

Legislation Text

File #: 22-1193, **Version:** 2

PRESENTER:

Jeff Jewell, Director, Economic and Community Development

SUBJECT:

Public hearing, discussion and possible action approving a project expenditure of up to \$1,500,000 to Detex Corporation for a project to create and retain primary jobs.

DEPARTMENT: Economic and Community Development

COUNCIL DISTRICTS IMPACTED: 4

BACKGROUND INFORMATION:

Detex Corporation (Detex) is a New Braunfels-based manufacturer that produces a range of exit and access hardware, control devices and systems. The company works across a wide range of industries and sells its solutions globally. Detex operates approximately 57,000 square feet in two facilities in New Braunfels and maintains an affiliated operation in Bastrop, Texas. The company is looking to consolidate its operations in the two cities into a single facility that will also accommodate the company's anticipated growth. The company currently has approximately 95 employees locally and approximately 120 in its total workforce. Consolidation of all three facilities necessitates the construction of an approximate 103,000 square foot facility and the company is considering sites in New Braunfels and Bastrop. As is the case in Bastrop, the company currently owns property adjacent to the New Braunfels location that would accommodate its proposed facility.

Detex's proposed expansion requires a capital investment of approximately \$16M and would increase the local workforce to approximately 150 employees. These positions would be added in all areas of the company including production, assembly, machining, shipping/receiving, customer service, engineering, marketing, sales, accounting, IT and logistics. More than half of its current employees live in New Braunfels, with another fifth located in Seguin. The company pays above the county average in many of its occupational sets and continues to explore ways to further attract and retain top manufacturing and assembly talent. It provides fringe benefit packages to its full-time employees that include quarterly profit sharing and retirement plan contribution matches.

ISSUE:

The proposed incentive would provide up to \$1,500,000 to Detex over up to a five-year period. The description of the proposed incentive is below and delivered in three tranches:

1. Up to \$500,000 to be reimbursed to the Company after paying to the City or New Braunfels Utilities

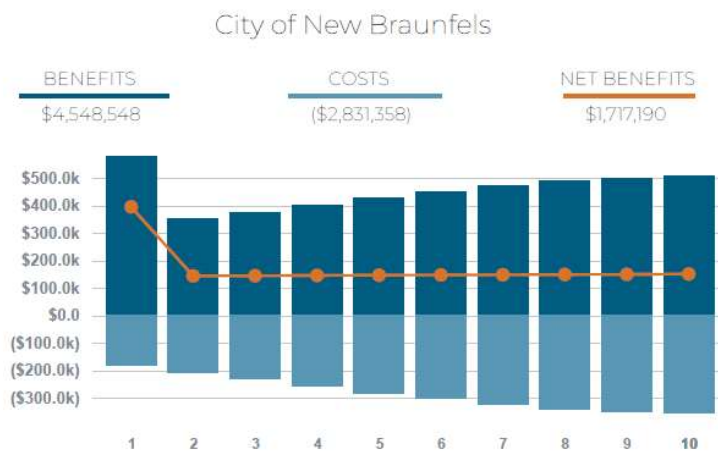
relevant platting, permitting, building, roadway impact, water and/or wastewater impact fees assessed because of the expansion and construction project;

2. Up to \$500,000 paid to Company for the retention of employees up to a total count of 90. Up to \$1,851 per employee annually can be paid to the Company over a three-year period as long as Company maintains at least 90 full-time equivalents;
3. Up to \$500,000 will be provided to the Company if the weighted average compensation of all employees- wages including bonuses and commissions- exceeds \$36,000 at the end of year 1, \$45,000 at the end of year 2 and \$46,500 at the end of year 3. If the Company meets the weighted annual average wage threshold, it is eligible to receive a \$5,000 payment for each employee above the minimum threshold of 90. For example, if the Company has 110 employees at the end of year 1 and the weighted average compensation of the company's payroll is at least \$36,000, the Company is entitled to a \$100,000 performance grant (110 - 90 = 20 multiplied by \$5,000). In year 2, if the Company now has 120 employees and the weighted average compensation is \$45,000, they can receive a \$150,000 payment (120 - 90 = 30 multiplied by \$5,000).

FISCAL IMPACT:

Up to \$1,500,000 from the NBEDC.

If constructed, the project has a net fiscal impact to the City and NBEDC of approximately at \$1.7M over a 10 year period. The rate of return of the proposed incentive is 11.4% with a payback period of under 9 years. The project is anticipated to create 55 new positions at the company and retain the approximate 90 currently employed in New Braunfels. In addition to these full-time positions, the spinoff effects of the expansion project are anticipated to support another 114 positions in and around the community with additional company and employee spending. This brings the total job impacts to over 250 direct and indirect jobs from the retention and expansion project.



RECOMMENDATION:

Staff recommends approval of the project expenditure.