

Invest

An in-depth review of the key issues facing San Antonio's economy, featuring the exclusive insights of prominent business and regional leaders.

San Antonio | **2022-2023**



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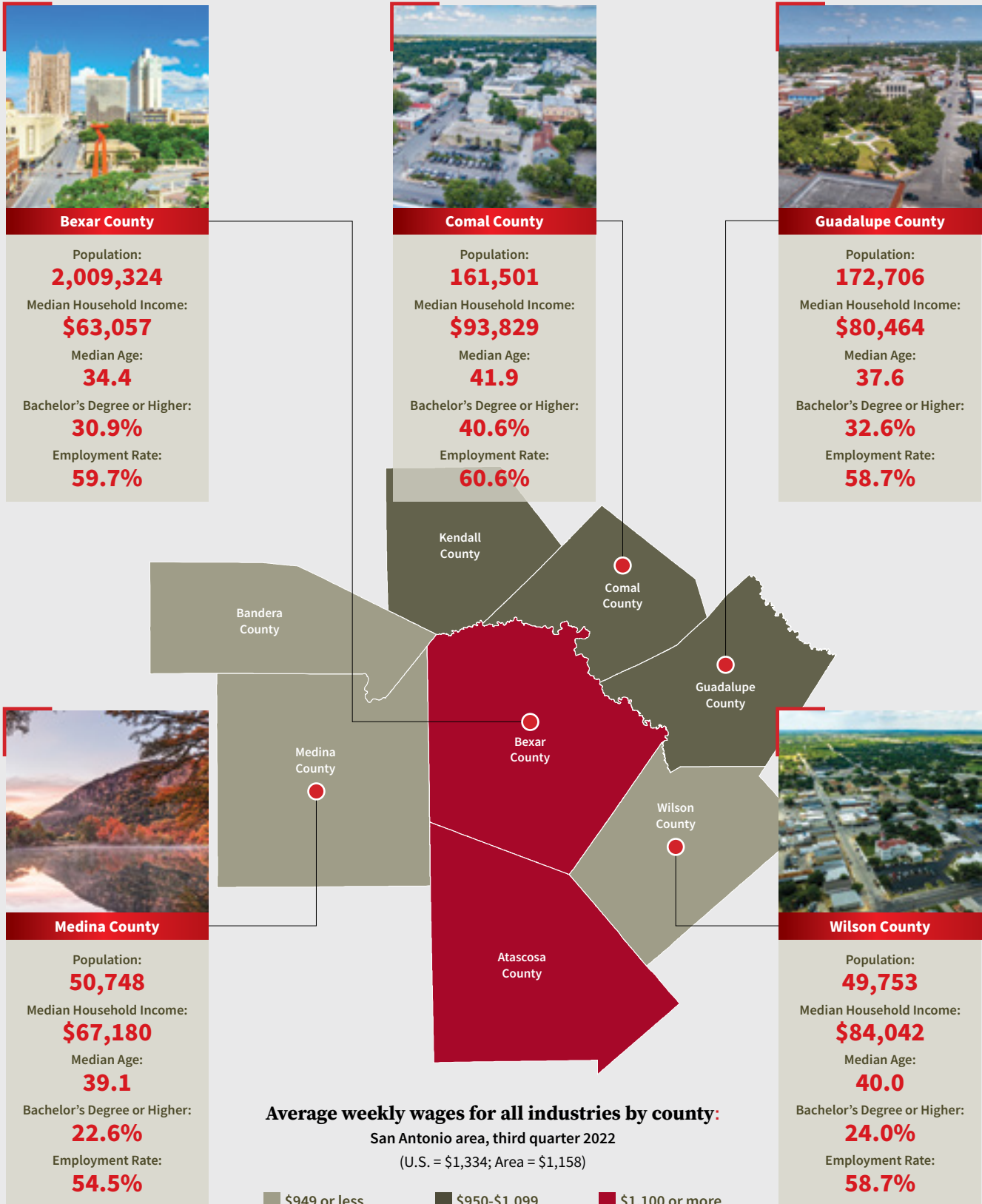


Economy:

San Antonio is drawing in new residents by the truckload, which has compelled major companies to set their sights on the region. But huge population growth can be a blessing or a curse. Like similar high-growth regions, Greater San Antonio is working to accommodate both its growth and its charm.

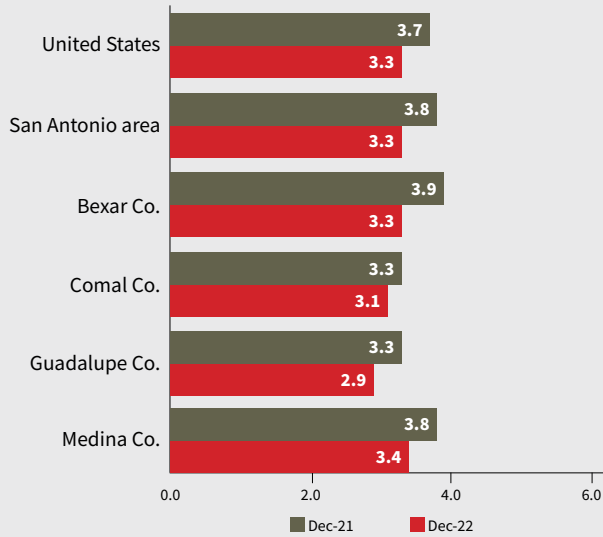
Economy in numbers

San Antonio area – Quick facts:



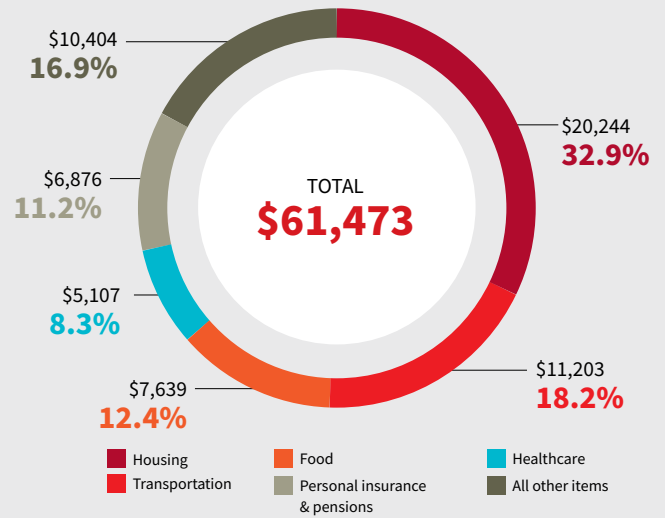
Source: United States Census Bureau / U.S. BLS, Quarterly Census of Employment and Wages

Unemployment rates (U.S. and selected areas):



Source: U.S. BLS, Local Area Unemployment Statistics

South average annual expenditures, 2021:



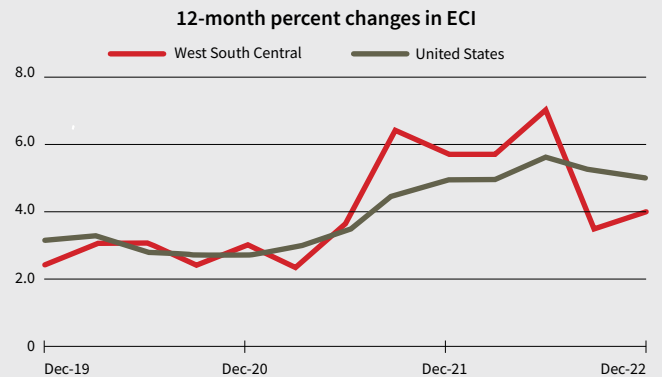
Source: U.S. BLS, Consumer Expenditure Survey

Average hourly wages for selected occupations:

Occupation	San Antonio area	United States
All occupations	\$24.87	\$28.01
Human resources managers	60.61	65.67
Accountants and auditors	39.22	40.37
Registered nurses	37.92	39.78
Construction laborers	17.07	21.22
Retail salespersons	14.72	15.35
Cooks, fast food	11.84	12.25

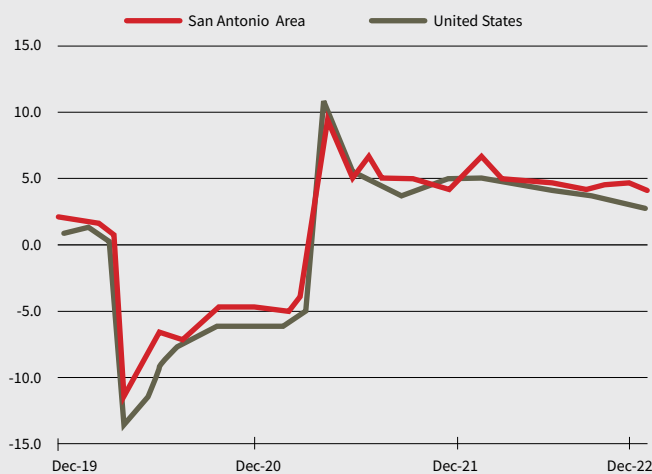
Source: U.S. BLS, Occupational Employment and Wage Statistics, May 2021

Over-the-year changes in wages and salaries:



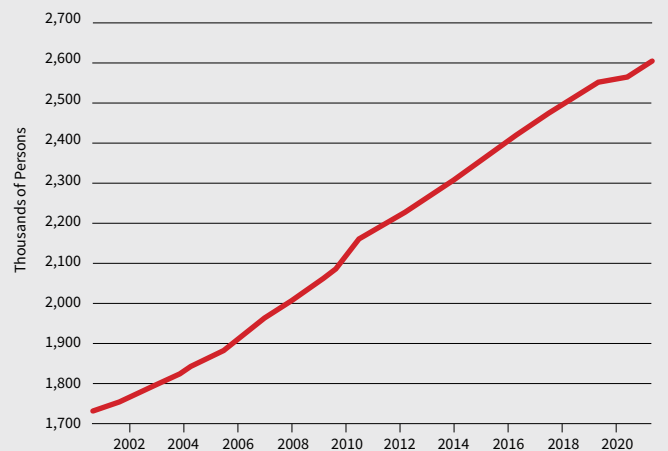
Source: U.S. BLS, Employment Cost Index

12-month percent changes in employment:



Source: U.S. BLS, Current Employment Statistics

Resident Population in San Antonio-New Braunfels, TX (MSA):



Source: U.S. Census Bureau

Opportunities – and challenges:

Diverse
population,
economy
underpin
region



San Antonio – home of The Alamo – is known for its rich history of Hispanic and Latinx culture. More recently, the city has been revitalized and its Downtown is known for its Riverwalk. Food is a huge part of the culture and in 2017 the city was the second city in the United States to receive the Creative City of Gastronomy designation from UNESCO. The laidback, culturally rich lifestyle the San Antonio MSA offers is underpinned by a rapidly growing GDP, a healthy, diversified economy and population growth of 20.9% between 2010 and 2020. The quality of life combined with steady job opportunities means it is no surprise that San Antonio became a destination of choice during the pandemic and growth hasn't slowed down.

■ Landscape

San Antonio was one of the biggest winners to emerge from the pandemic. After enjoying huge population growth between 2010 and 2020, Census Bureau data shows that the city was the fastest growing in the United States between 2020 and 2021. Already the nation's seventh-largest city with around 1.5 million residents, San Antonio is a relatively young city with a median population age of 33.9. Due to its geographical position, the city also has a large Latinx population, accounting for about 11% of the total in the city. Spanish is spoken among about 40% of adults and 26% of children, according to Census data.

But why is this so important? According to Deloitte, companies with greater diversity report cash flow that is 2.3 times greater than those without. Studies have also found that performance is improved by up to 30% among inclusive teams. According to a 2020 Hiring Benchmark Report by Criteria, diversity is a priority for most organizations, with 32% of those surveyed saying increasing diversity is a top focus. And those companies that don't prioritize diversity may fall behind, especially in such a tight labor environment. A recent survey by Glassdoor found that over three quarters of jobseekers say a diverse workforce is important when considering a potential job opportunity. While improvement has been seen across the board, there is still work to do, Richard Perez, retired president and CEO of the San Antonio Chamber of Commerce, told *Invest*. "We have made (...)



Getting stronger

Two initiatives in particular will keep San Antonio on prosperous path

Ron Nirenberg

Mayor – City of San Antonio

What initiatives will be most effective in continuing to rebuild the economy?

Two in particular stand out. One is the Ready to Work job training program; it's quite literally the largest workforce development initiative a local community has made in our country's history. Voters in late 2020 approved a reallocation of an existing tax to go toward ensuring tens of thousands of San Antonio workers and heads of households are trained and skilled for jobs in the future. This directly addresses the talent gap and labor shortage the globe is experiencing. We want to turn what is a weakness across the board in the global economy into a strength for the city of San Antonio and that is talent and the availability of skilled, educated labor. The second would be the remake of the San Antonio International Airport. We are the seventh-largest city in the United States and the fastest growing. Our Achilles' heel over the last several decades has been the airport. We're going to take that from a weakness to a strength in its makeover.

What are some development projects underway and what do residents want to see addressed?

Generally, the \$1.2 billion bond program approved by voters in May 2022 is significant in that it includes all of the basic infrastructure and its development that is necessary for a big city to thrive. In particular, we have the largest investments in our transportation infrastructure happening right now. We also have over \$100 million going to a world-class greenway trail system that is already nearly 100 miles long in our city. Recreational facilities and mobility options are key there. I would also say that one of the areas we're finally gaining traction on is in additional operational funding approved by voters

in 2020 for our VIA Metropolitan Transit Authority. We are making significant advancements in launching an advanced rapid transit system. It's underway in planning, and we are in the midst of finalizing the first steps of our East/West transit corridor, too. San Antonio, for the first time in our history, will finally turn the page and become a city with advanced rapid transit and mobility options.

How are you working to bridge the gap between the local government and residents?

San Antonio is fortunate in that we have always been a very collaborative community. There are a lot of reasons for that. Culturally, it's an international city where people from all over the world have congregated for thousands of years. It's a military community as well, so we have always had an ethos of working together. That has been especially true in the past three years between the community and institutions. One of the ways we continue to enhance that is to ensure our planning is always done in coordination with the community and that the community is at the table during any major efforts.

What are your top near-term priorities?

My top priority is to continue to build upon a foundation of inclusive, long-term prosperity. I am looking forward to continuing to implement and accelerate the Ready to Work workforce development program, make strides in the airport strategic development plan, build an advanced rapid transit system and build a durable, resilient, inclusive economy for the future. We are being bold about investment and doing what is necessary to achieve it. ■



Sarah Carabias Rush

Chief Economic Development
Officer
greater:SATX

What is the role of greater:SATX in the local business ecosystem of San Antonio?

Greater:SATX is focused on a couple of key initiatives. We believe that if we invest in our people and our place, we will be able to drive quality job creation here in San Antonio. Ultimately, we are all about jobs and job creation, making sure our workforce is ready to take those jobs we are attracting to San Antonio and that we have the infrastructure in place to support our growth.

What has made greater:SATX successful at attracting relocating businesses to the area?

We are in the unique position of being able to sell the San Antonio region. When we have the opportunity to tell the San Antonio story to companies, it resonates. We have found that when we bring companies into the market, they get a chance to look around and meet with other employers. Companies are blown away by the people, the culture and work ethic, and sense of community. Businesses also appreciate being able to work collaboratively to address community needs and business issues in ways that are more challenging to accomplish in other markets. That's our secret sauce.

How would you describe the region's ability to meet workforce demand?

greater:SATX has a workforce development arm that is focused solely on the issue of making sure we have a workforce-ready population. The most important area is our engagement with local employers and, of course, with incoming companies to understand exactly what it is that they need and then to work with the local workforce ecosystem to make sure that the needs of our employers are being fulfilled.

We work across the education ecosystem to make sure the programs and curriculum align with the technical skills employers need because that will be what allows us to make sure our workforce is ready, not just today, but for the jobs our employers will need 10 and 20 years from now. This approach is working, and we hear local employers are growing and new companies in the market can fill critical roles quickly. ■



As of January 2023, the unemployment rate in San Antonio is 3.9%.

(...) great strides in inclusion, equity and diversity but we are not at the pinnacle we could be," he said. "We are definitely not at a place where we need to stop."

Finding the right workers is now crucial for many companies, especially given the fact that the U.S. unemployment rate reached 3.4% this January – a low not seen since 1969. As a result, many companies are putting a great deal of focus on meaningful hiring, and for many looking to relocate, the availability of workers is a key consideration. San Antonio offers a well-educated population, with the high-school graduation rate among the San Antonio-New Braunfels metro reaching 86.4%, which is about 1.6 percentage points higher than the state average. About 30% of residents have a bachelor's degree or higher – a similar number to the state average. But costs for employers in the West South-Central region is also far below that of the United States. Nationwide employer costs per hour worked are \$39.61, \$4.46 higher than in the West South Central region.

Another reason why San Antonio is able to attract new businesses and populations is because of the state's reputation for low taxes. The combined state and local sales tax rate is 8.25% in San Antonio – a rate that means Texas comes in 14th highest in the country. But there is no individual income tax and no corporate income tax. The state was ranked 14th best in the Tax Foundation's 2023 State Business Tax Climate Index.



Also given the state's ability to produce oil and gas, it has one of the lowest gasoline taxes in the country at \$20 cents per gallon. This in turn helps combat inflation for companies and residents. Although price gains of food products have outpaced the U.S. average in the 12 months to December 2022, energy price rises were far below the national level, meaning overall inflation was felt less severely in the West South-Central region.

■ Economic performance

Thanks to the steady stream of people settling in San Antonio, the value of houses is rising. As of January 2023, Zillow's average home value in San Antonio is \$257,775 – a 9.1% increase year over year. But there are indications the market is starting to dip as interest rate rises are felt by homeowners with mortgages. As of February, the average 30-year mortgage is charging a rate of 6.32%, up over 61% from the same time last year when rates were just 3.92%. However, even at the height of rising home values in San Antonio, the region was still much more affordable than comparable metro areas. In Portland, Oregon's MSA – which has a similar population to San Antonio-New Braunfels – median house prices in January were over \$528,000, while in

Orlando-Kissimmee-Sanford, Florida, the average home value is \$357,876.

As the tax base has grown, so too has the GDP in San Antonio-New Braunfels. In fact, the MSA was one of the few in the world that recorded 0.17% growth from the 2019 to 2020 period, reaching a value of almost \$132 billion. This growth continued through 2021 at a staggering rate of 9.4% to reach \$144.5 billion. This performance was particularly impressive considering the GDP nationwide contracted by 2.8% in 2020 and grew by 5.9% in 2021.

But like in any location, growth has not always been equitable across regions and across industries. For example, in the Olmos Park neighborhood of the city, just north of Midtown, typical home values have now reached a staggering \$906,816 and the value in neighboring Alamo Heights is \$674,444. But just six miles away on the Inner West Side, houses in Prospect Hill come in at around \$119,000. Although this is still a 6.7% year over year increase, the neighborhood is still affordable, especially since it is located just less than 4 miles from Downtown San Antonio.

Uneven growth has also been seen across industries. At the height of the pandemic, leisure and hospitality suffered, which means a strong rebound after reopening made (...)

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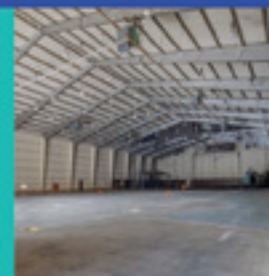
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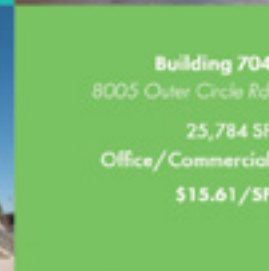
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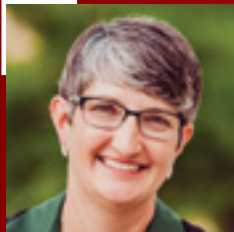
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Brooks

Moving forward

Leaders in business and economic development reflect on San Antonio's opportunities, challenges and future.



Brenda Hicks-Sorensen
Director of Economic Development
City of San Antonio



Amy Story
President & CEO
Boerne Kendall County Economic
Development Corporation

How do you support San Antonio's business ecosystem?

We have spent a lot of time supporting our small businesses. We are blessed with many amazing small businesses throughout our many neighborhoods. Our city council approved nearly \$31 million in ARPA funds specifically to support small businesses, including a \$17 million grant program. We are looking at capacity building and geographic placemaking, so we can help support small businesses in our numerous neighborhoods. We want to build an ecosystem so small businesses can weather any sort of storm, and with issues of inflation and supply chain, this is becoming even more important.

What are some of the biggest shifts in budgeting and fiscal prudence?

We are fortunate that the city moved toward an equity-based budget a number of years ago. For us, we have been talking a lot about where those resources are going. We are looking at foundational activities when it comes to our investments, and we are streamlining and improving our processes for efficiency. A strong foundation is essential as we continue to build moving forward. We are a globally connected city, so we need to support our airport. San Antonio is investing \$2.5 billion into the airport, so we can support the international community.

What are some challenges or concerns that local businesses are facing?

Workforce and talent challenges are still a big deal. We are fortunate that our leadership and citizens support training initiatives, so we can up-skill our talent. The cost of talent and supply chain gaps are other major issues that continue to create challenges for small businesses.

A lot of what we do is to try and make the community and businesses more resilient to better weather whatever challenges may come up. ■

What are the areas of opportunities for the EDC?

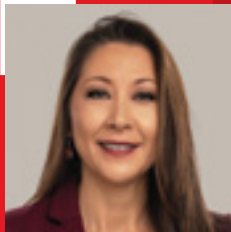
A primary area of opportunity for the EDC would be to further distinguish Kendall County as a location of choice for entrepreneurs. We have a skilled workforce with a highly educated population, with the majority of the people living in our community commuting elsewhere for work. Our focus is on generating quality job opportunities for people to both live and work here, and a key component of that strategy is setting ourselves up as that hub of entrepreneurial activity.

What are the challenges for economic development?

The challenges we face are similar to those of other communities: workforce, expensive land and lack of available building inventory beyond a certain size. This is why we have focused our efforts on seeding companies here and having them grow organically while finding space for them as they grow. We have found this to be an effective recruitment strategy for the EDC.

What partnerships are in place for workforce development?

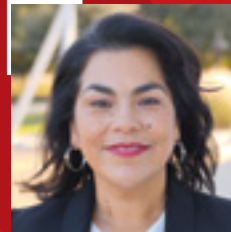
The jobs of the future are ever-changing, so we need to ensure that our students are prepared for what the workforce looks like now and in the future. We are looking at the partnerships and resources that exist and what we can do as a community to fill that pipeline with employable people for the businesses that will come. The school districts have also done a great job in supporting students who will attend vocational schools, trade schools or enter the workforce directly by creating pathways that enable them to find jobs that provide family-sustaining wages. We've worked closely with IC2 and University of Texas' Home to Texas Program, which focuses on rural economic development and is designed to match students with employers, allowing them to see what opportunities exist in their home communities. We tend to see our students leave either for college or to start a career, so we want to show them that they don't have to leave the area to be successful. ■



Maggie Titterington

President & CEO

The Chamber (Schertz-Cibolo-Selma Area)



Rebecca Viagran

CEO & President

South Texas Business Partnership

Where do you see the greatest opportunities for the area's economic development?

Right now, medical is exploding across our three cities. HealthTexas will break ground in Schertz. We have medical facilities in Cibolo and University Health in Selma. We're seeing a lot of medical growth in our area and with that comes the need for healthcare. The medical institutions are keeping their eyes on the pipeline knowing that residents are coming as well as the fact that we have a strong military presence and retirees. We also see a need for more quality-of-life businesses like psychology and counseling services so that residents don't have to go far for the services they need but rather stay within our communities. Because of all this growth, we are working with TxDot regarding traffic congestion and are about to undergo major renovations to help alleviate that issue.

What are the challenges in meeting the demand from newly arriving companies?

Our biggest need since COVID is obtaining and retaining workforce. The workforce is very tight right now. What we're trying to do is work not only with the local high schools through their DECA and CTE programs but also with Workforce Solutions Alamo, supporting their job fairs, as well as our local EDC. The EDC is also partnering with other staffing providers to create awareness. For our part, we do advocacy postings. We're a hub for companies needing a workforce. We try to connect them to those types of businesses that can help assist them. The challenge is the money that's being offered out there by larger corporations cannot be offered by all the small businesses and the different providers. We're trying to encourage and educate businesses to think outside of the box. We are going to have to adapt and look at more quality-of-life incentives to keep our workforce and to encourage more workforce to come here. The biggest challenge is having to think differently about how we do business now and adapt our ways to our employees changing needs. ■

What are your strategies to address labor shortages?

Our board wanted to be creative and decided to merge our workforce, education and healthcare together. There is still a need for healthcare workers and health awareness programs. Putting all the right people in the same room will create ideas for awareness and preventative measures. Those are the issues we are looking to address through our new education, workforce and healthcare committee. We are engaged with the San Antonio Ready to Work program which is continuing to grow. We want to take the best ideas from the program and transfer them to other communities. Another great opportunity is the Alamo City Electrathon, or ACE Race, where our high school students are building solar power cars. We invite all of the businesses in the region to the event so they can begin creating a pathway for these students to get from high school to a company.

What opportunities exist for economic development?

South Texas is the next great chapter for business in Texas. We have a lot of development happening right now, large and small employers have come south of Bexar County. As they continue to grow, so does their need for a skilled workforce. Communities are wanting to move further into rural communities, and we want to partner with them to stimulate economic prosperity across South Texas.

What should new businesses coming to the region keep in mind?

We know how to collaborate and coordinate with different entities to get things done. We make sure that there are programs created for companies revolving around the skilled workforce and ensure that you get access to small businesses. San Antonio and her south region are able to come together and mobilize quickly to get a win for the community. That is something unique about us, and it allows us to work with our partners more efficiently. ■

Cornerstones:

Texas Innovation Corridor

San Antonio has become a hub for tech and innovation, a development that can partly be traced back to the Texas Innovation Corridor. The Corridor, which sits between San Antonio and Austin parallel with I-35 and with the Greater San Marcos region at its center, focuses on creating a vibrant entrepreneurial and innovation ecosystem.

The Texas Innovation Corridor, which Forbes called “the next great metropolis” as the Corridor was developing in 2016, aims to create a network of hubs and support organizations in the city, to foster collaboration and growth among the tech and innovation communities. Focused on creating an innovation-friendly environment and an attractive business climate, including providing access to capital, resources, and programs to help tech startups and existing businesses grow, the Corridor has succeeded in attracting tech-focused companies to the region, among others.

According to the Greater San Marcos Partnership website, “The innovation taking place in the region is greatly influenced by Texas State University — one of the state’s largest universities. Since 2012, Texas State has been designated as an Emerging Research Institution, currently doing cutting-edge research in materials science, nanotechnology, life sciences, and computer science.”

Among the leading companies and institutions in the Corridor are Amazon, Best Buy and Texas State University. Aerospace and aviation, security and defense, material and life sciences, information technology and product distribution are among the industries represented, according to S. Watts Group.

The region has enjoyed substantial growth in recent years, with Hays and Comal counties among the fastest-growing subregions, both having been named among the country’s Top 10 fastest-growing counties, according to Cleary Zimmermann Engineers. San Marcos is the county seat for Hays County. CHMURA Economics & Analytics points out that the labor force in the Greater San Marcos region has grown by 45.7% in the past decade. That is faster than both the Austin-Round Rock MSA (34.4%) and the San Antonio MSA (17.4%), according to the Greater San Marcos Partnership, which also highlights that the Texas Innovation Corridor has more than tripled the jobs growth seen statewide, jumping 51.3% compared to the 16.3% for Texas overall. ■

(...) sense. But since the end of 2020, employment has made such strong gains that as of December 2022, the sector employed 141,900 people in San Antonio-New Braunfels, eclipsing even pre-pandemic numbers. But certain industries have faced challenges. Despite high demand for housing, the construction industry in San Antonio has been plagued with industry-wide issues such as skilled labor shortages, rising material costs and new pandemic-related protocols that have caused an exodus from the sector. As of December, 55,000 people worked in construction in San Antonio-New Braunfels, down from almost 58,000 pre-pandemic.

■ Key industries

Major employers in the San Antonio region are grocery giant H-E-B, which employs 20,000 people, followed by USAA Federal Savings Bank, which employs 19,000. Cloud computing firm Rackspace employs 6,300 while fast food chain Whataburger has 6,000 employees and truck leasing firm Rush Enterprises provides 5,000 jobs. In an effort to ensure San Antonio’s economy remains diverse and resilient, the city’s Economic Development Department targets certain key industries. These include aerospace, bioscience, cybersecurity, financial services, manufacturing and technology.

The aerospace sector contributes about \$1.6 billion to the regional economy and employs 9,900 people. Known as Military City USA, San Antonio uses its military and Department of Defense presence to attract more aviation and aerospace firms, with billions of dollars in active military contracts. This feeds into innovation in the region, and the famed base jumper Felix Baumgartner trained in San Antonio for his prolific stratospheric jump in 2012. Employers such as Knight Aerospace, StandardAero and Boeing offer average salaries of \$82,000, making the industry a top earner for San Antonio residents. These partnerships are mutually beneficial for the region and for the companies present. This January, for example, Boeing announced a \$2.3 million investment in student STEM education via the San Antonio Museum of Science and Technology (SAMSAT).

Bioscience makes a substantial impact on the region, with a GRP of \$42 billion and over 187,000 jobs provided. In fact, about 1 in 6 people in the Greater San Antonio region are employed in biosciences, and growth is only expected to continue to 2024. Part of the region’s success is its ability to weave private industry with STEM education. The city’s top employer is UT Health San Antonio, which trains over 3,200 students in more than 55 degree programs. And this February, the institution announced it would invest \$100 million in an expansion that would allow expanded study of Alzheimer’s related (...)



Industrial, residential take off

Downtown opportunities also coming for companies

Leo Gomez

President & CEO – Brooks

What have been some major highlights or milestones for Brooks over the last year?

The biggest highlight is how much of our light industrial space we have developed. We have developed 90% of our light industrial space and we started this year with an additional 800,000-square-foot spec facility. This will only leave us with some small parcels for any additional industrial type of manufacturing space. Our residential has also taken off. We already had several apartment communities and now we are re-developing an entire neighborhood; which is referred to as Los Cielos. What was 163 homes will be 490 new single-family homes. We also have another neighborhood of single-family homes for sale, Southlake. We hope to do more of this. Although the last few months have put a damper on our residential development, we are picking up steam.

We keep adding to our mixed-use space and we have been working on office space projects for years. We have two office buildings of 100,000 square feet each underway, each with four floors. The two office buildings, WatersEdge I and II, are the beginning of our office campus, which is a 50-acre development for commercial and medical.

What impact will WatersEdge I and II have on the Brooks community?

This quadrant of San Antonio does not have any class-A office space and it didn't have a full-service hotel until we built one. It will provide an opportunity for companies that need to be near Downtown but don't need to be directly in Downtown. It provides an opportunity for big manufacturers that might be interested in opening an office near their facilities. This will be a first in

San Antonio. We are hearing loud and clear from the brokers and companies that they really want to build up the single-family home for-sale sector on the campus, which will be a big focus moving forward. In terms of uniqueness, there are several food and drink options and then nature. You can live, work, play and learn – it is a good mix. Brooks is a real community, and everything is within walking distance. There are schools, hospitals, hotels and walking trails, so everything you need is within a short distance. That is what makes Brooks stand out.

What challenges are there to making the best use of your space?

The challenges are the same as those that the greater San Antonio area faces. Like most major metropolitan areas, there are pockets of poverty that continue decades. Around Brooks, we have seen poverty rates in excess of 20% for decade after decade. It is difficult to turn that around. We have a vision to create regional prosperity, so we want to help families improve their income and get out of poverty. Our economist, TXP, INC., tells us that since 2016 household incomes in the region have gone up by 24%. The poverty level has gone down by 7%. I consider these two factors incredible accomplishments. They are a testament to our Brooks Campus development and 40% of these jobs were created at Brooks. It has been a long time since this region has had graduation rates above 80%, but we achieved that. This is key to measuring the prosperity of families in the region and we are proud of those numbers. We didn't do it all ourselves, but we are influencing it by job creation and school development at Brooks. ■



Jim Perschbach

President & CEO
Port San Antonio

What are some recent highlights for the Port?

We've officially opened the Tech Port Center. It has enabled us to drive attention to this campus and the activities happening here. We've become a connection point for the region between students and educational opportunities, businesses and entrepreneurs, people seeking jobs and those looking to hire. It's been a tremendously exciting year.

The Port starts the engine of everything we have here. We have San Antonio's largest concentration of tech talent on our campus. We can start to connect businesses, people and ideas. Our campus has deep capabilities in aviation, aerospace, critical infrastructure, manufacturing and defense. And we are looking at opportunities to expand our reach in support of healthcare innovation.

What opportunities are now available for the Port?

We built and fully leased about 700,000 square feet of new facilities in the past five years, even during the pandemic. This includes new multitenant office buildings, laboratory space and a major entertainment center. We've already announced that we're going to be building a 300,000-square-foot office tower to house several major companies. We can't build space fast enough for the number of people who are interested in being part of this.

How does the Port improve economic mobility?

The first thing you have to do is inspire people. Unfortunately, we're living in a time where people get very stressed. When people get stressed, they don't see opportunities. Part of what we're trying to do is to partner with people who are inspirational—whether they are industry leaders, educators and those in the front-lines of new technologies. The worst thing you can ever say to someone is, "You can't do it." We want people to realize that if you put your mind to it, you can do anything you want to do. We want to create those connections. This is why we use all the new profits from our Tech Port Center and direct them to the Port's educational foundation, which supports many of these programs. We're opening doors and launching people on a path that allows them to go and achieve something. ■



San Antonio has rolled out the \$200 million Ready to Work training initiative to train 16,000 residents by 2028.

(...) diseases. This comes five years after the Glenn Biggs Institute for Alzheimer's and Neurodegenerative Disease was initially opened.

The impact of cybersecurity in monetary terms is substantially smaller than that of healthcare at \$3.3 billion, but its contribution to the global cyber ecosystem is priceless. Employing 16,500 people, the industry's location quotient in San Antonio is above the U.S. average at 1.4. With the region's military presence, San Antonio can be at the cutting edge of cyber innovation; the premier cybersecurity program is at UT San Antonio and other degrees are available at Texas A&M, Hallmark University and Our Lady of the Lake. Companies such as USAA, Oracle and Accenture offer an average salary of \$90,000 – and the latter has even been voted as one of the best places to work in the region.

Financial services firms contribute about \$22.2 billion to the region, according to the Greater San Antonio Regional Economic Partnership. With a workforce of over 100,000 in the region, the location quotient in San Antonio is 1.22 – and the workforce is growing. According to BLS data, the number of employees in financial activities in the San Antonio-New Braunfels region has risen by 9% since the onset of the pandemic in 2020. Perhaps this can be explained by the quality of the employers in the region. In a My San Antonio ranking, five financial services and insurance firms made the top 15 for best companies to work for. And the

salary doesn't hurt – the average salary in San Antonio's financial services sector is \$104,000.

Given the flurry of innovation, research and investment taking place in San Antonio, it should be no surprise that technology is becoming a major industry in the region. With a GRP of \$4.55 billion, the industry employs about 2,400 people. In 2019, the Kaufman Foundation named the city the nation's top market for tech startup activity, and given the ecosystem, this is no surprise. In fact, San Antonio is home to the only charter school that specializes in CAST Tech (Centers for Applied Science and Technology). With an average salary of \$95,000 it's not hard to see why the industry is growing so quickly. The authorities are also making a concerted effort to ensure it stays that way. The TechBloc program was established to encourage the region's young people to stay put and join the local tech industry instead of leaving for the likes of Silicon Valley.

■ Government initiatives

Eight counties make up the Greater San Antonio area, the largest of which is Bexar County – home of the city of San Antonio. The remaining counties in the San Antonio-New Braunfels MSA are Atascosa, Bandera, Comal, Guadalupe, Kendall, Medina and Wilson. As a result of the size of many of the cities and counties in the region, the city governments of San Antonio and New Braunfels, along with the county commissions covering Bexar and Comal Counties have a great impact on the economic development of the region. They also have much greater budgets than smaller counties and municipalities.

The 2022/23 budget for Bexar County rose by 1.9% to reach \$2.9 billion, compared with the \$77.15 million

budget approved in Comal County. The budget for the city of San Antonio alone was \$3.4 billion, which gives an indication of the scale of the city's economic impact. While the budgetary process this year was a little easier for the authorities after a post-COVID normalization, there were still lingering issues that had to be addressed. For example, the huge rise in house prices prompted Bexar County to pass a 20% Homestead Exemption for residents, while San Antonio authorities raised the Homestead Exemption to 10%, the Over-65 Exemption to \$85,000, and the City's Disabled Person Exemption from \$12,500 to \$85,000. Property taxes remain one of the key funding pillars for both municipal and county governments in San Antonio, as does the remainder of American Rescue Plan Act funding. Bexar still has \$80.2 million of the funding remaining, while the San Antonio FY23 budget includes \$156.4 million in ARPA funds.

Apart from the everyday running of the city and county, authorities need to oversee capital improvements and initiatives that promote economic development in the region. In 1997, the City of San Antonio developed the SA Tomorrow Comprehensive Plan, which was then updated in 2015. Now, the Master Plan is called SA2020 and uses 50 indicators to measure progress in nine categories, including education, health, transportation, environment, neighborhoods and culture. The plan covers not only the city but also Bexar County, with anticipated transport links that impact the wider region. The period from 2021 to 2022 was a mixed bag for progress on the goals. The goal of increasing the Water Quality Index to a C- grade and reducing teen pregnancy rates made steady progress, but the city fell behind in its aim to reduce household landfill waste by 10%. The city has until 2030 to meet its ambitious set of goals. (...)



BOERNE 
KENDALL COUNTY
ECONOMIC DEVELOPMENT CORPORATION


**Elevate your business
in Kendall County**

 **106,104**
primary trade area
population

 **290,000+**
of employable people

 **CENTRAL**
Location with easy access
to two International Airports

 **41,201**
Vehicles per day
Traffic Count on I-10

 **11.65%**
Projected Growth rate,
2021-2028

 **\$97,542**
Median Household Income

30 mile
highway drive to San Antonio
International Airport



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Facing challenges

As an attractive and growing metropolitan area, San Antonio must now grapple with issues related to infrastructure and housing affordability.



Kim Blohm

President & CEO
Greater Boerne Chamber of Commerce



Rusty Brockman

Mayor
City of New Braunfels

What community characteristics make Boerne a great relocation choice?

Boerne is growing quickly but we've been able to maintain our small-town charm. Many people are relocating to the area because of our fantastic public schools and thriving business community. The quality of life, convenient location and natural beauty of the area are also very attractive to people looking to relocate to the Hill Country.

How would you describe the current labor challenges?

We need staffing in a wide variety of areas, from management to trades and everything in between. To try and mitigate these challenges, we continue to partner with University of Texas at San Antonio (UTSA) and Alamo Colleges District, which has started construction on a new campus in our area. Boerne Independent School District also provides numerous programs for students to gain real-world experience through their career and technical education pathways.

How are you helping businesses and the local community accommodate growth?

The Boerne Chamber serves as the voice of the local business community. We work with local, regional, state, and federal agencies to advocate for our members regarding the challenges they are facing because of growth in our area. Communication with our members is imperative for us.

How have you seen the community evolve and change?

Our community has grown significantly but there are even more opportunities for creative connectivity. The Chamber has over 150 nonprofits and, for us, it is important to focus on supporting them and getting them in front of the for-profit businesses. There are more people and increased traffic but, at the same time, there is more connectivity, giving and appreciation that is demonstrated in everything that happens in the area. ■

What makes doing business in New Braunfels so unique?

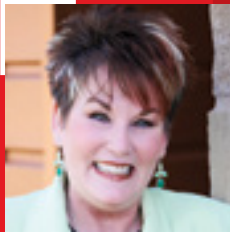
One reason is because we have a younger population and people are seeing the opportunities for not only established jobs within a variety of industries but also to be an entrepreneur. Young people with new ideas, a lot in the food industry, so the opportunities here with the small business development center and the spark center are vast.

How is the city of New Braunfels addressing housing challenges?

We have people who are driving into the city to work because they can't afford houses. We have a huge market of homes and apartments being built, so there is opportunity but that opportunity has somewhat gotten out of reach of a lot of the people looking for ownership or rentals. We have a number of business people as well as non profit organizations and government officials working to come up with ways to address that workforce housing need. Something being considered is changing the code or zoning requirements. That way if someone wants to invest in smaller duplexes or go back to a garage apartment setting, we want to be able to provide those opportunities.

How are you addressing transportation infrastructure?

That is an ongoing effort and we are working on that. We also have a transportation team with a plan that has been formulated and we hope that we can move things forward. One of the things we are asked when recruiting business and industry is if we have public transportation. We have an on-call bus system, but we have outgrown that and are looking for the best way to provide public transportation within city limits that connects people to where they frequent. There are talks about a pilot bus beginning to run between San Antonio and Austin. We are very interested in being part of that and are working diligently to address that as well as workforce housing. ■



Donna Dodgen

Mayor
City of Seguin

Why is Seguin an attractive destination for new and relocating businesses?

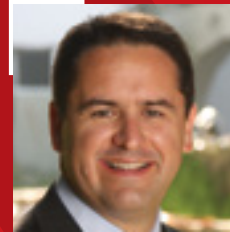
We are efficient, hospitable and easy to work with. We also work with creative solutions. There are no "no's." We want to make things work, and even if a project may not be in our scope or ordinances, we can see what we can do to make it work. That hospitality and spirit of working together is paramount. One of the unique things we do whether you're a developer or business is to bring the whole team together so everything can be done as a one stop shop. We also have enhanced our online platforms so businesses can streamline their processes.

What is the state of housing affordability and inventory?

We have thousands of homes in the pipeline. We're working on density the most, with multifamily as a priority — several are apartment complexes, duplexes, and townhouses. We can't just accommodate large half-a-million-dollar homes. We want a wide variety that young professionals can afford. When we have 70 applicants for one Habitat for Humanity home, that tells me we need affordability and attainability. The brutal honesty is that when you say affordable housing in the community, it's not taken positively, so I say attainable. We are doing special funding for apartment complexes for young professionals in their first career job who are unable to afford expensive rent or mortgages.

How is Seguin approaching mobility initiatives?

Partnerships are critical. Connect Seguin has been a great collaborator to help fund our initiatives but we need to expand it. In rural Texas, most people have cars, even still, we're working on walkability, with trails and pathways for people to get around and enhance connectivity. Our bus system is the major way we can offer accessibility for folks. We've also opened our ordinances so that Lyft and Uber could come in, which weren't here initially. ■



Erik Walsh

City Manager
City of San Antonio

What have been your key takeaways over the past year?

