



**ECONOMIC
DEVELOPMENT
CORPORATION**

MEMORANDUM

To: Mayor Donna Dodgen
Seguin City Council

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

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

Meeting Date: May 16, 2023

Subject: 1st Amendment to the Tax Abatement Agreement – City of Seguin and Yukon Ventures

Background Information

On May 3, 2022, the Seguin City Council approved resolution NO. 2022R-077, authorizing a Tax Abatement with Yukon Venture Partners (“Yukon”). 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.

Yukon is planning to develop a cold storage warehouse facility in Seguin on a 15.8-acre tract of land 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 the Project is anticipated to be at least \$30,000,000.

Summary of the Original Tax Abatement Agreement

In exchange for Yukon’s commitment to meet the Performance Obligations pursuant to the Tax Abatement Agreement (the “Agreement”) effective May 3, 2022, the City of Seguin approved a 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 City tax abatement over the 4-year term is scheduled as follows:

Year	Abatement Percentage
1	75%
2	65%
3	55%
4	45%
Average/Total	60%

Original Tax Abatement Agreement - Performance Obligations

Pursuant to the Agreement, Yukon agreed to the following performance obligations as identified below. Yukon agreed to remain in compliance with each applicable obligation throughout the term of the Tax Abatement Agreement.

- Yukon will complete construction of the 150,000 square foot cold storage warehouse facility on the Subject Property on or before November 15, 2024.
- Yukon represents that the minimum capital investment for the development will be at least \$30,000,000.
- Yukon 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.
- Yukon agrees to maintain the Real Property and Personal Property in good repair during the abatement period.
- Yukon 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.

Original Tax Abatement Agreement - Default Provisions

- If Yukon refuses or neglects to comply with any of the terms of the Tax Abatement Agreement, or if any representation made by Yukon 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 Yukon is in default, the City will notify Yukon in writing.
- If default occurs Yukon shall forgo any tax benefit under the Tax Abatement Agreement during the year the default occurs. If Yukon cures the default following notice by City, Yukon 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 Yukon 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 Yukon for up to the previous two tax years prior to the date of termination.

Proposed - First Amendment to Tax Abatement Agreement

Yukon has made a formal request to the City to amend the Performance Agreement as follows:

- Yukon agrees to complete the development of an at least approximately 150,000 square foot cold storage warehousing facility on the Land and to have such facility operational by December 31, 2024, subject to extension due to Force Majeure.

Yukon is requesting the amendment to these dates due to delays they are currently experiencing as the move through the City's development process. Yukon's property is currently zoned Commercial. Yukon originally anticipated that they could construct their project within the Commercial zoning. However, it

now appears that Yukon will need to rezone the property to Light Industrial in order to conform with the City's Unified Development Code. In addition to the zoning challenges, the Lawson Street Reconstruction Project, which is currently in the design phase, has also created delays for Yukon's development.

Staff Recommendation

Staff has reviewed the terms, conditions, incentives, and obligations provided in the Agreement, and has considered and evaluated the current progress Yukon has made towards finalization of the Project as defined in the Agreement and has determined that it is in the best interests of the City and Yukon to so amend the Agreement. Staff recommend approval of this Resolution by the Seguin City Council.