



**ECONOMIC
DEVELOPMENT
CORPORATION**

MEMORANDUM

To: Donna Dodgen, Mayor
Seguin City Council

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

From: Josh Schneuker, Director of Economic Development – City of Seguin

Date: August 9, 2021

Subject: Termination of Tax Abatement Agreement between City of Seguin and CoffeeTech Industries

Project Background Information

In 2019, CoffeeTech Industries (CTI) initiated a site selection process, seeking a site for a new state-of-the-art manufacturing facility which would also serve as the headquarters for the company. CTI was an innovative start-up coffee processing company founded by veteran industry executives. On July 7, 2020, the Seguin Economic Development Corporation (SEDC), the City of Seguin, and Guadalupe County announced that CTI would build its new 112,000 square foot state-of-the-art headquarters and manufacturing facility in Seguin, Texas. Coffee Tech Industries planned to build on a 33-acre site situated between 8th Street and Guadalupe Street, just south of Interstate 10. The project was to represent a total capital investment of at least \$56 million and result in the creation of at least 91 new jobs.

A local incentive package for the project was approved by the SEDC Board of Directors, the Seguin City Council, and the Guadalupe County Commissioners Court. Components of the local incentive package included a land grant by the SEDC, a 10-year partial tax abatement by the City of Seguin at an average abatement value of 60%, and a 5-year partial tax abatement by Guadalupe County at an average abatement value of 50%. In exchange for the local incentive package, CoffeeTech committed to capital investment, job creation and annual payroll benchmarks. Agreements associated with the local incentive package were to be fully executed upon CTI securing the funding for the Project.

Funding Delay and Incentive Agreement Amendments

In January 2021, CTI informed the SEDC that an agreement in principle was reached with an equity funding partner. With funding imminent, CTI was ready to proceed with the project and their previously committed performance obligations. Due to a longer than anticipated delay in funding, revisions to certain performance obligations outlined within the original local incentive agreements were required. In February 2021, the SEDC Performance Agreement, the City of Seguin Tax Abatement Agreement, and the Guadalupe County Tax Abatement Agreement were revised as follows:

- **Change to the Commencement of Construction Due Date:** In the original agreements, CTI was to commence construction on their Facility on or before December 31, 2020. That date was changed to June 1, 2021.
- **Change to the Commencement of Operations Due Date:** In the original agreement, CTI was to commence operations on or before March 1, 2022. That date was changed to December 31, 2022.
- **Failure to Commence Construction Default Clause:** The SEDC, City of Seguin, and Guadalupe County agreements added a new default clause that in the event CTI did not commence construction on or before June 1, 2021, the entities reserved the right to terminate their respective agreements.

The tax abatement agreement between the City of Seguin and CoffeeTech Industries was fully executed on March 1, 2021.

Project Termination

In early April 2021, CTI informed the SEDC that their funding agreement had unexpectedly fallen through. CTI made the decision to cease further funding campaigns, thus terminating the project indefinitely. Section 7.a.iii of the City of Seguin Tax Abatement Agreement with CoffeeTech Industries grants the City the authority to terminate the tax abatement agreement as construction did not commence on or before June 1, 2021.

Staff Recommendation

Staff recommends approval of the Resolution authorizing the termination of a Tax Abatement Agreement between the City of Seguin and CoffeeTech Industries, Inc.