

EASTSIDE PROMISE ZONE  
ECONOMIC DEVELOPMENT  
*Strategy*



SAN ANTONIO FOR GROWTH ON THE EASTSIDE



SAN ANTONIO FOR GROWTH ON THE EASTSIDE

2016 – 2017

## Eastside Promise Zone Comprehensive Economic Development Strategy

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## PREFACE

In 2010, the people of San Antonio's Eastside brought their knowledge and talents together to re-envision their community as a place of educational opportunity, desirable housing and economic prosperity. This effort to reinvest in the neighborhoods and people of the Eastside was led by then City Councilperson Ivy Taylor and joined by numerous private and public partners. During these initial activities, the community identified both problems and possible solutions. The Eastside Reinvestment Summit formalized a new focus for the Eastside: education, job creation and housing.

What makes the Eastside unique are the collaborative efforts across the spectrum community revitalization that are being deployed to address these issues. This collaborative approach is built upon the basic principle that community revitalization, to be effective, must address three distinct issues – education, housing and economic development. Like a 3-legged stool with revitalization as the seat, the community will never rise without all three legs.

Even before the Eastside Reinvestment Summit the community began to discuss methods to address the issues of the Wheatley area. These discussions led to the submission of an application to the U.S. Department of Education for a Promise Neighborhood Planning Grant by a consortium of community partners led by the United Way of San Antonio and Bexar County (United Way). In 2010, the U.S. Department of Education named the United Way the recipient of a Promise Neighborhood planning grant. The \$312,000 one-year grant funded the creation of a plan to create a transformed Eastside Promise Neighborhood characterized by high quality small schools, engaged parent leaders and stable housing.

The result: Eastside Promise Neighborhood leaders submitted an application for a five-year implementation grant and learned in December 2011 that San Antonio was selected as one of five implementation sites in the country and awarded a \$24.6 million grant. With a focus on improving educational outcomes through a data-driven "community schools" approach, the goal is to realize the promise of San Antonio's Eastside by seeing it become a neighborhood where families and children stay, grow, and graduate. Thus, the education leg of the stool is being built.

Recognizing that addressing the educational issues in isolation would not solve the myriad of problems facing this community, a new focus was placed on addressing the housing issues. In late 2010 the community, with the San Antonio Housing Authority (SAHA) as the lead partner, applied for and was awarded a \$250,000 Choice Neighborhoods Planning Grant. The grant funded an extensive community planning effort to develop the Wheatley Choice Transformation Plan, which was



the basis for SAHA's \$29.7 million Choice Neighborhoods Implementation (CNI) Grant application, which was funded in December 2012. The CNI grant is intended to transform People, Housing and Neighborhood. SAHA's CNI Transformation Plan (Plan) has a clear program for the economic transformation of the target neighborhood, with SAGE leading the economic development component of the Plan. This work dovetails with that of the Eastside Promise Neighborhood initiative, which operates within a larger but overlapping geographic footprint. The Wheatley CNI represents the housing leg of the community revitalization stool.

The Promise Zone Initiative is part of President Obama's plan to comprehensively revitalize distressed communities by partnering with local communities and businesses to create jobs, increase economic security, reduce poverty, expand educational opportunities, increase access to quality, affordable housing and improve public safety. San Antonio was invited to apply for the Promise Zone designation in 2013 and was selected as one of the first five Promise Zones in 2014. The designated area is a 22-square mile geographic area of the Eastside of San Antonio that includes within its boundaries the footprints of the EPN, CNI, and 2 Byrne Criminal Justice grants. The Eastside Promise Zone (EPZ) is an initiative of the City of San Antonio, in partnership with the United Way, SAHA, SAGE and SA2020. The EPZ has 6 key goals:

- Create jobs & training
- Increase economic activity
- Expand educational opportunities
- Leverage private capital
- Increase public safety
- Increase affordable housing



*Map of the Eastside Promise Zone*

SAGE is the lead partner for economic development for the EPZ. And thus, the third leg of the community revitalization stool is being built.

While economic development is an important part of each of the three major federal initiatives taking place on the Eastside, there was very little funding allocated to support these efforts. In order to meet this need, SAGE approached the US Economic Development Administration in early 2014 for assistance with these efforts. Subsequent to this initial overture, SAGE applied for and was awarded

a \$500,000 planning and capacity building grant in August 2014. There were three main deliverables associated with that grant:

- Create a master economic development strategy for the EPZ;
- Identify 9 potential mixed use projects with sites within the EPZ and determine their economic feasibility; and
- Develop and deploy an on-line tool that will allow developers and other interested parties to access information about vacant, abandoned, and underutilized properties in the EPZ.

Through a competitive bidding process, SAGE selected HR&A Advisors and its team of professionals including Alamo Architects and the MIG Group to help complete this work. This Comprehensive Economic Development Strategy (CEDS) is a compilation of the work product of the HRA Team, SAGE Staff, Eastside residents, and stakeholders. The complete report of the work done by HR&A is an addendum to this report. The on-line site information tool can be accessed at the SAGE website at [http://www.sagesanantonio.org/site\\_info](http://www.sagesanantonio.org/site_info).

## EXECUTIVE SUMMARY

This Comprehensive Economic Development Strategy (CEDS) describes key strategies for SAGE and the Eastside Promise Zone (EPZ) Partners to facilitate economic development particularly new investment, in the EPZ for the benefit of the community. Unlike those of the broader San Antonio-New Braunfels MSA, the economic conditions of the EPZ exhibit many fundamental challenges, which are further exacerbated by transience and a pervasive underground economy. The average household income in the EPZ is approximately 40% lower than the rest of the City of San Antonio. EPZ residents are generally under-employed and work in industries that are generally lower paying when compared to the broader City of San Antonio. Because of the misalignment of training and preparedness between EPZ residents and the jobs available, most EPZ workers travel beyond the EPZ for work, and most of the jobs in the EPZ are occupied by people who live outside of the EPZ.

The EPZ is geographically proximate to several employment centers and may be well-positioned to become an attractive destination for workers seeking lower cost housing. The EPZ Industrial Cluster, with over 16,000 workers, some of whom are residents of the EPZ, may play a significant role in the economic transformation of the EPZ in the near and medium terms. Lack of quality housing stock has led to a higher than average vacancy rate for residential units. As a result, rents have remained low in the EPZ. The same situation exists in both the retail and office markets. However, the EPZ continues to be a major industrial center in the San Antonio market.

Based upon a review of existing economic and physical conditions, five priority economic development goals have been identified for the EPZ (in order of importance).

1. Attract private investment in commerce, real estate, and the community.
2. Create jobs for EPZ residents.
3. Increase economic activity in the EPZ.
4. Increase economic diversity of EPZ resident base.
5. Improve standard of living of EPZ residents.

Attracting private investment is the foundation upon which all the other goals rest. That end, this CEDS details 9 development projects to catalyze economic development in the EPZ. In addition to the catalytic projects, there are additional strategies to meet each of the 5 goals as well as key interventions that can yield significant and/or near-term benefits for the EPZ.



## Background

The existing conditions of the EPZ are best understood in the context of the broader region, the San Antonio-New Braunfels Metropolitan Statistical Area (MSA) and, where possible, other specific areas within the City of San Antonio.

## Regional Overview

The San Antonio metropolitan region exhibits strong economic conditions and positive momentum, but its economy is growing slower than other metropolitan regions in Texas and lacks modern, 21<sup>st</sup> Century employment sectors such as technology and professional services.

The EPZ is located in the San Antonio-New Braunfels metropolitan statistical area (MSA), an eight-county region spanning nearly 7,400 square miles that is anchored by Bexar County and the City of San Antonio. The highest population and employment densities in the MSA are in and around San Antonio's Downtown as well as in northern, northwestern, and northeastern suburban clusters.

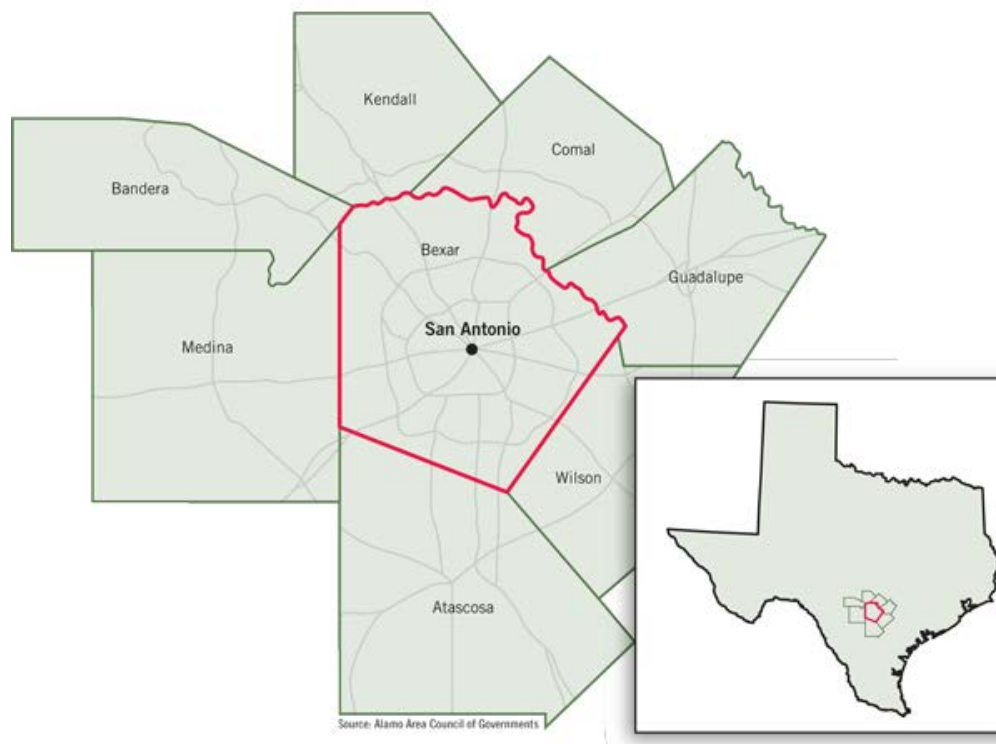


Figure 1 - Map of San Antonio-New Braunfels MSA (Source: Alamo Area Council of Governments)

The population of the San Antonio-New Braunfels MSA is diverse and continues to grow. As of

2014, the MSA had a population of over 2.3 million residents, up from 2.1 million in 2010, making it the 25<sup>th</sup> largest MSA in the United States. The region's population is expected to grow between 2015 and 2020 by 7.64%<sup>1</sup>, nearly twice as fast as the population growth rate for the United States in the last five years.<sup>2</sup> In the same period of time, the Dallas-Fort Worth-Arlington MSA and the Houston-The Woodlands-Sugarland MSA are expected to experience 7% and 6.5% population growth, respectively.<sup>3</sup> As shown in Figure 2, the region's population is diverse; Hispanic/Latino

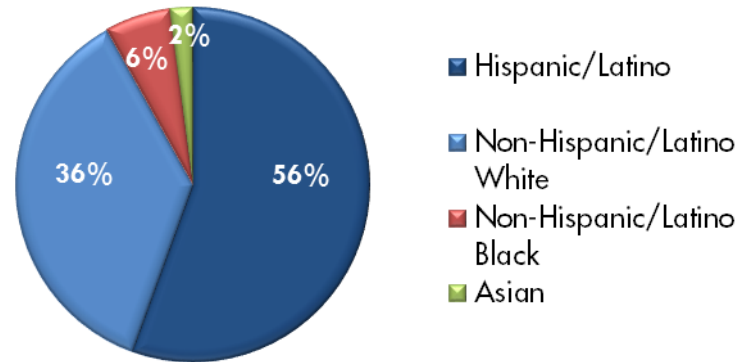


Figure 2 - San Antonio Population: Race/Ethnicity (Source: US Census Bureau)

people of various ethnicities make up the largest proportion (55%), followed by non-Hispanic/Latino white (36%), non-Hispanic/Latino black, (6%), and Asian (2%).<sup>4</sup>

### EPZ Demographic Trends

Unlike those of the broader San Antonio-New Braunfels MSA, the economic conditions of the EPZ exhibit a number of fundamental challenges, which are further exacerbated by transience and a pervasive underground economy. As of 2014, there were approximately 26,889 households within the EPZ with an average household size of 2.84.<sup>5</sup> In comparison, there are approximately 497,517 households across San Antonio with an average household size of 2.69.<sup>6</sup>

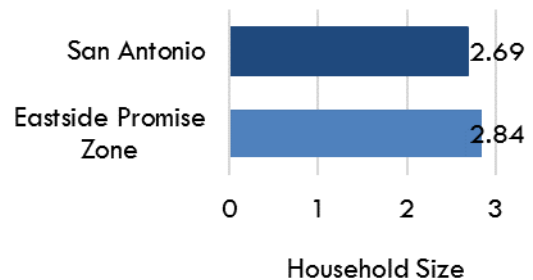


Figure 3 - Comparison of 2014 Household Size between Eastside Promise Zone and San Antonio (Source: US Census Bureau; ESRI Business Analyst)

<sup>1</sup> Claritas

<sup>2</sup> World Bank

<sup>3</sup> Texas Department of State Health Services

<sup>4</sup> US Census Bureau

<sup>5</sup> US Census Bureau; ESRI Business Analyst

<sup>6</sup> US Census Bureau; ESRI Business Analyst

The average household income in the EPZ is approximately 40% lower than the rest of the City of San Antonio. As of 2015, residents in the EPZ have an average household income of approximately \$36,700. The largest segment of the EPZ's population, approximately 27% of households, report a household income below \$15,000, the result of which is a far lower median household income of approximately \$26,800 in the EPZ. Across the City of San Antonio, the average household income rises to approximately \$64,000 in 2015. Concentrations in lower tier income brackets lead the median household income across the City to drop to approximately \$44,700.

EPZ residents are generally under-employed and work in industries that are generally lower paying when compared to the broader City of San Antonio. Approximately 37% of EPZ residents reported having jobs in the 2013 American Community Survey, as compared to 45% of residents across San Antonio.<sup>7</sup> However, when broken up by age group, the data indicates that EPZ residents begin working at an earlier age than the general population in San Antonio.<sup>8</sup> Among all San Antonio workers, 27% are age 29 or younger and 57% are age 30 to 54, while among EPZ workers, 32% of workers are age 29 or younger and 55% are age 30 to 54.<sup>9</sup> EPZ residents who are employed often work in low-skill, labor-intensive industries; the largest industries of EPZ resident employment are health care and social assistance (~18.5%), accommodation and food services (~14%), retail trade (~10%), waste management (~8.5%), and educational services (~8%).<sup>10</sup> Less than 5% of the EPZ's population works in each of a number of professional industries such as finance and insurance, real estate, and information. For more information, Appendix A indicates how EPZ employment by industry compares to the overall City of

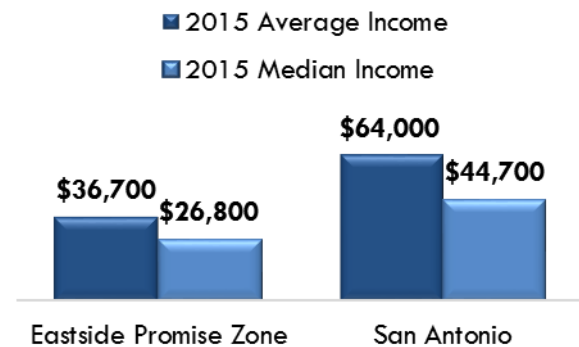


Figure 5 - Comparison of 2015 Average and Median Incomes between Eastside Promise Zone Residents and San Antonio Residents (Source: US Census Bureau; ESRI Business Analyst)

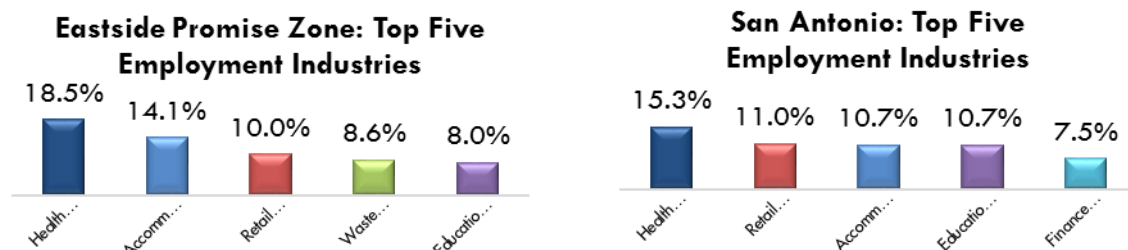


Figure 4 - Comparison of Top Five Employment Industries between Eastside Promise Zone Residents and San Antonio Residents (Sources: US Census Bureau; LEHD On The Map)

<sup>7</sup> 20

<sup>8</sup> Age group data limited by US Census to three tiers: younger than 29, 30-54, and older than 55

<sup>9</sup> US Census Bureau; LEHD On The Map

<sup>10</sup> US Census Bureau; LEHD On The Map

San Antonio.

Despite an overall growth in jobs in the broader region, EPZ residents continue to be unable to attain greater employment due to inadequate education and training. The total number of jobs in the EPZ experienced notable fluctuations between 2002 and 2011 but declined overall by a modest 3%. However, in the same period of time, jobs in San Antonio experienced less fluctuation and grew overall by 15%.<sup>11</sup> These employment trends contrast with EPZ residents' sustained level of unemployment, which is likely due to their lack of employment preparedness. Only approximately 10% of EPZ residents have attained a bachelor's degree or higher, significantly less than the approximately 25% of San Antonio's residents as a whole.<sup>12</sup> Over 30% of EPZ residents reported not receiving a high school diploma, though this number may be even higher due to transience and underreporting.

	No Diploma	High School Graduate	GED/Alternative Credential	Some College, No Degree	Associate Degree	Bachelor Degree or Higher
EPZ	32.6%	22.5%	6.8%	23.0%	6.0%	9.1%
San Antonio	19.6%	19.9%	4.9%	24.0%	6.8%	24.8%

*Table 1 - Comparison of 2014 Educational Attainment between Eastside Promise Zone Residents and San Antonio Residents (Sources: 2013 American Community Survey; ESRI Business Analyst)*

Because of the misalignment of training and preparedness between EPZ residents and the jobs available, most EPZ workers travel beyond the EPZ for work, and most of the jobs in the EPZ are occupied by people who live outside of the EPZ. Approximately 17,000 EPZ residents are employed outside of the EPZ, while nearly 25,000 of the 26,000 jobs in the EPZ are occupied by people who live beyond the EPZ.<sup>13</sup> As indicated in Figure 7, the 17,000 residents who travel beyond the EPZ to their jobs are employed across San Antonio, with large clusters in the traditional employment centers of Downtown San Antonio and northern suburban areas. Of the residents who work within the EPZ, their jobs are concentrated in the eastern half of the EPZ, particularly along the W.W. White corridor. Figure 6 shows that the 25,000 workers who commute into the EPZ come from across the City and beyond, with over 5,000 workers commuting from over 50 miles away.

Transience and an underground economy limit the accuracy of data and continue to be a major concern for area leaders. All of the above findings on the existing conditions of the EPZ rely on data from sources such as the US Census Bureau and the US Bureau of Labor Statistics. However,

<sup>11</sup> LEHD On the Map; US Census Bureau

<sup>12</sup> 2013 American Community Survey; ESRI Business Analyst

<sup>13</sup> US Census Bureau; LEHD On The Map



in places such as the EPZ, these data may not fully capture the effects of transience or elements of the underground economy.

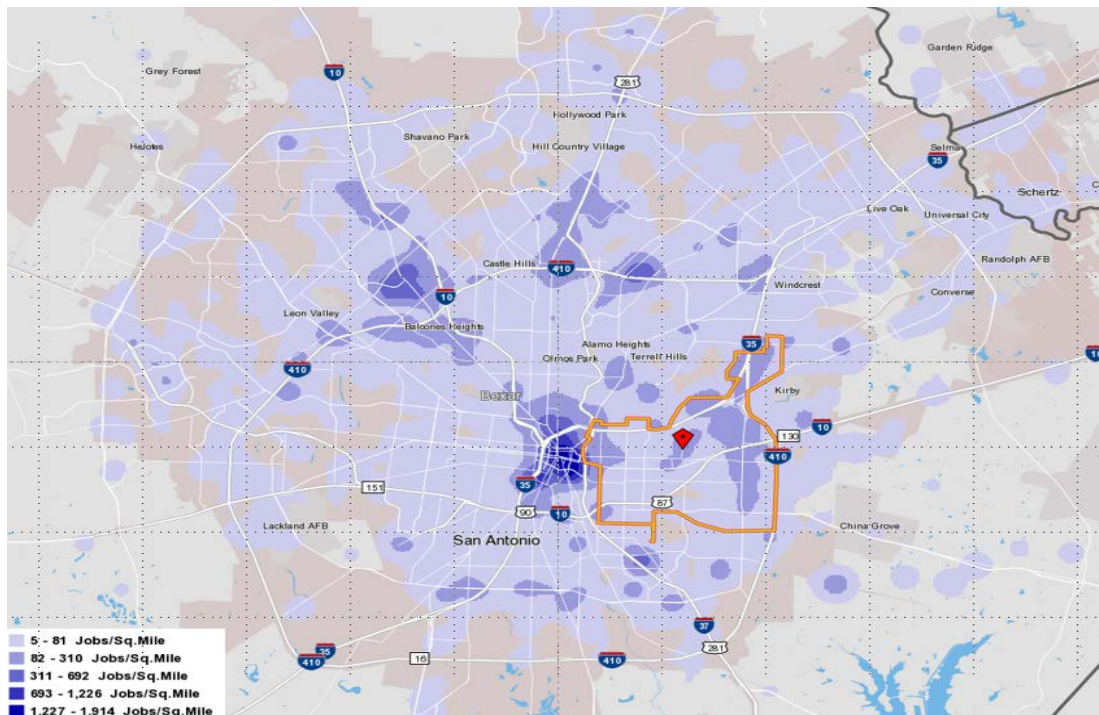


Figure 7 - Location of EPZ Residents' Employment (Source: LEHD On The Map, US Census Bureau)

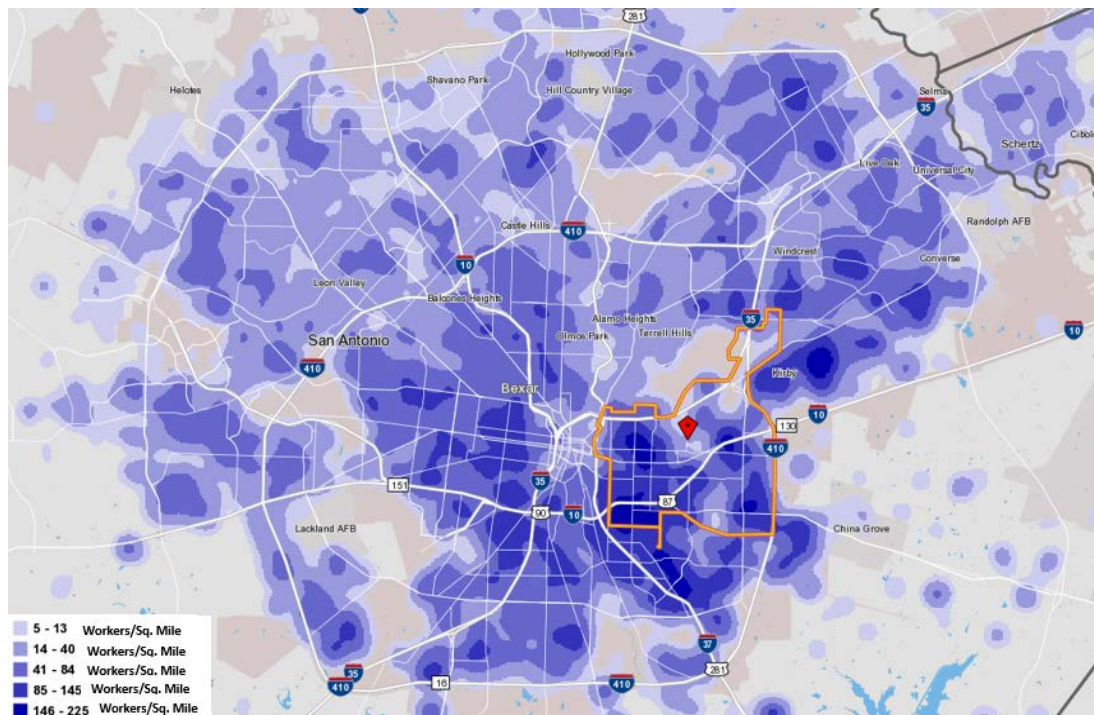


Figure 6 - EPZ Workers' Place of Residence (Sources: LEHD On The Map, US Census Bureau)

Though difficult to measure empirically, community leaders in the EPZ have anecdotally acknowledged these challenges through their interactions with area residents. The Eastside Choice

Neighborhood Community Profile of 2012 recognized transience as one of five major challenges affecting the community:

“Educators describe the difficulty they face due to the large mobility rate into and out of local schools: ‘...success in the classroom is about getting the kids settled in, this is hard. There is so much uproar in the classroom and it has to do with the housing in the area.’

