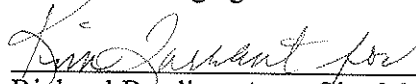


## PUBLIC NOTICE

### DEVELOPMENT CORPORATION OF ABILENE, INC.

A regular meeting of the Development Corporation of Abilene, Inc. will be held on **Monday**, February 27, 2012, in the Abilene Life Sciences Accelerator, 1325 Pine St., Abilene, Texas, commencing at 1:30 p.m. to consider the following agenda:

SIGNED:



Richard Burdine, Asst. City Manager for Economic Development

### AGENDA

February 27, 2012  
1:30 p.m.

Abilene Life Sciences Accelerator  
1325 Pine St.

1. Call the meeting to order.
2. Approval of minutes from the February 14, 2012, board meeting.
3. Executive Session: Pursuant to Tex. Gov't Code Sec. 551.087, an executive session may be held (1) to discuss or deliberate regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations; or (2) to deliberate the offer of a financial or other incentive to a business prospect described by Subdivision (1). After discussion in executive session, any action or vote will be taken in public.  
  
Pursuant to Tex. Gov't Code Sec. 551.072, an executive session may be held to discuss the possible exchange, lease, or value of real property associated with a project to be funded by the DCOA since deliberation in open session would have a detrimental effect on the DCOA's negotiations with a third party. After discussion in executive session, any action or vote will be taken in public.  
  
Pursuant to Tex. Gov't Code Sec. 551.071, an executive session may be held to consult with the DCOA attorney regarding pending or contemplated litigation or a settlement offer regarding DCOA funded projects or on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551 of the Government Code. After discussion of the contemplated legal matters in executive session, any action or vote will be taken in public.
4. Discussion and possible approval of a resolution authorizing assistance for Bridgestone Bandag, LLC dba Bandag.
5. Discussion and possible approval of a resolution authorizing amended assistance for Phases 1, 2 and 3 expansions for Smith Pipe.

6. Discussion and possible approval of a contract and funding for fire suppression improvements and other costs associated with 4109 Vine St.
7. Adjournment.

**CERTIFICATE**

I hereby certify that the above notice of meeting was posted on the bulletin board at the City Hall of Abilene, Texas, on the \_\_\_\_\_ day of \_\_\_\_\_, 2012, at \_\_\_\_\_.

\_\_\_\_\_  
City Secretary

**NOTICE**

Persons with disabilities who would like special assistance or need special accommodations to participate in this meeting should contact Department of Economic Development, (325) 676-6390, at least forty-eight (48) hours in advance of this meeting. Telecommunication device for the deaf is (325) 676-6360.

**DEVELOPMENT CORPORATION OF ABILENE, INC.  
BOARD MEETING MINUTES  
FEBRUARY 14, 2012**

**MEMBERS PRESENT:** Paul Cannon Mike Schweikhard  
Marelyn Shedd Scott Senter

**MEMBER ABSENT:** Dani Ramsay

**STAFF PRESENT:** Richard Burdine Kim Tarrant  
Mike Rains Dan Santee

**GUESTS PRESENT:** Bill Ehrie, Abilene Industrial Foundation  
Brennan Peel, Abilene Reporter-News

1. **CALL TO ORDER.** Paul Cannon called the meeting to order at 1:34 p.m. in the conference room of the Abilene Life Sciences Accelerator, 1325 Pine Street, Abilene, Texas.
2. **APPROVAL OF MINUTES FROM THE JANUARY 31, 2012 BOARD MEETING.** Scott Senter moved to approve the minutes from the January 31, 2012 board meeting. The motion was seconded by Marelyn Shedd and passed by unanimous consent.
3. **SALES TAX REPORT FOR FEBRUARY 2012 AND STATUS OF FUNDS REPORT FOR DECEMBER 2011.** Mike Rains noted that the sales tax rebate for economic development of \$1,175,879 for February represents December sales. This is 20% above December 2010 sales. Cumulative sales tax is up 25.07% above last year for the period October through February. As of December 30, 2011 the total fund balance was \$64.3 million with \$33 million of that invested in fixed assets and \$11.2 million as undesignated balance (available for projects). The two largest revenue items are from sales tax and rental income. The largest expenditures were for Eagle Aviation's Hangar 4 construction and Broadwind Towers (f/k/a Tower Tech).
4. **EXECUTIVE SESSION.** I hereby announce we are going into Executive Session pursuant to Texas Government Code Sections 551.071, .072, and .087 to consult with our legal counsel, discuss real property transactions, and discuss economic development negotiations involving a business prospect, as set forth on the agenda. Any vote or action will be taken in open session.

President Paul Cannon announced the date is February 14, 2012, and the time is 1:40 p.m. Mr. Cannon later announced the date is still February 14, 2012, and the time is 2:46 p.m. No vote or action was taken in Executive Session.

5. **DISCUSSION AND POSSIBLE APPROVAL OF A RESOLUTION AUTHORIZING ASSISTANCE FOR FEHR FOODS.** Fehr Foods began with 27 employees when they first started operations in Abilene in 1992. Since that time, the DCOA has assisted with several changes and expansions to the cookie-making company. As of June 2011, Fehr's FTE total was 263.7.

