



**ECONOMIC
DEVELOPMENT
CORPORATION**

MEMORANDUM

To: Mayor Don Keil
Seguin City Council

Cc: Douglas G. Faseler, City Manager

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

Date: June 11, 2019

Subject: Resolution Approving the Purchase of Real Property

On June 7, 2019, the Seguin Economic Development Corporation (SEDC) Board of Directors approved Resolution 2019-05, approving the purchase of approximately 60.142 acres of land from the Blumberg Family Investment Partnership for economic development purposes and authorizing the execution of a promissory note with the City of Seguin, Texas.

The subject property is a greenfield industrial site located south of Interstate 10 and fronting 8th Street and Guadalupe Street. The site is currently zoned light industrial and has access to industrial grade utilities. Electric, Water and Wastewater utilities are all provided by the City of Seguin. Acquisition of the site provides the SEDC with a new real estate asset that can be utilized for targeted industry recruitment.

The SEDC currently has the site under contract, and is scheduled to close on June 26, 2019, subject to final approval by the Seguin City Council. The seller was initially asking \$1,950,000 (\$32,423.26 per acre). Staff was able to get the site under contract at a purchase price of \$31,500 per acre. Total final purchase price will be determined by survey, which is currently being worked on by Tri County Surveying.

Through a Promissory Note Agreement, the City of Seguin (via City Utility Fund) will advance the SEDC up to \$2 Million to purchase the property. The loan will be at no interest cost on unmatured principal. The SEDC will pay the note in 8 installments. The table below highlights the payment schedule.

| Year | Payment Amount | Year | Payment Amount |
|----------|----------------|----------|-----------------------------|
| 2020 (1) | \$250,000* | 2024 (5) | \$250,000 |
| 2021 (2) | \$250,000 | 2025 (6) | \$250,000 |
| 2022 (3) | \$250,000 | 2026 (7) | \$250,000 |
| 2023 (4) | \$250,000 | 2027 (8) | Remaining Principal Balance |

The SEDC may prepay the note at any time without penalty. The SEDC plans to make a payment of \$850,000 in Year 1 (2020). The \$850,000 will come from the pending sale of the Stremmel Property. The SEDC is currently under contract to sell the Stremmel Property to Rockspring Capital. The anticipated \$850,000 payment in Year 1 (2020) will enable the SEDC to pay the note off in Year 6 (2025).

The SEDC Board of Directors finds that the purchase of the property and the borrowing of funds from the City will further economic development in the City of Seguin and will serve to attract new and expanded business enterprise.

The SEDC Board of Directors and Staff recommend approval of the Resolution by City Council.