

RESOLUTION NO. 18-507

**A RESOLUTION APPROVING AN ECONOMIC INCENTIVE  
CONTRACT & LOAN AGREEMENT BETWEEN THE CITY  
OF PORT ARTHUR SECTION 4A ECONOMIC  
DEVELOPMENT CORPORATION AND STANDARD ALLOYS  
INCORPORATED**

**WHEREAS**, the City Council deems it in the public interest to authorize the City of Port Arthur Section 4A Economic Development Corporation (the "PAEDC") to enter into an Economic Incentive Contract & Loan Agreement (the "Agreement") with Standard Alloys Incorporated ("Standard Alloys"); and

**WHEREAS**, Germer PLLC has indicated that Standard Alloys has presented an application qualifying as a Section 4A project as set forth in the Executive Summary of the Agreement; and

**WHEREAS**, the PAEDC has reviewed the Standard Alloys application and accompanying financial statements presented by Standard Alloys and recommends approval thereof; and

**WHEREAS**, at their Regular Board Meeting of December 3, 2018, the PAEDC Board of Directors approved entering into an Economic Incentive Contract & Loan Agreement with Standard Alloys offering an incentive of \$1,024,100.00 to encourage Standard Alloys to continue certain operations in the City of Port Arthur which may be relocated to the Spur 93 Business Park (the "Business Park"), and to encourage the relocation of its existing business enterprises from other locations into the Business Park; and

**WHEREAS**, Standard Alloys will purchase approximately 22 acres in the Business Park to develop a state of the art machine shop and repair facility with a performance test stand; and

WHEREAS, Standard Alloys shall generate a total of approximately \$665,808.00 in annual wages to Port Arthur residents by December 2021 as detailed in the Agreement attached hereto as **Exhibit "A"**; and

WHEREAS, Standard Alloys has reviewed and approved the Agreement.

**NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PORT ARTHUR, TEXAS:**

**Section 1.** That the facts and opinions in the preamble are true and correct.

**Section 2.** That the PAEDC is herein authorized to enter into an Economic Incentive & Loan Agreement with Standard Alloys Incorporated, and the President and Secretary of the PAEDC are authorized to sign the Agreement in substantially the same form attached hereto as **Exhibit "A"**.

**Section 3.** That a copy of the caption of this Resolution be spread upon the Minutes of the City Council.

**READ, ADOPTED AND APPROVED** on this 24<sup>th</sup> day of December A.D., 2018, at a Meeting of the City Council of the City of Port Arthur, Texas, by the following vote: AYES:


Mayor Freeman; Mayor Pro Tem Kinlaw,

Councilmembers Scott, Jones, Isucit and  
MSU


NOES: None.

ATTEST:

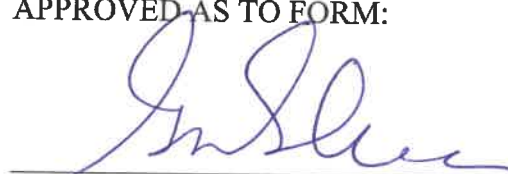
  
Derrick Freeman, Mayor

  
\_\_\_\_\_  
**Sherri Bellard, City Secretary**

APPROVED:

  
\_\_\_\_\_  
**Floyd Batiste, PAEDC CEO**

APPROVED AS TO FORM:

  
\_\_\_\_\_  
**Guy N. Goodson, PAEDC Attorney**

APPROVED AS TO FORM:

  
\_\_\_\_\_  
**Valecia R. Tizen, City Attorney**

# **EXHIBIT “A”**

**ECONOMIC INCENTIVE CONTRACT & LOAN AGREEMENT  
BETWEEN THE CITY OF PORT ARTHUR SECTION 4A ECONOMIC  
DEVELOPMENT CORPORATION  
&  
STANDARD ALLOYS INCORPORATED**

**Executive Summary**

The City of Port Arthur Section 4A Economic Development Corporation ("PAEDC") is an economic development corporation organized under Chapter 501 and 504, Texas Local Government Code.

PAEDC owns property located on Spur 93 in Port Arthur, Texas, known as the City of Port Arthur Section 4A Economic Development Corporation Business Park (the "Business Park"). PAEDC has developed the Business Park to encourage new and expanded business opportunities to both Port Arthur and other business enterprises to locate facilities to enhance economic growth to encourage employment of Port Arthur residents and to create additional ad valorem tax and sales tax base for the City of Port Arthur, Texas (the "City").

PAEDC and Standard Alloys Incorporated (the "Incentive Recipient") have negotiated this Economic Incentive Contract & Loan Agreement (the "Agreement") to encourage the Incentive Recipient to continue certain operations in the City which may be relocated to the Business Park and to encourage the relocation of its existing business enterprises from other locations into the Business Park.

Incentive Recipient is a Texas corporation doing business in Port Arthur and has completed and provided to PAEDC an Economic Incentive Application outlining certain proposed developments which might occur in the Business Park and, thereby, the creation of increased tax base and employment opportunities for Port Arthur residents.

The Board of Directors of PAEDC has considered the Application of Incentive Recipient and proposed this economic incentive for a conditional grant. Incentive Recipient will purchase approximately 22 acres in the Business Park to develop a state of the art machine shop and repair facility with a performance test stand.

PAEDC has agreed as consideration for the promise and performance of Incentive Recipient to conditionally grant Incentive Recipient \$1,024,100.00 in accordance with this Economic Incentive Contract & Loan Agreement (the "Agreement"). Incentive Recipient shall secure a letter of credit in the amount of \$1,024,100.00.

Incentive Recipient shall comply with the Performance Milestone Schedule in the Agreement to meet its promised performance under the Agreement, and to provide all reports and other affirmative commitments as outlined in the Agreement.

Incentive Recipient has further agreed to execute the First Source Referral Agreement and to undertake good faith efforts to utilize the services of the PAEDC on a non-exclusive basis to find qualified applicants for employment at the project.

**ECONOMIC INCENTIVE & LOAN AGREEMENT BETWEEN  
THE CITY OF PORT ARTHUR SECTION 4A  
ECONOMIC DEVELOPMENT CORPORATION  
AND  
STANDARD ALLOYS INCORPORATED  
("INCENTIVE RECIPIENT")**

<b>INTRODUCTION.....</b>	<b>3</b>
<b>AGREEMENT TERM .....</b>	<b>3</b>
<b>PARTIES.....</b>	<b>3</b>
<b>PROMISED PERFORMANCE.....</b>	<b>4</b>
<b>(A) PERFORMANCE BY PAEDC .....</b>	<b>4</b>
<b>(B) PERFORMANCE BY INCENTIVE RECIPIENT .....</b>	<b>4</b>
<b>(C) CREDITS – SUBSTITUTE PERFORMANCE .....</b>	<b>5</b>
<b>(D) FIRST SOURCE REFERRAL AGREEMENT .....</b>	<b>5</b>
<b>PERFORMANCE MILESTONE SCHEDULE .....</b>	<b>5</b>
<b>CONDITIONAL OBLIGATIONS AND LIMITED LIABILITY OF PAEDC.....</b>	<b>7</b>
<b>LIQUIDATED DAMAGES FOR BREACH OF AGREEMENT .....</b>	<b>7</b>
<b>RECORDS / INSPECTION / PAEDC AUDIT .....</b>	<b>8</b>
<b>HOLD HARMLESS.....</b>	<b>9</b>
<b>SUBCONTRACTS.....</b>	<b>9</b>
<b>CONFLICT OF INTEREST / DISCLOSURE OBLIGATION .....</b>	<b>9</b>
<b>NONDISCRIMINATION / EMPLOYMENT / REPORTING .....</b>	<b>10</b>
<b>LEGAL AUTHORITY .....</b>	<b>10</b>
<b>NOTICE OF LEGAL OR REGULATORY CLAIMS.....</b>	<b>11</b>
<b>CHANGES AND AMENDMENTS .....</b>	<b>11</b>
<b>DEFAULT / TERMINATION .....</b>	<b>12</b>
<b>COMPLIANCE AUDITS.....</b>	<b>12</b>
<b>SUPPLEMENTAL COVENANT.....</b>	<b>13</b>
<b>ENVIRONMENTAL REQUIREMENTS.....</b>	<b>13</b>
<b>ORAL AND WRITTEN AGREEMENTS / PRIOR AGREEMENTS.....</b>	<b>14</b>
<b>VENUE .....</b>	<b>14</b>
<b>ADDRESS OF NOTICE AND COMMUNICATIONS .....</b>	<b>14</b>
<b>CAPTIONS .....</b>	<b>14</b>
<b>COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAWS .....</b>	<b>15</b>
<b>CONDITIONS PRECEDENT .....</b>	<b>15</b>
<b>MISCELLANEOUS.....</b>	<b>15</b>
<b>ATTORNEY APPROVALS .....</b>	<b>16</b>
<b>AGREEMENT EXECUTION .....</b>	<b>17</b>

<b>Exhibit "A"</b>	<b>Conditional Commercial Promissory Note</b>
<b>Exhibit "B"</b>	<b>RESERVED</b>
<b>Exhibit "C"</b>	<b>Letter of Credit</b>
<b>Exhibit "D"</b>	<b>Certification Regarding Lobbying</b>
<b>Exhibit "E"</b>	<b>Compliance Statement</b>
<b>Exhibit "F"</b>	<b>First Source Referral Agreement</b>

**ECONOMIC INCENTIVE CONTRACT & LOAN AGREEMENT BETWEEN  
THE CITY OF PORT ARTHUR SECTION 4A  
ECONOMIC DEVELOPMENT CORPORATION  
AND  
STANDARD ALLOYS INCORPORATED  
("INCENTIVE RECIPIENT")**

**INTRODUCTION**

PAEDC and Standard Alloys Incorporated (the "Incentive Recipient") have negotiated this Economic Incentive Contract & Loan Agreement (the "Agreement") to encourage the Incentive Recipient to continue certain operations in the City which may be relocated to the Business Park and to encourage the relocation of its existing business enterprises from other locations into the Business Park. Incentive Recipient is a Texas corporation doing business in Port Arthur and has completed and provided to PAEDC an Economic Incentive Application outlining certain proposed developments which might occur in the Business Park and, thereby, the creation of increased tax base and employment opportunities for Port Arthur residents. The Board of Directors of PAEDC has considered the Application of Incentive Recipient and proposed this economic incentive for a conditional grant. Incentive Recipient will purchase approximately 22 acres ("Property") in the Business Park to develop a state of the art machine shop and repair facility with a performance test stand/possible foundry, along with an office/warehouse ("Project").

**AGREEMENT TERM**

**EFFECTIVE DATE**

1. This Economic Incentive Contract and Loan Agreement ("Agreement") is entered into with an effective date of \_\_\_\_\_, 2018 (the "Effective Date"), by and between the PAEDC and Incentive Recipient.

