



City of San Antonio

Agenda Memorandum

File Number:17-3037

Agenda Item Number: 17.

Agenda Date: 8/17/2017

In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: 6

SUBJECT:

This ordinance authorizes a loan agreement between the City of San Antonio and Texas Biomedical Research Institute (TBRI) in the amount of \$250,000 in connection with the planned expansion of its Biosafety Level 4 Laboratory (BSL-4 Lab).

SUMMARY:

Staff is requesting City Council action on the following item related to the TBRI BSL-4 Lab expansion and an Ordinance approving a \$250,000 Economic Development Incentive Fund (EDIF) loan with a potential term through 2025.

BACKGROUND INFORMATION:

Texas Biomedical Research Institute (TBRI) is an independent, not-for-profit biomedical research institution. TBRI aims to unravel the mysteries of chronic and infectious diseases through innovative thinking, creative problem solving and cutting edge technologies. Since its founding in 1941 by Thomas B. Slick Jr., TBRI has gained worldwide recognition in scientific and academic communities for the quality of its research. TBRI's scientists work each day to improve human health by being a world leader in lifestyle and infectious disease research. Each year, TBRI's scientists are engaged in more than 200 research projects.

Located on a 200-acre campus on the northwest side of San Antonio at 7620 NW Loop 410 in City Council District 6, TBRI partners with hundreds of researchers and institutions around the world, targeting advances in the fight against cardiovascular disease, diabetes, obesity, cancer, psychiatric disorders, problems of pregnancy, AIDS, hepatitis, malaria, parasitic infections and a host of other infectious diseases. TBRI has also developed vaccines for deadly agents of bioterrorism such as Ebola, anthrax and botulinum neurotoxins. In addition, it has identified genes that influence heart disease, diabetes, obesity, and other common health problems.

TBRI is a world class bioscience research institute and the major contributor to the City's leading targeted Healthcare and Bioscience Industry. In 2015, TBRI operations resulted in 432 direct jobs in San Antonio, including over 70 doctoral level scientists, with a \$29 million payroll for an average annual salary over \$67,000 and an annual economic impact of \$112 million. The BSL-4 Lab is a key asset to the TBRI generating 32% of annual revenues with its 43 direct jobs. This Lab is the only privately owned BSL-4 Lab providing valuable research and development of vaccines and other bioscience solutions for deadly agents and incurable diseases for the nation and the world.

TBRI is planning an expansion of its BSL-4 Lab because the current 1,200 sq. ft. facility is over 16 years old and operating near maximum capacity (24/7 operations) with a useful remaining life at current operating tempo of three-to-four years. The BSL-4 Lab is experiencing a high demand for its services from national entities such as the National Institutes of Health and Department of Defense and currently has a 24-month backlog of research. Due to these capacity limitations, TBRI has turned down over \$40 million in research grants over the past five years depriving San Antonio of invaluable research opportunities. TBRI plans to build a new Lab at least double the size of the current Lab, at a cost of approximately \$48.5 million with planned completion in 2020. The expansion will add at least nine direct bioscience jobs and has the potential to increase annual revenue from \$16 million to more than \$50 million. The new Lab will also enhance TBRI's retention and continued recruitment of topnotch national scientists and significantly increase bioscience research dollars flowing into San Antonio.

In connection with the proposed BSL-4 Lab expansion, TBRI is pursuing a FY 2018 federal appropriation through the San Antonio congressional delegation that could help fund a lab expansion. TBRI has also requested the City's support to assist with "seed" funding for the design of the BSL-4 Lab expansion project so TBRI can begin design this year in order to complete the project by 2020. To support this request, City staff recommends a \$250,000 no-interest loan in two \$125,000 payments toward the \$6 million design of a new BSL-4 Lab. The City's no-interest loan of \$250,000 would be repaid or forgiven (and converted to a grant) under the following circumstances and conditions:

- Repaid in full from federal funds secured by TBRI for the BSL-4 Lab project provided such funds can be used for reimbursement of prior expenses. Repayment would be due in one payment (\$250,000) within 12 months following TBRI's receipt of sufficient federal funds.
- If federal funding is neither approved nor cannot be used to reimburse prior expenses, then the City's loan would be forgiven and convert to a grant under the following conditions:
 - TBRI raises sufficient funding from other sources (non-federal) and initiates construction on the BSL-4 Lab expansion project by March 2020;
 - TBRI retains at least 43 full time BSL-4 Lab jobs and adds at least nine BSL-4 Lab jobs (for a total of 52) by December 2022 and retains these jobs through December 2025;
 - TBRI provides all employees at the project site access to a benefits package, including health care;
 - TBRI meets the following wage requirements through December 2025:
 - 100% of the BSL-4 Lab jobs must meet the minimum hourly "living wage" of at least \$11.83;
 - Within one year of completing the project, at least 70% of all BSL-4 Lab jobs must meet or exceed the \$15.68 hourly median "All Industry Wage"; and
 - At least 25 BSL-4 Lab jobs must earn an annual salary of at least \$47,195.
 - Participate in City's effort to develop strategic initiatives (i.e., recruitment of pharmaceuticals).

The City may seek repayment of any disbursed loan proceeds if TBRI has not initiated construction of the BSL-4 Lab by March 2020 or after the occurrence of a default under the loan agreement after the passage of any applicable cure period, including the failure to meet the jobs and/or wage requirements.

If TBRI fails to secure federal funding, the TBRI Board of Directors is still committed to execute the expansion project with other funding strategies. TBRI provided a letter, dated June 23, 2017, indicating that the TBRI Board of Directors approved a Resolution on June 8, 2017, authorizing the CEO to proceed with the design and construction of a new BSL-4 Lab.

ISSUE:

Before the City may enter into a Loan Agreement with TBRI, the City is required to approve an Ordinance approving the Loan Agreement.

ALTERNATIVES:

City Council could choose not to grant authorization which could adversely affect the timeline of the project and potentially impact the recruitment and retention of scientists and support jobs at TBRI.

FISCAL IMPACT:

Funding is available in the Economic Development Incentive Fund from current and prior year appropriations to support the loan (or potential grant) to TBRI. The loan (or potential grant) will be disbursed in two payments of \$125,000 each based on TBRI meeting certain milestones in the Loan Agreement for a total payment of \$250,000.

RECOMMENDATION:

Staff recommends approval of an Ordinance authorizing a \$250,000 EDIF loan to the Texas Biomedical Research Institute.