The biggest highlight has been voters approving our largest-ever municipal bond of \$1.2 billion. This is essentially a five-year capital plan that will center on infrastructure. Additionally, we had a historic \$3.4 billion budget approved in September 2022. It was a nice feather in our cap that Forbes named San Antonio one of the best employers in Texas, one of only two cities in the state given that recognition. More importantly, our citizen satisfaction has never been better. We used our American Rescue Plan Act (ARPA) funds swiftly, with an emphasis on small business, public health and social services. We are making sure to tackle the issues of equity and making sure we're investing in parts of our community that need it and haven't had that type of investment. In that way, our Ready to Work education and employment initiative, which was approved by voters in 2020, has embodied this investment in our communities. We have earmarked over \$200 million to be spent over five years, with the city acting as a broker for employer needs. We are working with over 260 companies to assess their employees' needs and we are using public dollars to provide training and career development.

What is your assessment of San Antonio's infrastructure?

We have an obligation and have to be smart in how we move because we have a lot of existing infrastructure that is critical to maintain. At the top of the list is the San Antonio International Airport, which will be home to the single largest infrastructure program in the city's history. Over the next four years, we will be executing a more than \$1.2 billion program to add a new terminal, a lengthened runway and a ground transportation center. Second, and just as important, is the voter-approved bond. A lot of that is for new infrastructure to keep up with San Antonio's growth. The council also approved a unified development code that shapes how it occurs. This new code will set the framework for how we grow, with continued expansion on the edges of town. ■



Jason Giulietti

President & CEO
Greater San Marcos Partnership

What are some of the key economic drivers for the region?

We are a region that makes products, meaning we are manufacturing driven. Our economy is driven by innovation, and we call ourselves the Texas Innovation Corridor. We are home to the fourth largest university in Texas with Texas State University. We have some amazing data around patent activity that demonstrates we are eleven times higher in patent utility filings than that of Texas and nine times that of the United States. We are attracting the next generation economy here to Central and South Texas. The business community is coming here to innovate and grow which continues to spawn this record level of patent activity. To be insulated from a downturn, we have also focused on diversifying our economy. Innovation for us means more than just manufacturing and we have recruited a robotic farming company that has robots farming hydroponic greens. We've also brought the largest Buc-ee's into this region and sizable investments into alternative energy sources.

An announcement we had last year is that the largest film studio production in the country is going to be built in San Marcos. It is that diversification that will build out our various sectors and make us unique.

What is the significance of the Vision 2025 plan?

That plan is a five-year strategy cycle and it is a community consensus-driven strategy, meaning it is the region's strategy. More than 100 stakeholders throughout the community got together to discuss the plan and came up with about 60 items that would achieve success for the region. We have since achieved quite a bit and one of the highlights includes a unified regional approach to economic development. One of the things we are going to be sharing is an expansion of the partnership from a two-county organization to a broader much larger organization and really taking things to the next level. On a more granular level, we have built out unique tools, one of which has endless layers of mapping and a partnership between economic development and the environmental conservation community. The last part that we have really emphasized is making sure existing businesses get the same amount of attention as new exciting projects. ■

(...) ■ Challenges

While large population growth and the arrival of new business are generally positive economic drivers, it is important to ensure growth in an equitable way. This has created some issues for San Antonio, as it has for almost all growing cities and towns. One of the biggest challenges for the region is in ensuring housing remains affordable. Huge population influxes generally mean a shortage of stock, which equates to rising house prices. In its January 2023 report, the San Antonio Board of Realtors said that prices were up for real estate across the board based on a year earlier. Single family homes and condos were up 6%, while rental properties rose 3% and lots and acreage zoned for residential use was up by 1%. Average prices for newly constructed townhomes rose by a staggering 78%. This equates to an increase per square foot that ranges from 4% to 17% - and even up to 217% in the case of newly built townhomes and condos.

There is some signal of a weakening in the market, however. Dollar sales volumes are down almost across the board due to about a 30% decline in closed listings. The number of active listings has also risen substantially - and greater stock availability means the tide is turning from a seller's market to a buyer's one. Still, house prices are not falling quickly enough. Lack of affordability means that residents are pushed into the rental market, where prices are also elevated. In fact, according to SA2020 data, the situation is getting worse. It says 37% of residents were spending more than 30% of their income on housing units in 2021, up from 35% in 2019. And amore recent Texas Housers report shows that 48% of San Antonio renters are rent burdened - or pay more than 30% of their income on rent. Only 6.5% of units are available to minimum wage renters and 41% of rental units were built before 1980, meaning about half have infrastructure issues.

But San Antonio is bringing attention to affordable housing issues. In December, the city council approved funding for 14 projects under its first-ever voter-approved affordable housing bond program. The \$150 million bond will be invested over five years in adding or preserving over 2,500 units, most of which are rentals. The council says 22% of those units are public housing or income-based, while a further 33% are "deeply affordable" - for households earning less than 50% of the area median income. Additionally, in February, the city council passed resolutions that support tax incentives for proposed affordable housing developments. The three developments will provide 424 units in total and will be priced for households earning less than 60% of the AMI. The city also launched an Affordable Housing Dashboard that will allow it to keep track of its progress (...)

Business support



Chester Jenke

President – Seguin Area Chamber of Commerce

“Many are experiencing a workforce shortage. Everyone is hiring at the moment, so there are many jobs available. Getting people back into the workplace and taking on more permanent employment is a challenge; many seem content working on a more freelance basis, out of their garage, so to speak. We do have about four expansions that are taking place right now in Seguin, which will be hiring hundreds of people. Helping our local, small business reach out and expand their markets beyond Seguin through advertising and social media is also very important work for us. Target marketing has also been a service we've been doing for our members; using data to really find out who is buying what and where.”



Jonathan Packer

President & CEO – Greater New Braunfels Chamber of Commerce

“The Chamber is focused on the big issues that businesses don't have time to focus on because their attention is on growing their business. Some of the big challenges we see are political in nature, so the public and private sectors need to work together to solve them. We hear often from our members that they can trust the Chamber to be engaged in these important issues.

We're excited that New Braunfels has tremendous choice in what types of jobs we recruit, although we're not looking to grow in every way possible. We're looking to grow in very focused ways that we think add value to this economy. A key point of our strategy is to bring jobs and people closer together. We focus on generating high-skill, high-wage jobs because too often, people are leaving New Braunfels for work. We think there's a good match there.”



Sandi Wolff

Director of Strategic Relations & Membership – San Antonio Hispanic Chamber of Commerce

“We are a connector of people, opportunities, relationships, and partnerships, including supporting a pipeline of qualified and ready workforce participants. One of the things we try to do as an advocacy group is participate in making those work together collectively. We have a very robust community college district and many higher education institutions that are doing a lot of certification workforce development, and we are fortunate for that support. The difficult part is getting them to work together to ensure we're all working on the same goals.

The Hispanic representation in our business community is significant, and it's almost to the point where it's not an outlier anymore. We ask our members what they need and that's what we are focused on. Part of our role as a Chamber is to be welcoming; we have to focus on the needs of members and invite everyone in. This is also why we launched THCCC; to organize Hispanic business representation on the state level.”



Working together

Value of relationships with existing industries is paramount

Josh Schneuker

Executive Director – Seguin Economic Development Corporation

What should businesses and investors keep in mind about Seguin?

One thing that we don't take for granted here in Seguin is the relationships that we have with our existing industry. Our companies see the value in working together to recruit new manufacturers to the region. It creates a great collaborative environment for building a stronger workforce development ecosystem and helping to recruit specific talent to the area related to manufacturing. We're fortunate we have relationships where our companies step up to help us market Seguin as a premier destination to do business.

What are the biggest shifts that you are seeing in budgeting and fiscal prudence?

The SEDC is investing more of our funding into infrastructure projects. You have to invest in infrastructure to accommodate the growth we are seeing and that comes in the form of roads, water, wastewater and electric facilities. We have been more involved in allocating more of our financial resources toward infrastructure projects to support new and expanding business enterprises. Infrastructure is a huge component of site selection and helps ensure that our existing companies are able to grow. It is always better to be proactive than reactive when it comes to investing in infrastructure.

What key legislation or regulations are you keeping an eye on?

One of the most important pieces of legislation that we are tracking is the future of Chapter 313 Value Limitations. This is a very important economic

development tool that is leveraged for economic development projects with significant capital investments and job creation. The program sets value limitations on school district property taxes for qualifying economic development projects. The school district tax levy makes up the largest component of a property tax bill. This program has played a key role in landing large economic development projects to Texas. Here in Seguin, we leveraged Chapter 313 to recruit Caterpillar. Without Chapter 313, the Caterpillar project might not have come to fruition and the economic landscape of Seguin would look very different. We are hoping that the legislature will make it a priority to re-establish the program in 2023. It's vital to the economic competitiveness of the state of Texas, especially to secondary and tertiary markets like Seguin.

Where do you see the greatest opportunity for economic development in the region right now?

The greatest opportunity for economic development right now in the region is to capitalize on the growth of the automotive, battery, and semiconductor industries. Our prospect pipeline has never been fuller, and projects tied to these industries make up a large part of that pipeline. With Toyota, Navistar, and Tesla all within a 60-minute drive time from Seguin, the automotive and battery sectors will continue to vet the Seguin region for potential investment opportunities. Obviously with all the growth of the semiconductor industry in the Austin region, and approval of the CHIPS Act by the federal government, we continue to see prospect and project activity grow. The spinoff effects from semiconductor projects like Samsung are massive. ■



(...) toward its affordable housing goals. Hindering those efforts is pricing for construction and materials. “We had a bond that we passed last year and construction will soon start on some of those infrastructure and improvement projects. Prices on those projects are now between 20% to 30% above what they were when we received the grant. The city is having to adjust how it carries out these projects. Some will become more of a priority than others as timeliness and costs shift,” Cristina Aldrete, retired president and CEO of the North San Antonio Chamber of Commerce, told *Invest*.

Another challenge for the region is to be found in record low unemployment numbers. Despite expectations that the labor market would weaken after stimulus payments were halted, tightness persists, with San Antonio-New Braunfels registering just 3.3% in December. This is despite an overall expansion in the workforce since before the pandemic. Since March 2020, the region has added over 81,000 workers to its ranks, yet many companies are still struggling to find or retain talent. One reason for this is the abundance of new companies relocating to the area and creating new jobs. As a result, companies are re-examining recruitment practices, offering hiring bonuses, more benefits and greater flexibility.

One factor that is creating a desperation for workers is an inherent lack of focus on vocational training. The dynamics of education have been changing over the years, with a much greater emphasis placed on college degrees. As a result, San Antonio is experiencing chronic worker shortages in skilled construction positions for instance. According to Pew Research, among the Silent Generation in 1968, only 28% of people had some college education and 30% had failed to graduate high school. In comparison, the 2018 millennial generation registered a staggering 68% college education rate and just an 8% high school dropout rate. Older generations tend to go straight into a job, while younger generations tend to pursue higher education, but what about the gap in the middle? That gap is the demographic the Ready to Work program is trying to target.

The city has rolled out the \$200 million training initiative with the goal of training 16,000 residents by the 2025 completion date. The program allows participants to gain access to short or long term courses or to claim funding for a two-year associate’s degree. It is worth noting that this program is not aimed at those looking to study four-year degrees, but one can be earned through the program for qualifying candidates who already have

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ECONOMIC
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Calixto Mateos-Hanel

Managing Director
North American Development
Bank

How do you evaluate what projects to take on?

People and businesses approach the bank with their ideas, and we also have an idea of what the needs of the Border region are. We have to ensure a project has a positive impact on the environment; that is the first thing we consider. We then review the more technical aspects of the project, such as finances and technical feasibility. Once this is all clear, we take the project to the board for approval, which includes preparing contracts and plans. There is commonly a construction period for our projects and we follow the environmental impact throughout.

What legislation or regulation are you tracking as it pertains to the United States and Mexico?

We operate in both countries and as a financial institution our projects follow all regulations required by both countries. For example, environmental permits are essential. You have to consider different conditions on both sides of the border and ensure all rules are being followed. If there are changes in regulation, we are aware of what is being discussed and the changes being made. Sometimes there are stricter permits, which dictate how projects are facilitated or built. Other times, changes provide additional funds and incentives that give us a boost, such as the Inflation Reduction Act. We are closely monitoring the incentives for electric mobility, storage for renewable energy, and more.

How will the Border 2025 project impact the region?

NADBank played a role in putting the program together. It's a program established by the U.S. and Mexican governments, the Environmental Protection Agency (EPA) and SEMARNAT, to provide grants to small projects having to do with the environment. The program also tackles environmental education. Some of the projects will bring knowledge and understanding to the public with the goal of taking better care of the environment. These are programs like collecting plastic containers from rivers and sewage, recycling and trash pick-up. The bank was very fortunate to have been selected by the EPA and SEMARNAT to administer the program. It's important for us to ensure funds and programming stick to the original priorities. It's a very important part of how we contribute to the community. ■



Since March 2020, the region has added over 81,000 workers, yet many companies are struggling to find or retain talent.

30 credits. Some of the initiative's target occupations are within construction – including carpenters and electricians – bookkeepers, health technicians, dental hygienists, computer hardware engineers and truck drivers. All of these professions require training so are not immediately accessible to all but are all career tracks that are in critical shortage around the country.

■ Looking ahead

San Antonio's growing population has provided the region with many opportunities, but also many challenges. While economic performance has remained steady, and even outperformed in 2021, there are signs of a weakening nationwide that the region must prepare for. For example, in December, the San Antonio Business Cycle Index declined slightly month over month to reach 156.8, although it was still up 7.1% in December 2021. Although unemployment rates remain tight, the threat of a recession looms over the region. Inflation and corresponding interest rate hikes by the central banks are pushing the price of goods up and this combination of factors is likely to put the brakes on consumer demand in the short to medium term.

However, San Antonio has reason for optimism. It remains affordable and offers a high quality of life, and companies are still realizing value in the region. As long as businesses continue to invest, Greater San Antonio will be largely insulated from a downturn by its diversified economy and strong credit rating. However, authorities shouldn't rest on their laurels, but should instead take the opportunity to get ahead of the curve – future proofing the city and the region to ensure they continue to flourish for the next generations. ■



Professional Services:



Although San Antonio has had to navigate a tight labor market, the region's professional services industry continues to thrive. Thanks to optimized efficiency and more companies moving to the region, it seems there is more than enough market share to go around.

New phase:

Companies pivot amid talent needs, generational shift

The professional services sector, from accounting and legal to wealth management and human resources, has had a challenging year as it faces the same hurdles as other industries in the face of an uncertain economy. Yet, the signs suggest optimism is warranted in the Greater San Antonio region.

According to the U.S Bureau of Labor Statistics (BLS), 155,700 professionals were employed in professional services in December 2022, marking a 2% year-on-year drop in personnel. Despite these results, the industry remains the third-largest nonfarm employer in the region, only behind Trade, Transportation and Utilities and Education and Health Services. But performance is uneven across the industry's subsectors. For example, San Antonio-based accounting firms expanded their respective roster of local professionals throughout 2022, and the momentum seems to continue spilling over into 2023. EY alone added a total 1,452 new employees, according to data from the San Antonio Business Journal. The numbers may be a reflection of ongoing consolidation across other arms of the professional services ecosystem.

The outlook for professional services looks bright, however, based on the area's projections. According to the greater:SATX Regional Economic Partnership, Greater San Antonio's population totaled 2.63 million in 2021, a 210,277 increase since 2016. The region employs 1.19 million people, an expansion of 58,085 within that same time period. The area's population is expected to continue growing, reaching 2.83 million by 2026. In tandem, Greater San Antonio's workforce is expected to reach 1.27 million within that same time period.

■ Landscape

A new phase is beginning in Greater San Antonio's war for highly coveted talent. A report from consulting firm Mercer says executives in the professional business services ecosystem are responding to economic shocks and talent shortages with increased flexibility for workers. Variable staffing models, which use data to match talent supply with demand in real time, are also becoming more prevalent, with almost 50% of organizations in the report saying they'd adopt the model in 2023. Everything is on the table to bring (...)





'No strangers to change'

Necessary adjustments have helped foster resilience

Ann Peña

Tax Office Managing Partner – San Antonio – BDO

How would you characterize the past year for the firm?

Our priority at BDO is acting as a trusted adviser, helping clients reach their full potential and guiding them to overcome challenges and obstacles.

Tax executives are no strangers to change and while there were many adjustments made recently, we have become more resilient for them. Specifically, we've seen the labor shortage challenging businesses across San Antonio, and the country. BDO has stayed an employer of choice through all of this by remaining responsive to evolving workplace dynamics as candidates are looking for a more flexible work environment. Many of the recent changes made to the way we work, where we work and even why we work will likely endure for years to come because those changes served to make BDO's businesses and people more agile in the face of disruption. By doing this, we are ensuring we have the staffing levels to support BDO's continued growth, not only in this market, but in others around the country.

Additionally, some events that shaped the past year include new government programs, like the Inflation Reduction Act (IRA), which helped businesses and individuals make informed decisions about how to operate during these unsure times. Supply chain issues also posed a challenge for companies across the country causing worldwide shortages and an economic slowdown. While some businesses still saw record years, we were there through the ups and downs to advise them so they could plan and adjust as needed.

How does the economic landscape look in San Antonio and what will be your role moving forward?

The San Antonio region continues to grow. The work

that greater: SATX is doing to bring businesses into the community is great. The variety of businesses coming in provides opportunities for a lot of people. The pace is fast, and it's exciting to see. The plans for the airport expansion will provide a lot of opportunities for businesses to move here. It makes the commute easier, especially when you're dealing with global companies. The opportunities the local government and economic development foundation provide to businesses will make a big impact.

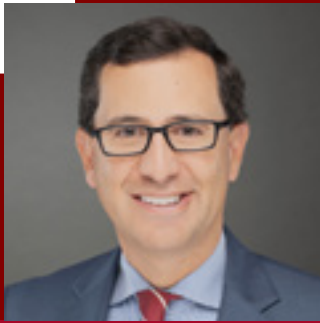
With the growth we're seeing in San Antonio as more businesses move in, there will be greater need for more professionals in the accounting profession. There will be a lot of opportunities for all accounting professionals to expand what they do and provide additional services.

What have you been seeing when it comes to client demand?

San Antonio's growth has increased demand for BDO's services across many industries. BDO remains strategic in meeting that demand by ensuring our specialty tax, audit, and advisory capabilities are aligned with each client we serve. Likewise, we continue to innovate and diversify our tools to take on new, exciting and unique opportunities and empower our younger staff to grow in their careers.

What priorities are top of mind?

We look forward to continuing to strengthen and enhance our services, especially in growing sectors in San Antonio. We will also continue to foster a diverse and inclusive workplace and empower our people to be stewards of their communities. ■



Juan Vasquez

*Managing Partner San Antonio
Chamberlain Hrdlicka*

What is the main focus of your firm?

The firm has been incredibly active nationwide and specifically in our San Antonio office, where we have the best in the business and the best in the region in terms of tax law. We have the most tax attorneys compared to any other firm in town or in the region. We are highly specialized in all areas of taxation, whether it's the Employee Retirement Income Security Act or employee benefits, tax planning, tax controversy, federal tax controversy, criminal tax controversy, state, and local tax controversy, international tax and international planning. The past year was a banner year for our firm nationwide but specifically for our San Antonio office. That is attributable to the many experts that we have across all areas of the law. We have the pleasure of being super-tax nerds and we pride ourselves on being the life of any tax party. So, we stay incredibly busy and active helping clients large and small fight the government or protect their assets, and structure their business affairs. I've yet to meet a client who says I want to pay more taxes. Most clients say they want to pay the right amount of taxes and we help determine what is the correct number.

What makes Chamberlain different?

In our San Antonio office especially, we truly view ourselves as a family. San Antonio is a great family city and we call ourselves the Chamberlain family. We have happy hours together. We play pickleball together. It's the San Antonio feel, the San Antonio support network and the real family environment that makes our San Antonio office amazingly special. We look forward to continuing to grow, continuing to expand and continuing to support our current team members and clients.

What are some of the trends that are impacting the legal sector?

The legal sector in general in the latter part of 2022 was filled with a fair amount of uncertainty. There was a lot of uncertainty about whether or not the U.S. was in a recession or whether a recession was going to occur. Nonetheless, we have been crushingly busy and we expect to continue to be crushingly busy because we are both the best company firm for tax matters while also being a value proposition for somebody who has an individual audit. ■



The region employs 1.19 million people, an expansion of 58,085 between 2016 and 2021.

(...) in, retain and maximize efficiency of critical talent: joint ventures, partnerships and opportunistic growth through mergers and acquisitions. The report found companies are pivoting much more toward the skills needed to fill specific skills gaps, creating a pay-for-skills philosophy. Upskilling and reskilling also remains an essential priority on both performance and retention fronts. Moreover, an increasing number of companies are moving away from the traditional talent model and getting closer to building “talent marketplaces” to harvest pools of internal skills, enabling talent to move fluidly—be it horizontally or vertically—within their company.

The generational shift within the available talent pool is also poised to foster significant shifts in employee preferences and priorities when joining a company. Whether motivated from the employee level or government mandates, pay transparency is a growing trend. In the U.S., California, Colorado, Washington and New York City are among a dozen states and municipalities that require companies to post salary ranges. Some specificities remain, however. In certain jurisdictions, for instance, only job applicants are privy to salary information, whereas in others the information can be made available to current employees.

■ Sector performance

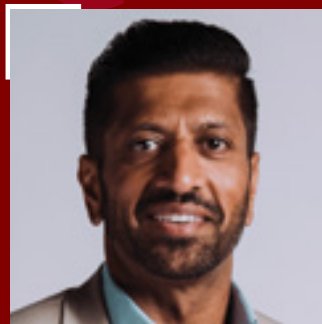
According to figures from the greater:SATX Regional Economic Partnership, the region’s professional, scientific and business services sector generated nearly \$10 billion in GRP in the third quarter of 2022. As a



result, it ranked as the region's fourth-largest contributor and accounted for nearly 7% of Greater San Antonio's total GRP of \$145.69 billion. The industry also ranked 7th in earnings per worker at a little over \$80,000. And despite challenges, the current environment is rich in opportunities. KPMG, for instance, boasts that all services across the board—advisory, tax and audit—are all in demand. The digital transformation segment is “red hot,” as is M&A demand.

Valued at \$3.1 trillion in 2022 as per IBISWorld's calculations, the U.S.' professional, scientific and technical services market has experienced constant growth since at least 2014, when it was valued at \$2.15 trillion. But despite positive trends, professional services firms need to continue adapting business models to meet changing client demands. ON24 argues that professional services firms need interactive, engaging and professionally branded experiences. Additionally, unified insights into audience behavior, engagement and questions will allow them to truly understand what revenue-generating audiences really want.

So what do they want? First, social media adoption. Be it for finding and engaging clients online, offering marketing services or monitoring competitors, social media have become an integral tool for professional services firms. Second, virtual firms. The reduced physical footprint and transition to the cloud has laid the groundwork for professional services firms to go virtual and maximize growth. Third, a value-oriented revenue model. In today's environment, professional services firms that do not offer that advisory edge seem (...)



Rahul Patel

Founder & Managing Partner
Patel Gaines LLC

What is the state of the legal sector in San Antonio?

The legal industry in Texas remains very strong. For some markets in some states, they can get hot pretty fast and cool down just as quickly. You see this in certain areas like California – hard economic times and labor issues can impact the state at a much higher level. However, in states like Texas the business growth has been incredible and there appears to be much less impact from events such as the pandemic and inflation. People saw Texas as a place of opportunity and a place of change. We saw a lot of opportunities with investors from other states coming in and acquiring property in Texas. Texas does operate a little bit differently and uniquely, so it creates opportunities for us.

We have continued to see upward opportunity despite where we are. I know there's a projected recession on the horizon and interest rates are rising but it has not cooled the real estate market in San Antonio particularly, and even across Texas. We have continued to see strong increases and an appetite for people to invest in Texas. We haven't seen much of a slowdown, in our opinion.

What opportunities do you see in the region?

For anyone who's looking to do business in the state of Texas, there's a reason why they've identified Texas. It's based on strong economic and political factors that might make it more advantageous for them to do business in the state. We're also starting to see a huge opportunity with Latin America and Mexico in terms of product distribution opportunities and that has helped Texas become a strong leader in what is called the Texas Triangle: Dallas, Austin, and Houston.

What is your near-term outlook?

My outlook is super-positive. It is very important to try to figure out how to maintain that positivity. The key is to stay focused on what we do best. I spent a lot of time in 4Q22 understanding what we did well, and what we didn't. I see more and more increases in taxes. I see more and more opportunities when it comes to business advice. The fortunate or unfortunate part about litigation is that people are always fighting as well. During bad times, litigation activity picks up. ■

Emerging trends

Fluctuations in demand for services is just one way leaders can gauge the state of the legal sector.



Chris Hodge

Partner
Langley & Banack Inc.



Rob Killen

Partner
Killen, Griffin & Farrimond

What changes in demand have you seen?

The technology sector has been a growing sector in our region. The business sector has also grown exponentially year after year because of real estate acquisitions. The value of the land surrounding San Antonio has increased exponentially over the past few years, which has caused more people to want to sell. There is so much money circulating that it is providing a wealth of opportunity from a legal standpoint.

What trends are impacting the legal sector?

A trend that has affected us are large firms who try to move to San Antonio, which is not new. Larger national firms periodically try to open offices in San Antonio, some are more successful than others. When they come to town, they try to capture lawyers from other firms, so we are always dealing with that issue. In my mind, the San Antonio legal community is still a somewhat “tight-knit” community where huge law firms really have not thrived as well as they have in larger cities. With the influx of legal work we have, the key is finding the people who want to work hard and be productive. At our firm, if you want to work hard you will do well. I think that’s why we’ve been around for so long and continue to grow. We are consistent and transparent.

How does population growth impact your business?

There is a significant number of people moving to San Antonio and Central Texas from other states, which has grown our business significantly. That has a lot to do with the wealth they have brought in and the expansion of many industries like tech, manufacturing, etc. In terms of hourly rates, I believe the San Antonio legal market has, to a degree, lagged behind other bigger cities, but I believe that is changing. I think that the influx of people to this area and the shale play south of us has generated many more opportunities for legal work. At Langley & Banack, people who want to be busy can stay busy, and we have the work to support it. ■

How has demand for the firm's services evolved as San Antonio continues to grow?

We've always done significant practice in multifamily and it has spiked exponentially in the past two years since the pandemic. We're working on dozens of apartment projects each year when it used to be a handful.

We have also seen more and more single-family development outside of city limits. In 2017, the Texas legislature changed laws on annexation for Bexar County. In 2019, they took those changes and expanded them statewide. The change they made was that cities can no longer involuntarily annex. In other words, property owners have to say they want to be a part of the city before they can annex their property. Our practice has been focused on properties that are outside a municipality's corporate limits and projects that voluntarily annex. Cities and counties benefit because they're growing their tax base since the properties are typically agricultural and not paying much tax. We're doing significantly more public improvement districts because of the change in law and growing demand for housing.

Are there any significant changes to zoning laws that could impact business?

San Antonio amends its development code every five years. We finished a five-year cycle in 2022, and new ordinances that impact zoning and development started Jan.1, 2023. We're heavily involved in that process, working with consultants and officials to make sure those changes have a net positive impact on development. Small cities are adopting significant changes to their codes and are adopting unified planning, seeing more opportunity for mixed-use and infill development. More cities are adopting ordinances for townhomes and mixed-use development. There's a greater awareness that it's the new normal in terms of residential real estate. ■



Nick Monaghan

*Office Managing Member – San Antonio
Dykema*

What challenges have you encountered during the past year and how are you strategizing around those challenges?

Understandably, a lot of our clients faced headwinds in their businesses, especially with interest rates rapidly increasing. As such, it's more challenging for clients to manage cash flows. This is going to have ripple effects throughout our economy as businesses will become more judicious about the legal providers and vendors. We're well positioned to help our clients navigate this cycle, because we provide a lot of value from a rate standpoint.

Which services have gained the most demand in the past year?

We have a heavy tilt toward healthcare transactions, which have remained strong. Our litigation, bankruptcy, labor and employment practices have been robust. It is good to be diversified and have a lot of different practice segments that are uncorrelated. We're still very busy here, but it's definitely in different areas than it was a year ago.

What are some of the trends that you're seeing right now that are affecting the legal industry?

Certain jurisdictions, such as the state of Arizona, are allowing non-lawyer ownership of law firms, allowing lawyers and non-lawyers to co-own businesses that provide legal services. That trend is going to potentially have large implications for our profession.

What are the ways in which the firm is leveraging technological advancements?

One technological advance that we recently adopted is the prudent use of artificial intelligence in the merger and acquisition diligence process. When done carefully and well, this can make that process more efficient. It's a big technological change that we have integrated within our practice. ■



James Rosenblatt

*President
Rosenblatt Law Firm*

What have been some achievements for Rosenblatt over the last 12 months?

Rosenblatt Law Firm (RLF) has been involved in several large mergers and acquisition deals during the last year. Our litigation team is busier than ever with the courts finally open and working at full capacity. RLF has more new clients this year than in the last 18 years of practice. RLF continues to grow and help our clients in all aspects of their lives.

At the moment, RLF is exploring expanding from a single office and a single city to multiple offices in multiple cities. The virtual world has enabled Rosenblatt Law Firm to be involved in transactions across the country, with clients all over the world. Virtual practice allows RLF to conduct business without having to have a physical location in each of these places. Additionally, having attorneys licensed in multiple states has provided even greater flexibility for our clients.

What trends are you watching and how are those trends having an impact?

If your business decision is based on whether interest rates are 5% or 7%, you're making the wrong decision. What's unique about where we are is that although pricing is going up and money is getting more expensive, money is still available. There are people still willing to fund deals. As long as that remains the case, opportunities will continue to be there.

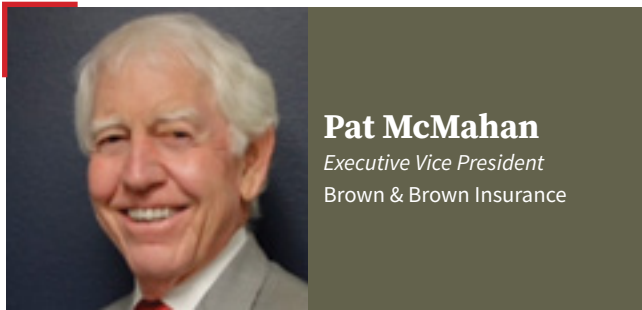
Typically, in a recession, banks hunker down. They hold on to cash and are less willing to lend money. If that happens, the economy will take a much different turn than it has at the moment.

Wage inflation has also been very interesting. In the legal market, paralegals have probably benefited the most from it. Hourly rates are increasing, and reallocation of income will continue as we use more staff and fewer attorneys to better accommodate our clients. ■

(...) doomed to fail. Fourth, modularization. Rather than being offered as a bundle, services are being split into several individual components and sold separately. And lastly, back-end services automation. The specific value for professional services firms is automating back-end processes to match front-end services and the added efficiencies of eliminating paper-driven processes and reducing operational costs and time to service customer requests.

■ Regulations

Regulation across states and municipalities tend to vary wildly, meaning that professional services firms need to keep up with a raft of issues that could impact their small business clients. According to Business News Daily, there are 10 common local legislative issues that will be at the forefront throughout 2023. These 10 issues cover minimum wage increases, tipped employee pay, COVID-19 vaccination, data privacy and security, sexual harassment policies and training, pay equity legislation, paid leave laws, healthcare reform,



Pat McMahan

Executive Vice President
Brown & Brown Insurance

“The biggest challenge is finding great talent because the older insurance agents are starting to retire. We don't see the penetration of the younger agents replacing them. There seems to be a shortfall of those wanting to get into the insurance industry. But on the other hand, a good thing is going on in San Antonio as the local universities are trying to get involved in helping us with this gap. The Board of Independent Insurance Agents in San Antonio is working with Alamo Community College District to provide programs for students interested in the insurance industry. Saint Mary's University is offering a risk management program at their business school and they're partnering with local agencies in introducing these young students into this profession. The University of Texas at San Antonio also has an insurance program at its business school. I see this education / agency partnership as a positive as we are trying to fill this industry gap.”



Ceridian's 2023 Pulse of Talent survey shows nearly 90% of employees have felt stuck in their role over the past year.

state collection of online retailer sales tax and state retirement plans.

First proposed in 2022, small businesses supplying large publicly traded companies will also need to be aware of an SEC rule that mandates greenhouse gas (GHG) emissions tracking. Under the rule, large public companies are required to disclose information about climate-related risks that could have a material impact on their operations, as well as GHG emissions. This reporting requirement also applies to their entire value chains. The proposed rule is set to become final in April 2023 and Scope 3 emissions will become required reporting in corporate filings starting in 2025.

For the rest of 2023, Greater San Antonio's professional services firms should also keep track of upcoming rules that impact small and medium businesses. These changes include how to classify independent contractors and a



The number of local professionals at the region's Top 25 accounting firms was up 16.51% YoY in February 2023

more stringent set of standards governing who qualifies as such. On the table is also a rule proposed by the SBA to expand the number of nonbank lenders in its 7(a) loan program in an effort to provide non predatory lending options to underserved small businesses. There is also a proposal from the Federal Trade Commission proposing a broad ban on noncompete agreements. Another piece of legislation relates to immigration fees for international workers, and would mean employers pay significantly more to petition for and sponsor international workers. There is also a proposal to tighten regulations on venture funds and fund managers that would prohibit private fund advisers and affiliates from limiting their liability for a breach of fiduciary duty.

■ Accounting

While the total number of local professionals in Greater San Antonio's Top 25 accounting firms increased 16.51% year over year to 2,505 in February 2023, the number of local partners dropped slightly within that same time



PRIVATE WEALTH ASSET MANAGEMENT OFFERS A UNIQUE APPROACH

providing a team of experienced and credentialed professionals that live and work in the same communities as the families and clients they serve.



Michael O'Donnell

San Antonio Partner-in-Charge
Norton Rose Fulbright

What opportunities do you see in the legal sector in San Antonio?

San Antonio is an exciting, vibrant and growing city. We have the largest presence of a national or international law firm in San Antonio, and we've been here for 40 years. So, the tremendous development and growth of the city, coupled with our commitment to excellence and deep bench of expertise, create a perfect combination where we can take a lead role in some of the biggest projects, not only in San Antonio but in all of South Texas.

The development in San Antonio has been outstanding but it's been responsible in the sense that it's been well planned, and in many cases is the implementation of visions that have started long ago.

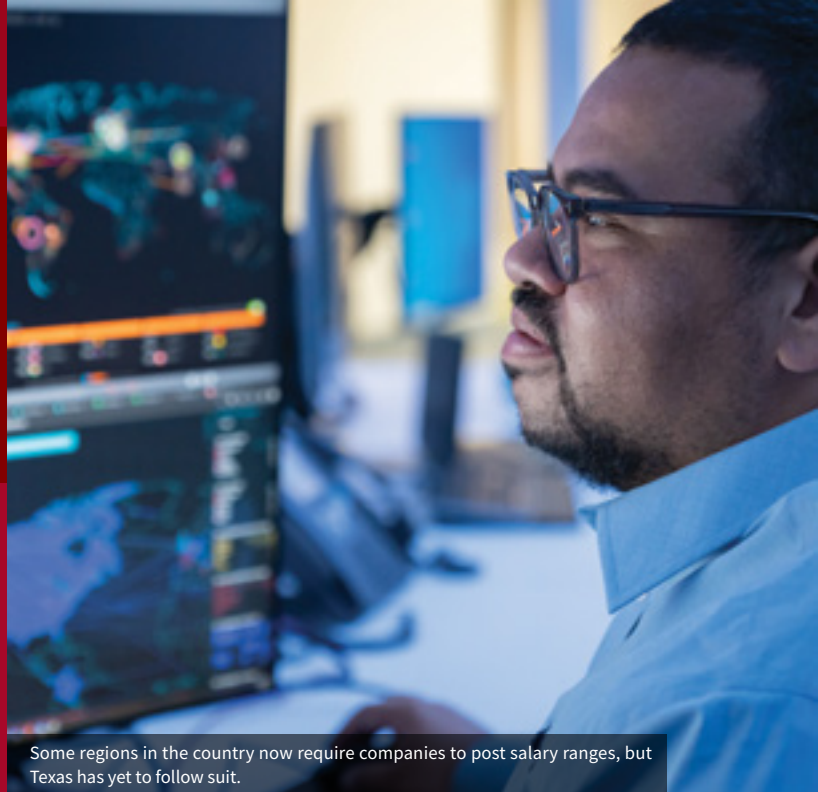
What are some of the trends that are impacting the legal industry?

We conduct a litigation trends survey, which asks general counsels from across the country what are their deepest areas of concern, and it focuses on regulatory and litigation matters. What concern general counsels the most, as they report in response to the survey, are issues like cybersecurity and ESG. These are the types of matters where you need a firm like Norton Rose Fulbright that provides access to the leading subject matter experts in the country. These areas are what are keeping general counsels up at night.

What separates your firm from other competitors in the market?

One of the critical things about being a law firm of our magnitude is that we truly can help a company that either is multinational or has multinational ambitions. So, for example, a company in San Antonio that has achieved development of a product that can be marketed globally can work with Norton Rose Fulbright and be connected to a remarkable network of legal expertise spanning around the world.

We either have an office in the location they're targeting, or we have a close relationship in that market. So, it is a one-stop shop for legal advice in every corner of the globe. ■



Some regions in the country now require companies to post salary ranges, but Texas has yet to follow suit.

period. This was compensated by a 15% increase in the total number of local staff, bringing the headcount to 2,764. Given the reluctance to return to the office, it was unsurprising that the office footprint continued to drop, with the Top 25 accounting firms reducing their number of U.S. offices from 591 to 505 between 2022 and 2023.

This streamlining potential is one of the reasons the accounting industry has attracted the attention of private equity firms, according to Insight Magazine. The situation is mutually beneficial, unlocking fresh capital for CPA firms. There is also appeal from a recruitment perspective. When the PE firm inevitably sells the firm to a larger group – or in some cases takes it to IPO – the firm's young talent obtains rollover equity in the company, which in normal market conditions would take decades to unlock. Accounting firms relying on PE capital can grow rapidly through inorganic purchases and adding innovative services to their offerings. For PE firms, a CPA business provides stable, recurring revenue streams, as well as the opportunity to generate efficiencies.

■ Wealth management & financial advisory

Greater San Antonio's Top 25 money management firms have had a bit of a mixed bag when it comes to performance. On one hand, the number of local clients increased 18% year over year in 2022, reaching 35,126 employees. The number of portfolio managers employed increased 22% during the period to reach 153.

In contrast, the number of researchers dwindled to just 52, down 24% from the prior year. There was also a contraction in local staff, which dipped 10% to 660. Still, the ability to increase the client base despite the (...)



Safety first

Past year has been a 'great educational experience in managing risk'

David Tawil

Managing Partner – Texas, Private Wealth Asset Management

What are some concerns about inflation and what should investors be concerned about?

You need to be concerned about purchasing power and saving but most importantly you need to know how to do that safely. For the entirety of last year, we were hedged for our client portfolios. This has been a great educational experience in managing risk for our clients. We predicted turbulent markets but no one predicted we would be down 20% and that inflation would be at all-time highs. We were prepared for this. Interest rates are easy to prepare for from the standpoint that we have been preparing for years as they were artificially low. If you are prudently managing assets, then you are managing that risk and interest rates are that risk. We mitigate that by keeping the duration of a portfolio very short. We had a target duration of around two to three years and that allows us to have rapid maturities as interest rates rise. The problem is that if someone is living off fixed income, then you are just treading water. If you held cash over the last two years, you are losing money safely. You were getting a 0% return, but inflation is 2%, so you were locking in a negative rate of return. As interest rates go up, this is a great opportunity to lock in a better return but inflation has also risen. The gap for those people is widening and that is the risk we were preparing for.

What is the biggest challenge in the wealth management industry?

The biggest thing is the economy and markets. This has been a tough year and no one will tell you otherwise. It requires a lot of work and focus but it is also one of the biggest opportunities at the same time. The other

challenge is finding people who have the expertise to work in our space. We firmly believe in succession and legacy planning but not from the sense that most people are thinking. We want families to know that we are training the next group of advisers who will be with them after our older advisers retire. This is hard because most firms want revenue to hire younger people but we believe that we need to help them grow alongside our clients, so they are familiar with them. This helps to continue that relationship for years to come. This is often ignored, especially by bigger firms. They don't have the budgets to invest in that.

How do people view financial freedom and how has that definition changed?

The definition is different for everybody and it starts with education. A big part of what we do is work with second- and third-generation individuals. When you take the time to educate each generation, then they understand the strategy that you are putting in place. It starts with planning but second to that is solid risk management. You have to understand how to de-risk a platform as much as you can. You can win the lottery but that doesn't mean you can manage that appropriately. You don't have freedom until you are educated.

What are your top priorities?

Our top priority will always be our clients. We need to continue to help our clients grow and manage the assets that they worked hard to achieve. This means we need to invest in our business for their betterment. Our outlook is extremely positive. We are in markets that we love to be in and our prospects for growth are off the charts. ■

Financial well-being



Alexandra Cavazos

Managing Partner – AC Financial Investment & Wealth Management

“The financial services industry is in a resilient position. In light of recent market challenges, individuals are recognizing the value of professional guidance in planning and executing their investment strategies. In times of economic downturn, there are opportunities for those who are prepared to take advantage of them. However, the importance of seeking expert advice cannot be overstated, as even minor mistakes can have significant consequences. The current market environment emphasizes the need for investors to remain attentive and stay informed, with the guidance of a trusted financial adviser.”



Steve Dziuk

President – Mesquite Wealth Management

“One of the things that we have seen change a bit lately is more COVID-related than anything actually: People want to have more work-life balance, either by retiring earlier or working less earlier, and have a bit more freedom and focus toward family. On the specific question of financial freedom, everyone is different and it is a little less materialistic than it was a few years ago. The definition remains, at its core, the same for everyone in that it is just the ability to do what they want to do when they want to do it. The amount needed for that, however, is different for everyone.”



Joseph McLauchlan

Managing Partner – KPMG

“We continue to invest in finding ways to advise our clients on digitization, data analytics, and cybersecurity. Getting involved early and being proactive, while hiring the right talent, whether it be internally or externally, are the best ways to mitigate risk in a constantly evolving environment. We’re working to embed technology in everything we touch, creating more efficiencies and enhancing the client experience. From a workforce standpoint, we are making sure everyone has the right technology so that they can do their work from wherever they sit. Technology is embedded in everything we do in our daily lives. Getting access to information is key.”