**TERMINATION DATE**

2. This Agreement expires on the earlier of (i) four (4) years from the date the certificate of occupancy for the Project on the Property is issued, or (ii) at such earlier date as Incentive Recipient meets the performance milestones set forth in this Agreement or (iii) the date upon which Incentive Recipient breaches the Agreement, subject to earlier termination or extension, voluntary or involuntary, as provided herein (the "Termination Date"). The period from the Effective Date of this Agreement through and including the Termination Date of this Agreement as provided in the previous sentence hereof, is sometimes referred to in this Agreement as the "Term" of this Agreement.

**PARTIES**

3. City of Port Arthur Section 4A Economic Development Corporation ("PAEDC"), located at 501 Procter Street, Port Arthur, Texas, 77640, is a corporation. It is duly authorized to do business in the State of Texas under Chapter 504, Local Government Code (the "Development Corporation Act of 1979" as amended) and duly authorized by Resolution of the City Council of the City of Port Arthur (the "City") to enter into this Agreement. As so authorized and as provided by the PAEDC bylaws, the President and Secretary of the PAEDC Board have the authority to execute this Agreement.

4. Standard Alloys Incorporated ("Incentive Recipient") is a Texas corporation. Incentive Recipient's corporate address is 201 W. Lakeshore Drive, Port Arthur, Texas 77641 and registered agent is Corporation Service Company d/b/a CSC-Lawyers Inco, 211 E. 7th Street Suite 620 Austin, TX 78701

## **PROMISED PERFORMANCE**

5. The parties agree to perform as follows.

### **(a) PERFORMANCE BY PAEDC**

- i. PAEDC shall conditionally grant Incentive Recipient an incentive of \$1,024,100.00 in the form of a lump sum payment in full upon full execution of this Agreement, subject to the conditions and limitations herein, which Incentive Recipient is not required to repay unless Incentive Recipient breaches this Agreement. If Incentive Recipient breaches this Incentive Agreement or exercises the Buyout Option, then the conditional grant will become a loan as provided in **Exhibit "A"**.
- ii. PAEDC shall meet the conditions precedent contained in this Agreement and, subject to the terms and conditions of the Purchase Agreement between the Parties, shall close on the purchase of the Property for the development of the Project no later than the deadline as shown in the Performance Milestone Schedule in this Agreement. .

### **(b) PERFORMANCE BY INCENTIVE RECIPIENT**

- (1) Incentive Recipient shall meet the conditions precedent contained in this Agreement and, subject to the terms and conditions of the Purchase Agreement, shall close on the purchase of the Property for the development of the Project no later than the deadline as shown in the Performance Milestone Schedule in this Agreement.
- (2) Incentive Recipient shall begin construction on the Project no later than the deadline as specified in the Performance Milestone Schedule in this Agreement.
- (3) Incentive Recipient shall have applied for its certificate of occupancy within eighteen (18) months from the close of the Purchase Agreement or at such other time thereafter as may be reasonably agreed upon between PAEDC and Incentive Recipient, and Incentive Recipient shall occupy its Project on the Property not later than six (6) months after receipt of its certificate of occupancy.
- (4) Incentive Recipient shall continually conduct business operations during normal business hours for a period that is the lesser of (i) four (4) years from the date of its receipt of certificate of occupancy for the Project on the Property or (ii) the Termination Date.
- (5) Incentive Recipient shall generate a total of approximately \$665,808.00 in annual wages, including any benefits by December 2021.

- (6) Incentive Recipient shall provide PAEDC a Letter of Credit in the amount of the incentive.
- (7) Incentive Recipient will be required to meet the conditions and agreements set forth in the First Source Referral Agreement attached hereto as **Exhibit "F"** and made a part hereof for all purposes.
- (8) On demand by PAEDC and in response to Incentive Recipient's failure to achieve a performance milestone, Incentive Recipient shall provide PAEDC with reasonable assurances, proposed by Incentive Recipient and reasonably acceptable to PAEDC, that it has both the intention and the capabilities to perform fully its contractual obligations.

**(C) CREDITS – SUBSTITUTE PERFORMANCE**

Incentive Recipient may earn credits according to the following terms, to satisfy its performance of this Agreement or either reduce the duration of this Agreement or reduce the amount of payment obligations under a Promissory Note in the event Incentive Recipient breaches the Agreement.

- (1) Total credits cannot exceed \$665,808.00 under this Agreement.
- (2) Incentive Recipient will forfeit any credits it earned during a period for which a report is scheduled but Incentive Recipient fails to issue the report pursuant to the Performance Milestone Schedule despite notice of need for such report from PAEDC.
- (3) Incentive Recipient will receive a \$1.00 credit for each \$6.00 of payroll paid to residents of Port Arthur during the term of this Agreement. PAYROLL TO NON-RESIDENTS OF PORT ARTHUR CANNOT BE CREDITED.
- (4) Incentive Recipient shall always have the option to cancel all duties and obligations under this Agreement by paying to PAEDC the difference between \$1,024,100 and any credits generated prior to the date of such payment ("Buyout Option"). This Buyout Option applies even in the event of termination of the Agreement by PAEDC.
- (5) If Incentive Recipient has not logged credits equal to the \$665,808.00 of payroll as committed, but has operated its facilities and paid all property taxes and other city taxes, fees and assessments associated with the Project, Incentive Recipient may (i) cancel its remaining obligations of this Agreement as provided in paragraph 5(c)(4) of this Agreement or (ii) request an extension of the term of this Agreement.

**(d) FIRST SOURCE REFERRAL AGREEMENT**

PAEDC has adopted policies and procedures to assist Incentive Recipient in locating a qualified workforce within the City of Port Arthur. The First Source Referral Agreement is incorporated into this Agreement in **Exhibit "F"** ("First Source"). Incentive Recipient has agreed to the policies and procedures within First Source as a non-exclusive resource and referral for all appropriate new job openings of Incentive Recipient.

Notwithstanding any provision of this Agreement, including Exhibit F, to the contrary, Incentive Recipient will make all decisions on hiring new employees but will, in good faith, use reasonable efforts to select its new hires or employees from among the qualified persons referred by First Source. In the event that First Source is unable to refer qualified personnel meeting Incentive Recipient's established qualifications, within five (5) business days from the date of notification, from Incentive Recipient, Incentive Recipient will be free to directly fill remaining positions for which no qualified applicants have been referred.

**PERFORMANCE MILESTONE SCHEDULE**

6. Upon failure to achieve a performance milestone and after Incentive Recipient has been given an opportunity of no less than thirty (30) days to cure a default, PAEDC may demand reasonable assurances<sup>1</sup> from Incentive Recipient that it can and will fully perform its contractual obligations. Failure to provide such reasonable assurances following demand of PAEDC is a breach of contract.

7. Incentive Recipient's performance milestones are contained in the following table. Upon receipt of any status report listed below, PAEDC shall, as requested by Incentive Recipient, issue documentation to the Incentive Recipient setting forth the total uncredited/unpaid amount remaining.

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<sup>1</sup> Examples of reasonable assurances are copies of pending contracts and customer commitment letters and/or payment of an agreed amount showing commitment to contractual obligations.

**PERFORMANCE MILESTONE SCHEDULE**

**STANDARD ALLOYS INCORPORATED**

**MILESTONE SCHEDULE**

	<u>Deadline</u>	<u>Milestone</u>
(a)	As set forth in the Purchase Agreement	Standard Alloys Inc. closes on the purchase of 22 acres of land in the Spur 93 Business Park.
(b)	Ninety (90) days after the closing date under the Purchase Agreement.	Standard Alloys Inc. issue a <u>status report</u> on building construction and equipment installation estimated completion date to PAEDC CEO
(c)	DECEMBER 31, 2019	Achieve an annualized total payroll (including benefits) of <b>\$221,936</b> based upon full-time employment of Port Arthur residents
(d)	MARCH 30, 2020	Standard Alloys Inc. provides PAEDC with a copy of Property Tax Statement
(e)	DECEMBER 31, 2020	Standard Alloys Inc. maintains an annualized total payroll (including benefits) of <b>\$221,936</b> based upon full time employment of Port Arthur residents; total accumulated payroll (including benefits) ending December 31, 2020 over two year period of <b>\$443,872</b>
(f)	MARCH 30, 2021	Standard Alloys Inc. provides PAEDC with a copy of Property Tax Statement
(g)	DECEMBER 31, 2021	Standard Alloys Inc. maintains annualized total payroll (including benefits) of <b>\$221,936</b> based upon full time employment of Port Arthur residents; total accumulated payroll (including benefits) ending December 31, 2021 of over three year period of <b>\$665,808</b>
(h)	MARCH 30, 2022	Standard Alloys –Inc. provides PAEDC with a copy of Property Tax Statement
(i)	JULY 30, 2022	Standard Alloys Inc. issue a <u>business operational report</u> to PAEDC CEO on company <b>Phase II</b> construction plans
(j)	MARCH 30, 2023	Standard Alloys Inc. provides PAEDC CEO a copy of Property Tax Statement
(k)	JULY 30, 2023	PAEDC close Standard Alloys Inc. file

## **PAEDC'S CONDITIONAL OBLIGATIONS AND LIMITED LIABILITY**

8. PAEDC has promised to execute and to deliver to Incentive Recipient the General Warranty Deed for the Property pursuant to the Purchase Agreement.

9. Incentive Recipient, pursuant to the Purchase Agreement, has undertaken a ground survey of the Property, and the Property to be conveyed consists of 22 acres tract of land more fully described in Special Warranty Deed affixed to this Agreement as **Exhibit "B"** and made a part hereof for all purposes.

10. Incentive Recipient shall not use the Property for any purpose(s) other than that specifically disclosed herein and as further disclosed within its Application made by or on behalf of Incentive Recipient, which is incorporated herein for all purposes.

11. Prior to expiration or termination of this Agreement, Incentive Recipient may not assign any of its rights under this Agreement without the prior written consent of the PAEDC and the City, except for Permitted Affiliates as defined herein, nor may Incentive Recipient make any subordinate deed of trust or collateral security agreements as to the Property without the prior written consent of PAEDC which consent shall not unreasonably be withheld, delayed or conditioned.

## **CONVERSION OF GRANT TO PROMISSORY NOTE FOR BREACH OF AGREEMENT**

12. In the event Incentive Recipient fails to perform its obligations under this Agreement, following notice thereof from PAEDC and following a thirty (30) day opportunity to cure the default, the PAEDC grant, minus any credits earned, will automatically convert to a loan (liquidated damages), effective on the day of breach, as agreed by Incentive Recipient in the executed Conditional Commercial Promissory Note contained in **Exhibit "A."**

13. It is expressly understood and agreed by the parties that the exercise of any right or remedy shall not preclude the exercise of any other right or remedy under this Agreement or under any provision of law, nor shall any action taken in the exercise of any right or remedy be deemed a waiver of any other rights or remedies. Failure to exercise any right or remedy hereunder shall not constitute a waiver of the right to exercise that or any other right or remedy at any time.

