



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 15

Agenda Date: January 12, 2023

In Control: City Council A Session

DEPARTMENT: Neighborhood and Housing Services

DEPARTMENT HEAD: Veronica Garcia, Director

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Incentive Agreement for G.J. Sutton Project in District 2

SUMMARY:

This ordinance authorizes an Incentive Agreement between the City, Tax Increment Reinvestment Zone No. 11 - Inner City Board of Directors, and Texas Research and Technology Foundation to fund \$3,500,000 plus applicable fees for public improvements and \$5,000,000 in economic development incentives for the G.J. Sutton Project located in Council District 2. This incentive agreement is contingent upon the extension of the Inner City TIRZ.

BACKGROUND INFORMATION:

Texas Research and Technology Foundation (TRTF) owns the Merchants Ice Complex and the GJ Sutton Building and plans to redevelop the 12-acre site in two phases as an anchor for an innovation district.

Phase 1 is the Merchants Ice Complex. TRTF has invested approximately \$60 Million in redeveloping the Merchants Ice Complex. In total, the Merchants Ice Complex includes five buildings totaling approximately 140,000 square feet of office and lab space that are occupied or in the design/construction phase. On August 14, 2018, the Inner City TIRZ Board authorized

approval of the negotiation of a Development Agreement to provide reimbursement for eligible project costs for the Merchant's Ice Complex phase of this project in an amount not to exceed \$5,000,000. The project will be complete in late 2023.

Phase 2 is the G.J. Sutton Building. The project includes 680,000 square feet of space in six buildings, the majority of which (646,000 square feet) will be office and laboratory space. The balance will be supporting retail/commercial space (34,000 square feet). To be shovel ready, the site requires approximately \$7 million in public improvements and a closure of the section of Crockett Street that goes through the site. Once the Sutton property is built out, the project will generate 2,444 direct jobs (jobs located in the project) that will generate \$1.8 billion in annual ongoing economic impact to the region. The direct employment will also generate demand for another 3,071 indirect and induced jobs.

On December 8, 2022, the Inner City TIRZ Board of Directors through Resolution T11 2022-12-08-01R authorized staff to negotiate an Incentive Agreement to fund \$3,500,000 plus applicable fees for public improvements and \$5,000,000 in economic development incentives for the G.J. Sutton Project located in Council District 2.

ISSUE:

City Council consideration is requested for the approval of an agreement between the City, Inner City TIRZ Board, and TRTF to facilitate the development of the GJ Sutton Project. The incentive agreement would include \$3.5 million in public improvements and \$5 million for City and SAWS fee waivers and job creation incentives.

The City would issue debt for the public improvements. Job creation incentives must be in alignment with the City Council approved Economic Development Incentive Fund Guidelines that were approved by Council in December 2022 and will require City Council approval. Funding for the public improvements, fee waivers, and job creation incentives is available in the Inner City TIRZ if the TIRZ is extended.

In addition to building the project, TRTF will develop an internship program in partnership with St Phillips and potentially other area schools.

ALTERNATIVES:

If City Council chooses not to approve the Funding Agreement, Texas Research and Technology Foundation will need to seek an alternate funding source for G.J. Sutton Project. This may delay or lead to the cancelation of the project.

FISCAL IMPACT:

Funding for the incentive agreement is available in the Inner City TIRZ provided the TIRZ is extended for 10 years. The City will issue debt for the \$3.5 million in public improvements. The Inner City TIRZ will fund principle, interest and fees associated with the debt issuance. The debt

service payment will start in 2026 so it is in alignment with the TIRZ extension.

The \$5 million for the fee waivers and job creation incentives will be allocated annually in the amount of \$1 million for 5 years starting in 2026. Funding for the fee waivers and job creation incentives is available in the Inner City TIRZ if the TIRZ is extended.

There is no immediate fiscal impact to the City's General Fund.

RECOMMENDATION:

Staff recommends approval of an Incentive Agreement between the City, Tax Increment Reinvestment Zone No. 11 - Inner City Board of Directors, and Texas Research and Technology Foundation to fund \$3,500,000 plus applicable fees for public improvements and \$5,000,000 in economic development incentives for the G.J. Sutton Project located in Council District 2.