Linde Murphy

President – M. E. Allison & Co.

“Looking at the market in general and not only our clients, more people desire financial freedom. This became especially apparent during the pandemic when people chose to quit their jobs or realized they could find a better fit. Each generation, however, has a different sense of financial freedom. It used to be having enough savings for retirement but now many want just enough in the bank without sacrificing the quality of life today. We see this shift with younger generations. Although we see why this mindset is compelling, we emphasize the need to save and invest to provide long-term financial freedom.”

(...) employee headcount drop demonstrates the number of efficiencies that were employed throughout the year.

The region's Top 25 money management firms had \$46.43 billion in local assets in September 2022, a 2% year over year drop. While the year-on-year tumble doesn't seem significant, it is significantly below the \$61.63 billion in local assets reported back in 2020, and more challenges are on the horizon. Demographic shifts across the country estimate that 250 million Generation Y and Z customers — born between 1981 and 2012 — will have an annual income of over \$100,000 by 2030. This younger generation of investors means wealth managers will have to adapt to a profile that is more digital services prone, comfortable doing its own research, sees risk as a downside more so than volatility, looks to emulate the investment strategies of ultra-high-net-worth individuals and is reluctant to purchase discretionary services.

Contrasting with money managers, the number of employees across Greater San Antonio's Top 18 financial planning firms dipped marginally across the board, reaching 121 in 2022. A larger decline was seen in local offices, which shed almost 22% of its workforce to reach 2,051 in 2022. Vestwell's latest Retirement Trends Report survey revealed financial advisors should try to play a larger role in workplace retirement plans with both plan sponsors and participants. With the introduction of the SECURE 2.0 Act that changes the way many retirement savers will use retirement plans, Vestwell

says 90% of employees are interested in professional financial advice to guide them through their savings options.

■ Legal

Greater San Antonio's 35 largest law firms maintained a relatively stable headcount, considering the number of total local lawyers grew 2.35% between 2022 and 2023, reaching 567. But the number of local partners dropped 4.59% within that same period to 291 between 2022 and 2023. Interestingly, the number of female local partners remained unchanged at 73, but this is a telling sign that the market still has a way to go given that they represent just 25% of total partners of 2023. The number of local minority partners contracted 1.49% to 66, again amounting to just 22.6% of total local partners.

The legal industry and practice continues capitalizing on technological innovation. The Association of Legal Administrators reports the practice of law is being

redefined by the new technology legal firms are adopting. The chief areas that are being significantly impacted by this modernization include document management, streamlining communications, driving collaboration, knowledge management, legal process and automation and data security. Technological adoption is not without its challenges, however. While some legal professionals believe virtual depositions are here to stay due to the proven track record of effectiveness and efficiency, (...)

The average annual income for Gen Y and Z will be over \$100,000 by 2030

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Ann Pena, Tax Partner, apena@bdo.com

Accountants and Advisors www.bdo.com



Industry hurdles

Accounting leaders provide their insights into the dynamics surrounding advising clients and developing talent in a volatile market.



Joe Hernandez

Partner & COO
ADKF



Bob Herbst

Managing Shareholder
Fisher Herbst & Kemble PC

What is your analysis of the talent pool in San Antonio?

There is a labor shortage in the accounting sector. The enrollment and graduation rates from accounting schools are decreasing. I think employers are doing what they can to keep their people. The industry is seeing pay increases or businesses are trying to make the atmosphere and work culture fun and exciting. Let's make this more than just a place to collect a paycheck.

How are you advising your clients regarding issues like inflation and increasing interest rates?

We're telling our clients to be wise with their cash. If their loans are higher interest rates, farther down the road the return on investment is right, and that's OK. But don't build that building or whatever you need to if the return is not the right one. We need to make sure the return is worth it. You have to keep running your business but be mindful. Let's control costs, look at your cost structure, make sure it makes sense and that the return is worth it to cover your interest costs and also inflation.

What are the biggest challenges your firm is facing?

It is hiring people. If we find experienced people today, we will offer them a job on the spot so to speak. Hiring is hindered by the lower numbers coming out of the schools, the people leaving the industry altogether for whatever reason, and then baby boomers who are retiring now. Labor is our number one heartburn right now.

What are your outlook and top priorities as you move forward?

It is to keep managing our growth. We're looking to expand on and build our accounting and outsourcing services. We also see opportunities in business valuations and other normal consulting. There are still some good growth opportunities for us and that's what we're looking for. ■

Have you noticed any shifts in your client's priorities or service preferences?

Some sectors are still doing well and growing but building sectors, such as residential and home mortgages, have crashed. Homebuilders are still selling houses but not to the extent they were previously. Other ancillary businesses are still in high demand and many people are moving into San Antonio from other states. It's a moving target as far as what their needs will be. We've been approached by several companies that have moved into San Antonio and they're just looking for necessities because there are fewer and fewer CPA firms out there. There's quite a difference in quality when talking about somebody working out of his home versus a firm with all the support.

We provide tax, assurance work and consulting, connecting them with people who can help, such as estate planning. We also work with some attorneys and a big topic until 2025 is to get their estate plans in place before the sunset provision. We work with financial institutions, construction clients and real estate developers. We also work with families in and around San Antonio and in several other states.

Regarding the opportunities, what are your specific targets?

The prospects are excellent, and Boeing is putting a trillion dollars down in southeast San Antonio. All the ancillary businesses moving in along with them are some of the big things that will happen in San Antonio.

It will work out the same way as when Toyota came in and created businesses out of thin air for many people. There will be more businesses created and more businesses coming in due to that kind of expansion. Boeing has been here for quite a while but it will get bigger.

What is your medium-term outlook?

The market should improve; we can get past this inflation and get things back to normal. We are going in the right direction for the next three to five years. ■



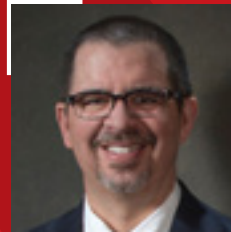
Adam Schleper
Managing Principal of Office
 CLA

What are your strategies related to hiring and retaining talent?

A few things come to mind. We have a focus on schools here in San Antonio, and we are blessed with a number of universities in the city. The other thing CLA has done is invest in affinity groups that maybe didn't see accounting as a career track for them. We have partnered with NABA, the National Association of Black Accountants, and we are looking to partner with other groups to be involved at a national level to ensure people realize what a rewarding career this can be. We are also looking at eliminating some of the other hurdles of those who did not see accounting as an avenue for them. Those coming from a disadvantaged background may not have access to another year of college to reach the 150 credit hours required for this career, so we are working on ways to use our voice to potentially change some of those regulations to remove barriers. We are also looking at how we can make it so that different types of degrees can still have a career in accounting within a public firm without coming straight out of school with the prerequisites for the degree.

How are you advising staff and clients on today's economic environment and what are you concerned about?

Overall, we lean on our wealth advisory arm to help us with our market standpoint. They are brought into the conversation with our clients. If you look at any interest rate, it becomes relative with prices correcting themselves and pricing power. It's all to say we still have really low unemployment overall, which is a good indicator of a healthy economy. There are not a lot of indicators that if there were to be a recession it would be catastrophic. We've never really had a real recession with low unemployment. There will be headwinds where some industries will feel it harder, such as the tech layoffs happening right now, but that's such a small piece of the wider economy that the fundamentals for continued growth are still strong. ■



John Wright
San Antonio Market Leader
 RSM US LLP

How do you advise clients through volatile markets?

There is that old tendency when faced with uncertainty to go conservative and not spend. Certainly, sometimes that is the appropriate thing to do. But you can't be paralyzed by uncertainty. In any executive meeting, I hear concerns about the economy, whether it's a recession, workforce issues, all of that. But no matter what the headwinds are, it is a priority to have a plan that you can execute to control the things you can control. The last thing anyone can benefit from is inaction.

How does RSM develop talent?

The profession has struggled as the rates of accounting graduates coming out of universities who are CPA-eligible have declined. In response, our firm has increased the overall diversity of who we hire. Our team spends a great deal of time personally recruiting, meeting young people before they even get here. When we do bring in people new to the industry, we also understand they might not be here forever. It's our mission to develop these individuals as they seek out their passions in the industry because we know it's for the greater good, while helping them achieve their life goals.

What is your main takeaway from the past year?

As a firm in the local market, we serve a diversified set of industries with a diversified set of services. In 2022, we continued to adapt to the post-pandemic world and have seen our teams and clients connecting more consistently in a hybrid environment. In our profession, the pandemic caused us to accelerate the way we work, utilizing a balance of technology/virtual platforms and in person, and not necessarily revolutionize it. We did well to adopt a number of new technologies, update our processes and innovate how we work with clients, whether it is in person or remote. In that way, I'm proud of our team and how they embraced professional flexibility in serving clients. ■

(...) they raise the risk of witnesses relying on materials that the examining attorney is blind to during a remote deposition. On the state legislature front, Greater San Antonio's legal firms are keeping an eye on laws passed in the 2021 Texas legislative sessions, such as the revision of property tax collection, the judicial branch expansion and a pollution standards amendment.

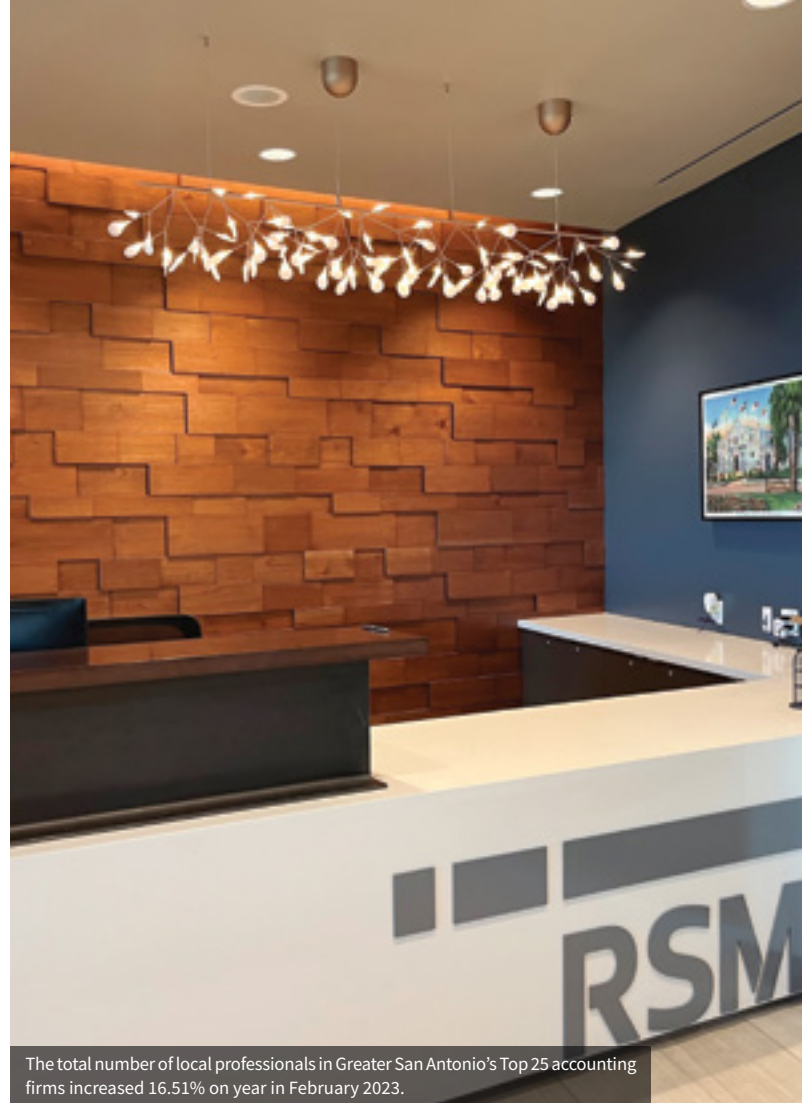
■ HR, staffing & consulting

Like most of the country, San Antonio is experiencing record low unemployment numbers, which reached just 3.3% in December. While the dropping unemployment rate in Greater San Antonio is good news, it creates new challenges for HR and staffing professionals. But there is opportunity for recruitment – and for retention. According to Ceridian's 2023 Pulse of Talent survey, close to 90% of employees have felt stuck in their role over the past year, and 70% of them are a flight risk. A new career path within the company, working on new projects or with different teams are a few pathways company leaders can explore to foster retention based on the survey's results.

As the past two years have shown, employee well-being has become an essential, with employees often prioritizing working conditions over salaries. Companies are also moving away from recruiting based on degrees and leaning more intently on skills-based hiring, placing potential over credential. Flexibility has also become part of the mainstream HR practices, extending to the ability for employees to choose their work schedule. Corporate brick-and-mortar academies are also in line for reinvention as hybrid learning, lifelong learning and micro credentials grow in popularity within the workforce. ESG reporting is poised to expand beyond compliance and into talent attraction and retention, and human skills will dominate as the hard skills in the future of work.

■ Challenges

While professional services in Greater San Antonio remain a strong pillar of the economy, several challenges are worth keeping in mind for 2023 and beyond. While AI has proven to be a go-to tool for process efficiencies and slimming down man hours on administrative tasks, there is the risk that employers could fall afoul of federal employment law if it is relied upon for recruitment processes. Moreover, while workplace safety issues traditionally revolved around harassment or physical workplace conditions, the concept has expanded to mental health, opening the door to additional types of claims. The Occupational Safety and Health Administration (OSHA) is even



The total number of local professionals in Greater San Antonio's Top 25 accounting firms increased 16.51% on year in February 2023.

ramping up enforcement, pushing separate citations for every violation. The agency is also beginning to impose multiple penalties for multiple violations, stepping away from the practice of grouping multiple similar violations with a single monetary penalty. The intersection of remote work and pay transparency is also rippling through the corporate world. Employers are unsure as to how pay transparency laws apply when their remote workers live in a different jurisdiction to the one the company is headquartered in.

■ Looking ahead

San Antonio's professional services industry will continue playing a key role in the region's economic growth. New needs and demands will have to be met, and much of this can be accomplished by new technologies and intelligent software – but the human touch is still crucial. Going forward, as San Antonio continues to grow and attract new companies, the area's professional services players will prove instrumental in assisting corporate clients of all sizes to capitalize on opportunities. But all the while, they will need to battle the undercurrents of inflation, interest rates and the intensifying war on talent. ■



Residential Real Estate & Construction:

Unsurprisingly, as U.S. residents and international workers are flocking to Greater San Antonio, the region's population is expanding fast. But as the region experiences tremendous population expansion, building resilient communities remains a key challenge.

Building resilient communities:

San Antonio market among those to watch in 2023

Last year, Travel + Leisure readers named San Antonio as the ninth-best city in the United States, while CommercialCafe, a real estate listing service, ranked San Antonio as one of the best cities for Generation Z. According to CommercialCafe, Mission City made the cut thanks to its low unemployment rate of 5.2%, availability index of 89.3%, internet speed, and available recreational establishments. Yet the trendy metropolis isn't just a haven for Generation Zers as it is also a popular destination for millennials. In fact, San Antonio was ranked No. 4 among the top millennial markets for 2022 by the real estate website Knock thanks to its above-average concentration of tech and healthcare jobs and excellent wages for skilled, educated workers. As for retirees, the Alamo City is still a popular choice for people looking for a friendly, affordable city in the United States. In 2019, Forbes even included San Antonio in its list of the Top 25 U.S. cities for retirees. In the most literal sense, every adult generation loves San Antonio and its authentic local culture, culinary heritage and thriving arts scene.

While both the public and private sectors are aware of the need to create dynamic infrastructure strategies that could enable sustainable growth, they are also conscious of the possibility that accelerated urbanization could bring about new dangers. Last summer, a single-family home that was under construction in San Antonio partially collapsed while people were still inside. Another partial collapse happened at the First Baptist Church in Stephenville, where two construction workers were hospitalized after the incident. Elsewhere, long-term construction in St. Mary's Strip, Tobin Hill has infuriated business owners and residents because they lost business opportunities due to the ongoing construction project in the area.

In a region with frequent seismic activity like San Antonio, building earthquake-resistant structures, upholding modern building codes and avoiding any negligence become imperative. Because of this, San Antonio's infrastructure and real estate policies need to steer clear of the traps of rapid growth and uneven urbanization.

In light of these conditions, private and public sector players have tried to come up with plans that (...)



Evolving market

Despite market cycle, there are still opportunities

Thad Rutherford

President & CEO – SouthStar Communities

How would you assess the opportunities within the real estate industry?

I have been developing all over the Southeastern United States. From my perspective, there is a tremendous opportunity within Central and South Texas, especially within San Antonio and New Braunfels. Of course, we recognize market factors are introducing more caution to our industry but that does not mean that great projects cannot be executed. Our role is to push forward and provide a consistent reliable presence. People will choose great neighborhoods in all market cycles. We recognize the market is evolving right now but there are always opportunities to deliver great work that elevates quality of life for buyers, employees and beyond, and we will continue to do so.

As for what clients are looking for in their homes right now, we continue to see a focus on the outside experiences. That is why, in delivering our projects, the focus is on the right type of open space and amenities available to the residents. Especially now as we recover from the pandemic, people want good spaces to use as a group or family. As for what residents want inside the house is high speed internet because remote work is not going anywhere any time soon, so we are providing it in areas that haven't had it before. Thus, the homes are also made in such a way that at least two people are able to work from home efficiently.

How has SouthStar Communities continued to adapt to the ever-changing technological landscape?

When we talk about features that residents/tenants want, high-speed reliable connectivity is essential. This is no longer on a wish list, it's on the 'must-have'

list. We deliver the highest speed fiber infrastructure available in our new communities, that serves the need today and for the foreseeable future. In some of our communities we include this through the HOA (Home Owner Association) to secure bulk discounts for our homeowners. From a company perspective, Southstar is always looking for the latest tools to add efficiencies to our business that improve our outcomes, especially in terms of service and information to our residents. This includes all manner of digital mapping and self-service information for our owners, buyers and investors. We're investing a lot of money in 3D technology, as it is the future (and really the present) of our business.

What is the current demand for real estate and will it remain sustainable?

We definitely need more housing because that is a fundamental problem across America. Anybody you ask on the spectrum of real estate or public policy will tell you that there is just not enough housing. There is demand out there and just not enough supply of all types of housing. For example, within Central Texas we need more middle housing - including townhomes, duplexes, or even an auto-court that is a collection of five houses across a drive-way, etc. That is what is necessary and will sustain the growth over the next 20 years for SouthStar. For San Antonio especially, we believe there is this missing middle and if this is addressed then it will automatically help with affordability. You need to not only develop houses, but you also need to make them based on people's wages. Building more housing will bring prices down but our industry needs to be creative about what types of housing are being built. ■



Adam David Lynd

President & CEO
Lynd Living

How do you see the economy and the real estate market in the next two years?

We are in an unprecedented time where we see massive hyperinflation followed by high-interest rates and real estate grinding to an absolute halt. Although everyone is praying for a soft landing, they are probably praying for something that's not going to happen. Every business and every industry is focusing on what is non-essential and what is essential. In these cases, companies get leaner, they prepare, they get in good shape to prepare for a downturn to take the proper defensive actions that they need to take now in preparation for when those hard times come. We're seeing that already with all the layoffs that have happened. This year and next are going to be very painful for the consumer. They've already seen the rise in home costs, heating, electricity, water, insurance, education, insurance for their cars, their taxes — everything is up and the consumer makes a fixed income.

What is the state of the real estate market?

The institutions, banks and hedge funds are so flush with cash that there's money to do deals if the deals make sense. We're in a period where everybody still has stars in their eyes for the prices they were getting before the pandemic and during the pandemic, when prices bubbled to the highest they've ever been. People are still thinking they're going to get \$390,000 a door for a unit. But in today's world, they're going to get \$200,000 from buyers willing to pay that. When that happens, there's an impact. That's where we're at right now. The sellers are unwilling to discount their prices to a point where buyers are willing to buy them. That shuts down all real estate activity for a while.

What is your vision for the Miami World Center?

The Miami World Center is the first health and wellness apartment building. There will be life coaches at the building to help people with putting together a plan. There are going to be all kinds of nutritionists there. There'll be a doctor in the building. Every great idea I've ever had will be in this building. On top of the health and wellness aspect, it will be full of programming, including fashion shows, music, parties to raise money for charities and so forth. ■



The National Association of Realtors says San Antonio's home sales will increase 2.5% in 2023.

(...) could respond to the extreme population growth. But the influx of international newcomers and out-of-staters has increased housing costs and decreased the supply of new dwellings. Meanwhile, the interest rate hikes implemented by the Federal Reserve have disproportionately hurt first-time homebuyers.

■ Landscape

According to an annual report from the National Association of Realtors (NAR), the real estate market in San Antonio and New Braunfels is the ninth-biggest market to watch in 2023, following Jacksonville, Florida. Due to its favorable tax laws, affordability relative to other real estate markets in Texas and the U.S., and expanding tech workforce, NAR anticipates that San Antonio will do well in 2023. At the same time, Realtor.com forecasts a rebound for the San Antonio residential market in the second half of the year despite rising interest rates. The real estate listings website anticipates that San Antonio's home sales will increase 2.5% in 2023, whereas average prices will grow by 4.6%.

Inevitably, other industry professionals are not as optimistic about the future as NAR and Realtor.com are. For example, fewer than half of respondents to a PwC industry study anticipate having a successful financial year in 2023, down from 86% entering 2022. To be fair, there are already warnings of impending problems in the local residential real estate market. For example, supply chain disruptions continue to cause construction delays and hamper new projects. CPS Energy was obliged to postpone the development of some subdivisions due to supply chain issues, and some have been given supply dates that are two years away. (...)



Creative approach

Building capacity, gentrification in focus

Pedro Alanis

Executive Director – San Antonio Housing Trust Foundation Inc.

What are some of the economic development opportunities in San Antonio housing?

San Antonio has always been able to handle downturns better than most communities, so we continue finding creative ways to meet demand. We look at housing as a system just like any other piece of critical infrastructure. It's how we approach policy and planning, while being strategic in our affordable housing investments. In 2023, we're trying a slightly different approach by putting more effort in building capacity to empower community-based organizations to develop community land trusts and paying more attention to areas that are gentrifying or are considered historically or culturally significant. We are also looking at land banking options, where in the event if there is another downturn, we have the ability to acquire land to mitigate long-term rising land costs. Typical investors tend to buy land cheap and develop it on the upswing, so we are taking a page out of that book to assist with future affordable housing needs.

How is the San Antonio Housing Trust innovating housing for the broadest population possible?

This year we anticipate financing 14 apartment communities, which include five substantial rehabilitation efforts. We're creating new inclusive multifamily design standards to better address the needs of our population. We all have various body types and abilities. We are also all getting older. As people age, their needs for living spaces that can accommodate them also change. If we can provide better, more inclusive design features up front, we can reduce the need for expensive accommodation after a project is built. Inclusively designed housing can be a

factor in reducing instances of displacement long term which is in everybody's interest.

This past year, we established a design committee made up of architects, property managers, developers, and people with lived experience from the disability community. They all recognize the opportunity to make a change to the same cookie cutter 'one size fits all' design approach. In the future there will be more flexibility and accessibility in our apartment communities, and we believe it will be a game changer with how we approach multifamily construction.

How does the Housing Trust advocate for affordable housing?

In 2022, our board clarified our role in the local housing system. Our new five-year strategic plan is fundamentally aligned with the city's overall Strategic Housing Implementation Plan. We've laid out six objectives which start with investing in our own capacity to grow as an organization. Operationally, we're a small organization that does big things, so we need to make sure we size our staffing well enough to not be crushed under our own weight with our growing portfolio.

Our other objectives are focused on facilitating the preservation and new construction of affordable rental housing. We support neighborhood preservation efforts by investing in community land trusts and banking land. We engage in education on policy matters at the state and federal level, to better inform policy makers on future legislation. We're by no means lobbyists, but we do want to educate those who make critical decisions from our experience working on the ground level day in and day out. ■



Dayton Schrader

Broker Associate
The Schrader Group

“The Federal Reserve is trying to raise rates to slow down the economy and they can't quite get a handle on it. In San Antonio, we've still got job growth, with about 3.4 or 3.6% unemployment. It's hard to stop or slow down all this momentum, although there are certain submarkets where people are getting laid off and cut back. In the mortgage industry and a couple of others, there's a ripple effect there. But overall, our economy is pretty spectacular. When I started in the industry 41 years ago, interest rates were 16 or 17% and they went up from there. So, 7% really is not that bad. I don't think that's going to last forever. I don't think we'll ever see twos or low threes again, but I think probably in late 2023 or '24, hopefully, we'll see rates back in the low fives or high to mid-fours. The people who are buying right now are paying an extra \$600-\$800 a month but they're going to have an opportunity to realize some really nice appreciation in the time they own the house. If they pass on a deal, they're leaving a lot of money on the table. That \$600 or \$800 a month will go a long way against \$30,000, \$40,000 or \$50,000 in either appreciation or incentives right now.”

(...) On top of this, several market indicators are also flashing cautionary signals. The San Antonio Board of Realtors' November 2022 report shows that San Antonio single-family homes are staying on the market much longer, while home sales are falling for the eighth straight month. Nonetheless, despite the interest rate hike and economic uncertainty, single-family home values are still rising. In November 2022, the San Antonio market's average home price reached \$372,126, up 4% year-over-year. Meanwhile, the median price reached \$314,625, up 5%. SABOR also concluded that Bexar county was the most affordable major county in Texas in November 2022, with a median home price of \$299,938.

A different analysis from Redfin highlights that in January 2023, San Antonio prices rose 5.9% year-over-year, to reach \$275,000. Additionally, homes in Mission City sell after 94 days on the market, versus 63 days in 2022. As for the number of homes sold in San Antonio, these decreased by almost 90% year over year to reach 95 in January 2023. The city's rising cost of living, which is outpacing increases in income, has compelled residents to move to suburban areas and revitalize sleepy neighborhoods and smaller communities. Von Ormy, Lake Dunlap, Kirby and Seguin are renowned for their affordability, so buyers can secure larger homes at reduced prices.

But gentrification and redevelopment are threatening the affordability of other communities. For example, residents in a predominantly Latino, lower-income neighborhood near San Antonio's West Side are fearful of city-ordered demolitions if they refuse to fix up their properties. In order to address the risks of gentrification, District 2 Councilman Jalen McKee-Rodriguez



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demand a displacement study be completed as part of the procedure when a developer requests incentives from the City of San Antonio. As a result, San Antonio's Neighborhood and Housing Services Department (NHSD) is now drafting a pilot policy that would initially apply to projects that receive funds from the voter-approved \$150 million housing bond. This way, the city hopes to avoid awarding the contract to developers who cause displacement.

■ Financing trends

The Mortgage Bankers Association anticipates the average 30-year fixed mortgages to hit 6.2% in the first quarter of 2023, while Freddie Mac forecasts 6.6%. Just for context, a year ago, the average rate was sitting at 3.11%. It is therefore understandable why bidding wars are becoming less common and some sellers are cutting prices. On top of the pressure from surging interest rates, U.S. households are also feeling the pinch of stagflation, so homeownership remains a pipe dream for many first-time homebuyers and lower-income San Antonians. In this context, a homebuyer in San Antonio needs to make more than \$87,000 annually to afford a typical home. This situation exacerbates inequalities and makes it more difficult for Black and Hispanic communities to realize their aspiration of home ownership. According to the 2022 Snapshot of Race and Home Buying in America report from NAR, the gap between White and Black homeownership rates widened further in 2020.

Despite the fact that residential real estate had a banner year in 2020 and the homeownership rate in the U.S. increased by 1.3% since 2019 to reach 65.5%, the homeownership rate for Black Americans only rose to 43.3%. As a result, African Americans now own fewer homes than they did 10 years ago. Conversely, homeownership rates for other demographic groups reached decade-high levels in 2020. For instance, 72.1% of White Americans, 61.7% of Asian Americans and 51.1% of Hispanic Americans own their home.

Naturally, systematic inequality and additional challenges in obtaining a mortgage keep the homeownership rate for African Americans low. Regrettably, the situation is not different in the Alamo City. According to a report named State of the African American Community in San Antonio and Bexar County and released by the San Antonio Area African American Community Fund (SAAAAC) and the San Antonio Area Foundation (SAAF), there is a lower likelihood that Black households own their own homes compared to other communities. The study also emphasized that only 41% of Black households own their home, compared to 59% (...)



Lisa Munoz

*Broker of Record & Team Leader
Keller Williams Heritage*

What is the state of growth and development in San Antonio and how is that impacting Keller Williams Heritage?

Things have slowed a little bit. The market has shifted somewhat. Instead of it being a seller's market, it has shifted to more of a buyer's market. The interest rates are higher than in the last 18 months, but in recent forecasts we are told rates may slightly decrease. Also, mortgage applications rose at the end of 2022 and most likely will continue to do so in 2023.

For brokerages, the above have been some of the challenges all have faced. We're trying to give our agents tools with more education and coaching to help them navigate these challenges. We're trying to help them prepare, especially the new agents coming into the industry.

Is the market still experiencing low inventory?

In the past, there was very little inventory. Now, inventory availability is improving. There are also more incentives now for buyers and agents. So, it's kind of reversed somewhat in that regard.

What are the most attractive areas now in your market?

San Antonio and areas such as New Braunfels, Seguin, San Marcos, and other surrounding areas are attractive in terms of pricing, the job market, and cost of living. Those factors lend toward the strengthening of our market. As a result, people are coming to New Braunfels, San Antonio, and other areas south of Austin. It's easy for someone to be in the Austin area for work and live in those areas. It is not a hard commute as these cities are about 30-70 miles from Austin.

What is your outlook for Keller Williams for the next two to three years and what are your top priorities?

Our outlook is very positive for the next two to three years. Keller Williams Heritage is planning on focusing on growth. Our priorities are our agents. We're a very agent-centric company. We let our associates brand themselves as well as advertise themselves, not just the Keller Williams Heritage brand. They're the CEO of their own business as we support them. ■

Analyzing the market

Interest rates, population influx and changing consumer preferences are just a few of the factors real estate leaders are monitoring.



Erin Cestero

President – San Antonio Division
JBG Goodwin REALTORS®



Ken Glass

Division President
Chesmar Homes

What is your assessment of the real estate market?

We have a strong and growing economy in San Antonio. Impressive job growth and the large military community contribute to that. Right now, consumers fear the increase in interest rates. We have an opportunity to educate people on how San Antonio's community and economy differs from other similar areas making real estate a more predictable investment than it is in many places. San Antonio has weathered past recessions very well, which bodes well for the region in the current circumstances.

What should clients be worried about?

People need to think about long-term wealth. The best way to build long-term wealth is still through homeownership. Ownership, even at higher interest rates, still means that you are paying yourself. Real estate remains the key to long-term wealth and savings. That is not going to change with an increase in interest rates.

What are the biggest challenges that you are facing?

I think misinformation and fear are the biggest challenges we face. National statistics cannot be applied to our local market. People have short-term memories, especially when you look at interest rates. They don't remember a time before 3% rates. We are focusing on getting back to the basics. We have to remind people why homeownership is still the most predictable investment in the world. Through 2020 and 2021, we had to get creative with technology and iBuyers, using different solutions to get a seller out of a home and into a new one in a competitive market. Today, after a dizzying few years, we need to remind people why homeownership is important. We need to help people to analyze the renting versus purchasing scenario. We can also help families with long-term goals when it comes to building investments and investing in their home. For us, it is about getting back to basics to help overcome fear. ■

What are consumers looking for from their homes?

I think it really begins with the flow of the floor plan; it starts with no wasted spaces. Square footage is important to a lot of families: they need four bedrooms, three bathrooms and a three-car garage, and those are kind of the boxes. But really, how is the home? How does it function? Is it efficient? Do you have wasted spaces? We pride ourselves on having very efficient floor plans and lots of natural light. We survey the marketplace and keep up with what's happening in the industry to make sure that where the customers are finding value in new homes, we're adding that to our plans. Lots of natural light is a big thing, outdoor living spaces are big and we include that in every single floor plan as part of our base price layout. Inside the design center, it's really particular to the individual customer. I would say a lot of families want a certain type of look and feel based on trends in the market.

What is the key challenge you are dealing with?

It is absolutely cost. As builders look to try to find the right floor plans and the right product to put on the ground in the right communities, there's only so much we can do with land costs, direct costs of all of the items that go inside of a home and labor costs. That's absolutely the hardest part right now for us. It's the biggest challenge. Although the slowdown that we've seen over the last three to six months is starting to come back a little bit, it still hasn't changed enough to really make a dent in the year-over-year average price of a home in San Antonio. In fact, since January, average home prices went from one \$350,000 to \$390,000. As of the end of September 2022, we were up 12% on the average sales price year over year. In addition to cost is access to labor. It's not just the lack of available labor but we work very hard to find good-quality labor and that has been another struggle for all residential and commercial construction. Supplies are better than last year but there is still a while to go before they will be back to pre-pandemic levels. ■



Steven Gragg
Operating Principal
Keller Williams Legacy

How would you describe the current housing market?

For people who are buying, you're not having to make a decision in the next 10 minutes. You actually might have a day or two to think about it. In previous years, with the market we were in, you had to make a decision that day. The pressure on people to make a decision was really tough. For people who are looking to buy, you can at least take a breath and decide what you want to do. If you're a seller trying to sell right now, we still have very limited inventory, we only have 3.2 months of inventory. The normal market is six to six and a half months. There are still plenty of opportunities to sell your house.

What trends are you seeing in terms of buyers' wants and needs?

We're still seeing what COVID created, where people want a workspace at home because more people are able to work from home or more companies have a flexible program. People want a quiet place in the house that they can work from home, to have a home office and they want more stuff to do in the backyard. When we were home and sheltered during COVID, people realized that if they didn't have enough outdoor living space, there were fewer things that they could do. Most people also want a house that's ready to move into. They're not going to move into something that's going to take a great deal of work.

How are changing interest rates affecting buyer behavior?

When rates were at 2.5 and 3%, that was the lowest they had ever been. When I was licensed in the 1980s, interest rates went as high as 18%, which is not the norm either. We became really spoiled because rates were so low for so long and a lot of people just took it for granted and assumed that rates were going to stay that way. When rates bumped from 3 to 4%, everybody became concerned because that's a 33% increase. Those are still very low rates but psychologically, it's very hard for people to get used to. ■



Levi Rodgers
CEO
Levi Rodgers Real Estate Group

What have been some of the challenges and how did you handle them?

The biggest challenge has been COVID and, more recently, the rapid rise in interest rates. When the rates were at 2.25%, FHA, Conventional, and VA buyers were buying like crazy. Now we've seen a four- to five-point rise in a short time, affecting affordability. People continue to buy because they can refinance later, but affordability has become a challenge and has caused homes to stay on the market longer. An area where I see a stall the most is the mortgage move-up buyer, where somebody that bought a house last year and had a life change that would've triggered them to go ahead and take advantage of the equity they have to sell but now they're figuring out how to stay put where they're at because they have such a great deal on the home as it pertains to the interest rate. Most mortgage move-up buyers are slowing down a little bit. Many people with the necessary life changes still need to move, and that will not change. People from the west and east coasts might have equity in their homes; they can liquidate and move to San Antonio and buy the same home or better for a lesser price than what they can get in their current area. Rates have affected the market and have consistently contributed to a significant change at a rapid rate.

What is your outlook for Levi Rodgers Group?

We grew at a phenomenal rate last year. We will ensure that we mitigate risk as best as possible and will keep growing. It's a phenomenal time for us, and I've got a lot of great leadership in the organization. We're adding about 15 to 20 agents a month. We are paying close attention to ensure that we do not outpace our ability to train and support our people. We just hired a video team and we're investing a lot of money into that. We may or may not see growth in terms of expansion outside of San Antonio, but definitely within San Antonio. In San Antonio, we have the pedal to the metal, helping families achieve the dream of homeownership. ■



Marisa Jackson

Agent Success Manager
Realty San Antonio

“ I keep telling my agents that there are lots of opportunities, especially for full-time agents who are looking to pursue this vocation. From 2023, I expect that things will slowly go back to what it was like pre-pandemic, which would be good for those who are doing a good job of providing value to their clients over the long term. As a military city, San Antonio has many opportunities because people are always coming in and going out; however, there are people who love it here and decide to shift here as well because San Antonio is an incredibly family-friendly city. Moreover, there is such a capacity for growth here, especially because we are not landlocked, which means there is potential for growth both as a real estate developer and as an investor.

We are focused on nurturing like-minded agents here because we value a mindset of abundance, gratitude and the development of a good family culture. We are not looking to be the biggest real estate company because we really want quality over quantity. Thus, we want to ensure that our agents are aligned with our core values because we want them to succeed in not only their financial goals in supporting their clients but also with their own life goals. ”

(...) of all households in Bexar County. Clearly, it doesn't help that Black San Antonians' median household income is \$48,509, which is lower than the Bexar County residents' median household income of \$57,157. On top of that, Black households have greater debt than White households due to the higher cost of their mortgage financing. In this context, it is more difficult for Black communities to build generational wealth.

Given this, private, public and social sector institutions have tried to close the racial wealth gap, advance equity and support underserved communities through various initiatives. For instance, Senator Mark Warner introduced the Low-Income First-Time Homebuyers (LIFT) Act, which tries to assist first-time, first-generation homebuyers in building equity faster. The bill ensures that a new homeowner whose income is below a specific threshold can obtain a 20-year mortgage with essentially the same monthly payments as a conventional 30-year loan. Elsewhere, Bank of America will launch the Community Affordable Loan Solution in certain cities and Black and/or Hispanic/Latino neighborhoods to assist minorities with their purchase of their first home. Through zero down payment mortgages and zero closing cost mortgage products, Bank of America is hoping to address racial disparities and help minorities build wealth. Additionally, the Charlotte-based financial institution has pledged to offer \$15 billion for mortgages for low- to moderate-income homebuyers through the Neighborhood Assistance Corporation of America through May 2027. Additionally, in order to combat racial bias in home valuations and advance equity in the home evaluation process, President Biden established the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE)...)

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Luxury focus

Variety of factors keep luxury prices stable

Jennifer Shemwell

CEO – Phyllis Browning Co.

What separates your company from other players in the market?

What we do well is help businesses move their teams here. We don't just sell people homes; we connect them with key relationships. We take the stress out of moving and we take care of the entire team. I think that we're the very best at helping people get to know the city quickly and narrow down the right neighborhood for them.

With the current economic climate, has that affected the demand for luxury properties?

Starting from the end of 2020 all through 2021 and most of 2022 we saw the demand for luxury homes greatly increase because more people were living in them. We saw some people choose to have their parents move in with them. Other people had their adult kids move home, and then there were those working from home. When you think about luxury homes, they have amenities like swimming pools and beautiful backyards, outdoor kitchens and large inside kitchens. People were traveling less for a while and spending more and more time in their homes. They were cooking more, entertaining more, and enjoying their backyards. This created a huge demand for luxury homes, so what does that mean for 2023? We have a shortage in the supply of luxury homes. The shortage combined with people moving here from other markets is putting high demands on the luxury market. These factors have caused the prices to remain stable.

What's the biggest challenge that you're facing as a company?

We made a commitment when we founded our company

to be the very best real estate company in the markets that we serve. We treat people with integrity, professionalism, and provide exceptional service. We are also committed to staying on the cutting edge. In doing so, you have to be the first to pick up on a new technology or a new trend. That means you're constantly reinventing yourself. It's been challenging but the challenge makes me excited to get up every morning because there's never a dull moment.

Why is San Antonio a good place for the real estate sector?

There's no place like Texas and especially no place like San Antonio. There were many years that I felt that San Antonio was in the shadow of Houston, Dallas, or Austin because they had other things. Now I feel that more than ever 2023 is the year for San Antonio to shine.

We have this tremendous culture and heritage here with our many cultures that settled in San Antonio. We have our German heritage Downtown in the King William neighborhood. There are so many influences from Spain and Mexico and other European countries, adding that unique Spanish flair to our architecture that makes San Antonio a little different looking. It makes people want to live here because we're culturally rich and celebrate wonderful traditions like Fiesta. It's also easy to get around here. You don't have to spend an hour getting across town.

We've had on average a 6% population growth since 2016 and last year we had about a 9% increase. We have a fantastic group that is developing and attracting new corporations to come here, and we are adding jobs. So, the fact is that we're growing our population and we're growing. ■

Home ownership



Tim Brown

Broker & Owner – RE/MAX Corridor, San Antonio

“ In our area, starter homes for first-time homebuyers are almost non-existent when you compare income to the cost of ownership. We are in an average income area. The average young family, young couples or individuals do not start out making \$150,000 per year. A reasonable new home in a good school district is going to start at \$250,000 minimum. For someone just starting out, that is a tough one to get into, especially when you have to save for a down payment. ”



Bob Jacobs

Broker & Owner – RE/MAX Associates

“ There are a lot of articles stating that there are more transactions than ever before that are canceled in one month. First-time homebuyers are getting qualified at 3% or 4%, but by the time they find a home, it is over 7%. That makes a big difference in what they can afford. There are more houses available because of the perceived slowdown, but once they find an acceptable home, the interest rate is knocking them out of the game. That is the biggest thing right now as well as the interest rate which is significantly cutting into the buying power. ”



Scott Myers

GRI Broker-Owner – Century 21 Scott Myers, Realtors®

“ Homebuyers are facing the problem of not being able to get financing approved. They've always faced the problem of getting a down payment and closing costs. The real problem is getting approval. Interest rates have doubled within a very short time, which has hurt all homebuyers but particularly first-time buyers. I think right now we're in a recalibration period where buyers may have to settle for getting 15 out of the 20 things they want because their buying power has been diminished so much. At the same time, sellers need to understand that you can't get what your friend down the street got 10 months or a year ago; the value is not the same anymore. ”



Mark Wolf

Founder & CEO – AHV Communities

“ Because we're in a housing shortage both for sale and rent, it's important for companies like us to continue to provide attractive quality housing alternatives to homeownership. We're a growing renter society and folks don't want to work hard for their house. They want to work their job, enjoy life and travel or participate in an active life with their children. As a nation, we need to get comfortable with the reality that homeownership is not a must but that the goal of the next generation may not mirror that of prior. Rentals aren't as bad as often portrayed in the media, in fact they are quite the opposite; a needed alternative. ”

(...) ■ Construction trends

According to the February National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) report, builder sentiment surged from 35 to 42. Although builder confidence is still low, the fact that this is the second consecutive month-over-month uptick after 12 straight months of losses is encouraging. Over the past year, builders didn't have too many reasons to rejoice in San Antonio, given that labor shortages, supply chain issues, and price hikes have severely impacted the industry. At the same time, the pandemic-generated home-building boom has come to an end and year-end single-family construction permits in Texas recorded a net loss of 8.4% year-over-year (YOY), decreasing to 156,189 permits in 2022. Meanwhile, monthly permits for December had a lukewarm performance as fewer than 10,000 permits were issued in Texas. In San Antonio, 592 permits were issued for the last month of 2022.