In October 2010, Grupo Nutresa purchased 100% of the stock of Fehr Holdings, including Fehr Foods and its affiliates, making the Abilene operation the only one in the U.S. Grupo Nutresa has invested \$900,000 in the Abilene facility since 2010, and they plan to invest an additional \$4.1 million for Project El Dorado, which is the addition of a new cream cookie line, increasing cream cookie capacity by 18 million pounds per year, a 30% increase. 39 new jobs will be created and they

will make use of equipment currently not being used. Grupo Nutresa also plans a \$1 million capital investment for plant improvements, for total capital investment of \$5.1 million.

Staff recommends the DCOA authorize assistance of up to \$510,000 in capital investment incentives for Fehr Foods, Inc., based on 10% of actual costs, to assist with capital investment in Project El Dorado and plant improvements, to be paid over 3 years.

A motion was made by Mike Schweikhard to approve Resolution No. DCOA-2012.11 as presented. Scott Senter seconded and the motion carried.

**6. DISCUSSION AND POSSIBLE APPROVAL OF A RESOLUTION AUTHORIZING AMENDED ASSISTANCE FOR BROADWIND TOWERS (F/K/A TOWER TECH SYSTEMS, INC. DBA TTSI).** Broadwind Towers (BT) manufactures utility-scale wind tower, monopole & wind turbine structures and assembly in Abilene's Five Points Business Park. Among job creation and capital investment incentives, the DCOA's original assistance package included \$75,000 for two training sessions through the Fast Track Welding Training program.

Because of economic swings, there were several amendments to the assistance package. Out of the 150 new jobs to be originally created, BT reported 109 FTEs through Oct. 2011. The company recently signed a contract with Caterpillar (CAT) to manufacture masts for heavy oilfield trucks used in this area; therefore they need to add welders to fulfill this contract and 2012 tower orders.

In November 2011, the DCOA reallocated \$20,500 from job creation incentive funds to use instead for advanced welder training for current and returning employees conducted by TSTC. The company now requests the DCOA reallocate another \$38,400 from job creation incentive funds to be used for training: \$30,000 for advanced welding training for 20 students, and \$8,400 for leadership training for the supervisory team.

Scott Senter moved to approve Resolution No. DCOA-2012.12 as presented. The motion was seconded by Marelyn Shedd and carried.

**7. ADJOURNMENT.** Richard is not available on Feb. 28<sup>th</sup> (the next regularly scheduled meeting). If a meeting is necessary before March 13<sup>th</sup> (possibly on Feb. 27<sup>th</sup>), notice will be given to all concerned parties. There being no further business, the meeting was adjourned.

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Paul Cannon, President

# DEVELOPMENT CORPORATION OF ABILENE, INC.

## BOARD AGENDA

MEETING DATE: February 27, 2012

**PROJECT:** Bridgestone Bandag, LLC dba Bandag

**STAFF:** Richard Burdine, CEO

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### THE COMPANY

Bandag has been located in Abilene since 1971 and was acquired by Bridgestone Americas Holding, Inc. in 2007. The merger resulted in Bandag becoming a wholly-owned subsidiary of Bridgestone Americas Holding, Inc., and Bandag, Inc. became a limited liability company with a new corporate name, Bridgestone Bandag, LLC. Bridgestone Corporation is a Japan-based manufacturing company mainly engaged in the tire related business. The Company has two business segments. The Tire segment is engaged in the manufacture and sale of tires and tubes for passenger automobiles, trucks, buses, construction and mine vehicles, industrial vehicles, agricultural machinery, aircraft and motorcycles, as well as the provision of retread materials, tire-related products and raw materials. This segment also provides automotive maintenance and repair services. The Diversified Product segment provides automobile related parts, urethane foams, electronic precision parts, industrial material related products, construction related products, sports products, such as golf balls and golf clubs, bicycles, as well as financial services.

It starts and ends with retreads that perform like new tires, at a fraction of the price, with specialized tread patterns that match up with any terrain, and next-generation compounds that resist wear and tear. According to the U.S. Environmental Protection Agency, there are at least 275 million scrap tires in U.S. stockpiles, and approximately 290 million scrap tires are created every year. The Bandag manufacturing process is optimized to minimize or eliminate negative impacts on employees, communities and the environment while constantly seeking ways to reduce energy consumption. Retreads eliminate or reduce the use of hazardous materials. Plus, through an efficient production process, waste is minimized and then recycled or incinerated where possible. Bandag dealers and fleet customers are instructed about the efficient use of retread tires and how to ensure their proper disposal at the end of their final life cycle.

Abilene is one of six United States manufacturing plants. Other U.S. locations include Georgia, California, Indiana, Iowa and North Carolina. Other plants are located in Brazil, Mexico and Belgium. Management of the Abilene plant continues to look for ways to operate as efficiently and cost effectively as possible.

The DCOA's relationship with Bandag began in January 2004. Below is a summary of the assistance provided:

1. **1-15-04, Resolution DCOA-2004.04**, Phase I expansion, Bandag committed to retain 120 FTEs and create 10 over 4-year period:
  - Training Grant - \$195,000 to offset costs associated with the training of existing Bandag employees and new employees. ACTUAL DISBURSEMENT = \$195,000
  - Equipment Upgrade Earned Grant - \$268,205 for estimated costs of upgrading #3 Press. ACTUAL DISBURSEMENT = \$226,559, FULLY EARNED IN 2007.

