



**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: Performance Agreement between the Seguin Economic Development Corporation 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 – SEDC Performance Agreement

Staff is proposing a Performance Based Cash Grant to the Developer in the amount of **\$250,000.00**. The SEDC Incentive will be distributed in three payments, subject to the Developer meeting the following Performance Obligations:

- **1st Payment:** A cash grant in the amount of **\$83,333.33** shall be paid to the Developer within 30 days after closing on the Subject Property.
- **2nd Payment:** A cash grant in the amount of **\$83,333.33** shall be paid to the Developer within 30 days after issuance of a building permit by the City of Seguin.
- **3rd Payment:** A cash grant in the amount of **\$83,333.34** shall be paid to the Developer within 30 days after receiving a final Certificate of Occupancy from the City of Seguin, and subject to the Developer providing evidence of that the capital investment benchmark outlined below was met.

Capital Investment and Development Obligations

The Developer agrees to the following performance obligations as identified below:

- The Developer will commit to a **minimum Capital Investment of \$30,000,000.00** on or in connection with the development of the Subject Property.
- The Developer will **commence construction** of the 150,000 square foot Facility at the Subject Property on or before **May 15, 2023**. Commencement of construction will be evidenced by the issuance of a Building Permit by the City of Seguin.
- The Developer will **complete construction** of the 150,000 square foot Facility at the Subject Property on or before **November 15, 2024**. Completion of construction will be evidenced by the issuance of a Temporary or Final Certificate of Occupancy by the City of Seguin.

SEDC Performance Agreement - Job and Payroll Obligations

The Job and Payroll Creation Schedule for Project Denali is as follows:

- **Jobs to be created:** Zero (0)
- **Payroll to be created:** \$0.00

SEDC Performance Agreement - Default Provisions

In the event the Developer (i) fails to fulfill its obligations of the Performance Agreement or (ii) materially breaches any of the material terms and conditions of this Agreement, then the Developer, after the expiration of the notice and cure periods, shall be in default of the Performance Agreement. In the event of such default, the SEDC shall give the Developer written notice of the default and if the Developer has not cured such Default within 60 days after receipt of such Notice, the EDC may terminate this Agreement by written notice to the Developer and the SEDC shall have no further obligation to the Developer.

In the event that the Developer closes on the Subject Property but fails to receive a building permit on or before May 15, 2023, the Developer will be in default under the Performance Agreement and will be required to repay the SEDC **\$\$83,333.33** (1st Payment) within forty-five (45) days after written notice to the Developer.

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

PROPERTY TAXES

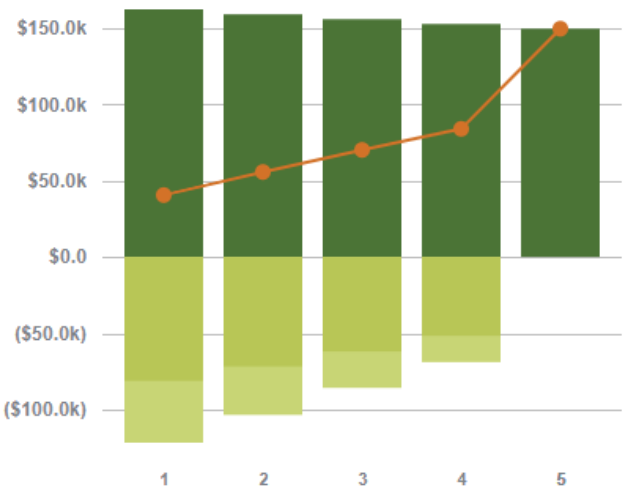
\$779,765

ABATEMENT

(\$379,680)

NET COLLECTIONS

\$400,085



10-Year Property Tax Analysis for the City of Seguin

PROPERTY TAXES

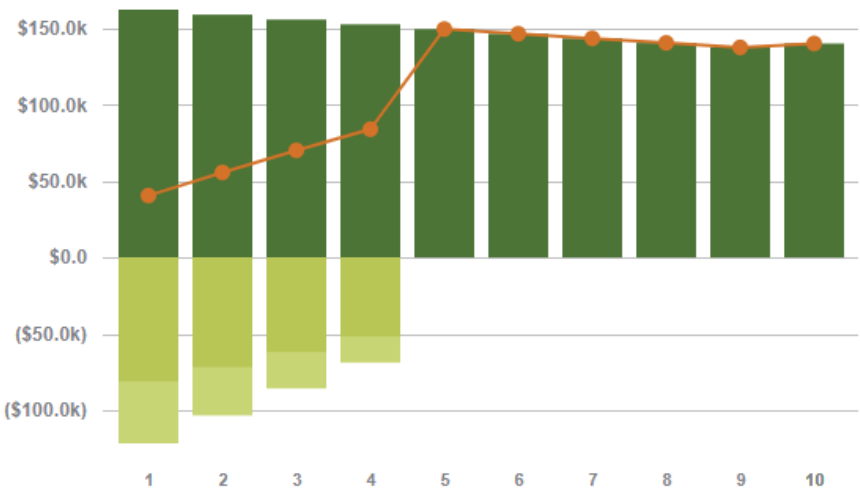
\$1,488,270

ABATEMENT

(\$379,680)

NET COLLECTIONS

\$1,108,589



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.

On April 28, 2022, the SEDC Board of Directors approved SEDC Resolution NO. 2022-07, authorizing the execution of a Performance Agreement with Yukon Venture Partners, LLC. Staff is recommending City Council approval of the Performance Agreement between the Seguin Economic Development Corporation and Yukon Venture Partners, LLC.