To take it one step further, construction starts also declined throughout the state. Texas' total single-family starts value decreased from \$44.5 billion in 2021 to \$38.4 billion in 2022. In the best case scenario, San Antonio's inclusion in NAR's 2022 Housing Market Hidden Gems may be advantageous for the region's residential building and real estate markets. This initiative could boost San Antonio's desirability and draw more out-of-state movers to Texas. The same logic applies even to other accolades, awards and distinctions. For example, the addition of two San Antonio-area ZIP Codes, like New Braunfels' 78130 and far West San Antonio's 78253, among the hottest real estate markets in the nation could provide a much-needed boost to the local construction industry. But until that happens, home building permits will continue to dwindle as homebuilders will delay housing construction

due to costs, rapid rise in mortgage rates, growing housing stock, and buyers backing out of contracts.

Despite the challenges, some projects are moving ahead. Brooks Development Authority, for example, has secured \$185 million financing for Los Cielos, a build-to-rent residential community in San Antonio. The community will include 492 for-rent, single-family homes and unique amenities. Elsewhere, AHV Communities has erected Farm Haus, a 146-unit single-family rental project in northwest San Antonio. Meanwhile, Colegas Ventures is building Bandera Ranch, a luxury single-family rental community in Helotes. The development will include 220 luxury duplex-style houses and a retail store. Also in an effort to encourage developers to construct new housing units, Palo Alto's City Council has decided to further relax height and density restrictions for the eastern section of San Antonio Road.

■ Challenges

Affordable housing is in high demand in Texas and there are no signs that this situation will change anytime soon, given the state's escalating housing and construction costs. According to a city housing report, roughly 170,000 Bexar County households are burdened by paying more than 30% of their incomes on housing costs, as of 2019. Meanwhile, in Texas, roughly 50% of the state's residents spend more than 30% of their income on housing expenses.

To make matters worse, over 60,000 families were queueing for an affordable housing unit from Opportunity Home San Antonio in November 2022. But as building costs rise, many developers are compelled to give up on affordable housing projects because they are unable to absorb the additional costs or pass them to



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Michael Lynd

CEO
Kairoi Residential

How would you characterize the state of the development landscape?

Things have gotten much more challenging in the development business. Costs continue to rise and the lending environment has severely pulled back. All of the large, money center banks are out of the lending business today for the most part; they will make loans only if they have to, for clients where they need to protect a relationship. Even the regional banks are pulling back. This is a time where relationships matter, as does performance and past performance. We are still able to get projects financed in today's environment because of our brand. Great developers with good track records and solid performance can manage trying financial times, which in turn unlocks the possibility of delivering when there are far fewer projects getting built. Projects that are thinly capitalized, more fringe or developers newer to the business are really going to struggle to get projects done or they are going to finance projects with a capital stack that presents a lot of risk and or higher cost. Every project is more expensive to build today. Banks are lending at the 50% to 60% loan to cost levels today, a lot more toward 50% than they are toward 60%.

How would you characterize San Antonio's recent economic development?

San Antonio continues to be one of the fastest-growing population centers in the country. Economic development continues to be a huge point of emphasis for the entire community. Our rebranded regional economic development organization, greater:SATX, is continuing to have conversations with various auto manufacturers nationwide. Our workforce has a great presence of skill sets suitable for advanced manufacturing; San Antonio can play and win immediately in that industry. greater:SATX is also having several conversations with large semiconductor manufacturers as well, in the context of the Chips Act, a reshoring effort to mitigate risks related to the Taiwan and China dynamic is a real opportunity. We are hoping to compete in that industry as well. Both of these strategies align with our plan to create jobs with more economic mobility. ■



Year-end single-family construction permits in Texas recorded a net loss of 8.4% year-over-year in 2022.

buyers. Given this, two affordable housing projects have been abandoned in San Antonio. Patriot's Pointe on the far South Side, for example, was intended to have 48 units for people earning less than 30% of the area median income (AMI), but the project was shelved.

With that being said, rising costs have forced developers to rely even more on federal financing and municipal funding for support. As such, City Council members and local leaders have turned towards their arsenal of incentives like tax credits, subsidies, zoning changes and grants to help developers build affordable housing projects and rehabilitate existing communities.

In 2022, voters in Bexar County approved a \$150 million housing bond, which has already prompted local organizations to compete with one another to rehabilitate and preserve existing properties or construct new affordable units. Opportunity Home and Alamo Community Group, for example, will develop new rental units for lower-income residents that could drive down housing costs in the region. Likewise, Axonic Properties secured \$33.6 million financing from KeyBank Real Estate Capital to purchase the Costa Portfolio in San Antonio. These are two garden-style low income housing tax credit properties with a total of 422 units.

In total, the San Antonio City Council will grant funding for 14 projects that will use \$43.9 million in bond and federal contributions to build or maintain 2,523 affordable housing units. More recently, the City of San Antonio declared it would develop a progress dashboard to monitor affordable housing projects. Notwithstanding the successful programs, there is still work to be done to bridge the affordability gap in housing. Some analysts contend that a rise in short-term rentals like those

prevalent in districts 1 and 2 could make affordable housing even more limited. A study by researchers at Carnegie Mellon University (CMU) and LG CNS, which used data from Airbnb and the U.S. Census, highlighted that the presence of Airbnb units in a community led to a slight decline in the availability of long-term rentals. The city of San Antonio has awarded 4,615 short-term rental permits, of which 3,314 are currently in use, as per the Development Services Department. In the near future, policymakers might re-evaluate the local short-term rentals policies as they consider new strategies to increase the affordable housing supply.

■ Looking ahead

Despite the recent slowdown in the residential real estate market in the United States, Texas is in a unique position as the Lone Star State continues to be a top destination for net migration. As long as out-of-state movers and international investors are eyeing Texas because of the high quality of life, affordability, and the tax-friendly environment, San Antonio's residential real estate market will only level off and won't experience a major decline.

This does not, however, negate the need for sellers and homebuilders to come up with fresh strategies to increase demand in a market that is cooling. Generally speaking, homebuilders could boost incentives to attract prospective buyers. Several builders in Texas are already offering a variety of incentives to qualified buyers. For instance, Southlake-based Kindred Homes lowered the prices of a number of its San Antonio homes by up to 10% and provided incentives up to \$25,000 in an effort to move its stock.

According to the Commerce Department, roughly 25% of homebuilders in the United States have cut prices last fall to increase foot traffic and sales. Meanwhile, the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) for November revealed that 36% of single-family home builders reported lowering their prices, while 59% provided special incentives.

The average price drop among home builders that did lower home prices, according to NAHB, was 5% in July 2022 and grew to 6% in three more NAHB surveys carried out through November. However, homebuilders are not merely relying on price reductions to entice potential buyers. In some cases, if the buyer picks the builder's suggested lender, builders will offer discounted and personalized 30-year fixed-rate mortgages. On top of this, numerous home builders are either choosing to waive closing costs or they offer physical upgrades to properties. Simply put, the residential real estate industry is returning to the pre-pandemic incentives. ■



Gilbert Gonzalez

Chairman & CEO

San Antonio Board of Realtors

What is the landscape for real estate demand?

The market is becoming more of what it was pre-pandemic. The months of inventory are averaging at 3.3, with days on the market up 84% compared to this time last year, at 70. San Antonio continues to be one of the most affordable cities to live in, returning to some normalcy as compared to the last two years.

What challenges are your members struggling with?

Interest rates are going up, but it isn't overly offensive to the market. The current rates are manageable. Inventory remains the No. 1 challenge because it impacts affordability. We need more single-family and multifamily houses. The city is doing a great job trying to encourage those types of developments.

What is driving demand in the San Antonio market?

This is a tough question. If you go Downtown, there are cranes and construction everywhere, both residential and commercial. There isn't a place in the San Antonio area that isn't growing. We need to figure out how to update current houses, so they are available for consumers that don't want to move far from the city center. It is evenly split between single and multifamily buildings, so the demand for both is there. We are always looking ahead as a community, so we can protect San Antonio and its affordability.

Why is San Antonio a great city to work and live?

San Antonio has something for everyone, and you just need the right realtor to show you the right home. There are a lot of big employers coming here, and they bring high-paying jobs. This is fantastic for Texas and San Antonio. The trend is that people are coming from California and New York, and they are finding the same quality of life for a more affordable price.

What legislation are you keeping track of?

We want the city to continue to work on its housing policies and initiatives, so San Antonio can stay affordable. We don't have the peaks and valleys of other places, which is due to great policy decisions. Our goal is to continue to find best practices to implement here, so we can explore new opportunities for as many of our residents as possible. ■

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Commercial Real Estate & Construction:

The San Antonio market continues to draw in institutional investors and is an excellent location for value plays, given the relative affordability of the market compared to other major cities. But as the economy begins to slow, the region should also be prepared for slower real estate investment in certain subsectors.

Good value:

The market is slowing but excellent opportunities abound

San Antonio continues to be a popular tourist destination, with over 34 million visitors annually. These visitors contribute \$14 billion to the local economy each year but their impact is felt not only in the hospitality industry but also in commercial real estate. Not surprisingly, Downtown business is booming once again, and retailers and local companies struggle to recruit enough employees due to the city's rapid economic growth. But as tourism generates employment and economic activity, it also impacts urban development, property values, and short-term rentals. As well as boosting regional investments in hotel and lodging real estate, it also increases housing unaffordability.

Time and time again, business hotspots like San Antonio, which knows how to leverage tourism, have attracted additional investment from major corporations, innovative startups, and foreign investors. Even first-time international commercial real estate investors have seen the value of having San Antonian assets in their portfolio. According to Homeunion, Texas ranked third among U.S. states for international home sales. Meanwhile, the San Antonio market's affordability is attracting foreign investors away from competitor cities. Apart from international investors, the Alamo City is also drawing home flippers who focus on the up-and-coming suburbs and neighborhoods which are still relatively affordable. It is easy to see why novice investors and house flippers have spotted an opportunity to quickly boost their current portfolio given that the median home price in the Alamo City was \$255,000 in January as opposed to \$530,000 in Austin, according to Redfin data.

To take it one step further, San Antonio is also a magnet for institutional investors. A report by the National Association of Realtors (NAR) shows institutional investors purchased 46% of all homes sold in Bexar County in 2021. As the 23rd-largest multifamily market in the United States with a supply of over 213,000 completed units as of December 2021, San Antonio is also luring in multifamily investors and developers. Furthermore, asking rents for new leases are also up despite stagflation and tighter global financial conditions, according to Redfin. Meanwhile, the favorable business environment, sophisticated industries, affordable quality of life, low taxes and (...)



'Huge demand'

Influx of companies to San Antonio creates need to be strategic

Ken Fuller

President – Joeris General Contractors

What is the state of the construction industry in San Antonio?

The demand for people and construction is at the highest level we have ever seen. That means there is huge demand for our services. We are focusing on our customers, our people and the design teams. There are so many companies moving to San Antonio and requesting our services, that we are having to be very strategic in our pursuits.

As a company, we have a responsibility to deliver the product the customer has put their money and effort into and to ensure the success of the project. The challenge is about trust. The people need to know that we have their best interest at the forefront. We take that responsibility seriously.

What projects are you most proud of or have contributed the most growth in your portfolio?

I want to think about that in terms of relationships and how that impacts the growth of the company. The new Jefferson Bank headquarters is a large project Downtown. The University Health Women's and Children's hospital is a \$550 million project and a joint venture with JD Dunn. We are also building high schools in San Antonio. These are all very large projects. We pride ourselves on supporting the project owner in whatever we are doing. They might need something very small. These are \$15 million to \$20 million small projects to build a structure across the state that strengthens us. We are also working closely with H-E-B and Coca-Cola warehouses doing whatever they need. We want to have a long-term relationship with our clients in which we help them find solutions.

How do you create a company culture that can retain talent?

Culture has to be set up in such a way that people feel valued. Work and life is not fun if you do not feel valued. We are constantly working on these values. Our decision-making is based on these values. Money will take care of itself if decisions are based on values. To help us get where we are, we worked with three different consultants: a facilitator for leadership consultant, a values-based leadership consultant and an executive-reinvention consultant. We worked with them to get to this point. We also established our own training programs. This starts from the moment the person is hired. We teach them about our values and their importance in the company. The next step is to customize this and create continued education and training while they are working for us. We want diversity and it is key to have the people buy into the culture and the values to be a part of our company.

What are the biggest challenges that Joeris is currently facing?

The biggest challenge that we have is keeping our people from being poached. Other companies are after Joeris people all the time. They are being offered significantly higher salaries.

We need to remain up to date on the market value of employees in the sector. We are doing raises two or three times per year. We do our best to stay on top of that. We are also seeing that people are looking at life at work in a different way as a result of the pandemic. Work-life balance and making sure that people are in a good place are priorities for us. ■



Stephanie Reyes

CEO

The Real Estate Council of San Antonio

What are some of the biggest opportunities in the commercial real estate market in San Antonio?

The sheer size and diversity of San Antonio creates great opportunity. Our city has historically done a great job at embracing diversification, and that is especially true for our local real estate sector. Be it diversification of home types, such as build-to-rent communities or even the diversification of more females in the industry. For example, single family for rent continues to become more popular, and industrial is very strong due to the "amazon mindset", where consumers order items and have them delivered. We are seeing a shift away from big box retail and to a lesser extent, neighborhood retail as well. Data centers are also becoming more important.

We have several successful real estate developers who are creative and always looking ahead at what demand might occur in the future. They step outside the box and come up with exciting designs, new building materials, and cutting-edge construction methods. Most importantly, they are passionate about the community. That shines through and makes us attractive to people outside of the area. There are challenges and benefits in each area of the region. The good thing is that we are aware of the barriers that exist and we understand the importance of working together to find innovative solutions. As San Antonians, we pride ourselves on being collaborative, and that is essential in planning for the future.

What is your long-term outlook for the commercial real estate industry in San Antonio?

The future is bright for San Antonio. We are getting creative about the type of inventory we put out there. We are attracting younger people. Being able to put out multifamily or single-family homes that address their needs is necessary. We want to create a nice place to live, work and play. They want walkable communities with dog parks and gyms. We need to create those types of environments and we have all the tools to do it. San Antonio is very diverse and affordable, and that is what makes us great. We will get through high interest rates and housing issues because these issues are not new. We will get past the storm and San Antonio will continue to thrive. ■



San Antonio is the 23rd-largest multifamily market in the United States.

(...) aggressive incentive programs have fostered a dynamic entrepreneurial ecosystem. Naturally, this has boosted regional employment and sustained office demand.

In this context of structural change and accelerated economic growth, the Alamo City has continued to benefit even from the economic development along the I-35 corridor. A 2019 research conducted by the Capital Area Metropolitan Planning Organization and the Alamo Area Metropolitan Planning Organization shows that by 2045, 53% of the population between San Antonio and Austin is forecasted to live within 5 miles of I-35. In most cases, this will bring major investments in regional commercial real estate projects. To be more specific, warehouse/industrial/manufacturing, but also multifamily developments, will remain resilient despite higher interest rates and economic uncertainties.

■ Landscape

Thanks to a strong military presence in the region, specifically 80,000 active-duty service members and 250,000 veterans, San Antonio's real estate market is thriving. The military personnel not only make investments in real estate, both residential and commercial, but their presence also has a big impact on the rental market. The Texas Real Estate Research Center reports that veteran homeownership rates are remarkably high—even higher than those of the general population. Given that Bexar County has an estimated population of 151,560 veterans, the influence of the military community on the housing market is

undeniable. For example, over the past decade, veterans using VA loans accounted for around half the purchase loan demand in Central Texas' Killeen-Temple MSA.

Against all odds, the expansion of the crisis in Ukraine might be advantageous for San Antonio's real estate market if escalation is to occur. The housing data from 2008 in states with significant military facilities shows during that time, when the United States was engaged in wars in Afghanistan and Iraq, communities with military bases outperformed the national average in terms of property sales and price growth.

Apart from the sizable military workforce, San Antonio benefits from various industry clusters that have drawn a highly skilled and educated workforce to its borders. Healthcare, tech and logistics professionals with higher median earnings have made investments in real estate developments. But as their incomes continued to surge, they have pushed real estate prices upwards, which has contributed to the housing affordability crisis. On the positive side, thanks to this group of educated professionals, entire suburban areas have been reshaped, while master-planned communities have been envisioned with new features and amenities.

Affordable areas like San Antonio's East Side with neighborhoods like Dignowity Hill and Denver Heights, family-oriented Fair Oaks Ranch, thrilling Bandera or Boerne with its small-town charm have become even more popular in recent years thanks to millennial families and younger buyers. Furthermore, major construction initiatives have accelerated the region's revitalization. For example, Brooks recently declared that construction has started on WatersEdge II, the second of a group of class-A office buildings being built on the old military facility. Elsewhere, Maruichi Stainless Tube Texas has announced that it will build a 125,000-square-foot manufacturing facility in Seguin. Additionally, San Antonio has opened bidding for a development project to bring a new park to Dignowity Hill.

In response to the high demand for housing, Cibolo City Council has made an effort to offer solutions that would be acceptable to all. Due to the fact that many homes in the Old Town are under the C-2 (commercial) zoning, which raises property values, the City Council has initiated a campaign to rezone the area. Overall, zoning might slightly improve the housing affordability crisis, but more needs to be done.

■ Office

After more than two years of “work from anywhere,” when employees have discovered the benefits of working from home, many are now reluctant to return to an office setting. The 6th annual State of Remote Work (...)



Charles Leddy

CEO

Presidian Hotels & Resorts

What is the significance of the TownePlace Suites project?

We opened a TownePlace Suites by Marriot in Universal City on the I-35 Corridor and it is doing extremely well, exceeding expected performance metrics by a significant margin. It has been a great experience working with the city staff and with the Olympia Hills Golf Club as the hotel is actually built on a former golf green. The city felt it would be better to have a hotel there, so they redeveloped the course for us. It makes for a great view when you are in the hotel. It is one of those places where you can get away within the city. We are now moving into another phase of work with the city with a project called Reunion, which is a master development on the 1604 Corridor. We are in the early stages, but one of its uses is military housing for families in San Antonio. The primary product will be multifamily and the amenities will be family friendly with green spaces and an amphitheater for community events. The idea is to create something with density in terms of units but also deliberate in green space to give families and the community room to play and engage.

Have you seen a shift in demand regarding amenities?

I have not seen much change when it comes to hotels but I have when it comes to office. Getting people to return to work when they are used to working remotely requires building in amenities that feel like home. This means spaces with modular functions, less cubicles and so on. The toothpaste is out of the tube and there is no going back.

The pandemic accelerated our adoption of technology and created a new normal. I think it is great for workers and employers and allows us to think creatively as it relates to our teams and the types of benefits we can give people. There are more options for all of us now.

What does development activity currently look like?

Ground up development on the hotel side is non-existent. We have five projects that could commence if we wanted to but we have decided to focus instead on the operating hotels we have and improving those. We are doubling the size of one and going through many renovations and property improvement plans on others. We are also picking up assets by way of acquisition. ■

Design & development

Despite lingering challenges, commercial real estate leaders continue to find opportunity and ways to capitalize on it.



Matt Cox
Vice President
Kimley-Horn and Associates, Inc.



Mark Krenger
Managing Director & Market Lead
Industrial
JLL San Antonio

Looking ahead, what are your priorities now?

Among our top priorities moving forward is first and foremost continued growth in all of our core service areas, which specifically here in San Antonio include private land development, water and sewer infrastructure, traffic engineering, street and drainage infrastructure, landscape architecture, aviation design, surface water and survey. We're focused on growing those core businesses but we are also looking forward to diversification in other market sectors, such as EV, healthcare and education. While we will always remain focused on our legacy, core practice areas, having diversification focus areas will allow us to continue to be a leading planning and design consultancy. In Texas, our focus areas for 2023 include energy, such as energy efficiency, solar and electric vehicles; education; and transit.

How are you addressing the sustainability trend?

As civil engineers, we are focusing on site design. There are several things we're doing to help our clients have more sustainable projects. One is just looking at water usage and ways to reduce water usage on the site, such as reclaiming stormwater runoff and repurposing that for irrigation services or capturing and treating stormwater from a quality standpoint.

What are the most pressing infrastructure needs in San Antonio?

The airport expansion is critical to the continued growth and success of San Antonio on a national and global scale. Regionally, the continued expansion of roadway, water, wastewater systems, and school districts into surrounding areas that do not have those systems will be key. Locally, our aging roadway system is also hard pressed to keep up with population growth. Providing a multimodal network that can support more urban density will be a critical component to the growth of the city. ■

Given the current market outlook, is the demand for industrial real estate sustainable?

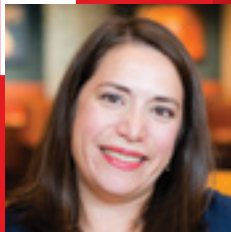
I believe the demand is sustainable, specifically here in South Texas. There is an increasing quantity of manufactured goods and other products coming through the port in Laredo. Because San Antonio is the first major city north of Laredo on I-35, we will become a major hub for shipping going forward. As a result of the supply chain issues we are still experiencing from the pandemic, many companies are reshoring their manufacturing and assembly facilities from Asia to Mexico. This will also be an impetus to growth of the San Antonio market. As the population of the region grows, there will be continued industrial growth. Much of the demand we see now is a response to that growth.

What are your thoughts on interest rates and inflation challenges?

The recent increases in interest rates and resulting uncertainty has had a very detrimental effect on commercial real estate capital markets. The impact on new developments and acquisitions over the past couple of quarters has been very negative. With recessionary winds still blowing and more companies announcing employee layoffs, consumers will likely reduce their purchasing of goods and spending on capital investments.

What is your overall outlook for the industry for the next two to three years?

Texas will continue to be strong. We have a very pro-business government, and a very good and relatively inexpensive quality of life. Therefore, we will continue to see population growth. In my opinion, the state is sitting in a very good spot. These same attributes are certainly true of San Antonio. People want to move here, and once they have been here, they want to live here for the long term. Ultimately, population growth drives commercial real estate. ■



Robyn Popa

Managing Principal - San Antonio
Pfluger Architects, Inc.

What role does the architecture sector play in the economic growth of the region?

Architects are like little bits of a crystal ball. We often work with economic development agencies and chambers of commerce to proactively prepare for economic or population booms. Having said that, we specialize in the educational sector, and districts are often pressed for the need for new facilities after the demand is already there. Our goal is to help them shift from being reactive to being proactive by providing comprehensive assessments that look at the lifespan of their current facilities, then compare that data to demographics and trends to help them better plan for growth. Being proactive gives them time to look for land or plan for a new campus in an area with anticipated growth. Everything works as it should when facilities are ready at the time students are there to occupy them.

What are some of the latest trends impacting the business?

One trend is space allocation. Previously, we had the luxury of developing rooms tailored to specific educational programs. Now we look more critically at how each space can serve multiple functions.

We are also looking carefully at the spaces we plan for mechanical systems. Not just as a response to COVID, but because schools are getting more sophisticated. Mechanical and electrical spaces are larger than in the past, and we are often increasing access control, so we have to be mindful of the balance of convenience with security and life safety.

We are also seeing a greater focus on energy efficiency with systems, the exterior envelope, and the orientation and exposure of buildings. Each of these considerations can affect long-term operating expenses in addition to the initial construction cost. Also, concerning construction costs, we all know how volatile the current construction market is. We are having more conversations with our contractor colleagues about available and affordable materials. ■



Deborah Bauer

Founder
Drake Commercial Group

How would you describe activity in the sector?

As a boutique Commercial Real Estate firm, we focus on providing a hands-on approach with our clients. This has led to many long-term relationships and a steady stream of referrals. We have been very involved in the I-10/Loop 1604 Corridor, which has become main-on-main. It remains very active with retail, office and multifamily developments. As the city continues to move west, we are shifting our efforts to several projects in this dynamic growth area. We are working on Steven's Ranch, a major master planned community at the intersection of SH 211 and Potranco Road. San Antonio has been blessed with steady growth. It's not an overly aggressive marketplace, which allows for us to carefully design master plans that serve all market products and sectors.

What are some of the opportunities that you can take advantage of?

While the higher interest rates have disrupted the market, we are seeing cash buyers in the marketplace. Well-capitalized investors and developers are looking for opportunities to buy land and income-producing properties.

Even when faced with challenges in our industry, there is often growth in another sector of the commercial real estate industry to balance it out. The best part about this business is that no day or deal are the same.

What initiatives or projects are you excited to push forward for Drake Commercial Group?

We are excited about completing our IH 10 / Loop 1604 mixed use development. We are also very excited about the explosive growth on the west side. We are finally opening Steven's Ranch, which is a huge master plan with several commercial elements. SH 211 has just been completed connecting Highway 90 to Highway 16. This opens vast new development opportunities and the outer loop to the city. We are seeing a great deal of interest from all sectors of the marketplace. ■



Gardner Peavy

Managing Director
CBRE

What sets CBRE apart within the commercial real estate market?

The commercial real estate industry is becoming increasingly complex. What used to be a reactionary, transaction-based industry now requires a more advisory and consultative approach. As the world's largest commercial real estate services firm, we have the benefit of leveraging the resources of CBRE's global platform and our bench of local market experts. CBRE continually invests in its technology, research and services to ensure our professionals are equipped to advise our clients on their specific business objectives. As San Antonio continues to mature, as we have seen it do so in the last five years, it's critical to have the right professionals assisting our clients with their real estate strategies.

What challenges or opportunities come along with regional growth?

Historically, a hurdle for San Antonio has been the quality of jobs. However, initiatives like the City of San Antonio's Ready to Work program and the University of Texas at San Antonio's new School of Data Science and National Security Collaboration Center will ensure our current and future employers' needs are met.

Difficult economic periods have previously been favorable for our market, as historically, we've been the recipient of relocations by companies seeking an affordable and attractive place to do business. As a result, I am bullish on the San Antonio market in the near and long term.

Where do you see the San Antonio market heading?

Investment in San Antonio will continue to rise due to its relative affordability, quality of power and water infrastructure, quality of living, and proximity to highly desirable recreational areas.

What advice would you give to people entering the industry?

Don't overthink it. Commercial real estate is a vast industry with many sectors, meaning there are many different avenues to explore once you're in the field. My advice is to get in, learn the ins and outs of the industry, then adjust your focus accordingly. ■

(...) Report highlights that in 2022, the number of employees preferring remote work has grown by 24% since the previous year. Meanwhile, the number of workers who favor hybrid work surged 16% from 2021, according to Owl Labs. Even more intriguing is the finding that 39% of workers would resign and 66% would start seeking other jobs, which allow more flexibility if they lose the option to work from home. In light of tight labor conditions, it is not surprising that big employers in San Antonio are becoming more accommodating when it comes to the return to office period. Although this change might increase employee happiness, it undoubtedly won't prevent a crisis in the office market.

According to the U.S. National Bureau of Economic Research (NBER), the work-from-home revolution has decreased the value of commercial real estate by an estimated \$453 billion. Before the global pandemic, 95% of office space was leased in the United States although occupancy declined to just 10% at the end of March 2020 when lockdowns began. In October 2022, the office occupancy in the United States was still well below pre-pandemic levels, sitting at 47%, as per NBER data. Equally important, the office vacancy rate in San Antonio during the fourth quarter of 2022 has decreased 40 basis points quarter-over-quarter to 17.1%. CBRE also points out that sublease activity slowed during the 4th quarter, which boosted available sublease space by 1,291 square feet quarter over quarter.

A different fourth quarter 2022 analysis by Cushman & Wakefield showed that the market ended 2022 with absorption having contracted by 591,000 square feet. Meanwhile, San Antonio's total leasing activity for the entire year of 2022 was less than 2.3 million square feet, but the fourth quarter saw the lowest number—roughly 462,000 square feet. But more space is coming online, with 1.1 million square feet of office space under construction. The Far Northwest and South submarkets recorded most of the new construction, with 550,000 square feet and 200,000 square feet, respectively. Citywide average full-service rents reached \$24.64 per square foot at the end of the year, a stable year over year performance. More importantly, the citywide class-A assets surged to \$28.47 per square foot. Also year-over-year rent growth was 3.1% as rates increased by \$0.75 per square foot from the fourth quarter of 2021.

As for major shake ups and deals, USAA said that it will leave its San Antonio downtown offices and it will relocate the 500 professionals working in the two office towers to the headquarters campus in Northwest San Antonio. Elsewhere, the 240,000-square-foot Tower Life Building in downtown San Antonio will be converted from an empty office building to an affordable housing (...)



A lasting legacy

Onus is on the industry to deliver products that sustain meaningful growth

Srinath Pai Kasturi

Executive Vice President – Cadence McShane

What is the construction industry's role in growth?

In the United States, both Florida and Texas have been big beneficiaries of people migrating in from other states. The United States will need 4.3 million new apartments and multifamily units by 2035, according to a new study commissioned and published by the National Multifamily Housing Council and National Apartment Association. Experts suggest that 40% of that need will be in three states namely, California, Florida and Texas. As far as Texas is concerned, Austin, Houston, San Antonio and Dallas are the four major metropolitan areas that are seeing the most growth. We are hearing about the influx of people from all over the country moving to Texas because the Lone Star State has a proven track record of being a business-friendly state, obviously, with all the tax benefits that our governor's office is offering to corporations. Corporate relocations are happening across many cities in Texas, even in secondary and sometimes tertiary markets or cities. The responsibility lies with us as professionals, developers, architects, engineers and contractors, to make sure we deliver products and buildings to sustain the growth in a meaningful way. You cannot just create a product without a plan and a vision. The obligation is on us to create a lasting legacy of what we build today.

How does the region encourage corporate responsibility?

San Antonio has done a great job on that front as a community and as a society. For instance, the Historic and Design Review Commission (HDRC) gets involved in the approval process of the type of buildings that get permitted to preserve the look and feel of San Antonio. You have to go through the process before you get a

building permit, which enables the stakeholders to weigh in on the future legacy of the city. That goes a long way in shaping the future of San Antonio from a building design and material selection perspective.

What market trends are you monitoring?

At this moment, everybody's buzzword is rising interest rates. A year ago, it was commodity prices and supply chain challenges. In the past year, inflation has had a significant impact on our lives. The Fed is trying to get inflation back under control by increasing interest rates. When that is happening, like in the past, these moves from the Fed tend to pause growth and development for a bit. For an industry that has been through a roller coaster ride, I think this is a healthy pause, because it was needed and possibly overdue. Psychologically, the growth we have seen in recent times and the supply chain issues have plagued our industry, and it started to have an impact on all our employees and all of us as a community. The growth was happening at an alarming pace that we could not keep up with. Lack of resources, supply chain issues and growth is a perfect recipe for disaster. That is the biggest trend at this moment within the construction industry.

In general, we believe that the fundamentals in Texas are strong. We feel that the growth pattern will continue. Construction as a business is a lagging indicator of the rest of the industries and consumer sentiments. We are seeing signs of slowdowns in other industries and experts are predicting that this will continue for another 12 months or so. The hope is that coming out of it, the developments will happen to where the clients will spend the money to start their planning and development entitlements. ■

(...) facility. Perhaps vacant office space across San Antonio has the potential to be rezoned and converted into much-needed affordable housing developments.

■ **Warehouse, industrial & manufacturing**

The economic boom along the Austin-San Antonio corridor has expedited major projects and developments. The Texas Water Development Board expects the population of the 13 counties to grow from 4.27 million in 2014 to 5.71 million in 2030, while the economies of Austin and San Antonio will gradually converge. This will create a single mega-metropolis similar to Dallas-Fort Worth. While urbanization and population growth will spur development along the corridor, they will also increase traffic, necessitating infrastructure improvements that keep up with population growth forecasts.

In regard to warehouse/industrial/manufacturing assets, strong growth in logistics and e-commerce spurred investors to pursue industrial investments in 2022. Nonetheless, concerns over economic uncertainty have impacted leasing activity and vacancy rates in the last quarter of the year. A Q4 2022 Cushman & Wakefield report highlights the vacancy rate increased 60 basis

points to 4.4% in the fourth quarter, while leasing activity declined by roughly 73% quarter-over-quarter. This has prompted large industrial users to pause or postpone the construction of new warehouses and scale back their expansion plans. For instance, Amazon has canceled the plan to build a fulfillment center in Round Rock and it delayed the opening of a \$200 million fulfillment center in San Antonio's East Side neighborhood.

The research by Cushman & Wakefield also noted that new leasing activity for the fourth quarter of 2022 reached 525,308 square feet, with warehouse products making up 91% of the overall lease activity. But despite some positive signals, net absorption dropped into the red at negative 93,795 square feet during the quarter. On the plus side, new industrial space under construction climbed to almost 5.7 million square feet and the overall asking rents for all industrial products as of 2022 was \$8.44 per square foot – an increase on 2021. Equally important, net rental rates for warehouse/distribution space have gone up by 18% in 2022, ending the fourth quarter at \$7.19 per square foot.

■ **Multifamily**

The multifamily sector in San Antonio is still red-hot (...)

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Kamil Alavi

Partner – GrayStreet Partners

“ We have a few separate verticals. We have our traditional private equity business where we buy assets. We’ve done that consistently and will continue to grow that business. We have a development vertical where we develop from the ground up. We are currently working on a few projects that are very interesting and hope will have a positive impact in the community. We also have a credit vertical where we deploy capital in various parts of the capital stack. We are anticipating growing that business in 2023. ”



Julissa Carielo

Co-Founder & Partner – DreamOn Group

“ We have several projects in the works that are tied to private-public partnerships where we are partnering with city agencies or organizations that are serving the public. We can partner with them to use some of their properties for mixed-use development and affordable housing. We are focused on bringing several buildings back to life in underused areas of town. We are focusing on activating areas that need it the most and on bringing economic growth to areas of high poverty. We are doing this by not just creating a new space for them but by creating jobs and more opportunities for more nonprofits to serve out of those areas. ”



Todd Gold

CEO & Managing Partner – San Antonio, REOC

“ The San Antonio market is unique because there is so much in migration that sees the area as an opportunity. For us, it’s a slowdown while people readjust. We’ve already sold 36 single-family lots to one of our homebuilders in the last two units of a successful development, even though we have not yet achieved substantial completion. That demonstrates what we believe; if you have good property that’s located well in San Antonio, you are still somewhat insulated. It may be a little slower now, but those bright spots definitely still exist. I want to make it clear that things have only slowed down, not stopped. ”



Robert Shemwell

Senior Principal – Overland Partners

“ COVID reignited our need for social interaction and human connection. Our projects make it easier for people to be together, to connect with place and with each other. All Overland projects have these components to them, enhancing the vitality and connection of the community. Spaces people intuitively understand are safe and fun to be in. There has been a diminishing of this over time in America. We will look back and realize how important it was for us to connect. Healthy communities are where synergies and ideas happen. Through our collaborative approach, we bring our clients into the design process to consider the interconnectedness of their inspiration, aspirations, relationships, stewardship and well-being. ”



Drew Garza

Senior Vice President
Institutional Property Advisors

What are you advising your clients and partners when it comes to inflation and current interest rates?

Now more than ever before, we're back in our advisory role and really trying to understand the client's position in their business plan and where they are trying to go. Every client is different and it depends on their situation when it comes down to their loan and what kind of returns they're needing to produce in a sell scenario and what kind of returns they are willing to accept in a buy scenario. The bottom line is that many groups can still produce a good return in today's environment and there will be opportunities out there.

How would you assess San Antonio's talent pool?

The great news for San Antonio's employment growth is that we continue to add jobs; in fact, the city has rebounded from the early 2020 pandemic slump, and has seen 4.7% annual expansion or 50,000 jobs added. In regards to our local talent pool, the talent is definitely there because of our various universities, specifically UTSA's Real Estate Finance and Development Program. In my opinion, our local industry leaders need to look closer at the talent pool coming out of San Antonio and attract these graduating students to stay in the Alamo City.

What is your long-term outlook for the commercial and multifamily segments?

The fundamental driver of multifamily is simple: everybody needs a place to live. If interest rates went up for investors purchasing multifamily assets, they've also gone up for people buying homes, which has limited many people, specifically those looking for homes to purchase. Those who thought they could transition into a home have to stay in an apartment now because they can't commit to that new mortgage payment, which is obviously a positive for apartment owners in terms of occupancy staying high and rent growth opportunity given the demand of rental housing. Multifamily for the long term has and will always be a very steady and safe investment. In my personal opinion, I feel San Antonio has broken the previous ceiling on rent growth projections and what was considered a slow and steady market is now making national headlines for demand and rent growth being achieved in our city. ■

(...) despite higher interest rates and the risk of stagflation. Due to the unstable nature of the market, developers are rushing to construct upscale mixed-use buildings and luxury multifamily developments. According to Yardi Matrix, over 12,000 apartment units were being built in San Antonio as of May 2022. Durrington Ridge is a pending 398-unit luxury development near Stone Oak, which will be finished in 2023. There were also brand new projects in San Antonio's North Side and the Southtown/King William area, where each development had over 1,000 units under construction.

A different Yardi Matrix report from October 2022 highlights that rents in the multifamily sector climbed to an average of \$1,295, up 0.5% on a trailing three-month basis. Meanwhile, the occupancy rate declined 80 basis points year over year as of July 2022, to 94.9%. Investment exceeded \$2 billion, with a per-unit price of \$141,251—just 6% higher than that of 2021. With that being said, just 3,279 units were delivered through August – an indicator that development is slowing, although there are still 12,705 units underway.

Against this backdrop, several projects stand out. For instance, San Antonio's city panel has approved the plan to build an additional 29-story residential tower at Hemisfair's Civic Park. The complex will have studio, two-, and three-bedroom apartments. Newmark has brokered the sale of a portfolio of three multifamily properties, Spice Creek, The Clara and The Maxwell, which will bring online 828 units. Elsewhere, Lynd Living has broken ground at the \$70 million Potranco Commons project, while Oxbow Development Group has received a certificate of appropriateness from the Historic and Design Review Commission to build a nine-story apartment tower at 102 E. Josephine St. in Tobin Hill.

■ Sector performance

San Antonio's commercial real estate market shows signs of cooling down as the risks of stagflation, the Ukraine war, and surging interest rates are driving up asset prices, boosting borrowing costs and tanking deals. Inflation, in particular, is negatively affecting operational costs, but construction is also hampered due to higher material prices, high wages, and supply chain issues. Meanwhile, high interest rates are a double-edged sword because they drive first-time homebuyers out of the market and force them to deal with sky-high rents, while they also impact investors since debt financing becomes prohibitively expensive. As for the Ukraine war, Russian oligarchs are finding it increasingly difficult to bypass sanctions and invest in commercial real estate in the United States. This is especially true in Texas, where a Republican

bill is gaining steam that would prohibit citizens and companies from China and Russia from buying land in the state.

According to the U.S. Department of Agriculture's 2021 land report, Chinese investors own about 383,000 total acres of U.S. farmland, which is less than 1% of all foreign-held acreage. Likewise, Russia, Iran, and North Korea collectively own less than 3,000 acres, as per USDA's data. Not only that but, the majority of foreign owners of farmland in the United States are Canadians with a 31% stake, followed by Dutch and Italian owners with 12% and 7%, respectively. In this context, the bill seems as a government overreach that could ultimately work against Texas by giving the impression that it is hostile to foreign business.

Because of the ongoing challenges, the commercial real estate market in San Antonio is set for a bumpy ride in 2023. Despite the hurdles, survey respondents that took part in the 2023 emerging trends report by PwC and the Urban Land Institute-San Antonio remain cautiously optimistic about the future. This happens mostly because some sectors are bouncing back and returning to pre-pandemic levels. Retail, for example, is coming back full force. Inditex-owned Zara has just leased a 30,000-square-foot store at North Star Mall in Alamo City. However, office assets are still suffering because employees want to work remotely. According to U.S. Census Bureau data, almost one in seven San Antonio workers worked from home in 2021. Naturally, this has impacted office vacancy. Meanwhile, the situation hasn't improved significantly in 2022. As per a quarterly report by Partners, in the third quarter of 2022, the overall vacancy rate for class-A office assets was 16.6%.



The U.S. NBER says the work-from-home revolution has decreased the value of commercial real estate by about \$453 billion.

Elsewhere, multifamily assets are benefiting from the expansion of the local economy. The area's growth is promoting employment and helping household formation, which helps reduce the supply of multifamily housing. As of the second quarter of 2022, 5,272 new residential building permits have been entered into the HBW database for the San Antonio region. This represents a 45% year-over-year increase in new house development, according to HBW. In accordance with a different estimate from StorageCafe, San Antonio issued 44,170 multifamily permits between 2012 and 2021, ranking it in the 25th spot out of all major U.S. metro areas.

StorageCafe analysis also revealed that during the same period the Alamo City added more than 9.3 million square feet of new office space, ranking 25th nationwide. Additionally, it ranked 29th in the United States for new (...)

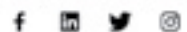


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Getting creative

Amid economic uncertainty, it's time to play offense with assets

Jonathan Collins

Managing Director – Valcor Commercial Real Estate

What are the biggest commercial opportunities in the San Antonio market?

With an impending recession in the forecast, we are looking to get creative with how we play offense in 2023 as opposed to just playing defense with our assets. Fortunately, San Antonio has historically weathered national economic storms very well. With limited Fortune 500 companies, relative to the size of the city, we end up staying away from large fluctuations that impact the entire city. Texas, and furthermore San Antonio, proved to be an attractive climate (cost of living, job opportunities, conservative business climate) during the pandemic and I believe the influx of population will continue to keep our market strong even though the national scene will experience some slow down. Therefore, even with interest rates rising, I believe San Antonio is and will continue to be a great market to invest in commercial real estate.

What is it that makes San Antonio a perfect market for Valcor?

For starters, my business partner and I both grew up here, so we are very familiar with the San Antonio and greater Central Texas market. San Antonio is a great place to raise a family and “family” is a big part of the Valcor culture. Also, due to limited fluctuations in the commercial market, it has proven to be a tremendous place to invest in commercial real estate.

Are you looking to expand in other markets or any other states?

With San Antonio being the 7th largest city in the nation we feel like we have plenty of opportunities to pursue

right here in our backyard. We will always be open to strategic expansion, but San Antonio and the greater Central Texas market has our focus in the immediate future.

How concerned are you about the current economic environment?