“And faith leaders express similar concerns: ‘it’s heart breaking to me as a pastor...to keep them motivated – the area is so transient – as soon as you make contact, you know you help [them] out, they come for a month or two then you don’t see them for a month and then you go back and knock on the door and there’s papers and they’re not there and its discouraging...’”<sup>14</sup>

In the same report, community leaders recognize the prevalence of a criminal underground economy as one of the five biggest challenges affecting the community. Police officers indicate that “... criminal activity is a highly functional underground economy, using the metaphor of ‘small business’ to describe it. Each ‘small business’ has identified and exploited a ‘niche’ in the local (informal) economy dominated entirely by narcotics and prostitution.”<sup>15</sup>

#### EPZ Economic/Employment Trends

Though the region has a variety of economic drivers, the largest employer is the government/military. The largest industries by employment in the MSA are government (17%), trade, transportation, and utilities (17%), education and health services (15%), professional and business services (13%), and leisure and hospitality (12%).<sup>16</sup> Lackland Air Force Base and Fort Sam Houston employ approximately 37,000 and 32,000 people, respectively, well above H-E-B, the next largest with approximately 20,000 employees. Outside of the government and military, much of the major private employment in San Antonio is rooted health sciences, education, and professional services. The region is also home to a number of corporate headquarters, such as USAA (financial services), Valero Energy (energy), and Rackspace (IT), reflecting the region’s attractiveness to diverse employers. Table 1 outlines the top employers in the San Antonio-New Braunfels MSA.

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<sup>14</sup> San Antonio Eastside Choice Neighborhood: Community Profile, page 14

<sup>15</sup> San Antonio Eastside Choice Neighborhood: Community Profile, page 21

<sup>16</sup> Texas Workforce Commission; US Bureau of Labor Statistics

Employer	Sector	Location	Number of Employees (rounded)
Lackland Air Force Base	Military	West San Antonio	37,000
Fort Sam Houston	Military	Northeast San Antonio	32,000
H-E-B	Retail (grocery)	Regional (HQ Downtown)	20,000
USAA	Financial Services/Insurance	Northwest San Antonio	17,000
Northside Independent School District	Public/Education	Northwest San Antonio	13,000
Randolph Air Force Base	Military	Northeast San Antonio	11,000
North East Independent School District	Public/Education	Northeast San Antonio	10,000
City of San Antonio	Public	Downtown San Antonio	9,000
Methodist Healthcare System	Healthcare	Regional	8,000
Baptist Health System	Healthcare	Regional	6,000

*Table 2 - Top 10 Employers in the San Antonio-New Braunfels MSA (Sources: San Antonio Economic Development Foundation; 2015 Book of Lists; San Antonio Business Journal)*

Moving forward, the region's job growth will likely depend upon the continued expansion of private sectors, such as healthcare, construction, education, and professional services. It should also be noted that federal budget limitations may result in reductions to or idling of the region's military sector. Yet, the region was able to gain 29,000 jobs between May 2014 and May 2015, a 3.2% increase,<sup>17</sup> reflecting an 11-year low unemployment rate of 3.9%.<sup>18</sup> Comparatively, the economy of the Dallas-Fort Worth-Arlington MSA grew by 125,800 jobs, a 3.9% increase; and the economy of the Houston-The Woodlands-Sugarland MSA grew by 69,000, a 2.4% increase.<sup>19</sup> The largest annual gains in the San Antonio region were in construction (5,600 jobs), financial activities (5,500 jobs), education and health services (5,000 jobs), and trade, transportation, and utilities (4,500 jobs).<sup>20</sup>

The region's most dense employment clusters are Downtown San Antonio, northwest San Antonio, north central San Antonio, and northeast San Antonio. Downtown San Antonio has been anchored

<sup>17</sup> US Bureau of Labor Statistics

<sup>18</sup> Transwestern

<sup>19</sup> US Bureau of Labor Statistics

<sup>20</sup> US Bureau of Labor Statistics; Texas Workforce Commission





bound together as one area for the purposes of this study;

- **Fort Sam Houston**, a 400-acre US Army post immediately north of the EPZ; and
- **EPZ Industrial Cluster**, a four-square mile area of light and heavy industrial clusters in the northeastern corner of the EPZ.

Downtown San Antonio is a dense cluster of over 77,000 jobs across a broad range of industries but has experienced limited growth in recent years. The largest industries by employment in Downtown are educational services (~16%), public administration (~14%), accommodation and food services (~14%), and health care and social assistance (~13%). Workers in Downtown San Antonio have relatively strong incomes, with nearly 50% of workers earning above \$40,000 per year.<sup>21</sup> Downtown workers commute from across the City, with notable concentrations coming from the northwest, southwest, and southeast corners of the city. For a detailed map of downtown workers' place of residence, see Appendix B.

Like many American cities, San Antonio has experienced renewed interest in the urban core. The Pearl District, immediately north of Downtown, has captured much of this interest. Office development has idled in Downtown since 1989, when the last office building was developed at 112 E. Pecan St. The building, which is the tallest in San Antonio, has an overall vacancy of 12%.<sup>22</sup>

The Northern Suburban Office Clusters represent a 34-square mile area encompassing approximately 226,000 jobs with higher concentrations of jobs in professional service industries than in other geographies. The largest industries by employment in the Clusters are health care and social assistance (~24%), educational services (~16%), finance and insurance (~13%), waste management (~9%), and retail trade (~8%).<sup>23</sup> Workers in these office clusters generally reside on the north side of San Antonio, close to their jobs and in relatively affluent parts of the city. For a detailed map of northern suburban office workers' place of residence, see Appendix C.

Despite a renewed interest in the urban core, the suburban office market in San Antonio is very strong and continues to be the single largest driver of office demand in the region. The surrounding housing and retail areas, where a significant portion of office workers live, have also continued to thrive, keeping the Northern Suburban Office Clusters atop the list of employment centers by population in the region.

Fort Sam Houston, also known as Joint Base San Antonio after combining with Lackland and Randolph Air Force Bases, is a major center of economic activity in San Antonio. Though the

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<sup>21</sup> US Census Bureau; LEHD On The Map

<sup>22</sup> CoStar

<sup>23</sup> US Census Bureau; LEHD On The Map

exact number of military personnel is constantly evolving, the base employs approximately 32,000 workers, of which at least 2,000 are non-military. The military campus is also home to the Army Medical Department and School, an academic medical facility where 25,000 students train each year. The five largest non-military sectors of employment at Fort Sam Houston are waste management and remediation (~28%); accommodation and food services (~27%); professional, scientific, and technical services (~18%); construction (~7%); and healthcare and social assistance (~7%).<sup>24</sup> Among the non-military workers at Fort Sam Houston, a large number live in distant suburban and rural clusters north and east of the base, and a measurable number of workers live within the EPZ. For a detailed map of Fort Sam Houston non-military workers' place of residence, see Appendix D.

Data on the place of residence of military personnel is not publicly available. An extrapolation of military dependents' school district assignments may serve as a proxy for the general areas where military personnel reside. The data indicates that only 1.2% of military personnel reside in the San Antonio Independent School District, which is comprised of the EPZ and much of central San Antonio. Appendix E shows the breakdown of students by school district as well as the geographic boundaries of each district.

The EPZ Industrial Cluster, with over 16,000 workers, some of whom are residents of the EPZ, may play a significant role in the economic transformation of the EPZ in the near and medium terms. The five largest sectors of employment in the cluster are manufacturing (~25%); transportation and warehousing (22%); wholesale trade (~17%); waste management and remediation (9%); and retail trade (~9%). Employment in the EPZ Industrial Cluster had fallen to just over 10,000 at the peak of the economic recession in 2010, but has rebounded since then to the current level of 16,000

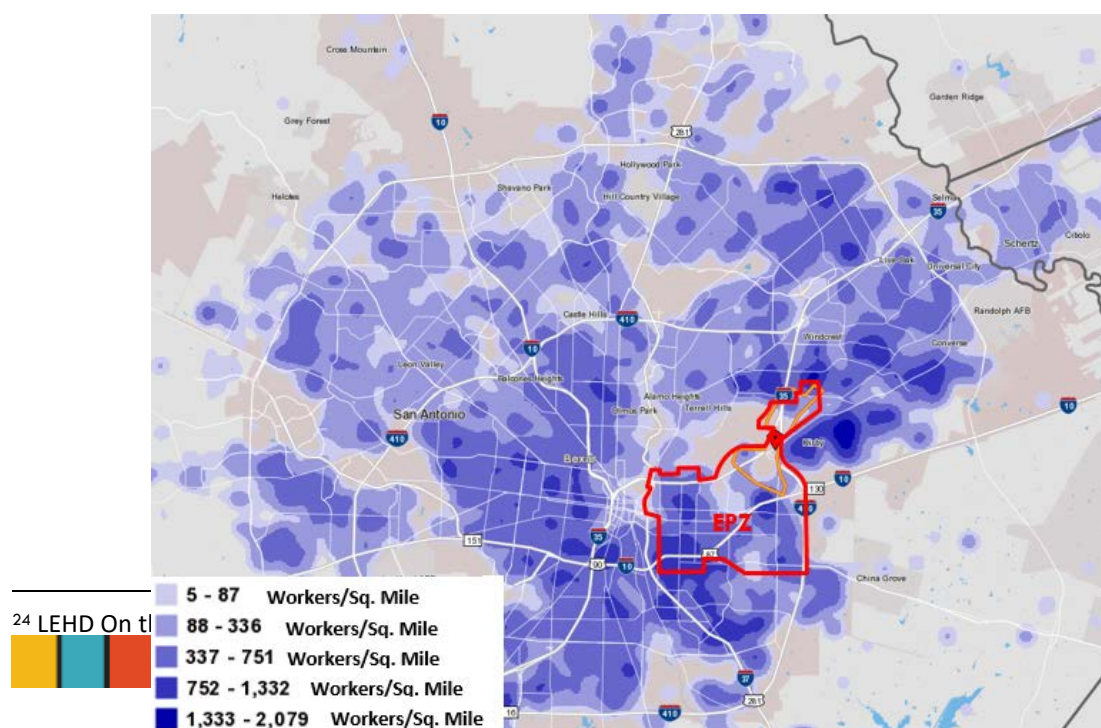


Figure 9 - EPZ Industrial Cluster Workers' Place of Residence (Sources: LEHD On the Map; US Census Bureau)

workers.

A number of new buildings on the market in recent years in northeast San Antonio have helped establish the region as a major industrial center in San Antonio. Easy access to the region's major highways and railways have further strengthened the EPZ Industrial Cluster as a destination for industrial growth. Vacancy rates in the Cluster have remained at or below 6% since 2011, and appear to stay low in the near term. The Cluster may be ripe for new industrial development, particularly as the broader area's market heats up with the addition of large facilities for Amazon, Carrier, Caterpillar, Dollar General, and O'Reilly.





## Analysis of Economic Development Problems & Opportunities

## Residential Real Estate Market

The region's real estate market reflects its population growth and has generally been strong. Developers have planned to deliver 6,500 new apartments to the market in 2015, following 6,300 new units in 2014.<sup>25</sup> Though the city's eastern quadrant has seen a 9% increase in the multifamily stock, the Eastside Promise Zone does not benefit positively from the new development, as most of the projects are concentrated outside of EPZ's boundaries. Other factors that affect new development in the EPZ, is a lack of quality housing stock within the area, and the area reflected a vacancy rate of 14% in 2015.<sup>26</sup> As a result, rents have remained low in the EPZ, averaging between \$500 and \$600 per month.<sup>27</sup>

	Inventory (Units)	Vacancy	2015 Rent
EPZ	26,000	14%	\$500-600/month
San Antonio	160,204	6%	\$800/month

*Table 3 - Comparison of 2015 Residential Space, Vacancy Rates, and Average Rent between the Eastside Promise Zone and San Antonio (Sources: CoStar; REOC San Antonio)*

As housing costs continue to rise in other more popular parts of the city's core, such as the Pearl district, young professionals – and particularly those with families – may seek lower cost housing in the EPZ due to its proximity to downtown and other employment clusters. In order to attract residents and new investment, encouraging developers to take advantage of the low cost of land and existing structures for redevelopment or new construction must occur. The new development will need to address the needs of specific residential groups, such as young families or the elderly, as they make up a large portion of the current EPZ population. Additionally, some level of public policy and investment must be included for development to be feasible.

## Retail Real Estate Market

The region's retail market has performed well in the previous year and is positioned for growth. H-E-B and Walmart are leading the growth and have planned new store locations across the region and due to the EPZ's low vacancy rate of 3% and a limited pipeline for new or planned development, makes the area well-suited for new development opportunities. Although there's a lower vacancy rate, poor quality of existing retail space, limited rent capacity of existing tenants, and the lack of large anchors to induce greater retail demand affect rents per square foot.

<sup>25</sup> Marcus Millchap

<sup>26</sup> ESRI Business Analyst; US Census Bureau

<sup>27</sup> ESRI Business Analyst; REIS

	Inventory	Vacancy	2015 Rent
EPZ	3.2M SF	3%	\$11-\$12 PSF
San Antonio	42M SF	9%	\$16-\$17 PSF

*Table 4 - Comparison of 2015 Retail Space, Vacancy Rates, and Average Rent between the Eastside Promise Zone and San Antonio (Sources: CoStar; REOC San Antonio)*

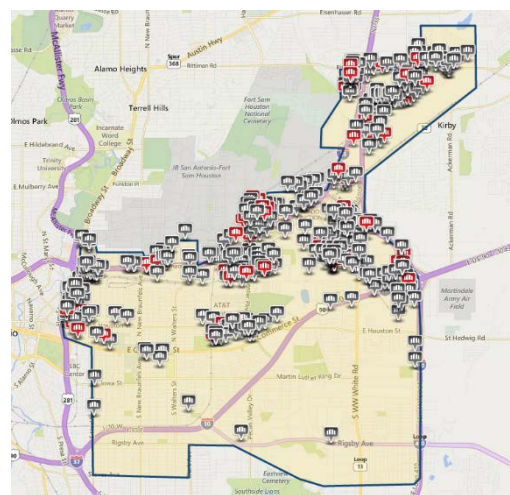
Retail sales increased by six percent between the first quarters of 2014 and 2015, as compared to three percent growth in the previous year. This growth across San Antonio may present the EPZ with an opportunity for new development.

An overall demand from residents and workers in and around the EPZ, is an indicator that single new development may be able to support as much as 20,000 square feet of commercial retail, a small grocery store and a few small restaurants.<sup>28</sup> The existing EPZ customer base, generates nearly \$940 million in annual retail demand. Most of the support comes from the residents in comparison to the EPZ worker groups which are less reliable and unwilling to travel far from their workplaces. Though, there is a high demand of workers in other parts of the region, proximate retail amenities near their workplace make it less likely that workers will to travel to the EPZ for retail needs.

Quality regional or national retail tenants are needed in order to attract enough customers to support large scale development. This type of development will also increase economic activity for smaller retail businesses, such as locally-owned restaurants and retail stores, which will continue to make them viable in the EPZ.

### Industrial Real Estate Market

The EPZ continues to be a major industrial center in the San Antonio market. Nearly 24 million square feet of industrial space is located within the EPZ, a large portion of the 34 million total square feet in San Antonio. Industrial space in the EPZ has historically performed well, with a five-year vacancy rate hovering around 6%. In comparison, citywide industrial vacancy has averaged between 7% and 8%.<sup>29</sup> Much of the industrial space in the EPZ is



*Figure 10 - Existing Industrial Spaces in the EPZ (Source: CoStar)*

<sup>28</sup> HR&A analysis

<sup>29</sup> CoStar; REOC San Antonio

concentrated in the northern and northeastern edges of the area, including the EPZ Industrial Cluster in the far northeastern corner. EPZ's industrial rents also average less per square foot in comparison to the citywide rent per square foot.

	Inventory	Vacancy	2015 Rent
EPZ	24M SF	6%	\$4-\$5 PSF
San Antonio	34M SF	7-8%	\$7-\$8 PSF

*Table 5 - Comparison of 2015 Industrial Space, Vacancy Rates, and Average Rent between the Eastside Promise Zone and San Antonio (Sources: CoStar; REOC San Antonio)*

However, the EPZ has not successfully attracted new industrial development in the recent past. Unlike other parts of the city, EPZ has not experienced recent industrial market growth. A lack of available, existing space or potential to develop new space, minimal mix of housing for workers, and a lack of sufficient incentives, makes EPZ less adequate to compete for industrial development. The EPZ will need to actively invite industrial developers and tenants with tools such as employment incentives.

Though conditions are favorable in the EPZ for new industrial development, public investment in incentives may help it better compete with other submarkets in San Antonio. The large number of low-cost, vacant sites and the level of access to significant transportation infrastructure make the EPZ very well suited for new industrial development. However, as much of the recent new development has been concentrated in suburban areas farther north, the EPZ may need to actively invite industrial developers and tenants with tools such as employment incentives.

## Office Real Estate Market

The office market in the EPZ has not shown any indications of growth for many years, but it may be able to support small amounts of new development in the near and medium terms. The EPZ currently has a small percentage of San Antonio's 29 million total square feet of office space.<sup>30</sup> Most of the office spaces are concentrated in the western quarter of the EPZ, along major thoroughfares and close to the downtown Central Business District and has a vacancy rate well below the rest of the city's.<sup>31</sup>

<sup>30</sup> CoStar; REOC San Antonio

<sup>31</sup> CoStar; REOC San Antonio

New office space in the EPZ should be Class A and strategically located to attract high quality tenants. The high occupancy level suggests that the EPZ is a reasonably strong market. Lower rents are an indicator of limited quality of space in the EPZ's office market as listed in Table 6.<sup>32</sup>

It is difficult to lease space to a quality tenant in the EPZ, unless is located close to downtown and along a major thoroughfare. Startups and small businesses are more likely to lease less attractive office space, if attractive proximate amenities are made available. In order to support office development, rent subsidies and competitive rent concessions, along with investment in infrastructure, such as revised transit routes or services, and amenities, should be considered.

	Inventory	Vacancy	2015 Rent
EPZ	530,000 SF	10%	\$14-\$15 PSF
San Antonio	2.9M SF	17.5%	\$20 PSF

Table 6 - Comparison of 2015 Office Space, Vacancy Rates, and Average Rent between the Eastside Promise Zone and San Antonio (Sources: CoStar; REOC San Antonio)

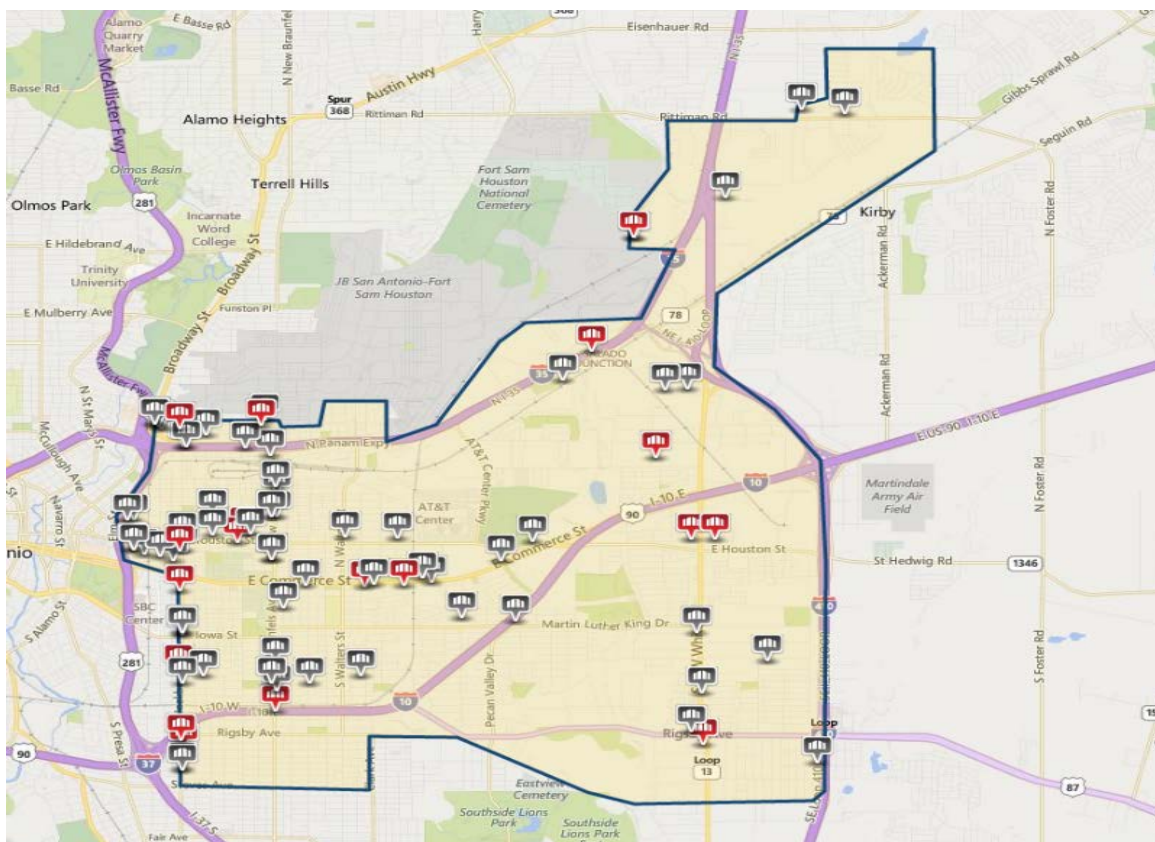


Figure 11 - Existing Office Spaces in the EPZ (Source: CoStar)

## Physical Conditions

The EPZ lacks cohesion and consistency across different elements of the built environment. Though

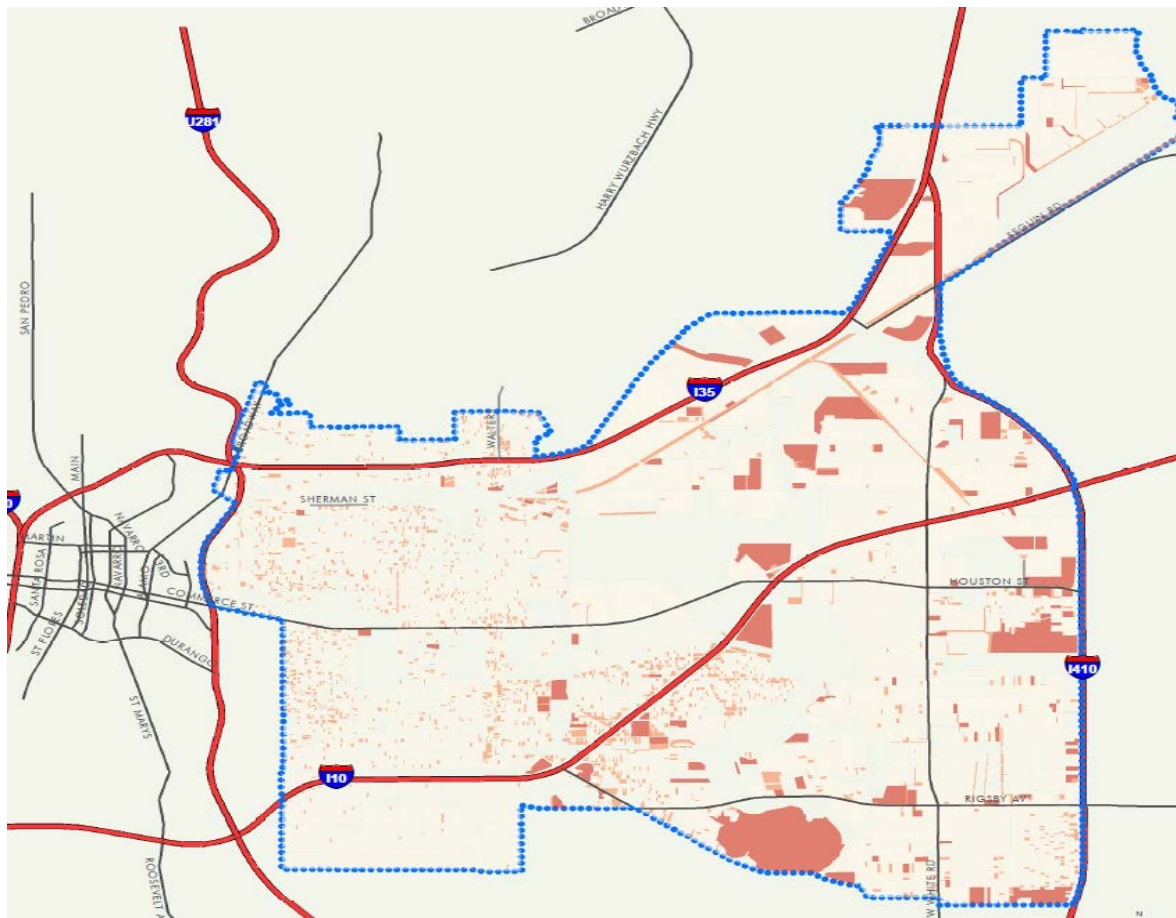


Figure 12 - Map of Vacant Parcels in the Eastside Promise Zone (Sources: City of San Antonio; MIG GIS Analysis)

highway infrastructure is well maintained, impactful investment across the EPZ may be affected due to poor supplementary roadway infrastructure. A comprehensive plan may help to draw impactful investment.

## Available Land

The vacant parcels give the EPZ a competitive advantage in inviting developers and businesses. It presents a blank canvas for unique and catalytic mixed-use development. The EPZ contains nearly 4,000 vacant parcels, of which over 400 are over one acre in size. The low cost of land and existing structures in the EPZ in comparison to land in other areas of the city, further strengthens its competitive advantage for opportunity for low-cost acquisition and redevelopment.

## Sidewalks, Curbs, and Streetscapes



The general condition of streetscape infrastructure throughout the EPZ varies widely. Though neighborhoods retain original streetscapes, most have significant wear and damage due to little or no subsequent investment. Then there are areas of EPZ that were built after World War II, such as Skyline Park and Coliseum Willow Park that lack streetscape infrastructure entirely. Street lighting in the EPZ also lags behind the rest of the city and is generally limited to street intersections.