2. **4-27-04, Resolution DCOA-2004.18**, Phase II expansion, no additional job creation (Addendum A):
  - Equipment Upgrade Grant - \$200,000 for 50% of estimated costs of adding a fifth mill to the extruding dept. ACTUAL DISBURSEMENT = \$200,000.
  
3. **12-14-04, Resolution DCOA-2005.04**, Phase III expansion, Bandag originally committed to retain 130 FTE's and create 8 new for total of 138. Addendum B was executed in 2006 and reduces the training commitment from \$72,000 to \$40,000 and provides for retention of 130 and creation of 4 for a total of 134 FTE's:
  - OTJ Training Earned Grant - \$72,000 originally approved to reimburse for on-the-job training of 7 new hourly FTE's and one new mgmt FTE. Addendum B allowed for \$40,000 paid after Bandag's probationary period at \$8,000 each for 3 new hourly positions and \$16,000 for one new mgmt position. The assistance is to be earned over 4 years. ACTUAL DISBURSEMENT = \$40,000. BALANCE UNEARNED = \$12,000.
  - Training Programs Grant - \$139,015 for 50% of cost for 2 training programs:
    - a. *Maintenance Skill Development* - \$6,515 for training on repair, maintenance and troubleshooting for various systems and eqmt. ACTUAL DISBURSEMENT = \$6,515.
    - b. *General Plant Skill Development* - \$132,500 for continuing the multi-skill workforce certification program begun in 2004 to provide for plant-wide team development and leadership training. ACTUAL DISBURSEMENT = \$132,500.
  
4. **12-14-04, Resolution DCOA-2005.03** under Project VH, Bandag to create 9 new line positions and one supervisory position for a total of 10 new jobs at a second location on FM 18 (Site 2):
  - Real Estate Purchase and Improvements – \$1,050,000, DCOA to purchase the former Cummings Sign property at 4549 FM 18 (including 15.37 acres of land) for a total of \$650,000 in lieu of the outstanding first lien for Cummings Signs. Also approved was \$400,000 for improvements to the facility. Closing for the purchase/sale occurred on 4-4-05. DISBURSEMENTS TO DATE = \$1,050,000.
  - Real Estate Financing – DCOA is financing 100% of the purchase and improvements totaling \$1,050,000 for 7 years, 0% interest, secured by a 1<sup>st</sup> lien on the real estate. No pmts in years 1 through 3, and beginning in year 4, pmts of \$5,147/mo. Principal reductions up to \$118,000 can be earned over 10 years for 10 new jobs created. Additional reductions up to \$450,000 can be earned for capital investment over 10 years. Note matures 4-4-12 and Bandag has option of extending the financing up to 15 additional years at 2.8% with the same payment. If at maturity the outstanding principal balance exceeds \$600,000, interest will increase to the WSJ Prime rate in effect at the time. If the outstanding principal balance exceeds \$750,000, interest will increase to the WSJ Prime rate in effect at the time + 1%. PRINCIPAL REDUCTIONS EARNED THROUGH 12/10 = \$8,000. NOTE BALANCE THROUGH 2-29-12 = \$800,091.

Job certifications received through 12/31/10 indicate 132.7 FTE's in Site 1 and 2 FTE's in Site 2.

### THE PROJECT

Business has been good. Bandag is now requesting the DCOA assist with expansion of its Site 1 facility and addition of a weekend crew to accommodate the additional capacity. The company will add approximately 40,000 sq ft to the existing structure and add 11 new jobs. Bandag will invest \$1.5 million in construction and retain at least 134 FTE's. I propose an assistance package totaling \$315,300 as follows:

Job Creation Incentive – up to \$165,300 for the creation of 11 new FTE’s in addition to the 134 FTE’s required in previous agreements. Funding will be disbursed over 3 years according to the table below.

Annual Salary Level*	Number of Jobs	Incentives per Job	Incentives Total
\$30 to \$40,000	0	\$ 10,000	\$ -
\$40 to \$50,000	8	\$ 12,000	\$ 96,000
\$50 to \$60,000	0	\$ 15,000	\$ -
Over \$60,000 (below)	3	35%	\$ 69,300
<b>Total:</b>	<b>11</b>		<b>\$ 165,300</b>

Management Positions	Annual Salary Level*
Over \$60,000	
2 Supervisors @ \$61k/year	\$122,000
Maintenance Manager @ \$76k/year	\$76,000
<b>Total Salaries:</b>	<b>\$198,000</b>

\* Calculations based on salaries provided with non-mandatory benefits.

Capital Investment Incentive – Up to \$150,000 for Company’s investment in the building expansion paid at 10% of actual cost over 3 years, not to exceed \$50,000/year.

**STAFF RECOMMENDATION**

Staff recommends approval of resolution DCOA-2012.13 authorizing financial assistance totaling \$315,300 to Bandag for expansion of its Site 1 facility and creation of 11 new FTE’s.

