



# City of San Antonio

## Agenda Memorandum

**File Number:** 18-3267

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**Agenda Item Number:** 21.

**Agenda Date:** 5/31/2018

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development Department

**DEPARTMENT HEAD:** Rene Dominguez

**COUNCIL DISTRICTS IMPACTED:** City wide

### **SUBJECT:**

An Ordinance authorizing the San Antonio Economic Development Corporation (“SAEDC”) to undertake an economic development project with Kiromic Inc. (“Kiromic”) in the amount of \$200,000 utilizing available funds in the SAEDC Investment Fund previously approved and appropriated by City Council for use by the SAEDC.

### **SUMMARY:**

Staff is requesting City Council action to authorize the SAEDC to undertake an economic development project in the amount of \$200,000 with Kiromic, a biotechnology company focused on developing and delivering immunotherapy drugs to address cancer and other diseases. Kiromic is currently located in Houston, but the company is considering relocating its headquarters, research, development and manufacturing operations to San Antonio.

### **BACKGROUND INFORMATION:**

Kiromic is a clinical-stage biotechnology company founded in 2012 and currently located in Houston. Kiromic is focused on developing the next generation of immunotherapy drugs which activate a person’s immune system to fight cancer and other diseases. Kiromic’s initial focus is on treating solid tumors, blood and lymph system cancers and ovarian cancer. This proprietary immunotherapy technology also shows potential to address other diseases. The company is currently conducting Phase I clinical trials on humans through MD Anderson (Houston) and Oncology SA (San Antonio).

Kiromic currently has 12 employees with plans to add another 10 jobs or more in the next 2-3 years. The company is considering relocating its headquarters, research and development, and drug manufacturing operations from Houston to San Antonio. The company is also considering locating to Austin at the Dell Medical School. Kiromic has raised \$13 million since inception and is currently raising \$12 million through a Series A round of financing in preferred stock. The company is seeking local investors to show support for relocating the company to San Antonio.

The SAEDC is requesting authority from City Council to undertake an economic development project with Kiromic in the amount of \$200,000 to help the company relocate to San Antonio and establish business operations to continue its research, development and drug manufacturing activities. The SAEDC will enter into an Economic Development Agreement (EDA) that will require Kiromic to: (1) establish its headquarters and business operations in San Antonio for at least 5 years; (2) relocate and create a minimum of 10 jobs within 18 months of executing the EDA; (3) add 10 new jobs by December 2021; (4) meet the City's minimum wage requirement of \$12.07/hour; and (5) pay an annual average salary of at least \$50,000. The SAEDC will also receive an equivalent amount of Kiromic preferred stock by participating in the Series A round of financing. If Kiromic is found in default of the EDA during the term, the SAEDC will have the option to demand repayment of the \$200,000 with interest or retain company preferred stock equity in lieu of repayment.

Staff conducted due diligence on the company and its principals, and SAEDC staff secured a third party consultant evaluation of the project. The consultant evaluated the company's product, management team, intellectual property, sales and marketing strategy, financials, and potential for profitability. The consultant found that the Kiromic project fits within the SAEDC's Investment Guidelines and would be a great asset to San Antonio's Healthcare and Bioscience Industry.

This project demonstrates the City's support for attracting innovative biotechnology companies to San Antonio to conduct leading edge research in cancer and other disease treatments and to collaborate with our local universities and private sector biotech companies. It also shows support for promoting scientific entrepreneurial development and for the growth of high-wage jobs in the targeted industry of Healthcare and Biosciences.

In collaboration with the City's economist, Dr. Steve Nivin, staff prepared an economic analysis that estimated the direct impact from the Kiromic project, the indirect impacts resulting from business-to-business transactions, and the induced impacts of increased spending at local businesses, at over \$18 million in overall impact to the community over 5 years.

#### **ISSUE:**

SAEDC Investment Guidelines approved by the SAEDC Board and City Council require City Council authorization to undertake economic development projects with an investment over \$50,000. The SAEDC Board considered and approved the Kiromic project on May 23, 2018, and directed the SAEDC Executive Director to request authorization from the City Council to undertake the Kiromic project in the amount of \$200,000.

#### **ALTERNATIVES:**

Council could choose not to approve this Ordinance which could affect the company's decision to locate in San Antonio versus locating to Austin.

#### **FISCAL IMPACT:**

This ordinance authorizes SAEDC to undertake an economic development project with Kiromic in an amount of \$200,000. Of this amount, \$100,000 is available in the FY 2018 Economic Development Incentive Fund and \$100,000 in the FY 2018 Adopted General Fund Budget.

#### **RECOMMENDATION:**

Staff recommends approval of an Ordinance authorizing the SAEDC to undertake an economic development project with Kiromic in an amount of \$200,000.