## Utilities and Internet

Water, sewer and power appear to be in place or accessible to most, if not all, parcels within the EPZ. However, the EPZ's technology infrastructure lags considerably in comparison to the rest of San Antonio. There are swaths of the EPZ that lack high-speed internet access which is more prevalent in urban areas around the country.

## Highway Access

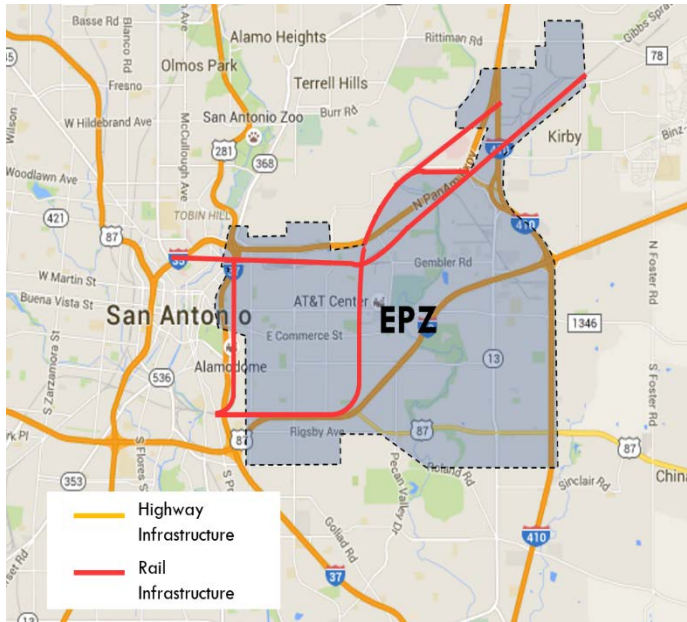


Figure 13 - Highway Infrastructure Around EPZ (Source: Google Map)

The EPZ is bound by four major interstate highways, I-10, I-410, I-35, and I-37, that link San Antonio to other regional hubs such as Austin and Houston. Furthermore, the existing rail yards in the north of the EPZ support major shipping across the south and southwest. Nowhere does the transportation infrastructure converge like in the EPZ, making the area well-equipped for large scale industrial development.

## Open Space

The EPZ offers a generous amount of quality open space, proportionately greater than the popular northwestern neighborhoods of San Antonio. The City has invested in EPZ's parks and open space. However, despite their level of maintenance and activity, they are showing their age and public perception is that these parks are not as safe as others across the city. As a result, more investment will be needed.

## Buildings

Residential structures in the EPZ – primarily single family homes with some multifamily buildings – vary greatly in age and quality and would generally benefit from increased investment and maintenance. Neighborhoods in San Antonio have traditionally developed concentrically from the center of the city. This pattern holds true for the EPZ. The eastern edge of downtown, have Victorian style homes generally constructed between 1880 and 1910. Grander houses are located in the Dignowity Hill and Government Hill neighborhoods.



Although its historical housing stock has become well-established, the EPZ has experienced little significant investment in housing since late last century. Despite the lack of investment, many buildings in the EPZ have withstood the test of time because of high quality initial construction. Figure 14 indicates the large areas in the EPZ that have already been identified as historic or that

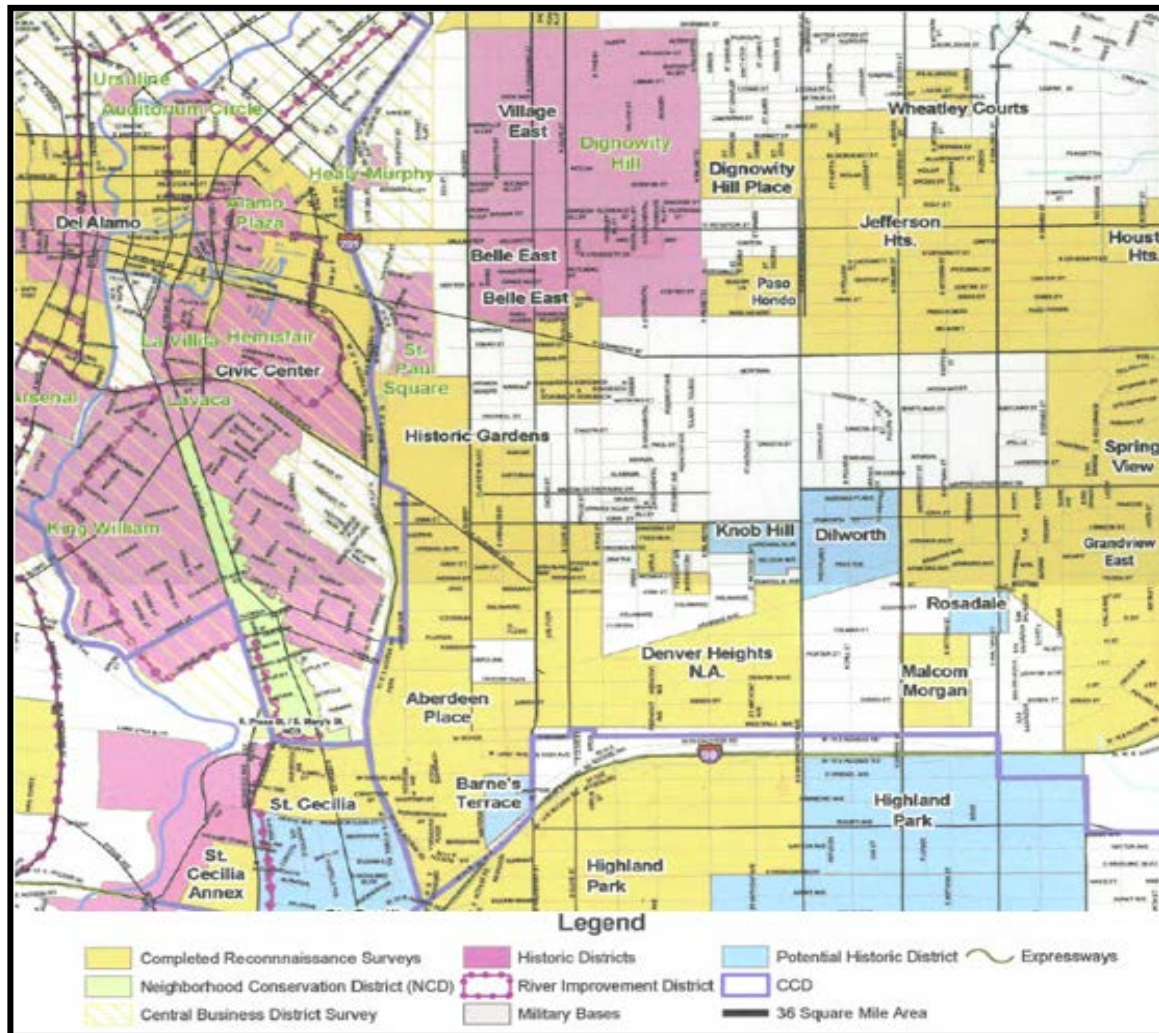


Figure 14 - Historic Neighborhoods in the EPZ (Source: City of San Antonio Historic Survey have the architectural integrity to become local historic districts.

Commercial structures in the EPZ do not share the same history as many residential structures, but nodes of historic buildings have received interest in commercial uses for further investment in recent years. St. Paul Square and its surrounding area has a modest concentration of Victorian buildings, particularly along Austin Street. These Patterns of brief period's abandonment have led the buildings to some disrepair, but their overall quality of construction has made them resilient to the test of time. More recently, St. Paul Square has become an area of interest for investment in new

commercial uses.

Besides St. Paul Square, most commercial structures in the EPZ have not been maintained, but some areas continue to exhibit exciting potential for reuse. North New Braunfels, a target area for potential commercial investment, has a number of quality buildings from the 1920's through 1940's. Though these buildings have seen some interest in reinvestment in the past, the closure of the Fort Sam gate on New Braunfels, has greatly impacted their value for commercial uses. As Government Hill begins to transform, these buildings may once again present exciting opportunities for commercial reuse.

### Key Assets

The following assets are currently existing in the EPZ and may be anchors for particular land uses proximate to their location.

- **Economics:** The EPZ is situated in close proximity to the engines of San Antonio's economy, including the Central Business District (Downtown), Fort Sam, and an industrial zone to the east. The Alamodome and AT&T Center also drive significant visitation to the EPZ.
- **Social:** The EPZ has a strong culture of cohesion and civic engagement, with strong community organizations providing leadership to the area's revitalization efforts.
- **Education:** The Alamo Colleges, specifically St. Phillips College, are a valuable resource for higher education, with promising trends in enrollment, graduation and funding across existing vocational programs.
- **Housing:** Government funding grants have been committed to support significant development of mixed-income housing in sites across the EPZ, including the Wheatley Courts and Sutton Oaks development projects.
- **Infrastructure:** Significant existing transit infrastructure is sited in or planned for the EPZ, including the multimodal Thompson Transit Center and a number of highways. Federal funding has been committed to further expand transportation infrastructure throughout the EPZ.
- **Economic Development:** Through entities such as SAGE, a number of existing development incentives and subsidies have led to new investment and helped existing businesses improve the image and productivity of the EPZ. These incentives include SAGE's Store-front Grant Program and the Center City Development Office's real property tax rebates, impact fee waivers, the Inner-City Incentive Fund Loan, and environmental assessment grants.

### Key Challenges

The following existing challenges may deter new investment in the EPZ.

- Economics: Unemployment and poverty rates are higher across the EPZ than the rest of San Antonio, and underemployment and lower incomes challenge the upward mobility of the employed.
- Social: Crime rates in the EPZ exceed rates in the rest of San Antonio. When coupled with a heightened public perception of criminality, they impede investment potential. The EPZ's population is also more transient than the rest of San Antonio's, and broad participation in the informal economy makes traditional business development difficult.
- Education: Educational attainment in the EPZ is lower than in the rest of San Antonio – 17% of the local population over the age of 25 did not graduate from high school – as are English literacy and job preparedness rates. Transience contributes to high mobility rates in schools, reinforcing the cycle of low education attainment among the youth.
- Housing: The housing stock is marked by vacancy rates and concentrations of blight that are higher in the EPZ than across San Antonio. Home ownership levels are lower than the national average, and the supply of quality housing does not meet demand.
- Infrastructure: Road networks are not maintained as well in the EPZ as in other parts of San Antonio, and water quality is a prominent concern among residents. Residents are dependent on limited, inefficient public transit systems that drastically lengthen commute times. Internet access is also generally lower in the EPZ than across San Antonio, which limits the economic dynamism that technology can introduce.
- Economic Development: High borrowing costs restrict residents' capacity to invest in improved housing or new business, and few incentives target small and medium businesses.

### Key Opportunities

Despite the challenges the EPZ faces, its assets combined with policy initiatives and broader economic trends have fostered a number of transformative opportunities.

- Economics: The EPZ's proximity to multiple employment centers may offer an opportunity for it attract workers to its neighborhoods and become economically diversified.
- Social: Resident and business commitment to improving the EPZ may present a ripe environment for the creation of a neighborhood improvement district.
- Education: New charter schools are opening throughout the district, and significant grants have been planned for existing organizations to bolster educational outcomes. Higher education entities like the Bowden Eye Care and Health Institute may be seeking opportunities for expansion into the EPZ.
- Housing: Large vacant parcels and low land prices eliminate a traditional hurdle to new

development. There is also unmet demand for both market and affordable housing, and federal funds have been committed to support construction of quality housing.

- Infrastructure: High-capacity roadways may permit for higher intensity uses such as industrial or regional “big-box” retail in the eastern half of the EPZ.
- Economic Development: Large vacant lots offer prime opportunities for national big box retailers and large scale commercial developers to make substantial investments. Low levels of mortgage debt mean that residents will be able to tap the benefit of increasing home values sparked by any successful revitalization. Economic development designations provided by the federal government make the EPZ a candidate for funding the New Markets Tax Credits, the EB5 program, Living Cities, and a number of other important community investment programs.



## Goals & Objectives

Based upon a review of existing economic and physical conditions, five priority economic development goals have been identified for the EPZ (in order of importance).

1. Attract private investment in commerce, real estate, and the community.
2. Create jobs for EPZ residents.
3. Increase economic activity in the EPZ.
4. Increase economic diversity of EPZ resident base.
5. Improve standard of living of EPZ residents.

## 1. Attract private investment in commerce, real estate, and the community

Private investment is the seed from which jobs are created, new or refurbished real estate is born, and the community is uplifted. Therefore, the primary objective of the City and SAGE in revitalizing the EPZ is to increase the level of investment across multiple dimensions and subsequently improve the quality of life of EPZ residents. As such, the logical first goal for economic development in the EPZ should be to attract private investment.

Private investment in the EPZ should focus on three dimensions: 1) creation or attraction of businesses and retailers who can employ EPZ residents and stimulate economic activity; 2) investment in real estate through either new ground-up development or redevelopment of existing structures; and 3) investment in community infrastructure and programming, such as educational, religious institutions and recreational facilities. In order to successfully attract private investment to the EPZ for each of the three recommended dimensions, the City and SAGE may need to revise existing or craft new policies and programs to leverage public assets.

The following objectives have been developed in support of this goal:

- Support development activities that increase the availability of new retail space and the presence of national/big box retailers
- Support efforts to increase resident access to healthy food
- Support efforts to recruit manufacturing companies
- Encourage development of both multi-family and single family market rate housing units
- Support initiatives that encourage adaptive reuse of existing structures that are currently vacant or underutilized
- Facilitate public/private partnerships

## 2. Create jobs for EPZ residents

Any new economic growth in the EPZ must result in new jobs created for residents. Conversely, economic activity, economic diversity and improved standard of living all depend upon the creation of new jobs for residents. Each of the goals and its respective strategies should ultimately promote job creation, though a number of additional strategies and efforts may also be necessary. EPZ community leaders may consider hyper-specific strategies for industry-specific or organization-specific job creation as well.

The following objectives have been developed in support of this goal:

- Assist the San Antonio Economic Development Foundation in recruiting new businesses to the Eastside Promise Zone
- Support and facilitate initiatives to offer incentives, that are tied to job creation to businesses expanding or locating in the EPZ
- Support the creation of an incentive program to encourage businesses to create high wage positions
- Coordinate with the Small Business Development Center and Café Commerce to deliver programs that support entrepreneurship and start-up
- Create assets such as incubators and shared or co working spaces to encourage and support entrepreneurship and existing business growth

### 3. Increase economic activity in the EPZ

At the heart of the revitalization efforts in the EPZ is the need for greater economic activity. Increased economic activity means a number of things for the EPZ: more companies conducting business and, therefore, bringing jobs and workers to the EPZ; greater retail spending by residents and workers from the EPZ and beyond; and more money in the pockets of residents, and increased fiscal returns to the City to further invest in the EPZ.

The following objectives have been developed in support of this goal:

- Expand upon existing regional assets and develop attractive programming and complementary commercial uses
- Facilitate increased participation in tourism economy by existing and new businesses
- Support efforts to reduce retail leakage
- Develop Class A office space along major commercial corridors

### 4. Increase economic diversity of the EPZ resident base

Economically diverse residents in the EPZ will further attract private investment and stimulate



**revitalization.** The current base of residents in the EPZ, though more ethnically and racially diverse than the rest of San Antonio, exhibits a uniformity of economic circumstances; most residents have low incomes and are poor. Though it may be unwanted or challenged by the current resident base, economic diversity of new residents will improve average and median incomes in the EPZ, attract private investment in new retail amenities, and may ultimately improve the quality of life of existing residents.

The following objectives have been developed in support of this goal:

- Support development of new, market-rate housing
- Support development of new, quality affordable housing
- Support efforts to provide financial assistance to low-income homebuyers to purchase and renovate homes in historic districts
- Encourage area businesses to provide incentives for their employees to live in the area

## 5. Improve standard of living of EPZ residents

Improving the standard of living for residents of the EPZ will be the culmination of multiple other economic development efforts and will require support and assessments over the long term. “Standard of living,” as defined by the United Nations, is a comprehensive measure of material standards, including level of wealth, access to material goods and necessities, availability of employment, poverty rate, crime rate, quality and affordability of housing, gross domestic product, life expectancy, infrastructure, economic and political stability, and environmental quality. Utilizing this definition of “standard of living,” it is evident that the EPZ’s population faces a number of challenges. Three of the most prominent challenges affecting residents – as indicated during the public meeting in April of 2015 – are: 1) ineffectual transit infrastructure to link residents with jobs; 2) inadequate public schools to prepare young residents for the workforce; and 3) insufficient retail amenities, including quality grocery stores.

The following objectives have been developed in support of this goal:

- Facilitate and encourage development of new retail amenities
- Support efforts to improve educational offerings through public, private and charter schools.
- Encourage investments in transit that will result in increased and streamlined service between EPZ and major employment centers





## Community & Private Sector Participation

The Strategy Committee represents the main economic interests of the region, and includes representatives from key stakeholder groups. The Committee consists of public officials, community leaders, and workforce development boards, institutions of higher education, minority and labor groups, and private individuals. The Strategy committee includes:

- Joaquin Arch, Business Development, Straight Line Management
- Cristina Bazaldua-Salazar, Community Affairs Director, Univision
- Lester Bryant, CEO, LWB Enterprises
- Brian Buchanan, Chief Development Officer, VIA
- Porter Dillard, Principal, Dillard Architect Group
- Rene Dominguez, Director, Economic Development, City of San Antonio
- Christine Drennon, Director, Urban Studies Program, Trinity University
- Frank Dunn, Insurance Agent, Farmers Insurance
- Mike Etienne, Director, Eastpoint & Real Estate, City of San Antonio
- Lori Ewing, Owner, We Promise You a Rose Garden
- Analco Gonzalez, Managing Partner, OCI Group
- Tony Gradney, Owner, Chelsea's Catering
- Gail Hathaway, Executive Director, Workforce Solutions Alamo
- Mario Hernandez, CEO, San Antonio Economic Development Foundation
- Lori Houston, Director, Center City Development Office, City of San Antonio
- Dona Liston, Owner, Lambermont Events
- David Marquez, Executive Director, Bexar County Economic Development
- Jo McCall, Owner, McCall & Associates
- Willie Mitchell, Chair, San Antonio Fighting Back
- Marques Mitchell, Business Development, KAI Texas
- Jennifer Moriarty, Owner, Moriarty Consulting
- Shokare Nakpodia, Chief Creative Officer, The Mighty Group
- Bede Ramcharan, CEO, InData Tech
- William Shaw, Owner, Law Office of William Shaw
- Michael Westheimer, Owner, Cold Water Adventures
- Charles Williams,
- Mark Wittig, CEO, Wittig Office Interiors

The Strategy Committee participated in a series of meetings, conference calls and interviews from October 2014 – March 2016. These discussions provided valuable information and feedback on topics such as infrastructure, transportation, job creation, economic activity and diversity and quality of life; all which contributed to the development of the Eastside Promise Zone Master

Economic Strategy. The Strategy Committee Meeting dates are listed below:

- October 30, 2014
- April 2, 2015
- August 8, 2015
- January 19, 2016
- March 8, 2016

Committee members agreed that the most important activities for the EPZ include: (1) commercial development to bring new jobs and economic activity to the community and activate undeveloped or underutilized parcels around the EPZ; (2) job readiness and skills training to help better prepare residents and address area unemployment; and (3) housing development- both market and affordable - to draw economic diversity to the community, establish a more diverse retail customer base, and offer quality housing to current residents.

Committee members stressed that the goals they identified for the area are realistic and achievable. The EPZ is (1) home to several impactful institutions that provide for a potentially robust vocational training infrastructure; (2) large plots of open land that are ripe for investment and development from national retailers and local developers; and (3) a high-priority funding target for many federal support programs, offering the opportunity to transform the community with the right catalytic investments.

Members of the Strategy Committee identified challenges that should be acknowledged in our analysis. They frequently referenced: (1) education as a principal challenge, noting that low levels of preparedness may be the most significant hurdle for unemployed residents of the EPZ. They also mentioned: (2) high levels of transience in the community, with families moving frequently between houses, children transferring schools, and often relying on an underground economy; (3) a notable presence of vacant land and homes within the EPZ; and (4) challenging lending requirements, with significant financing gaps across residential and commercial uses.

## Public Feedback

Several public meetings were held to provide the broader community with an opportunity to comment on opportunities and challenges in the EPZ. Feedback from these meetings was largely in line with feedback from the Strategy Committee. There were a number of common strains in the hopes held for the community by local residents. Most prominently, these included: (1) attracting a more mixed income population to the district, (2) improving the physical state of the neighborhood by repairing housing stock, addressing vacancies, and improving roadways; and (3) creating

greater opportunities for employment.

Community members highlighted a number of assets that offer the potential to catalyze change in the EPZ. Chief among these assets are: (1) the vibrant sense of community and well developed civic infrastructure that exists on the East side. Residents also mentioned; (2) the proximity of local job centers, including Fort Sam Houston to the north, the industrial zone to the east, and Downtown San Antonio to the west, which are seen as largely untapped potential sources of employment for the area; and (3) the presence of major attractions across the EPZ, including the Alamodome, St. Philip's College, the historic districts in East Point, and the AT&T Center.

Despite a wealth of assets, residents feel their community is confronted by a number of pressing challenges that have constrained economic gains in the community. The most pressing concerns related to education. Residents noted: (1) low levels of educational attainment among children and adults, and indicated these issues stemmed in part from the low quality of area schools and ESL programs. There was also concern regarding: (2) social issues such as high crime rates, a tense relationship with local law enforcement, and misrepresentation of the community in the media; (3) limited and inefficient transit services, which isolate the community from the broader San Antonio region; and (4) a general lack of curb appeal in the community, which is an important obstacle to attracting new residents and private investment.

To ensure that the interests of the stakeholders were represented, information such as printed project documents in both Spanish and English were provided, along with the opportunity to provide their feedback via the SAGE website at [www.sagesanantonio.org](http://www.sagesanantonio.org). Additionally, the information was made available at the SAGE Offices at 220 Chestnut St., San Antonio, TX 78202.

Upon final approval of this CEDS, an additional public meeting will be held in May 2016, to discuss the CEDS and what it means for the EPZ.



## Strategic Projects, Programs and Activities

Attracting private investment is the first goal of this CEDS and the foundation upon which all of the other goals rest. To that end, what follows are 9 development concepts located across the Promise Zone. These development concepts reflect current and potential market conditions, site conditions, and the economic aspirations of the community. The following maps and narrative outlines the Eastside Promise Zone boundaries as well as our nine development sites in three Zones: the Thompson Transit Center (Zone 1), Near Eastside (Zone 2), and Far Eastside (Zone 3) areas. The descriptions below highlight specific programs by site. More detailed information about these concepts including site diagrams and detailed feasibility analyses for each site can be found in the HR&A Advisors report which is provided as an addendum to this CEDS. It must be noted at this point that for the sake of discussion each of the concepts in Zones 2 and 3 are tied to specific parcels, they are in fact concepts and can be realized in other areas of the Zone. Appendix F details the development feasibility analysis and the multi-year real estate financial model of each of these programs. Appendix G provides an in-depth explanation of the feasibility findings for each site. Appendix H details the assumptions used to develop the generic cash flows on which the analysis relies.

Thompson Transit Center is the portion of the Study Area closest to downtown San Antonio between I-37 and South Hackberry Street. The selected sites, shown in the following map, leverage emerging market demand driven by proximity to an increasingly healthy downtown, as well as access to Amtrak rail service, I-37 and I-35 highways, and a charming historic building stock. We include residential rental, senior housing, condominiums, and ground floor retail uses to create

Figure 15 - Map of Thompson Transit Center Sites

walkable, mixed-use destinations embedded within the Eastside neighborhood.

In addition to attracting private investment, the proposed development programs for the Thompson Transit Center Zone address multiple CEDS goals and objectives including:

- Improve standard of living of Eastside Promise Zone (EPZ) residents: Facilitate and encourage development of new retail amenities.
- Increase economic diversity of EPZ resident base: Support the development of new market-rate housing. Support the development of new, quality affordable housing.
- Increase economic activity in the EPZ: Expand upon existing regional assets and develop attractive programming and complementary commercial uses. Facilitate increased participation in tourism economy by existing and new businesses.