## **RECORDS / INSPECTION / PAEDC AUDIT**

14. Incentive Recipient acknowledges that while it does not have an affirmative obligation to create additional payroll for the hiring of Port Arthur residents, as employment at the Project in the Business Park expands, Incentive Recipient shall undertake good faith efforts to utilize the First Source Referral Agreement to locate qualified employment applicants for its business requirements, subject to Section 5(d) above (First Source Referral Agreement).

15. Incentive Recipient shall maintain employment records as necessary to allow the PAEDC to audit and verify that Incentive Recipient has undertaken good faith efforts to utilize First Source and to verify any and all other covenants, representations and warranties contained herein and in Incentive Recipient's Application.

16. Upon ten-day (10-day) advance notice, Incentive Recipient shall give the PAEDC, or any of its duly authorized representatives, access to and right to examine all books, accounts, records, reports, files and other papers, things or property directly related to this Agreement and belonging to or in use by Incentive Recipient, provided that such access and rights shall not include access to certain information deemed confidential by Incentive Recipient, including but not limited to confidential or competitively sensitive information, and personnel records. Such rights to access shall continue as long as the records related to this Agreement are retained by Incentive Recipient. Incentive Recipient agrees to maintain such records in an accessible location. All information obtained by the PAEDC, or its duly authorized representatives, shall be regarded as the confidential business information of Incentive Recipient and the PAEDC shall take reasonable measures to protect such information from disclosure to third parties; however, PAEDC is subject to the requirements of the Texas Open Meetings Act and Open Records Act (Tex. Gov. Code, 551 & 552). Incentive Recipient agrees that disclosures to the public required by the Texas Open Meetings Act, Texas Open Records Act, or any other legal requirement will not expose PAEDC (or any party acting by, through or under PAEDC) to any claim, liability or action by Incentive Recipient (or any party working by, through or under).

17. All records pertinent to this Agreement shall be retained by Incentive Recipient at least one year following the date of termination of this Agreement, whether said termination is a result of default or whether said termination is a result of final submission of a close out report by Incentive Recipient detailing its compliance with its obligations provided herein. Further, in the event any litigation, claim or audit arising out of or related to this Agreement is instituted before the expiration of the one (1) year period and extends beyond the one year period, the records will be maintained until all litigation, claims or audit findings involving this Agreement and the records made the basis of same have been resolved.

18. Incentive Recipient shall provide PAEDC with all reports necessary for PAEDC compliance with the Chapters 501, 504, Texas Government Code, as amended.

19. RESERVED

20. The PAEDC reserves the right, upon advance written notice, to carry out field inspections/audits during Incentive Recipient's normal business hours to ensure compliance with the requirements of this Agreement. After completion of any such audit, the PAEDC shall provide Incentive Recipient with a written copy of the audit and a report of the audit findings. If the audit report details deficiencies in its performance under the terms and conditions of this Agreement, the PAEDC may establish requirements for the timely correction of any such deficiencies by Incentive Recipient.

### **HOLD HARMLESS**

21. INCENTIVE RECIPIENT AGREES TO HOLD HARMLESS THE PAEDC FROM ANY AND ALL CLAIMS, DEMANDS, AND CAUSES OF ACTION OF ANY KIND OR CHARACTER WHICH MAY BE ASSERTED BY ANY THIRD PARTY OCCURRING, ARISING OUT OF OR IN ANY WAY RELATED TO BREACH OF INCENTIVE RECIPIENT'S OBLIGATIONS UNDER THIS AGREEMENT, INCENTIVE RECIPIENT'S FRAUD OR WILLFUL MISCONDUCT IN CONNECTION WITH THE PROJECT MADE THE BASIS OF THIS AGREEMENT, AND THE UTILIZATION OF GRANT FUNDS PROVIDED BY THIS

AGREEMENT, PROVIDED THAT SUCH CLAIM, DEMAND OR CAUSE OF ACTION DOES NOT ARISE FROM ANY FRAUD OR MISCONDUCT ON THE PART OF THE PAEDC OR THE CITY OF PORT ARTHUR, OR ANY AGENT, EMPLOYEE OR REPRESENTATIVE OF EITHER. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PAEDC AGREES TO HOLD HARMLESS INCENTIVE RECIPIENT FROM ANY AND ALL CLAIMS, DEMANDS AND CAUSES OF ACTION OF ANY KIND OR CHARACTER WHICH MAY BE ASSERTED BY ANY THIRD PARTY OCCURRING, ARISING OUT OF OR IN ANY WAY RELATED TO BREACH OF PAEDC'S OR THE CITY OF PORT ARTHUR'S OBLIGATIONS UNDER THIS AGREEMENT; AND ANY FRAUD OR MISCONDUCT ON THE PART OF THE PAEDC OR THE CITY OF PORT ARTHUR, OR ANY AGENT, EMPLOYEE OR REPRESENTATIVE OF EITHER.

### **SUBCONTRACTS**

22. Incentive Recipient may not subcontract for performance credits described in this Agreement without obtaining PAEDC's written approval, which may be withheld for any reason. Incentive Recipient shall only subcontract for performance credits described in this Agreement after Incentive Recipient has submitted a Subcontractor Eligibility Request, as specified by PAEDC, for each proposed subcontract, and Incentive Recipient has obtained PAEDC's prior written approval. Incentive Recipient, in subcontracting for any performances described in this Agreement, expressly understands that in entering into such subcontracts, PAEDC is in no way liable to Incentive Recipient's subcontractor(s).

23. In no event shall PAEDC's prior written approval of a subcontractor's eligibility, be construed as relieving Incentive Recipient of the responsibility for ensuring that the performances rendered under all subcontracts are rendered so as to comply with all terms of this Agreement, as if such performances rendered were rendered by Incentive Recipient. PAEDC's approval does not constitute adoption, ratification, or acceptance of Incentive Recipient's or subcontractor's performance hereunder. PAEDC maintains the right to insist upon Incentive Recipient's full compliance with the terms of this Agreement, and by the act of subcontractor approval, PAEDC does not waive any right of action which may exist or which may subsequently accrue to PAEDC under this Agreement.

24. Incentive Recipient, as well as all of its approved subcontractors, shall comply with all applicable federal, state, and local laws, regulations, and ordinances for making procurement under this Agreement.

### **CONFLICT OF INTEREST / DISCLOSURE OBLIGATION**

25. Conflict of Interest: No employee, agent, officer or elected or appointed official of the City of Port Arthur or the PAEDC who has participated in a decision making process related to this Agreement (without recusing him/herself and executing a conflict affidavit) may obtain a personal or financial interest or benefit from an PAEDC assisted activity, or have an interest in any contract, subcontract, or agreement (or proceeds thereof) with respect to an PAEDC assisted activity, during their tenure or for one (1) year thereafter. Insofar as relates to the conduct hereunder of Incentive Recipient, its agents, employees or representatives, Incentive Recipient shall ensure compliance with applicable provisions under Chapters 501, 504, Texas Local Government Code and Chapter 171, Texas Local Government Code.

26. **Disclosure:** In conjunction with execution of this Agreement, Incentive Recipient has fully disclosed to PAEDC all known and potential owners of interests in Incentive Recipient (whether shareholder, partner, limited partner, manager, member or otherwise). In the event of any change in ownership or control of Incentive Recipient of five percent (5%) or greater, except involving Permitted Affiliates, Incentive Recipient shall notify PAEDC in writing. Further, Incentive Recipient shall be obligated to notify in writing the PAEDC in the event any time prior to, during or one (1) year after the term of this Agreement, any City or PAEDC employee or representative or any third party with a conflict of interest obtains or proposes to obtain a financial benefit, direct or indirect, from Incentive Recipient. Failure to provide said notice immediately or no later than five (5) business days after receipt of information shall constitute a default herein.

### **NONDISCRIMINATION / EMPLOYMENT / REPORTING**

27. Incentive Recipient shall ensure that no person shall on the grounds of race, color, religion, sex, handicap, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds provided under this Agreement. Additionally, funds shall be used in accordance with the following requirements:

- (a) Opportunities for training and employment arising in connection with the planning and carrying out of any project assisted with PAEDC funds provided under this Agreement be given in Incentive Recipient's discretion, reasonably exercised, to residents of Port Arthur; and
- (b) Agreements for work to be performed in connection with the Project shall be awarded in Incentive Recipient's discretion, reasonably exercised, to residents and businesses of Port Arthur, including, but not limited to, individuals or firms doing business in the field of planning, consulting, design, architecture, building construction, rehabilitation, maintenance, or repair, which are located in or owned in substantial part by persons residing in the Port Arthur.
- (c) If Incentive Recipient advertises for employment then it shall among any other advertising that it chooses to undertake covenants that it will advertise as required in **Exhibit "F"**. Incentive Recipient acknowledges that PAEDC does not intend to restrain any advertising in additional publications or media nor direct any others than that stated.

### **LEGAL AUTHORITY**

28. Each of the Parties assures and guarantees it possesses legal and/or corporate authority (i) to enter into this Agreement, award and receive the conditional grant authorized by this Agreement, and (ii) to perform the obligations hereunder. Each of the Parties has provided, or shall provide, as requested by the other Party, such resolutions or other required authorizations necessary to evidence this authority.

29. The person or persons signing and executing this Agreement on behalf of each of the Parties, or representing themselves as signing and executing this Agreement on behalf of each of the Parties, do hereby warrant and guarantee that he, she, or they have been duly authorized by the

governing body of such Party to execute this Agreement on behalf of the applicable Party and to validly and legally bind such Party to all terms, performances, and provisions herein set forth.

### **NOTICE OF LEGAL OR REGULATORY CLAIMS**

30. Each of the Parties hereto shall provide immediate notice in writing to the other Party of 1) any material legal or regulatory action, including any material proceeding before an administrative agency filed against the notifying Party involving the Property or any matters that are the subject of this Agreement; and 2) any material claim against either Party, which may impede continued operations at the Property or the performance of obligations under this Agreement. Except as otherwise directed, the notifying Party shall furnish immediately to the receiving Party copies of all pertinent documentation of any kind received by the notifying Party with respect to such action or claim.

### **CHANGES AND AMENDMENTS**

31. Except as specifically provided otherwise in this Agreement, any alterations, additions, or deletions to the terms of this Agreement shall be by amendment in writing and executed by all parties to this Agreement. Such amendments must be approved by the PAEDC Board of Directors and, by the City Council.

32. It is understood and agreed by the parties hereto that performances under this Agreement must be rendered in accordance with the regulations promulgated under the Development Corporation Act, the assurances and certifications made to PAEDC by Incentive Recipient, and the assurances and certifications made to the City with regard to the operation of the PAEDC's Projects. Based on these considerations, and in order to ensure the legal and effective performance of this Agreement by all parties, it is agreed by the parties hereto that the performances under this Agreement are by the provisions of the PAEDC Program and any amendments thereto and may further be amended in the following manner: PAEDC may from time to time during the period of performance of this Agreement issue policy directives which serve to interpret, or clarify performance requirements under this Agreement. Such policy directives shall be promulgated by the PAEDC Board of Directors in the form of PAEDC issuances, shall be approved by the City Council and shall have the effect of qualifying the terms of this Agreement and shall be binding upon Incentive Recipient, as if written herein, and if approved by the Incentive Recipient. If Incentive Recipient does not approve a policy directive as so submitted, then Incentive Recipient may exercise its rights under paragraph 5(c)(4).