I'm very bullish on the San Antonio market overall but I do believe we will see certain sectors of commercial real estate slow down as the market attempts to correct itself. The investment sale market has already started to slow down as cap rates have had very little adjustment in the midst of rising interest rates. Sellers will either adjust their value expectations or pull their properties off the market until interest rates subside. Commercial real estate will continue to be an attractive investment, especially in the San Antonio market, when compared to the volatility and uncertainty of the stock market.

What is your outlook for Valcor for the near term and your top priorities?

Our top priority has always been to take care of what is in front of us and everything else will fall into place. In short, we try to keep things simple and focus on being good stewards of the clients and assets that have been entrusted to Valcor. Our vision is to be commercial real estate experts who set the standard for customer service. If we execute that vision, we will attract opportunities along the way. With the team we have in place I have confidence in our ability, regardless of the economic environment, to expose opportunities by providing excellent service to our clients throughout San Antonio and the greater Central Texas market. ■

(...) industrial space with more than 30.4 million square feet and 11th in the nation for new retail space with roughly 13.9 million square feet. Last but not least, new self-storage space surged by more than 6.8 million square feet in San Antonio, ranking the city 18th in the country.

■ Financing trends

Investors in San Antonio have access to numerous commercial real estate financing options. Furthermore, local CRE investors can learn more about the various types of financing by attending the workshops held by local chapters of CREW, NAIOP, and other commercial real estate groups. Businesses like Wexum offer a diverse range of financing solutions for San Antonio CRE investors. From conventional loans with terms up to 10 years and the loan-to-value (LTV) ratio up to 75%, to CMBS loans with fixed rate terms and LTV up to 80%. Additionally, Wexum offers SBA loans, construction loans, and bridge and hard money loans. Despite a vast range of commercial real estate financing options available on the market, the Mortgage Bankers Association estimates a 15% decline in commercial loan production in 2023. Lending activity ought to increase in the third quarter of the year once developers have adjusted and revamped their portfolio.

■ Looking ahead

Moving forward, San Antonio will remain a top commercial real estate market thanks to its strategic location, strong market fundamentals, low taxes and business-friendly environment. However, not all developers and investors will be able to diversify their portfolios and navigate uncertainty. Likewise, some industries will fare better than others because they will be fully prepared to fight against inflation and rising interest rates. Nonetheless, in this dynamic environment San Antonio real estate professionals and landlords need to assess the risks of national disasters and prepare their assets for emergencies.

In recent years, the Lone Star State had to battle major hurricanes, floods, tornadoes and blizzards. Unsurprisingly, a study by ValuePenguin established that Texas is the state with the highest risk of natural disasters in the country. The state has experienced property damage costing an average of \$14 billion annually between 2015 and 2020. The severe winter storm that hit Texas in February 2021 caused about \$10.35 billion in total damages, according to the Texas Department of Insurance. Given that the state is experiencing an increase in the frequency of natural disasters, developers and contractors must construct resilient assets that adhere to stricter standards. ■

PERSPECTIVES:

Industry overview

Beverly Baldwin

Principal – Alamo Architects

The architecture industry is healthy and there's still a good flow of both new project work as well as existing clients continuing to do more projects. From a San Antonio perspective, we have seen a lot of out-of-town developers coming in and seeking local experience like ours to bring community context to their projects. The economic status of our region is very healthy and allows projects that likely wouldn't move forward in other regions to proceed here in San Antonio. ■

Bryan Mask

Regional Manager & Principal – Dunaway Associates

We want to make sure Dunaway has all our lines of business in San Antonio in the next two to three years. We currently have three and we want to have all of them here. That's a big focus for us. We would like to continue our growth in the healthcare and K-12 market segments. We've been getting some good projects in those areas and that's a big focus for us. We would like to continue having that mix of public and private projects. We want to make sure we're in both segments and that we have good relationships in both of those segments. ■

Tom Rohde

President – Rohde Ottmers Siegel Realty

I'm positive because we have incoming migrants who are willing to get out of where they grew up and move south to where the jobs are. We're going to have a big lack of housing in San Antonio in a year or two. We're going to have to get back after affordable housing. The city has just issued a \$150 million bond for affordable housing. The gentrification around Pearl and Downtown is pushing the fixed-income and lower-income people out with nowhere to go. Our big deal in the next few years is going to be industrial growth and housing. ■

Cliff Whittingstall

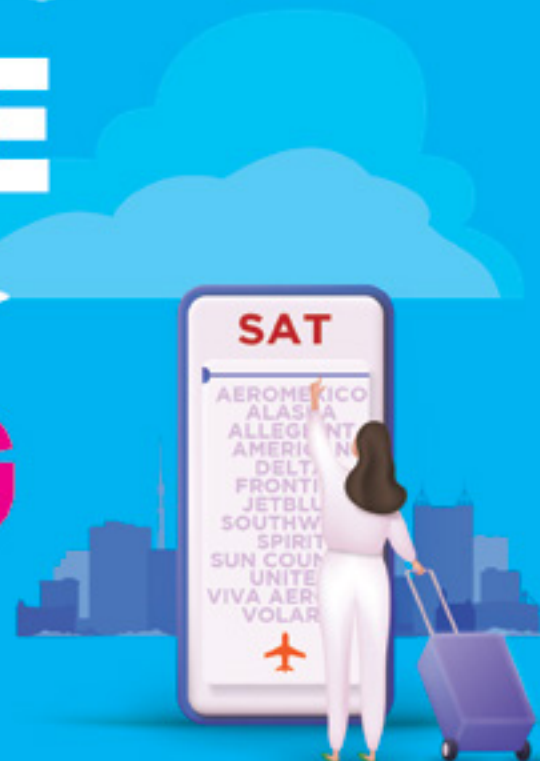
Partner – PBK Architects

Things are good depending on who you talk to and the area that you are in. San Antonio has always been a good place to handle situations that might arise from inflation or interest rates because the market slows down a bit but generally doesn't crash. It is very steady here and that makes it a great place to do business. There is a tool called tuition revenue bonds (TRB), which passed recently, so many projects are starting to hit the streets this year. The passing of the TRB's will result in a lot of new work throughout Texas and these projects will start soon. ■

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Infrastructure, Transportation & Utilities:

Amid strong growth, Greater San Antonio is taking action to keep pace, including the reconstruction of the San Antonio Airport, infrastructure updates and conversions, and initiatives to prepare the region for technological advances in communications and energy generation.

Ready to go:

From the streets to the skies, San Antonio is keeping pace with growth



The San Antonio region is experiencing immense growth. While the region is not dependent on any specific key industry, the fact it has strong health/bioscience, technology and aerospace sectors attracts one of the most educated and diverse labor forces in the country and the major reconstruction of the San Antonio Airport is just one example of how the region is responding to growing needs. In addition to the City of San Antonio itself, the strength of the suburban communities and neighboring cities, including New Braunfels and areas like Seguin and Boerne, add to the attractiveness of the region.

Given this landscape, it is vital that infrastructure, including transportation and utilities, keep pace with not only current expansion but the growth to come, a fact that is not lost on Greater San Antonio as it moves forward.

■ Landscape

One of Greater San Antonio's strengths is its position as a logistics hub with multiple options for transportation, including its international airport, its transit system, and its easy access to the interstate highway system via I-10 and I-35.

As of mid-July 2022, \$8 billion in funding for Texas had already been announced and 260 projects identified as part of the Bipartisan Infrastructure Law spearheaded by President Joe Biden as part of the COVID pandemic recovery. Of this funding, \$6.6 billion was earmarked for transportation projects related to roads, bridges, public transit, ports and airports. Around \$507 million was earmarked for clean water — including the largest investment in drinking water in American history. Funds have also been allocated to lead pipe and service line replacements. On the connectivity side of the ledger, funding was provided to ensure 953,000 households receive affordable internet service.

Recognizing that power outages cost the U.S. economy more than \$70 billion per year, the state of Texas was also allocated \$173 million for weatherization and a further \$30 million to prevent outages and improve grid resilience. More projects are expected to be initiated under the infrastructure law, with investments in all communities, including those in rural and underserved areas, seeing benefits. (...)



Expanding for growth

Greater capacity can lead to domestic, international growth

Jesus Saenz

Director of Airports – San Antonio Airport System

What are some milestones for San Antonio International Airport this year?

As the new airport director, I am involved with a new development program for the City of San Antonio to develop and grow capacity to provide opportunities for domestic and international growth. We're so excited about our major expansion of adding a third terminal to SAT. Our Terminal Development Program is going to reimagine the passenger experience – creating a sense of place for everyone arriving in San Antonio. It will add up to 17 new gates, six of which will be able to accommodate both domestic and wide-body international flights. It will also include more than 850,000 square feet of new terminal space, which will make the new terminal larger than Terminals A and B combined. Perhaps the best part will be the landscaped, riparian paseo between the curb and the terminal that references the River Walk experience and tells the story of San Antonio's creeks and spring-fed waterways and the outdoor courtyards within the new terminal that offer an opportunity to showcase San Antonio's 250+ days of sunshine per year. This will impact the overall economic strength of the city. It was a lot of work by a lot of people to build this development plan. Airports are required to have a master plan developed every 10 years. When I arrived in 2020, they were in the middle of developing a 20-year plan for the existing airport with a goal of completion by 2040. I integrated several elements to the project, which is exciting because of the growth of the South Texas region. Austin is experiencing incredible growth and San Antonio is inevitably the next big city in the state of Texas. It will have enormous growth and expansion and I want to be part of that. San Antonio sits at the nucleus

of everything. It has a lot of culture, charm and history. I want to help propel us to the future.

How is sustainability integrated into your plans?

The airport plays a major factor in that because it connects our passengers through various means. They arrive at the curb and there is a facilitation process that occurs as they make it to their gate. Now, we think of it as home to gate, or work to gate, and as we take that into consideration then technology becomes a big factor. We have a large portion of our ground equipment electrified and we are in conversations about increasing the number of electrical units in our facility. This involves coordinating with car rental facilities and the construction of additional infrastructure, which will have a big impact. We have a grant to electrify our buses that go to airport parking and rental facilities. The design standard criteria establish outdoor places and improved lighting for the long term. These are all opportunities that help to reduce the overall consumption of energy as we operate and maintain our facilities.

What are your top priorities?

We need to continue to focus on providing a very strong culture in the airport and how we do business. This means people will want to be part of it whether you are a stakeholder, a federal agency, or an employee. This is important in the post-COVID rebound. The other factor is our ability to grow and expand. We have been able to bring on additional air-service development to the airport and we are starting new routes. We have several opportunities where we will target leisure and business destinations. We want to connect those routes to the City of San Antonio. ■



Jim Wimberly

President
Texas Aviation Partners

Considering the landscape today, what is your long-term outlook for the aviation sector?

Airports operate most efficiently when there is a balance between three areas: airfield capacity, surrounding real estate for aeronautical and non-aeronautical use, and adequate vehicular access.

We have all these ingredients, putting our airport in an excellent position for growth.

What is the role of the Texas Aviation Partners in the wider economy and industry?

I spent 25 years as an executive with Southwest Airlines and had the privilege of serving as their COO at one point, but before that, I worked for the City of Houston managing Hobby Airport. I helped establish Texas Aviation Partners 16 years ago with an idea that with the right expertise, a community airport, like San Marcos Regional, can become a true economic driver for the region it serves.

The City of San Marcos really proved that it saw the value of its airport when TAP was hired. It's a testament to a guiding principle that the city is interested in doing things differently.

Our priorities have been, and continue to be: operate the airport safely, generate revenue for the city, and grow the airport in a sustainable manner that contributes to the overall economy of the region. And I think we've done that very well over the last 13 years.

What is the prospect of future commercial activity at San Marcos Regional Airport?

It's a matter of simple supply and demand in Central Texas, which is one of the fastest growing areas in the country. There is a high demand for the flying public wanting to visit the Austin/San Antonio region and to accommodate this, the commercial airline carriers will need additional options. We are already a reliever to the two international airports in this region, and we have an obligation to our community and to the local economy to assist in meeting demand. My crystal ball says it's a matter of time before our airport is accommodating commercial flights, which is why we have to stay focused on making sure the infrastructure is in place when that time comes. ■

(...) ■ Transportation infrastructure

Texas ranks 25th out of the 50 states for transportation infrastructure. Bridge quality in the state is excellent, with the U.S. Department of Transportation stating that fewer than 2% are of poor quality, but there is room for improvement in road quality and commute times. The department awarded \$73 million to 28 cities, counties, tribes and organizations in Texas, intended for projects that will increase road safety and reduce fatalities. As part of this initiative, San Antonio received \$4.4 million for the Zarzamora Street Mid-Block Crossings & High-Injury Network Safety Campaigns, which targets pedestrian safety, and will use the money to address lighting, signage and crosswalk needs.

San Antonio is also working overtime to keep up with infrastructure needs as economic activity has flourished at an unprecedented rate. One new regional initiative in the transportation space is the Advanced Rapid Transit (ART) North/South Corridor project connecting the city of San Antonio's Mission District to the San Antonio International Airport with a dedicated bus route. The project, which will begin in 2027 and will improve service on one of the busiest city routes, is receiving federal funding support. Some of the benefits it is intended to provide are access to jobs, education and health services as well solving economic issues, such as food insecurity.

In another project, TxDOT has announced a planned \$16 million improvement of Broadway from Downtown San Antonio to Alamo Heights. The project will address safety, maintenance and operational enhancements, add ADA accessibility and improve sidewalks and curbs.

San Antonio's population is growing and its farmland is being taken over by subdivisions. This growth brings with it congestion and danger for local cyclists and, as a result, the city is the country's 16th-most deadly for cyclists, according to the U.S. Department of Transportation. As a result of public works department studies, Bexar County plans to install four-way stops, refresh pavement markings and install driver speed feedback signals in problem areas. In addition, there is a city initiative called Vision Zero that aims to address cycling and pedestrian safety. This is an international program that works to eliminate traffic fatalities of all types, setting strategies to improve road systems, policies and road user behavior. The city is focusing on education and infrastructure, with planned cycling and pedestrian safety features, including mid-block crossings and bike lanes, when repaving or constructing roadways.

The city is also looking at ways to make neighborhoods more walkable as part of its Infrastructure Management Program. In 2022, Public Works completed 371 projects in (...)



Proven resilience

Overcoming challenges demonstrates ability to meet needs

Robert Puente

President & CEO – San Antonio Water System

What are the biggest achievements or milestones for the San Antonio Water System in the past year?

The challenges we faced over the last couple of years have really shown how resilient we can be. We have proven this throughout the pandemic and throughout Winter Storm Uri that came through Texas, as well as recent supply chain issues. We didn't miss a beat through all of that. The southwestern U.S. has been under a severe drought, which hasn't been seen in hundreds of years. We are doing what we can to do to meet the needs of the public. In San Antonio, we have prepared for these types of droughts, and we have flourished despite them. In the 1950s there was a long drought, but the intensity of 2011-2014 was hotter and there was little rainfall during that time. Despite all this, we have water security for decades to come, even with the tremendous growth we have experienced. The drought of 2022 has been difficult, and we don't know if it will continue into 2023, but we are well prepared to deal with it. Also, in the name of resiliency, we have reached an agreement with our sister public power company to have backup generators at our key pump stations. They will maintain the generators but this will be a reserve for us during emergencies. When not in use during emergencies, the power will be sold back to the grid. We are ensuring our resilience and helping pay for it at the same time.

What are some challenges regarding access to water?

Our basic source of water in the South-Central Texas region is the Edwards Aquifer. About 30 small cities rely on this aquifer. One third of the water is used for agriculture, and another third has to be released due to federal regulations. It has to exit through springs

which feed into rivers so it can make its way to the Gulf Coast. We have built the nation's largest recycled water system. We clean it up in a wastewater treatment plant and we put it back into use for manufacturing and irrigation use. We also have the largest ASR source, which stands for aquifer storage and recovery. We store excess water in a nearby aquifer during rainy years, and during drought we withdraw some of that water. We have been taking water out recently, but eventually we will put water back in. We want to build water security for decades to come.

What are your biggest challenges and how does that relate to the bigger picture in the utility sector?

The biggest challenge is the cost of providing our service. Water is not a luxury that you can leave or take. You need to have water services; and our most vulnerable population needs to have affordable water. When we reduced our water rates, we changed the way we deliver and charge for water concerning people at the federal poverty level. It is a self-fulfilling program because the more people who qualify for affordability rates, the more we charge for our largest accounts and users of water. This creates a cycle of equity.

What is your outlook for the San Antonio Water System?

The outlook is very good. We are at the cutting edge of many of the things we do. We need underground storage of water and we need to conserve to meet the challenges of the future, including climate change, but we already do all of that. We need to ensure that we continue to meet those challenges through innovation while keeping water affordable for our most vulnerable customers. ■



As part of the Bipartisan Infrastructure Law, San Antonio International Airport has received a \$20 million grant from the FAA.

(...) District 5 alone, including street repairs and filling sidewalk gaps. More work is needed in some areas, with residents noting in a Fox29 report that when sidewalks are available, people use them. Public Works notes that for FY23, the plan is to spend \$22 million on sidewalk improvements and \$5 million on Neighborhood Accessibility Mobility Program infrastructure improvement in an effort to meet needs.

■ **Projects, developments & challenges**

Greater San Antonio is also addressing climate concerns and building resilience for the future. The SA Climate Ready plan, for example, is aimed at assessing needs and vulnerabilities and identifying strategies and solutions. Solutions being considered include benchmarking building energy and water use to find opportunities to eliminate waste and save money and funding energy-efficient retrofitting of old homes and buildings. The city is receiving support in these efforts from Bloomberg Philanthropies and climate advisers from the Natural Resources Defense Council.

As demand for connectivity grows, many cities are looking at smart solutions and San Antonio is among them. Its Office of Innovation is working on a strategic plan that emphasizes information sharing. The city conducted a survey of workers that found three main areas of concern: data access and effective use of data, use of IT and technology to improve public services and resident engagement, especially for underserved populations. A survey of the general public found their priorities are better access to real-time public

information, safe infrastructure, access to transportation, environmental quality and public safety. The city is planning a website for pitching ideas to the Office of Innovation and designing projects for testing in their Smart and Connected Community Testbed. Their goal is not to implement technology for the sake of technology but to work on projects that address actual needs.

■ **Aviation**

As part of the Bipartisan Infrastructure Law, San Antonio International Airport has received a \$20 million grant from the Federal Aviation Administration. Local leaders have been working with Washington to bring federal funding to the region resulting in this grant that will be used for a 37,000-square-foot ground-loading facility with five new gates. This could result in around 1.3 million additional passengers. Work is expected to be completed early in 2025. Domestic passenger numbers at the airport continue to grow as use rebounds after the drop caused by the pandemic. The most recent passenger numbers show the airport has reached 89% of the record-breaking 2019 pre-pandemic numbers, with air cargo numbers only slightly below those of 2019. International passenger numbers are growing, with an increase of around 55% compared to 2019, as airlines have increased flight frequency and capacity, especially for Mexican routes.

■ **Telecommunications**

In ranking state internet access based on the percentage of households with broadband and the percentage of the state population with access to high-speed broadband, Texas comes in eighth, according to U.S. News & World Report. However, there is some indication that internet availability may have been overestimated in San Antonio in a new national broadband map that will be used to allocate money to states for high-speed internet projects. Officials of Bexar County and the City of San Antonio sent a joint letter to the Federal Communications Commission and the National Telecommunications Information Administration claiming the map is inaccurate and requesting funding decisions be delayed pending clarification of the real situation. In an attempt to address the problem, SA Digital Connects, a nonprofit that works to ensure city residents have internet access, has partnered with Bexar County to launch a site where residents can correct the map if their information is wrong.

■ **Water**

Water quality issues have plagued the San Antonio River historically, especially during periods when water levels



are low. Recently, advanced waste treatment in the three major city treatment plants has been improved and dissolved oxygen levels have increased significantly, with aquatic life health improving as a result.

The City of Schertz, in the San Antonio–New Braunfels metropolitan area, will invest \$40 million in water, sewer and drainage projects. Some of these projects are investments in new infrastructure needed as a result of the 33% population growth the city has experienced since 2010. Others are recapitalization projects, such as that in the Aviation Heights residential area where water lines were replaced, and it is necessary to replace or maintain existing infrastructure. Additional projects include the \$12 million Woman Hollering Creek Wastewater project to add a wastewater trunk main, the \$7 million Corbett ground storage tank, and a \$10 million tank-dedicated transmission line.

■ Electricity/power

Texas is the 25th-ranked state when it comes to energy, based on renewable energy usage, reliability of its grid, and average cost, according to U.S. News & World Report. While it performs well in price, coming in at ninth compared to other states, power grid reliability is ranked 29th and renewable energy usage is a concerning 36th.

Average electric use in the state in homes is 26% higher than the rest of the country, with a great deal of consumption going to air conditioning, space heaters, water heating and appliances/electronics, according to the ElectricChoice website. Average household bills per year — \$1,801 — is among the highest in the country. When it comes to business use, the commercial sector consumes about 12% of the state's electricity, the industrial sector about 49% and transportation about 24%.

**San Antonio
has been
named one
of the Top 50
greenest cities in
the United States**

To protect residents from unfair energy costs, the Public Utility Commission of Texas runs the Power to Choose program. It provides an online tool for comparing rates, plans and energy options.

■ Energy efficiency and green initiatives

San Antonio has been named as one of the Top 50 greenest cities in the United States in a ranking from WalletHub that looked at four factors: environment, transportation, energy sources, and lifestyle and policy.

The SA Climate Ready Plan, initiated in 2019, is intended to improve quality of life and resilience and to protect economic, environmental and social resources in the light of the expectation San Antonio will grow by more than 1 million people by 2040. The plan looks at everything from public health systems to emergency management to ecosystems. Some actions include incentivizing and funding tree canopy programs to promote drought and wildfire-resistance and monitoring public health to track cases related to weather events.(...)

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Transportation's future

Transit leaders discuss their current projects and initiatives to create safer, more efficient transportation infrastructure for the long term.



Jeffrey Arndt
President & CEO
VIA Metropolitan Transit



James Lovett
*Director of Government Relations
& Public Affairs*
SH 130 Concession Company

How is VIA Link supporting the transit transformation in the city?

VIA Link was conceived in 2016 as an alternative to fixed-route transit. With the proliferation of rideshare companies like Lyft, we found there was a significant demand for flexible public options as well. The fact is that while urban centers feature robust roadway networks, density, and walkability that are conducive to public transit, as you move further out it becomes more difficult. There's sparser and less connected roadway out there, gated communities and other phenomena that make fixed transit routes a challenge. What often results is very infrequent service because the demand just isn't there. We finally piloted VIA Link in 2018 on the Northeast side of town. The best part is we only charge \$1.30 for any trip and our response time averages 10 minutes, making it very competitive in the rideshare market. Transfers to buses are free with VIA Link and all are tied into the fixed-route system. We now have three zones for VIA Link in the northeast, northwest and south. On the Southside, development is fairly sparse but there are a few specific nodes of import.

What are the top opportunities for transportation?

We need San Antonio to start thinking about the transportation infrastructure the same way it thinks about the power and water infrastructure. Power and water are run by local agencies and are heavy into helping people understand how to conserve. It's not just a matter of how, but also out of obligation. They manage that infrastructure based on the fact they know what it is and it has to function 24/7, 365 days a year. With transportation, it's treated as an infinite resource. In the next ten years, building additional capacity will be more challenging and expensive because we (San Antonio) are building out more. We need to use those corridors in a more effective way, thinking in terms of efficiently moving people instead of moving vehicles. Only transit can do that. ■

What are some highlights for SH 130 in recent years from a growth standpoint?

Extending 91 miles from Georgetown to I-10 near San Antonio, SH 130 has seen tremendous growth in traffic and development over the past few years. Our company operates and maintains the southern section that runs right through the heart of the Texas Innovation Corridor — from Seguin up to the Buda area through Guadalupe, Caldwell, and a little bit of Travis County.

The region has become a hub for manufacturing and economic development. SH 130 has played a critical role in attracting development and employers to this corridor by providing a reliable alternative to I-35 in an ideal location that enables companies to easily serve two of the fastest-growing metro areas in the nation.

There's a growing chorus of business and community leaders advocating for a high-speed road connecting I-35 and SH 130 between San Antonio and Austin so that drivers can more easily access the southern section of SH 130. For context, the northern section of SH 130 is connected to I-35 by four high-speed roadways between Georgetown and Buda. Today, there are no high-speed connectors between south Austin and I-10 east of San Antonio. We have put forward a proposal to fund a non-tolled connector road that would be developed with our partners at the Texas Department of Transportation.

What are your key challenges?

Like everyone across the nation, we've seen the cost of everything increase significantly in the last couple of years. It costs more to make and ship goods and materials, which means that our expenses for maintenance, operations and capital improvements have gone up and the cost to deliver new infrastructure will continue to increase the longer it is deferred. Fortunately, we have seen robust demand during this period. We operate a toll road, and our customers are choosing to pay a toll because they realize it is worth their money. ■



Sid Martinez

Executive Director
Alamo Area Metropolitan Planning
Organization (AAMPO)

How will people be getting around in 10 years?

The projects underway today will have the most impact years down the road, especially for our larger projects, because construction at that level takes a very long time. Our national corridors are important to the region but also to the country as a whole. In 10 years, hopefully, these projects will be complete. IH-35 for example, is seeing a \$2.8 billion investment at a time when we are seeing record growth in the region. There are huge population increases in San Antonio and in the state of Texas, which creates an increase in demand for better transportation infrastructure. It's important to stay ahead of population growth and I see that happening with these projects. I foresee more investment in transit in the future, and that might be one of our current weaknesses. We have a great bus system but we don't have innovative transit like light rail or bus rapid transit as in other major cities. We are working on this; voters approved additional funding to our local transit authority that will take effect in the next few years. Hopefully, we will see more innovative transit projects come from that.

What advancements have been made in Vision Zero?

Vision Zero is a regional and some would say lofty goal that should be constantly worked toward. Texas has put a lot of investment into safety and we are seeing dollars strategically focused on safety-related projects. It's important to find spots with safety issues and rectify them. For example, in this region, we have had a major issue with people driving the wrong way on highways while intoxicated. As anyone can imagine, that causes serious fatalities and injuries. Our regional safety partners, led by our local Texas Department of Transportation (TxDOT) District office, were innovative in our approach to rectifying this issue. We partnered with TxDOT to put up signs illuminated in a way that would get a driver's attention even if they were intoxicated. They would only see the sign if they were going the wrong way on the corridor. We have seen a reduction in those types of incidents. ■



Tomika Monterville

Director
City of San Antonio Transportation
Department

What are the biggest achievements and projects the department is working on?

We have been awarded a contract for the development of the city's bike network plan. That has been a key priority for us: to focus on developing a comprehensive plan for building and designing protected safe, enjoyable bicycle infrastructure throughout the city and on our roadways. We are now recognizing and incorporating the Howard WP Greenway trail, the update of this bike network plan is over a decade in the making. The last bike network plan was in 2011, and that plan was really great in that it identified locations and roads where it would be ideal to have bicycle infrastructure. Some of the key elements of this plan are kicking off this month with our internal departments. We'll then follow up with our mobility committee meeting, which involves residents, stakeholders in the bicycle community and other partner organizations such as the Alamo Area Metropolitan Planning Organization. The Texas Department of Transportation is also having its bike district bike plan updated, and they're doing a statewide bike plan. We feel like we have a lot of synergy right now. The key element of our bike network plan will be a Health Impact Assessment to identify the health of San Antonians and what we anticipate their health being upon completion of this plan.

What is the role of technology in your work?

Automation is critical to being a 21st century organization. We envision using automation and using technology to put it in the hands of the users. As we develop our bike network plan, we want to have an interactive bike network map so that people who are visiting in the neighborhood or decide they want to change their trip for environmental sustainability purposes have access to that. We want to have an interactive map where you can decide what your route is similar to what you do with your smartphone. Making our website user friendly and accessible is critical to us being an efficient organization, particularly because we have such a small staff. ■



Strong growth

Capital expenditure allocation ensures ability to handle greater load

Cory Kuchinsky

CFO – CPS Energy

How is CPS Energy taking action to satisfy growing demand for services?

We are continuing to see growth in San Antonio. That is a strength and we are fortunate because there are some U.S. cities that are seeing declining populations. Over the last two years, we have seen over 20,000 new customers connected. Even if it slows down a little bit with the economy, it is still strong growth. Close to 30% of our capital budget is directed toward growth. That ensures things like our distribution infrastructure can handle the load that is moving in. A challenge we are facing, like utilities across the country, is with supply chain constraints on critical parts. That will be an ongoing challenge as we go into next year as well.

How do you leverage digital technology to provide better customer service?

There is a ton of new technology and we are adapting to those changes. One of the big hurdles for us is changing the Enterprise Resource Planning (ERP) infrastructure that has been around for 25 years. We have a five-year window that our ERP team is going to be working through and put out new infrastructure that will allow our systems to use more modern tools. We have a great team, but we are looking for a frictionless experience for our customers, so that's an investment that we are going to be making in the next five years.

What are the challenges facing CPS Energy?

Many of the items you likely have seen in the media: future power generation decisions, revised rate design conversations with our community, managing through the inflationary pressures and supply chain constraints.

We want to be as efficient with every dollar as possible. However, cost management is always a challenge that we've always taken on regardless of what is going on in the macroeconomic space, but more so now with inflationary pressures. There are dozens of inputs where costs have gone up 10% to 20% for us. Right now, we're absorbing those costs through our financial strength. Whenever we come back for our next rate increase, we will address the price increases that we just can't absorb anymore and will need to put in our next rate increase.

What is your outlook for San Antonio and the energy sector in the near term?

I still think San Antonio is going to fare better than most cities in the United States. We are an attractive city from an affordability, growth and business perspective. However, I think in the near term, we are still going to face challenges from an inflation, supply chain and natural gas cost perspective. The war in Russia and Ukraine impacts all of us in San Antonio. While we don't do transactions with Russia, Europe needs to get gas somewhere. In Texas, we have natural gas and we're going to ship that to our allies. But it creates supply pressure locally, which will raise the price of natural gas.

There is a lot of change coming. We are improving our customer engagement. We are working on how customers can interact with us. There has been significant discussion about what the future generation plan should look like. What does the transition off of fossil fuels look like? That is a discussion we are open to have. We are having it now with the community. What I want people to know is that CPS Energy wants to engage in conversation. ■

(...) Build San Antonio Green is an initiative to protect and enhance the lives of residents of the San Antonio region by developing standards for new construction and existing structures, taking into account green standards. The initiative provides expertise and education as well as certifications regarding energy and water efficiency and efficient use of materials. It also provides a tool for consumers to evaluate and connect to solar options. A separate tool provides a technical education tool for consumers to learn about electric vehicles and what is necessary to prepare homes and other buildings for electric transportation.

In line with its green outlook, San Antonio intends to end the use of coal within five years, as the board of CPS Energy has voted to stop using coal at its J. K. Spruce power plant. The plant has struggled since it was built in 2010. Community members objected to the pollution of coal and the facility struggled to compete with fracked gas, solar and wind energy. The plan is to replace coal with cheaper and more environmentally responsible options, such as natural gas and renewables.

The impact of the decision may be felt beyond San Antonio, since CPS Energy is the country's largest municipally-owned electric facility and San Antonio Mayor Ron Nirenberg is on its board; at the same time working to position the city as a climate leader by participating in national committees and challenges. While officials and community members at a board meeting hailed the move away from coal, some criticized the intention to move to gas. Although it can be argued that coal is the dirtiest fossil fuel, the use of gas is not as bold a change as some would like to see.

Still, the plan to close the older half of the coal power plant by 2028 and convert the newer half to gas by the



The Build San Antonio Green initiative provides a tool for consumers to evaluate and connect to solar options.

end of 2027 will greatly reduce greenhouse gas emissions and local pollution of air and water. In making its decision, CPS considered nine combinations of coal, gas and renewables. The final decision was based on a desire to eliminate coal entirely while maintaining reliability and affordability, especially in light of the city's exposure to increasingly extreme weather.

■ Looking ahead

San Antonio is growing but its leaders and citizens are preparing for that growth with infrastructure updates and conversions to meet additional needs, while also having a focus on protecting citizen health and the natural environment. The airport and road systems to support logistics needs are in place and there are already strong initiatives to prepare the region for technological advances in communications and energy generation. ■

As the **largest municipally owned** electric and natural gas company in the nation, CPS Energy is proud to serve the greater San Antonio community.

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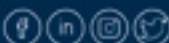
Vantage Bank is part of the San Antonio community and is invested in its opportunities.

As a family-owned community bank with deep Texas roots we understand the unique needs of businesses in the region. We offer a full suite of innovative commercial services, expertise in international banking and treasury management, and a personal relationship with a responsive banker who will provide creative solutions specific to your business goals.

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VICTORY TAKES VISION





Banking & Finance:



The infusion of funds to battle the pandemic had a positive ripple effect across the financial sector in 2022 and despite expectations of a slowdown, the region's banking and finance industry is expected to weather the storm and pull through a more challenging 2023.

Dynamic, diverse, competitive:

Greater San Antonio's banking sector reflects the region it serves

The banking and financial services sector in Greater San Antonio shares many similarities with the community it serves: It is dynamic, diverse, and competitive. With the city's population expected to grow rapidly over the next half-decade, it is a safe bet that the region's banks will play a crucial role in supporting development through investments in lodging, enterprises and infrastructure.

Like Texas at large, the San Antonio metropolitan area is home to a diverse spread of national, regional, community and online banks. According to one C-suite banker in the Greater San Antonio area that *Invest*: spoke with, 2022 was a year of business recoveries from the lows of the pandemic in 2020 and 2021. While some segments have witnessed a slower recovery, the money injected into the system by government stimulus and the Paycheck Protection Program (PPP) during the pandemic started to have an impact in 2022.

In February 2023, Forbes Advisor included San Antonio-New Braunfels among the Texas markets with the greatest volumes of deposits, alongside Dallas-Fort Worth-Arlington, Houston-The Woodlands-Sugar Land, and others. Considering deposits inside the San Antonio market as of June 30, 2022, the five best-performing banks were USAA Federal Savings Bank with \$106.92 million in inside-market deposits, Citibank with \$24.58 million, Frost Bank with \$15 million, Wells Fargo Bank with \$6.3 million and Bank of America with \$6.04 million.

All five banks witnessed year-on-year increases in inside-market deposits, with USAA Federal Savings Bank's inside-market deposits climbing 5.66%, Citibank up 16.18%, Frost Bank up 26.43%, Wells Fargo Bank up 17.5%, and Bank of America up 11.85%.

Of San Antonio's Top 5 banks for deposits, two are headquartered in the city: USAA Federal Savings Bank and Frost Bank.

Looking at the 2023 bank branch numbers in the Greater San Antonio area, Chase Bank has 33 branches within a 20-mile radius of San Antonio, Wells Fargo has 32, Bank of America has 29, Frost Bank has 25, Broadway Bank has 19, IBC Bank has 18, Jefferson Bank has 10, Truist and First National Bank Texas both have nine, and USAA has one branch, according to WalletHub.(...)



Rates, inflation in focus

Remaining 'upfront and fair' key higher rate environment

Paul Thornton

Regional President – Vantage Bank

How are you responding to inflation and changing interest rates?

The raising rate environment is something that we talk about internally quite a bit. I think it is important for not only our production team and frankly, all of our bankers here to be part of the conversations and remain informed. We are making sure we remain upfront and fair with our customers. It provides an opportunity for customers to move funds or maybe reposition their money into interest bearing products and take advantage of the current rate environment. On the commercial side, it's going to increase the cost of debt service on existing loans customers and this impacts the commercial real estate market. The rising rates have put a little bit of a squeeze as asking prices remain at all-time highs. We have seen a little bit of a slowdown with our loan demand and I believe we will eventually see real estate prices adjusting due to the cost of financing these assets. It is something that we have to manage. Today, we have to remain on our toes on the deposit side and make sure we remain competitive for our customers.

How would you describe the company culture at Vantage?

Compensation drives everybody, but I think the environment that we work in is equally important. As far as our culture goes, it starts at the top of the bank. The flexibility and support that is provided to all the executives filters all the way down through our employees and creates a friendly environment. We work with integrity, we treat people fairly, we treat our customers and our internal customers the way we want to be treated. I think our whole organization believes that everybody's pulling in the same direction, we

may not always agree but everybody knows we are all working together for the best interest of the bank and for our customers. If that's not important to you, you're probably not going to be a good fit for our bank. This is something we think, live and breathe each and every day and it has proven to be successful. That's a huge component of why we've been successful and had the growth and profitability that we experienced over the last several years.

How has the population influx impacted your business?

The influx, as you might suspect, just creates opportunity for both loans and deposits. When you have people moving into the area that's going to impact our customers, whether it's renting out more hotel rooms, serving more meals at the restaurant, building more homes, they're going to get a lift from that. We get a lift from supporting those various businesses and what they do on a day to day basis. As far as the individual and commercial customers that are coming into the area, it creates a great opportunity for us. It puts everybody on a level playing field. We are still somewhat new to the market but when you have somebody come in, it allows us to be competitive and have a better opportunity of winning that business. The one thing that we continue to battle is brand awareness and getting our name out there. We're still somewhat limited, resource wise, compared to some of the larger national banks. Our strongest asset is our people. We have competitive products that support us selling our services across the markets we serve. San Antonio, historically, has been a slower market but has always been steady and continues to move with a good trajectory. ■



Unique place

Macro trends are having an impact on the insurance industry

Randy Termeer

Property & Casualty Division President – USAA

How would you describe USAA's relationship with San Antonio?

USAA's partnership with San Antonio is so important as a North American and global insurer that serves the military community well here. We have almost 22,000 associates who serve in San Antonio as part of our workforce. The collaboration between San Antonio's greater footprint and how we can continue to employ, develop and train USAA teammates is vital. The insurance industry is at a very unique place right now. Macroeconomic trends around inflation and supply chain pressures all hit the insurance market and impact how we respond not only by helping our teammates but also our members and military families that are insured by us to have affordable coverage. A lot of our new teammates are from military backgrounds, either military spouses or veterans. It's a real partnership between the city and USAA, ultimately to serve more military families during a challenging time.

What are members looking for from USAA today?

USAA is a membership organization built on military tradition. We started here in San Antonio 100 years ago. We wanted to offer something different for military families and associates. Our members are asking for highly competitive products, exceptional service, choices and ways to have products both digitally, in person or over the phone. We've spent a lot of time looking at the breadth of options our members are looking for to meet their financial services needs. Our coverage includes auto insurance, home insurance and renter's insurance; lately, our members want more than those traditional products. They want to be rewarded for how they drive, so we have

a discount program based on telematics called SafePilot® that discounts them based on driving behavior. We also have products based on when and how often they drive. There are over 7 million small-business owners across the country and many of our members are in that group. They want protection for their small business, so we offer products in that realm as well.

How is USAA leveraging technology to service clients in the best way possible?

At USAA, our foundation is serving military families where they are. Picture sailors at sea who may only get a few moments to speak with us, perhaps through a military spouse. For members who are abroad serving our country, finding a way for us to serve them digitally where they're at is so important. Everything we do to serve military families we can now do digitally. In fact, if you look at when big storms hit, the first place our members go to find us is on their digital app. Almost 60% of our claims are filed digitally first and that gives them peace of mind right away. Having an environment that is highly flexible, digital and app-enabled really creates a lot of flexibility for our members. But if they need to talk to us, there's a licensed agent here to take that call.

What are your top priorities moving forward?

We are mainly thinking about how we will continue to build a strong workforce because a strong workforce makes for strong members. USAA is the place to be if you want to work for a thriving company. Our members are members for life and we're modernizing across the board to adapt to a changing marketplace and economy so we can be flexible to member needs no matter what. ■

(...) Among the top San Antonio-based credit unions, as listed by the San Antonio Business Journal, Security Service Federal Credit Union had \$9.83 billion in assets at the end of 2020, while Credit Human Federal Credit Union had \$3.58 billion, Firstmark Credit Union had \$1.15 billion, Generations Federal Credit Union had \$627.55 million, and AFFCU had \$525.43 million.

Numbers aside, a Business Journal report showed banks operating in San Antonio also emphasize enhancing their diversity and inclusion efforts. In 2021, Frost Bank hired its first-ever executive exclusively committed to diversity and making its offices an inviting place for staff of all ethnic backgrounds.

■ Landscape

Like other banking and financial service sectors across the United States and around the world, Greater San Antonio's banking landscape is impacted by the global economy and in 2022 several uncertainties came to the fore: Russia invaded Ukraine, international supply chains were strained, and many nations tightened the screws on their monetary policies.

These issues have set off a chain reaction of undesirable outcomes — rising inflation, perhaps most notably — that have not left San Antonio unscathed. Importantly, inflation and rising interest rates have pressured San Antonio's consumers, businesses and the banks that support them. There has also been considerable talk about the prospect of a coming recession, although not everyone agrees on whether or not this outcome will come to fruition. However, many experts seem optimistic that Texas is well-positioned to ride out the storm. Deloitte has noted that large, diversified banks — of which numerous operate in San Antonio's metro



Seventeen of the Top 25 banks in San Antonio saw an increase in deposits in the first half of 2022.

area — should weather the current turbulence just fine.

Looking broadly at the local landscape in which San Antonio's banks and financial services firms are operating, the local unemployment rate was unchanged at the end of last year, home sales and job growth both declined, and wages increased.

■ Sector performance

Despite the uncertainties, the banking sector's performance in San Antonio until June 6, 2022, was strong when considering total inside-market deposits as a performance indicator. Of the Top 10 banks, nine saw positive year-on-year growth concerning deposits: USAA Federal Savings Bank, Citibank, Frost Bank, (...)



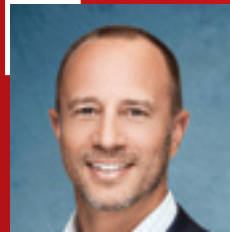
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Banking on growth

Community banking leaders discuss strategies around growing their institutions as well as their vision for the future.



Curt Kruse

*San Antonio Market President
Vantage Bank*

How has the population influx impacted Vantage Bank?

It's obvious that San Antonio has benefited from the migration of new entries to the area. But with that comes housing, supply challenges, and more specifically affordable housing to support the growing labor force. Tax incentives and affordability have been drivers for bringing in more business leaders, not only in housing, but manufacturing, industrial, aerospace, cybersecurity, etc. Those are all target businesses that we want to attract as they enter into our market and may not be as aware of our bank as we want them to be.

What corporate initiatives are being developed?

