



City of San Antonio

Agenda Memorandum

File Number:

POSTING LANGUAGE: Ordinance authorizing submission of an application and acceptance upon award of grant funds from the State of Texas Defense Economic Adjustment Assistance Grant (DEAAG) program in the amount of \$5,000,000 with a cash match of \$10,000,000. Funding for the City's cash match is included in the FY 2026 Capital Budget. [Jeff Coyle, Assistant City Manager; Juan G. Ayala, Director, Military and Veteran Affairs Department]

Agenda Item Number: 3

Agenda Date: October 9, 2025

In Control: City Council A Session

DEPARTMENT: Office of Military and Veterans Affairs

DEPARTMENT HEAD: Juan Ayala

COUNCIL DISTRICTS IMPACTED: District 2

SUMMARY:

The United States Department of Defense (DoD) Defense Health Agency (DHA) is relocating some of its administrative functions, along with personnel, from high-cost lease locations across the nation to Joint Base San Antonio–Fort Sam Houston (JBSA-FSH). This effort will result in cost savings to DHA and, co-locate military medical functions which includes, Brooke Army Medical Center (BAMC), the DoD's premier Level I Trauma Center.

The South Beach Pavilion complex has been identified as the site to house DHA's consolidated functions at JBSA-FSH. The project to renovate and bring South Beach Pavilion up to operational capability/occupancy is estimated to cost approximately \$40 million, although the scope is currently being reviewed and refined by DHA. The City of San Antonio and Bexar County, which have each pledged \$10 million towards this cost, are seeking an additional \$10 million (\$5 million each) through two separate grant applications to the State of Texas Defense Economic Adjustment Assistance Grant program (DEAAG). If approved, this would bring the total City/County/State contribution to \$30 million. Any expenses above and beyond this amount would not be the responsibility of the City or County.

Grant funds are anticipated to be awarded in December 2025 and available in February 2026, with a two-year expenditure timeline. Bexar County will manage the renovation project, and the City will oversee administration of the proposed grant to ensure accurate accounting, reporting, and reimbursement compliance of the City's contribution to the project. This project is projected to bring approximately 650 jobs to the region, delivering a significant military economic impact to San Antonio and Bexar County.

The relocation of DHA functions to JBSA-FSH was originally proposed in 2015, formally incorporated into the JBSA Master Plan in 2016 and reinforced by a 2023 Department of the Air Force basing decision. In 2021, DHA designated San Antonio as one of its first "markets," encompassing BAMC, the 59th Medical Wing, 10 outpatient clinics, and over 100 specialty services that serve more than 250,000 military beneficiaries. The region is also home to the Medical Education and Training Campus (METC), which trains enlisted medical personnel across all branches.

The City of San Antonio has advocated for the renovation of the South Beach Pavilion since 2019, leading annual delegations to DHA Headquarters and the Pentagon. The South Beach Pavilion renovation is considered essential to the successful consolidation of DHA functions in Military City, USA®. Once completed, the renovation of the South Beach Facility will directly support the Defense Health Agency's mission consolidation and is projected to bring approximately 650 jobs to the region, delivering a significant military economic impact to San Antonio and Bexar County. In addition, it is anticipated that these new positions will likely attract additional functions and jobs to the region.

FISCAL IMPACT:

This City ordinance authorizes the submission of an application and acceptance upon award of DEAAG program funds in the amount of \$5,000,000 with a required cash match from the City in the amount of \$10,000,000 for a total of \$15,000,000. The cash match is included in the FY 2026 Capital Budget.

**THIS IS A PROPOSED DRAFT AND WILL BE REPLACED BY THE FINAL,
SIGNED ORDINANCE OR RESOLUTION ADOPTED BY THE CITY COUNCIL.**

ORDINANCE

**AUTHORIZING SUBMISSION OF AN APPLICATION AND
ACCEPTANCE UPON AWARD OF GRANT FUNDS FROM THE
STATE OF TEXAS DEFENSE ECONOMIC ADJUSTMENT
ASSISTANCE GRANT (DEAAG) PROGRAM IN THE AMOUNT OF
\$5,000,000 WITH A CASH MATCH OF \$10,000,000. FUNDING FOR
THE CITY'S CASH MATCH IS INCLUDED IN THE FY 2026
CAPITAL BUDGET**

* * * * *

WHEREAS, the United States Department of Defense (DoD) Defense Health Agency (DHA) is relocating some of its administrative functions, along with personnel, from high-cost lease locations across the nation to Joint Base San Antonio–Fort Sam Houston (JBSA-FSH), resulting in cost savings to DHA and co-locating military medical functions which includes, Brooke Army Medical Center (BAMC), the DoD's premier Level I Trauma Center; and

WHEREAS, the South Beach Pavilion complex has been identified as the site to house DHA's consolidated functions at JBSA-FSH; the project to renovate and bring South Beach Pavilion up to operational capability/occupancy is estimated to cost approximately \$40 million, although the scope is currently being reviewed and refined by DHA; and

WHEREAS, the relocation of DHA functions to JBSA-FSH was originally proposed in 2015, formally incorporated into the JBSA Master Plan in 2016 and reinforced by a 2023 Department of the Air Force basing decision; and