33. Any alterations, additions, or deletions to the terms of this Agreement which are required by changes in Federal, state law or local law are automatically incorporated into this Agreement without written amendment hereto, and shall become effective on the date designated by such law or regulation.

### **DEFAULT / TERMINATION**

34. In the event of default of any of the obligations of Incentive Recipient detailed herein or in the event of breach of any of the representations of or warranties of Incentive Recipient detailed herein, and following any notice and opportunity to cure provided for in this Agreement, and only after Incentive Recipient's refusal of the Buyout Option stated in Section 5(c)(4) of this Agreement,

the PAEDC may, at its sole option, terminate this Agreement, in whole or in part. In the event of such termination, the PAEDC may, at its sole option, utilize one or more of the following actions to resolve or otherwise remedy said default:

- (a) Declare the Note executed in conjunction with this Agreement immediately effective. If Incentive Recipient defaults on the note, then the PAEDC may exercise its default remedies provided under the standby Letter of Credit executed in conjunction with said Note and this Agreement.
- (b) Disallow all or a part of the incentives which are not in compliance with the terms and conditions of this Agreement or in compliance with the representations and warranties contained within this Agreement.
- (c) Withhold and/or disallow future PAEDC incentives to Incentive Recipient.
- (d) Exercise any and all other remedies that may be legally available to the PAEDC, under the laws of the State of Texas and as authorized by the terms and conditions of this Agreement.

35. In addition to the foregoing, the parties agree that this Agreement may be terminated at any time when both parties agree, in writing, to the terms and conditions of any such voluntary termination.

### **COMPLIANCE AUDITS**

36. If requested by the PAEDC Board, and in no case more than once per year, Incentive Recipient shall arrange for the performance of a compliance audit, by a certified public accountant, of performance rendered under this Agreement, subject to the following conditions and limitations:

- (a) Incentive Recipient shall arrange for a compliance audit which may be limited to use of funds or discount received from the PAEDC, made for any of its fiscal years included within the Term of this Agreement in which Incentive Recipient receives more than \$50,000 in PAEDC financial assistance provided by PAEDC in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, or direct appropriations. Said audit report must be received and accepted by the Chief Executive Officer of PAEDC and/or the PAEDC Board.
- (b) Unless otherwise specifically requested by PAEDC in writing, Incentive Recipient shall submit the report of such audit to PAEDC within thirty (30) days after completion of the audit, but no later than one hundred twenty (120) days after the end of each fiscal period included within the Term of this Agreement.

37. Incentive Recipient understands and agrees that it shall be liable to reimburse promptly PAEDC for any costs disallowed pursuant to financial and compliance audit(s) of funds received under this Agreement.

38. Incentive Recipient shall take all necessary actions to facilitate the performance of any and all such audits, whether annual, mandatory or otherwise requested under this Agreement.

39. Subject to financial privacy requirements of Incentive Recipient and properly designated requests for non-disclosure due to proprietary reasons, all approved audit reports may be made available for public inspection.

#### **SUPPLEMENTAL COVENANT**

40. Incentive Recipient certifies on behalf of itself and any branch, division or department of Incentive Recipient that it does not and will not knowingly employ an “undocumented worker” which means “an individual who, at the time of employment, is not lawfully admitted for permanent residence to the United States or authorized under law to be employed in that manner in the United States.”

41. Incentive Recipient acknowledges that it has reviewed Chapter 2264, Texas Government Code and hereby affirmatively agrees by execution of this Agreement to repay the amount of any incentive not later than the 120<sup>th</sup> day after the date PAEDC notifies Incentive Recipient of a violation.

42. Incentive Recipient acknowledges PAEDC may bring a civil action to recover any amounts owed under Chapter 2264, Texas Government Code and further acknowledges that PAEDC may recover court costs and reasonable attorneys’ fees incurred in an action brought under §2264.101(a). Incentive Recipient is not liable for a violation of Chapter 2264, Texas Government Code by a subsidiary, affiliate or franchisee of the Incentive Recipient or by a person with whom the Incentive Recipient contracts.

#### **ENVIRONMENTAL REQUIREMENTS**

43. As the Project will be located on the Property within the Business Park, Incentive Recipient not only agrees to meet the covenants and restrictions of the Business Park, but also to operate and maintain the Project in conformance with all local, state and federal regulations and to maintain the Property in a condition that will not be a nuisance either to the PAEDC or other business operations within the Business Park. During the Term of this Agreement, Incentive Recipient also agrees to allow PAEDC or its duly authorized officers, agents, employees, contractors or subcontractors access to the Property and the Project for environmental review and compliance monitoring upon reasonable advance written notice of at least 72 hours with Incentive Recipient allowed to monitor such access and to obtain split samples all subject to PAEDC agreeing to restore the Property to the condition prior to its investigation and to indemnify Incentive Recipient for any damage or harm to the extent caused by or arising from PAEDC or its duly authorized officers, agents, employees, contractors or subcontractors’ subject actions upon the Property. Incentive Recipient further agrees that Incentive Recipient shall make all reasonable efforts, but shall not be required to expend any funds in so doing, to assist PAEDC in handling inquiries and complaints from persons and agencies seeking redress in relation to environmental reviews, audits, notices of violation or other administrative proceedings covered by appropriate permits or certifications as to the Property and/or the Project.

#### **ORAL AND WRITTEN AGREEMENTS / PRIOR AGREEMENTS**

44. All oral and written contracts between the parties to this Agreement relating to the subject matter of this Agreement that were made prior to the execution of this Agreement have been reduced to writing and are contained in this Agreement.

45. The documents required below are hereby made a part of this Agreement, and constitute promised performances by Incentive Recipient in accordance with this Agreement:

**Required**

_____	Exhibit "A"	Conditional Commercial Promissory Note
_____	RESERVED	
_____	Exhibit "C"	Letter of Credit
_____	Exhibit "D"	Certification Regarding Lobbying
_____	Exhibit "E"	Compliance Statement
_____	Exhibit "F"	First Source Referral Agreement

**VENUE**

46. For purposes of litigation that may accrue under this Agreement, venue shall lie in Jefferson County, Texas, where substantially all the performance will occur.

**ADDRESS OF NOTICE AND COMMUNICATIONS**

City of Port Arthur Section 4A Economic Development Corporation  
501 Procter Street  
Port Arthur, Texas 77640  
ATTN: Floyd Batiste, Chief Executive Officer  
Telephone: (409) 963-0579  
E-mail: [fbatiste@paedc.org](mailto:fbatiste@paedc.org)

Standard Alloys Incorporated  
201 W. Lakeshore Drive  
Port Arthur, Texas 77641  
ATTN: Richard Martinez, Managing Director  
Telephone: 409-999-6312  
E-mail: [richardm@standardalloys.com](mailto:richardm@standardalloys.com)

All notice requirements set forth herein shall be made in writing by national overnight delivery service or certified mail.

**CAPTIONS**

47. This Agreement has been supplied with captions to serve only as a guide to the contents. The caption does not control the meaning of any paragraph or in any way determine its interpretation or application.

**COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAWS**

48. Incentive Recipient shall comply with all Federal, State and local laws, statutes, ordinances, resolutions, rules, regulations, orders and decrees of any court or administrative body or tribunal, including those related to the activities and performances of Incentive Recipient under this Agreement. Upon request by PAEDC and by the City, Incentive Recipient shall furnish satisfactory proof of its compliance herewith in the form of an officer's certificate.

### **CONDITIONS PRECEDENT**

49. This Agreement shall be unenforceable and of no effect, and neither Party shall rely on the Agreement, unless and until:

- a. Both the PAEDC Board and the Port Arthur City Council approve the Agreement in its final form for execution.
- b. Standard Alloys, Incorporated approves the Agreement in its final form for execution.
- c. The Parties execute this Agreement.
- d. The Purchase Agreement is closed.

### **MISCELLANEOUS**

50. Permitted Affiliates. For purposes of this Section, "Permitted Affiliates" shall mean (i) a subsidiary of Incentive Recipient, (ii) a corporation or other entity into or with which Incentive Recipient has merged or consolidated, or to which substantially all of Incentive Recipient's stock or assets are transferred, (iii) any corporation or other entity which controls, is controlled by, or is under common control with Incentive Recipient, (iv) a limited liability company in which Incentive Recipient is a member, or (v) any corporation or other entity with which Incentive Recipient is otherwise affiliated.

51. Force Majeure. The Parties shall use reasonable diligence to ultimately fulfill the intent of this Agreement, but neither Party shall be liable for any failure to perform its obligations under this Agreement, or otherwise for failure, suspension, diminution, or other variations of services occasioned by any cause beyond the control and without the fault of the parties. Such causes may include but not be limited to Acts of Nature (including fire, flood, earthquake, storm, hurricane or other natural disaster), war, invasion, act of foreign enemies, hostilities (whether war is declared or not), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation, terrorist activities, nationalization, government sanction, blockage, embargo, labor dispute, strike, lockout or interruption or failure of electricity or communication service, and no Party will have a right to terminate this Agreement in such circumstances.

52. PAEDC Approval Pursuant to Covenants and Restrictions. PAEDC shall not unreasonably withhold, delay or condition any consent or approval required pursuant to the Covenants and Restrictions of record at the Closing of the Purchase Agreement.

### **ATTORNEY APPROVALS**

APPROVED AS TO FORM:

Guy Goodson, General Counsel for PAEDC

VERIFIED BY  
CITY COUNCIL RESOLUTION:

Resolution Number: \_\_\_\_\_

\_\_\_\_\_  
Valecia R. Tizeno, City Attorney

**AGREEMENT EXECUTION**

**CITY OF PORT ARTHUR SECTION 4A ECONOMIC DEVELOPMENT CORPORATION**

**SIGNED AND AGREED TO** on the \_\_\_\_ day of \_\_\_\_\_, 2018.

By: \_\_\_\_\_  
President

By: \_\_\_\_\_  
Secretary

\_\_\_\_\_  
EDC Representative

\_\_\_\_\_  
EDC Representative

## STANDARD ALLOYS INCORPORATED

**SIGNED AND AGREED TO** on the \_\_\_\_\_ day of \_\_\_\_\_, 2018.

By: \_\_\_\_\_

\_\_\_\_\_  
Title

\_\_\_\_\_  
Acknowledgment

## EXHIBIT "A"

### CONDITIONAL COMMERCIAL PROMISSORY NOTE

Port Arthur, Texas

This COMMERCIAL PROMISSORY NOTE becomes effective on the date when **Standard Alloys Incorporated**, a Texas corporation (hereinafter called "Maker") breaches or exercises the Buyout Option of that certain Economic Incentive Contract and Loan Agreement between the **City of Port Arthur Section 4A Economic Development Corporation** (hereinafter called "Lender") and Maker, dated \_\_\_\_\_, 2018. \_\_\_\_\_

**Effective Date of Note:** The Note shall be dated effective the \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_\_\_ which is the date upon which Lender provided notification to Maker of its default or exercise of the Buyout Option under the Economic Incentive Contract & Loan Agreement (the "Agreement") by and between Lender and Maker dated \_\_\_\_\_, 2018 ("Date of Default").