**ATTACHMENTS**

Resolution DCOA-2012.13

**RESOLUTION NO. DCOA-2012.13**

A RESOLUTION OF THE DEVELOPMENT CORPORATION OF ABILENE, INC. (DCOA), ABILENE, TEXAS AUTHORIZING FINANCIAL ASSISTANCE FOR BRIDGESTON BANDAG, LLC D/B/A BANDAG (BANDAG).

WHEREAS, the purpose of the DCOA is to expand employment opportunities for the citizens of Abilene; and

WHEREAS, BANDAG has existed in Abilene since 1971 and was acquired by Bridgestone Americas Holding, Inc. in 2007, thereby becoming Bridgestone Bandag, LLC; and

WHEREAS, BANDAG is engaged in the manufacture and sale of tires and tubes for passenger automobiles, trucks, buses, construction and mine vehicles, industrial vehicles, agricultural machinery, aircraft and motorcycles, as well as the provision of retread materials, tire-related products and raw materials; and

WHEREAS, the DCOA's relationship with BANDAG began in January 2004 with the approval of resolution DCOA-2004.04 which provided for training and equipment upgrades to the original plant at 4750 FM 18 (Site 1); and,

WHEREAS, also in 2004, the DCOA approved Resolution DCOA-2004.18 authorizing assistance for the addition of a fifth mill to the extruding department and additional training funds associated with Site 1; and,

WHEREAS, in December 2004, the DCOA approved Resolution DCOA-2005.03 authorizing the DCOA's purchase of the former Cummings Sign building at 4549 FM 18, which was sold to BANDAG and financed by the DCOA as Site 2; and,

WHEREAS, BANDAG'S business has been good, and the company needs to expand the facility and add a weekend crew to Site 1; and,

WHEREAS, Staff proposes an assistance package totaling \$315,300 for expansion of Site 1, retention of 134 FTE's and creation of 11 new FTE's plus a capital investment by BANDAG of \$1,500,000.

**NOW THEREFORE, BE IT RESOLVED BY THE DEVELOPMENT CORPORATION OF ABILENE, INC., ABILENE, TEXAS, THAT:**

**PART 1.** DCOA authorizes assistance for Bandag in the amount of Three Hundred Fifteen Thousand Three Hundred and no/100's Dollars (\$315,300.00). Bandag will retain 134 and create an additional 11 full-time jobs for a total of 145, plus invest \$1,500,000 in building expansion costs to Site 1 located at 4750 FM 18. Assistance is as follows:

Job Creation Incentive – up to \$165,300 for the creation of 11 new FTE's in addition



to the 134 FTE's required in previous agreements. Funding will be disbursed over 3 years according to the table below.

Annual Salary Level*	Number of Jobs	Incentives per Job	Incentives Total
\$30 to \$40,000	0	\$ 10,000	\$ -
\$40 to \$50,000	8	\$ 12,000	\$ 96,000
\$50 to \$60,000	0	\$ 15,000	\$ -
Over \$60,000 (below)	3	35%	\$ 69,300
<b>Total:</b>	<b>11</b>		<b>\$ 165,300</b>

Management Positions	Annual Salary Level*
Over \$60,000	
2 Supervisors @ \$61k/year	\$122,000
Maintenance Manager @ \$76k/year	\$76,000
<b>Total Salaries:</b>	<b>\$198,000</b>

\* Calculations based on salaries provided with non-mandatory benefits.

Capital Investment Incentive – Up to \$150,000 for Company's investment in the building expansion paid at 10% of actual cost over 3 years, not to exceed \$50,000/year.

**PART 2.** Funding under this resolution is contingent upon execution of all necessary agreements. The funding commitment authorized under this resolution shall expire without notice 180 days from the date of adoption of same unless all required documents and agreements are executed prior to that expiration date or the commitment herein is extended in writing by the DCOA.

**PART 3.** The Chief Executive Officer of the Development Corporation of Abilene, Inc. is hereby authorized to negotiate, enter into and execute any contract and all other related documents on behalf of the DCOA.

ADOPTED this the 27th day of February, 2012.

ATTEST:

\_\_\_\_\_  
 Marelyn Shedd  
 Secretary/Treasurer

\_\_\_\_\_  
 Paul Cannon  
 President

APPROVED:

\_\_\_\_\_  
 T. Daniel Santee, City Attorney

# DEVELOPMENT CORPORATION OF ABILENE, INC.

## BOARD AGENDA

MEETING DATE: February 27, 2012

**PROJECT:** Smith Pipe – Phases 1, 2& 3 REVISED

**STAFF:** Richard Burdine, CEO

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### THE COMPANY

Smith Pipe is a local company founded in 1983 and currently owns 100+ acres of land south of Abilene in the City's 5-mile extraterritorial jurisdiction (ETJ). The company operates drillings rigs, well service units, a Roust-A-Bout crew, and plug & abandonment units in addition to manufacturing new storage tanks and pressure vessels and sales of used oilfield equipment. The company also operates a truck fleet for rig moving and equipment sales. They currently have 320 employees.

In May 2011, the DCOA Board approved Resolution DCOA-2011.16 authorizing assistance for Smith Pipe (Project BC) in a total amount not to exceed \$1,155,368 for Phase 1 construction and Phase 2 expansion of a new 40,500 sq ft facility adjacent to the existing facility for its new pipe coating operation that will support and enhance their current operation. The company pledged to add another 44 jobs total and invest \$5,267,000 in capital.

