



**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: October 12, 2021

Subject: Proposed Tax Abatement Agreement for Tyson Farms, Inc., a wholly owned subsidiary of Tyson Foods, Inc.

Company and Local Operations Overview

Tyson Foods Inc., a Fortune 100 company, is one of the world's largest food companies and a recognized leader in protein. Tyson has been located in Seguin since 1989 after the company purchased their current facility from Holly Farms. Tyson employs an estimated 546 Full Time Employees at their Seguin Facility. Tyson's existing Seguin facility is approximately 108,836 square feet and sits on over 42 acres of land. Tyson has nearly \$9 Million of real and personal value on the tax rolls, contributing nearly \$49,000 to the City of Seguin's tax base in 2021.

Project Fillet Overview

Under the code name Project Fillet, Economic Development staff have been working with Tyson on a proposed expansion that is being considered for the Seguin facility. The proposed expansion is in response to a major customer requesting a dedicated facility to accommodate the increased demand for chicken. The Seguin facility has been shortlisted for the expansion project and is competing with other Tyson facilities in two other states. Project Fillet will include a 40,000 square foot expansion of Tyson's Seguin facility, along with the purchase and installation of new, state-of-the-art machinery and equipment. The project will represent a total capital investment of approximately \$58 Million. No new jobs are expected to be created as a result of this project.

Project Fillet Proposed Tax Abatement

In an effort to recruit Project Fillet to Seguin, Economic Development Staff is proposing a 5-year tax abatement agreement with an average abatement value of 50%. The proposed tax abatement would only be applicable to the new value added to the tax rolls in association with Project Fillet. All existing value on the tax rolls would still be subject to property taxation.

Proposed Tax Abatement Schedule	
Year	Percent Abated
1	50%
2	50%
3	50%
4	50%
5	50%
Total	Average Value 50%

In exchange for the proposed 5-year, 50% Tax Abatement, the Tyson would commit to the following Performance Obligations:

1. Tyson will complete the installation of the new real and personal property associated with Project Fillet on or before May 1, 2023. Tyson represents that the total minimum capital investment for Project Fillet will be at least \$58,000,000.00.
2. Tyson will retain at least 546 full-time employees through the term of the agreement.
3. Tyson will submit to the City of Seguin, by January 31st of each year during the term of the Agreement, an Annual Compliance Report in a form established by the City of Seguin certifying the extent to which the obligations of the Tax Abatement Agreement have been timely and fully satisfied by the Company and providing any internal backup that the City of Seguin may request; and such Annual Compliance Report shall be true, correct and complete in all material respects.

All required procedures were followed before bringing this tax abatement to City Council for consideration. The improvements associated with Project Fillet are located within Seguin Reinvestment Zone #6, and public notice was published on September 15, 2021, online and within the Seguin Gazette that the Seguin City Council would consider the approval of a tax abatement agreement on October 19, 2021, with the applicant, Tyson Foods, Inc.

Staff Recommendation

Tyson has called Seguin home since 1989 and is an exemplary corporate citizen. Tyson continuously contributes to our community and steps up during times of need. Tyson's proposed expansion will benefit the City of Seguin in a number of different ways. An economic impact analysis for Project Fillet estimates that net property tax collections for the City of Seguin over a 5-year period would be over \$600,000. The project will also result in increased utility revenue as Tyson is one of the City's largest utility customers. Added property tax value and utility revenue can be reinvested into the Seguin community. Community support with Project Fillet will have a direct and significant impact on the decision to operate in the community and whether Tyson should continue to make further local investments. Staff recommends approval of the tax abatement between the City of Seguin and Tyson.