There's been three major investments that we have already made a capital investment in. We've made a significant investment in our treasury services and digital user interface for business customers, that is through a vendor by the name of Backbase. Our new Business Digital Banking platform is scheduled to roll out later this year. There's a lot of enthusiasm behind this; it is what we would consider a state-of-the-art technology that will enhance our business customers' ability to manage their commerce in a secure fashion as they move their money in and out of the bank. This will completely improve the user experience. We plan on streamlining their operations for their accounting, personnel and whoever else might be involved. Another area that we've actually made a sizable investment is in our internal operating systems. We have an internal proprietary software that's been developed by our technology team that has helped the workflow process of loan processing. Now that we've fully integrated that into our internal loan processing system, we're reaping sizable benefits that put us ahead of our competition. Our customers are experiencing these improvements and responding to them positively. Thirdly, our fraud prevention group continually evolves and invests in state-of-the-art security and monitoring systems to protect our bank and our customers. This is an ongoing investment that we continually make. ■



David McGee

*President & CEO – Central Texas
Amegy Bank*

What have been some highlights and milestones for Amegy Bank over the last year?

Last year, we grew 26% in the San Antonio market, and I'm very proud of the contribution our bankers made in adding value to our customers, which is a direct reflection of our hard work and the economic performance of the community we serve. The economy is much more diversified today than it was 10 years ago. We can attribute our growth to staying engaged and in direct contact with our customers over the last three to four unprecedented years, which has been both a highlight and a challenge. As a locally focused bank, Amegy was able to support the communities we serve by providing \$10 million in PPP loans. 38% of loan recipients were non-customers who could not get that loan through any of the larger banks.

Another reason for our growth is the after-effect from the two previous years during which people came to understand that Amegy was always there for them. This trust-based relationship between our bankers and clients not only strengthens the businesses and individuals we serve but our collective community.

What is your perspective on the state of the industry?

The San Antonio economy continues to grow and diversify. We have a beautiful culture, rich history, commitment to the military and favorable geography that has always made San Antonio a great place to live, visit and work. San Antonio is receiving a lot of deserved global attention for our excellence in advanced manufacturing, bioscience, healthcare and cybersecurity. What happens beyond that is a whole host of support industries that come along as a result. Because of our economy and culture, San Antonio is also now one of the hottest markets in the country for early careers and young people. We also have 120,000 college students in our region and are doing a better job of retaining that talent because of the diversification and growth of our economy. ■



Mike Sohn

*President & CEO
IBC Bank-San Antonio*

How did 2022 unfold from the viewpoint of IBC Bank?

2022 was a good year with respect to business recoveries from the lows we saw in 2020/2021 due to the pandemic. Although some segments have been slow to recover, the effects of the stimulus and PPP money injected into the system in 2020/2021 started to show up in 2022. Inflation and unfilled job openings are becoming a larger negative byproduct of the stimulus program.

The Federal Reserve is trying to bring down this inflation by rapidly increasing interest rates and slowing the economy down. With prime rates now in the 7.50%-8.00% range, compared to 3.25% 18 months ago, we have seen a number of commercial projects shelved over the last three to six months because the returns to the investor aren't there. These rapid rate increases are going to have a negative effect on many businesses and consumers in 2023 and 2024. This affects credit and consumer loan rates, home mortgage rates and commercial loan rates.

Things can change to the positive in 12-24 months if rates begin to level off and start moving back downward, which is what we hope.

What key challenges is the bank strategizing around?

Labor is one challenge. There are many people still on the sidelines waiting for the right job opportunity. People are being more selective because they have savings or stimulus money left over. We have 300-400 job openings at IBC, and we are always looking for candidates to fill these slots. Cost controls, inflation and regulation are key challenges as well. After the pandemic and resulting supply chain issues, labor, fuel, lumber, automobile, rent and food costs increased over the last 18 months. This affects all of our customers' decisions on their budgets and future projects. Recently, we have noticed some of the costs starting to level off or decrease, but time will tell to what degree and how the economy will adjust. ■

Meeting needs



Ken Finley

President – Bandera Bank

“ We want to make sure that everyone is conscious of interest rates now. In years past, deposit rates have lagged but this time around they seem to be moving faster. It is important for us to keep the customers that we have. We are conservative and don't have any type of brokered funds. We don't have the need to buy deposits at higher rates. We have very strong core customers and it is important that we retain them. They are the ones who provide us the funds to invest in the community through loans. The challenge is keeping the customers content with the rates they are getting. We have electronic banking like the bigger banks have. If a customer has any issues they can call or come in person to get it solved almost immediately. We want to make sure we can serve our customers in a way that ensures they won't take their business to a larger bank. ”



Jeff Ivey

President & CEO – River City Federal Credit Union

“ There is a need to provide financial assistance. Every day, we find more and more businesses and individuals who need help. We partner with nonprofit agencies around town to provide the products and services they need. There continues to be a growing need for what we call safe, affordable deposit products. In underserved markets, people who need help the most are the ones getting ripped off. The need to address this issue continues to grow in our market and it's our mission to help our members keep more of their hard-earned money.

We are different. For instance, we cut our overdraft fees in half this year. That cost us money but that's not how I want this credit union to be profitable. I want this credit union to be profitable by making loans to our members, good loans that they can use to their benefit. That is a big difference, along with the fact that our profits are for the benefit of our members. ”



Aziz Tanari

Regional President – Wallis Bank

“ There are specific industries that some of the other financial institutions don't touch that we have a great deal of experience and a strong track record, especially the hospitality and gas station/convenience store industries. We've built a solid reputation where Wallis Bank is willing to sit down and listen to a customer's story first, regardless of what industry or business they're in. We'll help customers come up with a solution. It's not always a yes but we'll always provide some kind of guidance. We'll provide a financial analysis of their transaction to advise them on what needs improvement to make the deal workable. We don't just say “yes” or “no” without having any information. Providing that service is what really makes us different. ”

(...) Wells Fargo, Bank of America, JPMorgan Chase, Broadway Bank, Jefferson Bank, and Texas Partners Bank.

Data was unavailable for PNC Bank, which sits at eighth on San Antonio Business Journal's ranking of banks by deposits, likely due to the fact the Pittsburgh, Pennsylvania-based bank and financial services firm only entered Texas in 2021 after acquiring the U.S. subsidiary of Spanish multinational bank Banco Bilbao Vizcaya Argentaria (BBVA). The deal was reportedly worth \$11.6 billion. The year following its acquisition of BBVA, PNC had 21 branches in San Antonio with approximately \$1.9 billion in deposits.

Expanding the sample size to include the Top 25 banks in San Antonio shows 17 banks with increased deposits as of June 6, 2022. Of the banks that experienced an annual drop in deposits in San Antonio, the worst hit were First Commercial Bank and Texstar National Bank, which both experienced a staggering 99.89% decrease in deposits. Truist Bank also saw a notable year-on-year decline in deposits of 30.97%.

Most of the region's locally-based banks have witnessed growth in multiple arenas over the past few years. Despite the tumultuous economic environment ushered in by the COVID-19 pandemic, San Antonio-based banks are in the black concerning deposits, loans, revenue, and assets from the third quarter of 2019 to the same period in 2022.

The Bank of San Antonio was the top performer in all four categories mentioned above (deposits, loans, revenue, and assets). Its revenue growth was the most notable change: The bank encountered a 516% increase, jumping from less than \$10 million to more than \$60 million at the end of Q3 in 2022.

Some San Antonio-based banks are expanding to new markets: In 2023, Frost Bank plans to open a financial center in McKinney, a suburb of the Dallas–Fort Worth metro area that is more than a five-hour drive northeast of the bank's San Antonio headquarters. The new location will be operated by 10-12 bankers and is part of the company's expansion efforts, which will see 28 Frost Bank locations opened in the Dallas area.

But as inflation runs amok on the back of government stimulus during the pandemic, the Federal Reserve is trying to address the situation by rapidly increasing interest rates and slowing the economy down. The recent and rapid increases in prime rates are expected to put pressure on many companies and consumers in San Antonio, Texas, and across the United States in 2023 and 2024, negatively impacting credit and consumer loan rates, home mortgage rates and commercial loan rates.

At present, with cheap money no longer available, demand for loans from small to medium-sized businesses in Greater San Antonio has dried up, and banks are exercising more caution than previously due to the current economic environment. However, many banking professionals in Greater San Antonio have noted to Invest: that their institutions remain interested in lending to small and medium-sized businesses.

The president and CEO of TXN Bank, headquartered in Hondo, less than an hour's drive from San Antonio, told Invest: that the higher interest rates have led to a cooling of commercial real estate developments in the region as well as a cooling of the housing market, which industry insiders expect to remain somewhat depressed until the summer of 2023. This slowdown is closely monitored as the banking and



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Ryan Parker

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970 E Basse Rd, San Antonio, TX 78209

We look forward to starting a conversation.





Ryan Parker

*South Texas Regional President
Sunflower Bank*

What is Sunflower's strategy for growth in San Antonio?

Although San Antonio is the seventh-largest MSA in the entire country, it's really the biggest small town you can think of and everybody knows everybody. The challenge for a new bank in town like Sunflower is name recognition in a very tight-knit market. At the end of the day, it's not about brick and mortar and bright signage but about how we are building long-standing relationships with our clients that stand the test of time. That is how we set ourselves apart. Our people are also the best in the industry and have the expertise to lean into different economic environments, whether they're slowing down or accelerating. We're looking to grow across all our business lines from personal banking and home loans to small business and commercial services building off our relationships and consultative approach.

How has technology impacted the banking industry?

There has been a major tech influx in banking over the past five years. A transaction that once took a trip to talk with a teller can now be done from a customer's fingertips. That convenience spans generations now. With \$7.4 billion in assets, we have software and tech that rivals our largest competitors. For example, we have a very robust treasury management platform for our clients' cash flow management. That has enabled our customers to make transactions in real time with little lag. We also have a proprietary commercial card program, which is generally unheard of for a bank of our size.

What makes San Antonio a great place to do business?

What I love about San Antonio is that it's incredibly insulated from large-scale economic headwinds. I look back to 2009, when San Antonio was the last MSA to enter into recession and the very first to emerge from it. That resilience has become a major pillar of the city's economy.

We're also a military town, which is a huge component of what we do. Add in the stability of healthcare and hospitality, along with the accelerated growth of the tech sector, and the growth and diversity of the economy will only continue. San Antonio has also always been one to welcome businesses from the outside and that will continue to be a significant growth engine. It's very inviting. ■

financial services sector generally finances real estate developments and home purchases.

■ Fintech and new technologies

It's no secret that the significant banking trend in recent years has been integrating new technologies and fintech, and banks and financial service providers in the San Antonio metropolitan area are moving in this direction.

A South Texas-based executive with Wells Fargo noted to Invest: that the financial services firm, which is America's fourth-largest bank with \$1.71 trillion in assets, is helping its San Antonio-based clients to go digital and manage novel enterprise resource planning (ERP) systems. This is in response to what could be described as a paradigm shift in bank customers' expectations: Fewer people want to waste time traveling to a branch and waiting in line to speak to a teller; clients desire fast solutions they can handle on their portable electronic devices.

As a result of this evolving demand, banks are actively seeking out fintech firms to partner with. San Antonio-based Vantage Bank recently signed on with the online platform True Digital, which connects financial institutions with new fintech partners. The bank, which has \$3.3 billion in assets, hopes to use the platform to identify fintechs compatible with Vantage's systems, CEO Jeff Sinnott told Banking Dive earlier this year.

Meanwhile, some financial services firms have gone beyond partnering with fintech companies, instead building their own customized mobile payment platforms. For instance, Bank of America, Chase Bank, Wells Fargo, and several other large banks have teamed up to create a digital wallet for online shopping. The move, according to The Wall Street Journal, is aimed at helping banks compete with similar digital payment products offered by Apple, Amazon, Google and PayPal.

While many might think that Texas is a far cry from a fintech mecca, it's worth pointing out that the state boasts a number of noteworthy fintech companies, including Q2 and tapNpay, both of which are located less than a two-hour drive from San Antonio in Greater Austin. Q2 is a financial experience firm committed to delivering digital banking and lending solutions to banks, credit unions, and other financial services firms in the U.S. and abroad. Meanwhile, tapNpay is a fintech created for toll roads.

In addition to further integration of fintech into banking, consumers in the San Antonio metro area and across Texas at large can — in the not-so-distant future — expect their financial service providers to embrace Web3 in their day-to-day operations. According to a survey conducted by Bain & Company, 60% of bankers and a whopping 80% of CEOs at Web3 firms said that they believe Web3 will disrupt traditional banking activities. (...)



Changes abound

Rate environment has redirected opportunities in the short term

Ronnie Miller

President & CEO – TXN Bank

Are you looking at additional expansion in Texas?

Our Board of Directors and management team spends time each year examining what both the short and long-term goals are for our business, which always includes expansion and growth opportunities. Recently we have had specific conversations about additional locations. Two of our nine locations will be consolidated into a new corporate structure, with an expected completion date in the late fourth quarter of 2023 and will house the corporate headquarters for TXN Bank.

How are you advising clients regarding the interest rate environment?

Our best advice is to be very patient. We have seen the largest continual increase in rates in this past year as compared to anything seen in anyone's lifetime. The bond market is telling us that interest rates are coming down in the next 12 to 18 months. I think that what we are seeing right now is somewhat of an anomaly with the Fed pushing these rates up to stamp the inflation fears. I think the rates will come back down and the economy will pick up. However, in the short term, it will be a rocky road.

What is the state of the banking and finance industry in San Antonio?

I think the industry has changed a lot. The increasing interest rates have redirected where the opportunities will be in the short term. We are seeing the commercial real estate developments slow down due to the increasing interest rate environment. As a result of this shifting environment, the housing market has also slowed down. We anticipate that it will remain

somewhat depressed into the middle of 2023. That said, we feel that there are plenty of opportunities and are cautiously optimistic about 2023 and beyond. Texas is unique in that it is somewhat insulated from the economic issues facing the country, and I believe that our proximity to San Antonio, as a growth market, further enhances what the future looks like for TXN Bank. We have some concerns at the end of the day but we remain optimistic about where our economy is going.

What role does the financial services industry play in an economic recovery?

We are an independent community bank in Texas. We are located in eight different rural communities and contribute to the lifeblood of those communities. We finance real estate transactions and home purchases. Many times, these home purchases do not fit into a specific bucket for a mortgage company, and we still make it work in our economy.

Our bank helps the local farmer and businessman. If we stop loaning money, it deteriorates the local economy. Our job as a community bank is to make sure that we are there in the good times and in the bad. These customers are our partners. We need to help them during the challenging times.

What is the biggest challenge that TXN Bank is facing?

I think it is about continually hiring good employees. We have four or five openings that we want to fill in different locations. That is our biggest challenge followed by the political climate. Our proximity to the border causes some significant issues in our communities. ■



Steven Mack

CEO

Texas Heritage Bank

How is the shifting economy impacting your work?

The changes arose quickly at the beginning of this year, as a result of the increased national inflation and the responses to that from the Federal Reserve and the Treasury Department. As far as the banking world in San Antonio, our deposits have continued to grow and the same has been true for some of our competitors. At the same time, loan demand is tailing off, to the extent that we have remained flat year over year, which we were not expecting. I think the rapid increase in interest rates, coupled with the uncertainty that comes along with inflation and other challenges in the economy, put a lot of borrowers on the sidelines. A year ago, there was cheap money everywhere. That has completely changed. We're now in an environment where we believe rates are going to continue to go up on the short end of the yield curve, potentially even on the long end. As a result, we are closely following the Fed because this information regarding the future is important to our work.

How is the bank adapting to higher interest rates?

I've been in business for 40 years and the last time I remember interest rates rising this quickly and having such an impact was in the 1980s when I first started in the banking industry. It's kind of *deja vu*. It's been a long time but I'm trying to remember all the lessons I learned back then. I would describe our approach as trying to keep our powder dry; we are being very careful and measured about the investments that we are making. We continue to be interested in making loans to small to medium-sized businesses as they need them, there's just not much demand in that arena. Instead, we are taking advantage of the bond market, particularly the U.S. Treasury market, and making investments in that arena. We're doing that at a very measured pace as we are waiting to see how high long-term rates go before we begin to invest more heavily.

What are your expectations for the local economy?

I think there will continue to be growth in Boerne and in Northwest San Antonio. In the next couple of years, we will see things slow down but I believe this region is one that will come out on top and regain its momentum fairly quickly once things settle down. ■

(...) Survey participants also said that they think banks will widely adopt web3 before the decade's end.

Texas is also one of North America's most significant bitcoin-mining hubs and is reportedly home to the largest bitcoin-mining sites on the continent. While nearby Austin generally gets most of the fanfare regarding cryptocurrency, Downtown San Antonio boasts at least one cryptocurrency-mining firm: Bitstream Mining. The venture is an indirect wholly owned subsidiary of Ecoark Holdings, Inc. and was launched earlier this decade with \$3 million in funding.

Although bitcoin mining initially took off in Texas due to the state's affordable energy and lax regulations, the industry has lost some of its luster of late as energy prices soar and bitcoin's value has declined significantly. Some U.S. politicians are also investigating Texas' cryptocurrency-mining sector's impact on climate change and consumers, as well as the Electric Reliability Council of Texas' subsidies for miners.

■ Mergers & acquisitions

After a relatively slow 2022 for bank mergers and acquisitions in the Texas market, the number of M&As is expected to rise in 2023. According to the Austin Business Journal, there were nearly 23% fewer deals nationwide at the end of November 2022 compared with the same period the previous year. The cooling off of M&As in the banking sector has been credited to skyrocketing inflation, rising interest rates, and the unsteady stock market.

Despite the decline in bank M&As last year, several notable deals involving financial services firms in Texas were inked in 2022, including Ruston, Louisiana-based Origin Bancorp, Inc.'s purchase of East Texas' BT Holdings, Inc., the parent company of BTH Bank, in an all-stock acquisition worth \$313.5 million. Closer to San Antonio, Houston-based Prosperity Bancshares Inc. agreed in the fall of last year to acquire two West Texas-based banks in deals worth more than \$570 million. The two banks being obtained by Prosperity Bancshares Inc. are Midland-based First Bancshares of Texas Inc. and Lubbock-based Lone Star State Bancshares Inc.

San Antonio-based TransPecos Financial Corp. announced last summer that it agreed to purchase Luling Bancshares, Inc. The deal includes Luling Bancshares, Inc.'s subsidiary Citizens State Bank of Luling, both of which are based in Luling, roughly an hour's drive from downtown San Antonio. According to TransPecos' president and CEO, Royce Itschner, the acquisition was attractive because Citizens State Bank of Luling is near the San Antonio market.

Also, effective from Oct. 1 last year, American Bank

acquired TexStar National Bank, which is headquartered in Universal City, bordering San Antonio. Both banks will reportedly continue using their respective names until March 2023, when there will be a systems conversion. Once the two banks are combined, the resulting entity will boast nearly \$2.6 billion in assets and have locations in Austin, San Antonio, Houston, New Braunfels, Corpus Christi, and other cities along the Gulf Coast.

But while M&As in the banking space cooled in Texas and across the U.S. in 2022, corporations in the Lone Star State were mavericks, completing a record-high number of mergers, purchases, and joint ventures, according to the Houston Chronicle. However, these dealings predominantly involved less money and concerned mid-market and privately held firms.

■ Regulations

Over the past couple of years, Republican state treasurers in Texas, Florida, and other states have moved to block banks that consider climate risks and social considerations when making investments, according to the Washington Post. For example, Texas' governor, Greg Abbott, has targeted banks that curtail funding to companies engaged in the firearms or fossil fuels industries. The laws, signed by Abbott in 2021, forbid municipalities from dealing with these banks and ultimately resulted in the departure of five of the biggest bond underwriters from the state, allegedly costing Texas somewhere from \$300 to 504 million.

Earlier this year, Texas Republican Attorney General Ken Paxton found that America's third-largest bank, Citigroup, had violated Texas law SB19, the Firearm Industry Nondiscrimination (FIND) Act, which mandates that firms competing for municipal contracts

■ PERSPECTIVE:

Transformations

Nicole Williams

VP Market Retail Manager – Simmons Bank

Simmons Bank has built a very attractive franchise that is well-positioned in some of the fastest growing markets in the nation. While we're always analyzing each of our markets to ensure we support the convenience our customers desire, we've also heavily invested in technology to enhance our digital capabilities. Over the past decade, the financial services industry has undergone a dramatic transformation, led by a digital revolution that has changed the way customers interact with their bank. Whether that's at a branch, via their mobile device or through on-line banking – customers want the ability to conduct transactions anytime, anywhere. So, what we're really focused on is ensuring that regardless of which platform they utilize, that they enjoy an excellent customer experience. ■

in the state must prove they do not discriminate against legal firearm or ammunition businesses.

Financial institutions in Texas have also been warned by the Texas Department of Banking to “exercise due diligence” when dealing with manufacturers and retailers of hemp-based products. This includes consulting with legal counsel and monitoring legal developments concerning hemp at the federal and state level, among other steps.

■ Cybersecurity

Regarding cybersecurity at U.S. banks, the American Bankers Association notes that banks have the most rigid protection among the nation's critical industries. (...)

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'Great business climate'

Need to deploy deposits into growing economies benefits San Antonio

Jeff Brouillard

South Texas Commercial Banking Market Executive – Wells Fargo

What opportunities exist for the banking industry in San Antonio and the South Texas region?

San Antonio has a great business climate. The migration of businesses and people means banks follow, especially in a climate where banks have been flooded with deposits and need to deploy those deposits into growing economies. Texas is definitely a winner. San Antonio is benefiting from that and it also attracts competition.

How is Wells Fargo leveraging technology in San Antonio and South Texas?

We have a strong branch banking presence in the area with a full suite of digital solutions. The generational dynamic means fewer people want to walk into a bank. They want solutions at their fingertips. They want to be able to self-serve versus waiting for a banker to respond to an email or a phone call. We want to put customers in a position where we're a facilitator of their business and not a necessary stop to accomplish something. We'll continue to support all those channels. The dynamic is changing in branch traffic. The paradigm of banking is changing. The old view of a branch with a checkbook and cash is antiquated. Banking today is all about the solutions you can offer and that means technology.

Customers are looking to upgrade their business and ERP system. They want a treasury platform to plug into directly and exchange payment information in real time. We take a very strategic view of banking in that sense. We're trying to lead that migration to digital automation through all these solutions to make it easier for our customers. As an example, we recently announced a new digital platform called Vantage for commercial and corporate banking clients.

What are your top priorities for Wells Fargo in San Antonio for the short term?

We're helping clients navigate interest rate issues, capital rates and foreign exchange. We're having many conversations about being in a rising rate environment. We're clearly in a time where many business owners, if they're younger, haven't seen this before. We're having conversations about what it means for their business. Our primary role as bankers is to understand our customer's business and provide thoughtful, strategic dialogue and solutions. Capital becomes more precious the more it costs. For many businesses, it's talking about ways they can utilize interest rate protection to manage the floating rate risk and their balance sheet. The right mix of floating rate debt to fixed rate debt depends on the business and balance sheet.

Where do you see the banking sector in the next five to 10 years?

Technology will dominate the conversation in banking. Banks that do well will do so because they've leveraged technology. There will be many partnerships with fintechs. Customers are asking for technological solutions and automation. We're already seeing a generational shift with many companies transitioning to next-generation ownership. People also don't want to repeat manual processes all day long. Many technology-minded younger owners demand robust solutions from their banking partner.

Treasury management and how to unlock working capital from business through better automation and cutting down the time it takes to receive payments are also important. ■



(...) In the Lone Star State specifically, the Texas Bankers Association (TBA) has taken steps to support state banks with their cybersecurity needs, such as establishing a cybersecurity info-sharing and threat intelligence system for Texas banks and cooperating with regulators at the state and federal levels to provide cybersecurity education for both bankers and customers. Among other programs and initiatives, the TBA offers access to top-quality insurance that assists Texas banks in becoming “more cyber resilient.”

The University of Texas at San Antonio (UTSA) partnered with a federal law enforcement agency several years ago to devise a class to teach its agents how to hack into and extract forensic evidence from internet-connected devices that make up the Internet of Things. The higher-education center now hosts the Internet of Things Security and Forensics Laboratory, which is researching cybersecurity and online threats that will presumably benefit banks in San Antonio and across the United States and the world. UTSA has also launched new cybersecurity degree programs to prepare trainees to protect critical digital infrastructure, according to the San Antonio Express-News.

■ Looking ahead

By many accounts, 2023 is expected to be a challenging year for many markets and industries, and banking executives are concerned about the prospect of a recession. That said, there is optimism that Texas will weather the storm better than other states and is even positioned for growth. Additionally, many professionals in South Texas’ banking and finance sectors have a positive outlook for the coming years.

As mentioned earlier, the meteoric rise in inflation and

interest rates has harmed commercial and consumer loan rates, home mortgage rates and more. In the short term, most industry insiders expect a bumpy road to recovery. However, according to multiple South Texas-based banking executives that *Invest*: spoke with, this situation could change from negative to positive in the next year or two, with the bond market indicating that interest rates will come down in the next year to 18 months.

In addition to the adverse impacts of the sky-high prime rates, hiring has proven to be the primary challenge for many banks and financial service providers in the Greater San Antonio area amid the considerable labor shortage that has plagued the country in the pandemic’s wake. At Texas-based IBC Bank, for example, between 300 and 400 job vacancies need to be filled, according to the bank’s president and CEO.

Challenges aside, there is much to be optimistic about in San Antonio from a banking and financial services perspective. Banking executives in the city and surrounding region highlight Texas’ pro-business attitude, low taxes, and the benefits of international trade afforded by San Antonio’s proximity to Mexico. Favorable policies have meant an influx of companies relocating to Texas, with San Antonio benefiting from that. When businesses and people move, the banks follow, particularly at a time when banks are flush with deposits and need to inject those deposits into growing economies.

Looking to the future, banks that will do well in the next decade will be the ones that have successfully leveraged new technology and integrated it into their operations. As such, bank customers in San Antonio and across the United States can expect more partnerships between financial services providers and fintech outfits and further integration of Web3 into their banking experiences. ■



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Healthcare & Biosciences:

San Antonio's well-established biomedicine and bioscience sectors have been carefully developed over the years to ensure they provide the region a future healthcare windfall. As the time comes to cash in on investments, San Antonio needs to examine the wider healthcare ecosystem to ensure strong growth.

In good hands:

Health sector shows potential for big gains

The seventh-biggest city in the United States has much to offer but standing somewhere near the top of the list has to be its health sector. As one of the biggest employers, the sector contributes the most to its economy and has the potential for big gains to come. With the biggest concentration of military personnel of any big city in the nation, the city is proud of its “Home of Military Medicine” moniker. San Antonio and Bexar County’s public healthcare system functions under the purview of The San Antonio Metropolitan Health District, which oversees health code enforcement, clinical services, environmental monitoring, disease control and, crucially, emergency preparedness.

The subindustries around the healthcare sector are also ripe with opportunity for the city – none more so than bioscience. One in six people in the city are employed in bioscience, with the sector providing an estimated 50,000 new jobs between 2009 and 2019. The Greater San Antonio Regional Economic Partnership still expects a job growth rate of 10.2% between the years 2020 and 2024. The Partnership also highlights that about 125,000 people in the city are employed in healthcare and the sector is the third highest contributor to GRP in San Antonio.

The population of the city is relatively young with a median age of just 33.5 and it is considered a majority-minority city, with 60% of residents identifying as Hispanic/Latino and close to 9% identifying as Black/African American. Although a younger demographic would, all else being equal, mean a healthier population than the national average, there are entrenched socio-economic difficulties within the city, like much of the nation, that means this assumption does not necessarily hold up. Poverty affected 15.7% of Bexar County residents as of 2020, higher than both the state average of 14.7% and the national average of 13.4%. Additionally, 15.2% of Bexar County residents were uninsured, markedly higher than the national average of 8.8%. Black residents have the highest diabetes hospitalization rates and die from diabetes at twice the rate of the white population and Hispanic/Latino residents carry the highest burden of diabetic amputations, as acknowledged in the SA Forward Plan. There is work to be done to reduce this disparity, but the city is indeed working on it. (...)





Expansion helping meet goals

Clinical care, research and education are mission pillars

William Henrich

President – UT Health San Antonio

What have been some of the highlights and achievements for UT Health San Antonio over the last 12 months?

We have three parts to our mission: clinical care, research and discovery, and education. In the clinical care arena, the clinical practice is now delivered by a faculty of over 2,000 people. And the scope of the practice has increased dramatically, to approximately 2.6 million visits a year in 19 clinical sites in and around San Antonio as well as with our partnered hospitals. There's increased revenue of up to \$650 million this year in the clinical practice. Finally, depending on which element in the clinical practice you look at, it is growing between 12% and 18% year-over-year. The demand signal has exceeded our ability to get timely access to many of our clinics because of the lingering effect of the COVID pandemic on the workforce and our ability to keep a full, robust number of individuals in service to this clinical mission. It's a challenge for everybody in healthcare.

In support of the clinical practice, we are building a new hospital due September 2024. It's estimated that about 70% of the admissions to this new hospital will be for sophisticated medical and surgical oncology care. This project is a \$500 million commercial project. In addition to that, we're hiring 1,800 new employees in the next 18 to 24 months to staff the new hospital and clinics. We're also building a large new outpatient center with an outpatient surgical center. It will open in February 2024.

On the education front, we've added a professional school, the new University of Texas School of Public Health San Antonio. It's a collaborative project that we're undertaking with the University of Texas San Antonio (UTSA). Enrollment begins in 2024.

It's important to note that one of the areas we're

building out is a center for drug discovery and investors who are interested in entrepreneurial projects and new patents coming to the fore should know about this drug discovery business. In collaboration with our partners in San Antonio, we can identify targets and get products in testing.

Is telehealth still an ongoing trend and what innovations are you implementing at UT Health San Antonio?

Telehealth has decreased since the height of the COVID pandemic but it is far more than it ever was before COVID. Certain areas are aligned with telehealth and it is the ability to reach a larger audience. Telehealth is here to stay and will be part of our portfolio. We are always looking for areas to expand it.

Another area of innovation is the increasingly sophisticated electronic medical record. The nice thing about the electronic medical record is that it unites the hospitals and our outpatient settings seamlessly to better integrate care and improve overall quality. Hopefully, it will improve access and make it easier for patients to contact us.

What are your priorities for UT Health San Antonio for the next couple of years?

First of all, we have to meet the demand signal of the patient population. We're growing in double-digits and the clinical side of our house is the financial engine to invest in research and education. We are a research-intensive health science center and that will continue. We will continue to grow at about 10% to 15% per year if these efforts are successful. Finally, we have to recruit the best and brightest clinical faculty for teaching. ■



Martin Landon

President
BioBridge Global

Where are the main opportunities in the health and bioscience sector?

We expect to continue to have growth, including our core blood and tissue services. There's explosive growth in our biomanufacturing area, or what's referred to as advanced therapies. Cell and gene therapies are an area that is rapidly expanding. People working on a large number of medical breakthroughs as medical practice moves toward precision medicine and immunotherapy. In our biomanufacturing area, we've grown about 60% year-on-year. As we talk to biotherapy developers, they have a need for cellular materials, testing and biomanufacturing. They also need process engineering and development, which we offer.

How has advocacy changed for BioBridge Global over the past year?

We join in with the broader community in terms of advocacy. One of the strengths of San Antonio is our research field, with Texas Biomed, Southwest Research, UT Health San Antonio and UTSA. We're all partnered together as we think about these breakthrough therapies. The regulatory side of the development is also in its infancy. We're doing a lot of work to educate the FDA and others around what we're seeing. They're reaching out to industry to advance these therapies in a safe manner. A lot of these activities are going to clinical trials, and we consider ourselves well skilled at doing high-quality clinical trial work.

What strategies are in place for BioBridge to attract and retain talent?

We focus first and foremost on retention, finding the right kind of employee. We've been lucky to be able to recruit to this area and to experience population growth. We try to take care of our own employees to minimize turnover and to be a humanistic organization that spends time with our employees to understand what they want. It's important to keep them abreast of the progress we make as an organization. In a recessionary period, one of the best things people can do to be more stable is to try to keep their jobs. So at BioBridge Global, we try to spend a lot of time ensuring that we're sustainable, growing and that we provide a good work environment so that employees stay around. ■



According to Texas Health Data, there were 368,000 births in Texas in 2020.

(...) ■ Landscape

As of October 2022, Texas has enrolled over 5.7 million individuals in Medicaid and CHIP, a net increase of 35.9% since the first Marketplace Open Enrollment Period and related Medicaid program changes in October 2013. The state has not, however, expanded coverage to low income adults nor has it adopted any targeted programs designed to facilitate further enrollment in Medicaid. As such, the 35.9% increase in adoption seen is lower than the national average of 59.2% according to Medicaid data. On the other hand Forbes notes that the state is one of the cheapest in the whole country for out of pocket costs to consumers, with average healthcare cost per person amounting to \$8,048, according to a November 2022 report.

When one does need healthcare, though, San Antonio is the place to be. It is the location where all medical education and training for the U.S. military occurs and it is home to the only Department of Defense burn center, two Level 1 trauma centers and military medicine research for the Navy, Army and Air Force. The city is also home to a multitude of universities and hospitals including the University of Texas Health Science Center at San Antonio (UT Health San Antonio), the University of Texas at San Antonio (UTSA), the Texas Biomedical Research Institute (Texas Biomed) and others.

According to the San Antonio Chamber of Commerce, healthcare and bioscience had a \$44 billion impact on San Antonio's economy in 2021, which represents a \$2 billion increase since the last study was completed in 2019 and represents almost \$15 billion more than 10 years prior. Employees in these sectors also earn healthy salaries: the chamber of commerce highlights that the (...)



Engage, educate

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path to reducing costs**

Theresa Scepanski

President & CEO – Community First Health Plans, Inc.

What is your opportunity in helping to create a more affordable healthcare system?

The biggest opportunity for us is to continue to engage and educate each community member on taking ownership of their health and ensuring that they understand the importance of preventive care. Emergency departments remain extremely busy, as we still have people who are being diagnosed with COVID in addition to others seeking emergency care. Preventive care helps reduce emergency room visits as well as lowers the cost of healthcare by preventing critical illness. Being aware of how to stay healthy as best as possible is vital to the individual, their family and our community. Prevention will always reduce cost because you stay out of the emergency room which may lead to costly hospitalization.

What are your near-term priorities?

We know that our niche is local and our goal in entering the marketplace is to offer affordable plan options to the City of San Antonio and the surrounding rural communities. Expanding and marketing the services we offer to our local community is extremely important and we want to continue to grow that particular line of business in the marketplace. We know that many individuals are eligible for marketplace options and we want to be the health plan of choice for our community in Bexar County.

Also, we are in the managed healthcare business, and working with our network providers and other community-based organizations that offer quality services has been key to our success over the years. We also know that social determinants of health are a factor in healthcare and maintaining a positive outlook on

health so we want to focus on those social determinants that impact your overall health.

What is Community First Health Plans' approach to healthcare and the community?

Community First is a managed care organization serving the Bexar County area, including the City of San Antonio and seven other surrounding counties. We're wholly owned by University Health and have a provider-managed care relationship with our parent organization. We are also in similar partnerships with many other providers in our community as well as community-based organizations that serve the entire city and our members — we predominantly manage Medicaid members in our health plan. This year, we expanded health coverage offerings to include the marketplace. We are in our first year of offering marketplace plans for individuals shopping on healthcare.gov who are looking for individual plans to insure themselves and their families. We're thrilled about this opportunity to expand and diversify in the local community.

We are also in Medicare Advantage. This is our second year offering Medicare Advantage and a dual eligible special needs plan (D-SNP), in the Bexar County area. In the last couple of years, we have been extremely busy diversifying our portfolio and enhancing our technology infrastructure. We know having a robust technology infrastructure will give us access to our membership in real time. This could be through telehealth services or through social media by getting information out to our participants about how to take care of themselves, how to get their flu vaccines and where they can access COVID testing. ■

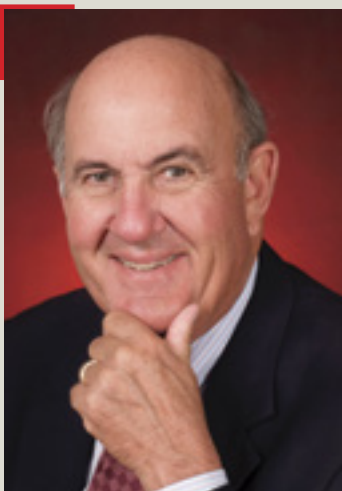
Delivering care



Mark Metcalfe

CEO – Airrosti Rehab Centers

“Affordability is the No. 1 issue in the U.S. healthcare system. A big challenge in many areas of healthcare is getting the patient to the right place first. We don’t want them to be passed from provider to provider not knowing what is going on because that path is very costly. Our vision is to provide low-cost or no-cost assessments so that we can get folks to the right place quickly. We work with brokers and carriers in San Antonio and across the country, so we can come up with good solutions for their employer partners. We work with a wide range of employers here, including private and public companies, and we have partnerships with public entities and municipalities. Despite all the challenges of 2020 and 2021, we stayed very focused on our mission, which is to best serve our patients. I am proud we have been able to keep that up through years of disruption, and we are even better at serving patients than we were pre-pandemic.”



Jim Reed

President – San Antonio Medical Foundation

“One of the growing areas is collaborative research. We use our excess income from our ground leases and contributions for a program that targets projects that need seed funding. It came out of a strategic plan after recognizing that many cities have a university and medical school but no other cities have the largest military healthcare facility in the world. Texas Biomedical Research Institute, BioBridge Global and Southwest Research Institute are working together to do things that no other city can do. Because of that, we established a collaborative grant program that has grown to roughly \$1 million a year. The idea is that collaborative startup efforts can be positioned to receive the further investment needed to grow.”



Jonathan Turton

President – Texas Vista Medical Center

“San Antonio is at the forefront of creating value-based care. We've got WellMed and some initiatives that were trialed for CMS that stemmed out of San Antonio. The managed Medicare marketplace was founded in San Antonio. We have a very competitive marketplace in the Medicare-managed care environment, which is causing us to make sure that we have value-based care. The purchasers of care are aware of our metrics and are making sure that we achieve them.

Opportunities that present themselves in our business sector are access to providers. We are talking about physician shortages. We want to make sure that we have a vibrant economy for our physicians to practice in. The aging of the medical staff is creating shortages that we need to fill within the different organizations. We're attracting investment for physician groups that are reorganizing how medicine is being delivered.”



(...) average health services salary in San Antonio was more than \$63,000 in 2021 while those in the bioscience sector made an average of more than \$83,000. Average salaries in San Antonio across sectors is just over \$57,000.

Where there is still room for improvement, however, is the employment of mental health professionals. Texas currently can't use over 700 of its 2,911 state funded psychiatric hospital beds due to workforce shortages, according to the Texas Health and Human Services Commission (HHSC). Not only are more providers needed, but there's also a growing demographic and geographic imbalance when it comes to their distribution. Although 40% of the state's residents are Hispanic, 39% are white, 12% are Black and 5% are Asian, a huge majority – 85% – of mental health workers currently employed identified in a 2023 survey as white. The survey also found only 20% of the respondents offered mental health services in a language other than English while more than half are located in urban areas, such as Harris, Dallas, Tarrant, Bexar and Travis counties.

■ Partnerships, expansion & research

Expansions are afoot all over the city. Westover Hills hospital is expanding with a \$95 million project which broke ground early 2023. Plans filed with the state indicate that owner, Christus Health, is planning a five-story addition to its hospital that would add more than 170,000 square feet to the campus. The new space could house multiple labor, delivery and recovery rooms, as well as several triage rooms. The private, faith-based organization is expanding its Westover Hills campus to keep pace with massive growth in the area that has seen a population increase of 20% since 2010, overwhelming its current 150 beds. The project is expected to be

completed in 2024. UT Health, meanwhile, has recently celebrated topping out on a new \$500 million research and multispecialty hospital which will consist of eight stories and 448,819 square feet. It will have 144 patient beds, 12 specialized operating rooms, MRI and CT services, lab facilities, a blood bank and a stem cell lab, and will be connected to the UT Health San Antonio Mays Cancer Center through a sky bridge. The hospital is slated to open in fall 2024 and add over 800 new jobs.

Businesses are also keen to expand across the state of Texas, having reaped their successes in San Antonio. Tennessee based HCA Healthcare, 50% owner of Methodist Healthcare System in San Antonio, is looking to expand its footprint in Texas. It has entered into exclusive discussions to purchase the not-for-profit Wise Health System in Dallas-Fort Worth which would see it expand its footprint even further across Texas. It already operates 47 hospitals in the state, more than anywhere else apart from Florida. This development follows news from January 2022 that HCA Healthcare already planned to expand in Texas including by building a new hospital in San Antonio in partnership with Methodist Healthcare Ministries.

A New Jersey based company, Cedar Group, is also expanding in Texas having purchased the former Nix Behavioral Health Center on Babcock Road, which sits on a two-acre site in Northwest San Antonio. It plans to invest more than \$5 million to renovate and reopen the multistory structure as a private behavioral health hospital. Cedar Group already owns a mixture of medical properties across the country and is developing a new inpatient hospital in San Antonio.

UT Health, keenly aware of the state's mental health difficulties, is investing in this subsector. It announced (...)

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Shifting landscape

The last few years have changed the current state and outlook of the healthcare industry, while also revealing significant opportunities.



Kristi Clark
President & CEO
HealthTexas Primary Care Doctors



William Gonzaba
Vice President
Gonzaba Medical Group

What differentiates HealthTexas Primary Care from other providers in the region?

I believe the most pronounced change in healthcare right now is the tradition in value-based care, which our model is rooted in instead of a transactional relationship, and we have been doing so for 30 years. It's very exciting to see healthcare expanding in that direction. On the flip side, it can bring uncertainty, because people are getting into a space where we have historically dominated. Small- and mid-sized groups can be squeezed out as a result of private equity money entering the market and buying out physician practices. It is definitely changing how patients seek healthcare. For us as a mid-sized medical group, it's important to partner at a local level with the influx of new providers coming in. Giving people more options in how they receive healthcare is a positive, but it also presents significant challenges to physician groups like HealthTexas. There is the financial impact of loss of service, but as patients have more options, preventive care can suffer. On-demand healthcare services are a great tool, absolutely – but they address acute ailments and do not promote general wellness. This means metrics might change, and when a patient comes through our door, we may only have one shot at giving a patient preventative care when they come in. It will be more important to create partnerships and rely on those modalities of care to close some of the gaps. This is not to say that these large players don't support preventative care, and insurance companies are definitely paying for value-based care.

What is your strategy and your priorities going forward?

Having been doing value-based care for 30 years, we have the infrastructure we need to close metrics. Education becomes a piece of that but it will be a more challenging environment going forward because we have fewer touches on that patient. We have to think outside the box to make each patient interaction more beneficial by addressing preventative care, which is so important in a primary care space. ■

In what ways do you hope to see the healthcare industry evolve to create a more affordable system?

