



Project Profile: San Diego

Impact Statement

The City of San Diego, through its Regional Leadership Group and Sub-Recipients (San Diego IR Team), analyzed and surveyed the defense industrial base to develop a suite of business services and enhancement of a business-supplier network, “Connectory.com,” to facilitate contracting with the DoD. This work increased awareness and organized planning around the defense industrial base and provided services to increase the resiliency and cybersecurity of defense suppliers, resulting in cost savings and increased security for the DoD. Twenty companies received business diversification assistance services, ten companies are in the process of receiving cybersecurity compliance training, and the business-supplier network is adapting a finance model to sustain the support beyond the grant.

Key Project Takeaways

As an Industry Resilience (IR) grantee, the San Diego IR Team launched Propel San Diego as an initiative to catalyze regional support for the defense industrial base, provide services to defense suppliers, and serve as a liaison between the defense community and the City of San Diego. The high degree of regional collaboration and partnerships supported Propel San Diego in multiplying the impact of OEA funds by identifying existing programs and services that were leveraged through this grant. Propel San Diego activities resulted in increased awareness of the defense community among city officials and service providers, the provision of business services to 20 small defense suppliers, a cybersecurity awareness and compliance program for an initial cohort of 10 businesses, and resources that address key needs for regional defense suppliers. These resources include a buyer-supplier portal, a business incentives guide, and a platform demonstrating the impact of DoD spending on San Diego. These activities directly benefit the DoD’s resiliency and cybersecurity preparedness. The alignment of city resources around the defense community both enhance defense suppliers’ ability to more efficiently supply improved technologies to the warfighter, and their ability to supply commercial markets and maintain the defense industrial base throughout any fluctuations in DoD expenditures.

Project Description

Rationale

San Diego’s natural harbor not only makes the city a prime tourist destination, but also a key location for international trade, research & development, and US-Pacific military operations. In 2019 the military was responsible for over \$28 billion in direct spending to the Region which resulted in a Gross Regional Product of over \$51 billion, or 22%, of San Diego’s Gross Regional Product (GRP), more than tourism or privately funded research & development. Coast Guard, Navy, and Marine Corps operations in San Diego employ more than 5,600 defense contractors with 62,000 employees. DoD expenditures are responsible for 354,000 jobs in the region, a fifth of all residents. San Diego is home to a sixth of US sailors and a fourth of the US Marine Corps. With a major regional defense presence, any fluctuation to or uncertainty in defense spending could massively shock the economy. From telecommunications to robotics, aerospace to cybersecurity, San Diego’s defense cluster is the driving force behind the region’s



innovation economy. The City of San Diego recognizes that, in the absence of the defense cluster, it is doubtful San Diego would remain a global innovation hub, to the detriment of the region's economy and the nation's defense industrial base. In response to this threat, the City of San Diego received an Industry Resilience (IR) Grant from the U.S. Department of Defense's Office of Economic Adjustment (OEA) to increase the strength and resilience of defense firms operating in San Diego County. To manage this grant, the city launched Propel San Diego. This grant enabled Propel San Diego to serve as a link between local defense suppliers and military installations and develop programs that help defense suppliers provide increasingly lethal and secure goods and services to the DoD.

Program Activities

Through its Industry Resilience grant, the San Diego IR team catalyzed a group of key partners to work together around their shared interests in addressing identified industry and workforce needs among regional defense contractors. The partners include: City of San Diego, San Diego Regional Economic Development Corporation/Foundation, South County Economic Development Council, East County Economic Development Council/Foundation, San Diego Military Advisory Council/Foundation, and San Diego Workforce Partnership.

The San Diego IR Team organized support for the San Diego defense industrial base that leveraged existing services and resources countywide, resulting in sustainable programs with the potential for lasting impacts well beyond the period of OEA support. These services directly assisted 20 small defense suppliers, while resources developed by the grant benefit both the defense community and the broader San Diego business community. Through the IR Grant, the following Propel San Diego activities were executed:

- Convened regional defense suppliers, DoD officials, and economic development officials around numerous issues including the maritime industry, government procurement, and installation security controls. Generally, 45 to more than 150 attendees participated in each of the various forums.
- Created the "San Diego Defense Spending Platform," which allows users to analyze the impact of DoD contracts performed or awarded in the San Diego region at the contractor level.
- Conducted a survey of regional industry stakeholders to identify their needs, resulting in the Defense Innovation Voucher program to supply business services to DoD contractors. The Voucher program resulted in business services being administered to 20 defense suppliers.
- Created "Connectory.com," a buyer-supplier resource that facilitates the B2B transfer of products, technologies, and services. Connectory.com provides users information on a company's products, services, technologies, markets, and core capabilities for customers, partners, and potential investors.
- Developed the "Business Incentive Matrix," a listing of incentives offered by the cities, utilities and government entities throughout San Diego County, including rebates, fee reductions, and financing options.