**Principal Amount:** Principal amount is \$1,024,100.00 less the incentive credits earned by Maker according to the Economic Incentive Contract and Loan Agreement (described hereinabove) \_\_\_\_\_ for a total due at the Effective Date of \_\_\_\_\_.

**Term of the Loan:** From the Date of Default, Maker shall thereafter make equal monthly installments of principal and interest (interest being calculated as hereinafter specified at the rate of 10% per annum) until \_\_\_\_\_, 20\_\_ (the "Final Payment Date"). Lender shall provide to Maker, a payment amortization schedule for the monthly installments due hereunder. Maker agrees that all principal and interest on this Note shall be due and payable by the Final Payment Date.

FOR VALUE RECEIVED, the undersigned "Maker", promises to pay to Lender, at its office at P.O. Box 1089, Port Arthur, Texas, 77640-1089, or such other place or places as the holder hereof shall from time to time designate in written notice to Maker, the principal amount, in legal and lawful money of the United States of America, together with interest thereon from the date hereof until maturity at the rate of **ten percent (10%)** per annum as detailed herein.

All past due principal and interest shall bear interest from date of maturity until paid at the rate of **fifteen percent (15%)** per annum, or to the maximum extent allowed by law (whichever is lesser) as may hereafter be in effect, payable on demand after maturity.

Any notices required or permitted to be given by the holder hereof to Maker pursuant to the provisions of this note shall be in writing and shall be either personally delivered or transmitted by first class United States mail, addressed to Maker at the address designated below for receipt of notice (or at such other address as Maker may, from time to time, designate in writing to the holder hereof for receipt of notices hereunder). Any such notice personally delivered shall be effective as of the date of delivery, and any notice transmitted by mail, in accordance with the foregoing provisions, shall be deemed to have been given to and received by Maker as of the date on which such notice was deposited with the United States Postal Service, properly addressed and with postage prepaid.

This note is also secured by and entitled to the benefits of all other security agreements, pledges, collateral assignments, deeds of trust, guaranties, mortgages, assignments, and lien instruments, if any, of any kind executed by Maker or by any other party as security for any loans owing by Maker to the Lender. Such lien instruments shall include those executed simultaneously herewith, those heretofore executed, and those hereafter executed.

If any installment or payment of principal or interest of this note is not paid when due or any drawer, acceptor, endorser, guarantor, surety, accommodation party or other person now or hereafter

primarily or secondarily liable upon or for payment of all or any part of this note (each hereinafter called an "other liable party") shall die, or become insolvent (however such insolvency may be evidenced); or if any proceeding, procedure or remedy supplementary to or in enforcement of judgment shall be resorted to or commenced against Maker or any other liable party, or with respect to any property of any of them; or if any governmental authority or any court at the instance thereof shall take possession of any substantial part of the property of or assume control over the affairs or operations of, or a receiver shall be appointed for or take possession of the property of, or a writ or order of attachment or garnishment shall be issued or made against any of the property of Maker or any other liable party; or if any indebtedness for which Maker or any other liable party is primarily or secondarily liable shall not be paid when due or shall become due and payable by acceleration of maturity thereof, or if any event or condition shall occur which shall permit the holder of any such indebtedness to declare it due and payable upon the lapse of time, giving of notice or otherwise; or if Maker or any other liable party (if other than a natural person) shall be dissolved, wound up, liquidated or otherwise terminated, or a party to any merger or consolidation without the written consent of Lender; or if Maker or any other liable party shall sell substantially all or an integral portion of its assets without the written consent of Lender; or if Maker or any other liable party fails to furnish financial information requested by Lender; or if Maker or any other liable party furnishes or has furnished any financial or other information or statements which are misleading in any respect; or if a default occurs under any instrument now or hereafter executed in connection with or as security for this note; or under any other indebtedness of Maker or any other liable party to Lender is impaired; thereupon, at the option of Lender, the principal balance and accrued interest of this note and any and all other indebtedness of Maker to Lender shall become and be due and payable forthwith without demand, notice of default, notice of acceleration, notice of intent to accelerate the maturity hereof, notice of nonpayment, presentment, protest or notice of dishonor, all of which are hereby expressly waived by Maker and each other liable party. Lender may waive any default without waiving any prior or subsequent default.

If this note is not paid at maturity whether by acceleration or otherwise, and is placed in the hands of any attorney for collection, or suit is filed hereon, or proceedings are had in probate, bankruptcy, receivership, reorganization, arrangement or other legal proceedings for collection hereof, Maker and each other liable party agree to pay Lender its collection costs, including court costs and a reasonable amount for attorney's fees.

It is the intention of Maker and Lender to conform strictly to applicable usury laws. Accordingly, if the transaction contemplated hereby would be usurious under applicable law, then, in that event, notwithstanding anything to the contrary herein or in any agreement entered into in connection with or as security for this note, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is taken, reserved, contracted for, charged or received under this note or under any of the other aforesaid agreements or otherwise in connection with this note shall under no circumstances exceed the maximum amount of interest allowed by applicable law, and any excess shall be credited on this note by the holder hereof (or, if this note shall have been paid in full, refunded to Maker); (ii) in the event that maturity of this note is accelerated by reason of an election by the holder hereof resulting from any default hereunder or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest may never include more than the maximum amount allowed by applicable law, and excess interest, if any, provided for in this note or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore prepaid, shall be credited on this note (or if this note shall have been paid in full, refunded to Maker); and (iii) all calculations of the rate of interest taken, reserved, contracted for, charged or received under this note or under any of the other aforesaid agreements or otherwise in connection with this note, that are made for the purpose of determining whether such rate exceeds the maximum lawful rate shall be made, to the extent permitted by applicable law, by amortizing, prorating, allocating, and spreading such interest over the entire term of the loan evidenced by this note (including all renewal and extended terms).

Maker may prepay all or any part of the principal of this note before maturity without penalty. No partial prepayment shall reduce, postpone or delay the obligation of Maker to continue paying the

installments herein provided on their respective due dates following any such partial prepayment until this note is fully paid.

The Maker shall be directly and primarily liable for the payment of all sums called for hereunder; and, except for notices specifically required to be given by the holder hereof to Maker pursuant to the earlier provisions of this note, Maker and each other liable party hereby expressly waive demand, presentment for payment, notice of nonpayment, protest, notice of protest, notice of intention to accelerate maturity, notice of acceleration of maturity, and all other notice, filing of suit and diligence in collecting this note or enforcing or handling any of the security therefor, and do hereby agree to any substitution, exchange or release, in whole or in part, of any security here-for or the release of any other liable party, and do hereby consent to any and all renewals or extensions from time to time, of this note, or any part hereof, either before or after maturity, all without any notice thereof to any of them and without affecting or releasing the liability of any of them. Each holder hereof, in order to enforce payment of this note by any other liable party, shall be required to first institute suit or exhaust its remedies against Maker and to enforce its rights against any security therefor prior to enforcing payment of this Note by any other liable party.

**SIGNED AND AGREED TO** on the \_\_\_\_ day of \_\_\_\_\_, 2018.

**Standard Alloys Incorporated**

By: \_\_\_\_\_

**THE STATE OF TEXAS**

**COUNTY OF JEFFERSON**

§  
§  
§

**ACKNOWLEDGMENT**

**BEFORE ME, THE UNDERSIGNED** Notary Public, on this day personally appeared \_\_\_\_\_, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same as the act and deed of **Standard Alloys Incorporated** for the purposes and consideration therein expressed, and the Capacities therein stated.

**GIVEN UNDER MY HAND AND SEAL OF OFFICE**, this the \_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
Notary Public, State of Texas

**MAKERS' ADDRESS FOR RECEIPT OF NOTICE:**

**Standard Alloys Incorporated**

Attn: Richard Martinez, Managing Director

201 W. Lakeshore Drive

Port Arthur, Texas 77641

## **EXHIBIT “C”**

## **EXHIBIT "D"**

### **CERTIFICATION REGARDING LOBBYING**

For Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his knowledge and belief, that:

1. No funds have been paid or will be paid, by or on behalf of the undersigned, to any person for wrongfully influencing or wrongfully attempting to influence an officer or employee of any agency, a member of the City or of the PAEDC in connection with the awarding of any contract, the making of any grant, the making of any loan, the entering into of any cooperative agreement, or modification of any contract, grant, loan, or cooperative agreement.
2. The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements), and that all Subs shall certify and disclose accordingly.

This certification is material representation of fact which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction.

**Standard Alloys Incorporated**

By: \_\_\_\_\_  
Signature

Its: \_\_\_\_\_  
Title

## **EXHIBIT “E”**

### **COMPLIANCE STATEMENT**

Standard Alloys Incorporated hereby certifies that it has fully complied with Local Government Code §176.006, effective June 18, 2005, which mandates the disclosure requirements for persons who contract or seek to contract with a local governmental entity.

**Standard Alloys Incorporated,  
a Texas corporation**

By: \_\_\_\_\_  
Signature

Its: \_\_\_\_\_  
Title

**EXHIBIT “F”**  
**FIRST SOURCE REFERRAL AGREEMENT**

**Resolution Number:** \_\_\_\_\_

**Project Name:** STANDARD ALLOYS INCORPORATED

**Project Address:** \_\_\_\_\_, \_\_\_\_\_, Texas \_\_\_\_\_

**Project Contact Person:** \_\_\_\_\_

**Project Contact Person Phone Number:** (409) \_\_\_\_\_

This First Source Referral Agreement (the “Agreement”), for recruitment, and referral, of **City of Port Arthur Section 4A Economic Development Corporation** (the “PAEDC”), hereinafter, and **Standard Alloys Incorporated** (the “EMPLOYER”). Under this Agreement, the EMPLOYER will use PAEDC on a non-exclusive basis as its first source for recruitment, and referral of new hires or employees for the new jobs created by their project and will hire the number of Port Arthur residents specified for new jobs created by the Project in that certain Economic Incentive Contract & Loan Agreement (the “Incentive Agreement”) between PAEDC and the EMPLOYER.

Notwithstanding any provision of this Agreement or the Incentive Agreement to the contrary, EMPLOYER will make all decisions on hiring new employees but will, in good faith, use reasonable efforts to select its new hires or employees from among the qualified persons referred by PAEDC. In the event that PAEDC is unable to refer qualified personnel meeting EMPLOYER’s established qualifications, within five (5) business days from the date of notification, from EMPLOYER, EMPLOYER will be free to directly fill remaining positions for which no qualified applicants have been referred.

## **I. GENERAL TERMS**

A. The EMPLOYER will use PAEDC on a non-exclusive basis as its first source for the recruitment, and referral of employees.