In the United States, it's widely known that the predominant form of healthcare is based on volume rather than value, which equates to “the more patients you see the more dollars you make” to the healthcare providers. The issue is, volume-based models are largely inefficient and quite costly. In fact, this is the reason why healthcare costs in the U.S. are out of control. This model promotes more unnecessary services and procedures without an emphasis on quality outcomes. In contrast, Gonzaba Medical Group focuses on delivering value-based healthcare, which aligns to the focus on superior health outcomes and patient experience. It's all about providing a better health outcome to your patient-base, that is more cost effective, with an emphasis on patient experience.

What trends are you seeing in the healthcare industry and how are they impacting the industry for better or worse?

One trend is digital transformation. Virtual healthcare is exploding. Another trend is wearables. There are some wearables for the elderly that detect falls and allow more remote monitoring of patients. These are really becoming mainstream and the outcome is better diagnostics. Other trends are health, wellness and quality outcomes that extend way beyond the doctor-patient visit. The social aspects of health are really becoming the focus now. These are several, non-medical factors that influence a patient's health outcomes, such as their level of education and their understanding of financial issues. We're going to see more medical groups and policymakers paying attention to these issues in the future.

We've also seen healthcare on demand with the younger demographics. Getting in for a doctor's visit the same day is extremely difficult. Many medical clinics are at full capacity. We're now seeing more retail medical clinics. ■



Randy Harig

CEO

Texas Research & Technology Foundation



Andro Herrera-Mendoza

Market Chief Strategy Officer

PAM Health Specialty Hospitals of San Antonio

What are the biotechnology areas that you are identifying as having the most potential for growth?

There are four areas in which we excel in San Antonio. One of them is infectious diseases. To my knowledge, we have the only level 4 bio lab in the country that's owned privately. The other two are owned by the federal government and up on the East Coast. A lot of the work that was done for the vaccines in the 2021 time frame for getting a vaccine out was done here in San Antonio. So, the infectious diseases segment is a major area of excellence for San Antonio. Then you have biologics, regenerative medicine and our blood and tissue center, which is one of our stem cell companies on campus. Another company that is just opening up here is Scorpion and they already have a tremendous backlog of business.

The fourth area is critical care. That involves trauma. That's the military's focus right now in their research, which is centered on that first hour of injury. Looking forward, they're conducting research into combat critical care to keep that patient alive for 24 to 72 hours before they can extract them. It's a whole new subset of issues that are going to take us into the next decades and require a lot of collaboration. It is going to influence a lot of startups and new activity in San Antonio because all the research that they do has to be presented to the private sector and licensed.

What is your outlook for the San Antonio biotech industry?

We will continue on the path we're on. We've made major changes over the last three to four years to some of our marketing. We have reinvigorated greater:SATX to make it more of an area-based economic developer as opposed to just purely San Antonio. And we've raised a lot more money in the business sector to support that, to make that happen. I think we've set the pace to energize San Antonio over the next three to 10 years. The efforts are there, the energy is there and there's a lot of excitement throughout the community about who we can be. ■

What are the biggest opportunities for healthcare in San Antonio right now?

It starts with the profound change we see as a result of not just the pandemic itself, but the consequences of it. Entire business models in healthcare have changed and nothing saw a bigger shift than talent solutions. There has been a prolonged crisis with the lack of qualified clinical nurses who can support bedside care. That limited availability has in turn put downward economic pressure on healthcare organizations. They have to be nimble and innovative in developing novel and economically sustainable ways of delivering care that don't impact the quality of delivery. Collaborations and partnerships will be critical in this approach. We're also seeing a new appetite from patients for at-home care that blends telemedicine because there is a growing desire for accessibility that coincides with a patient's daily life.

Are you seeing increases in demand with this expanded accessibility?

While there are changes in demand and methods of delivery, what hasn't changed is the amount of people providing the care. During the pandemic we were able to increase the capacity of nurses and physicians out of absolute necessity, but as more beds are needed and urgent care from home is demanded, we have to create more resources so our people can succeed in delivering that care. There are more beds and sites to cover and not as many staff as there once was, so it's a definite challenge to meet this need.

What are the criteria that make a facility a good fit for PAM?

First and foremost that we can do it in a way that delivers a high quality service. When we look at collaboration opportunities we want to work with organizations that share our values and prioritize the quality and clinical outcomes of being able to deliver an excellent service. We don't want to just do something marginally just for the sake of doing it. ■



Robert Haynes

CEO
Guadalupe Regional Medical
Center

How has the modern patient experience evolved?

Today's patients or consumers of healthcare have evolved to expecting quick access to quality care and service with minimal repetitive registration processes and they desire portable capabilities when going from one institution or practitioner to another. Knowing that you have to get your brand out in the market and if selected, allowing your products, quality, and service to capture that market long term. In our case we are one of 31 hospitals in Texas rated as a 5 star hospital by CMS. There are only 429 across the entire U.S. out of 4,500 facilities, so we ensure to market that as well as other accomplishments.

What is the future of San Antonio's healthcare system?

I can speak to ours; not sure I can comment on the entire region, although we share many of the same challenges and opportunities. Here at GRMC as the only stand-alone public city-county owned facility operating without a tax district in the state of Texas, the challenge will always be the economics. The practice of medicine and caring for patients remains the same across the country. The people in the Greater San Antonio area want what we all desire, accessible healthcare at a fair price. Public hospitals have a slightly different mission, and the challenges of ensuring there continues to be a margin to achieve the mission will always be present. San Antonio's healthcare systems do a great job of working with STRAC in our region to ensure we meet the needs of the community during times of crisis and as independent systems grow, we continue to raise the bar on acuity bringing top talent to this region.

How is Guadalupe Regional setting the precedent for healthcare down the road?

I'm not sure that we are setting the precedent, but what we are doing is what all facilities should do: Build trust and relationships with the consumer one interaction at a time. As I mentioned, GRMC is a stand-alone facility. There are only a few of these types of facilities left. Decisions are always local and resources are always focused on the community. Everything that we do here is focused on establishing trust early on. When given the opportunity to serve, patients will know that you care. It sounds hokey but it's the hardest part of the relationship; the practice of medicine is and running the organization is the easiest part. ■



In Bexar County, 15.2% of residents were uninsured, higher than the national average of 8.8%.

(...) in January 2023 that it was redeveloping a structure near the South Texas Medical Center to house its Department of Psychiatry and Behavioral Sciences' clinical, research and administrative operations. The move is significant for the institute, which currently conducts such work across three different facilities, limiting collaborative opportunities. The building spans more than 70,000 square feet and previously housed the South Texas Veterans Health Care System's Frank M. Tejada VA Outpatient Clinic. The roughly \$7.1 million renovation is set to begin in Q1 2023 and is expected to be completed by late September.

Located within the facility will be the STRONG STAR consortium for PTSD research, a multidisciplinary research program working to develop and evaluate the most effective early interventions possible for detection, prevention and treatment of combat-related PTSD. Once completed, the first floor in the wellness center will house clinical operations and the second floor will be reserved for research and administrative work. The building will accommodate as many as 200 personnel at any given time and UT Health is not ruling out further expansion should savings arise from the economies of scale of working together under one roof. This should be a great expansion for the wellbeing of the city given the longstanding shortages in the mental health sector. Once the new facility is up and running it will surely help to



alleviate the pressure on mental health and behavioral workers elsewhere in San Antonio, freeing up those resources.

UT Health is also addressing minority care, having received \$4.1 million from the American Cancer Society to fund new research into the cancer-related health burdens that disproportionately affect the South Texas Latino community. The new 'Avanzando Equidad de Salud Center' (Latino Cancer Health Equity Research Center) will aim to provide equitable cancer care, decrease the burden of cancer and improve health outcomes for Latino patients. It is expected to include a combination of community-engaged research, training, patient assessment and advocacy to address the social determinants of health, including access to health care, financial strain and food insecurity that deter Latinos from equitable access to cancer care, prevention, early detection and treatment.

Of the roughly 5 million residents of South Texas, which stretches from San Antonio to the Texas-Mexico border, 69% are Latino. That population has a much higher chance of contracting certain cancers than the South Texas population as a whole, according to the South Texas Health Status Review of 2018, and these

residents are more likely to be low-income, uninsured, not have a primary healthcare provider and live under greater financial strain. A further goal of the center will be outreach. This will entail engaging members of the San Antonio community to help educate and advocate for system and policy changes to improve health equity; increase vaccination in adolescent and young adult cancer survivors; and improve breast cancer treatment adherence among Latinas.

■ Access & public health

Texas has the highest rate and number of uninsured residents in the country and it is also one of only 12 states to reject Medicaid expansion under the Affordable Care Act. In 2019, around one in five women in Bexar County had late or no prenatal care yet among Black/African American women, it was one in four. While 80% of Bexar County's white population has a primary care medical home, this percentage decreases to 64% and 59% for Black/African American and Hispanic/Latino populations, respectively. Insurance coverage and affordability are not the only healthcare barriers people face. In most cases, healthcare literacy is a sticking point. Patients must understand that care is needed, know where to find it, (...)



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Heather Hanson

President – BioMedSA

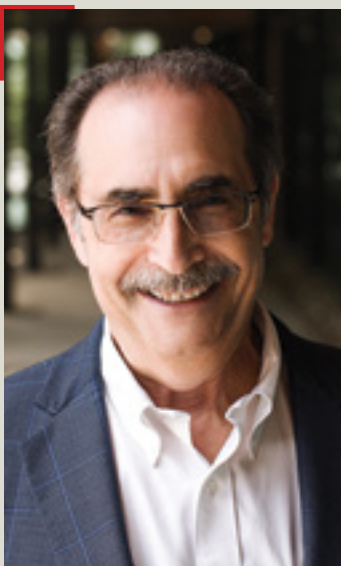
“We have grown exponentially in San Antonio’s bioscience sector. It’s just the tip of an explosive growth trend that will continue for years to come. Companies and startups are being founded and relocated here because of the accessibility of research, which is key in moving your company forward. It’s also provided at a low cost of living and operating with a high quality of life. The small-business ecosystem will lead to the explosive growth of the wider sector because of the support provided by research and academic institutions. We focus on three main areas; we support individual company growth, promote the region through encouraging relocation and create actions for growth that benefit the industry and community at large. Underlying all of that is BioMedSA’s role as a neutral convenor. We are not making money off of the research done here or connections made but we’re aware of what’s going on within the ecosystem.”



Hamed Mizani

Founder & CEO – South Texas Renal Care Group

“I believe we are headed in the right direction. Clearly, there are significant local moves being made by primary care providers that are operating more risk-based models by introducing value-based care, meaning that if you do well by the patient, you also share in savings with health insurance companies, which creates a market where the patient gets more attention. We are also seeing more work outpatient than inpatient. We are linked with Medicare and participate in value-based care models. We have revamped our entire model and offering and each doctor has a certain number of high-risk patients with higher risk of morbidity. We have algorithms we follow per doctor where we assign those high-risk patients and through our model we have a social worker, pharmacist, and care coordinator, among others, on this patient’s team. Together, they identify patients before they get too sick and bring them in for consultations and treatment.”



Larry Schlesinger

President & CEO – Texas Biomedical Research Institute

“We’re targeting advanced technologies that allow development of more diagnostic therapies and vaccines so we can be more proactive than reactive to the next outbreak that comes along and not be resource-limited like we often are in the public health sector. Generally, biomedical research is in the midst of an exciting time because it’s advancing the concept of team science more than ever before. It’s integrating technologies that are not only basic science models but models that recapitulate human health and disease. We’re developing alternative models to help our pipeline of discovery and translation.

Advocacy is also central to our mission and Texas Biomed has stepped up our role of raising awareness about the importance of science. As the worldwide pandemic was raging, we began our successful and ongoing Stand4Science campaign that has local-to-global reach.”

(...) make time for an appointment, secure transportation, overcome language barriers, navigate insurance hurdles and find childcare, all of which can have negative impacts on healthcare access.

The difficulty in accessing healthcare is widely covered and affects people widely across the United States, but it is perhaps more eye-opening in San Antonio since the problem also afflicts military veterans. There are about 160,000 veterans in Bexar County, according to the Veterans Administration (VA), and the South Texas Veterans Health Care System is the fastest growing VA health care system in the nation. The South Texas Veterans Health Care System officially opened the Southeast Pecan Valley Community Based Outpatient Clinic in February 2023 with hopes of serving 2,000 veterans on the city's Southeast side but appointment wait times, especially for veterans who transfer to the VA after leaving active duty, can remain stubbornly long. On average across 13 South Texas veterans' health centers, the average wait time for new primary care appointments was 50 days at the time of Pecan's opening. Yet veterans seeking their first appointment locally wait the longest at the new Pecan Valley clinic – an average of 98 days.

However, an area of good news concerns Alzheimer's disease. With cases in South Texas increasing, construction is expected to start in March 2023 on a UT Health Center of Brain Health at its Northwest campus. A 100,000 square foot facility is expected to open in 2025 to provide care for the growing problem of Alzheimer's in South Texas. In the state, about 400,000 people have Alzheimer's, according to the state Department of Health and Human Services. Nationally, the state ranks fourth by the number of cases and second by the number of Alzheimer's-related deaths. But figures are



Healthcare and biomedicine added 50,000 new jobs from 2009 to 2019.

starker in the Rio Grande valley where people 65 and older are about twice as likely to be diagnosed with dementia as people in the same age range elsewhere in the country, according to the Centers for Medicare and Medicaid Services.

In San Antonio, about one in twelve older people have Alzheimer's or related diseases compared with 1 in 14 people nationwide. UT Health expects the new facility to increase its ability to see patients by a factor of two and will be financed through about \$60 million in tuition revenue bonds and \$30 million in other bonds. The remaining \$10 million will come from cash on hand, including funds raised for the project. The center plans to house 100 medical professionals, including 30 neurologists and 70 other research, clinical and



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administrative staff including neuropsychologists. It will include an imaging suite and a non-oncology infusion suite for patient care and clinical trials. Neurologists will attempt to search for early indicators of Alzheimer's using a 7-Tesla magnet, a high-tech MRI that generates advanced images of a brain's interior.

San Antonio is also investing \$26 million in mental health resources and care in funding coming from COVID-19 relief funds to be spent over two years. A \$15 million investment will go towards care for young people while the other \$11 million will be distributed among adult-oriented programs, homeless residents and children leaving foster care. In further expansion news, UT Health is bringing its healthcare to the rural public by teaming up with Amerigroup to visit these communities with mobile nursing clinics, medically equipped 40-foot long buses which have visited over 300 people in the year since they launched. The mobile units offer wellness checks, immunizations and vaccinations and Amerigroup Texas has provided \$150,000 to support the program.

■ Key industries & employment

A lack of applicants into healthcare professions is weighing on cities and states across the nation and Texas is no exception. Texas does, however, contain a large and ever growing labor force from Central America. It is in this light that UT Health has received a five-year, \$3 million Department of Education Developing Hispanic-Serving Institutions Program grant to further boost Hispanic, low-income student engagement and wellness during this time of peak nursing demand. It aims to increase research and clinical mentorship, expand students' wellbeing through mental health counseling and

wellness programs, and improve their financial health, through peer mentoring and supplemental instruction and tutoring. It is expected that by the end of the grant's process, 1,960 graduates of Hispanic background will have passed through the School of Nursing.

There is no doubt that San Antonio's economy is driven by healthcare to a significant degree. One of the challenges with this, however, is that it is dependent on changeable state and federal policy and spending levels. Thankfully, however, the city has strength and depth in numerous other medical industries, including biosciences. San Antonio is home to global enterprises like Medtronic and Becton Dickinson, Xenex and German biosciences company Cytocentrics. The Texas Research and Technology Foundation's VelocityTX Innovation Center has successfully attracted many companies into its space and its latest two are relocating from California. Such is the demand for space that some staff members have been asked to give up their office space and there are calls to redevelop the space and build out a larger innovation district. Similarly, San Antonio based biotech firm StemBioSys is introducing new cellular technology it believes will position the company as a key player in the global pharmaceutical arena while helping accelerate scientific work to combat multiple brain diseases. It is launching NeuroMatrix, an extracellular platform designed to expand the use of human induced pluripotent stem cells or hiPSC-derived neurons in drug discovery and toxicity testing. This may help scientists researching Alzheimer's and Parkinson's disease and similar conditions.

Underlying employment health continues to be a problem, but it is being addressed. The HHSC invited qualified jobseekers to learn more about a career (...)



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'Completely different market'

Comparison to other regions, the UK shows differences of San Antonio healthcare system

Tarra Washington

CEO – Kindred Hospital San Antonio Medical Center

How has your experience in San Antonio been different from other regions?

Interestingly enough, New York, New Jersey and Philadelphia are very similar, all filled with many large health systems that are competing and focusing on innovation and the newest surgeries and technologies. When I was in the Kindred Hospital in Morris County, New Jersey, as the CEO, also a specialty hospital, we did a lot of business with the New York hospitals because they didn't have and weren't allowed to have our type of hospital in the state of New York. We would have these huge health systems sending us very complex patients. Our biggest issues in Philadelphia and New Jersey were the coverage from private medical insurance and those recognizing our type of hospital, helping them understand that our type of hospital was unique and not at all comparable to either a nursing home or a straight rehab facility. We were an acute care hospital that treated a very niche, and extremely sick, type of patient. They would compare our costs to a nursing home and say we were too costly for their patients to come to us, and instead, would discharge them to a skilled nursing facility. Our response was that instead, they should be comparing our costs to the larger acute care hospitals.

In regard to the UK, I saw major differences because everyone has the NHS, everyone has insurance and you can pay a little bit more for private health insurance. Big corporations would pay for their employees to have over and above the NHS so you often had double coverage. There was a huge push for adding a private healthcare element because the NHS was getting inundated right after COVID. It was just a completely different thought process. When I took the job here in Texas, I thought I

would be back to doing what I used to do and that it would be similar. But Texas is a completely different market. I think the first factor is that the physicians function a little bit differently. In San Antonio, there are a lot of hospitals all in a very small area. I have competitors right down the street. You have larger hospitals building acute rehabs almost on every corner so you have all these sites kind of competing against each other and you're fighting to get physicians, nurses and things of that nature. We're this very specialized type of hospital for the sickest of the sick: people who are on ventilators for an extended period of time or those that require very complex wound care. The average person will never need our level of care. Often patients' families learn about us when their loved one has been in the ICU for a period of time, have one or more complex illnesses, or are dependent on a ventilator.

What opportunities or challenges have arisen in line with the area's population growth?

The population growth in the area is an opportunity. We have the availability of beds but educating others and getting them to understand that we are here, that we have expertise in treating the most complex patients and that we can take these patients is important. Coverage for our level of care is also getting harder and harder. Even as our local population grows, there are so many patients who don't have proper medical coverage. So, there might be a big population but they're not insured. That's a struggle for us because while we're getting a whole volume of referrals to our hospital, it is unfortunate that patients can't receive the appropriate level of care because they don't have coverage, or their insurance is not allowing them to be admitted. ■



George Hernandez

President & CEO
University Health

What are the greatest opportunities for healthcare?

Here in South Texas, our greatest opportunity is to ensure we are doing everything possible to improve the health of our communities by providing access to affordable, high quality care. When most people talk about healthcare, they think about hospitals. We are different from many health systems because we have a large ambulatory network, with clinics offering a range of preventive, primary and specialty care services. About 95% of the care we provide is outside of our one hospital. These clinic locations are very busy, and a certain percentage of these patients will need hospital care at some point in their lives. Our opportunity is to build community hospitals, so we can provide routine hospital care closer to their homes and preserve capacity at University Hospital for more advanced care such as Level I trauma services, organ transplantations and complex heart procedures.

What are some of the top services you are looking to grow over the next few years?

The most recent area of growth is our maternity and neonatal services. In fact, Newsweek named University Health as one of the top maternity hospitals in the country. We are looking forward to expanding our capacity and capabilities to care for complex pregnancies and babies born prematurely as we open a new 300-bed Women's and Children's Hospital. In this new hospital, our Level IV Maternity and Level IV Neonatal Intensive Care (NICU) teams will provide the best care for women and children from our community and across South Texas in a facility designed exclusively to meet the needs of patients and families and to support all of the latest technologies and therapies.

What are your priorities for the near term?

Our first priority continues to be serving this growing community by providing the access needed to improve and sustain good health. We have a vision to be a healthcare network that welcomes all and is trusted by all. To carry that out, we have to be nimble and ensure we have the IT infrastructure to do so. To that end, we implemented Epic, the most robust electronic health records system in the world. ■



According to the San Antonio Chamber of Commerce, healthcare and bioscience had a \$44 billion impact on San Antonio's economy in 2021.

(...) working for the state at two hiring events that took place in February 2023 and the San Antonio State Hospital is looking to fill multiple positions, including licensed vocational nurses, registered nurses, psychiatric nursing assistants, housekeepers, food service workers and more. However, in some greatly encouraging news, it was announced in January 2023 that Texas was raising the salaries of over 19,600 employees at state hospitals in positions including nursing, direct care, and food service through funding worth \$148 million. A registered nurse with three years' experience can now expect to earn about \$90,000 per year.

■ Looking ahead

As the health industry moves beyond the COVID pandemic and deeper into the 21st century, it is expected that greater use of technology and automation will be the



themes of the future. Already scientists at UT Health have conducted experiments showing that a bionic pancreas that automatically delivers insulin was more effective at maintaining blood glucose levels within normal range than standard care management among people with type 1 diabetes. This would replace the need for human monitoring via finger sticks. Users of the bionic pancreas do not have to count carbohydrates, nor initiate doses of insulin to correct for high blood glucose and health care providers do not need to make periodic adjustments to the settings of the device as all this is automatically calculated by the device itself.

The startup scene in San Antonio is vast in its breadth and depth. Hera Biotech has recently closed seed funding of \$1.9 million for the world's first non-surgical diagnostic test for endometriosis slated for commercial launch in 2024. LASO Health is a mobile and desktop app that directly connects healthcare consumers with physicians, specialists and healthcare services such as MRIs. In 2022 it raised \$8 million in early stage angel funding. NeuScience, launched in 2019, is focused on applying AI software to cancer drug discovery. NeuScience's AI-driven platform works with computer vision to more accurately detect unique markers for cancer.

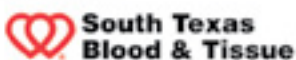
San Antonio is a bright spot in both national and world medicine. For both civilian and military care, there is almost no city that can compete. There are 1,400 active life sciences studies underway in the region and one in five jobs in the city are in healthcare and biosciences, making it a prime talent pool, research base and developmental headquarters for global companies. There are teething problems such that can be found in much of the United States, but there can surely be nowhere better suited to resolving them for a bright and healthy future. ■



A bridge to the future

BioBridge Global, a nonprofit healthcare services organization based in San Antonio, integrates donor-to-patient services to enable the future of biotherapeutic solutions, including blood, tissue and advanced therapies. BioBridgeGlobal.org

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A photograph of a young woman with long dark hair, wearing a black graduation cap and gown. She is smiling and has a colorful sash draped over her shoulders. She is holding a red folder or book. The background shows other graduates and trees.

Education:

Greater San Antonio's education sector has been rocked by demographic changes, labor shortages and disruptive new technologies, but it has weathered the storm and its fundamentals look largely as healthy as ever.

Healthy fundamentals:

Education marches forward despite challenges



It comes as no surprise that the state which would have the ninth-largest economy in the world if it were an independent country has a vast education system. There are 1,000 public school districts in Texas, all but one of which are independent and separate from any form of municipal or county government and which may (and often do) cross city and county boundaries and marry up to 36 public universities. Thirty-two of those belong to the six separate university systems.

In the Greater San Antonio region, Bexar County alone contains 15 separate districts. These are overseen by the Texas Higher Education Coordinating Board, which has a program called Grad TX, among many others, that aims to improve the graduation rate from Texas universities. It is attempting to implement the state's 60x30TX policy: 60% of Texans will hold a certificate or degree by 2030.

In numbers, this means that by 2030, at least 550,000 students in that year will complete a certificate, associate, bachelor's, or master's from an institution of higher education in Texas, according to the Texas Higher Education Strategic Plan 2015-2030. Given workforce challenges that have been seen across the nation since the pandemic, Texas has actually increased this goal to the same 60x30TX policy for 25-34 year olds, not just those entering higher education, while also ensuring 95% of students graduate with no debt, or manageable debt in relation to their potential earnings.

■ Landscape

It's just as well that Texas implements such goals because the state is seeing falling enrollment into higher education post-pandemic and needs to reverse the trend. Commissioner of the Texas Education Agency Mike Morath told the State Senate in February 2023 that enrollment in Texas schools is declining and will continue to decline for at least the next decade. COVID-19 accelerated a trend which began during the Great Recession of 2011 and during the 2020-21 school year, more children left the system than entered it. Enrollment in the year before the pandemic was 5.5 million children in the Texas public school system. That dropped to 5.3 million, rebounded to 5.5 million and is projected to drop slowly over the next four years; specifically, a 2.2% decline, according to Spectrum News. (...)



Students in focus

Enrollment increase among key highlights

Robert Garza

President – Palo Alto College

What is your strategy to provide training to the workforce and help the local businesses?

We've been partnering with organizations that are located in the area that have either approached us or said they need employees. We also partner with our chambers of commerce to include the San Antonio Chamber of Commerce, Hispanic Chamber and the South Texas Business Partnership. We're working holistically with all industries and sectors and we're learning what their needs are so that we can develop curriculum, modify our curriculum, or adopt new programs to meet their needs.

We are also talking with students about their interests and seeing how we can promote programs like the apprenticeship program. We want to make sure that we're best prepared to serve our community.

What have been the college's biggest milestones and achievements over the last year?

We've had some major opportunities now that students have returned to campus since the pandemic. I'm pleased that our enrollment is increasing. We're up this semester by approximately 5% and were up about 4% in the fall. We have more students that are coming back to school; that's amazing for us. But in terms of accomplishments, our board just passed and approved for Palo Alto College to move forward with a bachelor's in business operations.

In addition, we have some new programs that we are excited to launch. We have a new 126,000-square-foot facility that we will be opening this year that will include new programming particularly tied to the workforce. This is major not only for Palo Alto College but for the city of

San Antonio, the state and the country as more employers are looking for skilled workers. Our new facility will have an advanced manufacturing technology center, logistics lab, dental hygiene, and a welding program. These are new programs for us to meet the needs of employers. We're also launching a nursing program that will be located at the South Education Training Center (SETC), which will open in the next three months. It's also the partnership with Alamo Colleges where there will be workforce training. We will also be opening a vineyard for our grape growing and winemaking program as well as a new hops yard for a brewery program. All of those are major accomplishments and we couldn't do it without the work of the faculty, staff and our community.

How do you promote the value of higher education?

At Palo Alto College, we've started not just a program but a movement. This movement is what we call Educate South.

Too many times schools wait until the junior and senior years when students are getting ready to graduate to have conversations about higher education. Palo Alto College, for instance, partners with our local hospital, which is Texas Vista Hospital. Every time a baby is born, we celebrate the life of that child, and we start having conversations with parents about their child going to college.

We also have created a coloring book that we give out at our college events. The coloring book is of the workforce programs that we have here on campus. When kids say, I want to be a doctor, or I want to work with robots, or other STEM-type programs, they are coloring the actual programs that we offer. What's also unique about the coloring book is that every page is designed by an art student. ■



Debi Gaitan

Interim President
Northwest Vista College

Since becoming interim president, what has surprised you the most?

I have been at Northwest Vista College for 25 years and have had the opportunity to lead all areas of support services. What surprised me the most as I transitioned into the interim president role is the incredible opportunity to have discussions on a grander scale about how we can better serve our students and community with a shared vision for our future. As such, we are preparing for our next era by clearing the path for what we have been wanting and needing to accomplish and co-creating something new while building upon the pillars of our past.

What are some of the opportunities that you see in San Antonio's education sector?

San Antonio is one of the most impoverished cities in the United States and, regarding housing, the most segregated city. We have historically under-resourced communities that have experienced intergenerational cycles of poverty. Moving into this moment, we have two significant things taking place. First, is a college cultural reassessment of what it means to be a Hispanic-serving institution. Second, is strategizing on how to eliminate long-standing diversity, equity and inclusion gaps between our students. We need to measure how we serve our Hispanic community, close the equity gaps and balance our cultural shift with our need to produce qualified, skilled workers who meet the demands of our employers. It requires us to build and run the college while also shifting the culture of our institution to help our students of color succeed, break cycles of poverty and achieve socioeconomic mobility.

How is the college shifting to meet student needs?

Today's students are all about education at any time. It's about 24/7, fast, accelerated learning and credential attainment. It's great for students to continue stacking their credentials, all the way to a bachelor's or master's degree, and beyond. But we know that the way things are in society right now is fast and quick. We need to offer affordable bursts of micro-credentialing because we understand that waiting four years or more for a bachelor's degree isn't always feasible. ■

(...) Although universities seem to be performing well with data showing that enrollment increased by almost 10,000 between 2019 and 2022, community and state colleges have lost 85,000 people over the same period. The University of Texas at San Antonio (UTSA) has seen 1,168 more students attending while Texas A&M University-San Antonio had 524 more students during this time, the Texas Higher Education Coordinating Board reported.

Adding to this complication are the cohort of students who will be coming to school: Gen Z. Generation Z is now beginning to attend university and they are significantly more diverse, socio-economically aware and technologically savvy than any generation that have gone before. Generation Z will expect campus to support them with their personal needs and they will demand to see value for money and return on investment from their attendance at college. If they are going to take on an enormous debt, why should they then go through an internship at their employer – why does college not prepare them precisely for what they need to know in their career? Given these questions, many students are choosing direct-to-career programs, such as those in nursing, health and IT and fewer pursue a traditional degree option as their first choice. For a generation that is even less financially stable than the millennials before them, their caution around college debt is understandable for school administrators, according to an Army & Navy Academy report.

San Antonio is prepared. The San Antonio Youth Commission is made of 22 members of high school students appointed by the mayor and city council members; Project Worth Teen Ambassadors is a youth group of 7th-12th graders who support teen health in the community by volunteering and sharing their voices, creativity and ideas. During a survey which this group conducted, 37% of respondents claimed an inability to perform day to day tasks, 49% stated feeling helpless, hopeless, numb, or like nothing matters. Females reported higher struggles than males while LGBTQ+ and gender diverse youth reported 20% higher on average than their heterosexual counterparts. The San Antonio Mobile Mental Wellness Collaborative, with new partner Meadows Mental Health Policy Institute, helps improve mental healthcare systems and shares best practices with legislators.

Furthermore, Bexar County is using some COVID-19 federal relief funds to allow four school districts – Edgewood, Northside, Somerset and Southside – to put more counselors on campus, evaluate students for mental health disorders and offer interventions for students believed to be at risk of hurting themselves or others, according to the San Antonio Report.(...)



Positives from the pandemic

Post-COVID era sees greater learning flexibility, renovations and operational changes

Taylor Eighmy

President – The University of Texas at San Antonio

What updates has UTSA implemented post-pandemic?

2022 was momentous for many reasons. We returned to a normal mode of operation after the pandemic that included many positive adaptations from the pandemic. In this “new normal,” we have adopted a more flexible learning construct around hybrid learning opportunities. Also, with federal investment through the Higher Education Emergency Relief Fund, we were able to make renovations in our classrooms to prepare for a hybrid learning environment. Over 40% of our classrooms were redesigned to become more hybrid instructional environments that enable simultaneous in-person and online pedagogies. This approach reflects the learning environment that our students now prefer: blending in-person and online instruction. We are much more cognizant now about what our students need in this new normal. There was also a huge sea change in how we operate. A remote work environment for our employees has changed the way we build culture, spend our time together and use our space. If there was anything positive that came out of the pandemic, other than the technological innovations in how we teach remotely, it was around flexible work modalities.

What are some projects that you are excited about?

In close collaboration and partnership with our sister institution U.T. Health San Antonio, we launched The University of Texas School of Public Health San Antonio this past year. Our teams have worked hard to bring in world-class talent to lead it. I am really grateful to President Bill Henrich for his efforts to recruit Dr. Vasanth Ramachandran as the founding dean of the school. Dr. Ramachandran is a world-renowned epidemiologist.

The impact that this new school will have on community health will be profound.

Moreover, we continue to grow our presence in Downtown San Antonio as we grow our enrollment and focus on workforce and economic development. We have officially opened our new School of Data Science (SDS) and National Security Collaboration Center (NSCC) in our newest building, called San Pedro I, located in the heart of the city’s Downtown Tech Corridor. The SDS is a wonderful mash-up of many academic disciplines from computer engineering to mathematics that makes sense of large datasets and provides insights as we tackle grand challenges. The NSCC is a terrific example of the nexus between government, university and industry partners to accelerate R&D in the national security space.

How do you measure the value of higher education?

Higher education is being evaluated by how it impacts lives. Rather than being measured by rankings like U.S. News and World Report, universities are being measured by who they admit and how well they support their students - return on investment (ROI) measures. Likewise, we will be evaluated by how we impact an individual’s social and economic mobility. Many ROI calculations look at debt upon graduation, wage structure after graduation and job progression. These are the new questions that we are asking so we can further adjust to the needs of students and the world at large. Just as we’re now a Carnegie R1 institution, in the future we will be ranked using a rubric that measures social and economic mobility. So, I imagine in a few years UTSA may also be recognized as a top-tier university for economic mobility. ■

What's next for higher ed?

Educators discuss the expectations students now have from higher education and the impact from the growth of online learning.



Vanessa Beasley

President
Trinity University



Abel Chavez

President
Our Lady of the Lake University

Do people now have different expectations of higher education?

The trend that leaders in higher education didn't see coming is a result of the disruption in the labor pool following the onset of the global pandemic. Now, there are students we would have previously put in that category of potential recruits, those we would have identified as highly likely to go to college, saying that they can get a job without a degree from higher ed.

As a result, these students are reconsidering their plans. Thus, the important conversation that was happening before COVID about affordability and access to higher education now also has a new dimension: how to define the value proposition in a more compelling way to people who are telling us they are not sure they need a college degree right now and maybe are not sure they will ever need it. That tells me that the previous expectation of an undergraduate degree for career readiness may be changing.

How would you analyze the progress that's been made overall in keeping education affordable?

In some ways, it helps to think of the cost of higher education like any quality product or service you're offering to a market. It's expensive to offer a high-quality education and the cost will increase as the level of quality increases, even if we think of our facilities as fixed costs, which is not true. I want to be in the best position to recruit talented faculty, especially those who value working with undergraduate students on research; that's part of our mission at Trinity. At the same time, higher education must be responsive to important questions about affordability and access. Part of the answer comes from helping people understand that when they contribute to scholarship funds that enable students to come to Trinity, they are also investing not just in those students' futures but also in the region and in fields of study that can benefit larger economies. ■

What are students looking for in a higher education experience?

Customer service is a key element. In other words, if I have a question about my coursework at 10 pm after working, taking my child to soccer practice and cooking dinner, I want that question answered at a moment's notice. Secondly, time and cost to complete a credential are paramount. We have to continue to drive toward innovative models that reduce or enhance the time of completion. Thirdly, the State of Texas and our strategic plan for higher education clearly states "high-value credential." We know the direction of the trajectory of our city and region, and I believe that is a fairly good signal of what "high value" means.

How are student demographics shifting?

In Texas specifically, it is projected that through the year 2035, the graduation rate from high school will increase by 6%. There will be 6% more high school graduates in about 10 years than what there are today, and that is not the case across the U.S. in other parts of the country, it's actually declining. In Texas, the matriculation rate of a student going from high school to college or university is 50%. Nationally, that same matriculation rate is nearly 70%. As a percentage, we have more high school graduates in Texas versus nationally, but less of our students are matriculating into college here. There is so much to unpack here when it comes to a demographic shift.

The next layer is that if we take matriculation and peel layers by race and ethnicity, our brown and Black students are matriculating below 50%. We have to find ways to provide access to those students to higher education and ensure we are doing absolutely everything within our control to get them to completion. In Texas alone, there are an estimated 2.5 million former students with some college and no degree. It does our society zero good if we don't provide that access and complete a degree. ■



Thomas Evans

President
University of the Incarnate Word

How is the University engaging students to ensure their retention and graduation?

We received a \$2.9 million Title V grant for a program that we call FLIGHT for Financial Literacy, Integrated Guidance Health career Tracts. This program provides mentorship for underserved and first-generation students. It has been an interesting program because those faculty members who have trained as mentors across campus have really benefited from it as well. Our goal is to see the persistence to graduation rates increase for PELL-eligible first-generation students through dedicated support and a strong network of mentors.

Our university has achieved a progressively higher trajectory of retention and graduation rate of our students over the past ten years. This was an intentional strategy that was based on more personalized attention on students to ensure that their experience at the University of the Incarnate Word is an excellent one and that they are aware of the resources available to them. For a lot of students, seeking out the support they need is not an intuitive process, so we want to take those obstacles and barriers to access out of the question so they can focus on their studies. That is where mentorship is important. We work hard to make sure students are proactively engaged so they have the best experiences they can. With mentorship, so much about higher education is about having one-on-one connections with relationships that inspire and engage students through graduation.

Have you seen significant benefits with the growth of online learning?

Students have a lot of learning options now, from in-person to synchronous to asynchronous or hybrid course models. One of the most popular schedules among our students includes four in-person classes and one that is online or high flex. To me, that demonstrates how students still want to engage in traditional course instruction, while embracing the new opportunities to learn virtually. ■



Kelly Damphousse

President
Texas State University

How would you describe your vision for the future of the university?

When the Texas State University System created the president's job profile, they set the course for what I'd be doing because they described what they saw as the future of Texas State University. The university decided to transform from its beginning as a teachers' college to being much more comprehensive. This includes having a tremendous fine arts program and engaging in science, technology, engineering and mathematics (STEM) disciplines. The university is now a major research institution more aligned with what businesses, manufacturers and industry want.

How is Texas State University making an impact through research?

We are heavily focused on the health industry. We believe that being located in the innovation corridor between San Antonio and Austin puts us at the nexus of many exciting developments in the field. Our focus is on the relationship between health and engineering, specifically biomedical engineering. We see enormous potential in the intersection of artificial intelligence and health as well. Additionally, we have a strong interest in space research, with a long-standing partnership with Jacobs Engineering and NASA, particularly the Johnson Space Center. We believe that we can make significant contributions in this area moving forward.

How is the university securing a sustainable pipeline of students?

We are fortunate to be very popular among high-school seniors right now but I don't believe we can afford to rest on that. Therefore, we are taking an aggressive stance. We are hiring a new vice president for global education and online because we believe we have not yet tapped into the online and international market as other universities have, and we see huge potential there. ■

(...) ■ Budget

The 2020 CARES Act provided Texas with additional funding for public education, including \$1.3 billion for low-income students, but Texas is still in the bottom 10 states in per-student funding, some \$4,000 behind the national average. About 90% of funding for Texas school districts comes from state and local sources with the remainder coming from federal and other sources. The state funding mechanism, known as the Foundation School Program (FSP), comprises a system of formulas and calculations used to determine state allotments and local revenue requirements for each district. The FSP consists of two tiers and facilities funding. Public school boards have authority to levy and collect ad valorem property taxes. Every summer, the appraisal district prepares the certified appraisal roll of taxable property value in each school district and submits information from its certified appraisal roll to the Texas Education Agency (TEA) to calculate the district's maximum compressed tax rate (MCR).

The San Antonio Independent Schools District (SAISD) budget for 2022-23 is \$452 million, of which \$440 million will come from state and local sources and \$11.5 million from federal sources. Of this local and state amount, the

largest source of revenue available to the district is the property tax that is derived from current and delinquent real estate tax payments. This budget has been approved by SAISD board and is based on school enrollment of 44,676 students, a decrease of 110 from the 2021-22 academic year giving a student-teacher ratio of 15.9. The funding breaks down as \$10,135 per pupil, assuming a daily attendance of 38,060 and is actually a decrease of 7.1% from the approved budget for 2021-22 which will be challenging to stick to as the district overspent that budget by \$8 million.

■ Demographics & accessibility

A challenge is coming for schools. Over half of college students say they feel excluded based on an aspect of their identity. Student belonging is likely to be the next frontier for colleges and universities to prioritize in their diversity, equity and inclusion (DEI) efforts. In a brighter outlook, 64% do say they believe their college or university is supportive of DEI on campus, yet how the schools actually do this is difficult to pinpoint, according to Hanover Research. UTSA, however, already has a head start, having received a Higher Education Excellence in Diversity (HEED) award in November 2022 recognizing the university's success in creating an environment that is welcoming and inclusive of all students, faculty and staff. UTSA has established an Office of Inclusive Excellence to welcome all students no matter what race. The university is one of only 104 that were recognized in 2022.

In Texas as a whole, however, there are some barriers. The University of Texas system announced in February 2023 that it had paused all new policies that promote DEI at its 13 university and health campuses and asked all school leaders to provide a report on their current DEI policies. Gov. Greg Abbott has written to institutions advising them that DEI enrollment and hiring policies violate both state and federal law since they seek to hire persons based on factors "other than merit." Legal experts say this is a mischaracterization of practices used by employers when hiring. Nevertheless, Texas A&M University has modified its hiring practices. The vice president of faculty affairs is believed to have told college deans that they should consider only a cover letter, resume, personal statement and professional references in hiring, and no longer diversity statements, according to a My San Antonio report. It remains to be seen how this plays out.

Diversity, and possible lack thereof, was exacerbated by the pandemic. In schools, there are other challenges brought about by COVID that have not entirely been eradicated yet, namely numbers of pupils. San Antonio, Northside, North East, Southwest, Harlandale and Alamo Heights ISDs reached or surpassed their enrollment



Chris Royael
Head of Schools
Cornerstone Christian Schools

“The pandemic caught a lot of educators by surprise with the shutdown. We had to rethink how education is delivered to students. The biggest challenge in that pivot was keeping morale up as our teachers had to learn new ways of teaching and assessing utilizing technology as we shifted from on-campus to remote learning. Schools were forced to reevaluate learning outcomes and mission statements and find ways to achieve those goals in this new educational landscape. When we returned to on-campus learning we were able to harness what we learned from remote learning into new hybrid platforms to enrich our on-campus educational programs. As a school, we placed a strong emphasis on rebuilding community and connection when our students came back on campus to overcome the isolation and anxiety that impacted so many.”

projections in 2022 but they still fell short of pre-pandemic numbers. The largest districts – Northside, North East and SAISD – are 5,600, 5,800 and 3,000 students lower, respectively, than their fall 2019 enrollments. But recovery can be achieved: Southside and East Central have passed their pre-COVID rates, which is credited to a revamped campaign to recruit and retain pupils. Around 112 students transferred from other districts nearby and 280 are residents new to the district according to the Southside superintendent. This year, SAISD enrolled 108 more pre-K students than it projected, but also saw a decrease in kindergarten enrollment, according to the San Antonio Express-News.