- Ensured the City of San Diego incorporated the needs of unmanned aerial vehicle (UAV) defense suppliers into its activities as a Department of Transportation-designated National Unmanned Aircraft Testing Partner.
- Convened Cybersecurity Learning Labs with an initial cohort of 10 businesses to help defense contractors/suppliers comply with DoD cybersecurity requirements set forth in the NIST Special Publication 800-171.
- Supported the development of industry action plans and other research reports for use by and promotion of the regional defense supplier community.
- Developed a cluster analysis and supply chain map that helps regional leaders prioritize support efforts on the most vulnerable and valuable industry clusters.

The tools, insights, and relationships forged by these activities provide San Diego the infrastructure and roadmap to continue to strengthen the regional defense community beyond the life of the grant.

Resiliency Impacts

Increasing Awareness of the Defense Industrial Base

The OEA grant increased awareness among regional officials of San Diego's sizable community of private defense contractors, responsible for \$9 billion of the \$26 billion in direct DoD expenditures in the region. San Diego Military Advisory Council/Foundation, as a Propel San Diego partner, leveraged existing relationships and research, including their [Military Economic Impact Study](#), to raise awareness among regional officials. A report funded by the IR grant, [Mapping San Diego's Defense Ecosystem](#), found San Diego County's community of 5,600 defense contractors receive the second most defense procurement dollars nationwide. Small businesses in the manufacturing and professional, scientific, and technical service sectors account for 81 percent of all defense contractor employment. 41 percent of firms have primary customers across the country and 23 percent across the globe. The report additionally analyzed regional trends, assets and opportunities for defense suppliers. These analyses resulted in the [San Diego Defense Spending Platform](#), a tool that allows users to view the value of DoD contract awards and outlays, contractor employment, and perform supply chain and impact analyses. With a firm grasp of the importance of DoD expenditures to the region, Propel San Diego could more effectively convene and engage stakeholders.

Various meetings, events, bus tours and forums to learn more about the challenges facing defense suppliers and educate suppliers on opportunities and best practices were conducted under the umbrella of Propel San Diego. Outreach to defense suppliers and stakeholders led to the development of the [Aviation and Aerospace Action Plan](#) and [South County's Maritime Industry Action Plan](#) by the South County Economic Development Council. A survey of defense suppliers found that San Diego's research and development assets were extremely important to contractors. Most important were: Access to new technologies; Regional industry associations for defense; Workforce training programs; Technology transfers and institutions looking to assist in commercializing new defense products; and Universities doing relevant research (e.g., a UAV test site).



A follow-up survey identified the key business services needed by defense suppliers. These included: Certifications that facilitate securing DoD contracts; cyber security services; access to rapid prototyping technologies, facilities and capabilities; business development services in foreign markets; and assistance with succession planning, to retain institutional knowledge from retiring workers.

Propel San Diego used this research and analysis to promote the importance of the defense community to local stakeholders, orient local economic and workforce development services towards supporting the needs of the defense community, and assist selected defense suppliers through a suite of business services provided by Propel San Diego's Defense Innovation Voucher program.

Enhancing Force Multipliers to Support the Defense Industrial

Propel San Diego serves as an intermediary connecting defense suppliers to the economic and workforce development communities. San Diego IR Team under the Propel San Diego initiative leveraged their relationships to develop a Business Incentives Matrix for defense suppliers. The matrix provides various tax rebates, preferential rates, financing programs, permitting assistance and workforce development services available by municipality.

Relationships with local economic development officials enabled the San Diego IR Team to leverage existing business development services and federal grants to meet OEA project milestones. Streamlining efforts by these Propel San Diego partners and awareness of complementary programming avoided duplication of efforts and resulted in cost savings that facilitated additional cybersecurity programming.

Surveyed defense suppliers cited "exporting to foreign markets" as a major challenge and opportunity for their companies. Rather than develop their own program, Propel San Diego provided funding for five defense suppliers to participate in the eight-month MetroConnect San Diego export assistance program, developed by JP Morgan Chase & Co and provided by the World Trade Center San Diego. The MetroConnect program provides curriculum and consulting to address regulatory and technical hurdles for exporting defense goods, including International Traffic in Arms Regulations (ITAR) compliance. Research facilities and technology transfer for UAV proved another key need for defense suppliers already met by city programs. In May 2018, the US Department of Transportation and the FAA selected the City of San Diego for the Integration Pilot Program (IPP). The program facilitates the development of UAV test sites, develops training curriculum, and organizes research around operations and applications for the technology. Propel San Diego used these savings to provide additional programming around cybersecurity, a key priority for the DoD.

