



ECONOMIC DEVELOPMENT CORPORATION

To: Donna Dodgen, Mayor
Seguin City Council

CC: Steve Parker, City Manager
Mark Kennedy, City Attorney
Susan Caddell, Director of Finance

From: Josh Schneuker
Director of Economic Development | SEDC Executive Director

Date: March 18, 2025

Subject: Loan Agreement with Government Capital Corporation

Historical Background

In association with the future development of a TSTC campus in Seguin, the SEDC is pursuing the possible acquisition of a 133-acre tract of land located at the southeast corner of State Highway 46 and Cordova Road. The property is currently owned by Joyce and Charles Urban. In August 2024, the SEDC executed an Option to Purchase Contract ("Option Contract") with the Urbans, granting the SEDC the exclusive and irrevocable option to purchase the property.

As the SEDC prepares to move forward with the acquisition, staff has been evaluating different financing options. After reviewing several alternatives, including the issuance of sales tax revenue bonds and traditional financing through a private lending institution, the SEDC has determined that financing through Government Capital Corporation (GCC) is the best path forward.

Government Capital Corporation was founded in 1992 with the exclusive purpose of providing financing for state and local governmental entities, including cities, schools, counties, special districts, and their component units. Since its inception, GCC and its affiliates have provided financing solutions exceeding \$6 billion for various projects. While GCC serves clients nationwide, one of its primary areas of focus is assisting Texas economic development entities. GCC has structured financing solutions for land acquisition, infrastructure improvements, public works projects, and refinancing existing obligations. The GCC team has extensive experience working with Type A and Type B economic development corporations, community development corporations, and municipal development districts, ensuring compliance with Texas regulations and enabling efficient execution of financings.

Action Requested and Proposed Terms of Financing

Below is a summary of the proposed financing terms that the SEDC will undertake for the land acquisition project for the future TSTC campus in Seguin:

- **Fixed Rate Option** (5-Year Call)
- **Financing Structure:** Tax-Exempt Type A EDC Note
- **Project:** Land Acquisition
- **Placement:** Private Placement
- **Sources and Uses of Funds:**

Source:

- Note Proceeds: \$7,484,381.86
- **Total Sources:** \$7,484,381.86

Uses:

- Land Acquisition: \$7,373,775.00
- Issuance Costs (0.015): \$110,606.63
- **Total Sources & Uses:** \$7,484,381.86

The issuance cost represents total costs necessary for closing the transaction as contemplated. It includes Special Tax Counsel, Private Placement Costs, and Filing Fees.

- **Placement Agent:** Government Capital Corporation, Southlake, Texas
- **Special Tax Counsel:** Naaman, Howell, Smith & Lee, Austin, Texas
- **Quarterly Term:** 80 Payments
- **Fixed Interest Rate:** 4.70%
- **Payment Amount:** \$144,825.02 (P&I)
- **First Payment Date:** 90 days from closing & quarterly thereafter
- **Additional Notes:** This transaction will be secured solely by a pledge of sales tax revenue, with no liens required on the real estate. Additionally, it eliminates traditional real estate closing costs such as title policies, appraisals, surveys, and environmental assessments. The transaction will be fully callable beginning at payment 202 with a 1.01 premium and quarterly thereafter.

Fiscal Impact

The SEDC will be responsible for repaying the principal and interest over a 20-year period, with a total fiscal impact of \$11,586,001.60.

For the remainder of Fiscal Year 2025, the SEDC will be required to make two payments totaling \$289,650.04, which will be allocated through a budget amendment. In subsequent fiscal years, debt service payments will be included in the annual operating budget, with an annual obligation of \$579,300.08. The financing structure ensures manageable and predictable repayment terms, aligning with the SEDC's financial planning.

Staff Recommendation

Staff recommends approval of the Resolution authorizing the execution of a Loan Agreement with Government Capital in the amount of \$7,484,381.86.

Attachments

- Government Capital Closing Documents Package