B. PAEDC participation in this Agreement will be carried out by its Chief Executive Officer which is responsible for referral of employees, designated by PAEDC.

C. PAEDC will provide recruitment, and referral services to the EMPLOYER subject to the limitations set out in this Agreement.

D. This Agreement shall take effect when signed by the parties below and shall be fully effective for the duration of the incentive contract and any extensions or modifications to the contract.

E. PAEDC and the EMPLOYER agree that for purposes of this Agreement, new hires and jobs created include all EMPLOYER'S job openings and vacancies in the Port Arthur Area which result from internal promotions, terminations, and expansions of the EMPLOYER'S workforce, solely as a result of this Project.

## **II. RECRUITMENT**

A. The EMPLOYER will complete the attached Employment Plan, which will indicate the number of new jobs projected, salary range, and hiring dates. The EMPLOYER will notify PAEDC of its specific need for new employees as soon as that need is identified.

B. Notification of specific needs, as set forth in Section II.A. must be given to PAEDC at least five (5) business days (Monday - Friday) before using any other referral source, and shall include, at a minimum, the number of employees needed by job title, qualification, hiring date, rate of pay, hours of work, duration of employment, and work to be performed.

C. Job openings to be filled by internal promotion from the EMPLOYER'S current workforce need not be referred to PAEDC for referral.

D. The EMPLOYER will submit to PAEDC, prior to starting work on the Project, the names, and partial social security numbers of all current employees, if any, including apprentices, trainees, and laid-off workers who will be employed on the Project.

### **III. REFERRAL**

PAEDC will screen and refer applicants according to the qualifications supplied by the EMPLOYER.

### **IV. PLACEMENT**

A. PAEDC will notify the EMPLOYER, prior to the anticipated hiring dates, of the number of applicants PAEDC will refer. PAEDC will employ best efforts to refer at least two qualified applicants for each job opening.

B. The EMPLOYER will make all decisions on hiring new employees but will in good faith use reasonable efforts to select its new hires or employees from among the qualified persons referred by PAEDC.

C. In the event PAEDC is unable to refer the qualified personnel requested within five (5) business days (Monday - Friday) from the date of notification under (A) above, the EMPLOYER will be free to directly fill remaining positions for which no qualified applicants have been referred.

Notwithstanding, the EMPLOYER agrees to use good faith efforts to hire Port Arthur Area residents in the percentage specified for new jobs created by the Project in that certain Economic Incentive Contract & Loan Agreement (the "Incentive Agreement") between PAEDC and the

## **EMPLOYER.**

D. After the EMPLOYER has selected its employees, PAEDC will not be responsible for the employees' actions and the EMPLOYER hereby releases PAEDC, from any liability for employees' actions, provided however that PAEDC shall have performed background checks on all employees referred by PAEDC to EMPLOYER.

## **V. TRAINING**

PAEDC and the EMPLOYER may agree to develop skills training and on-the-job training programs; the training specifications and cost for such training will be mutually agreed upon by the EMPLOYER and PAEDC and set forth in a separate Training Agreement.

## **VI. CONTROLLING REGULATIONS AND LAWS**

A. To the extent this Agreement is in conflict with any labor laws or governmental regulations, the laws or regulations shall prevail.

B. PAEDC will make every effort to work within the terms of all collective bargaining agreements to which the EMPLOYER is a party.

C. The EMPLOYER will provide PAEDC with written documentation that the EMPLOYER has provided the representative of any involved collective bargaining unit with a copy of this Agreement and has requested comments or objections. If the representative has any comments or objections, the EMPLOYER will promptly provide them to PAEDC.

## **VII. EXEMPTIONS**

A. Employment openings Employer will fill with individuals already employed by Employer.

B. Job openings to be filled by laid-off workers according to EMPLOYER'S formally established recall procedures and rosters.

C. Suppliers located outside of the Port Arthur Area and who will perform no work in the Port Arthur Area.

#### **VIII. AGREEMENT MODIFICATIONS, RENEWAL, MONITORING, AND PENALTIES**

A. If, during the term of this Agreement, the EMPLOYER should transfer possession of all or a portion of its business concerns affected by this Agreement to any other party by lease, sale, assignment, merger, or otherwise, the EMPLOYER as a condition of transfer shall:

1. Notify the party taking possession of the existence of this Agreement.
2. Notify the party taking possession that full compliance with this Agreement is required in order to avoid termination of the Project.
3. EMPLOYER shall, additionally, advise PAEDC within seven (7) business days of the transfer. This advice will include the name of the party taking possession and the name and telephone of that party's representative.

B. PAEDC shall monitor EMPLOYER'S performance under this Agreement. The EMPLOYER will undertake good faith efforts to cooperate in PAEDC monitoring effort at no expense to EMPLOYER and will submit a Contract Compliance Form provided by and upon request from PAEDC no more than quarterly.

C. To assist PAEDC in the conduct of the monitoring review, the EMPLOYER will make available payroll and employment records to the extent permitted under applicable law for the review period indicated.

D. If additional information is needed during the review, the EMPLOYER will provide the requested information to PAEDC.

E. With the EMPLOYER submission of the final request for closure of Agreement from the Board, the EMPLOYER shall:

1. Document in a report to the PAEDC Compliance Officer compliance with the hiring requirements specified in the Incentive Agreement to be Port Arthur residents; or
2. Submit a request to the PAEDC Compliance Officer for a waiver of compliance with the hiring requirement at the project to be Port Arthur residents and include the following documentations:
  - a. Material supporting a good faith effort to comply;
  - b. Referrals provided by PAEDC and other referral sources; and
  - c. Advertisement of job openings listed with PAEDC and other referral sources.

F. Willful breach of the First Source Referral Agreement by the EMPLOYER, or failure to submit the Compliance Report may be enforced by the PAEDC Compliance Officer through notification and possible termination of the Incentive Agreement.

G. The EMPLOYER and PAEDC, or such other agent as PAEDC may designate, may mutually agree to modify this Agreement.

**CITY OF PORT ARTHUR SECTION  
4A ECONOMIC DEVELOPMENT CORPORATION**

**SIGNED AND AGREED TO** on the \_\_\_\_ day of \_\_\_\_\_, 2018.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Ingrid Holmes, President \_\_\_\_\_, Secretary

\_\_\_\_\_  
EDC Representative

\_\_\_\_\_  
EDC Representative

**STANDARD ALLOYS INCORPORATED**

**SIGNED AND AGREED TO** on the \_\_\_\_\_ day of \_\_\_\_\_, 2018.

By: \_\_\_\_\_

\_\_\_\_\_  
**Acknowledgment**

**PORT ARTHUR ECONOMIC DEVELOPMENT COUNCIL**  
Standard Alloys Engineered Services

**INCENTIVES**

YEAR	ZERO	ONE	TWO	THREE	FOUR	FIVE	TOTAL
FTE JOBS	0	5	6				10

CAPITAL INV. \$ \$17,003,013 \$17,003,013

TOTAL PAYROLL # EMPLOYEES \$554,840 10

AVE. SALARY \$55,484

INCENTIVE  
INCENTIVE FOR JOB CREATION 112,739

NPV SALARIES \$388,756

INCENTIVE FOR CAPITAL INVESTMENT 911,361

TTL CAP. INVEST. \$17,003,013

TOTAL PAEDC INCENTIVE PACKAGE 1,024,101

TOTAL \$17,391,769

INCENTIVE AS A % OF TOTAL INVESTMENT 5.89%

LAND GRANT LOAN 0.0% 0.0% 0.0%

\$0.00 \$0.00 \$0.00  
\$0.00 \$0.00 \$0.00  
\$0.00 \$0.00 \$0.00

INCENTIVE RATE FOR CAPITAL INVESTMENT 5%  
DISCOUNT RATE FOR JOBS CREATED IN LATER YEARS 15%

YEAR JOB IS TO BE CREATED - IMMEDIATELY THRU YEAR 5

SALARY	0	1	2	3	4	5	DISC. NO. JOBS	INCENTIVE %	\$ PER JOB	TTL JOB INCENTIVE	NPV SALARY
\$15,000	0	0	0	0	0	0	0	21%	3150	\$0	\$0
\$20,000	0	0	0	0	0	0	0	22%	4400	\$0	\$0
\$25,000	0	0	0	0	0	0	0	23%	5750	\$0	\$0
\$30,000	0	0	0	0	0	0	0	24%	7200	\$0	\$0
\$35,000	0	0	0	0	0	0	0	25%	8750	\$0	\$0
\$40,000	0	0	0	0	0	0	0	26%	10400	\$0	\$0
\$45,000	0	0	0	0	0	0	0	27%	12150	\$0	\$0
\$50,000	0	0	0	0	0	0	0	28%	14000	\$0	\$0
\$55,000	0	5	5	0	0	0	7	29%	15950	\$112,739	\$388,756
\$60,000	0	0	0	0	0	0	0	30%	18000	\$0	\$0
\$65,000	0	0	0	0	0	0	0	31%	20150	\$0	\$0
\$70,000	0	0	0	0	0	0	0	32%	22400	\$0	\$0
\$75,000	0	0	0	0	0	0	0	33%	24750	\$0	\$0
\$80,000	0	0	0	0	0	0	0	34%	27200	\$0	\$0
\$85,000	0	0	0	0	0	0	0	35%	29750	\$0	\$0
\$90,000	0	0	0	0	0	0	0	36%	32400	\$0	\$0
\$95,000	0	0	0	0	0	0	0	37%	35150	\$0	\$0
\$100,000	0	0	0	0	0	0	0	37%	37000	\$0	\$0
DISC. FACTOR	100.00%	75.61%	65.75%	57.18%	49.72%	43.23%	7			\$112,739	\$388,756

**DRAFT**

# EXECUTIVE SUMMARY

## A REPORT OF THE ECONOMIC IMPACT OF STANDARD ALLOYS INCORPORATED IN PORT ARTHUR, TX

November 27, 2018

Prepared by:

Port Arthur Economic Development Corporation  
501 Procter Street, Suite 100  
Port Arthur, Texas 77640





## PURPOSE & LIMITATIONS

This report presents the results of an analysis undertaken by the Port Arthur Economic Development Corporation using Total Impact, an economic and fiscal impact analysis tool developed and supported by the Austin, TX based economic consulting firm, Impact DataSource.

The Total Impact model is a customized software program licensed to the Port Arthur Economic Development Corporation. The model includes estimates, assumptions, and other information developed by Impact DataSource from its independent research effort detailed in Port Arthur Economic Development Corporation's Total Impact User Guide.

The analysis relies on prospective estimates of business activity that may not be realized. Port Arthur Economic Development Corporation made reasonable efforts to ensure that the project-specific data entered into the Total Impact model reflects realistic estimates of future activity.

No warranty or representation is made by Port Arthur Economic Development Corporation or Impact DataSource that any of the estimates or results contained in this study will actually be achieved.



