RR
01/14/10
Item #23

AN ORDINANCE 2010-01-14-0021

AUTHORIZING AN ECONOMIC DEVELOPMENT PROGRAM LOAN AND GRANT AGREEMENT IN THE AMOUNT OF $200,000.00 WITH SITE B DATA SERVICES, INC.

* * * * *

WHEREAS, pursuant to Chapter 380 of the Texas Local Government Code, CITY is authorized to loan and grant municipal funds to promote state or local economic development and to stimulate business and commercial activity in the municipality; and

WHEREAS, in accordance with City Ordinance No. 100684, CITY created an economic development program for the purpose of making such loans and grants available; and

WHEREAS, SITE B is engaged in an economic development project that will be located within the city limits of San Antonio and will consist of converting an existing structure being the Frio Street Building at 911 North Frio, San Antonio, TX 78205 into a data center specializing in providing bandwidth, storage, security and management of enterprise level data (the "Project"); and

WHEREAS, once completed, the Project will result in a $3.7 million investment in real and/or personal property improvements and the creation of twenty (20) new jobs over the next five (5) years that will pay between $25,000.00-$85,000.00 annually in salary plus health benefits; and

WHEREAS, SITE B is seeking an economic development loan and grant from CITY for the purpose of defraying costs associated with the purchase of equipment in support of the Project which will then be utilized in operating the data center; and

WHEREAS, the CITY has identified Economic Development Incentive Funds available to partially loan and grant to SITE B for use in completing the Project; and

WHEREAS, the City Council finds that the proposed Project furthers the objectives of the Economic Development Department and the City of San Antonio in promoting the development of Central City mixed-use, multi-family housing; and

WHEREAS, the City Council also finds that authorizing and approving an Economic Development Program Loan is a reasonable incentive to help induce Site B to undertake the Project; and

WHEREAS, the City Council also finds that approving an Economic Development Program Loan with Developer will promote the local economic development and stimulate business and commercial activity in the municipality; **NOW THEREFORE:**

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BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The terms and conditions of an Economic Development Program Loan and Grant Agreement with Site B Data Services, Inc. in an amount not to exceed $200,000.00 are approved.

SECTION 2. The City Manager or her designee is authorized to execute an Economic Development Program Loan and Grant Agreement with Site B Data Services, Inc. in accordance with the terms and conditions of this ordinance. A copy of the Agreement, in substantially final form, is attached hereto and incorporated herein as Exhibit "A." The final Agreement shall be filed with this Ordinance upon execution.

SECTION 3. Funding in the amount of $200,000.00 for this Ordinance is available in Fund 29059000, Cost Center 1604010001, General Ledger 5201040, as part of the Fiscal Year 2010 Budget.

SECTION 4. Payment not to exceed the budgeted amount is authorized and should be encumbered with a purchase order.

SECTION 5. The financial allocations in this Ordinance are subject to approval by the Director of Finance, City of San Antonio. The Director may, subject to concurrence by the City Manager or the City Manager's designee, correct allocations to specific Cost Centers, WBS Elements, Internal Orders, General Ledger Accounts, and Fund Numbers as necessary to carry out the purpose of this Ordinance.

SECTION 6. This ordinance shall be effective on and after the tenth day after passage.

PASSED AND APPROVED this 14th day of JANUARY 2010.

M A Y O R
JULIÁN CASTRO

ATTEST: _____
City Clerk

APPROVED AS TO FORM: _____
for City Attorney

Request for COUNCIL ACTION

City of San Antonio

Agenda Voting Results - 23

Name:	6, 7, 8, 9, 11, 12, 13, 14, 16A, 16B, 16C, 19A, 19C, 19D, 19E, 19G, 21A, 21B, 22, 23, 24, 26, 27A, 27B, 28, 29
Date:	01/14/2010
Time:	10:03:25 AM
Vote Type:	Motion to Approve
Description:	An Ordinance authorizing an Economic Development Grant and Loan Agreement in the amount of $200,000.00 with Site B Services Data Services Inc. [Pat DiGiovanni, Deputy City Manager / Interim Director, Center City Development]
Result:	Passed

Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Julián Castro	Mayor		x				
Mary Alice P. Cisneros	District 1		x			x	
Ivy R. Taylor	District 2		x				
Jennifer V. Ramos	District 3		x				x
Philip A. Cortez	District 4		x				
David Medina Jr.	District 5		x				
Ray Lopez	District 6		x				
Justin Rodriguez	District 7		x				
W. Reed Williams	District 8		x				
Elisa Chan	District 9		x				
John G. Clamp	District 10		x				

Agenda Item # 23
Council Meeting Date: 1/14/2010
RFCA Tracking No: R-5858

CITY OF SAN ANTONIO
Request for Council Action

DEPARTMENT: Center City Development Office **DEPARTMENT HEAD:** Pat DiGiovanni

COUNCIL DISTRICT(S) IMPACTED:
Council District 5

SUBJECT:
Economic Development Grant and Loan Agreement with Site B Data Services, Inc.

SUMMARY:
An ordinance authorizing the City Manager to enter into an Economic Development Grant and Loan Agreement in the amount of $200,000.00 with Site B Data Services Inc. These funds will be used to purchase equipment for Site B and allow the company to become operational with Phase 1 of their project.

BACKGROUND INFORMATION:
Site B Data Services Inc. (Site B) plans to convert the existing Frio Street Building at 911 North Frio into data center specializing in providing bandwidth, storage, security and management of enterprise level data. The data center is a 27,000 sq. ft. facility and 15,000 sq. ft will serve as actual data center space. The project will be executed in 5 phases and a $200,000.00 grant will assist with Phase 1 of the project. The complete project will result in $3.7 million in new investment and create 20 jobs over the next 5 years paying $25,000.00-$85,000.00 annually plus benefits.

Site B will operate as an unaligned data center, which will allow businesses to locate their data and have a choice of several telecommunication providers to supply connectivity. Site B currently has agreements in place with AT&T, Time Warner Cable, and Grande Communications to bring fiber optic connectivity into the data center. Site B is involved with ongoing negotiations with Sprint, Verizon, Level 3 Communications, and Qwest Communications to bring in their fiber networks. The data center will have a minimum of 5 communications companies that can provide connectivity before the project goes online.

Under the Economic Development Incentive Fund (EDIF) Guidelines, Site B qualifies for a $97,000.00 grant and a $103,000.00 loan. A $200,000.00 economic development grant and loan from the City will allow Site B to purchase equipment needed to become operational in 30 to 60 days. The loan term would include no principal or interest for the first 5 years. If the company is

still operating after 5 years and has reached 80% operational capacity and the company has hired 20 employees, the loan would revert to a grant. The City will have first lien on the data center equipment and a second lien on the building. If the terms are not met in 5 years, the borrower begins repaying the loan in year 6 with interest with the loan to be paid in full in 4 years. The City will seek to recapture the full value of grant and or balance owed on the loan if Site B ceases operations at the site during the first 5 years of operation and at a prorated amount in years 6 through 9.

ISSUE:

The Site B project supports the City's Strategic Plan for Enhanced Economic Development by assisting businesses in the Empowerment Zone and the creation of good paying jobs in the target industry sector on information technology. The project qualifies for a grant and loan under the EDIF Guidelines. However, the term of the loan requires an exception to the Guidelines, since the Guidelines require annual loan payments with interest begining within twelve months of loan disbursement. This item was presented to the Economic and Community Development Council Committee on December 14th and approved to move forward to City Council.

ALTERNATIVES:
If the City does not assit the project with an economic development grant and loan, Site B will not be able to initiate Phase 1 of this project in a target area of the City. Without these funds, the company will not have the necessary equipment to provide services to potential clients.

FISCAL IMPACT:
Funding for the $200,000.00 economic development grant and loan for Site B will come from funds available in the EDIF FY 2010 Adopted Budget. A Cost-Benefit Analysis conducted by the International and Economic Development Department staff indicates the Site B project would create a net fiscal gain to the City of $311,589.00 at the end of 10 years if the City supports a $200,000.00 grant and loan for the project. This Cost-Benefit Analysis is based on Site B's construction and capital investment of $892,780.00 for Phase 1 of the project. Once the firm is at full operations, an annual economic impact of $2,170,056.00 is projected.

RECOMMENDATION:
Staff recommends approval of this ordinance.

ATTACHMENT(S):

File Description	File Name
Voting Results	
Ordinance/Supplemental Documents	2010-01-14-0021.pdf

APPROVED FOR COUNCIL CONSIDERATION:

Pat DiGiovanni Deputy City Manager