



City of San Antonio

Agenda Memorandum

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Agenda Date: 3/8/2018

In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: 4

SUBJECT:

City Council consideration of an Economic Development Incentive Fund (EDIF) Grant Agreement with IPSecure, Inc (IPSecure).

SUMMARY:

This ordinance authorizes a performance-based Chapter 380 EDIF Grant Agreement with IPSecure valued up to \$420,000, based on a capital investment of approximately \$1.3 million, the commencement of business operations for the expansion, the creation of 60 new full-time jobs earning \$100,000 or more annually, 20 new full-time jobs earning \$50,000 or more annually, and the retention of 115 existing full-time jobs at the Port Authority of San Antonio (Port San Antonio).

BACKGROUND INFORMATION:

Founded in 2000 and headquartered in San Antonio, IPSecure provides a broad range of information technology services to government and private sector companies worldwide. The company focuses primarily on cybersecurity services, including penetration testing and exploitation services, and defending against both outsider and insider threats. The company has provided support to the intelligence community for over 12 years.

The company's founder and current president/CEO, Jesse Rodriguez, is a native of San Antonio who had a 19 year career as a government civilian employee before Kelly Air Force Base closed. Mr. Rodriguez used his retirement savings from working at Kelly Air Force Base to launch IPSecure, whose current client list includes the Air Force Information Operations Center, National Security Agency, Air Force Network Operations &

Security Center, the U.S. Secret Service, and the Defense Information Service Agency.

IPSecure is expanding to perform research and development on security solution applications. This expansion at Port San Antonio will launch the company's first commercial sector division and bring classified and unclassified office and meeting space to the San Antonio market. Specifically, the unclassified space will consist of a state-of-the-art innovation center where government and industry can meet to showcase and demonstrate products and capabilities. The innovation center will provide a unique area where government, industry and academia can easily come together to meet, discuss, and collaborate on technology projects of common interest. In addition, the classified space will consist of a Secure Compartmented Information Facility, as well as classified office and meeting spaces. IPSecure is considering the launch of these efforts in Macon, Georgia or Panama Beach, Florida, both of which are strongly supporting the development of their respective cybersecurity industries.

IPSecure plans to expand at its current location at Port San Antonio, creating 80 new cybersecurity jobs over the next five years and retaining the 115 people it currently employs with average salaries of \$85,000 annually, 60% of which are retired military, 35% are former government civilian employees, and the remaining 5% are employees that transition from college mentorships from within San Antonio. Twenty of the new jobs will earn \$50,000 or more annually, with the remaining 60 new jobs earning \$100,000 or more annually, exclusive of benefits. The capital investment associated with the proposed expansion is estimated to be \$1.3 million over five years.

ISSUE:

This project meets several of the City's key long-term economic development policy goals with regards to the location of business expansions and high-wage job creation in target areas like Port San Antonio. This expansion of a local company within one of the City's targeted industries at Port San Antonio is in line with the City's SA Tomorrow Comprehensive Plan and Forefront SA, the community's economic development strategic plan led by the San Antonio Economic Development Foundation. Additionally, the project presents an opportunity to secure the growth of a local advanced technology company committed to local workforce development. The IPSecure expansion weaves directly into the Cybersecurity San Antonio collaborative program, created in 2015 to accelerate the growth of San Antonio's cybersecurity industry. San Antonio boasts the second largest cluster of cyber and intelligence assets in the nation, outside of the National Capitol region. Home to critical Department of Defense missions, top academic cyber programs, leading private-sector companies, and a growing startup scene, San Antonio is quickly becoming a U.S. leader in cyber solutions, innovation and collaborations.

In order to secure this project, staff recommends a five-year EDIF grant valued at up to \$420,000. In order to qualify for the recommended incentives, IPSecure must retain the 115 people it currently employs for 10 years, commence business operations for the expansion at the Project Site, and create at least 80 new full-time jobs within five years. Specifically, IPSecure will be eligible to receive \$3,000 and \$6,000 per full time job created earning \$50,000 and \$100,000, respectively, less the grant funds disbursed for commencing operations for the expansion at the Project Site. Additionally, 100% of IPSecure's employees at the project location must be paid the "Living Wage" of no less than \$11.83 per hour. After the first year of business operations relating to the expansion, IPSecure must pay at least 70% of all employees at the project site a wage of no less than \$16.29 per hour. In addition, all non-temporary full-time employees at the project site and their eligible dependents will have an opportunity to participate in the employee benefits program, including a health plan. IPSecure will also be required to make a capital investment of approximately \$1.3 million and maintain its headquarters within the City.

In connection with the incentives offered by the City, IPSecure will engage with workforce and local cybersecurity ecosystem efforts by partnering with SA Works and the San Antonio Chamber of Commerce to support industry engagement with local high schools, colleges, universities and non-profits to increase cybersecurity and computer science degree completion. IPSecure will also develop connections to ensure local graduates are familiar with internships and open positions, and will strive to fill newly created full-time jobs with local university graduates and military veterans.

Chapter 380 of the Local Government Code authorizes the City to offer grants for the purposes of promoting economic development, provided that the City has established a program for such purposes. City Council adopted an economic development program which meets the requirements of Chapter 380 of the Texas Local Government Code pursuant to City Ordinance No. 100684. The recommended incentive complies with EDIF Guidelines for per job grant amounts for targeted industry high-wage jobs inside the Inner City Redevelopment Incentive Program.

ALTERNATIVES:

Based on the City's competitive offer and local support for the project, IPSecure has decided to proceed with the expansion of its operations at Port San Antonio, creating at least 80 new high-wage full-time jobs over five years and retaining 115 existing full-time jobs over the 10-year term of the grant agreement. City Council could choose not to approve the Ordinance authorizing the incentive agreement, which may adversely impact IPSecure's decision to grow its operations in San Antonio.

FISCAL IMPACT:

This ordinance authorizes a performance-based Chapter 380 EDIF Grant Agreement with IPSecure in the amount of \$420,000. Funds for this Grant Agreement are available from the FY 2018 Adopted Budget for EDIF.

In collaboration with the City's economist, Dr. Steve Nivin, staff prepared an economic analysis that estimated the direct impact from this project, the indirect impacts resulting from business-to-business transactions, and the induced impacts of increased spending at local businesses, at over \$188 million in overall impact to the community over five years. The analysis also included an estimated fiscal impact of \$2.5 million to the City over five years.

RECOMMENDATION:

Staff recommends approval of an Ordinance authorizing the City to enter into a Chapter 380 Economic Development Incentive Fund Grant Agreement providing performance-based financial incentives to IPSecure for the retention of existing jobs, the commencement of business operations for the expansion, and the creation of high-wage jobs in an amount not to exceed \$420,000.