



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 2

Agenda Date: December 16, 2022

In Control: Economic and Workforce Development Committee Meeting

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Brenda Hicks-Sorensen

COUNCIL DISTRICTS IMPACTED: District 2

SUBJECT:

Briefing and possible action on an Incentive Agreement for G.J. Sutton Project in District 2.

SUMMARY:

Briefing and possible action on an incentive agreement with Texas Research and Technology Foundation (TRTF) for the G.J. Sutton Project located in City Council District 2 within the Inner City TIRZ. The incentive agreement facilitates \$3.5 million for public improvements and \$5,000,000 in economic development incentives. The incentive agreement is contingent upon the extension of the Inner City TIRZ.

BACKGROUND INFORMATION:

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

140K sf 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.

ISSUE:

The Inner City TIRZ Board approved the negotiation and execution of an incentive agreement between the 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 individual 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 for area high schools and St. Phillip's College students. TRTF will also commission Eastside artists directly for the art for the G.J. Sutton Project.

The incentive agreement is scheduled for City Council consideration on January 12, 2023.

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 \$5 million for the fee waivers and job creation incentives will be allocated annually, starting in FY 2026, in the amount of \$1 million for 5 years.

ALTERNATIVES:

If the agreement between the Inner City TIRZ and TRTF is not approved, the project will be delayed or terminated.

RECOMMENDATION:

The Economic Development Department recommends approval of the Incentive Agreement for G.J. Sutton by the Economic and Workforce Development Committee.