



## Legislation Text

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### Agenda Information Sheet

**DEPARTMENT:** Economic Development

**CM/ ACM:** Bryan Langley

**Date:** May 23, 2017

### **SUBJECT**

Consider approval of a resolution of the City Council of the City of Denton nominating Mayday Manufacturing Co. to the Office of the Governor, Economic Development and Tourism ("OOGEDT") through the Economic Development Bank ("the Bank") as an Enterprise Project ("Project"); and providing an effective date.

### **BACKGROUND**

#### **Texas Enterprise Zone Program**

The Texas Enterprise Zone Program is a State of Texas economic development tool to promote job creation and capital investment in economically distressed areas of the state. Successful applicants are eligible to apply for state sales and use tax refunds on qualified expenditures. The program provides state reimbursement category levels related to the level of capital investment and number of jobs created and/or retained for economically disadvantaged individuals during the designation period. Key aspects of the Texas Enterprise Zone (TEZ) Program are:

- The local city or county must nominate the qualified company as an Enterprise Project and must offer one or more forms of local tax incentive to the company.
- Projects may be physically located in or outside of an Enterprise Zone. The location determines the percent of new employees that must meet economically disadvantaged or Enterprise Zone residence requirements.
- The Enterprise Project must be nominated for a designation period of not less than one year and up to five years, non-inclusive of a 90-day window prior to the application deadline. Employment and capital investment commitments must be incurred and met within this timeframe.
- Denton is eligible for up to four Enterprise Projects plus two additional bonus Enterprise Projects per State biennium. Denton has nominated three Enterprise Projects (WinCo Foods and two concurrent nominations for Peterbilt Motors) during this state biennium.
- The State accepts applications on a quarterly basis. June 1, 2017, is the next application deadline date.
- Applications are scored on criteria that reflect the distress of the area, state priority, and local and private effort. The State may designate up to 105 Enterprise Projects each biennium.

#### **Mayday Manufacturing Co.**

Mayday Manufacturing Co. is an aircraft parts manufacturer for the aerospace, defense and homeland security industries. Mayday is a market-leading maker of mission-critical bushings, pins, sleeves, and precise-tolerance

machined components for landing gear, rotor heads, engine mounts, flight controls, and actuation systems. Mayday operates a 130,000-square-foot facility located at 3100 Jim Christal Road, where the company employs more than 200 full-time workers. Mayday has a sister company, Hi-Tech Metals, Inc., which also operates out of the facility. Hi-Tech is a full-service metal processor offering a vast portfolio of unique and challenging processing services to aerospace original equipment manufacturers and tier-1 suppliers. Hi-Tech's capabilities include anodizing, cadmium and zinc-nickel plating, organic coatings, non-destructive testing, and heat treatment. Both companies are wholly-owned subsidiaries of ESCO Technologies, Inc.

In 2012, City Council approved a Chapter 380 grant to Mayday Manufacturing equal to 75% of the increased tax revenues on the building and business personal property for a 10-year term. Mayday has received three annual incentive payments to date, totaling \$75,339.

Mayday plans to invest approximately \$10 million over the next five years at its Denton manufacturing facility. Included in the investment is a 15,000-square-foot building expansion for additional production capacity and consolidation of shipping and inspection departments, as well as additional machinery and equipment spread over the five years, primarily driven by production capacity associated with the expanded building footprint. Mayday is not planning to add new jobs at this time.

#### **PRIOR ACTION/REVIEW (Council, Boards, Commissions)**

July 19, 2016 - The City Council held a public hearing and adopted Ordinance No. 2016-213 authorizing the City's participation in the Texas Enterprise Zone Program. This action enabled the Council to nominate companies as Enterprise Projects via approval of a resolution.

Feb. 21, 2012 - The City Council approved a Ch. 380 grant to Mayday Manufacturing Co. (2012-045)

#### **FISCAL INFORMATION**

Nominating Mayday Manufacturing Co. as an Enterprise Project has no fiscal impact to the City.

#### **RECOMMENDATION**

Staff recommends approval of the resolution.

#### **STRATEGIC PLAN RELATIONSHIP**

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

**Related Key Focus Area:**     **Economic Development**  
**Related Goal:**                **3.3 Promote a business-friendly environment**

#### **EXHIBITS**

Exhibit 1 - Mayday Enterprise Zone Nominating Resolution

Respectfully submitted:  
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Director of Economic Development