WHEREAS, Bexar County will manage the renovation project, and the City will oversee administration of the proposed grant to ensure accurate accounting, reporting, and reimbursement compliance of the City's contribution to the project. This project is projected to bring approximately 560 jobs to the region, delivering a significant military economic impact to San Antonio and Bexar County; and

WHEREAS, the City of San Antonio and Bexar County, which have each pledged \$10 million towards this cost, are seeking an additional \$10 million (\$5 million each) through two separate grant applications to the State of Texas Defense Economic Adjustment Assistance Grant program (DEAAG) which, if approved, would bring the total City/ County/ State contribution to \$30 million; any expenses above and beyond this amount would not be the responsibility of the City or County; and

WHEREAS, DEAAG is an infrastructure grant program administered by the Office of the Governor's (OOG) Texas Military Preparedness Commission, designed to assist defense

communities that have been impacted by a change or announced change by the Department of Defense with grants awarded range from \$50,000 to \$5,000,000 per project; and

WHEREAS, grant funds are anticipated to be awarded in December 2025, and available in February 2026, with a two-year expenditure timeline; and

WHEREAS, this City ordinance authorizes the submission of an application and acceptance upon award of DEAAG program funds in the amount of \$5,000,000 with a required cash match from the City in the amount of \$10,000,000 for a total of \$15,000,000; the cash match is included in the FY 2026 Capital Budget; **NOW THEREFORE**:

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

SECTION 1. The City Manager or designee, or the Director of the Office of Military & Veteran Affairs or designee, are hereby authorized to submit an application and acceptance upon award of grant funds from the State of Texas Defense Economic Adjustment Assistance Grant (DEAAG) program in the amount of \$5,000,000 with a cash match of \$10,000,000 from the City. Funding for the City's cash match is included in the FY 2026 - 2031 Capital Improvement Program.

SECTION 2. The City Manager or designee, or the Director of the Office of Military & Veteran Affairs or designee, are each hereby authorized to initiate, negotiate, and execute any and all necessary documents, including a grant contract/ agreement, and to execute contract amendments pertaining to this contract to include a) carry-over funds, when ascertained and approved by the funding agency through a revised notice of award; b) line item budget revisions authorized by the funding agency; c) modifications to the performance measures authorized by the funding agency and listed in the contract so long as the terms of the amendment stay within the general parameters of the intent of the grant; d) no cost extensions; e) amendments which will provide supplemental grant funds to the grant by the funding agency in an amount up to 20% of the total amount initially awarded to the grant; f) reimbursement increases of administrative funds for each participant served; g) amendments funding one time equipment purchases or defined program services; and h) changes in regulations mandated by the funding agency.

SECTION 3. Should funding be awarded, upon its acceptance new funds and internal order numbers will be created upon which the award amount not to exceed \$5,000,000.00.

SECTION 4. Upon acceptance of the award, \$5,000,000.00 will be appropriated to increase the funding for the Defense Health Agency, South Beach Pavilion complex renovation project.

SECTION 5. The financial allocations in this Ordinance are subject to approval by the Deputy Chief Financial Officer, City of San Antonio. The Deputy Chief Financial Officer may, subject to concurrence by the City Manager or the City Manager's designee, correct allocations to specific SAP Fund Numbers, SAP Project Definitions, SAP WBS Elements, SAP Internal Orders, SAP Fund Centers, SAP Cost Centers, SAP Functional Areas, SAP Funds Reservation Document Numbers, and SAP GL Accounts as necessary to carry out the purpose of this Ordinance.

SECTION 6. This Ordinance is effective immediately upon the receipt of eight affirmative votes; otherwise, it is effective ten days after passage.

PASSED AND APPROVED this 9th day of October, 2025.

M A Y O R
Gina Ortiz Jones

ATTEST:

APPROVED AS TO FORM:

Debbie Racca-Sittre, City Clerk

Andrew Segovia, City Attorney

Defense Economic Adjustment Assistance Grant



**South Beach Pavilion Renovation
Defense Health Agency
Joint Base San Antonio – Fort Sam Houston**

Purpose

Request City Council approval to apply for and accept a 2025 Defense Economic Adjustment Assistance Grant in support of the Defense Health Agency



Background

- **South Beach Pavilion - historical 4-story building built in the 1930's**
- **Defense Health Agency (DHA) preferred location**
- **Requires major modernization**
- **Estimates between \$36m and \$40m to renovate**
- **Project reduces recurring high-lease costs**
- **Creates approximately 560+ new jobs**

Historical Timeline



Letter from Department of the Air Force

On 30 June 2023, the Secretary of the Air Force approved the preferred location and final decision to consolidate the Defense Health Agency (DHA) at Joint Base San Antonio (JBSA) – Fort Sam Houston.



