



**ECONOMIC
DEVELOPMENT
CORPORATION**

MEMORANDUM

To: Mayor Donna Dodgen
Seguin City Council

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

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

Date: February 16, 2021

Subject: Revisions to CoffeeTech Final Performance Agreement

Background Information

CoffeeTech Industries, Inc. (CTI) is an innovative coffee processing company that was founded by veteran industry executives. The leadership team has decades of industry experience along with proven track records of executing business plans. Additionally, the leadership has extensive plant design engineering, construction, operations, quality assurance and sales experience with numerous major projects globally.

In 2019, CTI initiated a site selection process, seeking a site for a new state-of-the art manufacturing facility which will also include the headquarters of the company. On July 7, 2020, the Seguin Economic Development Corporation (SEDC), the City of Seguin, and Guadalupe County announced that Coffee Tech Industries (CTI) would build its new 112,000 square foot state-of-the-art headquarters and manufacturing facility in Seguin, Texas. Coffee Tech Industries will build on a 33-acre site situated between 8th Street and Guadalupe Street, just south of Interstate 10. This site is currently owned by the Seguin Economic Development Corporation. The project will represent a total capital investment of at least \$56 million and will result in the creation of at least 91 new jobs.

A local incentive package was approved by the SEDC Board of Directors, the Seguin City Council, and the Guadalupe County Commissioners Court. Components of the local incentive package include 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 will commit to capital investment, job creation and payroll benchmarks. The incentive agreements associated with the local incentive package were to be fully executed upon CTI securing the funding for the Project. Due to disruptions and economic uncertainty created by the COVID-19 Pandemic, the finalization of funding for the Project has taken longer than anticipated. Economic Development Staff has been working closely with CTI throughout this funding processes. CTI has informed Staff that closing of the Project funding is imminent, and they are ready to proceed with their previously committed to obligations.

Due to the longer than anticipated delay's in funding, CTI has requested revisions to certain performance obligations outlined within the original Performance Agreement that was approved by the SEDC Board of Directors and Seguin City Council on July 7, 2020. Those revisions include the following:

- **Change to the Commencement of Construction Due Date:** In the original agreement, CTI was to commence construction on their Facility on or before December 31, 2020. After discussions with CTI, Staff is proposing that this date be 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. After discussions with CTI, staff is proposing that this date be changed to December 31, 2022.
- **Changes to the Job Creation Schedule:** In the original agreement, CTI committed to creating 91 jobs at a total annualize payroll of \$5,824,000, over a 4 year ramp up period. CTI originally committed to a very aggressive job creation schedule where about 82% of the 91 jobs were created in the first two years of the ramp up period.

After discussions with CTI, they will still commit to creating 91 jobs at a total annualized payroll of \$5,824,000, over a 4 year ramp up period, however, the schedule in which these jobs will be created will be spread out evenly over the 4-year period.

- **Execution of Agreements, Initiation of Real Estate Conveyance, and Addition of a Reverter Clause:** To commence activities associated with the Project and the real estate conveyance process, CTI has agreed to immediately execute the Performance Agreement upon final approval by the SEDC Board of Directors and the Seguin City Council. Following the execution of the Performance Agreement, the SEDC and CTI will execute a real estate contract which will be held in escrow. Closing will occur once CTI has provided the SEDC with a Commitment Letter establishing CTI has acquired financing in an amount for the construction of the Facility. To fully protect the SEDC and our asset which is being leveraged as an incentive to CTI, the Deed of Trust will include a reverter clause, so that if CTI does not commence construction on or before June 1, 2021, the property will automatically be reverted back to the SEDC.

Staff and Board Recommendation

At the SEDC Board Meeting held on February 4, 2021, the SEDC Board of Directors approved Resolution No. 2021-06, authorizing revisions to the final Performance Agreement between the Seguin Economic Development Corporation and CoffeeTech Industries.

Staff and the SEDC Board of Directors recommend approval of the Resolution by the Seguin City Council, authorizing revisions to the final Performance Agreement between the Seguin Economic Development Corporation and CoffeeTech Industries.