**Phase 1** - Totaling \$594,441 for 24 new jobs as follows:

1. Job Creation Incentive – up to \$367,941 for the creation of 24 jobs paid over a 3-year period.
2. Capital Investment Incentive Forgivable Loan – up to \$226,500 based on 10% of the company's investment in land, construction, utilities, and capital equipment purchases. *Funding was paid up front and structured as a 0% forgivable loan with principal reductions applied over a 3-year period at the rate of \$75,500/annually. The loan is secured by a letter of credit.*

**Phase 2** –Totaling \$560,927 for 20 more jobs as follows:

1. Job Creation Incentive – up to \$260,727 for the creation of 20 additional jobs paid over a 3-year period.
2. Capital Investment Incentive – up to \$300,200 based on 10% of company's investment in land, construction utilities and capital equipment for the Phase 2 expansion. This funding will be disbursed over 3 years in the amount of \$100,067 annually, only after the company has provided proof of actual eligible capital costs in excess of \$2,265,000, as required in Phase 1.

On October 11, 2011, the DCOA approved Resolution DCOA-2012.01 authorizing Phase 3 assistance totaling \$521,790 for the purchase of more land and construction of a 15,000 sq ft main shop and a 5,000 sq ft paint and sand blasting shop for the company's new tank fabrication operation. At the time, the total estimated project cost for construction and equipment purchases was \$2,087,900. Plans are to create 31 new jobs in Phase 3, in addition to the 44 jobs to be created in Phases 1 and 2 combined. The assistance package consists of the following, all paid in arrears:

**Phase 3** – Totaling 521,790 for 31 more jobs as follows:

1. Job Creation Incentive – up to \$313,000 for the creation of 31 new jobs, paid over 3 years.
2. Capital Investment Incentive – up to \$208,790 based on 10% of company's investment in land, construction utilities and capital equipment for the Phase 3 expansion. This funding will be disbursed over 3 years in the amount of \$69,597 annually.

**THE PROJECT/REQUEST**

The company's capital investment in Phase 3 has increased \$120,000 from the originally estimated \$2,087,900 to \$2,207,900. Approximately \$1,175,000 will be spent on land and construction and \$1,032,900 on equipment. The company requests the DCOA revise the existing assistance package for Phases 1, 2 and 3 by increasing the capital investment incentive for Phase 3 by \$12,000 and eliminating the job creation incentive altogether for all three phases. In exchange for waiving the future job creation incentives, the company requests the DCOA advance the capital investment incentives for Phase 2 and 3 under separate notes receivable upon completion of construction and DCOA's receipt of documentation evidencing actual costs for both phases. The loans would be secured by a letter of credit and forgiven over three years in equal amounts annually.

Because the project is located in the City's ETJ, approval by the Taylor County Commissioner's Court will be required prior to finalization of the deal.

Staff proposes revising previously approved assistance packages for Phases 1, 2 and 3 as described above by eliminating the job creation incentive for each phase and increasing the capital investment incentive for Phase 3 by \$12,000. Also proposed is advancing the capital investment incentives for Phase 2 and 3 under separate notes at 0% interest secured by a letter of credit. The advances will occur after completion of the phase and receipt by the DCOA of appropriate documentation. The principal balances will be forgiven over the following 3 years in equal annual amounts.

The final impact of this proposal is to reduce the amount of assistance approved for all three phases (which totals \$1,677,158) by \$941,668 by eliminating the job creation incentives, then increasing the Phase 3 capital investment incentive by \$12,000. The result is total capital investment incentives for all three phases of \$747,490 as follows:

**PHASE 1**

Investment:		Incentives %	Incentives Total
Equipment	\$ 1,545,000	10%	\$ 154,500
Land & Building	\$ 520,000	10%	\$ 52,000
Utilities	\$ 200,000	10%	\$ 20,000
<b>Total:</b>	<b>\$ 2,265,000</b>		<b>\$ 226,500</b>

**PHASE 2**

Investment:		Incentives %	Incentives Total
Equipment	\$ 2,232,000	10%	\$ 223,200
Land & Building	\$ 520,000	10%	\$ 52,000
Utilities	\$ 250,000	10%	\$ 25,000
<b>Total:</b>	<b>\$ 3,002,000</b>		<b>\$ 300,200</b>

**PHASE 3**

Investment:		Incentives %	Incentives Total
Equipment	\$ 1,032,900	10%	\$ 103,290
Land & Building, including utilities	\$ 1,175,000	10%	\$ 117,500
<b>Total:</b>	<b>\$ 2,207,900</b>		<b>\$ 220,790</b>

**FISCAL IMPACT**

Phase 3 capital investment assistance increase	\$ 12,000
Waiver of job creation assistance in Phases 1, 2 & 3	<u>(\$941,668)</u>
Total impact is a reduction in total assistance by	(\$929,668)

**STAFF RECOMMENDATION**

Staff recommends approval of resolution DCOA-2012.14 authorizing amended assistance for Smith Pipe for Phases 1, 2, and 3 providing for the elimination of job creation incentives previously approved for all three phases and an increase in the capital investment incentive for Phase 3, as described above. The capital investment incentives for Phase 2 and 3 will now be advanced under separate forgivable notes and secured by a letter of credit.

