



CITY OF SAN ANTONIO  
**NEIGHBORHOOD & HOUSING  
SERVICES DEPARTMENT**

# **Incentive Agreement for G.J. Sutton Project**

**City Council A Session  
January 12, 2023 - Item #15**

Veronica Garcia, Director, NHSD

# Background Information

- Texas Research and Technology Foundation's (TRTF) primary purpose and objective is to establish a strategy centered around propelling economic growth in biotechnology especially focused on local start-ups and entrepreneurial development.
- TRTF owns the Merchants Ice Complex and the GJ Sutton Building on the east side of downtown San Antonio and plans to redevelop the 12-acre site as an anchor for an innovation district.
  - Phase 1 is the Merchants Ice Complex.
  - Phase 2 is the G.J. Sutton Building.



# Background Information

- The project includes 680,000 sf in six buildings. The majority of which, 646,000 sf, will be office and laboratory space. The balance, 34,000 sf, will be supporting retail/commercial space.
- 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.



# Issue

- The incentives are contingent upon the 10- year extension of the Inner City TIRZ.
  - The debt will be serviced by the Inner City TIRZ.
- \$3.5 million in public improvements plus interest and fees.
  - Bexar County is recommending an additional \$3.5 million.
- The GJ Sutton Project must be complete within 5 years of starting the public improvements or funds will be repaid to the Inner City TIRZ.
- The City will initiate the process to close the section of Crockett Street that goes through the Sutton property.









# Issue

- \$5 million in cash incentives to the G.J. Sutton Project to support city and SAWS fee waivers and job creation incentives.
  - The funding is from the Inner City TIRZ and will be made available annually in the amount of \$1 million for 5 years.
  - The Director of Economic Development Department will recommend the incentives for each project to City Council provided they are in alignment with Economic Development Incentive Fund (EDIF) Guidelines.
  - SAWS and City Fee Waivers will be reimbursed to TRTF upon submittal of proof of payment.
  - TRTF has 5 years to commit the funding. If the funding is not committed to eligible projects by September 30, 2027, the money will stay within the Inner City TIRZ.
- TRTF will develop an internship program for area high school and St. Philips College students and commission Eastside artists directly for the art for the GJ Sutton Project.



# EDIF Tax Rebate Guidelines

## Tax Abatement and Rebate Eligibility Matrix

							
	Hourly Wage		Capital Investment		No. of Jobs Created	Base Tax Abatement/ Rebate %	Exceptional Enhancements
Tier 1	<b>\$20.54</b>	AND	<b>\$10M</b>	AND	<b>50</b>	<b>20%</b>	
Tier 2	\$25.00	OR	\$25M	OR	200	30%	 + 10% Regional Center
Tier 3	\$30.00	OR	\$50M	OR	400	40%	
Tier 4	\$35.00	OR	\$100M	OR	600	50%	 + 10% Targeted Industry
Tier 5	\$40.00	OR	\$150M	OR	800	60%	
Tier 6	\$45.00	OR	\$250M	OR	1000	70%	 + 10% Equity Matrix

- Note 1: All projects for Tax Abatement or Rebate must meet initial minimum investment, wage and job creation requirements (Tier 1). To be eligible for Tiers 2 - 6, only one of the corresponding wage, capital investment, or job creation levels must be met.
- Note 2: Equity Atlas score of at least 7 is required.
- Note 3: Tax Rebate percentage is only on the Interest & Sinking (I&S) portion of the City's property tax rate. Current I&S rate can be found on the City's Tax Rate Summary Page.

# EDIF Strategic Target Industry per Job Grant Requirements

- 100% of jobs require the city median income of \$25.67/hour
- 90% of jobs require 150% of the median income (\$80,100 or \$38.50/hour)
- The table reflects the maximum level of EDIF Grants available to a qualifying business based on the required minimum salaries for net new full-time permanent jobs.
- All jobs must be filled and maintained for a minimum of 3 years in order to qualify.

Minimum Annual Wage Rate	Maximum Amount per New Position
\$80,100 – 88,109	\$1,000
\$88,110 – 98,789	\$1,500
\$98,790 – 104,129	\$2,000
\$104,130+	\$2,500

# Fiscal Impact

		Sources	Uses	
Year	Fiscal Year	Inner City TIRZ	Public Improvements	Job Creation
1	2026	\$ 1,780,027.78	\$ 780,027.78	\$ 1,000,000.00
2	2027	\$ 1,791,625.00	\$ 791,625.00	\$ 1,000,000.00
3	2028	\$ 1,792,500.00	\$ 792,500.00	\$ 1,000,000.00
4	2029	\$ 1,786,750.00	\$ 786,750.00	\$ 1,000,000.00
5	2030	\$ 1,789,250.00	\$ 789,250.00	\$ 1,000,000.00
Total		\$8,940,152.78	\$ 3,940,152.78	\$ 5,000,000.00



# 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 for the G.J. Sutton Project located in Council District 2:
  - \$3.5 million plus interest and fees for public improvements
  - \$5 million for job recruitment provided the project is in alignment with the EDIF Guidelines that were approved by City Council in December 2022.



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