



**ECONOMIC
DEVELOPMENT
CORPORATION**

MEMORANDUM

To: Mayor Donna Dodgen
Seguin City Council

CC: Steve Parker, City Manager
Andy Quittner, City Attorney

From: Josh Schneuker, Director of Economic Development / SEDC Executive Director

Date: May 3, 2022

Subject: Tax Abatement Agreement between the City of Seguin and Yukon Venture Partners, LLC

About the Developer (the “Developer”)

Yukon Venture Partners, LLC was formed in 2018 by Marty Khait and Oliver Davis-Urman in Austin, TX to develop and finance Cold Storage facilities. Recognizing a severely restricted supply and an increasing demand for space from users of all sizes and maturities, Yukon Venture Partners set out to bridge the gap by providing operators with much needed inventory.

Summary of Proposed Project (“Project Denali”)

The Developer is proposing the construction of a cold storage warehouse facility in Seguin, Texas (the “Facility”). The proposed development is to be built on a 15.8-acre tract of land (“Subject Property”) located at the northwest corner of Lawson Street and US Hwy 90 (Kingsbury Street). The Facility will be at least **150,000 square feet**. The minimum total capital investment for Project Denali is anticipated to be at least **\$30,000,000**.

Summary of Proposed Incentive – City of Seguin Tax Abatement

In exchange for the Developer’s commitment to meet the Performance Obligations outlined below, Staff is proposing a City of Seguin tax abatement for a period of 4-years at an average value of 65%. The abatement would be applicable to the increased value of real and tangible personal property located within the Subject Property. The proposed City tax abatement over the 4-year term would be scheduled as follows:

Year	Abatement Percentage	Estimated Incentive Value to Company*
1	75%	\$121,770
2	65%	\$103,426
3	55%	\$85,750
4	45%	\$68,737
Average/Total	60%	\$379,680

***Note:** Scenario generated using Impact Data Source and assumes a new real property investment of \$20 Million and a new personal property investment of \$10 million.

Tax Abatement Agreement - Performance Obligations

The Developer agrees to the following performance obligations as identified below. The Developer agrees to remain in compliance with each applicable obligation throughout the term of the Tax Abatement Agreement.

- The Developer will **complete construction** of the **150,000 square foot** cold storage warehouse facility on the Subject Property on or before **November 15, 2024**.
- The Developer represents that the **minimum capital investment** for the development will be at least **\$30,000,000**.
- The Developer agrees to remain current in ad valorem tax payments to all local taxing entities during the abatement period, subject to any legal remedies available to Company to contest or otherwise dispute in good faith such taxes and assessments.
- The Developer agrees to maintain the Real Property and Personal Property in good repair during the abatement period.
- The Developer agrees to annually certify in writing their compliance with the terms of the Tax Abatement Agreement, which certification shall be filed with the City by February 1st of each year during the term of the abatement, and February 1st of the year following the term of the abatement.

Tax Abatement Agreement - Default Provisions

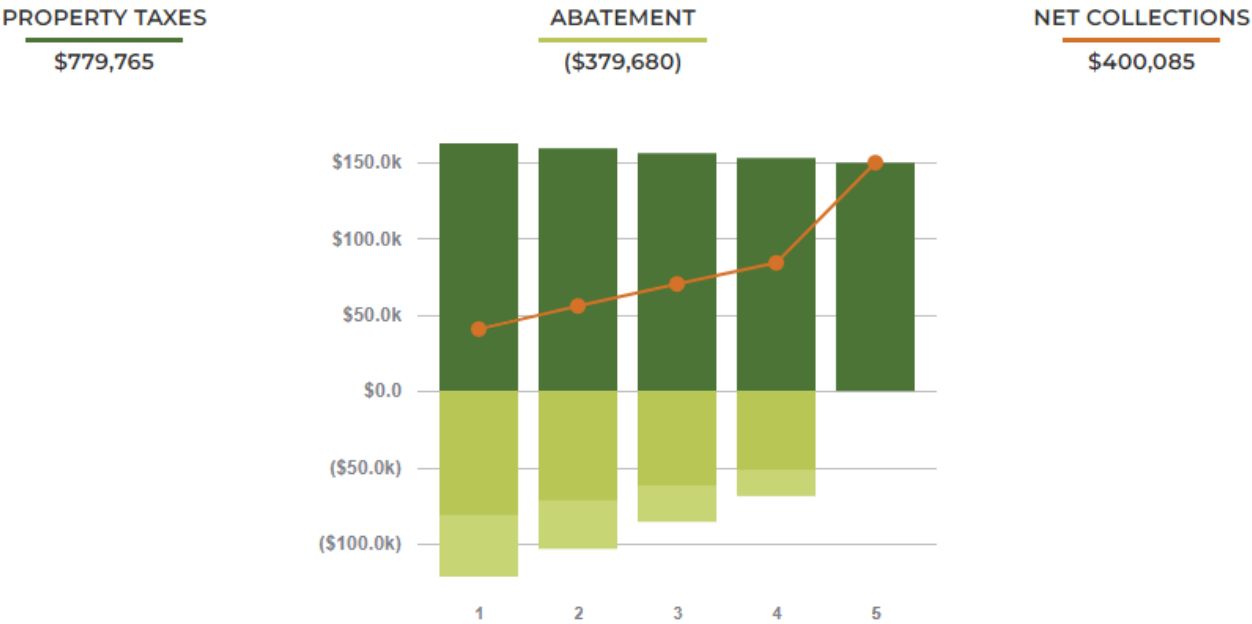
- If the Developer refuses or neglects to comply with any of the terms of the Tax Abatement Agreement, or if any representation made by the Developer in the tax abatement application is false or misleading in any material respect when made, this Agreement shall be in default.
- If the City determines that the Developer is in default, the City will notify the Developer in writing.
- If default occurs the Developer shall forgo any tax benefit under the Tax Abatement Agreement during the year the default occurs. If the Developer cures the default following notice by City, the Developer shall not be liable to repay prior year tax savings and shall be entitled to the benefits under the Tax Abatement Agreement for any future year in which the Developer is not in default.
- If a default is not cured within sixty (60) days from the date of such notice, the Tax Abatement Agreement may be terminated by the City. The City may recapture up to 100 percent of the tax savings received by the Developer for up to the previous two tax years prior to the date of termination.