#### Site 1A - 526 East Crockett Street

Site 1A offers an eight-story multifamily midrise development with a six-story parking structure

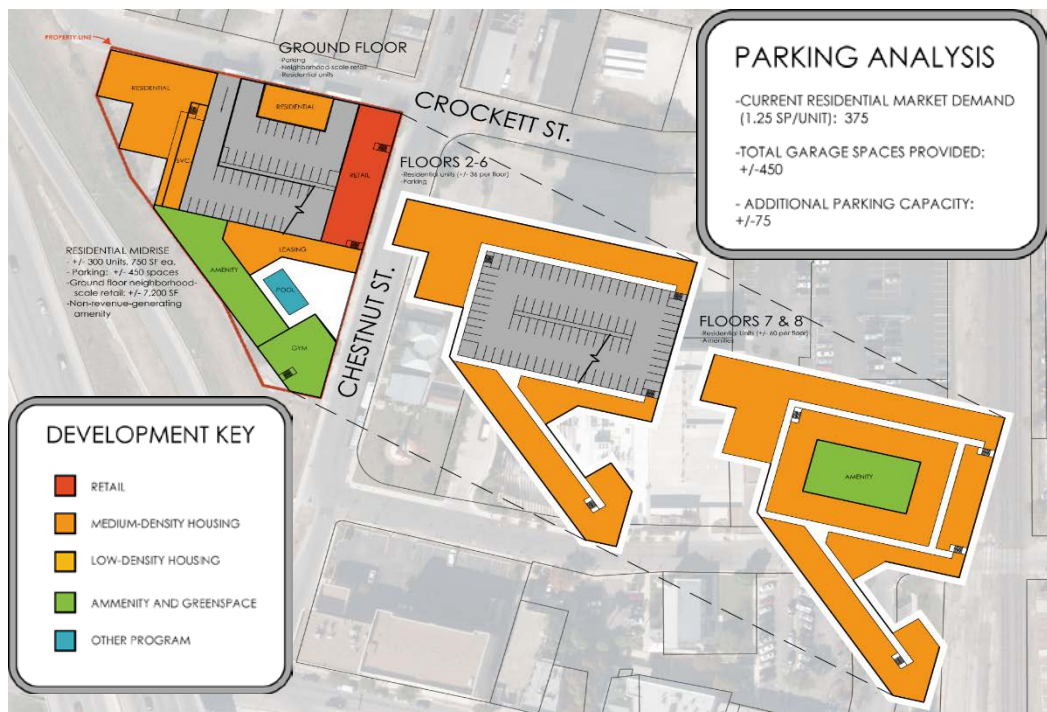


Figure 16 - Site Diagram for 526 East Crockett Street

and ground floor retail, plus a VIA Park and Ride facility. Residential development can provide an enhanced economic base to support commercial development in the Eastside. On this Site, we propose to redevelop existing surface parking as a housing structure that envelops a parking garage. Because market rents in the area are similar to tax credit rents, the analysis assumes that the residential units would be available to families who earn 60% of area median income to leverage



additional subsidy. Excess parking capacity could be provided within the garage to supplant the original surface lot alongside new residential needs to serve ground floor convenience trailed, downtown commuters, and event overflow demands. Proximate to new and pipeline residential development and located at a key gateway to long-standing residential communities, this Site can also serve the surrounding residents with a public-facing ground floor amenity subsidized by the substantial development above. Our analysis examines costs for the multifamily, retail, and parking, assuming that VIA would bear the costs for a Park and Ride facility.

## Site 1B – North Swiss

Site 1B creates a two-story senior housing development with shared community space and three-story townhomes. The currently undeveloped Bethel African Methodist Episcopal Church (Bethel AME) Site at Center and Mesquite presents nearly a block suitable for redevelopment within walking distance of Sunset Station and St. Paul Square. The development would include an integrated community center for both public and private use programmed in coordination with the Bethel AME. This would help provide a strong community connection for both future development and current landowner. Strategies to provide displaced parking include: the creation of cooperative parking agreements between businesses, Sunday van shuttling service, or nearby parking

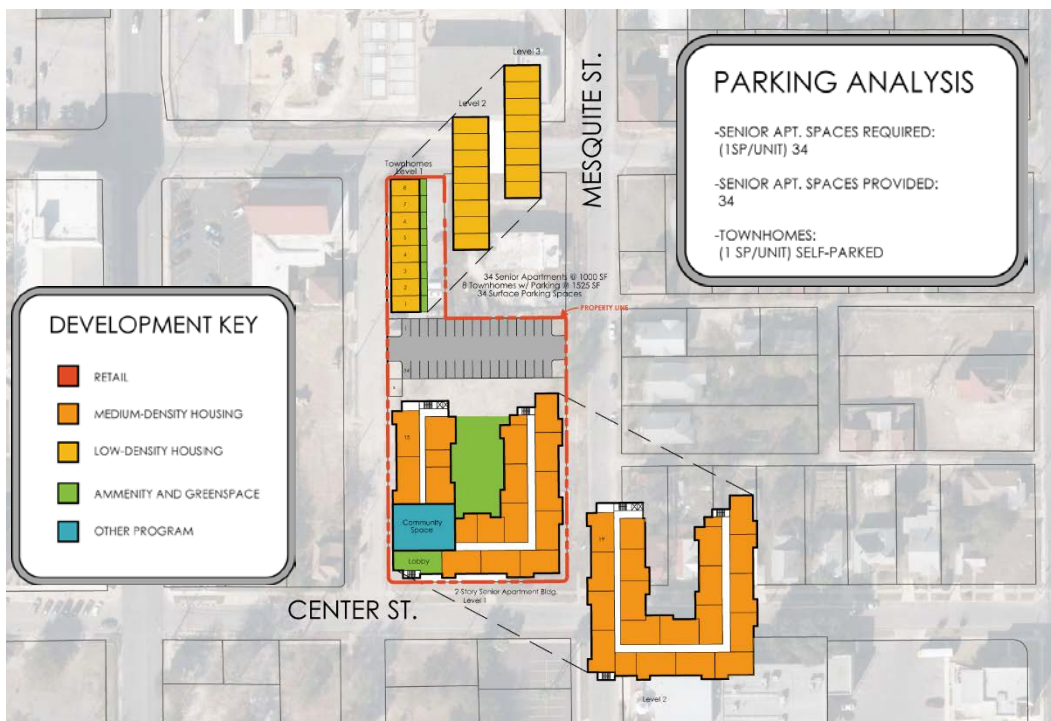


Figure 17 - Site Diagram for North Swiss

agreement.

## Site 1C – 223 South Cherry Street

The program for Site 1C includes mixed-use transit-oriented development with retail, five-story multifamily rentals, townhouses and a new Amtrak station. The current Amtrak station is located to the west of the tracks to take advantage of the existing rail siding. This proposal sites the new transportation hub above the rail line to take advantage of the City-owned redevelopment site to the west of the tracks and avoid acquisition of additional right-of-way for siding modifications. This new facility will benefit local perception of rail travel by celebrating this gateway to San Antonio. While costs for the Amtrak station itself are not included in our analysis, the redevelopment of this Site would allow for residential and commercial program to be created in coordination with the new

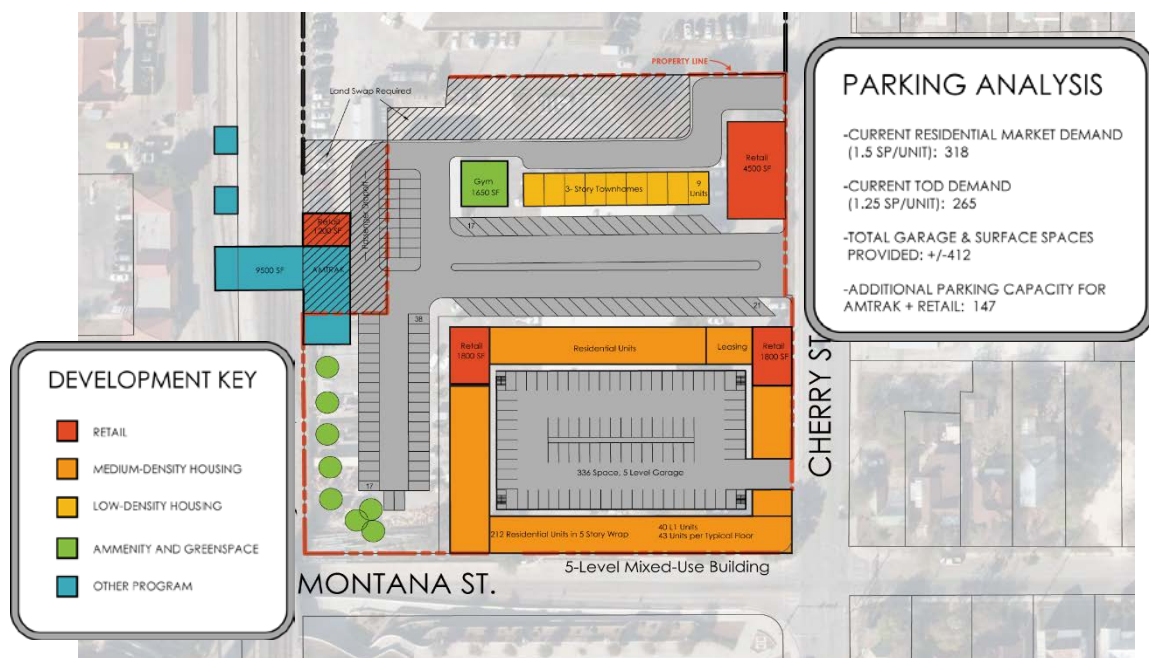


Figure 18 - Site Diagram for 223 South Cherry Street

station as a truly transit-oriented mixed-use development. It would also serve as a means to integrate new or existing businesses into the tourism economy in support of the Amtrak station and its customers. Integration with the ongoing Thompson Transit Center Request for Proposals, a VIA Metropolitan Transit-initiated competition for joint development of a facility which would accommodate additional daily transit operational needs and new commercial/residential development options, may support additional concepts for the Site.

## Zone #2: Near Eastside

The Near Eastside is the heart of the study area, located between North Hackberry Street and the railroad tracks.<sup>33</sup> The sites in the Near Eastside area seek to attract the creative class to the area through development of modern office, and neighborhood retail. The Near Eastside programs also include small amounts of housing or live-work units geared toward students, artists, and employees of the new creative office space. The Near Eastside programs promote economic development and diversification of economic assets, providing the opportunity to draw new life into

the area that is aligned neighborhood needs and existing anchors like St. Phillips College. In addition to attracting private investment, the proposed development programs for the Near Eastside Zone address multiple CEDS goals and objectives including:

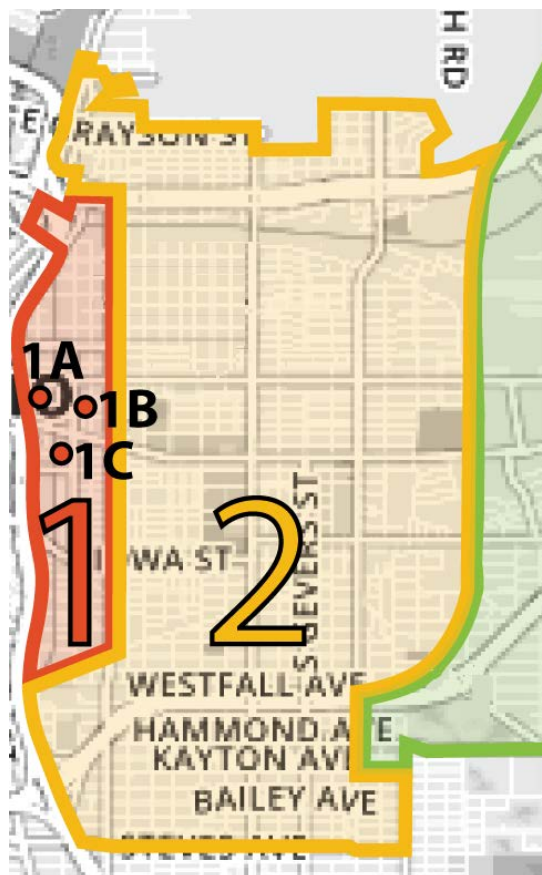
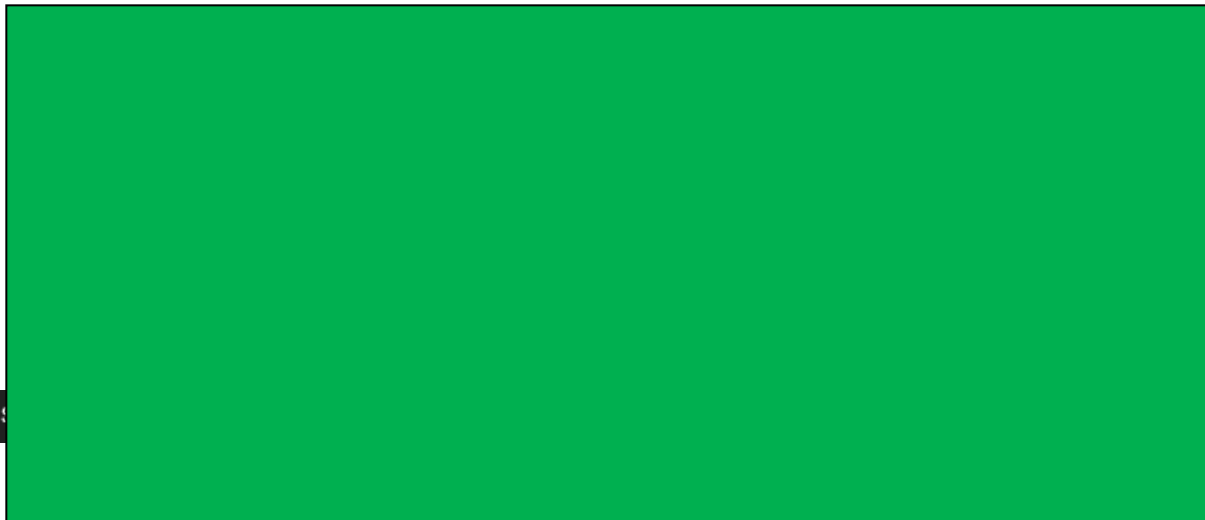


Figure 19 - Map of Near Eastside Zone

- Improve standard of living of Eastside Promise Zone (EPZ) residents: Facilitate and encourage development of new retail amenities
- Increase economic diversity of EPZ resident base: Support the development of new market-rate housing. Support the development of new, quality affordable housing.

<sup>33</sup> The railroad tracks separate census tracts 1305 and 1306 (to the west) from census tract 1308 (to the east).

- Increase economic activity in the EPZ: Expand upon existing regional assets and develop attractive programming and complementary commercial uses. Develop Class A office space along major commercial corridors.
- Attract private investment in commerce, real estate, and the community: Support initiatives that encourage adaptive reuse of existing structures that are currently vacant or underutilized
- Create jobs: Create assets such as incubators and shared or co-working spaces to encourage and support entrepreneurship and existing business growth



Site 2A is the proposed location for SAGE's new office, which would be part of a three-story office and retail development co-located with two-story live-work residential condominiums. This proposal presents a diverse development opportunity on an aggregation of smaller vacant and underutilized sites at a critical juncture in the New Braunfels corridor. The project is located at a high-visibility intersection for motorists headed from Government Hill south across the New Braunfels bridge to serve as a gateway into the community and a beacon of corridor improvements to come. In addition to SAGE's office, the Eastpoint office development would also have a program and co-work office space to encourage and support the efforts of community entrepreneurs. The office building could be developed in conjunction with new live-work units to create a vibrant neighborhood hub that utilizes shared-parking to minimize the surface parking spaces, maintain an appropriate neighborhood scale and to help pull the creative class into the neighborhood.



## Site 2B – Adaptive Reuse

Site 2B's program adds new office space and adapts existing buildings with new two-story live-work units and shared surface parking. This proposal demonstrates the ability to mix compatible uses within a single development to minimize parking requirements and maximize development potential. The development includes creative office space to attract new workers and organizations while helping to support some small corner retail. Live-work units are located on the Site to create a clustering of creative-class professionals



Figure 21 - Site Diagram for 2B Adaptive Reuse

that could begin to seed a larger progressive growth.

## Site 2C – Urban Infill

Site 2C would provide a two-story retail and small student housing development with shared surface parking. The Site is adjacent to St. Phillips College, an important anchor centering the Eastside that has expressed strong interest in their Commerce Street presence for the connectivity to downtown and the City beyond. This Site on Walters and Commerce is ideally located to make a statement for St. Phillips and the University of Incarnate Word while also testing the viability of a new building typology in this area. Retail use on the Site could have great potential as a family-operated community-oriented restaurant, such as Pancake Joe's, to help tie the adjacent student populations in with other surrounding community patrons. This use could be combined with a small amount of

student housing to incubate the idea of non-commuting students and help minimize the amount of parking required for the development.

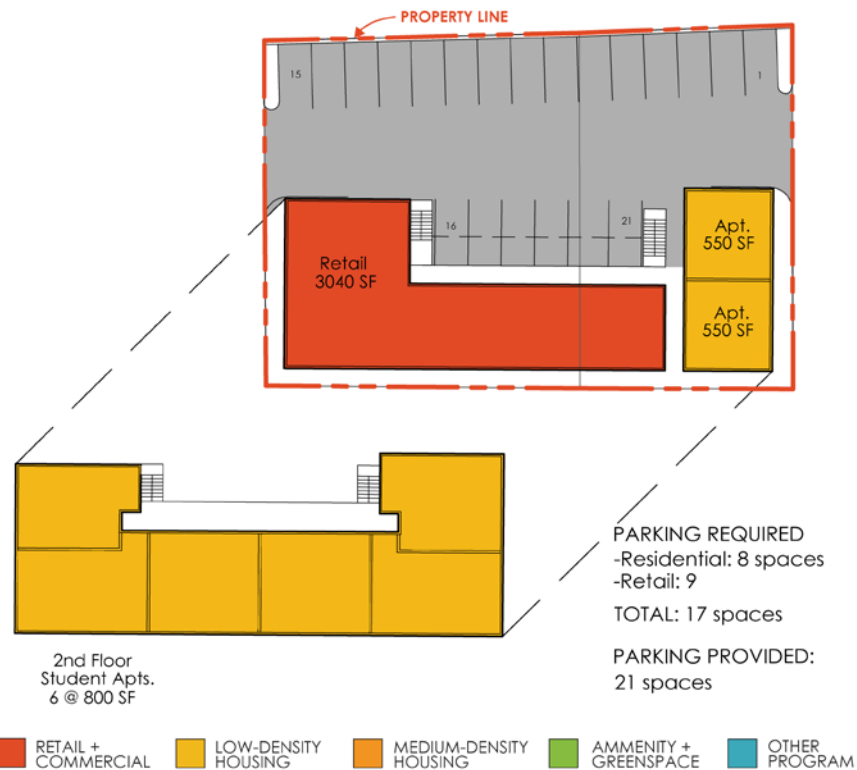


Figure 22 - Site Diagram for 2C Urban Infill

### Zone #3: Far Eastside

Within the EPZ, the Far Eastside is geographically farthest from Center City San Antonio. However, easy highway access from I-10 and I-410 make large Sites in the area ideal candidates for auto-oriented retail uses. The Far Eastside Zone lies between the rail track and I-410.<sup>34</sup> Suggested programs in the Far Eastside sites take advantage of the access and visibility to create new retail and housing. Retail uses anchor the Far Eastside Sites, which can promote growth and create jobs in the area as well as offer new retail options for both old and new residents of the Eastside neighborhoods.

In addition to attracting private investment, the proposed development programs for the Far Eastside Zone address multiple CEDS goals and objectives including:

<sup>34</sup> The rail track separates census tracts 1305 and 1306 (to the west) from census tract 1308 (to the east).



- Attract private investment in commerce, real estate, and the community: Support development activities that increase availability of new retail space and the presence of national/big box retailers.
- Increase economic activity in the EPZ: Support efforts to stop retail leakage.



Figure 23 - Map of Far Eastside Zone

- Increase economic diversity of EPZ resident base: Support development of new, market-rate housing. Support development of new, quality affordable housing.
- Improve standard of living of EPZ residents: Facilitate and encourage development of new retail amenities.

### Site 3A – Neighborhood Commercial Center

The program for Site 3A is a single-story retail center. Though smaller than the other sites identified within this sub-area, the Site presents a very straight-forward development opportunity at the first large intersection along IH-10 between City center and the Eastside. We envision a medium-scaled community market in combination with a flagship credit union. Both of these uses would help improve community access to under-served high-quality services.



Figure 24 - Site Diagram 3A Neighborhood Commercial Center

### Site 3B – Large Scale Commercial Center

Site 3B would be a large, single-story retail power center development with accompanying pad sites. This site should be located at a highly-trafficked intersection of IH-10 and offer a premium large-scale retail development opportunity. A large assemblage of land located on the primary highway corridor into the City, would create an ideal opportunity to serve downtown commuters, the surrounding neighborhood, and rural users. A small-scale, community use such as a carefully curated theater could be one component of the center, helping to draw in visitors and providing a community hub.

### Site 3C – Large Scale Mixed Use Development

Site 3C offers a large multifamily and single-story retail power center development with accompanying pad sites. The aggregation of available sites spanning between WW White and Loop 410 present a significant amount of greenfield development area in excess of 100 acres

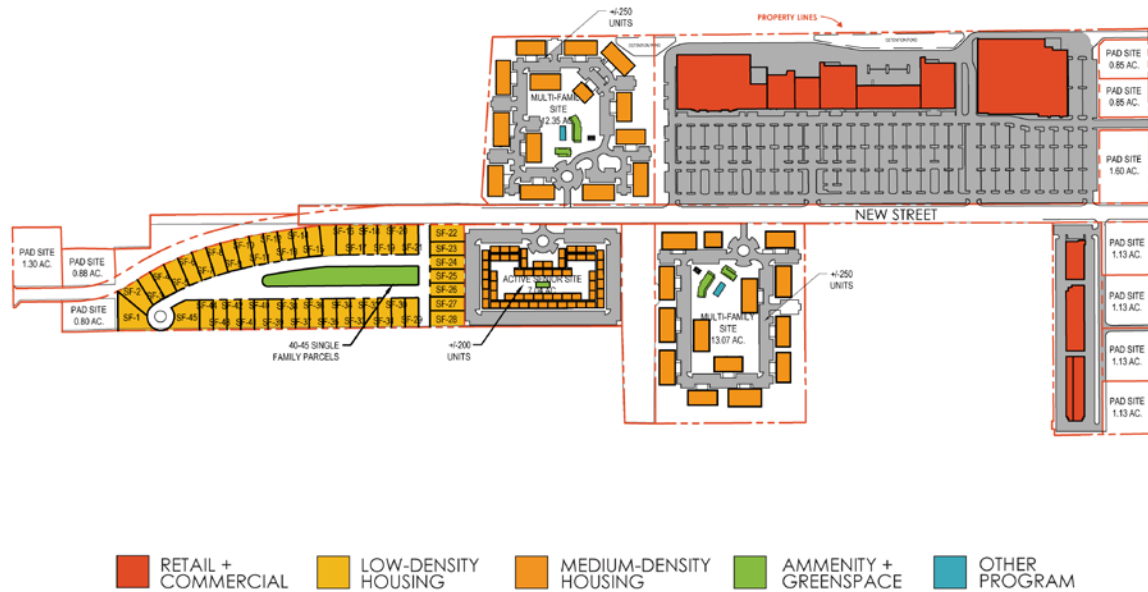


Figure 26 - Site Diagram for Site 3B Large Scale Mixed Use Development

Located at the mouth of the ever-expanding IH-35 corridor, this Site serves as a critical entry point to San Antonio from a range of nearby cities to the North. With the expansive development opportunity comes a range of possible programs with likely candidates in retail, single-family residential, and multi-family communities. The project could be easily phased to include a first wave

of residential development to create a strong base for later-phase retail.

In addition to these 9 development concepts there are additional strategies that should be employed to meet each of the 5 goals.

Goal: Attract private investment in commerce, real estate, and the community

- **Provision of subsidies or incentives for small and medium businesses expanding or locating to the EPZ:** Subsidies and incentives are frequently utilized by economic development entities to stimulate new investment. Their efficacy is rooted in their capacity to be tailored to specific projects and initiatives. The City of San Antonio currently offers a number of incentives for businesses, such as tax abatements, incentives from the Economic Development Incentive Fund, a Freeport Exemption, and development financing. But these incentives often target larger businesses as a result of minimum eligibility requirements for level of private investment, resulting tax revenue projections, and employment targets. Smaller businesses, which may leverage less than \$100,000 in private investment or do not produce significant tax revenues in the short term or only employ a few initial employees, may be excluded from receiving these valuable benefits. The outcome of these circumstances is limited or no attraction of small businesses to the EPZ, and lack of suitable space and infrastructure for large businesses in the EPZ.

SAGE may need to work with City officials to revise requirements of existing incentives or develop new incentives targeting smaller businesses. Some of the existing incentives, including tax abatements, the Economic Development Incentive Fund, development financing, and impact fee waivers through San Antonio Water and Sewer may need minor modifications to address opportunities in the EPZ. Additionally, SAGE and the City may consider approaching Bexar County and State officials to further tailor county- and statewide incentives to the EPZ, such as State Enterprise Zone benefits and the Texas Workforce Commission's Skills Development Fund.

- **Development of public-private partnerships:** Partnerships between public and private entities are often very effective in stimulating new investment. Private entities typically pursue such partnerships because of valuable public or community assets which can be leveraged to enhance their investment.

An example of a potential public-private partnership in the EPZ may include City contribution of publicly-owned land adjacent to a community asset (such as a park or destination) toward the private development of new, high-density housing. The private developer benefits from a discounted land acquisition adjacent to the asset, and in return the City receives increased property taxes from the

developed site and attracts new residents to the EPZ. As priority parcels for development are identified in later phases of this engagement, SAGE should consider formulating an approach to the City for such partnerships with development proposals and subsequent benefits in hand.