A big opportunity to boost student enrollment and future attendance at the higher-education level may come from the federal government, assuming the courts grant its implementation. Students have been able to apply for up to \$20,000 in debt forgiveness under a plan announced by President Biden in August 2022. If approved, the Department of Education estimates 8 million borrowers may receive debt relief automatically since their income is already on file. Borrowers who have debt remaining after either \$10,000 or \$20,000 is wiped away could see their monthly payment amounts

recalculated if they are enrolled in a standard repayment plan. Whether the plan makes it to legislation, however, is unknown. As of February 2023, the Supreme Court had listened to oral arguments in *Biden v Nebraska* and *Department of Education v Brown*, during which James Campbell, Nebraska’s solicitor-general, noted that, as a policy with “vast economic or political significance,” this was not a move the executive branch should undertake on its own, as reported by *The Economist*. The policy is projected to cost \$400 billion. Chief Justice John Roberts also wondered why a college graduate should get his loan written off while an entrepreneur is on his own to repay a loan when he starts his own business from scratch.

Pell Grants are needs-based grants that can award students up to \$6,895 per year depending on their family income and are given for six years, or 12 academic terms and do not need to be paid back. During 2021, 6.2 million people received Pell grants. For the 2023-24 academic year, the amount has gone up by \$500, to \$7,395. Mindful of the median household income in San Antonio amounting to \$57,000, UTSA has had the lowest dollar increases in tuition fees in Texas for the past five years to keep itself competitive and it notes that 75% of its undergraduate students receive some form of financial aid, with the (...)

A WORKFORCE READY INSTITUTION

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An issue of economics

Providing accelerated learning part of the solution to education access

Joe Fisher

President & CEO – Hallmark University

How is Hallmark addressing the challenge of access within the higher education system?

Hallmark University is focused on making education accessible and affordable by providing the degrees that are designed to get our graduates the jobs they want and providing business with potential employees that are better skilled and ready for the transition to the workplace. Recent studies report that 92% of students attend college to get the skills needed to start their career. That is why Hallmark University's degree programs are accelerated, providing degrees in half the time of other colleges and universities, and in most cases, at half the cost.

Access is essentially an economic issue and not an IQ issue because the students are more than capable but they just have not been in the right environment. For example, according to a September 2022 San Antonio Business Journal article, the attendance costs at the most expensive university in town is now approaching \$65,000 per academic year and our least expensive public universities are \$23,000 per academic year. Hallmark University is significantly less at \$16,000 per academic year for our bachelor's as a private university. Additionally, since our students graduate two to three years earlier than they would at a traditional university, they get to work and start earning 80% to 100% return on their entire investment their first year on the job. Often, the longer the academic program is, the lower the graduation rate is.

What programs are you looking to grow due to workforce needs?

Our programs are offered based on an assessment of

the needs of the workforce and, currently, we have four schools: Aeronautics, Business, Information Technology and Nursing. There must be a high demand and a high-paying career for our graduates. Hallmark University includes needed certifications and licenses with our diploma and that saves businesses from having to pay for that in the workplace. For nursing, Hallmark University is adding a licensed vocational nursing (LVN) program as well as cloud computing at the bachelor's and master's level. In our aeronautics program, Hallmark University is developing a comprehensive drone program at the bachelor degree level. For the graduate level students, Hallmark University is adding an MBA concentration in Aviation Management.

What are some initiatives and strategies used to support students and keep them engaged?

At Hallmark University, someone is responsible for student success from the moment they apply until they launch a career. Our students have advisors every step of the way to ensure their success and engagement. Because our programs are year-round, we don't experience the fallout results that other universities have when students don't return after summer.

Hallmark University's graduation rates are significantly higher than most community colleges and comparable to many public universities. With the pandemic happening there is still a huge trend in higher-ed for hybrid models, but when you are trying to develop practical skills and apprenticeship is part of the education model then hybrid learning does not yield the same level of outcome for the student. That is why we are bringing our students back into the physical classroom. ■

(...) university's total aid and scholarship disbursement for fall 2021 being over \$300 million.

The university has also launched its Bold Promise to students who meet certain criteria: including being Texas residents, having an annual family income of less than \$50,500, being ranked in the Top 25% of their high-school graduating classes. More than 11,000 undergraduate students at UTSA receive Federal Pell grants each year, meaning that roughly 45% of undergraduates at the university are Pell grant recipients. Furthermore, Pell grants will once again cover persons in prison from July 2023 for the first time since 1994, the second chance Pell, and colleges are expecting an uptick in interest from this demographic. There are altruistic reasons for colleges to be catering to these persons but also financial, given precipitous enrollment declines that have been seen. San Antonio College is one of 20 that is preparing for this new shift and has been awarded grant money under the Ready for Pell initiative, which sees \$120,000 awarded to institutions under a joint effort between Jobs for the Future and the Ascendium Education Group, a student loan guarantor. The money will go toward expanding the colleges' services in prisons, such as career and post-release counseling.

■ K-12

The upheaval of the pandemic has caused some elements of the education system to win out over others. New findings on San Antonio public schools reveal that students in charter schools are in many cases outpacing their peers, both statewide and within the city, in some cases, by as much as half of an entire school year. In 2017-18, charter school students received the equivalent of 10 more days of instruction in reading, although five fewer days of instruction in math, compared to their peers elsewhere in Texas. The following year, however, charter school students outshone others, getting the equivalent of 51 more days of instruction in reading and 46 in math, compared to peers statewide. The Texas Charter Schools Association explains the success by schools' focus on STEM, classical education and liberal arts.

The shortage of teachers across the state and the nation is well documented. A survey released in January 2023 asked 1,125 adults and found that as much as 89% of people support salary increases for teachers as well as increased public school funding. Lawmakers in both the Texas House and Senate have pitched raises for teachers, including allocating additional funding for a program that gives teachers raises based on their performance. Lawmakers have also allotted about \$600 million to improve school safety under both the House and Senate budget proposals in the wake of the mass shooting in Uvalde. (...)



Mike Flores

Chancellor
Alamo Colleges District

What is the Alamo Colleges District's key to success?

Our faculty and staff partner with and support students' success in reaching their goals. Our students are the most successful they've been in our history. I think having talented faculty is a huge key to our success. Also, the partnerships we have with business, industry and community groups.

How would you analyze the progress that has been made toward making education more affordable?

Alamo Colleges have low-cost tuition, and we have a few ways that we assist students. The first is what is called the AlamoPROMISE which provides a scholarship to high school seniors to earn their credential from us. The other way we assist students is through our position as one of four prime partners in the city's job training program called "Ready to Work." We assist in the training or upgrading of skills for around 10,000 adults. We are very mindful of the cost of education.

What partnerships help keep graduates in San Antonio?

We are the largest credentialed talent provider in the region, so we are always looking to expand partnerships. Increased growth and partnerships with healthcare, IT firms, and financial services are key areas of growth for us. We are looking to build on existing partnerships and establish new ones to place students after they earn their credential. We want to be able to provide students with part-time or full-time employment in the region.

What strategies ensure graduates have the necessary skills when entering the workforce?

We utilize co-creation from the very beginning by gathering feedback from companies and organizations of what they look for when hiring talent. We want to create a curriculum that gives students the skills and competencies needed for specific jobs.

What are your priorities for Alamo Colleges?

We will continue to work with the public and private sectors as well as community leaders to ensure we increase the number of individuals in the region who earn credentials. We are on track and capable of doing that. ■

Preparing leaders of tomorrow



Scott Brown

Headmaster – TMI Episcopal

“A large percentage of our students will have a career in a field that does not exist today. You can’t just teach kids to be an electrical engineer or an accountant because that job is not going to look the same 20 years down the line. That is why we have an obligation to teach students core competencies that move across all fields. The Walker Innovation Center is a spark for that, but this is really about innovation and failing forward rather than graduating and knowing a job without any room for adaptation.”



Billy Handmaker

Head of School – Keystone School

“There are new schools opening every year in San Antonio, including charter, private and independent schools. People have a lot of choice in San Antonio. I think we are also all looking at lessons learned over the past two years and the importance of technology. We cannot forget the importance of people needing face-to-face communication. We want children to connect with other children and adults and have a balance with our use of technology. We have expanded on technology, athletic programs and artistic offerings. I think this is the challenge for education in general. It was a huge social experiment for us to all go online immediately. We learned that we need to use technology but we don’t want to be completely online going forward.”



Thor Kvande

Head of School – St. George Episcopal School

“The future of education is individualization and equipping students to follow their dreams. Technology in the classroom will continue to become more important and we are committed to offering a student experience that includes STEM and STEAM education. Our graduates are arriving in high school increasingly interested in those subjects. We can’t only be teaching them reading, writing and arithmetic; they have to be ready for coding, robotics and IT programming. I see this as the fastest-changing area of education and it’s important we pair that with equipping students to be thoughtful investigators.”



Len Miller

Head of School – Saint Mary's Hall

“Our students use technology and gather and connect in different ways. This scenario presents a great opportunity for us to continue to think about how we educate them on life skills, not just academic preparation for college. We prepare them for the balance of health and wellness in their lives and how they can build healthy and meaningful relationships. A well-rounded liberal arts education teaches critical thinking and how to communicate, research and ask questions. We continue to devote ourselves to that as the world changes and people build careers in several fields throughout their lives.”

(...) Lawmakers also seem to be keen on pushing ahead with the controversial “school choice” initiative, which would give parents state money to school their children outside of the public education system at their child’s assigned school. It can also include online schools, charter schools and magnet schools, which are run by school districts but offer targeted programs for selected students. Many school board members have expressed their opposition to these payments because they would take much-needed funds from public schools and give the money to institutions with no accountability for how those funds get used, despite every aspect of existing public schools being monitored and decisions as transparent as possible for the public. On the other hand, the complex nature of children’s education and the dozens of priorities therein were laid bare in another January 2023 survey asking what the most important issues in K-12 education in Texas are and fully 41% of respondents said they don’t know.

■ Challenges & opportunities

There are innumerable challenges facing Texas’ education system. Some in stakeholders’ control, some outside, some caused by their own actions. One area where positive action has been taken is a partnership between UTSA and the Alamo Colleges District which will allow eligible students to start at any of the five Alamo Colleges and then transfer to UTSA to complete a four-year degree while having educational costs covered at both institutions. The Promise-to-Promise partnership enables Alamo College students in the AlamoPROMISE program to transfer to UTSA and have their tuition and fees covered for up to two academic years through the UTSA Bold Promise program. There has also been

an expansion of the Dual Admission and Enrollment program to streamline operations between the two institutions. Nearly 500 students have already benefited.

Teacher shortages though are a perennial issue. The Texas Association of School Boards (TASB) surveys its members to assess what are the biggest problems they are facing. Time and again across all areas be they urban or rural, teacher retention is cited as the number one problem identified. On a not unrelated note, the issue of mental health of both students and staff is frequently cited as a problem after two years of pandemic uncertainty and stress. The Texas State Teachers’ Association has found that 70% of members say that they are seriously considering leaving their jobs in the next year. 94% of those say that pandemic-caused stress has caused burnout and 51% believe their school was not supportive in handling the emergency. Teacher retirement is up as well: 56% more teachers across San Antonio districts retired or quit in summer 2022 than the summer before. To help fill vacancies, school districts are hiring teachers with alternative certifications: this has become Texas’ largest source of new teachers and may include recruiting veterans and other military personnel who may be soon retiring. According to the TEA, nearly half of new teachers in Texas go through one of those programs now instead of getting a traditional education degree. The problem is that alternatively certified teachers are also more likely to leave after just one or two years in the classroom.

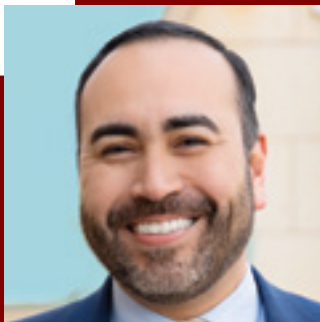
Over the last three years, the cost of attending a San Antonio university has increased by 38% on average. According to the Department of Education, Trinity University is the most expensive college in San Antonio costing full-time students \$65,798 a year in 2023. Even



Beyond The Classroom.

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We are a vibrant community of exceptional students, faculty, alumni, and professionals dedicated to real-world applications of helping others in the areas of nursing, aeronautics, I.T., and business.



Jason Longoria

President
Central Catholic High School

How are you updating your curriculum to align with what students want or need?

We are adjusting to those needs now and we are always in line with state and national standards. However, our community really wants to focus on social-emotional health, especially at an all-male school. Students want someone to talk to and our counseling department has been stretched in the past. So, this past summer, we invested resources in that department and we have let them focus on social-emotional health specifically. We want to nurture the young men on campus and to be a safe place for them emotionally, as well as academically. We have invested in opportunities to create this safe space by benchmarking how students feel through surveys and other means. This lets us know whether we are doing things effectively. Curriculum will always be there but our students need to know they are loved, despite the external pressures they face daily.

What opportunities or initiatives are you looking at?

Currently, CCHS is at a pivotal point with our upcoming regular accreditation process and the formulation of our next five-year strategic plan. We will soon be engaging in a major comprehensive capital campaign with facility improvements at the top of that list. We want to continue to enhance classroom spaces with the latest technology that aids in the student learning environment and revamp our library as well with more student common areas. Common areas are becoming important for group work versus isolated desks and cubes. Additionally, outdoor green space is something our students have expressed a desire to have more of. As we embark on these projects, our location in the heart of the city allows us to enhance our campus and collaborate with the city, county, and other local community partners.

What are some challenges that you are facing?

While this has been a banner year for Central Catholic, one of our biggest challenges this year is campus security. This is becoming the hot topic of the moment at high schools and middle schools across the country since the tragedy in Uvalde, Texas, last year. ■

UTSA, the cheapest in the city, has raised its total cost of tuition by 17% in the past three years, which was \$23,474 during the 2021-22 academic year but now will set back a full-time student \$27,752; a substantial jump in costs.

Technology & Innovation

A question on all the minds of students and teachers is how artificial intelligence will shape the education landscape in years to come. UTSA is like many schools in the nation which haven't quite worked out how software such as ChatGPT can be used in the classroom, whether its use should be permitted at all, how it would be detected and how it would be punished. Some academics feel they should be teaching students all aspects of the modern world and that people will eventually look back on the concept of AI in the same way it was once thought calculators in math exams would be cheating.

Innovation, however, is not just the implementation of AI. Research is a key proponent of translating work at a university to practical impacts in the real-world community. An example is Texas A&M University at San Antonio, which received \$1.9 million in federal funding in February 2023 for its public health genetics and genomics work. "The funding will be used to purchase capital equipment that will help establish a world-class research center in public health genomics and genetic epidemiology of complex diseases at A&M-SA," the university said in a news release.

Looking ahead

It seems there is a consensus among educators that there are many problems in the current landscape but, as is not uncommon, there is little agreement on how to go forward. But a study by Harvard University observing 72.2 million U.S. Facebook users, 84% of all American adults between the ages of 25 and 44 has found that community-level friendships between lower and higher-income individuals create economic connectedness which are the foundation for economic mobility. Schools can foster cross-class connections that lead to economic mobility and greater opportunity in several ways, from deliberately mixing up classes and extracurricular activities or by expanding career pathways education and training programs. Partnership programs acquaint learners with employers and workforce demands, engaging students and adult mentors from diverse classes and backgrounds. They weave together education, training, employment, support services, and job placement, spanning K-12, postsecondary, and workforce development. There can surely be no alternative than school which can assemble these vital life skills together. ■



Tourism, Arts & Culture:

Tourism, arts and culture are not only part of the fabric of the region but they are a key driver of the regional economy, with momentum accelerating as the industry continues its climb out of the pandemic downturn and rebalances on a stronger footing for the future.

Fine performance:

Rebound is well underway across segments

The Greater San Antonio region is a diverse area with a rich and fascinating history and a whole lot of culture. As well as being infamously home to The Alamo, San Antonio offers sporting events, theater shows, a gastronomic adventure and a connection with nature. The region also hosts hundreds of annual events, festivals and celebrations. It is no surprise then that San Antonio made the Top 15 list of U.S. cities to visit by Travel + Leisure Magazine in 2021. Not only is tourism a part of the fabric of the region but it is also a key economic driver, bringing in about \$16.2 billion in 2021 – almost a return to pre-pandemic levels. Since the pandemic, the momentum just keeps growing, with travel and leisure employment picking up and hotel bookings on the rise. The picture is not all rosy, however, as some challenges threaten to put the brakes on the region's impressive growth.

■ Landscape

In 2022, the travel industry saw a gradual increase in demand and improved performance. As the pandemic situation improved, hotels and airlines around the world benefited from a surge in pent-up leisure travel, resulting in business returning to more typical levels. In 2022, there was much to be excited about. The San Antonio City Council awarded \$9.3 million to contractor Sabinal Group for the construction of a World Heritage Center at 3100 Roosevelt. Funding from pandemic-related programs is also still trickling into the industry after the \$180 million grant program was expanded to include more types of businesses in San Antonio. Additionally, Visit San Antonio is placing a big emphasis on its efforts to attract high-value international travelers, having closed down its downtown information center to channel more resources into the initiative.

With an annual GDP of about \$70 billion, the tourism industry in Texas represents about 3% of the state GDP. Across the state, 653,000 jobs are provided in the industry, and these numbers only seem to grow. Cultural centers such as San Antonio draw in a considerable number of visitors. In San Antonio alone, about 142,000 people are employed in leisure and hospitality as of December 2022 – a number that surpasses even pre-pandemic levels by a margin of about 7,600. But the pandemic recovery is (...)



Coming together

Staff, programs, collection create strength

Emily Neff

The Kelso Director – San Antonio Museum of Art

What do you consider your organization's biggest strength?

It is the excellence of our staff, our team, our programs and our collection. We have 30,000 objects. But these objects are meaningless unless you have people and art coming together to create meaningful experiences. One of our great achievements is that we have gathered an extraordinary team of curators and educators who spend a lot of time with community engagement groups so that we are addressing the most relevant issues of our day, sparked by the artworks themselves. We have three major collection areas of Latin American art, antiquities of the ancient Mediterranean and Asian Art, along with American art, photography, contemporary art, and other smaller areas, such as African art and art of the Islamic World. But the three main pillars are those I just named.

What is your marketing strategy and your main target audiences?

I would say, and this is sort of true of our industry overall, that our marketing budgets aren't what they need to be. We invest in marketing, but not enough, and this is common in most art museums. We work with influencers and social media platforms. What I can say is whatever we're doing on the smaller scale pays very big dividends because our stats have been really big.

In terms of visitor numbers, the age group between 25 and 34 is our biggest. We're reaching that targeted audience. We recently learned that we're not performing as well among the over-65 age group. We don't know if that is because people over 65 may not be as involved with Facebook, Instagram or Twitter but we're trying to

dig in and get that information so that we can perform better at that level as well. About 60% of our visitors identify as Hispanic or Latino. Tourists coming to San Antonio account for 40% of our visitors, while locals make up the remaining 60%.

What role does the museum play in serving the community through arts and education?

In the old days, people looked at art museums as repositories of art objects. They do play a central role in the care and preservation of artworks that have been deemed important in history. But those objects mean nothing if they're not brought to life through those meaningful experiences. Art museums are also educational institutions, and we have an entire education team involved. Last year we provided 550 individual programs for the community and 20,000 people visited those educational programs. Those who visited on a school tour were also given passes to come back and bring their families. We distributed 10,000 of those passes last year.

Every day, we consider the fact that our objects don't mean anything unless they reverberate with our community. As a result, we're very much involved in issues of representation. We want to make sure that people see themselves, especially in a demographically rich city like San Antonio. We want our collection to be more reflective of the rich demographics of our country and we are very intentional about that.

I think the important thing to know about the San Antonio Museum of Art is that we're the only universal and encyclopedic museum in South Texas and the region. ■



Jimmy Moore

Producing Artistic Director
The Classic Theatre San Antonio

What makes San Antonio an ideal place for the arts and culture scene?

San Antonio is one of the most culturally rich cities in the nation. There is a lot of artistic talent in San Antonio and it has a unique cultural perspective, which is wonderful. The city also has ample space to grow that perspective and include more people, cultures, and stories. In my role, I aim to represent more of San Antonio on our stage and to broaden the definition of classic theatre. I believe we've been very successful in doing so. This has become the most diverse season in our history, highlighting stories and performers from several backgrounds in excellent productions. The San Antonio population is hungry for quality arts experiences and that is precisely what we are working to bring.

Where does the Classic Theatre fit in the larger arts and culture picture in San Antonio?

Of the many theater companies in and around San Antonio, there are three to four major producing entities and The Classic Theatre is one of them. Other companies in town focus on large musicals but The Classic has always been known for intimate performances of classic texts. The Classic was founded by local theater leaders as a place where talented professional performers could come to be a part of small, high-quality, jewel box-type productions. This means that our shows are going to be very dynamic, with a focus on artistry and professionalism. You will be seated close to the actors and you will be moved by the play's message. The Classic offers masterworks, from Shakespeare to Sandra Cisneros, in unique, detail-oriented, and impactful experiences for our city. With every production we mount, we strive to connect communities through live theater. That's our niche.

What are some ways to introduce people to theater?

You must get people excited to attend and then you have to knock their socks off. People become addicted to live theater when they see characters like themselves on stage. The first step is to ask a person to take a chance and familiarize themselves with the art form by attending a performance and allowing us to entertain them. ■

(...)still underway. According to a report by Trinity University, GRP in 2021 was still only at 93% of pre-pandemic levels. That year, 32 million visitors came to San Antonio, up from 23 million in 2020 but still trailing the 41 million seen in 2019.

The multiplier effect means that, for each dollar visitors spend, one more is generated in the San Antonio economy. Not only this, but tourism taxes contribute a great deal to local taxes, accounting for about 18% of the city's adopted General Fund expenditure in 2021. According to the Trinity report, this was broken down into \$72.3 million from hotel occupancy taxes, \$67.1 million from property taxes, \$48.1 million from city sales taxes attributed to tourism and hospitality and \$13.3 million in electricity and natural gas usage from visitors. As well as contributing \$229 to the City of San Antonio, tourists also contributed \$60.8 million to Bexar County, according to the report.

It is not difficult to see why tourism is such a huge asset to a location like San Antonio, or why the authorities are keen to invest in its development and promotion. In 2021, about 44% of the funds allocated to Visit San Antonio, the region's tourist board, were allocated to marketing and communications efforts. The visitor information center and partner and community relations accounted for a further 7%. Investors clearly see the value in prime hospitality real estate in San Antonio. Just this December, Fifth Corner acquired the iconic South Bank property that sits at the heart of the city's prolific River Walk.

The next year also looks bright for San Antonio's tourism industry, despite some clouds of economic uncertainty on the horizon. The 2023 forecasts for Spring Break in the region outstripped records for occupancy, according to Visit San Antonio. The agency is manning all fronts as it also has its sights set on international travelers, particularly those from the United Kingdom. Visit San Antonio says that the 20,000 Brits who visit each year account for \$40 million in economic impact for the region, and the agency's goal is to double those numbers.

■ Trends

Although leisure hospitality has almost recovered, the same can't be said for business travel. According to the Trinity report, just 4.6 million San Antonio visitors came for business purposes in 2021, down from 7.1 million in 2019 but much higher than the 3.3 million in 2020. The sluggish return of business travel nationwide can be attributed to the new "work from anywhere" culture that prioritizes efficiency and has normalized the practice of holding business meetings over Zoom. As a result,

fewer executives are traveling for business, although most acknowledge the importance of face-to-face interactions, according to a 2022 survey conducted on behalf of American Hotel & Lodging Association (AHLA). According to the U.S. Chamber of Commerce, travelers are beginning to blend business and leisure trips, which could eat into demand. Deloitte research shows that corporate travel in 2022 fell short of managers' 2021 expectations, mainly due to COVID variants but also related to higher travel costs.

There is some positive news on that front, however. This May, a major conference for travel industry professionals is set to bring 5,000 attendees to San Antonio. Although 2020 and 2021 were largely written off by the conference crowd, Visit San Antonio managed to schedule 479 meetings with over 540,000 attendees in 2022 – not a far cry from 2019's 526 meetings and 574,000 attendees. Additionally, 2023 is looking bright with about 250 meetings booked with almost 400,000 attendees as of the end of 2022. Projected hotel business travel revenue for 2022 is expected to reach \$539 million in 2022 – down 17.75% on 2019 levels. Although this seems like a significant drop, it is a far cry from the most affected metros, such as San Francisco, which experienced a 68.8% drop. Similarly, the national average decline in business travel related hotel revenues was 23.1%, meaning San Antonio is outperforming the nation.

As events do ramp up, the industry will need to ensure it has the staff to serve visitors. In San Antonio-New Braunfels, the picture looks rosy given that there are now 7,600 more hospitality workers than before the pandemic struck thanks to the addition of more than 60,000 workers in the area. But despite these additional workers, unemployment levels remain low at 3.3%, creating a tight job market and a difficult period for growth. One of the biggest trends for the industry has been an increase in staff wages. According to the American Hotel & Lodging Association, 87% of hotels are experiencing staff shortages as of October, resulting in record hourly payment of \$22 per hour nationwide. But there are signs of improvement given that in May, almost all hotels reported staffing shortages.

■ **Hotel & airport performance**

According to data from the San Antonio Tourism Public Improvement District, the first quarter of the 2023 budget year saw hotel occupancy of 60.1%, up just marginally from the same period of 2022. But the value of stays is increasing, with the average daily rate having risen 10.6% to \$125.62. Similarly, RevPar rose 11.5% year over year to reach \$75.65 for the quarter. Although there are some concerns about a possible recession in 2023, which (...)



Marcus Wallace

General Manager
San Antonio Aquarium

What is the state of the tourism industry in San Antonio?

Honestly, I think it's back and it's growing, although it has not quite made it to where it was before. From our point of view, we're not going to compete with the big-budget advertising that larger facilities have. We receive a lot of word of mouth and a lot of social media, which is where we promote ourselves. We need to keep doing that and also continue to reach out to the schools because we're more of an educational facility.

Why is the aquarium important?

The whole premise of our business plan is around education and experience. We also want to give people their first steps into their future careers. A lot of employees who come here are looking to get into the industry. They want to do an internship or have that foot in the door that allows them to say that they've worked with wildlife.

What do you consider your biggest strengths?

The biggest factors are cleanliness, organization and staffing. Our owner has what is called the Owner's Top 10 and a lot of those things are on the list: cleanliness, the staff, and making sure animals are taken care of. I think that the key is having that as our business model and it boils down to finding people who are on board with that thinking.

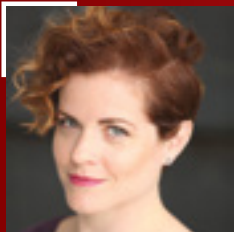
What are your strategies to attract and retain talent and what are your key initiatives?

We had to adjust our starting wage. Often in the past, we were able to use the theme park reasoning for having a lower wage because a lot of people want to have that experience but now it's to the point where the expectation and the cost of living are so much higher and we've had to raise our wages as a result. Conducting a thorough interview process is also an important part of it.

Regarding our initiatives, the goal is to add additional animals to our exhibitions. For example, we want to get a giraffe. To do that, we need to expand our back area. We have to fence off the entire facility. There's a lot that's going to go into it. ■

Cultural impact

Cultural attractions play a key role in the region tourism landscape. Leaders discuss their strengths, initiatives and tourism overall post-pandemic.



E. Loren Meeker

General & Artistic Director
OPERA San Antonio



Patricia Muzquiz Cantor

*Director of Convention and Sports
Facilities*
City of San Antonio

What are some of the initiatives or projects that you're excited to push forward for the opera?

I am excited to grow the company with highly imaginative and artistic productions while remaining fiscally responsible. Balancing the creative joy of what we do at OPERA San Antonio and the business side is something I work very closely with our board to maintain as we look at a three- to five-year plan. We will always present two operas yearly at the Tobin Center for the Performing Arts so that people can see the grand spectacle of classics like *Tosca* or *La bohème*. But we will also continue to push our company forward with the third opera we produce. This piece will be experimental and it'll be innovative; it will be composers or works that need to be produced in a smaller environment or that can be brought out into the community for pop-up performances. Our goal is to grow as a company, to better serve our city through full productions, educational programs, and community events.

How well does the city or county support arts and culture and what does that ideal framework look like?

We are grateful for the support from the city and the county. To have strong support for the arts in San Antonio is lucky, not every city in the nation makes a big commitment to the art. We're genuinely grateful for our partnerships, and we look forward to growing together. There is this perception that opera is a big, inaccessible artform that is only meant to be experienced by an elite group of people. Thanks to support from the city and county we are able to break down barriers and misconceptions. Opera combines all the performing arts — orchestral music, vocal music, dance, fashion, architecture, visual art; you name it, we have it. It's powerful, emotional, universal stories, set to stunning music. Our programs are specifically designed to help give exposure to the arts and to help make the arts feel welcoming. When we are successful at that, we help raise the cultural profile of San Antonio and we help build the economy. ■

What are the changes that you've seen in the tourism and convention events business?

One of the changes or challenges is the continued unknown of potential disruptions. The impact of the pandemic resulted in uncertainty around the timing of the recovery of group event activity nationally and in specific markets. Here at the center over the last three years, we have seen an increase in terms of the number of events and I'm confident that we will continue to grow.

We expect that the convention business here in San Antonio will rebound by late 2024 or early 2025. It all comes back to our mission and making sure that we're able to generate business for our community. We feel that businesses are built on relationships and those attending conferences are rediscovering that face-to-face meetings are a critical component of that. Nothing replaces the collaboration and engagement between coworkers, clients and colleagues like the interaction at a personal and deeper level that we know can't be found on a Zoom call or screen, and we're really excited about what's next at the convention center.

What are the programs and events that are garnering the most interest?

At the Alamodome, we just recently had back-to-back major concerts. We had over 50,000 people at the Bad Bunny concert, for example. At the Convention Center in July, we hosted the Texas High School Coaches Association annual convention, which garnered over 16,000 attendees. That broke their all-time attendance record then after that in early September we had the San Japan Anime convention that also broke their own attendance records.

What is the greatest challenge that your office is facing?

It's just the unknown, the unknown of any disruptions, any additional health issues or inflation, or just the hesitancy to travel and how that is going to impact attendance at some of these facilities. ■



Wanda Williams

General Manager
Henry B. Gonzalez Convention Center

What have been some of the highlights and achievements for the Convention Center in the past year?

We have been very fortunate to have had high-profile events resulting in high attendance and publicity for us. This past February, the American Physical Therapy Association held its convention with us, which drew about 8,500 attendees. The Texas Music Educators Association's convention in the same month had about 26,000 attendees. We were so happy to have guests coming to the building and seeing it thrive like it did pre-pandemic. In some cases, the attendance has been near pre-pandemic figures.

How does the Convention Center fit into the larger arts and culture puzzle of San Antonio?

We fit right in since we have a lot of art within the building for the public that is very well displayed and provides information about the artist, many of which are local artists. We are able to give these artists a platform to showcase their work for our many visitors from outside of Texas and San Antonio.

What are some of the initiatives and projects that you're excited about moving forward?

We are working on quite a few capital projects for the Convention Center, and much of this involves renovations to key areas.

We will also replace some of our vertical transportation, as well as add new equipment for the staff to maintain the building. We're enhancing some of our technical features so that when people visit, they will know we're at the edge of technology and innovation.

Is there still a shortfall in the talent pool for the industry?

There is still a shortfall and we have been working very diligently to fill the full-time positions. We're working in conjunction with our human resources department and being very proactive in how we recruit people. ■



Stephen Zito

General Manager
Alamodome

How has tourism recovered in San Antonio since the pandemic?

COVID is long gone. We have not seen a slowdown and it's only getting busier. Through all these events, hotel rooms were filled and restaurants were filled. Visitors frequented business at local establishments. San Antonio is a tremendous market for events. When people come to San Antonio, they leave wanting to come back because of the experience they had, not only that they had here at the Dome, but with the hotels, restaurants, shopping and other things to do.

What is the state of your business?

We are finding we are running out of available dates. We don't have enough event days. We're now to the point that we're going to be selecting events over other events because of the need on our event dates. That has created a challenge. We had over 304 use days in the building between our events and conversion days. That doesn't even count for more than 150 additional ancillary events where only pieces of the building or parking lots are utilized. As San Antonio grows, we are seeing that for a lot of these events we're outselling Dallas and Houston, which is significant, because their markets are bigger than San Antonio. San Antonio is a distant third but people here are willing to spend money and they're looking for that entertainment. We're seeing that through the success of these events and promoters are taking note.

What changes are taking place at the Alamodome?

We were recently approved for more than \$109 million of improvements to the Alamodome. We've already started some of those improvements, like replacing all the elevators and the escalators. We're adding 18 additional suites, we'll be renovating the upper level, our existing 52 suites, the entire club level and our two restaurants. These projects are part of our commitment to the NCAA when we will host the 2025 NCAA Men's Basketball Final Four Tournament. ■

(...) would impact discretionary spending, SATPID remains bullish given the strong performance of the region at the end of 2022.

Others clearly see the value in the area as hotel buying and development activity is heating up. This March, the city gave permission to Blueprint Hospitality to convert a former CPS building on the San Antonio River Walk into an upscale hotel. The 243-room El Portal project will be part of the Marriott Autograph Collection and the developer will spend \$55 million on the 230,000 square foot conversion, expected to be completed in September 2024. Another River Walk development has recently opened its doors and has already gained a place on Forbes' ranking of "67 New Hotels Around the World Worth Exploring". The AC Hotel San Antonio River Walk, located a short stroll downriver from El Portal, is a new 181-room hotel across the top eight floors of the old mixed-use building at 111 Soledad. The crown on top of the building is a panoramic rooftop bar that overlooks the River Walk, the Main Plaza and the San Fernando Cathedral. In the same building, the Westin brand opened its new Element offering in December, offering 162 new rooms. Both hotels share several amenities, including a fitness center and 4,000 square feet of meeting space.

The flow of visitors keeps coming to Alamo City. According to Fly San Antonio, total domestic passengers transiting the airport in January 2023 was 695,264, up 33.5% from January 2022. Even international passenger numbers increased slightly to 45,864. But this represents a significant increase from even 2019 figures, when just 33,356 international passengers transited the airport. This is an indication that international travel in San Antonio is outpacing the rest of the country while domestic travel is just slightly below 2019 numbers. According

to the report, all international airlines operating at SAT increased capacity, meaning the airport ranked number one among all medium airports operating seats to Mexico for the month. Several new airlines have also contributed to a recovery in domestic passenger capacity, with JetBlue and Spirit both having launched nonstop flights to SAT since the beginning of the pandemic.

■ Sports

Texas is particularly well known for its sports, with American football being ranked the state's favorite sport by Dallas Sport Nation. Although San Antonio does not currently have an NFL team, there has been recent discussion over the matter after the city was ranked most worthy of an expansion team by Yardbarker. The ranking cited the large population and the success of the New Orleans Saints' 2005 run at the Alamodome after Hurricane Katrina damaged the team's home stadium. According to a study by AngelouEconomics, a team placed in between San Antonio and Austin would generate a substantial economic impact on the region, as well as providing more jobs, attracting major events such as the Super Bowl and ultimately increase tourism tax revenues.

The city, of course, already has experience with a major league team given the presence of NBA team San Antonio Spurs. Despite a shaky few years in 2020 and 2021, revenue generated by the team surged again in 2022 beyond pre-pandemic levels to \$306 million, according to Statista. The team's current franchise value stands at almost \$2 billion, and the team has won five NBA championships – most recently in 2014. Not only this, but the team is hopeful of a new opportunity to host the NBA All Star game, which was last played in San Antonio in 1996. When Cleveland – a smaller city with a far smaller stadium than (...)

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Diversity a key advantage

Numerous attractions separate the regional market from others

Tim Morrow

President & CEO – San Antonio Zoo

What separates the tourism market in San Antonio from other markets?

I think it's the diversity of things people can do when they come here. We have theme parks and attractions. We have two theme parks that most cities don't have, which is great. We have the historical aspect of our city which is the Alamo and the Missions, which bring international travelers. Travelers from all over the country visiting also know we have an amazing food scene. We are becoming the "Food City" in Texas. It's incredible — new chefs and new concepts are popping up constantly. Now we also have adventure tourism, so people can come and do the Mission Reach of the San Antonio River to kayak and hike. Our wine country is also growing in popularity, so there's something literally for everybody.

In addition to the convention center, which draws a lot of conventions, we have something for every kind of traveler, whether it's business, family, adventure, adults or kids - there's something for everyone in San Antonio. The biggest asset we have is the people here. They are friendly, welcoming, and loving people. That's a big advantage for us compared to other cities.

Can you comment on your conservation efforts?

We have two lanes of conservation. We have our animal care department that works on conservation programs and within the Zoological Association with species survival plans. A good example is the Puerto Rican crested toads. We brought thousands of tadpoles, along with other zoos in the United States, and built new opportunities for this species in Puerto Rico and then released thousands back into their habitat.

We have a dedicated conservation research department led by Dr. Fenolio and that's where we're doing the boots on the ground work around the world in Japan, China, Chile, the Gulf of Mexico, the Ozarks and right here in Texas with the Edwards Aquifer. We're having our fingerprints all over the world doing conservation work. It's over \$200 million in conservation efforts going out into the field every year.

What does it take to manage a property like a zoo and compete for visitors?

It is all about doing new projects and renovations. One of our blessings and challenges at the same time is that we are in a major city with two major theme parks, one of the few cities in the country that have major theme parks and they're doing capital projects every year. San Antonio in general has a lot of competition for leisure time with the two theme parks, the zoo, the Alamo, great museums and the River Walk.

If someone comes down for a three-day weekend here, it's a challenge to compete for visitors. We've been working hard here for the last eight years on improving the zoo. We have basically been under construction since the first month I started. And I distinctly remember walking in on the first day and guests would stop me and ask me when the construction was going to be done, and my answer was never because we are constantly changing and improving. It's a constant process of improvements and then we layer on top of that an aggressive event schedule. We have events for the holidays, summer and spring break, so year-round there is programming and there are projects. ■

PERSPECTIVE:

Film's impact**Zach Price***CXO & Director – Hill Country Group*

Early on, we looked everywhere for a location – Oklahoma, Georgia, Canada, California - everywhere. Ultimately, most of our team is from Texas. My heart is here in Texas. Texas did a lot for me and my experience in the film industry. I want to do my part and give back. It's a great place to do business in general, and it's specifically well positioned to be so much more for our industry.

The film industry has definitely grown in Texas. We have a great commercial industry that sets a good foundation, and we also have a great broadcast industry. We have some of the largest broadcasts in the State of Texas through our large megachurches, sports and news. We also have Chip and Joanna Gaines in Waco, which is a huge production and has put Waco on the map as one of the best places to visit in Texas. HBO, Netflix, and Apple also have series that have begun shooting here. I believe there are big things that will come to fruition in the near future as we get further into the legislative session. ■

(...) the Alamodome — hosted the 2022 All Star Weekend, the economic impact for the city was \$100 million.

San Antonio also has a host of other sports teams, such as XFL team San Antonio Brahmas, USL team San Antonio FC and minor league baseball team San Antonio Missions. It even tried its hand at ice hockey with the AHL team San Antonio Rampage, which was purchased by the Vegas Golden Knights in 2020. All of these sports and events are overseen by San Antonio Sports, a nonprofit with the mission to transform the community through sports. Last September, the organization announced it has exceeded \$1 billion in economic impact through the events it has attracted during the last 50 years. But it's not taking its eye off the ball as it prepares for the men's Final Four in 2025 at the Alamodome, as well as vying to attract the Division I Women's Final Fours from 2027 through 2031.

■ Arts & culture

Not only does it have sports, but San Antonio also boasts a thriving arts community, with many theaters, music venues, museums, fairs and festivals. The state's museums showcase a wide range of historical and cultural collections, as well as cutting-edge art exhibits. The River Walk is a huge selling point, and the city takes advantage of its waterway to stage annual events, such as the Day of the Dead barge, the Texas Cavaliers River Parade, the Bud Light Pride River Parade and the Fall

River Walk Artisan Show. The water even turns green for the annual St Patrick's Day parade. Fiesta, which takes place in April, is a celebration of the city's history and Latin roots, featuring parades, fireworks, an artisan show, concert and historic events surrounding The Alamo.

With a claim to bring the birthplace of the American cowboy, of course the city celebrates this heritage with rodeo events throughout the year. Visitors can visit authentic, operating ranches throughout the San Antonio region, view a live rodeo event, take horseback riding or roping lessons, feast on delicious barbecue food, try their hand at skeet shooting or buy a custom hat or boots. Of course, there are also live music events, museums, institutions and exhibits, including the San Antonio Museum of Art, which hosts collections of ancient Mediterranean, Asian and Latin American artworks. Also those eager to learn about racial disparities can attend DreamWeek, which takes place January each year and focuses on Black heritage, with this year's event featuring a Freedom Walk and events curated and presented by the San Antonio African American Community Archive and Museum (SAAACAM).

An overview of San Antonio's tourist attractions would not be complete without a mention of its foodie culture. The phrase "Everything is bigger in Texas" has never been truer than when referencing the flavor-packed dishes. Favorite Tex-Mex dishes such as tacos, brisket and baked kolaches can be found, but so too can delicate French or hearty German dishes. Given its flair for fusion, it is no surprise that the Culinary Institute of America chose San Antonio as the location of its third campus in 2007, taking advantage of the region's rich culture and indigenous ingredients.

■ Looking ahead

Tourism is a key driver of the San Antonio economy, but as such it was vulnerable to the impacts of the COVID pandemic. However, since 2020, the hospitality industry in the region has gone from strength to strength, with more employees than ever, expanding airport operations and hotel occupancy that is on the brink of recovery. As San Antonio continues to grow, the tourism and hospitality industry will also experience growth due to a post-pandemic focus on the live, work and play model and the quality of life offered to residents. Looking ahead, sustainable growth and conserving important assets such as the River Walk are what matter most to ensure the region can continue on its growth trajectory. This is why addressing challenges such as employment and water preservation will be paramount to San Antonio's success. ■

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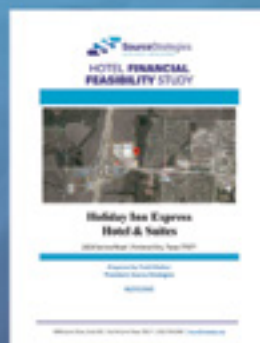


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