## CONTENTS

Economic Impact	
Introduction.....	4
Description of the Project.....	4
Economic Impact Overview.....	4
Temporary Construction Impact.....	6
Fiscal Impact	
Fiscal Impact Overview.....	7
Impact from Project and Workers.....	8
Public Support	
Summary of Public Support Considered.....	9
Non-Tax Incentives.....	10
Methodology	
Overview of Methodology .....	12
About Impact DataSource.....	13



Introduction

This report presents the results of an economic impact analysis performed using Total Impact, a model developed by Impact DataSource. The report estimates the impact that a potential project in the City of Port Arthur will have on the local economy and estimates the costs and benefits for local taxing districts over a 10-year period.

Description of the Project

TO MEET THE FUTURE GROWTH NEEDS, WE PROPOSE TO BUILD A STATE-OF-THE-ART MACHINE SHOP, REPAIR SHOP WITH A PERFORMANCE TEST STAND AT THE PORT ARTHUR BUSINESS PARK. A KEY ELEMENT OF THIS PROJECT WOULD RELOCATE OUR EXISTING 38,000 SQ. FT. FACILITY AND THE 35 EMPLOYEES FROM ORANGE COUNTY TO PORT ARTHUR, WE WOULD LIKE TO HAVE THIS PROJECT BEGIN IN JANUARY 2018 AND HAVE THE FACILITY FULLY OPERATIONAL BEFORE THE END OF 2018.

Economic Impact Overview

The Project's operations will support employment and other economic impacts in the community. The 10.0 workers directly employed by the Project will earn approximately \$75,000 per year on average over the next 10 years. This direct activity will support 6.6 indirect and induced workers in the community earning \$69,000 on average over the next 10 years. The total additional payroll or workers' earnings associated with the Project is estimated to be approximately \$11.5 million over the next 10 years.

Accounting for various taxable sales and purchases, including activity associated with the Project, worker spending, and visitors' spending in the community, the Project is estimated to support approximately \$5.3 million in taxable sales over the next 10 years.

Table 1. Economic Impact Over the Next 10 Years

	Indirect &		Total
	Direct	Induced	
Number of permanent direct, indirect, and induced jobs to be created	10.0	6.6	16.6
Salaries to be paid to direct, indirect, and induced workers	\$7,126,523	\$4,360,719	\$11,487,242
Taxable sales and purchases expected in the City	\$5,053,959	\$261,643	\$5,315,602

The Project may result in new residents moving to the community and potentially new residential properties being constructed as summarized below.

Table 2. Population Impacts Over the Next 10 Years

	Direct	Indirect & Induced	Total
Number of direct, indirect, and induced workers who will move to the City	1.2	0.8	2.0
Number of new residents in the City	3.1	2.1	5.2
Number of new residential properties to be built in the City	0.2	0.2	0.4
Number of new students expected to attend local school district	0.6	0.4	1.0

The Project is estimated to support an average of approximately \$16.8 million in new non-residential taxable property each year over the next 10 years. The taxable value of property supported by the Project over the 10-year period is shown in the following table.

Table 3. Value of Taxable Property Supported by the Project Over the Next 10 Years

Year	New Residential Property	The Project's Property					Total	
		Buildings & Other Real Prop.	Furniture, Fixtures, & Equipment	Inventories	Subtotal Nonresidential Property	Residential & Nonresidential Property		
1	\$12,920	\$1,265,000	\$12,000,000	\$3,500,000	\$100,000	\$16,865,000	\$16,877,920	
2	\$26,357	\$1,290,300	\$12,240,000	\$3,200,000	\$110,000	\$16,840,300	\$16,866,657	
3	\$26,884	\$1,316,106	\$12,484,800	\$2,895,000	\$121,000	\$16,816,906	\$16,843,790	
4	\$27,422	\$1,342,428	\$12,734,496	\$2,585,000	\$133,100	\$16,795,024	\$16,822,446	
5	\$27,970	\$1,369,277	\$12,989,186	\$2,270,000	\$146,410	\$16,774,873	\$16,802,843	
6	\$28,529	\$1,396,662	\$13,248,970	\$1,950,000	\$161,051	\$16,756,683	\$16,785,212	
7	\$29,100	\$1,424,595	\$13,513,949	\$1,625,000	\$177,156	\$16,740,701	\$16,769,801	
8	\$29,682	\$1,453,087	\$13,784,228	\$1,295,000	\$194,872	\$16,727,187	\$16,756,869	
9	\$30,276	\$1,482,149	\$14,059,913	\$960,000	\$214,359	\$16,716,421	\$16,746,696	
10	\$30,881	\$1,511,792	\$14,341,111	\$970,000	\$235,795	\$17,058,698	\$17,089,579	

The taxable value of residential property represents the value of properties that may be constructed as a result of new workers moving to the community.

This analysis assumes the residential real property appreciation rate to be 2.0% per year. The Project's real property is assumed to appreciate at a rate of 2.0% per year. The analysis assumes the Project's furniture, fixtures, and equipment will depreciate over time according to the depreciation schedule shown in Appendix A.



### Temporary Construction Impact

The Project will include an initial period of construction lasting 1 year(s) where \$12.0 million will be spent to construct new buildings and other real property improvements. It is assumed that 50.0% of the construction expenditure will be spent on materials and 50.0% of the expenditure will be on labor. The temporary construction activity will support temporary economic impacts in the community in the form of temporary construction employment and sales for local construction firms.

Table 4. Spending and Estimated Direct Employment Impact of Project-Related Construction Activity

	Amount
Total construction expenditure	\$12,000,000
	<i>Materials</i> \$6,000,000
	<i>Labor</i> \$6,000,000
Temporary Construction Workers Supported (Average Earnings = \$51,300)	117

The following table presents the temporary economic impacts resulting from the construction.

Table 5. Temporary Economic Impact of Project-Related Construction Activity

	Direct	Indirect & Induced	Total
Number of temporary direct, indirect, and induced job years to be supported*	117.0	94.1	211.1
Salaries to be paid to direct, indirect, and induced workers	\$6,000,000	\$3,452,400	\$9,452,400
Revenues or sales for businesses related to construction	\$12,000,000	\$5,754,000	\$17,754,000

\* A job year is defined as full employment for one person for 2080 hours in a 12-month span.

Sales tax calculations related to construction activity are presented in the following table. The sales tax revenue generated from construction-period taxable spending is included in the fiscal impact for affected districts in Year 1 of this analysis.

Table 6. Construction-Related Taxable Spending

	Estimate
Expenditure for Materials	\$6,000,000
Percent of Materials subject to local tax	50.0%
	<u>Subtotal Taxable Materials</u> \$3,000,000
Expenditure for Labor / Paid to construction workers	\$6,000,000
Percent of gross earnings spent on taxable goods and services	25.0%
Percent of taxable spending done locally	25.0%
	<u>Subtotal Taxable Construction Worker Spending</u> \$375,000

Expenditure for Furniture, Fixtures, & Equipment (FF&E)	\$3,500,000
Percent of FF&E subject to local tax	25.0%
	<u>Subtotal Taxable FF&amp;E Purchases</u>
	<u>\$875,000</u>
Total Construction-Related Taxable Spending	<u>\$4,250,000</u>

The above construction analysis focuses on the impact resulting from the Project's initial construction investments over the first 1 year(s).

0

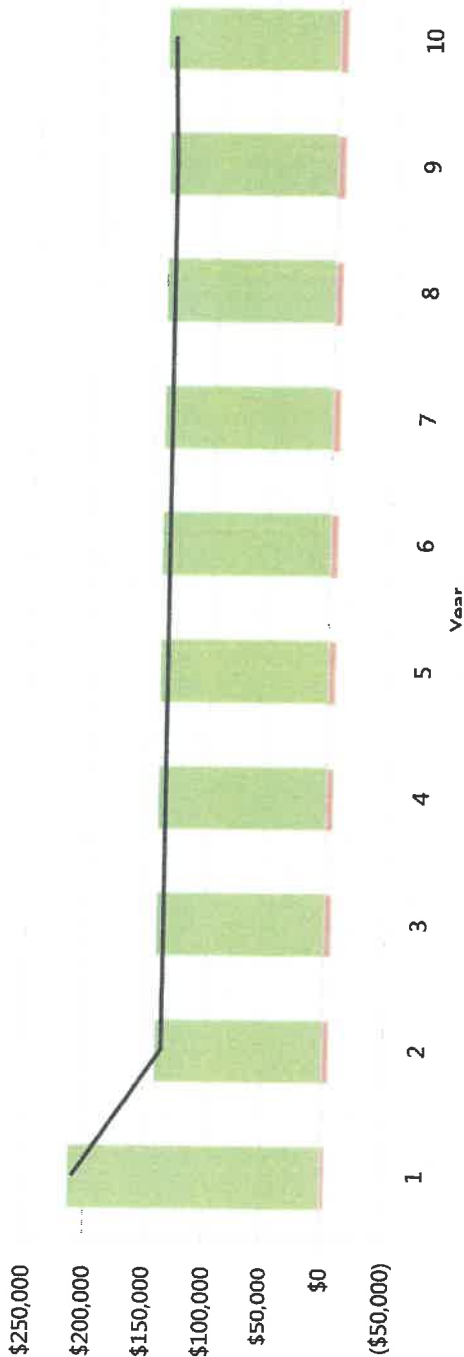
Fiscal Impact Overview

The Project will generate additional benefits and costs for the City. Overall, the City will receive approximately \$1,433,400 in net benefits over the 10-year period. The table below displays the estimated additional benefits, costs, and net benefits to be received by the City over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

Table 7. City of Port Arthur: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Sales Taxes	\$79,734
Property Taxes - Project	\$1,331,287
Property Taxes - New Residential	\$2,139
Utility Revenue	\$39,271
Utility Franchise Fees	\$8,510
Building Permits and Fees	\$10,000
Hotel Occupancy Taxes	\$13,204
Miscellaneous Taxes & User Fees	\$7,545
<b>Subtotal Benefits</b>	<b>\$1,491,688</b>
Cost of Providing Municipal Services	(\$18,977)
Cost of Providing Utility Services	(\$39,271)
<b>Subtotal Costs</b>	<b>(\$58,247)</b>
<b>Net Benefits</b>	<b>\$1,433,441</b>
<i>Present Value (5% discount rate)</i>	<i>\$1,119,678</i>

Figure 1. Annual Fiscal Net Benefits for the City of Port Arthur



Total

Benefits

Costs

Net Benefits

## Impact from Project and Workers

The City will receive benefits from the activity, spending, and investments associated with (1) the Project and (2) the workers. These benefits, associated costs, and resulting net benefits for the next 10 years are shown below for these two categories.