Goal: Create jobs for EPZ residents

- **Reach out to and partnering with growing employers in the region.** A number of industrial employers have recently located or expanded in the region, including Amazon, FedEx, and Carrier. Their growing operations may present opportunities for EPZ residents to pursue employment. SAGE and the City may be able to establish financial or organizational partnerships with these companies to develop targeted training programs and job placement resources for EPZ residents.
- **Encourage the City to provide enhanced subsidies for employers who move to the EPZ and hire area workers and help employers take advantage of existing federal programs.** The City currently offers a number of subsidies and incentives, particularly for industrial uses. However, one valuable incentive from which the EPZ currently does not benefit is the Foreign Trade Zone designation, which provides businesses with duty reduction, deferral, or elimination. The nearest existing Foreign Trade Zone is Kirby. SAGE should seek such a designation for the EPZ and its large industrial trade areas. The EPZ is also a HUB Zone and an Empowerment Zone. SAGE should insure that employers are aware of the benefits attached to these and other federal programs.
- **Advocate for passage of federal legislation to authorize the Promise Zone Tax Credits that were included in the original design of the Promise Zone program.**

Goal: Increase economic activity in the EPZ

- **Develop or subsidize new retail amenities in the EPZ.** Greater retail amenities will drive increased economic activity in the EPZ. Current retail offerings are limited; the City and SAGE may need to entice retail developers and tenants with competitive subsidies and incentives, such as low cost land and employment subsidies.
- **Utilize the stock of existing, character-rich spaces to attract new businesses and workers:** New businesses – and particularly startups – seek quaint, character-rich spaces to attract young creative talent. The EPZ has an abundance of such spaces, such as in St. Paul Square and along New Braunfels Avenue, most of which are in disrepair and need capital improvements. Through targeted public investment, these spaces can become viable options for startups and small businesses.
- **Create incubator spaces, which receive relatively low rents and offer modified lease terms, to help the EPZ become a hotbed of creativity and small businesses.** These kinds

of developments attract young talent and, ultimately, investors seeking to make an impact in their surrounding environments. SAGE may be able to fulfil the role of facilitator between these small businesses and property owners of vacant spaces to establish incubator spaces.

- **The City and SAGE should consider providing targeted subsidies and incentives to employers or property owners to catalyze incubator uses.** Utilizing the City's Economic Development Incentive Fund, SAGE may be able to provide rent subsidies to property owners who provide discounted office space to startups or funding to startups to pay for market-rate office space rents.
- **Create a shared culinary or "food maker" space to support the growing number of food based entrepreneurs in the EPZ.** This space will serve as an incubator for new or early life cycle businesses while providing as needed space to more mature businesses. This space will also help to formalize a part of the large informal economy in this community.
- **Expand upon existing regional assets and develop attractive programming and complementary commercial uses:** The EPZ is home to a number of notable regional assets, including the Alamodome, the AT&T Center, and the Salado Creek Greenway. Residents and community leaders have repeatedly noted the lack of economic impact generated by some of these assets, despite the large amount of traffic and regional interest generated by each.

The City and SAGE can better capitalize on these assets through development of complementary programming and land uses. For example, the AT&T Center is surrounded by low-density development that may be redeveloped into an entertainment district with numerous dining and retail establishments. Furthermore, assets like the Salado Creek Greenway may benefit from attractive programming such as recreational events and regional competitions.

Goal: Increase economic diversity of the EPZ resident base

- **Development of new, market-rate housing to attract young professionals and their families:** Much of the existing housing stock in the EPZ is old and of low value. These conditions may attract the rare, courageous middle-income resident. However, in order to shift the EPZ's economic paradigm, new residential development on a large scale may be necessary.

Market-rate housing, in the form of high-density multifamily development as well as lower-density single family homes, can attract young professionals – particularly the growing number of Millennials in the workforce – who seek housing near the urban core.

Such developments may be intertwined with lower-income developments, as is the case with the redevelopment of Wheatley Courts from a public housing site to 417 mixed-income

apartments. The San Antonio Housing Authority's (SAHA) \$30 million Choice Neighborhoods Implementation Grant funding was instrumental in the success of this project. SAGE and SAHA may consider pursuing similar grant funding to subsidize these kinds of mixed-income developments. Such grants are generally only available to projects which include a low-income housing component; therefore, mixed-income projects may be a highly effective and attractive path to creating market-rate units in the EPZ.

SAGE may also consider fostering public-private partnerships between the City and private developers to encourage new market-rate housing development. Through contribution of subsidized or free land, the City may be able to support the creation of significant new, tax-generating properties.

- **Development of new, quality affordable housing:** Though much of the existing housing stock in the EPZ is organically affordable, it is generally in poor condition and is not suitable for low-income individuals and families. Poor quality housing often limits the capacity of residents to build wealth and uplift themselves. New, quality affordable housing can reduce residents' maintenance and utility costs.
- **Improve existing housing stock through private investment and public support for renovations by existing and new low income property owners.** The EPZ's existing housing stock is a rich fabric of different eras in design and construction. Yet, much of the stock has not received adequate capital investment in maintenance and improvement, rendering it poor quality and unattractive.

The City should utilize various tools to support renovation of the existing housing stock such as historic tax abatements, owner occupied rehabilitation programs, and programs to provide financial assistance to support renovation by low income home buyers. This strategy may very effectively invite new residents of varying economic groups to the EPZ to establish residence and engage with the community and offer some protection for existing property owners.

Goal: Improve standard of living of EPZ residents

- **Develop or subsidize new retail amenities in the EPZ:** Retail offerings in the EPZ are remarkably limited relative to the rest of San Antonio. Most offerings are small and poor quality; the only larger anchor retailers are dollar stores. Residents and community leaders also emphasize the poor quality of food and grocery offerings, confirmed by an HR&A site visit to one of two national-brand grocery stores in the EPZ. New retail amenities will give EPZ residents access to material goods and necessities and create opportunities for



employment, both of which are measures of standard of living.

- **Reach out to owners of vacant commercial property in the EPZ who may be interested in hosting entrepreneurial retail uses.** For example, a single large commercial space may be able to host booths for individuals and micro-businesses seeking to sell their products and build brand recognition in the community. This kind of retail cluster may provide area residents with valuable retail goods while driving new, hyper-local economic activity and attraction regional customer interest.
- On a larger scale, SAGE should consider taking on a facilitation role for development financing programs currently offered by the City. In this role, SAGE should guide prospective businesses to general bond financing which permits borrowers to finance an entire development project. SAGE may also be able to guide healthcare entities to the City's Health Facilities Corporation, which provides bond funding for healthcare facilities. These healthcare facilities may be anchors for new retail projects in the EPZ.

This strategy may be most effective if paired with the earlier strategy of developing public-private partnerships. Retail developers are currently not active in the EPZ due to a number of factors, such as a perceived lack of "rooftops" and difficult development requirements in building reuse projects. SAGE may be able to foster public-private partnerships by working directly with developers to locate sites for new development and measuring the level of subsidy or land discount necessary to make the development financially feasible. SAGE could then to approach the City with a comprehensive proposal for public-private development that presents the benefits and costs of a partnership between the City and the developer. By providing such a role and, in turn, advocating for private developers when necessary, SAGE can accelerate the development approval and completion process.

- **Investment in increased and streamlined transit service between EPZ and major employment centers:** Residents and community leaders from the EPZ have anecdotally indicated that current transit offerings are remarkably ineffective; some residents may travel upwards of an hour by bus to commute to a job only a few miles away from their homes. Streamlined transit service, such as express bus service, between the EPZ and employment centers may go a long way in improving the standard of living for residents as well as increasing employee productivity. In order to understand how successful the transit strategy is in improving residents' standard of living, annual surveys should be conducted to ascertain residents' perceptions on commute times and the impact of transit options on their access to employment.
- **Increased investment in public schools and education system:** Residents and community leaders from the EPZ have also indicated discontent with the quality of the area public school

system. Alternatives to the public schools exist within the EPZ but are limited. Increased investment in schools and educational programs, including vocational education and job training, may result in sustained, long-term employment benefits in the EPZ, an important indicator of standard of living.

- Work with Alamo Colleges, the City, Workforce Solutions Alamo and other partners to expand the existing Promise Zone to Work program by creating the Eastside Education and Training Center (EETC). The EETC will be a one stop center where EPZ can access workforce training, education and other resources needed to enter or advance in today's job market. SAGE should also work with the Texas Workforce Commission to establish an EPZ-specific fund within the existing Skills Development Fund to help businesses within and around the EPZ attain adequate funding to train area workers.



## Plan of Action

The following key interventions can yield significant and/or near-term benefits for the Eastside. These interventions are based on the context of San Antonio and the Eastside Promise Zone as well as our analyses of underutilized land parcels and recommended program developments in key sites on the Eastside. These interventions are categorized into five overarching action items:

- Increase access to incentives through public sector engagement.
- Build a public-coalition to support SAGE initiatives.
- Deliver new/enhanced initiatives to support retail and business development on the Eastside.
- Support office and residential investment.
- Build long-term capacity through short-term focus

1 Increase access to public incentives on the Eastside by pursuing competitively-allocated incentives and advocating for policy changes that can benefit development on the East Side.

1.1 Reach out to relevant Federal agencies, including HUD, EDA, FTA and others, to advocate for greater access to competitively-allocated grants and tax credit programs such as NMTC and LIHTC. The Federal government has already demonstrated a commitment to the Eastside through the Promise Zone designation, and that commitment can be leveraged for further improvements.

1.2 Collaborate with the Center City Development Office (CCDO) and other relevant City Partners to advocate for additional incentives for Eastside development, especially incentives focused on market-rate housing. This may include expansion of the CCHIP programs to the Eastside and/or enhanced incentives for market rate housing development in mixed-income communities, consistent with the Mayor's priority for mixed-income communities. Additionally, the market-rate development community (i.e., the likely developer for development concept 1A and similar) is familiar with CCDO and CCHIP, and the extension of CCHIP or a similar program may streamline the market rate development process over the mid- to long-term. Also, there is a TIRZ on the Eastside but it does not cover the entire area. Because of this, it may be useful to create a new TIRZ for the Far Eastside. One strategy used in Dallas directs TIRZ revenue towards neighborhoods requiring additional support. Victory Park in downtown Dallas directs 10% of all revenues towards infrastructure and improvements in West Dallas. That strategy might be replicated to create a subsidy between a downtown TIRZs and a Far Eastside TIRZ to draw more revenue.

1.3 Serve as a resource for available incentives to the development community for local projects. Work in tandem with CCDO and other City departments, use available tools to review parcel information, and connecting local developers to potential incentives.

- 1.4 Advocate for City capital improvements that support investment on the Eastside, particularly street and sidewalk improvements along major thoroughfares. Additionally, it will be important to align development opportunities with the City's streetscaping projects and infrastructure improvements. The local development community has sometimes struggled with beginning a new project and then having to work around City streetscaping work. Support communication and coordination efforts between the City and developers in regards to the timing of capital improvements. Seek direct investment in key development projects, such as development concept 2a, through land acquisition or direct investment.
- 1.5 Coordinate opportunities to leverage the City's land bank. The City presently manages a land bank of vacant and underutilized properties in its ownership that could support new development. Integration of efforts with the land bank can allow potential Eastside developers and investors to access development sites at below-market cost, increasing development feasibility.

## 2 Build support for these initiatives by enhancing partnerships on the Eastside, both through informal outreach and by formalizing its collaborative efforts.

- 2.1 In the near-term, reach out to multiple Eastside stakeholders to share the report and advance community aspirations for Eastside development planning. This may include direct outreach to key stakeholders; roundtables and community forums; an "unveiling" to the private sector at SAGE's spring developer forum; and publication on the SAGE website. Direct outreach to key public and institutional stakeholders (e.g. Amtrak, VIA, and St. Phillips) can support specific development opportunities outlined in this report.
- 2.2 Leverage inter-organizational collaboration through existing coordination activities networks.
- 2.3 Encourage companies to provide employee incentives for those employees who live in/relocate to the Eastside. For example, the San Antonio Spurs provide cash incentives for rent payments to those employees living in the ICRIP in order to encourage more company employees to live downtown. These types of incentive programs may attract new residents to the Eastside and foster diversity while contributing towards increased demand for housing.
- 2.4 Engage potential partners in both the public and private sectors with new tools: the GIS Database and Website and the Incentive Table, to educate and encourage potential investors. Publish the GIS Website on SAGE's website and allow public use. As more people in the San Antonio community are aware of this tool and the Eastside's landscape, it may be easier to generate larger community buy-in and support for development.

2.5 Partner with San Antonio Economic Development Foundation (SAEDF), the City and Bexar County to support business recruitment and expansion efforts on the Eastside. As these partners work on bringing new businesses to San Antonio, it will be important to highlight the Eastside's potential office and industrial spaces as well as opportunities for new companies to have their employees live in or near the Eastside.

### 3 Cultivate a local retailer base to enhance jobs, local amenities, and community pride on the Eastside.

3.1 Identify local entrepreneurs and artists currently managing small businesses by partnering with community groups and arts organizations with the goal of encouraging those retailers to open a store or share a storefront on the Eastside.

3.2 Provide collective marketing support for existing businesses and neighborhoods to draw additional consumers. Well-publicized and -executed public programs and events (e.g. street fairs) may also enhance visitation to the Eastside. For example, "First Friday" events in Southtown have been a successful draw for both tourists and San Antonio residents, which ultimately benefits the surrounding neighborhood. Partner with the City and community partners to develop new initiatives to bolster Eastside economic growth through highlighting Eastside businesses, art, historic districts, and other amenities.

3.3 Expand the existing façade improvement program which offers modest support for a handful of retailers. More significant enhancements to each property and/or to a larger number of properties could be supported through an increase in the size and scope of this program.

3.4 Encourage non-profits to actively acquire and curate retail space as a landlord. For example, by acquiring a few retail properties along key corridors (e.g. New Braunfels), SAGE can take a leadership role in creating retail opportunities for the community. SAGE's return requirements are likely to be lower than a typical developer, and SAGE can be more flexible in accommodating unproven tenants. Short-term or "pop-up" tenants should rotate through a predictable schedule (6 months), providing a changing set of attractions to draw repeat visitors from the region. SAGE may choose to begin this curation effort with the properties it owns or occupies (e.g. development concept 2a). This model has proven successful in other communities; for example, Yale University currently owns multiple retail properties in New Haven, Connecticut. Yale has taken an active role in renewing surrounding buildings and bringing in a variety of retail businesses (both chain stores and independent businesses).

### 4 Support office and residential investment to support a stable, diverse population on the Eastside.

- 4.1 Support home ownership and investment with new homeownership and home investment incentives administered by the City. For example, the City might offer a tax credit to homeowners that invest in their properties (as Plano, TX does), or a down payment assistance program to encourage homeownership (as Dallas, TX does). Home ownership and investment can improve living conditions and wealth for existing residents, as well as bring new mixed-income residents to the Eastside. Support for this type of initiative may also be given by local employers; for example, the University of Pennsylvania (UPenn), in an effort to contribute positively to the surrounding West Philadelphia community, implemented multiple strategies including a concentrated Home Improvement Program to provide funding for housing rehabilitation, an Enhanced Mortgage Program to encourage UPenn employees to become local homeowners, and a Neighborhood Housing and Development Fund to acquire and renovate rental housing.
  - 4.2 Support new office development. The above development feasibility analysis shows that office development poses the largest challenge under existing market and policy conditions; however, new office development can attract jobs and enhance the retail base on the Eastside. To that end, SAGE can actively support development of new office by taking an active role in the development of its new office building, and by offering additional office and retail tenant space in this facility. Once completed, this facility could provide an ongoing income stream to SAGE and might set the stage for similar investments in the future.
  - 4.3 Support arts and culture on the Eastside, which can attract creative tenants to office, retail, and housing uses and support community pride. This might include facilitating live/work housing for artists (e.g. in development concept 2b), supporting public art in collaboration with the City or cultural nonprofits, or developing an Eastside gallery as a ground floor amenity in a new development project (e.g. development concept 2a or 1b).
- 5 **Develop long-term capacity through near-term focus.** The recommendations above will require a sustained effort over many years, as well as capacities and resources beyond SAGE's existing means. To that end, plan a focused approach in the near term (1-5 years) to create community benefits in a specific geographic area and to secure key resources and partnerships to support future initiatives.
    - 5.1 Support efforts to train EPZ to enter the workforce or to become successful entrepreneurs by supporting the development of and offering services in the Eastside Education and Training Center. Immediately seek funding to create the food maker space and incubator program to support culinary entrepreneurs in the EPZ.
    - 5.2 Prioritize Zone 2 development in the near term. Concentrating development in a small, but noticeable, area can provide a visible change for Eastside residents and signal new



development potential for local developers. Zone 2 is at the heart of the existing Eastside community, and is the area that faces the most significant real estate market challenges alongside the strongest economic and community benefit opportunities. An intact, historic neighborhood grid and building stock will enable small-scale infill interventions to generate significant positive reverberations for their neighbors. Improvements to Zone 2 will also benefit Zone 1 by bracketing this area between Center City and a fabulous new destination. Finally, many of the Zone 1 interventions require public sector leadership outside of SAGE's control, whereas SAGE's leadership can support near-term transformation in Zone 2.

- 5.3 Develop a neighborhood/corridor master plan for near-term capital improvements in tandem with the City's comprehensive plan. This plan can identify key physical interventions required in the first investment area (e.g. the New Braunfels corridor in Zone 2) and begin to identify resources to make these investments. It might also allow specific detail on programs above, such as design guidelines for façade improvements or identification of key parcels/zones to target for homeownership incentives.
- 5.4 Develop an independent funding stream(s) for economic development activity in the EPZ. Earned income from office or retail leasing can sustain and increase SAGE's long-term commitment to the community; SAGE should make immediate efforts to pursue a development/acquisition strategy for office and retail space (consistent with development concept 2a and recommendation 3.4).
- 5.5 Leverage inter-organizational collaboration (2.2) to streamline organizational focus on core activities: Developer outreach and engagement, public sector engagement, business district activation and marketing, and related activities.



## Performance Measures

### Attract Private Investment in commerce, real estate, and the community

1. Number of new market rate housing units
2. Vacancy rate (commercial and residential)
3. Number of grocery stores
4. Number of national/big box retailers
5. Dollar value of subsidy/incentive and the subsequent private investment

### Create Jobs for EPZ residents

1. Number of employees in the EPZ
2. Number of new small businesses
3. Unemployment rate of EPZ residents
4. Number of employers with over 150 employees
5. Average wage of positions in the EPZ
6. Number of employees by sector

### Increase Economic Activity in the EPZ

1. Number of assets in the EPZ
2. Number of events in the EPZ
3. Average retail sales
4. Number of utilized office space
5. Retail leakage
6. Dollar amount of tax revenue (both sales and property)

### Increase Economic Diversity of the EPZ Resident Base

1. Number of market rate housing units
2. Number of affordable units
3. Number of permits for home renovation
4. Number of residents who work for EPZ businesses
5. Number of residents who work outside of the EPZ
6. Number of new mortgages
7. Average mortgage value

### Improve Standard of Living of EPZ Residents

1. Number of retail stores
2. Number of transit service options and ridership
3. Average graduation rate

4. Number of non SAISD educational opportunities (K-12)



## Appendix A



## APPENDIX A: RESIDENT EMPLOYMENT BY INDUSTRY

(Sources: US Census Bureau; LEHD On The Map)

Industry	San Antonio	EPZ	Difference
Agriculture, Forestry, Fishing and Hunting	0.2%	0.2%	0.1%
Mining, Quarrying, and Oil and Gas Extraction	0.4%	0.3%	-0.1%
Utilities	0.8%	1.1%	0.2%
Construction	4.9%	5.5%	0.6%
Manufacturing	5.4%	6.9%	1.4%
Wholesale Trade	3.8%	3.6%	-0.2%
Retail Trade	11.1%	9.9%	-1.2%
Transportation and Warehousing	2.7%	3.4%	0.7%
Information	2.7%	1.7%	-1.0%
Finance and Insurance	7.5%	4.4%	-3.1%
Real Estate and Rental and Leasing	1.8%	1.7%	-0.1%
Professional, Scientific, and Technical Services	5.4%	3.5%	-2.0%
Management of Companies and Enterprises	1.2%	0.9%	-0.3%
Administration & Support, Waste Management and Remediation	7.1%	8.6%	1.5%
Educational Services	10.7%	8.0%	-2.7%
Health Care and Social Assistance	15.3%	18.5%	3.1%

Arts, Entertainment, and Recreation	1.4%	1.1%	-0.3%
Accommodation and Food Services	11.4%	14.1%	2.7%
Other Services (excluding Public Administration)	3.1%	3.7%	0.6%
Public Administration	2.9%	2.9%	0.0%

EPZ residents are generally underemployed and work in low-skill industries when compared to the broader City of San Antonio. EPZ residents who are employed often work in low-skill, labor-intensive industries; the largest industries of EPZ resident employment are health care and social assistance (~18.5%), accommodation and food services (~14%), retail trade (~10%), waste management (~8.5%), and educational services (~8%).<sup>35</sup> Less than 5% of the EPZ's population works in each of a number of professional industries such as finance and insurance, real estate, and information.

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<sup>35</sup> US Census Bureau; LEHD On the Map

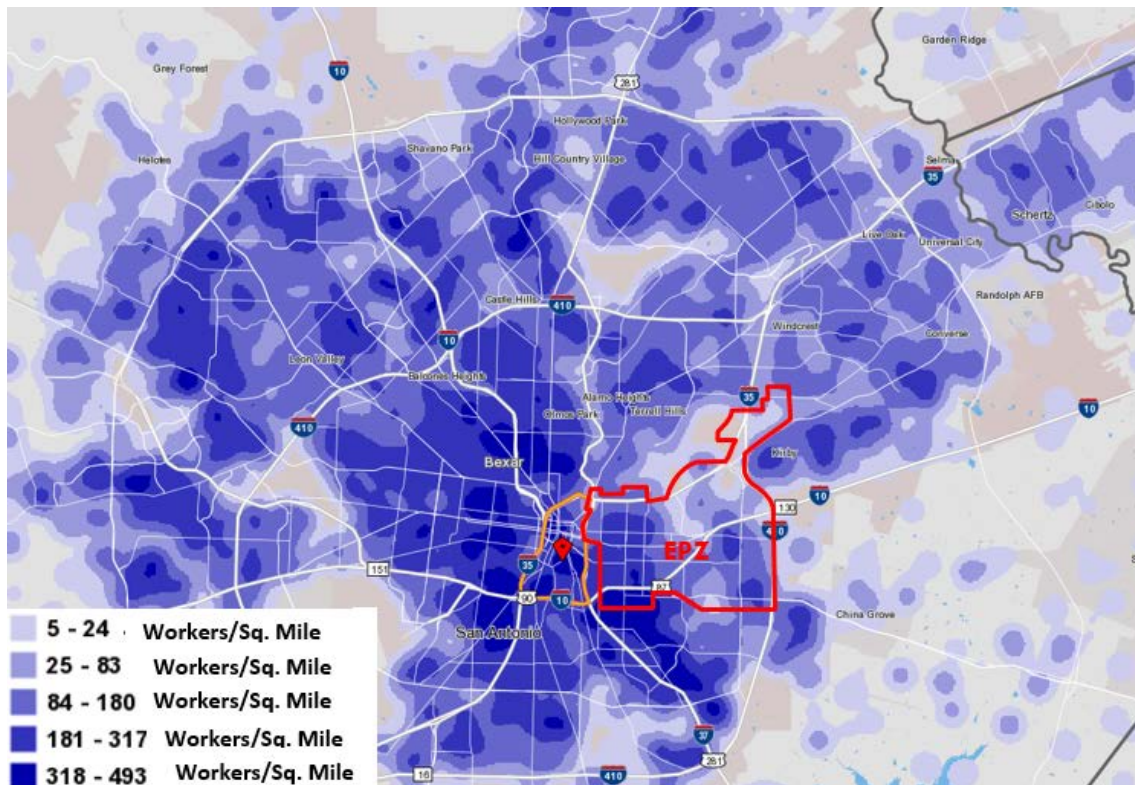




## Appendix B

## APPENDIX B: DOWNTOWN WORKERS' PLACE OF RESIDENCE

(Source: LEHD On The Map, US Census Bureau)



Downtown San Antonio is a dense cluster of over 77,000 jobs across a broad range of industries but has experienced limited growth in recent years. The largest industries by employment in Downtown are educational services (~16%), public administration (~14%), accommodation and food services (~14%), and health care and social assistance (~13%). Workers in Downtown San Antonio have relatively strong incomes, with nearly 50% of workers earning above \$40,000 per year.<sup>36</sup> Downtown workers commute from across the City, with notable concentrations coming from the northwest, southwest, and southeast corners of the city.

