

**CITY OF SAN ANTONIO  
ECONOMIC DEVELOPMENT DEPARTMENT  
CITY COUNCIL AGENDA MEMORANDUM**

**TO:** Mayor and City Council

**FROM:** Ramiro A. Cavazos, Director

**SUBJECT:** Requested action by Southwest Research Institute for consent for local project financing through industrial development bonds issued by the City of Tatum, Texas

**DATE:** December 1, 2005

**SUMMARY AND RECOMMENDATIONS**

An ordinance consenting to the issuance of qualified tax-exempt industrial development bonds by the City of Tatum Industrial Development Corporation (CTIDC) to partially finance a \$26 million applied physics research facility in San Antonio by the non-profit Southwest Research Institute (SwRI). Under State law, another jurisdiction can issue bonds in San Antonio, but only with the consent of the City Council. Southwest Research Institute will be fully liable for the repayment of the bonds. The requested consent does not obligate nor create any expectations or liabilities of the City of San Antonio.

Staff recommends approval of this ordinance.

**BACKGROUND INFORMATION**

The City of Tatum Industrial Development Corporation will consider the adoption of a resolution agreeing and declaring to issue approximately \$10 million in bonds for capital improvements by SwRI. The bond proceeds will be used for the second phase a \$26 million applied physics research facility in San Antonio. The 164,000 square-foot facility will include offices and laboratories to house over 200 employees of SwRI. On April 28, 2005, City Council approved an ordinance consenting to an initial issuance of \$10 million in industrial revenue bonds by the City of Tatum for Phase 1 of this SwRI project located on Bandera Road in District 6. SwRI will finance the remaining \$6 million of project costs.

Southwest Research Institute (SwRI) is an independent, non-profit applied research and development organization. The staff of 2,700 specializes in the creation and transfer of technology in engineering and the physical sciences. Specifically, SwRI conducts contract research in the following areas: aerospace electronics and information technology; applied physics; automation and data systems; nuclear waste; chemistry and chemical engineering; engines, emissions, and vehicles; fuels and lubricants; mechanical and materials engineering; signal exploitation and geolocation; space science and engineering; and training, simulation, and performance improvement. SwRI occupies 1,200 acres in San Antonio, Texas, with nearly two million square feet of laboratories, test facilities, workshops and offices. The SwRI staff has performed more than \$399 million in contract research in 2004.

The City of Tatum like The City of San Antonio has an Industrial Development Authority (Authority) which is a nonprofit corporation organized under the laws of the State of Texas. This Authority can issue

industrial development bonds, on behalf of the City, which are exempt from federal income tax. The liability for the bonds rests with Southwest Research Institute and not with the CTIDC or the City.

The City of San Antonio Industrial Development Authority has issued industrial development bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage.

### **POLICY ANALYSIS**

This ordinance would consent to the issuance of \$10 million in qualified tax-exempt industrial development revenue bonds by the City of Tatum, Texas. The consent of the City Council is necessary to permit the issuance of such bonds by other jurisdictions within the corporate city limits of San Antonio. To comply with the Tax and Equity Fiscal Responsibility Act of 1982 (TEFRA) regulations, the law firm of Winstead, Sechrest and Minick will publish notice of and hold a public hearing with respect to the bonds.

The proposed applied physics facility would strengthen SwRI's capability to conduct advanced research. This is consistent with the City's *Strategic Plan for Enhanced Economic Development* and on-going efforts of the City and SATAI to promote growth in technology-oriented industry.

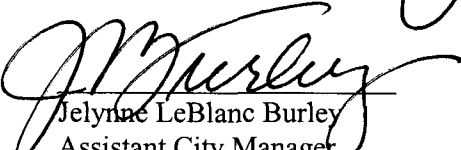
### **FISCAL IMPACT**


There is no fiscal impact of this ordinance. The applicant has paid a \$2,500 application fee in connection with the requested consent action. Southwest Research Institute will be fully obligated for the repayment of the industrial development bonds issued by the City of Tatum. The consent of this issue does not create any expectations, risks or liabilities of the City of San Antonio related to this financing.

### **COORDINATION**

This item has been coordinated with the City Attorney's Office, Office of Management and Budget and the Finance Department.

  
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