



**ECONOMIC
DEVELOPMENT
CORPORATION**

MEMORANDUM

To: Mayor Donna Dodgen
Seguin City Council

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

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

Date: December 13, 2021

Subject: Amendment to Tax Abatement Agreement made and entered into by and between the City of Seguin, VME, LLC, and United Alloy Texas, LLC.

Background Information

Headquartered in Janesville, Wisconsin, United Alloy is a leading brand when it comes to metal fabrication and powder coating. United Alloy produces the highest quality leak-proof metal fuel tanks, reservoirs, skids, frames, chassis, trailers, heavy metal fabrications, and complex weldments.

On December 3, 2019, the Seguin City Council approved Resolution 2019R-160, authorizing a Tax Abatement Agreement between the City of Seguin, VME, Inc. and United Alloy Texas. The Tax Abatement Agreement is currently active and has a term of 5-years and an average abatement value of 42%. In exchange for the Tax Abatement, United Alloy committed to investing \$35 Million in a new 200,000 square foot manufacturing facility. In addition, over the 5-year term of the agreement, United Alloy committed to creating 100 full-time jobs.

Per the terms of the Tax Abatement Agreement, the capital investment and construction of the facility was to be phased in as follows:

- **Year 1/Phase 1:** By March 31, 2020, the Owners will commence construction of the first 100,000 square feet of the Facility which must be evidenced by a letter of commencement from the general contractor for the Owners and issuance of building permits by the City of Seguin. Phase 1 will represent a total capital investment of at least \$9,000,000. Construction of the first 100,000 square feet of the Facility will be completed, as evidenced by the receipt of a temporary or final Certificate of Occupancy, which Certificate of Occupancy shall not be unreasonably withheld, conditioned or delayed, and UAT will commence operations at the Facility no later than December 31, 2020.
- **Year 2/Phase 2:** By December 31, 2021, the Owners will complete construction of an additional 100,000 square foot expansion of the Facility. The 100,000 square foot expansion will bring the Owners' total building footprint to 200,000 square feet. Phase 2 will represent a total capital

investment of at least \$18,800,000. Construction of the additional 100,000 square foot expansion of the Facility will be completed, as evidenced by the receipt of a temporary or final Certificate of Occupancy, which Certificate of Occupancy shall not be unreasonably withheld, conditioned or delayed.

- **Year 3/Phase 3:** By December 31, 2022, UAT will complete an additional investment of equipment to the Facility which must be evidenced by a letter of completion from the Owners. Phase 3 will represent a total capital investment of at least \$7,200,000.

In December 2020, United Alloy completed construction of Phase 1 of their development. Phase 1 delivered a 121,235 square foot building and represented an \$18 Million capital investment in real and personal property.

Request to Amend Tax Abatement Agreement

Due to impacts from the COVID-19 Pandemic, United Alloy can no longer commit to the original construction deadlines for Phase 2 and Phase 3 of the additional capital investment/facility expansion performance obligations outlined in Section 4.g of the Original Agreement. United Alloy can still commit to the required total Capital Investment (\$35 Million) and Employment (100 Jobs) of the Original Agreement.

Per the terms of the proposed amended agreement, United Alloy will commit to a minimum capital investment of \$18,000,000 in the expansion of the Facility (Phase 2). Phase 2 total minimum capital investment represents a \$9,000,000, 100,000 square foot expansion of the Facility, and an additional \$9,000,000 in new machinery and equipment. Phase 2 shall be completed by December 31, 2023. The 100,000 square foot expansion will bring United Alloy's total building footprint to at least 200,000 square feet. Completion of Phase 2 will be evidenced by the receipt of a temporary or final Certificate of Occupancy.

In addition, at the Facility, United Alloy will create and maintain the following minimum number of full-time jobs by their respective deadlines and with their respective payroll figures, calculated as of the referenced date on an annualized basis (the "UAT Employment and Payroll Commitment"):

- By December 31, 2021, UAT will employ a minimum of 40 full-time jobs at a Total Annualized Payroll of at least \$2,400,000;
- By December 31, 2022, UAT will employ a minimum of 60 full-time jobs at a Total Annualized Payroll of at least \$3,600,000;
- By December 31, 2023, UAT will employ a minimum of 80 full-time jobs at a Total Annualized Payroll of at least \$4,800,000; and
- By December 31, 2024, UAT will employ a minimum of 100 full-time jobs at a Total Annualized Payroll of at least \$6,000,000.

Staff Recommendation and Next Steps

Staff recommend approval of the Resolution authorizing an amendment to a Tax Abatement Agreement made and entered into by and between the City of Seguin, VME, LLC, and United Alloy Texas, LLC.