benefit of $445,874 over the nine-year term of the agreement which includes the five-year grant term followed by a four-year recapture period.

The estimated revenue to the City from the project over nine years is $832,780, which includes anticipated property tax revenues and sales tax revenues associated with the creation of jobs and the construction of the production facility. The estimated costs to the City over nine years is $188,342 for projected incremental City service costs associated with the project, along with the value of the grant, which will not exceed $198,564.

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Funding for this agreement is sourced from the incremental City property taxes generated by the project and is subject to future City Council approval of appropriations as part of the annual budget process.

RECOMMENDATION:

Staff recommends approval of an ordinance authorizing a five-year Chapter 380 economic grant agreement with ElringKlinger USA, Inc.

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