

RESOLUTION NO. 20-062

**A RESOLUTION APPROVING AMENDMENT NO. 1 TO THE
ECONOMIC INCENTIVE CONTRACT & LOAN AGREEMENT
BETWEEN THE CITY OF PORT ARTHUR SECTION 4A
ECONOMIC DEVELOPMENT CORPORATION AND
STANDARD ALLOYS INCORPORATED; FUNDS AVAILABLE
IN EDC ACCOUNT NO. 120-1429-582.59-01**

WHEREAS, per Resolution 18-507 dated December 4, 2018, the City Council of the City of Port Arthur approved an Economic Incentive Contract & Loan Agreement (the "Agreement") between the City of Port Arthur Section 4A Economic Development Corporation ("PAEDC") and Standard Alloys Incorporated ("Standard Alloys") in an amount of \$1,024,100.00 for the relocation of its business enterprises into the Spur 93 Business Park (the "Business Park"); and

WHEREAS, the Agreement provided that Standard Alloys would develop a state-of-the-art office, machine shop and repair, testing facility and foundry; and

WHEREAS, Standard Alloys cannot build the performance testing facility and foundry with the current available electrical voltage in the Business Park; and

WHEREAS, the PAEDC Board of Directors at their special Board meeting of February 10, 2020, approved providing Standard Alloys an additional incentive in the amount equal to fifty percent (50%) of Entergy's cost to bring updated electrical voltage to 2200HP in the Business Park needed for the performance testing facility and foundry as shown in **Exhibit "A"**; and

WHEREAS, the total estimated cost for the updated electrical voltage is approximately seven hundred twenty-five thousand dollars and no/100 (\$725,000.00); and

WHEREAS, PAEDC would agree to provide Standard Alloys approximately three hundred sixty-two thousand five hundred dollars and no/100 (\$362,500.00); and

WHEREAS, Standard Alloys has agreed that in addition to increasing the electrical voltage to 2200 HP, they will further increase the electrical power to 5000 HP within the thirty-six (36) months of the execution of this Agreement or March 30, 2024; and

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 City Council of the City of Port Arthur approves Amendment No. 1 to the Agreement between PAEDC and Standard Alloys to increase the power distribution from 2200 HP to 5000HP within thirty-six (36) months from the execution of this Agreement or March 30, 2024, whichever is later.

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

READ, ADOPTED AND APPROVED on this 3rd day of March A.D., 2020, at a Meeting of the City Council of the City of Port Arthur, Texas, by the following vote: AYES:

Mayor Bartie, Mayor Pro Tem Daurat,

Councilmembers Scott, Jones, Kinlaw and,

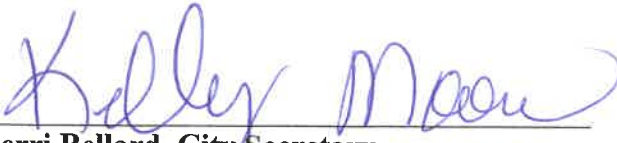
Frank,

_____;

NOES: None.


Thurman Bartie, Mayor

ATTEST:



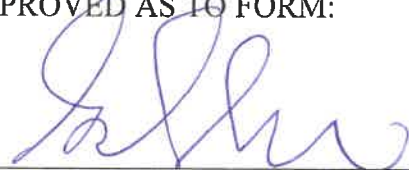
Sherri Bellard, City Secretary
on behalf of

APPROVED:



Floyd Batiste, PAEDC CEO

APPROVED AS TO FORM:



Guy N. Goodson, PAEDC Attorney

APPROVED AS TO FORM:



Valecia R. Tizeno, City Attorney

APPROVED AS TO AVAILABILITY OF FUNDS:



Kandy Daniel, Interim Finance Director

EXHIBIT “A”

**FIRST AMENDMENT TO THE
ECONOMIC DEVELOPMENT CONDITIONAL GRANT AGREEMENT
BETWEEN
THE CITY OF PORT ARTHUR SECTION 4A ECONOMIC DEVELOPMENT
CORPORATION
AND
STANDARD ALLOYS INCORPORATED**

WHEREAS, Standard Alloys Incorporated (the “Incentive Recipient”) and the City of Port Arthur Section 4A Economic Development Corporation (“PAEDC”) entered into an Economic Development Contract and Loan Agreement (the “Agreement”) on March 25, 2019 pursuant to Resolution No. 18-507; and

WHEREAS, the Agreement provided that Incentive Recipient would purchase approximately 22 acres of property located on Spur 93 in Port, Arthur, Texas known as the PAEDC Business Park (the “Business Park”); and

WHEREAS, the Agreement provided that Incentive Recipient would develop a state-of-the-art machine shop and repair facility, along with an office/warehouse (“Project Phase I”), with a performance test stand (“Project Phase II”) and possible foundry along with office/warehouse space (“Project Phase III”); and

WHEREAS, Incentive Recipient cannot build the performance test stand or foundry with the current available electrical voltage in the Business Park provided by Entergy Texas, Inc. (“Entergy”); and

WHEREAS, PAEDC will provide Incentive Recipient additional incentive in an amount equal to fifty percent (50%) of Entergy’s total cost to match timing of phased in upgrades to electrical voltage to the Business Park. Entergy Phase I upgrades shall occur through the replacement of approximately 6000 feet of 336 AL cable with 795 AL cable to serve the load and to provide 275 Amps at 4160V for the test field. Service to the test field will be via a 13.2 kV primary meter and Standard Alloys will be responsible for the transformer capable of bringing the voltage down to the 4160V. Entergy Phase II upgrade to accommodate the possible foundry is slated to be one, three phase set of regulators at the Business Park facility to maintain voltage to Standard Alloys and the surrounding customers; and