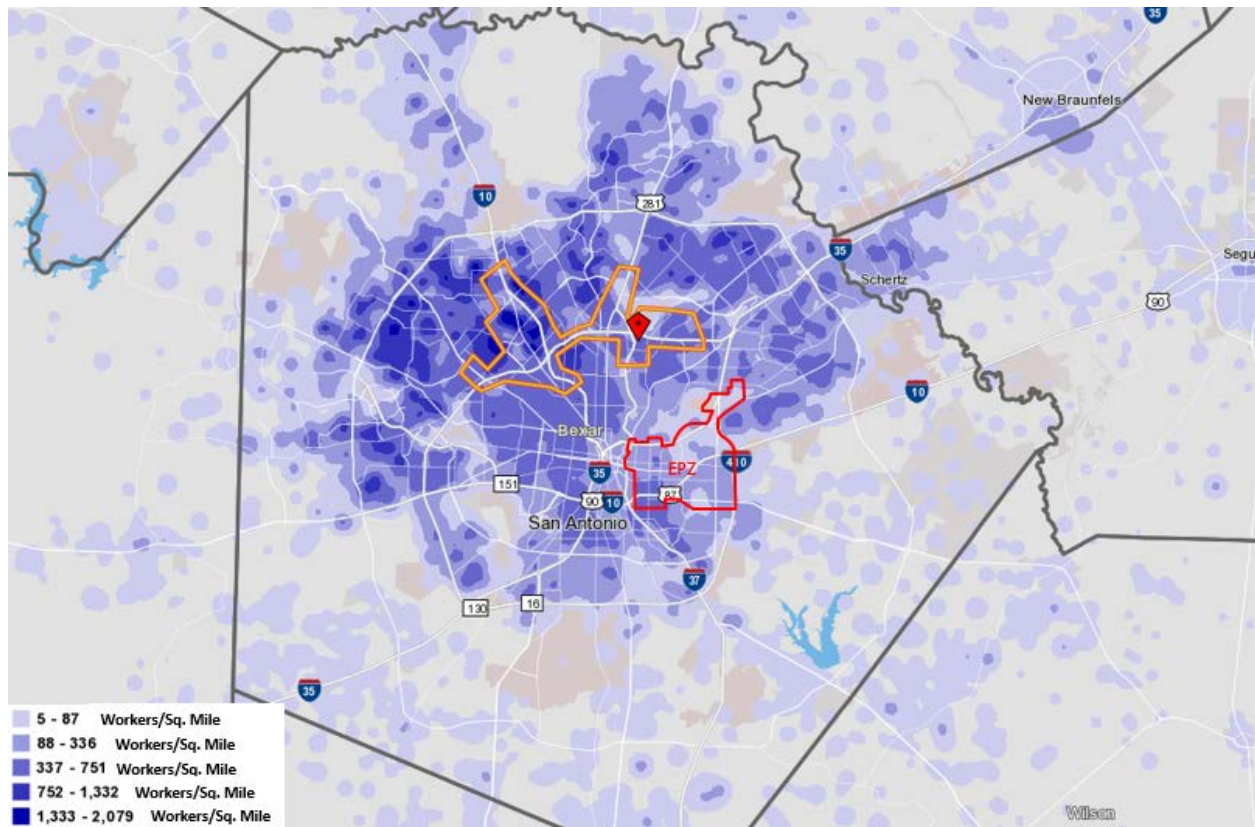
<sup>36</sup> US Census Bureau; LEHD On the Map



## Appendix C

## APPENDIX C: NORTHERN SUBURBAN OFFICE CLUSTERS' WORKERS' PLACE OF RESIDENCE

(Source: LEHD On The Map, US Census Bureau)



The Northern Suburban Office Clusters represent a 34 square mile area encompassing approximately 226,000 jobs with higher concentrations of jobs in professional service industries than in other geographies. The largest industries by employment in the Clusters are health care and social assistance (~24%), educational services (~16%), finance and insurance (~13%), waste management (~9%), and retail trade (~8%).<sup>37</sup> Workers in these office clusters generally reside on the north side of San Antonio, close to their jobs and in relatively affluent parts of the city.

<sup>37</sup> US Census Bureau; LEHD On The Map

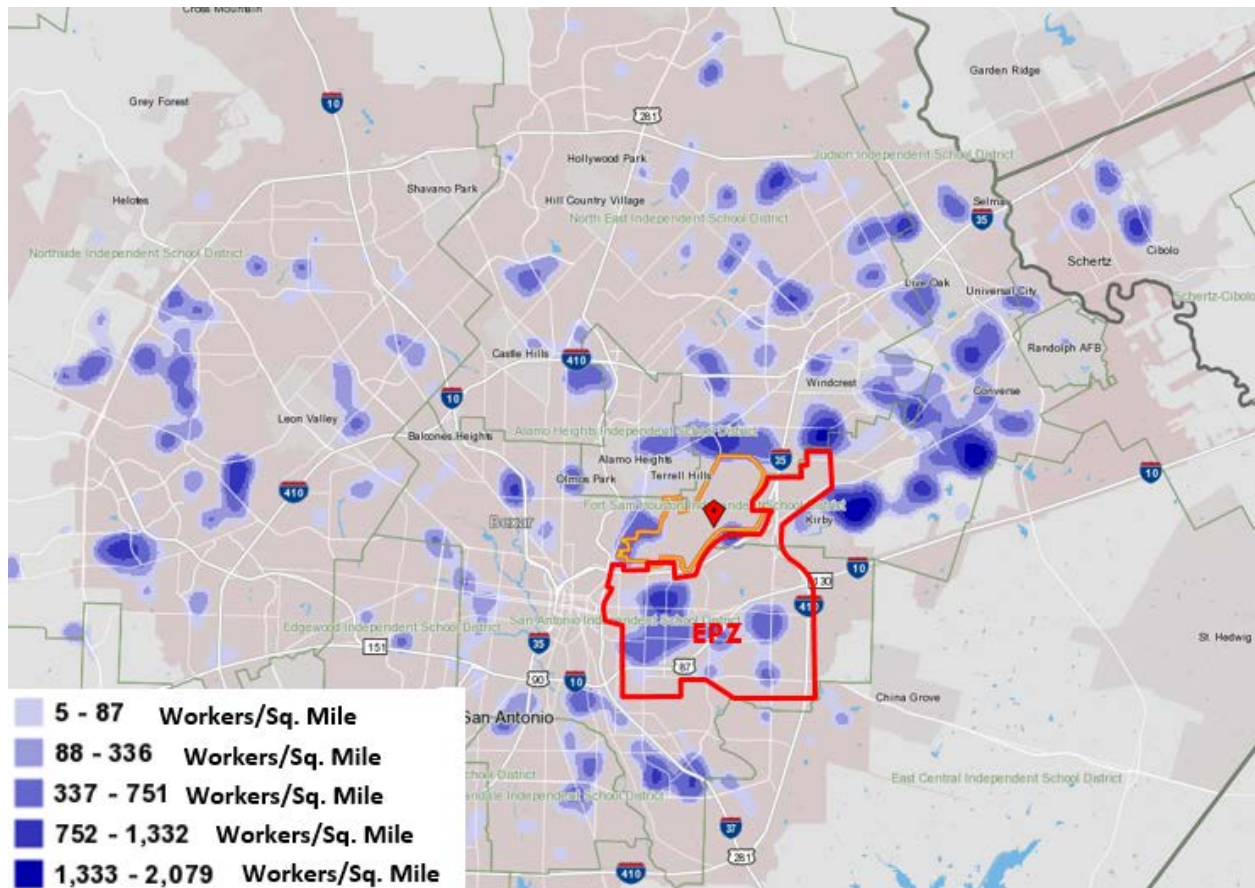


## Appendix D



## APPENDIX D: FORT SAM HOUSTON NON-MILITARY WORKERS' PLACE OF RESIDENCE

(Source: LEHD On The Map; US Census Bureau)



Fort Sam Houston, also known as Joint Base San Antonio after combining with Lackland and Randolph Air Force Bases, is a major center of economic activity in San Antonio. Though the exact number of military personnel is constantly evolving, the base employs approximately 32,000 workers, of which at least 2,000 are non-military. The military campus is also home to the Army Medical Department and School, an academic medical facility where 25,000 students train each year. The five largest non-military sectors of employment at Fort Sam Houston are waste management and remediation (~28%); accommodation and food services (~27%); professional, scientific, and technical services (~18%); construction (~7%); and healthcare and social assistance (~7%).<sup>38</sup> Among the non-military workers at Fort Sam Houston, a large number live in distant suburban and rural clusters north and east of the base, and a measurable number of workers live within the EPZ.

<sup>38</sup> LEHD On the Map; US Census Bureau



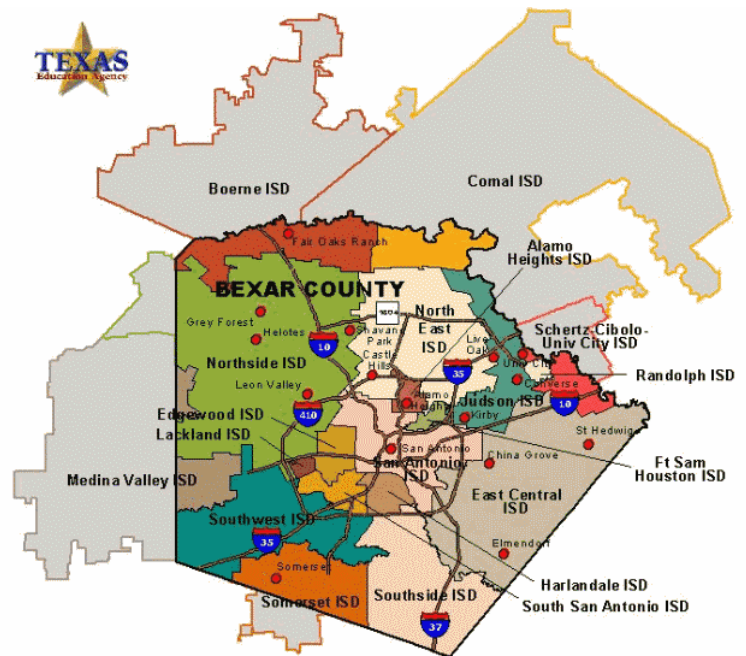
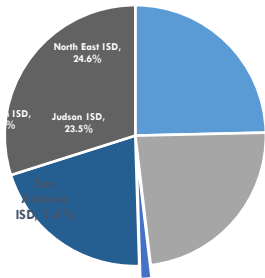
## Appendix E



## APPENDIX E: BREAKDOWN OF MILITARY DEPENDENTS' SCHOOL DISTRICT

By Place of Residence and Map of School Districts in Bexar County, TX

(Sources: US Department of Education Impact Aid Program; HR&A Advisors; Texas Education Agency)



Note: Not all school districts near Fort Sam Houston applied for DOE Impact Aid assistance, and are therefore not included in this dataset.

Data on the place of residence of military personnel is not publicly available. An extrapolation of military dependents' school district assignments may serve as a proxy for the general areas where military personnel reside. The data indicates that only 1.2% of military personnel reside in the San Antonio Independent School District, which is comprised of the EPZ and much of central San Antonio.



## Appendix F

## APPENDIX F: DEVELOPMENT FEASIBILITY ANALYSIS

The objective of the development feasibility analysis is to determine the feasibility of selected development programs by site before and after utilizing applicable local, State, and federal incentives. The multi-year real estate financial Model creates generic cash flows that are calculated to reflect a square foot of development.

The Model is structured around the financial perspective of a single developer/land owner who would be responsible for regulatory approvals, site preparation, and overseeing development. Functionally, multiple developers may be responsible for different uses at each site. However, because the goal is to understand the feasibility of each program, the cash flows are combined in order to understand the net present value for the overall development.

These generic cash flows rely on a series of assumptions, which are further detailed in Appendix H: Model Assumptions.

- *Development financial assumptions:* Local developers were consulted to build a thorough understanding of the principal assumptions driving the feasibility of commercial and residential development, including land values, vertical development costs, financing assumptions, revenue projections, and the impact of parking in order to identify differences in developer returns and the value of each program use. CoStar, an industry standard database of commercial transactions, supplemented interview information.
- *Development costs:* Alamo Architects and local developers provided development costs by use and typology. Development cost information from precedent housing projects, including developments that had received City incentives through the Center City Housing Incentive Policy (CCHIP) program was also used.

*Incentive assumptions:* Local policymakers and incentive experts, including employees of the City of San Antonio Center City Development Office, Bexar County Economic Development were consulted to confirm assumptions related to City, State, and Federal incentives.

- *Parking:* The cost of parking for residential and commercial development was examined. Residential parking is specified in each program according to local zoning, with reductions at Sites 2A and 2B. The parking assumed for these developments does not generate revenue by charging residents, workers, or shoppers for use of the space. Because of the lack of revenue and expense of construction, parking is a major cost for all development programs. Structured parking is

significantly more expensive than surface parking, at a construction cost of over \$12,000 per space compared to \$2,800, but conserves space to create more opportunity for development of revenue-generating uses. These parking costs were developed through conversations with area developers.

Each development program was modeled by multiplying the generic cash flow by the appropriate square footage of each use. This overall program cash flow is discounted back over time to account for the time value of money. Program-specific cash flows allow us to understand the net present value (NPV) of each development (defined as the difference between earnings and costs over time in present dollars) for a period of ten years assuming the discount rate for the developer is 16%. The discount rate is the developer's rate of return from the cash flow over time. A high discount rate would lower the NPV of the development. The selected rate of 16% is based on market returns, the uncertainty of future cash flows, and the opportunity cost of the project relative to other investments.

A positive NPV indicates that the projected earnings exceed the anticipated costs and that the investment is profitable. Conversely, a negative NPV will result in a net loss on the investment. The Model determines that the program is "feasible" if the NPV is greater than 0.

Results for each site are detailed in the following tables, which are organized by Zone. None of the programs are viable prior to the addition of incentives. Incentives are described in the *Incentives Overview* section. They vary according to eligibility of the uses and site geography. Federal incentives, particularly Low Income Housing Tax Credits and New Market Tax Credits, have the greatest impact on the feasibility of programs.

An in-depth explanation of feasibility findings for each site is described in Appendix G, Detailed Feasibility by Site.

Zone #1: Thompson Transit Center			
Site	Site 1A 526 E Crockett St	Site 1B North Swiss	Site 1C 223 S Cherry Street
Project Description	8-story multifamily midrise development with 6-story structured parking and VIA Park and Ride facility	2-story senior housing development with shared community space and 3-story townhomes	Mixed Use TOD Development with retail, 5-story multifamily, townhouses, and Amtrak station (costs for Amtrak portion not included)
Key Findings and Observations			

No Incentives	Not feasible	Not feasible	Not feasible
Current Incentives	Not feasible*	Feasible	Feasible
<b>Net Present Value</b>			
With No Incentives	(\$53,001,000)	(\$3,528,000)	(\$35,797,000)
With All Incentives	(\$2,096,000)	\$816,000	\$525,000
Increase in NPV due to Incentives	\$50,905,000	\$4,344,000	\$36,322,000
<b>Increase in NPV by Incentive</b>			
<b>Tax Abatements</b>			
City: 15 Year Tax Rebate	\$1,080,000	\$116,000	\$799,000
<b>Fee Waivers</b>			
SAWS Fee Waivers - \$500K	\$843,000	\$90,000	\$605,000
City Development Fee Waiver	\$114,000	\$16,000	\$82,000
<b>Other Commercial Incentives</b>			
New Market Tax Credits	\$348,000		\$462,000
<b>Housing Incentives</b>			
Low Income Housing Tax Credits	\$43,567,000	\$3,567,000	\$30,788,000
Affordable Housing ICIF Loan	\$313,000	\$45,000	\$221,000
Mixed-Use Forgivable Loan	\$140,000		\$186,000
CDBG or HOME Loan	\$4,500,000	\$510,000	\$3,180,000

Table 7 - Feasibility Analysis by Site, Thompson Transit Center

All numbers have been rounded to the nearest \$1,000. Additionally, the City, SAGE or another entity may provide land or other direct assistance to support project feasibility.

Zone #2: Near Eastside			
Site	Site 2A: East Point Office Development	Site 2B: Adaptive Reuse	Site 2C: Urban Infill
<b>Project Description</b>	3-story office and retail development with 2-story live-work residential spaces and shared surface parking	Adaptation of existing buildings with new 2-story live-work units and shared surface parking	2-story retail and student housing development with shared surface parking
<b>Key Findings and Observations</b>			
No Incentives	Not feasible	Not feasible	Nearly feasible
Current Incentives	Not feasible*	Not feasible*	Not feasible*
<b>Net Present Value</b>			
With No Incentives	(\$3,084,000)	(\$2,448,000)	(\$908,000)

With All Incentives	(\$1,887,000)	(\$1,534,000)	(\$703,000)
Increase in NPV due to Incentives	\$1,197,000	\$914,000	\$205,000
<b>Increase in NPV by Incentive</b>			
<b>Tax Abatements</b>			
County: 10 Year Tax Abatement	\$41,000	\$35,000	
<b>Economic Development Funding</b>			
Economic Development Incentive Fund - \$5,000/job	\$256,000	\$203,000	\$28,000
<b>Fee Waivers</b>			
SAWS Fee Waivers - \$500K	\$23,000	\$13,000	\$22,000
City Development Fee Waiver	\$9,000	\$6,000	\$4,000
<b>Other Commercial Incentives</b>			
New Market Tax Credits	\$868,000	\$657,000	\$151,000

*Table 8 - Feasibility Analysis by Site, Near Eastside*

*All numbers have been rounded to the nearest \$1,000. Additionally, the City, SAGE or another entity may provide land or other direct assistance to support project feasibility.*

Zone #3: Far Eastside			
Site	Site 3A: Neighborhood Commercial Center	Site 3B: Large Scale Commercial Center	Site 3C: Large Scale Mixed Use Development
Project Description	Small single-story community retail center	Large single-story retail power center development with accompanying pad sites	Large Multifamily and single-story retail power center development with accompanying pad sites
Key Findings and Observations			
No Incentives	Nearly feasible	Not feasible	Not feasible
Current Incentives	Feasible	More than feasible	More than feasible
Net Present Value			
With No Incentives	(\$2,526,000)	(\$32,229,000)	(\$108,726,000)
With All Incentives	\$791,000	\$1,959,000	\$43,057,000
Increase in NPV due to Incentives	\$3,317,000	\$34,188,000	\$151,783,000
Increase in NPV by Incentive			
Tax Abatements			
City: 6 Year Tax Rebate			\$3,596,000
Economic Development Funding			
Economic Development Incentive Fund - \$5,000/job	\$411,000	\$2,941,000	\$7,261,000
Economic Development Incentive Fund - \$3,000/job			
Fee Waivers			
SAWS Fee Waivers - \$500K	\$111,000	\$1,205,000	\$3,358,000
SAWS Fee Waivers - \$100K			
City Development Fee Waiver			\$590,000
Other Commercial Incentives			
State Enterprise Zone Designation	\$185,000	\$28,297,000	\$1,488,000



New Market Tax Credits	\$2,611,000		\$42,563,000
Housing Incentives			
Low Income Housing Tax Credits			\$81,301,000
CDBG or HOME Loan			\$11,625,000

*Table 9 - Feasibility Analysis by Site, Far Eastside*



## Appendix G

## APPENDIX G: DETAILED FEASIBILITY ANALYSIS BY SITE

### Zone #1: Thompson Transit Center

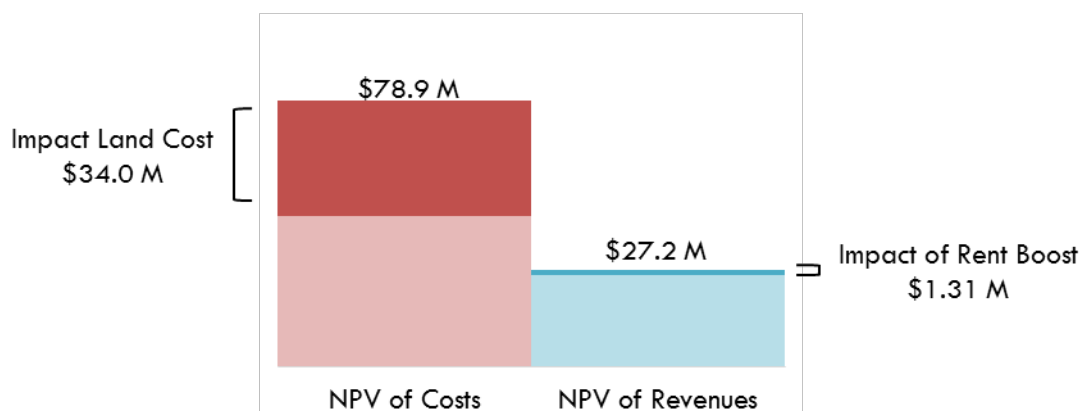
#### Site 1A - 526 East Crockett Street

Site 1A offers an eight-story multifamily midrise development with six-story parking structure and ground floor retail, plus a VIA Park and Ride facility.

Program Use	GSF
Neighborhood Retail	7,000
TOD Residential Rental	300,000
Structured Parking	157,500
Total	464,500

*Table 10 - Gross Square Footages of Program Uses, Site 1A*

The development is not feasible as a stand-alone project prior to incentives. In the current market, it is unlikely that a developer would invest in the overall development program or individual uses. HR&A considered two scenarios to improve the costs and revenues, respectively. The first assumes that the land is given to the developer at no cost, and the second assumes a rent boost of 5% for all uses, which may occur as improvements to the district, such as streetscaping, generate additional site value. While land value represents \$34 million dollar of net present cost, even removing it does not lower costs enough to break even. The 5% rent boost is negligible. The parking structure is a major cost to the program, accounting for 10% of overall development costs. Total costs have a net present value that is nearly three times the value of achievable revenue, so this program is a non-starter without development incentives.



*Figure 27 - Net Present Value (NPV) of Development Program, Site 1A*

For Site 1A, we apply the CCHIP package, including a 15-year City tax rebate and waivers for San Antonio development fees and water/sewer impact fees, and City loans for the housing and retail

components. The incentives also include 9% Low-Income Housing Tax Credits and New Market Tax Credits with an extra CDBG or HOME loan for the housing. The incentive creates positive returns for rental and retail by reducing costs. However, the impact is not enough to support the cost of structured parking for 450 spaces.

Program Use	NPV Before Incentives	Impact of Incentives	NPV After Incentives
Neighborhood Retail	(\$450,000)	\$562,000	\$112,000
TOD Residential Rental	(\$44,717,000)	\$49,448,000	\$4,731,000
Structured Parking	(\$7,782,000)		(\$7,782,000)
<b>Total</b>	<b>(\$52,949,000)</b>	<b>\$50,010,000</b>	<b>(\$2,939,000)*</b>

Table 11 - Net Present Value of Development by Use, Site 1A

\* Additionally, the City, SAGE or another entity may provide land or other direct assistance to support project feasibility.

This heavily residential program only becomes feasible with the addition of Low-Income Housing Tax Credits. Other subsidies make the development slightly more feasible, but they are not enough to generate a positive NPV for the program or the individual uses. Though this is a large amount of “affordable” housing to develop on-Site, it would serve area families and young professionals who could not otherwise afford a unit in new downtown development. Because the affordable housing incentives make such a difference, the project could support just over 50% of the units at market-rate without subsidy for the residential, which could spur further development of market units in the area but would not cross-subsidize the other uses of parking and retail.

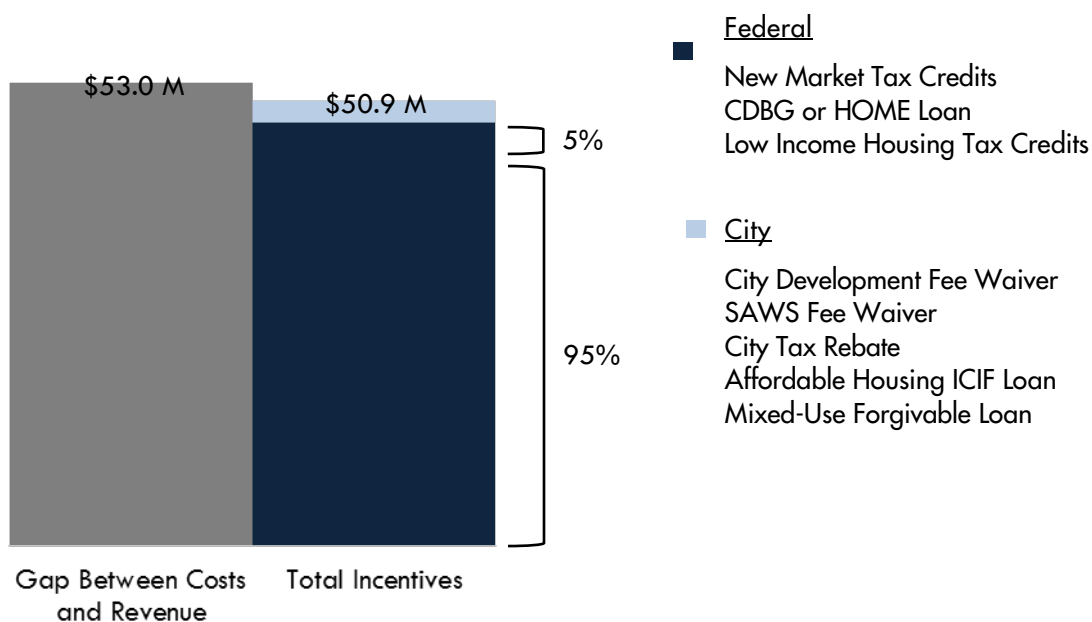


Figure 28 - Impact of Incentives, Site 1A

## Site 1B – North Swiss

Site 1B creates a two-story senior housing development with shared community space and three-story townhomes.

Program Use	GSF
Low-Scale Residential Rental	34,000
Residential Condominium	9,600
Surface Parking	14,700
Total	58,300

Table 12 - Gross Square Footages of Program Uses, Site 1B

As with the other Zone 1 Sites, the market is not robust enough in the area to elicit development without incentives. Even with surface parking rather than structured parking, as proposed for the other Thompson Transit Sites, neither the rental and condo townhouse programs are generating enough revenue to support the cost of building construction or parking. Site 1B has the smallest of the three programs, so the gap between costs and revenues is only \$3.5 million before removing land value and adding a 5% rent premium, compared to \$53 and \$36 million for Sites 1A and 1C, respectively. Like Site 1A, lowering land values to zero and adding a 5% rent boost does not close the gap. However, the remaining gap is only \$1.5 million, and comparison to larger sites indicates that it may be easier to close the gap for smaller, all residential programs than it would be for mixed-use developments.