Table 8: Net Benefits to the City from the Project and Workers

	The Project	Workers	Total
Sales Taxes	\$69,396	\$10,339	\$79,734
Real Property Taxes	\$1,150,365	\$0	\$1,150,365
FF&E Property Taxes	\$168,300	\$0	\$168,300
Inventory Property Taxes	\$12,622	\$0	\$12,622
New Residential Property Taxes	\$0	\$2,139	\$2,139
Utility Revenue	\$18,580	\$20,690	\$39,271
Utility Franchise Fees	\$6,524	\$1,985	\$8,510
Building Permits and Fees	\$10,000	\$0	\$10,000
Hotel Occupancy Taxes	\$13,204	\$0	\$13,204
Miscellaneous Taxes & User Fees	\$5,643	\$1,902	\$7,545
<b>Subtotal Benefits</b>	<b>\$1,454,633</b>	<b>\$37,055</b>	<b>\$1,491,688</b>
Cost of Providing Municipal Services	(\$14,212)	(\$4,765)	(\$18,977)
Cost of Providing Utility Services	(\$18,580)	(\$20,690)	(\$39,271)
<b>Subtotal Costs</b>	<b>(\$32,792)</b>	<b>(\$25,456)</b>	<b>(\$58,247)</b>
<b>Net Benefits</b>	<b>\$1,421,841</b>	<b>\$11,599</b>	<b>\$1,433,441</b>
<i>Percent of Total Net Benefits</i>	<i>99.2%</i>	<i>0.8%</i>	



Summary of Public Support Considered

The City of Port Arthur may provide economic development incentives to support the Project, a summary of the incentives under consideration is provided below.

Table 9. Public Support Under Consideration by the City of Port Arthur

Year	Enter Incentive Description	Total
1	\$1,023,886	\$1,023,886
2	\$0	\$0
3	\$0	\$0
4	\$0	\$0
5	\$0	\$0
6	\$0	\$0
7	\$0	\$0
8	\$0	\$0
9	\$0	\$0
10	\$0	\$0
Total	\$1,023,886	\$1,023,886



Non-Tax Incentives

The City is considering the following non-tax incentives for the Project.

Table 13. Incentives Under Consideration

Year	Enter Incentive Description
1	\$1,023,886
2	\$0
3	\$0
4	\$0
5	\$0
6	\$0
7	\$0
8	\$0
9	\$0
10	\$0
Total	\$1,023,886

These financial incentives may be considered an investment in the Project made by the city. Four calculations analyzing possible investments were made:

1. Net Benefits - detailed above
2. Present Value of Net Benefits - detailed above
3. Rate of Return on Investment - discussed and detailed below
4. Payback Period - discussed and detailed below

The rate of return on investment calculates the average annual rate of return to the city, treating the incentives as the initial investment and the net benefits to the city as the return on investment. The payback period is the number of years that it will take the city to recover the cost of incentives from the additional revenues that it will receive as a result of the Project.

The table below shows an analysis of these incentives, including a calculation of incentives per job, rate of return, and payback period.

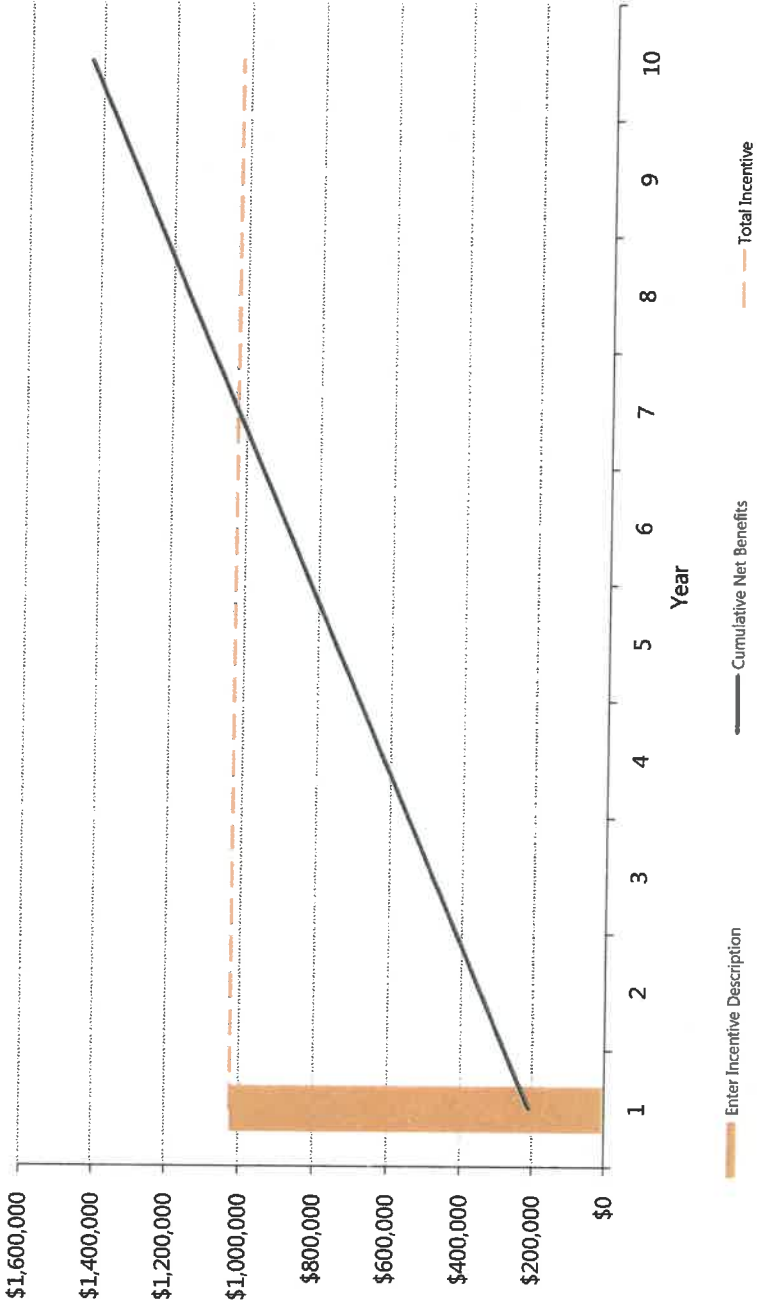
Table 14. Analysis of Incentives

Total Non-Tax Incentive	\$1,023,886
Incentive Per Job	\$102,389
Rate of Return	14.0%

Note: The Rate of Return and Payback Period are calculated based on the sum of annual incentives, not the present value of the incentives.

The graph below depicts the total incentives currently under consideration versus the cumulative net benefits to the City. The intersection indicates the length of time until the incentives are paid back.

Figure 2. Incentives Under Consideration





Overview of Methodology

This report presents the results of an analysis undertaken by the Port Arthur Economic Development Corporation using Total Impact, an economic and fiscal impact analysis tool developed and supported by the Austin, TX based economic consulting firm, Impact DataSource.

The Total Impact model combines project-specific attributes with community data, tax rates, and assumptions to estimate the economic impact of the Project and the fiscal impact for local taxing districts over a 10-year period.

The economic impact as calculated in this report can be categorized into two main types of impacts. First, the direct economic impacts are the jobs and payroll directly created by the Project. Second, this economic impact analysis calculates the indirect and induced impacts that result from the Project. Indirect jobs and salaries are created in new or existing area firms, such as maintenance companies and service firms, that may supply goods and services for the Project. In addition, induced jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to new workers and their families.

The economic impact estimates in this report are based on the Regional Input-Output Modeling System (RIMS II), a widely used regional input-output model developed by the U. S. Department of Commerce, Bureau of Economic Analysis. The RIMS II model is a standard tool used to estimate regional economic impacts. The economic impacts estimated using the RIMS II model are generally recognized as reasonable and plausible assuming the data input into the model is accurate or based on reasonable assumptions. Impact DataSource utilizes county-level multipliers to estimate the impact occurring at the sub-county level.

Two types of regional economic multipliers were used in this analysis: an employment multiplier and an earnings multiplier. An employment multiplier was used to estimate the number of indirect and induced jobs created or supported in the area. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. The employment multiplier shows the estimated number of total jobs created for each direct job. The earnings multiplier shows the estimated amount of total salaries paid to these workers for every dollar paid to a direct worker. The multipliers used in this analysis are listed below:

Multiplier		City	County
Employment Multiplier	(Type II Direct Effect )	1.6667	1.7119
Earnings Multiplier	(Type II Direct Effect )	1.6119	1.6534

The fiscal impacts calculated in this report are detailed in Appendix C. Most of the revenues estimated in this study result from calculations relying on (1) attributes of the Project, (2) assumptions to derive the value of associated taxable property or sales,

and (3) local tax rates. In some cases, revenues are estimated on a per new household, per new worker, or per new school student basis.

The company or Project developer was not asked, nor could reasonably provide data for calculating some other revenues. For example, while the city will likely receive revenues from fines paid on speeding tickets given to new workers, the company does not know the propensity of its workers to speed. Therefore, some revenues are calculated using an average revenue approach. This approach uses relies on two assumptions:

1. The taxing entity has two general revenue sources: revenues from residents and revenues from businesses.
2. The taxing entity will collect (a) about the same amount of miscellaneous taxes and user fees from each new household that results from the Project as it currently collects from existing households on average, and (b) the same amount of miscellaneous taxes and user fees from the new business (on a per worker basis) will be collected as it collects from existing businesses.

In the case of the school district, some additional state and federal revenues are estimated on a per new school student basis consistent with historical funding levels.

Additionally, this analysis sought to estimate the additional expenditures faced by the city and county to provide services to new households and new businesses. A marginal cost approach was used to calculate these additional costs. This approach relies on two assumptions:

1. The taxing entity spends money on services for two general groups: revenues from residents and revenues from businesses.
2. The taxing entity will spend slightly less than its current average cost to provide local government services (police, fire, EMS, etc.) to (a) new residents and (b) businesses on a per worker basis.

In the case of the school district, the marginal cost to educate new students was estimated based on a portion of the school's current expenditures per student and applied to the headcount of new school students resulting from the Project.

Additionally, this analysis seeks to calculate the impact on the school district's finances from the Project by generally, and at a summary level, mimicking the district's school funding formula.

According to the Texas Education Agency, any property added to local tax rolls, and the local taxes that this generates, reduces the amount of state funding equivalent to local taxes collected for maintenance and operations. The school district retains local taxes received for debt services and the corresponding state funding is not reduced.

However, according to the Texas Education Agency, the school district will receive state aid for each new child that moves to the District. The additional revenues for the school district are calculated in this analysis.

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### About Impact DataSource

Impact DataSource is an Austin economic consulting, research, and analysis firm founded in 1993. The firm has conducted over 2,500 economic impact analyses of firms, projects, and activities in most industry groups in Texas and more than 30 other states.

In addition, Impact DataSource has prepared and customized more than 50 economic impact models for its clients to perform their own analyses of economic development projects. These clients include the New Mexico Economic Development Department and the Metro Orlando (Florida) Economic Development Commission.

The New Mexico Department of Economic Development uses Impact DataSource's computer model to project the economic impact of new or expanding firms in the state, including costs and benefits for the State of New Mexico, as well as each local

taxing district. The model also analyzes the amount of eligible state and local incentives and calculates a rate of return and payback period for these incentives.