



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 19.

Agenda Date: 8/18/2016

In Control: City Council A Session

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: Council District 1

SUBJECT:

A Chapter 380 Economic Development Grant Agreement with Dialpad, Inc in an amount not to exceed \$100,000 over three years.

SUMMARY:

Staff is requesting City Council consideration and action on an Ordinance authorizing the City to enter into a Chapter 380 Economic Development Grant Agreement (Agreement) with Dialpad, Inc (Dialpad). The Agreement will provide job creation-based financial incentives to Dialpad in an amount not to exceed \$100,000 over three (3) years, based on Dialpad's commitment to retain 6 full-time jobs and create up to 44 new, full-time IT sector related jobs.

BACKGROUND INFORMATION:

The Dialpad project supports a number of the key long-term economic goals laid out in the City's *SA Tomorrow Comprehensive Plan* and also those outlined in the community economic development strategic plan led by the San Antonio Economic Development Foundation, *Forefront SA*, such as support for entrepreneurial development and start-ups, expanded job creation and economic growth, and innovation in the City's Targeted Industries. The project presents an excellent opportunity to secure an innovative, rapidly growing, and high-paying technology company in the heart of Downtown San Antonio, and will contribute to the continued growth of a robust IT ecosystem in the city's urban core. As a cloud-based technology company, Dialpad's growth in San Antonio will further elevate the city's profile as a leader in the cloud technology sector as well.

Founded in 2011 and headquartered in San Francisco, California, Dialpad provides cloud-based enterprise communication solutions including voice, video, instant messaging, text, and online meeting systems. Available on any device, and integrated with both Microsoft Office 365 and Google Apps for Work, Dialpad allows employees to have business conversations across numerous mediums both inside and outside of the company

network, thereby eliminating the need for costly - yet technologically limited - desk phones.

Backed by notable Silicon Valley venture capital funds and investors, Dialpad had revenues of \$11.57 million in 2015, doubled its customer base during the first half of 2016 alone, equaling a 170 percent year-over-year growth, and has grown to 25,000 paying customers. The company's products are used by more than 60 percent of Fortune 500 companies, as well as Netflix, Uber, and Motorola Solutions. In July 2016, Dialpad opened two data centers in Japan and a new Tokyo office to become the first cloud-only communications provider to enter the Japanese market.

Dialpad's leadership team is comprised of former Google executives, led by CEO Craig Walker who founded *GrandCentral Communications* (now *Google Voice*), and prior to that was in charge of *Yahoo! Voice*. Steve Milner, Dialpad's Vice President of Sales, previously led enterprise sales organizations at Rackspace in San Antonio.

The company has 130 employees in the U.S., including six-person sales and business development teams in Downtown San Antonio at the Rand Building (110 E Houston Street) and in Raleigh, NC. The company is looking to move into a stand-alone office suite at 711 Navarro Street (Travis Park Plaza), and grow its San Antonio presence from 6 to 50 employees within three years, with average annual salaries of \$47,750.

In order to secure this project to San Antonio, staff recommends a job creation and retention based agreement in an amount not to exceed \$100,000 over three (3) years. Dialpad must commit to maintaining the existing 6 full-time jobs and creating up to 44 new full-time IT-related jobs at the downtown project site, with the grant paid out as the company reaches certain job creation milestones. All positions retained and created must be maintained in San Antonio for at least three years following the end of the grant term.

In accordance with the City's Economic Development Incentive Fund (EDIF) Guidelines, 100% of the jobs at the project site will meet the minimum hourly "living wage" of at least \$11.68 per hour and, within one year, at least 70% of all employees at the project site will meet or exceed the median "All Industry Wage" of \$14.96 per hour.

In collaboration with the City's economist, Dr. Steve Nivin, staff prepared an economic analysis that estimated the direct impact from the Dialpad project, the indirect impacts resulting from business-to-business transactions, and the induced impacts of increased spending at local businesses, with over \$46 million in overall impact to the community. The analysis also included an estimated fiscal impact of \$498,450 to the City over the first 5 years of the project.

ISSUE:

Chapter 380 of the Local Government Code authorizes the City to provide economic development grants for the purposes of promoting economic development provided the City has established a program for such purposes. City Council approved a program promoting economic development in April 2005.

The recommended incentive complies with EDIF Guidelines for per job grant for headquarter relocations, projects located within the Inner City Reinvestment Infill Policy (ICRIP) Area, and other related criteria.

ALTERNATIVES:

Based on the City's offer and local support for the project, Dialpad has decided to proceed with expanding its operations in Downtown San Antonio, retaining its existing 6 full-time positions and creating up to 44 new full-

time jobs based on the competitive financial incentives offered by City staff to secure the project. City Council could choose not to approve the Ordinance authorizing the City to enter into the Agreement, which could adversely impact Dialpad's decision to retain and growth its operations in San Antonio.

FISCAL IMPACT:

Funding is available in the Economic Development Incentive Fund in FY 2016 to support the grant to Dialpad. The grant will be paid based on the company's job retention and job creation milestones for up to three (3) years and a total amount of no more than \$100,000.

RECOMMENDATION:

Staff recommends approval of the Ordinance authorizing the City to enter into a Chapter 380 Economic Development Grant Agreement with Dialpad. The City will provide a performance-based grant in an amount up to \$100,000, provided that Dialpad retains 6 existing jobs and creates up to 44 new full-time jobs in Downtown San Antonio.