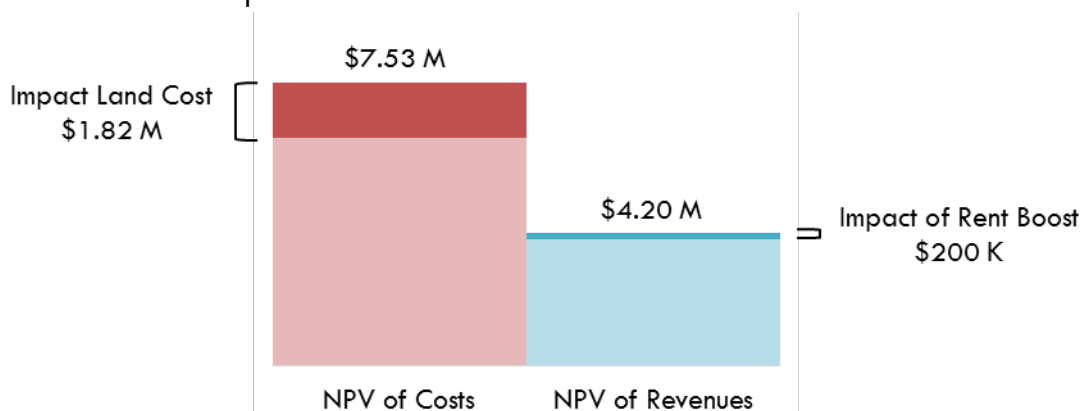


Figure 29 - Net Present Value (NPV) of Development Program, Site 1B

Site 1B utilizes the same housing incentives as Sites 1A. The analysis includes a 15-year City tax rebate and waivers for San Antonio development fees and water/sewer impact fees through CCHIP. HR&A assumes that the senior housing portion of the project would receive tax credits and a CDBG or HOME loan, common affordable housing subsidy loans that are often applied to senior developments. The townhouse condos do not have additional subsidy beyond the CCHIP package.

Program Use	NPV Before Incentives	Impact of Incentives	NPV After Incentives
Low-Scale Residential Rental	(\$2,677,000)	\$4,216,000	\$1,539,000
Residential Condominium	(\$685,000)	\$36,000	(\$649,000)
Surface Parking	(\$166,000)		(\$166,000)
Total	(\$3,528,000)	\$4,252,000	\$724,000

Table 13 - Net Present Value of Development by Use, Site 1B

Incentives make a huge difference for the senior housing, and the return on the rental housing with incentives supports the remainder of the program. Again, Low Income Housing Tax Credits and the affordable loan subsidy are the major drivers that increase feasibility of the development. Because the townhouses do not benefit from either subsidy, overall incentives do very little to impact the costs, improving the net present value by only \$36,000 so that development of condos alone is not feasible. A master developer would not include condos in the current market without regulation. The site can support about 50% market units if the remaining 50% of the units had Low Income Housing Tax Credits.

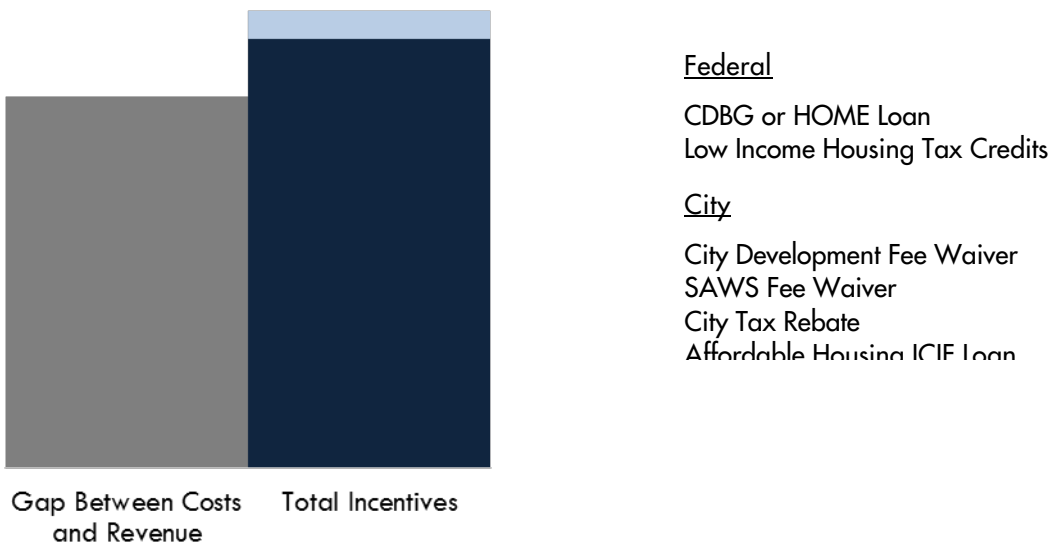


Figure 30 - Impact of Incentives, Site 1B

### Site 1C – 223 South Cherry Street

The program for Site 1C includes mixed-use transit-oriented development with retail, five-story multifamily rentals, townhouses and a new Amtrak station.



Program Use	GSF
Neighborhood Retail	9,300
TOD Residential Rental	212,000
Structured Parking	72,100
Total	293,400

Table 14 - Gross Square Footages of Program Uses, Site 1C

*\*Note that Amtrak Station is not part of feasibility evaluation.*

This development is not feasible before application of incentives. The negative NPVs for each use indicate that a developer would not recoup upfront costs over time through revenue for any components of the program. Reducing the land value to zero or assuming a rent boost of 5% for all uses does not narrow the gap significantly. A single developer would be unlikely to pursue a catalytic mixed-use development program to capitalize on the transit opportunities offered by a new Amtrak station, and residential or retail alone would not be viable. The addition of structured parking adds further cost to the program, which is not profitable enough to support the construction of parking spaces.

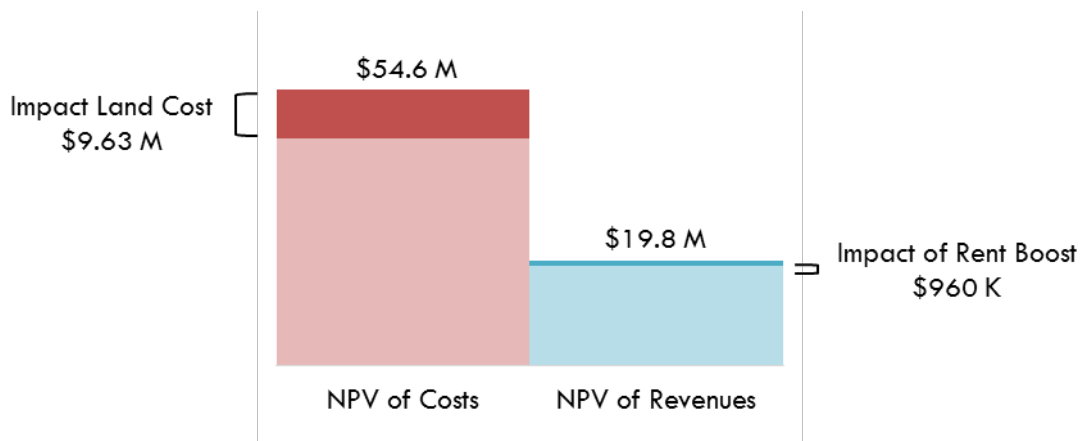


Figure 31 - Net Present Value (NPV) of Development Program, Site 1C

However, incentives are able to reduce upfront costs and increase revenue by reducing the tax burden. The addition of incentives improves cash flow over time, which generates positive NPVs for the retail and residential uses. The Sites in the Thompson Transit Center area are both in the ICRIIP area and in the Community Revitalization Action Group (CRAG), the original 36 square miles of the city that qualify for additional housing subsidies through San Antonio's CCHIP initiative. For the Site 1C, HR&A applied a 15-year City tax rebate and waivers for San Antonio development fees and water/sewer impact fees. CCHIP also offers low-interest loans for development of the housing and forgivable loans for the retail uses, both of which are included in the incentive packages. Finally,



HR&A assumes a possible award of 9% Low-Income Housing Tax Credits and New Market Tax Credits for the residential and retail space, respectively. Finally, we apply an additional, low-interest loan tied to the rental units.

Program Use	NPV Before Incentives	Impact of Incentives	NPV After Incentives
Neighborhood Retail	(\$597,000)	\$746,000	\$149,000
TOD Residential Rental	(\$31,637,000)	\$35,000,000	\$3,363,000
Structured Parking	(\$3,563,000)		(\$3,563,000)
<b>Total</b>	<b>(\$35,797,000)</b>	<b>\$35,746,000</b>	<b>(\$51,000)*</b>

Table 15 - Net Present Value of Development by Use, Site 1C

*\*Additionally, the City, SAGE or another entity may provide land or other direct assistance to support project feasibility.*

Low-Income Housing Tax Credits have the largest impact of all the incentives, and they are the primary driver of potential profit in the rental program. The CDBG/HOME loan makes up about 7% of the total available incentives, which also contributes to the cost reduction for the housing portion of the Site. New Market Tax Credits drive the changes in the retail development, and the City tax rebates and waivers have a smaller impact on both programs. After the application of incentives, the residential program is not able to carry the cost of parking, though the gap is minimal. The affordable subsidy barely closes the gap for the residential use alone, so Site 1C could not support a significant amount of market units in the current market. The analysis shows that only about 5% of the units could be market-rate, and the remainder must be subsidized to make the development feasible.

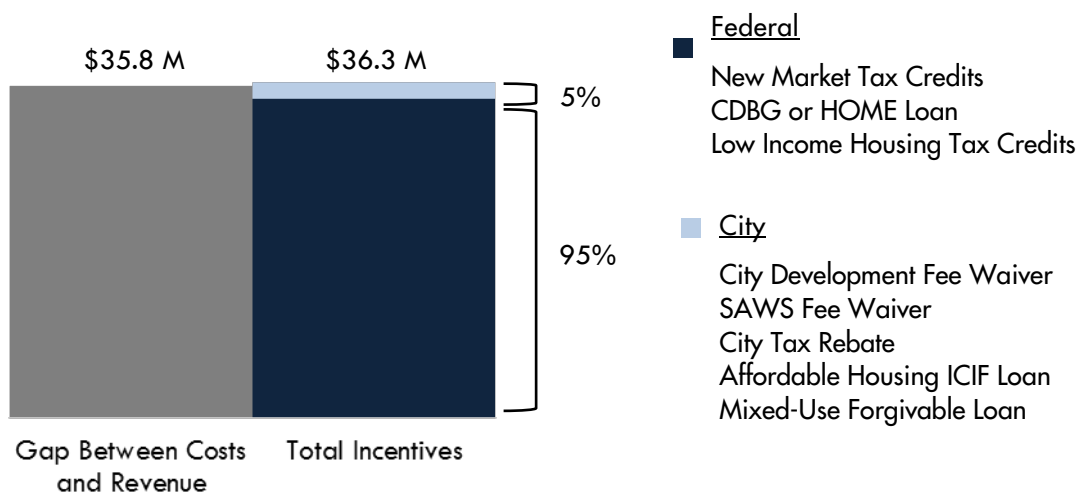


Figure 32 - Impact of Incentives, Site 1C

## Zone #2: Near Eastside

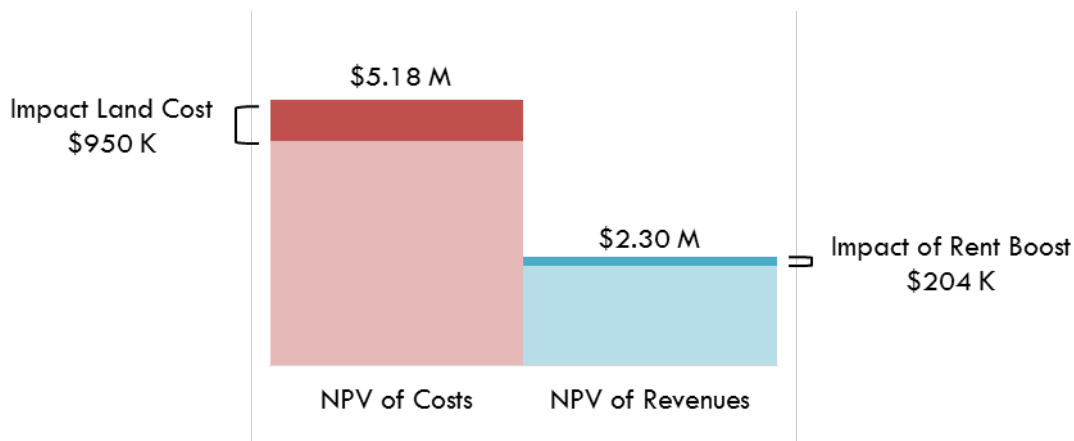
### Site 2A: East Point Office Development

Site 2A is the proposed location for SAGE's new office, which would be part of a three-story office and retail development co-located with two-story live-work residential condominiums and shared surface parking.

Program Use	GSF
Office	13,500
Neighborhood Retail	3,000
Residential Condominium	7,200
Surface Parking	14,700
Total	38,400

*Table 16 - Gross Square Footages of Program Uses, Site 2A*

The current market does not generate a positive NPV for the program. The gap between costs and revenues for the program is over \$3 million, and the net present value for each use is negative. On a square footage basis, office has the lowest net present value of all the uses, which is consistent with the limited demand for office in the broader study area. Even if the analysis assumed that a developer did not pay for land costs, the gap is still over \$2 million. The impact of a neighborhood improvement related rent premium of 5% is only \$204 K.



*Figure 33 - Net Present Value (NPV) of Development Program, Site 2A*

All three Near Eastside Sites are in the Inner-City Reinvestment Infill Policy (ICRIP), so uses are eligible for 10-year City tax rebates and fee waivers. Offices uses would be eligible for a 40% abatement of County property taxes to lower liability of the investment. At Site 2A, the office and retail would qualify for Economic Development Loans of up to \$5,000 per job created. These uses could also receive a federal New Market Tax Credits, though these are allocated competitively and

not as-of-right. The analysis does not assume affordable housing subsidies. Affordable incentives tend to restrict occupancy so that those who are in school or people who do not have verifiable income, such as artists, cannot be the leaseholder. The Near Eastside developments, including the units at Site 2A, cater to these types of individuals, so traditional affordable financing may not be the optimal choice for these developments. The Sites are outside the CCHIP area, so they do not qualify for additional housing and retail loans or 15-year abatements.

Program Use	NPV Before Incentives	Impact of Incentives	NPV After Incentives
Office	(\$2,212,000)	\$1,097,000	(\$1,115,000)
Neighborhood Retail	(\$193,000)	\$184,000	(\$9,000)
Residential Condominium	(\$513,000)	\$18,000	(\$495,000)
Surface Parking	(\$166,000)		(\$166,000)
Total	(\$3,084,000)	\$1,196,000	(\$1,888,000)*

Table 17 - Net Present Value of Development by Use, Site 2A

*\*Additionally, the City, SAGE or another entity may provide land or other direct assistance to support project feasibility.*

Even with significant subsidies, incentives cannot offer enough excess capital to meet developer return requirements. New Market Tax Credits Economic Development Incentive Funding Loans for the office and retail portions of the Site make up 73% and 21% of the overall incentive package, respectively. Incentives make the retail use viable, but office and the condos still have negative present values, meaning that revenues over time do not compensate for the investors upfront investment, even with subsidies to reduce costs. While the parking is a net cost, eliminating all parking at this Site would not eliminate the gap.

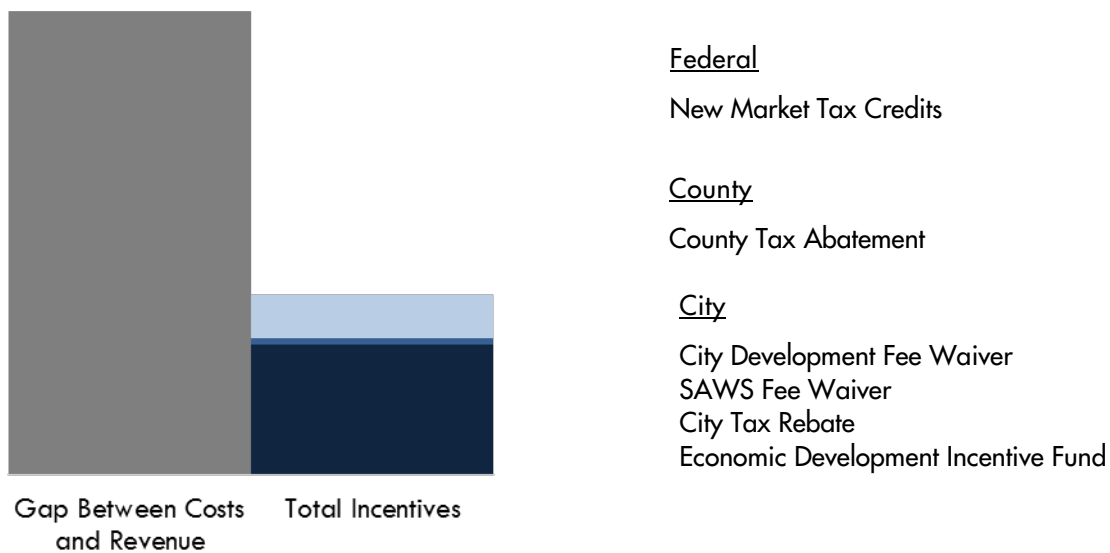


Figure 34 - Impact of Incentives, Site 2A

## Site 2B Adaptive Reuse

Site 2B's program add new office space and adapts existing buildings with new two-story live-work units and shared surface parking.

Program Use	GSF
Office	11,575
Neighborhood Retail	300
Residential Condominium	4,800
Surface Parking	14,000
<b>Total</b>	<b>31,175</b>

Table 18 - Gross Square Footages of Program Uses, Site 2B

The program at Site 2B faces the same challenges as Site 2A. Office is not profitable in the current market, and the retail and residential also do not produce enough revenue to generate a return on the initial investment. Parking is an additional cost that cannot be supported by any of the components of the program. Free land and a 5% rent premium would narrow the gap to \$1.6 million, but they do not provide enough additional support to make the program viable.

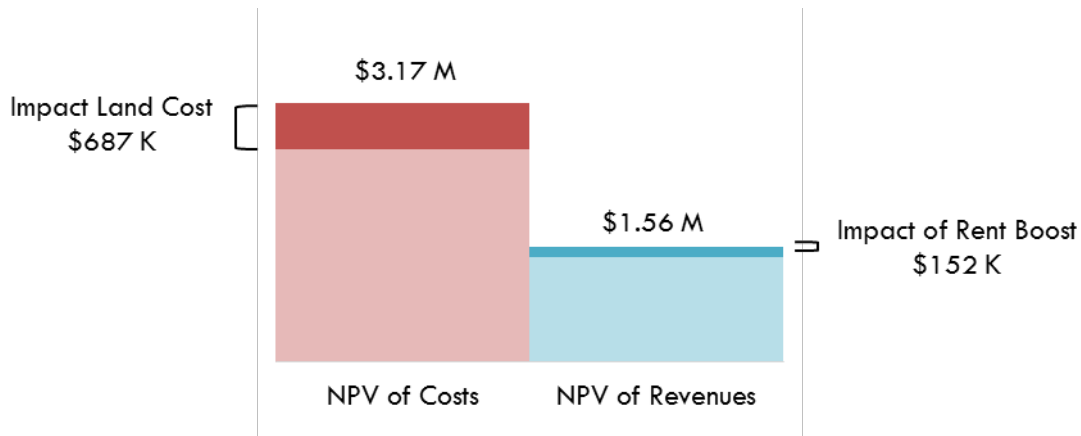


Figure 35 - Net Present Value (NPV) of Development Program, Site 2B

The incentive analysis assumes that uses at Site 2B would receive 10-year City tax rebates and fee waivers. Office and retail have Economic Development Loans and New Market Tax Credits. The live-work units do not include affordable subsidy, but they also benefit from tax rebates, development fee waivers, and water/sewer fee waivers.

Program Use	NPV Before Incentives	Impact of Incentives	NPV After Incentives
Office	(\$1,896,000)	\$940,000	(\$956,000)
Neighborhood Retail	(\$51,000)	\$55,000	\$4,000
Residential Condominium	(\$342,000)	\$12,000	(\$330,000)

Surface Parking	(\$158,000)		(\$158,000)
Total	(\$2,447,000)	\$1,007,000	(\$1,440,000)*

Table 19 - Net Present Value of Development by Use, Site 2B

\*Additionally, the City, SAGE or another entity may provide land or other direct assistance to support project feasibility.

Incentives are not enough to close the feasibility gap for any of the uses except for retail, which represents less than 5% of the total built square footage. New Market Tax Credits and Economic Development Incentive Funds make up the largest portions of the potential incentives. Unfortunately, the maximum incentives for the overall program only reduce costs by \$900 thousand, less than half of the overall gap. The minimal offerings for office incentives, particularly compared to the housing incentives available in the area, do little to create additional office opportunities in the Near Eastside.

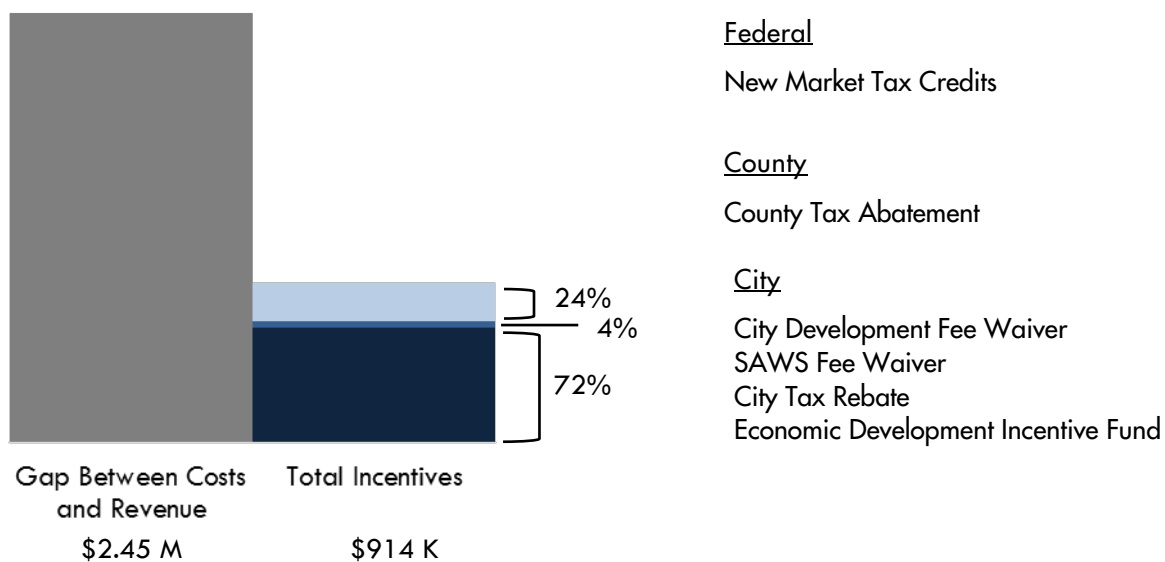


Figure 36 - Impact of Incentives, Site 2B

### Site 2C: Urban Infill

Site 2C would provide a two-story retail development and private student housing for St. Phillip's College attendees. The development would include shared surface parking.

Program Use	GSF
Neighborhood Retail	3,040

Low-Scale Residential Rental	8,000
Surface Parking	7,350
<b>Total</b>	<b>18,390</b>

Table 20 - Gross Square Footages of Program Uses, Site 2C

Site 2C is not feasible before incentives, but it is a small development that only has a gap of \$908 thousand between the net present value of costs and benefits. If the analysis assumes a 5% rent premium to reflect the new development and potential investment in the neighborhood, and the developer was able to acquire the land at no cost, the gap narrows to \$379 thousand. Even before

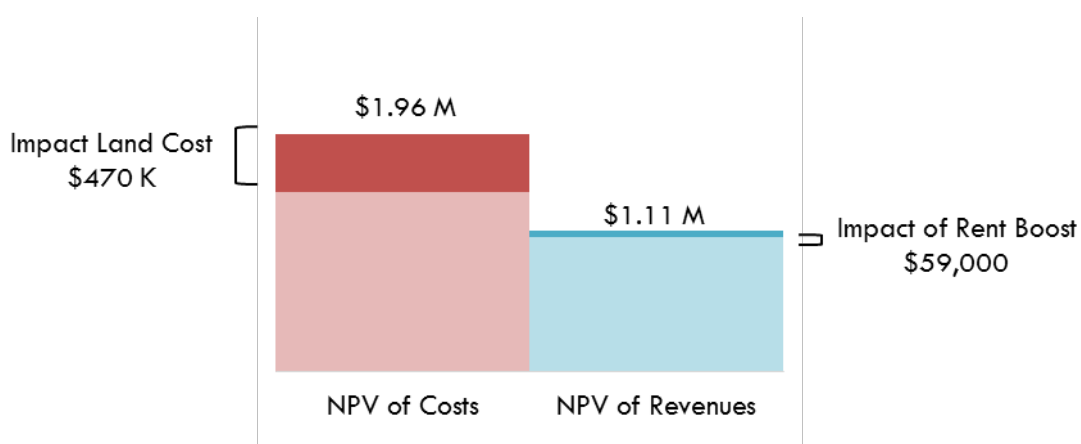


Figure 37 - Net Present Value (NPV) of Development Program, Site 2C

the rent boost and free land, the retail portion is only \$200,000 short of a feasible development value to meet typical return requirements. If a socially-minded community developer or institution were willing to accept an 8% discount rate for the program, the gap would narrow even further. However, assuming a market-rate developer, it is unlikely the program would happen without an additional capital boost.

Site 2C benefits from 10-year City tax rebates and fee waivers. The retail receives Economic Development Loans and New Market Tax Credits. The student housing does not include affordable subsidy, though the rents are similar to affordable units, because Federal statutory restrictions in the Low-Income Housing Tax Credit program prohibit students from living in subsidized units.