Summary of Project Economic Impact

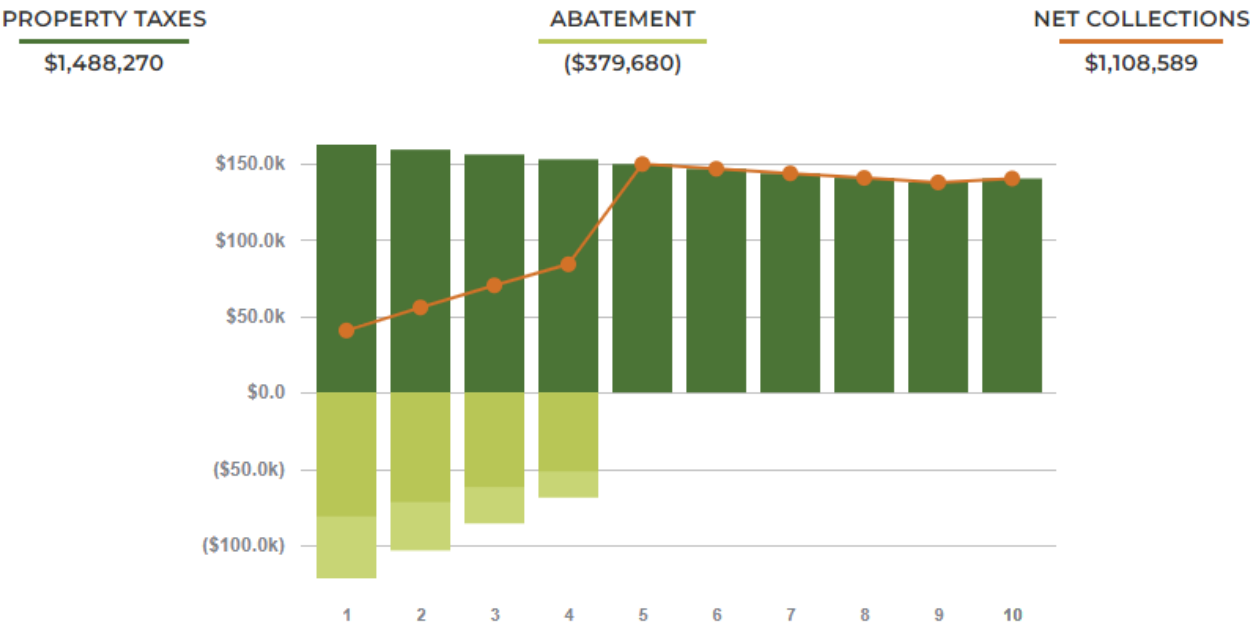
Based on the Project's minimum estimated capital investment of \$30 million, it is projected that the City of Seguin will see more than \$400,000 in new net property tax collection over a 5-year period, and more than \$1.1 million over a 10-year period. In addition to new net property tax collections, the Project is also anticipated to generate nearly \$100,000 in sales tax revenue during the Project's construction phase.

The Project is located within the City of Seguin electric service territory, as well as the City's water and wastewater CCN. Water and wastewater usage is anticipated to be minimal, however, the Project is anticipated to be a sizeable electric user, helping generate additional utility fund revenues for the City of Seguin.

5-Year Property Tax Analysis for the City of Seguin



10-Year Property Tax Analysis for the City of Seguin



Summary and Staff Recommendation

Project Denali will help create positive impacts within the City of Seguin. The capital investment being made by the developer to construct the facility will result in new ad valorem tax revenues, new sales tax revenues, and new utility fund revenue. Since the project is a speculative development, no job creation performance obligations are tied to this project, however tenants that will inevitably lease warehousing space will help create new job opportunities within the City.

The COVID-19 Pandemic has created an increased demand for cold storage warehousing facilities. According to a report by JLL, people turning to online grocery shopping is pushing up demand for refrigerated warehouses, which are in increasingly short supply in countries around the world. The bulk of new space developed since 2018 has been concentrated mainly in North America, India and China. But even in the U.S. facilities are running at maximum capacity. The demand is prompting developers to respond, resulting in a construction boom. Cold storage construction is projected to reach US\$18.6 billion in value by 2027 - an increase of 13.8 percent per year, according to consulting firm Emergen Research.

All proper procedures were taken before City Council's consideration of this Tax Abatement Agreement. The property subject to the proposed development is located within Seguin Reinvestment Zone #6. Seguin Reinvestment Zone #6 is made up of approximately 51.36 acres of land, more or less, located north of US Highway 90 (Kingsbury Street), east of Fleming Drive, south of CH Matthies Drive, and west of Lawson Street. In addition, public notice for the consideration of this Tax Abatement Agreement was posted 30 days in advance of the May 3rd meeting. Staff is recommending City Council approval of the Tax Abatement Agreement between the City of Seguin and Yukon Venture Partners, LLC.