



# City of San Antonio

## Agenda Memorandum

**File Number:**15-3394

---

**Agenda Item Number:** 17.

**Agenda Date:** 6/11/2015

**In Control:** City Council A Session

---

**DEPARTMENT:** Economic Development

**DEPARTMENT HEAD:** Rene Dominguez

**COUNCIL DISTRICTS IMPACTED:** 9

### **SUBJECT:**

An Economic Development Agreement with Cytocentrics, Inc.

### **SUMMARY:**

Staff is requesting City Council action on an Ordinance approving an Economic Development Agreement with Cytocentrics, Inc. in an amount not to exceed \$1 million disbursed over five years, subject to the following: (1) the creation of 300 new high-wage jobs; (2) a capital investment of at least \$15 million; and (3) a partnership with The Centers for Innovative Drug Discovery (CIDD), a joint venture between the University of Texas Health Science Center San Antonio (UTHSCSA) and the University of Texas at San Antonio (UTSA), which will result in enhanced research capabilities, and a partnership with Alamo Colleges for curriculum development, and development of workforce skills programs to train the City residents for high wage jobs in the biotechnology industry.

**BACKGROUND INFORMATION:** Cytocentrics Bioscience is a German biotechnology company formed in 2001 and located in Rostock, Germany. Cytocentrics manufactures and sells medical equipment to conduct automated cell analysis ("patch clamping") for drug testing to meet FDA testing requirements and replaces the current manual testing methods.

Cytocentrics' medical device evaluates drug interactions with human cells. Specifically, patch clamping assesses whether cells have the ability to metabolize an active drug ingredient and/or drug components. The company has automated the patch clamp technique, which uses electrophysiology to study the electrical properties of biological cells and tissues. The company's technology is state of the art, and Nobel Laureate Professor Erwin Neher is a scientific advisor to the company.

The introduction of an automated patch clamp technique creates opportunities for new frontiers in the discovery

and understanding human cells; more efficient and effective utilization of existing drugs; discovery of new cures for diseases like diabetes and cancer; and the ability to treat and combat neurotoxins. In addition, this product has a future in personalized medicine which is an emerging practice of medicine that uses an individual's genetic profile to guide a physician's decisions in regard to the prevention, diagnosis, and treatment of disease.

As part of the proposed grant agreement, CytoCentrics will partner with CIDD, which, together with UTHSCSA and UTSA, participates in a joint venture that operates the High Throughput/High Content Screening Facility to facilitate the translation of basic scientific discoveries into unique research tools and tangible pre-clinical candidate drugs that can be further developed into therapies for the full spectrum of human diseases.

As part of the new partnership, CytoCentrics will donate at least one CytoPatch machine (valued at approximately \$250,000) to CIDD for research purposes. The new instrument will strengthen CIDD's ability to screen for various biological processes and activities for which they were previously unable to test. The new technology also has a substantial amount of potential synergy with the existing small molecule screening capabilities at UTHSCSA. The value of the partnership and the opportunity to have access to CytoPatch machines has significant potential impact for drug discovery research across multiple therapeutic areas. Long term, it will also help UTSA/UTHSCSA researchers with extracurricular grant opportunities and the training of students. As the only U.S. site with this technology, the public-private collaboration will enhance San Antonio's profile as a nationwide leader in biotechnology research and industry growth.

CytoCentrics will also partner with Alamo Colleges on developing a specialized workforce training program focusing on instruction of the patch clamp method for lab technicians and research assistants. As part of this collaboration, the company will donate at least one CytoPatch machine to Alamo Colleges and facilitate a robust curriculum to develop a pipeline for the future biomedical workforce.

The EDIF grant agreement requires CytoCentrics to establish its corporate headquarters in San Antonio and create at least 300 new jobs over five years at an existing facility located at 18618 Tuscan Stone in City Council District 9, with plans of expanding to another location in San Antonio. All of the 300 new full-time jobs will pay no less than \$50,000 each with an average annual salary of more than \$70,000, and the company will make a capital investment of at least \$15 million over five years.

CytoCentrics considered sites in Birmingham, Alabama for the headquarters relocation; however the proposed San Antonio site was selected due to the public-private partnership opportunities the EDIF grant provided, as well as the biotechnology ecosystem in San Antonio.

In order to secure this proposed relocation at the new San Antonio site, staff recommends a grant not to exceed \$1 million in payments over five years from the EDIF based on the public-private partnerships between CytoCentrics, CCID, UTHSCSA, UTSA, and Alamo Colleges, the creation of 300 new high-wage jobs paying no less than \$50,000 with an average annual salary of over \$70,000, and a capital investment of at least \$15 million. In accordance with the City's EDIF Guidelines, 100% of the jobs at the project site will meet the minimum hourly "living wage" of at least \$11.47 and, within one year, more than 70% of its employees will meet or exceed the \$14.66 hourly median "All Industry Wage."

## **FISCAL IMPACT:**

Funding is available in the Economic Development Incentive Fund from the FY 2015 allocation to support the grant to CytoCentrics. The grant will be paid over five years for a total amount not to exceed \$1 million.

**ISSUE:**

Chapter 380 of the Local Government Code authorizes the City to provide incentives for the purpose of promoting economic development, provided the City has established a program for such purposes. City Council approved a program promoting economic development in April 2005. The investment of \$15 million and creation by Cytocentrics of at least 300 new high wage jobs at a new corporate headquarters facility meets the EDIF Guidelines for the approval of the Chapter 380 EDIF grant.

**ALTERNATIVES:**

Based on the City's offer to Cytocentrics of the EDIF grant, Cytocentrics chose to expand in San Antonio for its new corporate headquarters facility. City Council could choose not to approve the Ordinance, which could impact Cytocentrics' decision to select San Antonio for the location of its new corporate headquarters facility.

**RECOMMENDATION:**

Staff recommends approval of an Ordinance authorizing the City to enter into a Chapter 380 Economic Development Agreement with Cytocentrics, Inc., which will provide a grant in the amount of no more than \$1 million, provided that Cytocentrics donate the two CytoPatch machines, create and retain a minimum of 300 high-wage jobs paying no less than \$50,000 each, and enter into public-private partnerships with CIDD, a joint venture between UTHSCSA and UTSA, and the development of workforce training programs by Alamo Colleges.