



# City of San Antonio

## Agenda Memorandum

**File Number:**17-4642

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**Agenda Item Number:** 34.

**Agenda Date:** 9/21/2017

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development Department

**DEPARTMENT HEAD:** Rene Dominguez

**COUNCIL DISTRICTS IMPACTED:** Council District 8

### **SUBJECT:**

City Council consideration of a Chapter 380 Economic Development Grant Agreement with Pelican Therapeutics, Inc., a subsidiary of Heat Biologics, Inc., in an amount not to exceed \$200,000.

### **SUMMARY:**

Staff is requesting City Council consideration and action on an Ordinance authorizing the City to enter into a Chapter 380 Economic Development Grant Agreement (Agreement) with Pelican Therapeutics, Inc. (Pelican), a subsidiary of Heat Biologics, Inc. (Heat). The Agreement will provide an economic development grant to Pelican in an amount not to exceed \$200,000, based on Pelican's commitment to relocate its corporate headquarters in San Antonio and create 22 new, full-time high-wage bioscience sector related jobs over five years.

### **BACKGROUND INFORMATION:**

Founded in 2011 and acquired by Heat in 2017, Pelican is a pre-clinical stage biotechnology company developing novel immunotherapy technologies to treat a wide variety of cancers. Pelican's treatments, in combination with the immunotherapies being developed by Heat, have significant potential to help treat cancer. In May of 2016, the Cancer Prevention Research Institute of Texas (CPRIT) awarded Pelican a \$15.2 million grant to advance its lead product technology through a Phase I clinical trial.

To receive the CPRIT funding, Pelican is currently in the process of determining where in Texas to locate its headquarters and business operations, and is considering San Antonio, Georgetown, and Austin. Pelican plans to grow its local presence to 22 employees over the next five years with an average annual employee salary of \$158,000. The company has also expressed an intention to make a capital investment of up to \$750,000 in property improvements. Heat and Pelican intend to collaborate and engage the services of Cancer Insight, a local contract research organization (CRO) dedicated to discovering, developing and testing emerging biotechnologies specializing in cancer immunotherapy and founded by industry pioneer Dr. George Peoples.

In order to secure this project in San Antonio, staff offered Pelican a Chapter 380 Economic Development Grant of \$200,000 to support the company's purchase of a Flow Cytometer, an essential piece of lab equipment that will be paid up front and capitalized with a lien on the equipment by the City. This equipment is essential for Pelican's business operations and allows the company to perform Phase I clinical trials for its novel immunotherapy product. Based on the City's incentive offer and local support for the project, Pelican has indicated its intent to locate its headquarters and business operations in San Antonio to receive and execute the CPRIT grant funding. Pelican also intends to develop a sustainable long term presence in San Antonio by expanding its initial operations and collaborations with local companies. Should the company fail to meet the obligations of the agreement, the City would have the right to recapture grant funds on a per job basis, and below a certain job threshold, terminate the agreement to recapture all funds. Should Pelican fail to repay the grant, the City would have the option to execute its lien and take possession of the equipment which it can then choose to sell to recover funds owed or keep and utilize.

As part of the agreement, all positions must have a minimum annual salary of \$50,000, which exceeds both the City's Living Wage and the Bexar County Average Weekly Wage, and Pelican must agree to sponsor at least one university student intern each year for five (5) years through the *SA Works* program, and also pursue formal partnerships with UT Health San Antonio (UTHSA) and the University of Texas at San Antonio to further the development and growth of the local biotech industry ecosystem.

This project falls in line with several of the key long-term economic goals laid out in the City's *SA Tomorrow Comprehensive Plan*, as well as those presented in *Forefront SA*, the community's economic development strategic plan led by the San Antonio Economic Development Foundation, including the attraction of a corporate headquarters and their employees, high-wage job creation, and support for the continued growth of the City's targeted industries. The project presents an opportunity to secure the presence of an innovative, high-paying bioscience and healthcare technology company in San Antonio.

#### **ISSUE:**

Chapter 380 of the Local Government Code authorizes the City to provide economic development grants for the purpose of promoting economic development, provided that the City has established a program for such purposes. City Council approved a program promoting economic development in April 2005.

The recommended incentive complies with EDIF Guidelines for grant amounts per job for headquarters relocation, targeted industry development, and other related criteria.

#### **ALTERNATIVES:**

Based on the City's offer and local support for the project, Pelican has decided to proceed with the relocation and expansion of its operations to San Antonio, creating 22 new full-time jobs over five years, based on the competitive financial incentives offered by City staff to secure the project. City Council could choose not to approve the Ordinance authorizing the City to enter into the Agreement, which could adversely impact Pelican's decision to locate in San Antonio.

#### **FISCAL IMPACT:**

Funding is available in the Economic Development Incentive Fund in FY 2017 to support the grant to Pelican in an amount of no more than \$200,000.

#### **RECOMMENDATION:**

Staff recommends approval of the Ordinance authorizing the City to enter into a Chapter 380 Economic Development Grant Agreement with Pelican. The City will provide a grant of \$200,000 provided that Pelican relocates its headquarters and creates up to 22 new full-time jobs in San Antonio.