



Economic Development Proposal
US Farathane Corporation
December 2011



Economic Development Proposal

This proposal focus is on expanding the auto industry cluster and on creating job opportunities for hard to hire citizens with basic education and skill levels

- 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 US Farathane Corporation
 - 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 US Farathane Corporation to establish a manufacturing facility, create jobs, and make investments in Austin
- The economic development proposal is being presented over two City Council meetings:
 - December 8, 2011 – At a regularly scheduled City Council meeting, EGRSO will provide a briefing on the economic development proposal to the City Council and the public
 - December 15, 2011 – At a regularly scheduled City Council meeting, the economic development proposal will be placed on the City Council meeting agenda as a public hearing item and action item

+ U.S. Farathane

Company overview

- Privately held company founded in 1981
- Company is headquartered in Auburn Hills, MI
- The company has been a leading source of plastics manufacturing for over 30 years, supplying primarily the automotive industry, by offering a wide range of full service support from highly engineered composites to extrusion and compression technologies
- The company employs approximately 900+ employees and is a global supplier to the auto industry

+ Economic Development Matrix

What is the score for this project?

- US Farathane scored 65 out of 100 points on Matrix
- The score is reflective of the following:
 - US Farathane will establish an Austin presence by creating a state-of-the-art manufacturing facility in Austin
 - US Farathane will create 228 new full-time jobs in Austin over the next 3 years
 - US Farathane offers a comprehensive benefits package including health insurance and tuition reimbursement 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 direct benefits over a 10-year period = \$11.6 million
- Total costs over a 10-year period = \$10.9 million
- Total gross benefit ($\$11.6 - \10.9) = \$700,000 (rounded)
- Recommended incentive equal to 40% of new incremental real and personal property taxes generated by the project over the next 10 years
- Estimated value of incentive is \$212,695
- Net Benefit after incentive ($\$700,000 - \$212,695$) is \$487,305

+ Overall Benefits

What does this economic development proposal offer?

- Austin Chamber of Commerce targets the recruitment of manufacturers and suppliers within the automotive industry
- 228 new full-time jobs created, including employment for low income and hard to employ individuals
- \$2.4 million company investment in leasehold improvements
- \$24.5 million company investment in machinery and equipment
- Positive financial benefit to the City according to WebLOCI
- Employees are offered health insurance benefits, tuition reimbursement, 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?

U.S. Farathane – Performance Obligations

- Establish a state-of-the-art manufacturing facility in Austin
- Invest \$2.4 million in leasehold improvements
- Invest \$24.5 million in machinery and equipment
- Create and maintain 228 new full-time jobs in Austin with an average annual wage of \$27,159
- Work with local minority chambers of commerce as well as the Travis County Reentry Program and related organizations to expand the 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 corporate operations center. 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 grant equal to 40% of the new incremental real and personal property taxes generated from this project
- The grant is calculated at 40% of the actual real and personal property taxes paid by US Farathane annually over a 10 year period
- The estimated value of this grant is \$212,695 over the duration of this Agreement
- The City is not obligated to make a grant payment for any year in which the City has determined that US Farathane has failed to fulfill an obligation or condition applicable to the company

+ Next Steps



- Today – Set the public hearing for the December 15th City Council meeting
- December 12th – Online public comments transmitted to City Council
- December 15th – Public hearing and City Council action