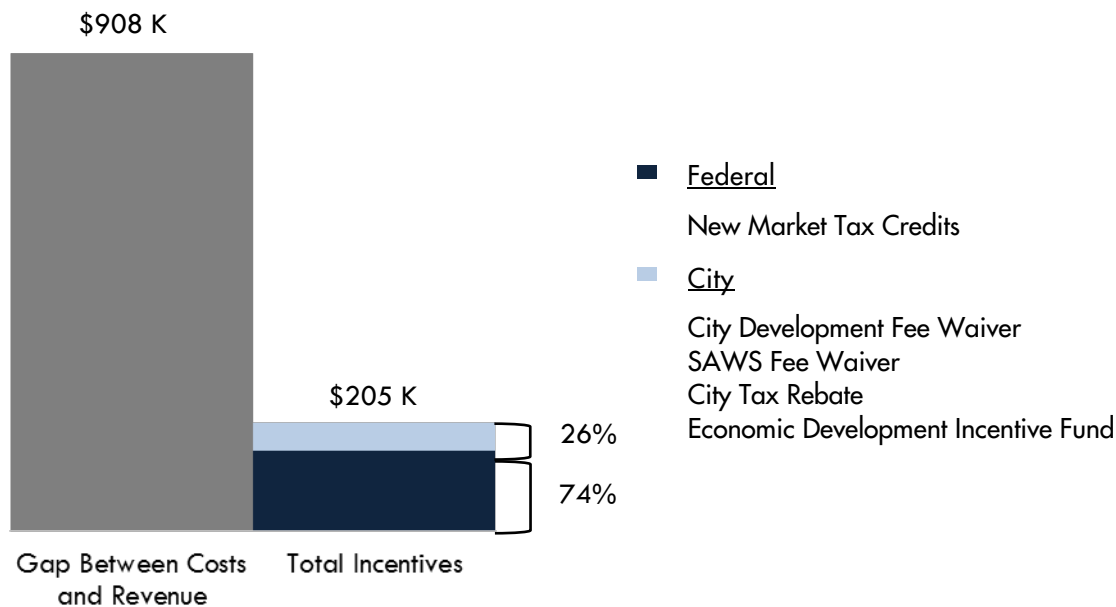
Program Use	NPV Before Incentives	Impact of Incentives	NPV After Incentives
Neighborhood Retail	(\$195,000)	\$186,000	(\$9,000)
Low-Scale Residential Rental	(\$630,000)	\$19,000	(\$611,000)
Surface Parking	(\$83,000)		(\$83,000)
<b>Total</b>	<b>(\$908,000)</b>	<b>\$205,000</b>	<b>(\$703,000)*</b>

\*Additionally, the City, SAGE or another entity may provide land or other direct assistance to support project feasibility.

*Table 21 - Net Present Value of Development by Use, 2C*

The New Market Tax Credits are the primary boost to incentivize retail development, making up 74% of the subsidy package. Because the small size of the overall development, the ten-year City tax rebate also has a substantial impact on feasibility. Unfortunately, incentives are not enough to make the entire program feasible, only the retail component. Retail would not generate enough revenue to support the upfront cost of parking. As a stand-alone product after incentives, the student housing is not feasible with only the applicable fee waivers and tax abatements. If the development were affordable housing that was not reserved for students, the additional applicable affordable housing incentives would close the remaining \$703 thousand gap after incentives.

Figure 38 - Impact Incentives, Site 2C



## Zone #3: Far Eastside

### Site 3A: Neighborhood Commercial Center

The program for Site 3A would be a single-story retail center.

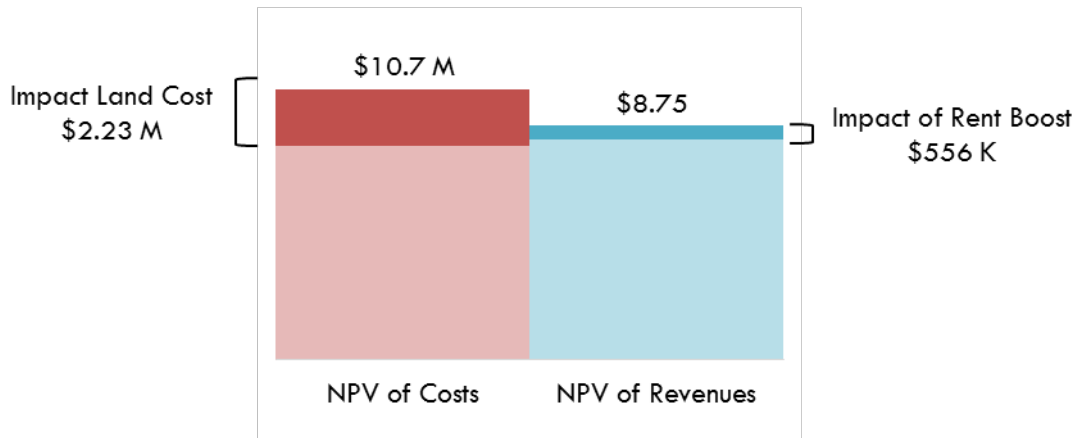
Program Use	GSF
Large-Format Retail	43,500
Neighborhood Retail	4,500
Surface Parking	87,500
<b>Total</b>	<b>135,500</b>

*Table 22 - Gross Square Footages of Program Uses, Site 3A*

This is the smallest of the proposed retail developments, but it is likely to be the easiest to implement. The gap for the credit union portion of the Site is less than \$300,000, and the overall gap is just over \$2.5M. Because neither use has a positive value, the program cannot support the parking costs without incentives. However, removing the cost of land, which represents about \$2.3 million of the development costs, makes this program feasible. A rent premium of 5% creates more value for the developer, though it would not close the gap without reduction in the land price.

*Figure 39 - Net Present Value (NPV) of Development Program, Site 3A*





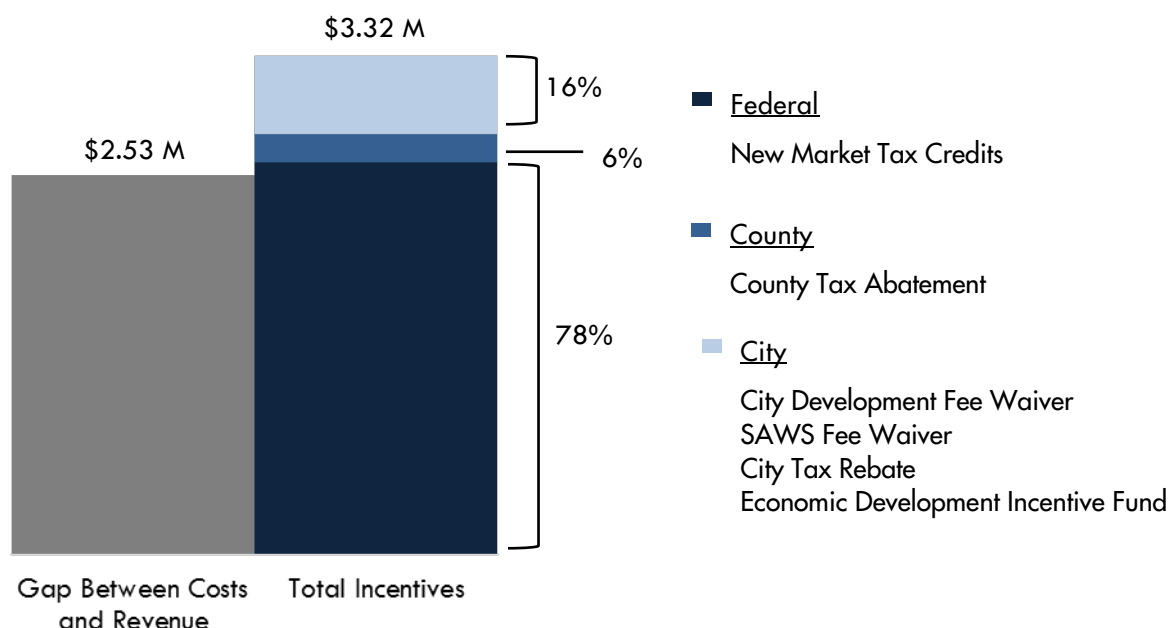
Of the Sites in Zone 3, Site 3A is unique because it falls within ICRIP area. Like the sites in Zone 2, we assume ten-year tax abatements, development fee waivers, and water/sewer waivers. Like the other Zone 3 Sites, the retail program uses Economic Development Fund (EDF) awards, New Market Tax Credits, and we assume an Enterprise Zone Designation.

Program Use	NPV Before Incentives	Impact of Incentives	NPV After Incentives
Large-Format Retail	(\$1,249,000)	\$3,044,000	\$1,795,000
Neighborhood Retail	(\$289,000)	\$274,000	(\$15,000)
Surface Parking	(\$988,000)	\$0	(\$988,000)
<b>Total</b>	<b>(\$2,526,000)</b>	<b>\$3,840,000</b>	<b>\$1,314,000</b>

Table 23 - Net Present Value of Development by Use, Site 3A

Incentives, largely driven by the New Market Tax Credits, City tax rebate, and economic development incentive funding, make the present value of the overall program positive. The Mercantile Retail center, which could also be big box retail, and the neighborhood credit union generate revenues that produce more than the typical developer return. The smaller scale of Site 3A makes it the easiest of the three Sites to quickly incentivize retail for the community.

Figure 40 - Impact of Incentives, Site 3A



### Site 3B: Large Scale Commercial Center

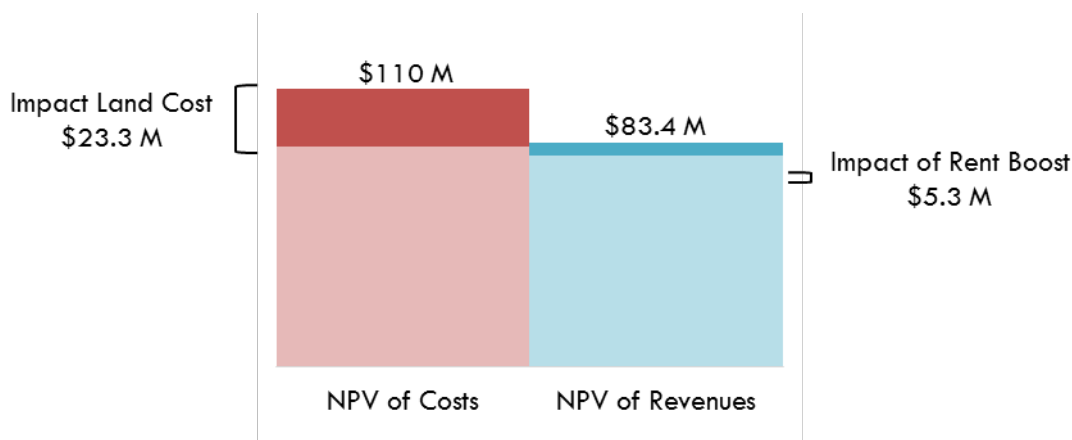
Site 3B would be a large, single-story retail power center development with accompanying pad sites.

Program Use	GSF
Large-Format Retail	185,000
Neighborhood Retail	365,500
Surface Parking	304,500
<b>Total</b>	<b>855,000</b>

Table 24 - Gross Square Footages of Program Uses, Site 3B

Site 3B is not feasible without incentives, with a gap of \$32 million between costs and revenue. Almost 85% of the gap is generated by neighborhood retail on surrounding pad sites and on-site surface parking, while only a small portion is attributable to the big box retail use. Parking makes up 3% of the overall development costs and takes up a substantial portion of the Site. Because the big box and neighborhood retail are not profit-able on their own, they cannot support the parking. Land values are a significant part of the site cost, making up over \$23 million of the net present cost. If a developer were to receive the land for free through a mechanism such as a land bank, the development would be feasible. Adding a 5% rent premium would further benefit the developer.

Figure 41 - Net Present Value (NPV) of Development Program, Site 3B



While subsidy may close the feasibility gap, the Site is not well-positioned to access incentives. The IH assemblage is not in the ICRIP, so it does not have priority for many of the City incentives. For instance, it would only receive a six-year abatement rather than the ten-year abatement applied to the other two Far Eastside Sites. The award for economic development funding per job created is \$3,000 rather than \$5,000 for retail within the ICRIP. We apply New Market Tax Credits to the neighborhood retail and big box uses, though caution that big box may not be competitive in a New Market Tax Credit application. We also include a possible State Enterprise Zone Designation, which would make the Sites eligible for additional State funding if the City elected to name them as Enterprise Zones.

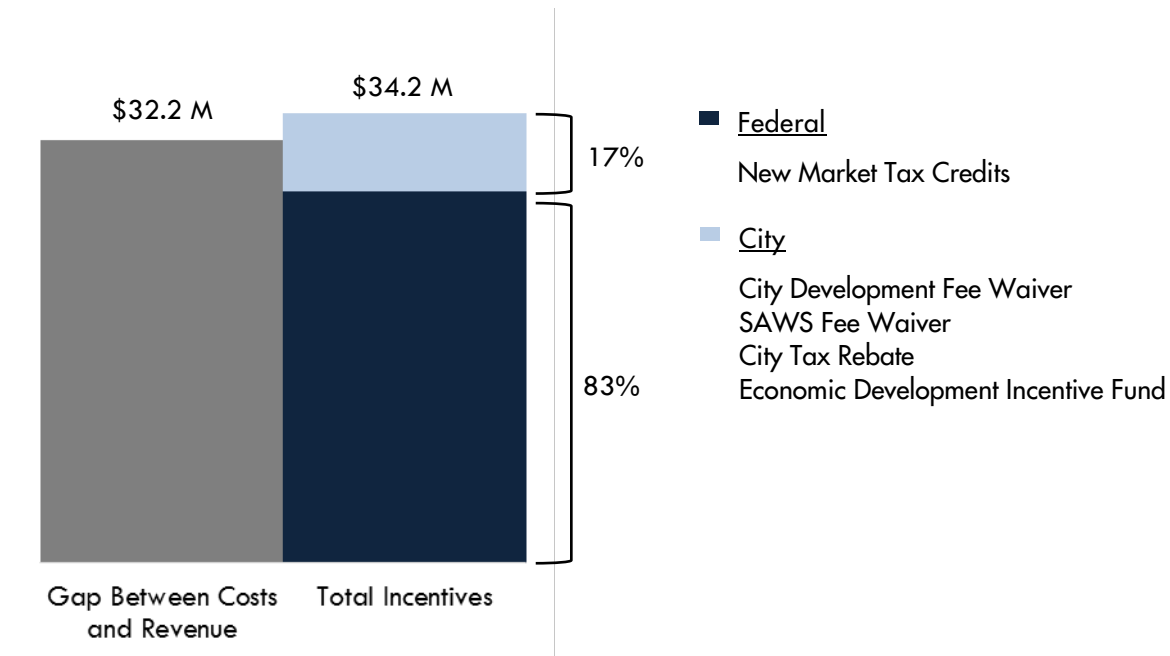
Program Use	NPV Before Incentives	Impact of Incentives	NPV After Incentives
Large-Format Retail	(\$5,311,000)	\$12,244,000	\$6,933,000
Neighborhood Retail	(\$23,478,000)	\$21,943,000	(\$1,535,000)
Surface Parking	(\$3,439,000)		(\$3,439,000)
Total	(\$32,228,000)	\$34,187,000	\$1,959,000

Table 25 - Net Present Value of Development, by Use, Site 3B

The addition of incentives is critical to making this a profitable deal though reduction of costs to the retail. New Market Tax Credits are 82% of the incentive package, and they create a positive net present value for the big box and significantly close the gap for neighborhood retail. The pad sites would not be profitable in the current market. However, an initial investment in Eastside big box may change the market dynamics and increase rent potential for the pad sites. Increased revenue and longer phasing would have varying impacts on the net present value. The net impact on feasibility is

uncertain because it would depend on the magnitude of the rent increase and the length of construction and sale. Regardless, incentives for the big box use are a clear first step.

Figure 42 - Impact of Incentives, Site 3B



### Site 3C: Large Scale Mixed Use Development

Site 3C would offer a large multifamily and single-story retail power center development with accompanying pad sites.

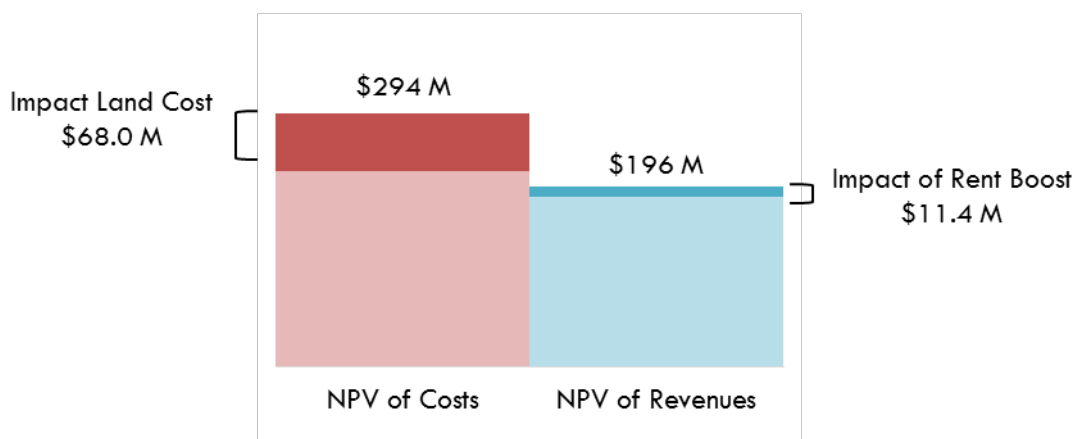
Program Use	GSF
Large-Format Retail	350,000
Neighborhood Retail	470,500
Low-Scale Residential Rental	775,000
Surface Parking	658,000
<b>Total</b>	<b>2,253,500</b>

Table 26 - Gross Square Footages of Program Uses, Site 3C

The program at 3C is the largest and creates the opportunity to realize the highest value, but it requires incentives to make the development feasible. The existing gap for the overall program is over \$106,000, due to the size of the development (almost \$1.9M built square feet) and the costs of each individual components. None of the program pieces – big box retail, neighborhood retail, or

rental – are viable prior to incentives. Land is a major component of the costs, but assuming that a developer does not pay for land and is able to attract rents 5% higher than the market, the result costs and revenues only narrow the gap to \$29 million.

Figure 43 - Net Present Value (NPV) of Development Program, Site 3C



Like the IH assemblage, Site 3C is not in the ICRIP. We assume a six-year abatement for all uses. The retail has economic development fund money and New Market Tax Credits, as well as an Enterprise Zone Designation. Rental proposed at the Site would have access to Low Income Housing Tax Credits and a HOME or CDBG loan.

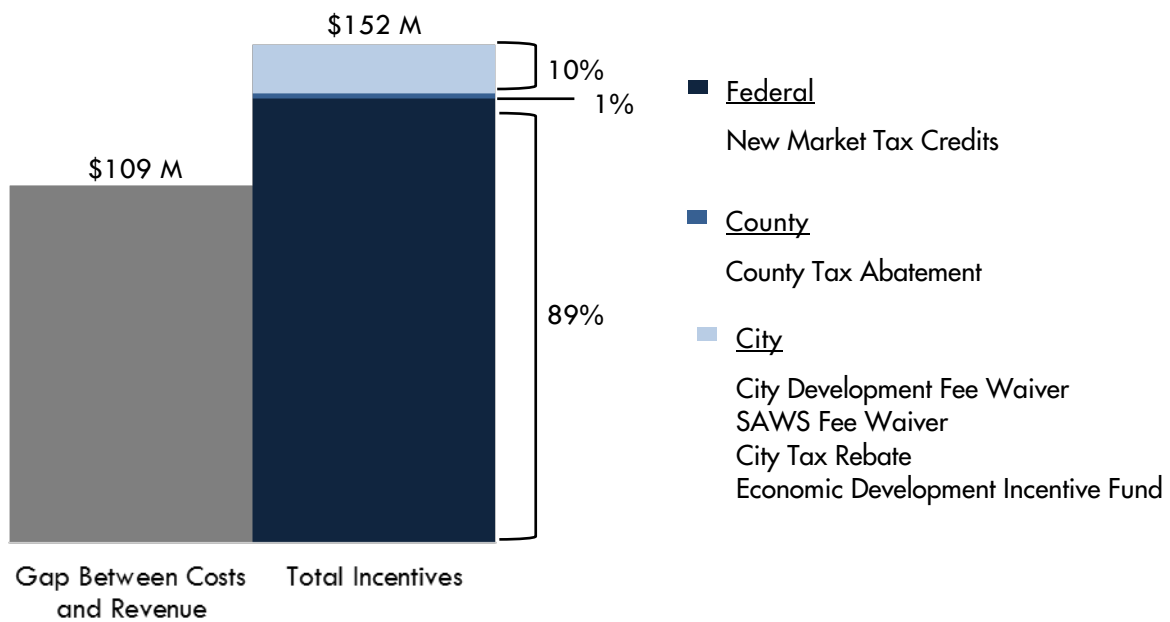
Program Use	NPV Before Incentives	Impact of Incentives	NPV After Incentives
Large-Format Retail	(\$10,049,000)	\$25,974,000	\$15,925,000
Neighborhood Retail	(\$30,222,000)	\$30,134,000	(\$88,000)
Low-Scale Residential Rental	(\$61,024,000)	\$93,570,000	\$32,546,000
Surface Parking	(\$7,432,000)		(\$7,432,000)
<b>Total</b>	<b>(\$108,727,000)</b>	<b>\$149,678,000</b>	<b>\$40,951,000</b>

Table 27 - Net Present Value of Development by Use, Site 3C

The residential and retail portions carry positive net present value after incentives as individual uses, so this project could be developed by separate entities or by a single master developer. Low Income Housing Tax Credits and New Market Tax Credits drive the positive values by providing construction capital that reduces required developer investment. The available subsidy large enough that the development could afford to support up to 70% market units that do need Low Income Tax Credit or HOME/CDBG Loan subsidies. Because this is a significant amount of additional retail to the area, there is a risk of longer absorption periods that could decrease feasibility. The large incentive

boost may be required to mitigate risk and induce a developer to the table.

Figure 44 - Impact of Incentives, Site 3C





## Appendix H

## APPENDIX H: MODEL ASSUMPTIONS

Program Use	Office	Large-Format Retail	Neighb. Retail	TOD Rental	Resi. Rental	Low-Scale Resi. Rental	Resi. Condo
<b>Construction Costs</b>							
Hard Costs	\$120	\$120	\$110		\$150	\$100	\$115
Soft Costs	\$24	\$24	\$22		\$30	\$20	\$23
Total Construction Costs	\$144	\$144	\$132		\$180	\$120	\$138
<b>Land Costs</b>	\$30	\$35	\$30		\$35	\$35	\$35
<b>Gross-to-Net SF Ratio</b>	0.85	0.85	0.85		0.85	0.85	0.85

Table 28 - Construction Cost Assumptions

Cost Sources: Conversations with local developers and government officials, CoStar, HR&A analysis of precedent deals

Program Use	Office	Large-Format Retail	Neighb. Retail	TOD Rental	Resi. Rental	Low-Scale Resi. Rental	Resi. Condo
<b>Revenues</b>							
Rent (PSF/Yr)	\$23	\$25	\$18		\$14	\$13	N/A
Sale Price (PSF)	N/A	N/A	N/A		N/A	N/A	\$944
Vacancy Cntgcy.	15%	10%	10%		5%	5%	N/A
<b>Operating Costs (for Gross Rev. Uses)</b>							
RE Taxes (\$ PSF)	\$4	\$6	\$4		\$2.25	\$1.80	N/A
Other Operating	\$9	\$12	\$9		\$1.91	\$2.14	N/A
Total Operating Costs	\$13	\$17	\$13		\$4.16	\$3.94	N/A
<b>Timing</b>							
Lease-Up/Sale Period	16 Mo.	12 Mo.	12 Mo.	9 Mo.	9 Mo.	9 Mo.	18 Mo.
Stabilization	Mo. 36	Mo. 36	Mo. 36	Mo. 36	Mo. 36	Mo. 36	Mo. 42
<b>Leasing Costs</b>							
T/l's	\$35	\$45	\$35		N/A	N/A	N/A
<b>Exit Assumptions</b>							
Exit Month	Mo. 120	Mo. 120	Mo. 120	Mo. 120	Mo. 120	Mo. 120	Mo. 120
Exit Sale Costs	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Table 29 - Development Market Assumptions

Market Sources: Conversations with local developers and government officials, CoStar



Category	Construction	Permanent
Loan-to-Cost	60.00%	65.00%
Lender's Points	1.00%	1.00%
Loan Closing Costs	1.00%	1.00%
Interest Rate	6.00%	6.00%

*Table 30 - Loan Assumptions*

Loan Sources: HR&A analysis of industry standard financing



## Appendix I

## APPENDIX I: ACRONYM REFERENCE SHEET

CCDO	Center City Development Office
CCHIP	Center City Housing Incentive Program
CEDS	Comprehensive Economic Development Strategy
CNI	Choice Neighborhood Initiative
EB5	The Immigrant Investor Program created to stimulate the U.S. economy through job creation and capital investment by immigrant investors.
EDA	U.S. Economic Development Administration
EPZ	Eastside Promise Zone
ESL	English as a Second Language
FTA	Federal Transit Administration
GIS	Geographic Information System
HUD	US Department of Housing and Urban Development
ICRIP	Inner City Reinvestment Infill Policy
LEHD	Longitudinal Employer-Household Dynamics
MSA	Metropolitan Statistical Area
SAEDF	San Antonio Economic Development Foundation
SAHA	San Antonio Housing Authority
TIRZ	Tax Increment Reinvestment Zone