**ATTACHMENTS**

Resolution DCOA-2012.14

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**RESOLUTION NO. DCOA-2012.14**

A RESOLUTION OF THE DEVELOPMENT CORPORATION OF ABILENE, INC. (DCOA), ABILENE, TEXAS AUTHORIZING AMENDED FINANCIAL ASSISTANCE FOR PHASES 1, 2 AND 3 OF SMITH PIPE'S EXPANSION.

WHEREAS, the purpose of the DCOA is to expand employment opportunities for the citizens of Abilene; and,

WHEREAS, Smith Pipe is a local company founded in 1983 and currently owns 100+ acres of land south of Abilene in the City's 5-mile extraterritorial jurisdiction (ETJ); and,

WHEREAS, the company operates drillings rigs, well service units, a Roust-A-Bout crew, and plug & abandonment units in addition to manufacturing new storage tanks and pressure vessels and sales of used oilfield equipment. The company also operates a truck fleet for rig moving and equipment sales; and,

WHEREAS, in May 2011 the DCOA approved Resolution DCOA-2011.16 authorizing assistance for the company (also known as Project BC) in an amount not to exceed \$594,441 for Phase 1 and \$560,927 for Phase 2 expansion in exchange for capital investment by the Company of \$5,267,000 and new job creation of 44. The company will build a new facility adjacent to the existing facility for its new pipe coating operation that will support and enhance their current operation; and,

WHEREAS, on October 11, 2011, the DCOA approved Resolution DCOA-2012.01 authorizing Phase 3 assistance totaling \$521,790 for the purchase of more land and construction of a 15,000 sq ft main shop and a 5,000 sq ft paint and sand blasting shop for the company's new tank fabrication operation in exchange for 31 more jobs and a capital investment of \$2,087,900; and,

WHEREAS, Smith Pipe's estimated capital investment in Phase 3 has increased \$120,000 from the original \$2,087,900 to \$2,207,900; and,

WHEREAS, Smith Pipe requests the DCOA revise the existing assistance package for Phases 1, 2 and 3 by increasing the capital investment incentive for Phase 3 by \$12,000 and eliminating the job creation incentive altogether for all three phases; and,

WHEREAS, in exchange for waiving the future job creation incentives, Smith Pipe requests the DCOA advance the capital investment incentives for Phase 2 and 3 under separate notes receivable upon completion of construction and DCOA's receipt of documentation evidencing actual costs for both phases. The loans would be secured by a letter of credit and forgiven over three years in equal amounts annually; and,

WHEREAS, staff requests the DCOA authorize amended assistance for Smith Pipe for Phases 1, 2, and 3 providing for the elimination of job creation incentives previously approved for all three phases and an increase in the capital investment incentive for Phase 3. The capital investment incentives for Phase 2 and 3 will now be advanced under separate forgivable notes and secured by a letter of credit.

**NOW THEREFORE, BE IT RESOLVED BY THE DEVELOPMENT CORPORATION OF ABILENE, INC., ABILENE, TEXAS, THAT:**

**PART 1.** DCOA hereby authorizes revising previously approved assistance packages for Phases 1, 2 and 3 for Smith Pipe by eliminating the job creation incentive for each phase and increasing the capital investment incentive for Phase 3 by \$12,000. Also approved is advancing the capital investment incentives for Phase 2 and 3 under separate notes at 0% interest secured by a letter of credit. The advances will occur after completion of the phase and receipt by the DCOA of appropriate documentation evidencing actual costs. The principal balances will be forgiven over the following 3 years in equal annual amounts.

a) The final impact of this revision is to reduce the amount of assistance approved for all three phases (which totals \$1,677,158) by \$941,668 by eliminating the job creation incentives as follows:

PHASE 1 - up to \$367,941 for the creation of 24 jobs paid over a 3-year period.

PHASE 2 - up to \$260,727 for the creation of 20 additional jobs paid over a 3-year period.

PHASE 3 - up to \$313,000 for the creation of 31 new jobs, paid over 3 years.

b) In addition, the Phase 3 capital investment incentive is hereby increased by \$12,000.

The result is total capital investment incentives for all three phases of \$747,490 as follows:

PHASE 1-Fully advanced in 7/11. Forgiven annually by \$75,500.

Investment:		Incentives %	Incentives Total
Equipment	\$ 1,545,000	10%	\$ 154,500
Land & Building	\$ 520,000	10%	\$ 52,000
Utilities	\$ 200,000	10%	\$ 20,000
<b>Total:</b>	<b>\$ 2,265,000</b>		<b>\$ 226,500</b>

PHASE 2 – To be advanced upon completion of construction. Forgiven annually by \$100,067.

Investment:		Incentives %	Incentives Total
Equipment	\$ 2,232,000	10%	\$ 223,200
Land & Building	\$ 520,000	10%	\$ 52,000
Utilities	\$ 250,000	10%	\$ 25,000
<b>Total:</b>	<b>\$ 3,002,000</b>		<b>\$ 300,200</b>

PHASE 3 – To be advanced upon completion of construction. Forgiven annually by \$73,597.