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON, DC

30 June 2023

MEMORANDUM FOR: Defense Health Agency

FROM: SAF/IEB
1665 Air Force Pentagon
Washington, DC 20330-1665

SUBJECT: Basing Decision, Defense Health Agency Consolidated Preferred Location and Final Decision

1. On 30 June 2023, the Secretary of the Air Force approved the preferred location and final decision to consolidate the Defense Health Agency (DHA) at Joint Base San Antonio (JBSA) – Fort Sam Houston. The Environmental Impact Analysis is complete with a Finding of No Significant Impact.

2. This basing action is now complete, and DHA is authorized to proceed with implementation in direct coordination with Air Education and Training Command and other required organizations. My point of contact for this action is Mr. Geoff Oliver, who can be reached at (703) 571-3325 or geoffrey.oliver.1.ctr@us.af.mil.

Sincerely,

SPACY.WILLIAM | Digitally signed by
MLEE.II.10216 | 1682248
82248 | 68462022.06.30 11:03:02
04507

WILLIAM L. SPACY II, GS-15
Director, Strategic Basing
Energy, Installations & Environment

\$30M Community Investment

City of San Antonio

- \$10 million
- \$5 million – DEAAG

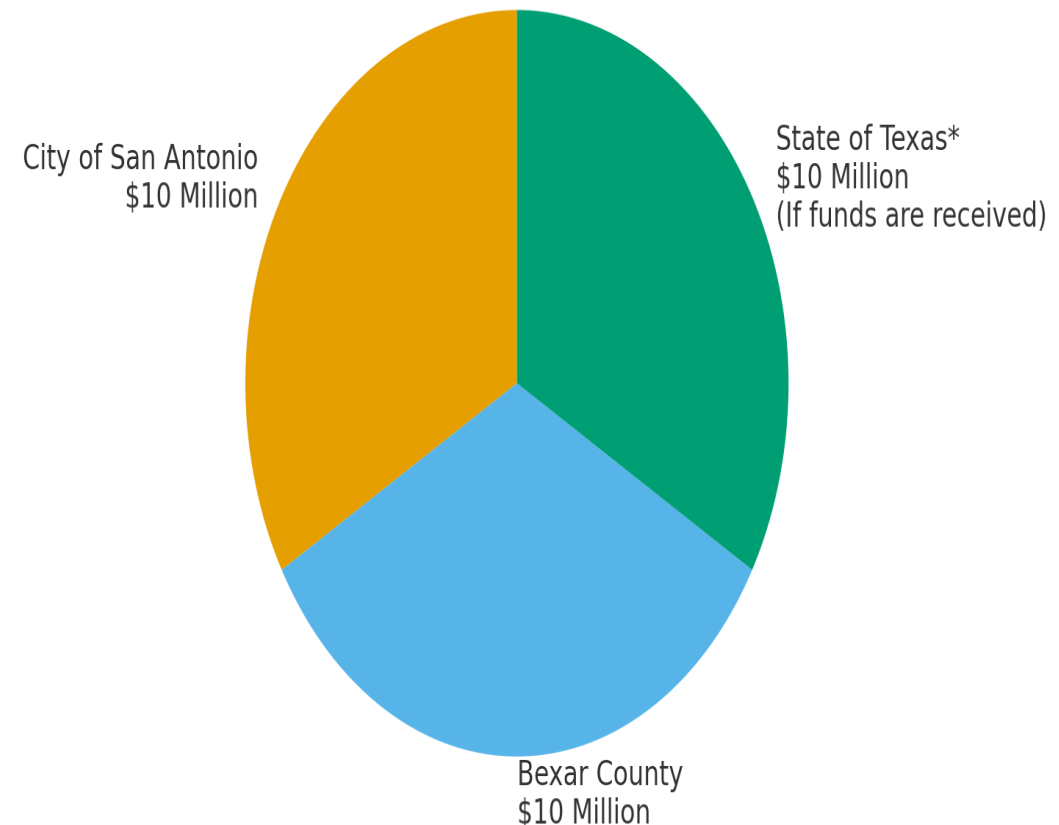
Bexar County

- \$10 million
- \$5 million DEAAG

Remaining?

- Not an obligation of City

Investment Contributions (\$30 Million Total)



Community Impact



- Job creation
- Infuses millions into local economy, supporting skilled trades and professional services
- Strengthens Civil–Military partnerships
- Demonstrates joint investment with Bexar County, City, and State to secure federal missions

Successful DEAGG Projects

- **2015** - \$5 million to SAWS to connect JBSA installations to the SAWS system for backup water supply
- **2016** - \$4.8 million to Bexar County for land acquisition around Randolph AFB
- **2017** - \$5 million to Port San Antonio for Kelly Field/Air Traffic Control Tower improvements
- **2021** - \$5 million to CoSA/SAWS/CPS for
 - reinforced sections of JBSA perimeter fence for force protection;
 - overhead powerline burial to improve flight safety;
 - installation of backup power generators at pump stations that directly serve JBSA



July 2025 Visit to Pentagon



**Reaffirmed
commitment to DHA**

Recommendation

**Staff recommends
approval to apply
for and accept 2025
DEAAG in support
of DHA**



Defense Economic Adjustment Assistance Grant



**South Beach Pavilion Renovation
Defense Health Agency
Joint Base San Antonio – Fort Sam Houston**