Relationships with DoD officials and local military installations enabled Propel San Diego to convene DoD officials and defense suppliers around installation access controls. At a Propel San Diego forum hosted by South County EDC, more than 150 contractors were provided information and guidance on the "Defense Biometric Verification System" (DBIDS) by US Navy representatives. DBIDS is a Navy-developed real-time authentication against verified databases that reduces the risk of unauthorized access to an installation and increases the available data used for intelligent access decisions. DBIDS is becoming standard protocol for controlling access to Navy installations. With access to installations necessary for many contracts, suppliers confused by DBIDS were unable to apply for contracts. This forum enabled



Navy officials to learn about the challenges contractors face with DBIDS and to enhance the program to be more business friendly. A second forum was organized to update contractors on the alterations to DBIDS.

Commercial Diversification of Defense Companies to Sustain the Industrial Base

Using funding from the IR Grant, another Propel San Diego activity was the Defense Innovation Voucher (DIV) program implemented by the San Diego Regional Economic Development Corporation (EDC). This program provided business services to the defense industrial base. Over 95 defense suppliers applied to the program, with 15 businesses selected to receive up to \$15,000 in consulting services from a preselected list of categories. An additional five companies were selected to participate in the MetroConnect export assistance program. Eligible businesses must have been in operation for two or more years, employ more than five people, be headquartered in San Diego County, and be an SBA-defined “small defense contractor.”

The Voucher program consisted of three components: direct assistance, a six-month boot camp, and a Booz Allen Hamilton-hosted competition for an additional \$25,000 Grand Prize in services. Companies could use the \$15,000 voucher for marketing, business certification, strategic planning, accounting compliance, and/or lean supply chain and additive manufacturing tool adoption services from pre-approved contractors. Companies participating in the boot camp received leadership training, in addition to various workshops addressing critical issues for defense suppliers and becoming eligible for the \$25,000 Grand Prize.

Five companies competed for the Grand Prize, with Planck Aerosystems selected for their accomplishments, goals, and involvement in the program, after pitching their company to over 100 attendees. Planck Aero plans to leverage the additional funds towards the scaling of their marketing efforts, including developing a better understanding of commercial UAV markets. With an improved ability to meet commercial needs with regards to UAV products and services, Planck can sustain their business through any fluctuation in DoD expenditures, realize cost savings in the form of increased scale, and develop new capabilities and commercial technologies with applications for the DoD and warfighter.

Cost Savings to DoD through Business Diversification or New Products/Customers

Using IR grant funds, the San Diego East County Economic Development Corporation/Foundation enhanced Connectory, a business directory enabling users to see a business’ capabilities, products and services, certifications, and technologies, and make connections. The directory was populated through a combination of surveys, collecting business cards at events and publicly accessible information, with updates to business profiles utilizing an automated web harvesting algorithm. The project team is currently working to improve the platform so that companies can bid on projects together. Connectory can potentially provide cost savings to the DoD by facilitating businesses’ identification and access to suppliers and partners that help realize cost savings for the suppliers. The platform also facilitates investment in these companies, which may realize new production efficiencies through increased investment and production volume.



Connectory.com's benefits can extend nationwide and beyond the period of IR grant funding. The SD ECEDC is currently exploring financing models that charge users for downloading data from the directory: uploading data would remain free-of-charge. To extend the model, San Diego officials are exploring whether Connectory can serve as a business directory platform for other communities. The population of San Diego County companies profiled in Connectory.com more than doubled in size during the IR project, growing from 5,000 profiles to over 11,000.

Cybersecurity Preparedness

Propel San Diego used funds saved by leveraging existing products and services to develop a series of Cybersecurity Learning Labs. Learning Labs are designed to inform, educate, and facilitate businesses' journey to becoming more secure and meeting the Department of Defense's cybersecurity requirements outlined in NIST Special Publication 800-171. The Learning Labs will help a cohort of companies become compliant, including guiding each company in development of a system security plan, plan of actions and milestones, and cybersecurity incident response plan. The program has selected cybersecurity consultants to provide programming and a cohort of ten businesses to participate.

Lessons Learned

Greatest Challenge

A planned activity of Propel San Diego was to develop workforce curricula for defense sector workers, after finding over half of surveyed defense suppliers faced difficulty finding qualified entry, mid-level, and experienced applicants. San Diego defense suppliers valued technical training and position-specific expertise when considering a candidate. After further engaging with companies, officials determined the training demanded by most businesses was too company-specific to be eligible for OEA funding. Officials are now resurveying businesses to learn more about their shared skills gaps and help act as a human resources department for smaller businesses.

Changes to the Work Plan

Some of Propel San Diego activities were rendered unnecessary because of work completed by the DoT and FAA UAV IPP project. Collaborating with the UAV project enabled Propel to re-allocate and leverage OEA grant funds to develop a cybersecurity education and compliance training that meets current DoD priorities to secure defense-covered data stored by DoD prime and sub-contractors.

Sustainability

A key component of San Diego's IR grant is the enhancement of Connectory.com. Propel San Diego plans to sustain Connectory beyond the IR Grant by allowing other communities to use and access the database, and by charging users for downloading information from the database. In addition, a subscriber model permits cost-share by individuals and corporations to access full Connectory.com functionality as well as the secure Collaboration Tool.