Investment:		Incentives %	Incentives Total
Equipment	\$ 1,032,900	10%	\$ 103,290
Land & Building, including utilities	\$ 1,175,000	10%	\$ 117,500
<b>Total:</b>	<b>\$ 2,207,900</b>		<b>\$ 220,790</b>

**PART 2.** Funding under this resolution is contingent upon execution of all necessary agreements. The funding commitment authorized under this resolution shall expire without notice 180 days from the date of adoption of same unless all required documents and agreements are executed prior to that expiration date or the commitment herein is extended in writing by the DCOA.

**PART 3.** The Chief Executive Officer of the Development Corporation of Abilene, Inc. is hereby authorized to negotiate, enter into and execute a final contract and all other related documents on behalf of the DCOA.

ADOPTED this the 27th day of February, 2012.

ATTEST:

\_\_\_\_\_  
Marelyn Shedd  
Secretary/Treasurer

\_\_\_\_\_  
Paul Cannon  
President

APPROVED:

\_\_\_\_\_  
T. Daniel Santee, City Attorney

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# DEVELOPMENT CORPORATION OF ABILENE, INC.

## BOARD AGENDA

MEETING DATE: February 27, 2012

**PROJECT:** Vine St. Warehouse Fire Suppression Improvements

**STAFF:** Richard Burdine, CEO

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### **BACKGROUND**

Effective July 15, 2011, Affiliated Foods closed its business and vacated the DCOA-owned building at 4109 Vine, which consists of 3 large connecting warehouses and adjoining offices. Since then, staff has worked to clean up the property and make it ready to lease again, including removal of two underground fuel storage tanks. Ryder Trucks was subleasing a shop building with a wash bay totaling about 8,058 sq ft from Affiliated Foods and expressed a desire to remain in the building. We are working with the Ryder corporate structure to get a new lease agreement in place.

Fehr Foods has leased Warehouse A (70,000 sq ft) at 4009 Vine, which adjoins Warehouse B (42,362 sq ft), since 2004 paying monthly rent that increased from \$1.50/sq ft/year to the current \$1.67/sq ft/year. In order to accommodate its growth, Fehr Foods entered into a new lease effective October 1, 2011, for both Warehouses A and B, paying \$1.67/sq ft/year. The remainder of the space (offices and Warehouses C and D) remains vacant; however, staff continues to work to put the space in leasable condition and find other tenants.

On December 16, 2011, DCOA approved resolution DCOA-2012.05 authorizing a contract with Hendrix Electric and funding of \$52,677 to upgrade the lighting in Warehouses B, C, D and the Ryder building. In exchange, the DCOA will receive an incentive payment of \$9,750 from CLEAResult Consulting, Inc., the company hired by AEP Texas North Company to sponsor, promote and administer its Commercial Solutions Program to improve energy efficiency of business facilities. The project is complete and has dramatically improved lighting in the space.

On January 31, 2012, the DCOA approved resolution DCOA-2012.10 authorizing a contract with J.H. Strain & Sons and funding of \$160,580 to rebuild the parking lot at 4109 Vine St. Also authorized was \$75,000 additional funding for the FY12 Property Maintenance budget for DCOA-owned properties to cover the additional expense load of the Vine St. property. The project is underway and should be completed in March 2012.

### **THE REQUEST**

Coker Engineering from Keller, TX was contracted in January 2012 to design a new dry pipe system for Warehouses C & D and the offices. On February 3, 2012, staff put out an RFP using Coker's design specs to solicit bids to entirely replace the fire suppression system in Warehouses C & D and to install sprinkler heads in the office area in anticipation of occupancy.

All of Warehouse D was formerly used for cold/frozen food storage and has foam insulated wall and ceiling panels. The panels help keep the space at a desirable temperature for any use and will act to keep energy costs down. We will keep the wall panels in place; however, the ceiling panels present a unique problem when considering replacement of the fire suppression system. Some of ceiling panels are damaged and falling down because of past leaks in the system.



Replacement of the system will be made much easier and result in fewer safety hazards during construction and any inspections or repairs in the future if the ceiling panels are permanently removed. However, removal and disposal of the ceiling panels creates another situation. An asbestos survey conducted in late 2011 revealed asbestos in the adhesive used to bond the metal shell to the foam insulation for the wall panels, so our assumption is the ceiling panels also have the same asbestos content. The RFP includes an add alternate to remove the ceiling panels so we can compare the cost of replacing the system as it currently exists with the cost of removing and disposing of the ceiling panels before installation.

On February 24, 2012, staff received 2 bids from local contractors to perform the following:

1. Demo of existing systems in Warehouses C and D back to the riser room leaving only the stub in penetrating the concrete slab.
2. Install new dry pipe systems in Warehouses C and D and the offices.
3. Provide an alternate to include demo and disposal of existing ceiling panels in the cold storage areas of Warehouse D.