WHEREAS, Entergy estimates its total construction costs for upgraded electrical voltage to the Business Park to produce 275 Amps at 4160V/2200HP for the test field and three phase regulator to accommodate the relocation of the possible foundry is approximately Seven Hundred and Twenty-Five Thousand Dollars and no/100 (\$725,000.00), and that a portion of the total estimated costs will be incurred during each phase (“Entergy’s Upgrade Cost”); and

WHEREAS, PAEDC agrees to provide Incentive Recipient additional Incentive on a phased in basis that corresponds to the phases of Entergy's Upgrade Cost, but in no event shall such additional Incentive exceed 50% of Entergy's Upgrade Cost; and

WHEREAS, Incentive Recipient shall upgrade the electrical voltage of the test field to accept 689 Amps at 4160V/5500HP within the later thirty-six (36) months of the execution of this Amendment or March 30, 2024; and

WHEREAS, the Incentive Recipient estimates the construction of the possible foundry will require an additional Twelve Million Dollar (\$12,000,000) capital investment at the Business Park; and

WHEREAS, upon receipt and acceptance of Entergy's final price for each phase of Entergy's Upgrade Cost by Incentive Recipient and PAEDC's Board of Directors, the Incentive Recipient agrees to increase the current Letter of Credit which is in the amount of One Million Twenty-Four Thousand and One Hundred Dollars and no/100 (\$1,024,100.00) by the amount of each additional phased in Incentive amount received from PAEDC, up to fifty (50%) percent of Entergy's Upgrade Cost to securitize the additional incentive amount; and

WHEREAS, PAEDC Board of Directors considered amending the Performance Schedule to reflect the revised timeline for the construction and completion of the performance test stand/foundry; and

WHEREAS, the PAEDC Board of Directors agreed to amend the Agreement and performance milestones at its February 10, 2020 special meeting.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF PORT ARTHUR SECTION 4A ECONOMIC DEVELOPMENT CORPORATION that:

1. This Amendment to the Economic Development Contract and Loan Agreement between PAEDC and Incentive Recipient was approved by the PAEDC Board of Directors on February 10, 2020.

2. This Amendment to the Agreement shall be effective upon approval by the City of Port Arthur, Texas.

3. Section 5(b) is amended by deleting current Section 5(b) and inserting in lieu the following;

- (1) Incentive Recipient shall meet the conditions precedent contained in this Agreement as amended 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 Project Phase I of 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 for Project Phases I and II within thirty-six (36) 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.
- (4) Incentive Recipient shall upgrade the electrical voltage of the test field to accept 689 Amps at 4160V/5500HP within the later thirty-six (36) months of the execution of the Agreement as amended or March 30, 2024;
- (5) 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.
- (6) Incentive Recipient shall generate a total of approximately \$665,808.00 in annual wages, including any benefits by December 2021.
- (7) Incentive Recipient shall provide PAEDC a revised Letter of Credit in the amount of the incentive as received from PAEDC.
- (8) 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.
- (9) 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 and 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.

4. The Performance Milestone Schedule is deleted in its entirety and the following is inserted in lieu:

STANDARD ALLOYS INCORPORATED

	<u>Deadline</u>	<u>Milestone</u>
(a)	March 25, 2019	Standard Alloys Inc. closes on the purchase of 22 acres of land in the Spur 93 Business Park.

(b)	DECEMBER 31, 2019	Standard Alloys Inc. achieves an annualized total payroll (including benefits) of \$221,936 based upon full-time employment of Port Arthur residents
(c)	SEPTEMBER 30, 2020	Standard Alloys begins construction on Project Phase I of the project (Office/Shop)
(d)	DECEMBER 31, 2020	Standard Alloys Inc. issues a <u>status report</u> on building construction and equipment installation estimated completion date to PAEDC CEO
(e)	DECEMBER 31, 2020	Standard Alloys Inc. maintains annualized total payroll (including benefits) of \$221,936 based upon full time employment of Port Arthur residents; total accumulated payroll (including benefits) ending December 31, 2020 over two year period of \$443,872
(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 \$221,936 based upon full time employment of Port Arthur residents; total accumulated payroll (including benefits) ending December 31, 2021 over three year period of \$665,808
(h)	MARCH 30, 2022	Standard Alloys Inc. provides PAEDC with a copy of Property Tax Statement
(i)	MARCH 30, 2023	Standard Alloys Inc. provides PAEDC with a copy of Property Tax Statement
(j)	JULY 30, 2023	Standard Alloys Inc. issues a <u>business operational report</u> to PAEDC CEO on Project Phase II construction plans
(k)	MARCH 30, 2024	Standard Alloys Inc. completes electrical upgrade of the test field to accept 689 Amps at 4160V/5500HP
(l)	MARCH 30, 2024	Standard Alloys Inc. provides PAEDC CEO a copy of Property Tax Statement
(m)	JULY 30, 2024	PAEDC closes Standard Alloys Engineering file

5. Other than the Amendment set forth herein, Incentive Recipient and PAEDC ratify and affirm all terms and conditions of the Agreement dated March 25, 2019.

[SIGNATURE PAGE TO FOLLOW]

CITY OF PORT ARTHUR SECTION 4A ECONOMIC DEVELOPMENT CORPORATION

SIGNED AND AGREED TO on the ____ day of _____, 2020.

By: _____

President

By: _____

Secretary

EDC Representative

EDC Representative

STANDARD ALLOYS INCORPORATED

SIGNED AND AGREED TO on the ____ day of _____, 2020.

By: _____

Title: President and Managing Director

Acknowledgment