



City of San Antonio

Agenda Memorandum

File Number: 19-1153

Agenda Item Number: 17.

Agenda Date: 1/31/2019

In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: 4

SUBJECT:

Consideration of a Chapter 380 Economic Development Incentive Fund (EDIF) Grant Agreement of \$180,000 with LGS Innovations LLC.

SUMMARY:

LGS Innovations LLC (LGS) has chosen to establish a new facility in San Antonio that will serve as the hub for a number of the company's cyber-related programs. The project will create 46 new, full-time jobs over five years at Port San Antonio, with a proposed capital investment of \$2.9 million in real and personal property. Staff is recommending City Council adoption of an ordinance authorizing a Chapter 380 Economic Development Incentive Fund Agreement of \$180,000, contingent on the retention of three (3) existing positions and the creation of 46 new, full-time jobs over five (5) years, with all 49 employees making an annual salary of at least \$50,000, exclusive of benefits, bonuses, and other non-guaranteed pay. Of those 49 employees, 42 will be making an annual salary of at least \$70,000. Funding in the amount of \$180,000 is available from the Economic Development Incentive Fund FY 2019 Adopted Budget.

BACKGROUND INFORMATION:

In 1996, AT&T separated its communication equipment division into Lucent Technologies, and in 2006, Lucent merged with Alcatel to become Alcatel-Lucent. As part of the transaction, the company established LGS, which served as the company's sole sales and contracting channel for classified and unclassified business with the federal government. In 2014, LGS was acquired by Madison Dearborn Partners, an investment firm based in Chicago, Illinois, and CoVant, a holding company based in the Washington, D.C. metro area, focused on acquiring and growing companies in the federal technology solutions marketplace. The company is headquartered in Herndon, VA, and has nearly 1,500 employees, many with advanced, hard-science degrees and a marked number of PhDs. They provide mission-critical communications products, research & development (R&D), and supporting services to U.S. defense, intelligence, and civilian agencies, as well as local governments, critical infrastructure operators, and commercial customers around the world.

Over the past few years, the local cyber community has built a relationship with the local LGS team, which led to the company considering San Antonio for a new expansion project. The proposed project would grow LGS' presence in San Antonio by establishing a new facility to serve as the hub for a number of the company's cyber-related programs. In addition to retaining its current employees, the new project will create 46 new, full-time jobs over five years, with a planned capital investment of \$2.9 million. From the new jobs created, 42 will have an annual salary of at least \$70,000 a year and all 49 employees will make an annual salary of at least \$50,000, exclusive of benefits, bonuses, and other non-guaranteed pay. The new hub will be housed at the Project Tech Building at Port San Antonio.

The project is in line with several of the economic goals laid out in the *City's SA Tomorrow Comprehensive Plan*. The project will produce competitive, high paying jobs in both a targeted industry and targeted geography at Port San Antonio. Continuing to attract and grow jobs such as these further strengthens San Antonio as a hub for cybersecurity and IT companies, and advances the growth of our local cybersecurity ecosystem.

ISSUE:

In order to secure this project, City staff offered a Chapter 380 Economic Development Incentive Fund (EDIF) Grant Agreement of up to \$180,000 (\$3,673/job). This is contingent on the retention of three (3) existing positions and the creation of up to 46 new, full-time jobs at the project site within five (5) years. The Agreement includes \$105,000 for the creation of 42 new full-time jobs with an annual salary of at least \$70,000 over five (5) years. Additionally, all 49 jobs must make at least \$50,000, exclusive of benefits, bonuses, and other non-guaranteed pay. Of the \$180,000 grant, \$75,000 of the agreement will be restricted funding to support the company's workforce training for current employees in primarily cyber-related operations through a local entity such as the Alamo Colleges.

The company must also commit to formalizing a partnership with the University of Texas at San Antonio (UTSA) on the university's National Security Collaboration Center, and to begin discussions with Texas A&M University San Antonio on potential collaborations with the university's Center for Information Technology and Cyber Security. Staff is also recommending expedited permitting and inspections and assignment of a Single Point of Contact from the Department of Development Services (DSD) for the project site.

Chapter 380 of the Local Government Code authorizes the City to provide economic development grants for the purposes of promoting economic development, provided that 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 amounts for targeted industry high wage jobs.

ALTERNATIVES:

Based on the City's competitive offer and local support for this project, LGS has decided to proceed with the expansion of its operations to San Antonio, creating a total of 46 new, full-time jobs over five (5) years, with 42 of them making at least \$70,000 annually. City Council could choose not to approve the Ordinance authorizing the incentive agreements, which may adversely impact LGS' decision to establish its cyber-related programs hub in San Antonio.

FISCAL IMPACT:

This ordinance authorizes a Chapter 380 Economic Development Incentive Fund (EDIF) Agreement with LGS in the amount of \$180,000. Funds are available from the Economic Development Incentive Fund FY 2019 Adopted Budget.

RECOMMENDATION:

Staff recommends approval of an Ordinance authorizing the City to enter into a Chapter 380 EDIF Grant Agreement of \$180,000, in which the City will provide performance-based and workforce development incentives to LGS Innovations LLC.