

Economic Development Proposal

Facebook

March 2010

Late Backup

Economic Development Proposal



- The purpose of today's briefing is to present the following:
 - A background of the economic development proposal and timeline for future City Council meetings
 - An overview of Facebook
 - A review of the economic development matrix criteria and score
 - A summary of the WebLOCI fiscal impact analysis
 - A compilation of the overall benefits from this economic development proposal
 - A review of the proposed economic development agreement

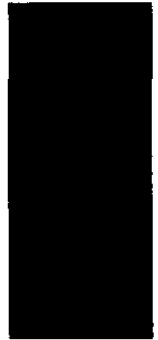
+ Background

What is being considered and when?

- **A proposed economic development agreement between the City of Austin and Facebook to open a sales and operations office, create jobs, and make investments in Austin.**
- **The economic development proposal is being presented over two City Council meetings:**
 - **March 3, 2010 – At a specially-called City Council meeting, EGRSO will provide a briefing on the economic development proposal to the City Council and the public.**
 - **March 11, 2010 – The economic development proposal will be placed on the City Council regular meeting agenda as a public hearing item and action item.**

+ Facebook

Company overview



- Privately-held company founded in 2004
- Social media company that helps people communicate more efficiently with friends, family and coworkers.
- Company is based in Palo Alto, California.
- The company develops technologies that facilitate the sharing of information through the social graph, the digital mapping of people's real-world social connections.
- The company has experienced significant growth since its inception. At the beginning of 2009, the company had 150 million active users, and has since grown to 350 million active users.

+ Economic Development Proposal



What criteria and analysis were used?

- **Economic Development Matrix as approved by City Council**
 - The matrix is a scoring tool that assesses firms using the following five categories of criteria:
 - Overall economic and fiscal impact
 - Linkages to the local economy
 - Infrastructure impact
 - Character of jobs and labor force practices
 - Quality of life and cultural vitality
- **WebLOCI fiscal impact analysis as approved by City Council**
 - WebLOCI is a tool that over 300 chambers of commerce and local governments use to determine the fiscal impact of an economic development project.
 - Developed in 1999 by Georgia Institute of Technology

+ Economic Development Matrix

What is the score for this project?



- Facebook scored 65 out of 100
- The score is reflective of the following:
 - Facebook will establish a sales and operations facility in Austin
 - Facebook will create 200 new jobs in Austin within four years.
 - Facebook offers health insurance benefits, domestic partner benefits, and job training for its employees

+ WebLOCI Fiscal Impact Analysis

The financial benefits and costs of this project

- The fiscal impact analysis represents only direct benefits and costs as a result of the project and jobs created.
- Total benefits over a 10-year period = \$3.4 million
- Total costs over a 10-year period = \$3.1 million *
- Total net benefit ($\$3.4 - \3.1) = \$312,000 (rounded)

* This cost figure is net cost which includes a performance-based economic development grant estimated at \$200,000.

+ Overall Benefits

What does this economic development proposal offer?

- The City of Austin targets the recruitment of digital media companies like Facebook
- Sales and operations office in targeted digital media industry
- 200 jobs created in Austin
- \$2.25 million company investment in leasehold improvements, machinery and equipment
- \$900,000 company investment in business personal property
- Positive financial benefit to the City according to WebLOCI
- Employees are offered health insurance benefits, job training, career paths, above-average wages, and other benefits
- Company will locate in the Desired Development Zone and adhere to the City's water quality regulations

+ Economic Development Agreement

What are the contractual obligations?

Facebook – Performance Obligations

- Open sales and operations office in Austin.
- Invest \$2.25 million in leasehold improvements, machinery and equipment.
- Invest \$900 thousand in business personal property
- Create and maintain 200 jobs.
- Work with local minority chambers of commerce to expand pool of diverse candidates in employment recruitment efforts.
- Abide by a supplier diversity policy.
- Comply with the standards and principles of the City's ordinance for minority-owned and women-owned business enterprises ("M/WBE Program Ordinance") in the design and construction of its sales and operations facilities. This includes soliciting participation in the design and construction of leasehold improvements.
- Comply with all City Code regulations, including applicable water quality regulations

+ Economic Development Agreement

What are the contractual obligations?

City of Austin – Performance Obligations

- Years 1-10: Provide performance-based economic development grants based on the number of jobs created annually, for an estimated total of \$200,000.
- The City is not obligated to make a grant payment for any year in which the City has determined that Facebook has failed to fulfill an obligation or condition applicable to Facebook.

+ Next Steps



- Today – The public has the opportunity to comment following this briefing.
- March 8th – Online public comments will be transmitted to City Council.
- March 11th – A public hearing will be conducted followed by a City Council vote.