The bids received are as follows:

<b>Contractor</b>	<b>Base Bid</b>	<b>Additional Alternate</b>	<b>Notes</b>	<b>TOTAL</b>
CFP Group	\$384,840.85	\$51,310.16	Add alternate includes removal and disposal of ceiling panels in Warehouse D by licensed environmental contractor.	\$436,151.01
Automatic Fire Protection	\$487,872.00	(\$35,000.00)	Add alternate includes removal and disposal of ceiling panels in Warehouse D by licensed environmental contractor.	\$452,872.00

Staff requests the board ratify engineering services agreement with Coker Engineering and approve funding of \$6,400 (\$4,900 for basic services and \$1,500 for additional services). I will review the bids and present the board with a recommendation for construction during the board meeting.

Additionally:

1. Removal of the ceiling panels will require an electrician to re-install the majority of the lighting in Warehouse D, plus make modifications to any other electrical wiring that may exist above the panels. Estimated cost is \$25,000.
2. Abatement of asbestos and demolition of the current fire riser room in Warehouse C to make way for new risers. Estimated cost is \$2,150.
3. Asbestos consultant for abatement. Estimated cost is \$1,150
4. The engineering firm of Jacob & Martin has proposed a fee of \$14,500, plus \$5,500 for reimbursables and additional services, to prepare construction documents showing alterations required to satisfy TAS (Texas Accessibility Standards) for building access and restrooms and compliance with building codes. Jacob & Martin will prepare final construction documents outlining the proposed design for restrooms, new walls, doors, plumbing fixtures, light fixtures, exhaust systems, required exits and ramps, exit and emergency lights, new room for the fire pump risers, and demolition of several walls, among other items.

**FISCAL IMPACT**

Coker Engineering agreement for design services	\$ 6,400
Electrical work	\$25,000
Asbestos abatement/demo of current riser room	\$ 2,150
Asbestos Consultant	\$ 1,150
A/E contract with Jacob & Martin	<u>\$20,000</u>
TOTAL	\$54,700

Fire suppression system construction funding request to be presented during the board meeting.

**STAFF RECOMMENDATION**

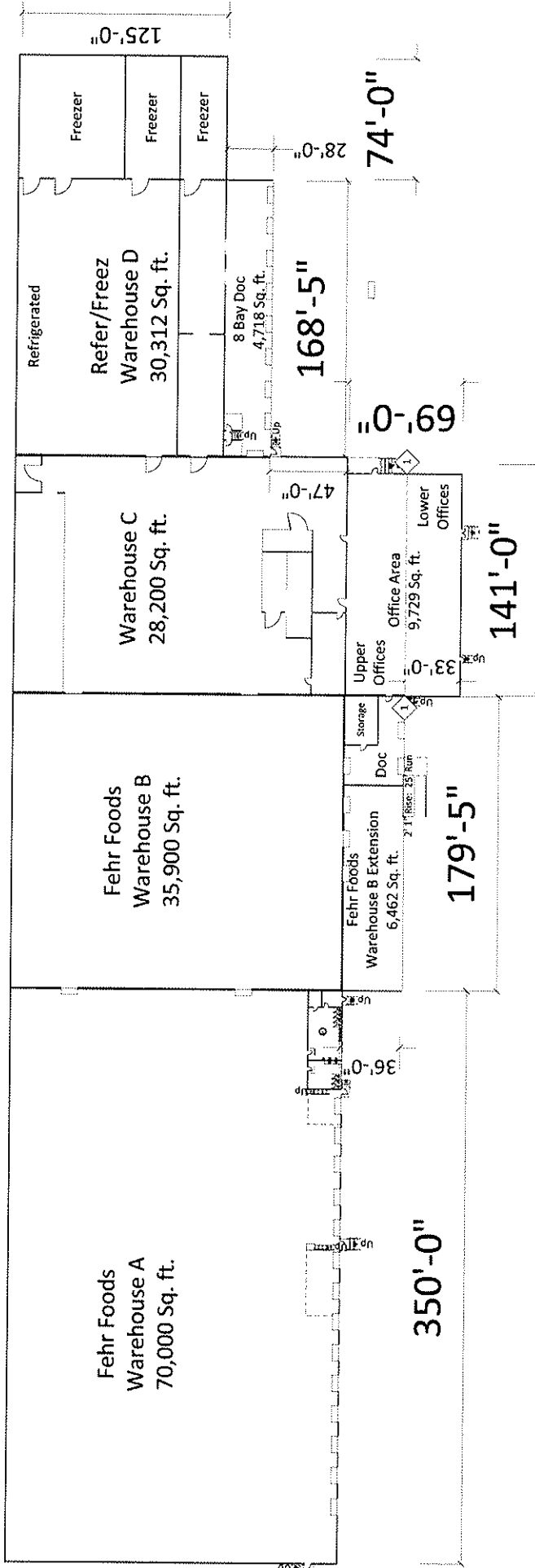
Staff recommends the DCOA ratify the engineering services agreement with Coker Engineering and approve funding of \$6,400. In addition, I recommend approval of funding for electrical, asbestos abatement and demolition of the existing riser room, and A/E contract with Jacob & Martin to prepare the space for occupancy totaling \$48,300. I will present a recommendation for fire suppression system construction funding to the board during the board meeting.

**ATTACHMENTS**

Floor plan drawing of warehouse complex with offices at 4109 Vine.

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922'-3"



200'-0"

6.4

350'-0"

179'-5"

141'-0"

168'-5"

125'-0"