

Annual Report

CITY OF AUSTIN ECONOMIC DEVELOPMENT DEPARTMENT



Creating Prosperity for Citizens, Businesses, and Neighborhoods

Global Business Recruitment and Expansion

- Business Expansion/Chambers
- Development of Eco-Industrial Park
- International Trade and Investment
- International Welcome Program
- Sister & Science Cities
- Technology Incubators
- Workforce Development
- Creative Content Program
- Creative Ambassadors Program

Cultural Arts Division

- Cultural Funding
- Cultural Tourism
- Arts Marketing
- Art in Public Places
- Public Art Restoration
- Creative Industries , film, TV and Digital Media Support
- Cultural Planning
- Creative Space development & Placemaking
- The People's Gallery Exhibition

Small Business Program

- Family Business Loan Program
- LocallyAustin.org
- BizAid Business Skills Classes and Certification
- Partnership with Austin Public Library
- BizOpen
- Business Solutions Center
- Getting Connected & Meet the Lender

Redevelopment Division

- Mueller
- Seaholm District
- 2nd Street
- Green Water Treatment
- Downtown Redevelopment
- Citywide Commercial Stabilization Strategy
- Envision Tomorrow

Music and Entertainment Division

- Austin Music Industry Census 2014
- Austin-Toronto Music City Alliance
- Austin Independent Radio
- Music Venue Assistance Loan Program
- Music Ambassadors
- Outdoor Music Venue, Temporary & Special Event Permit Assistance
- HopeFM First Live Sundays
- Music for Kids

PURPOSE

Focus for Economic Development

- Goals
- Challenges
- Opportunities
- Solutions



FOCUS FOR ECONOMIC DEVELOPMENT

The Goals

Implement the Imagine Austin Plan by diversifying the economy:

1. *Address inequity and poverty* by creating jobs for the hard to employ.
2. Use our *cultural diversity as an economic strength*, locally and internationally.
3. Attract *high-tech industrial companies and logistics businesses*.
4. *Expand local small businesses* citywide as a revitalization and hiring strategy.
5. Prevent unemployment before it happens – *Einstein Challenge*.



CHALLENGES

Focus for Economic Development

- Poverty
- Hard to Employ Populations
- Underemployed
- Rising Cost of Living
- Demographic Trends



CHALLENGE

Poverty

Austin residents living in poverty	160,922
2 out of 3 children receive subsidized lunch	37,021
Change in Poor Population in the Suburbs of the Metro Area from 2008-2012	(+116%)
Individuals that remain hard to employ in Austin (2010)	10,000
Austin Hispanic Unemployment	87,419



CHALLENGE

Affordability

As Austin grows in popularity and becomes a more desirable place to live, market forces result in higher prices for housing and other scarce resources:

- Consider: Austin is the third fastest-growing city in the US.¹
- From 2001 to 2010, real annual pay in Travis County increased by nearly 1%, and wages barely outpaced inflation.²
- Austin now has the highest rent in the state of Texas.³

Nations' 4th fastest growing city in 2013 – 2014 Austin, TX: +25,600 (total pop. 912,000)

http://www.ci.austin.tx.us/housing/downloads/austin_comprehensive_housing_market_study.pdf

The changing face of Austin:

- White, non-Hispanic share of total population has dropped below 50%
- Hispanic population is currently 35%
- Growth rates of Latino and Asian households far exceed the growth of white households
- African-American population has dropped to 8%
- 19.1% of Austinites are foreign born
- Austin has a young median age (31)

- Austin population is forecast to reach 3.1 million in 15 years

Technological Progress and Adoption of STEM Strategy

- Lack of diversity in science and technology based industries:
 - Hispanics make up 7% of STEM workforce.² (National Data)
 - Women make up 26% of the STEM workforce.² (National Data)
- Culture diversity is an economic strength that could be leveraged for outreach and service delivery models to reach all constituents.
- Economic development initiatives to engender industry development and job creation.
 - Strong relationships with minority chambers for outreach and exchange.
 - 9,000 jobs being created in Austin Tech Industry over the next 3 years.³
 - Hispanic Business Census forecasts 50,000 start up companies

FOCUS FOR ECONOMIC DEVELOPMENT:

The Solutions

- *Stabilize 20 - 30 inner city commercial areas* through Souly Austin over the next five years
- *Evolve a world-class workforce* through:
 - STEM initiatives and industry interaction - the *Einstein Project*
 - Occupational development providers like *Capital Idea and Skillpoint Alliance*
- *Expand small business, technology manufacturing and logistics industries*
- *Expand trade and commerce* to generate more multi national Austin companies:
 - Hackney, UK, Monterrey and Mexico City, Sister City relationships
 - International Association of Science Parks contains 125,000 high tech companies for potential partnerships
 - Creative Ambassadors in Music and Art
- *Evolve the Incentives programs* – CH 380, Texas Enterprise Zone Program, Creative Content Incentive Program
- *Improve the Return on Investment (ROI) on future redevelopment and capital infrastructure projects* with the \$3.6M Envision Tomorrow software in partnership with the UT supercomputers

CHAPTER 380

An economic development tool for securing:

- Jobs
- Investment for local participation
- Tax Revenues
- Diversification of industry
- Economic sustainability



PERFORMANCE BASED ECONOMIC AGREEMENTS

History and Process

- Local Government Code Chapter 380 became effective in 1987, providing legislative authority for Texas municipalities in the area of economic development.
- In the 2002 Recession (the dot.com bust) – the Traditional Industries Recruitment and Retention Subcommittee of the Mayor’s Task Force on the Economy sought a solution to an economic climate that warranted action.
- In 2003, a TXP report on the Task Force subcommittee’s recommendations noted the City of Austin should be willing, under the right circumstances, to create shared investment with firms that are either relocating or expanding; these investments would improve: economic and fiscal impact, local linkages to the Austin economy, cultural/quality of life considerations, and environmental considerations.
- Tools for measuring projects, policy and process were created to reflect the the subcommittee’s recommendations-
 - The Business Information Form
 - WebLOCI Fiscal Impact Analysis Tool
 - The Firm-Based Incentive Matrix
 - The Proposal of Performance
 - The Presentation to the Council and to the Public
 - Agreement Compliance

PERFORMANCE BASED ECONOMIC AGREEMENTS:

Strategy for Use Today

- Targeted Industries through Opportunity Austin 3.0:
 - Advanced Manufacturing
 - Finance Industries
 - Clean Energy and Power Technology
 - Creative and Digital Media
 - Life Sciences
 - Corporate Headquarters and Regional Offices
 - Space Industries
- In addition to these sectors, the City's Economic Development Department has identified critical complimentary industry targets - to address poverty:
 - Automotive
 - Creative Sector (Music And Art)
 - Fashion
 - Food Sector
 - Distribution and Logistics
 - Zero Waste

ECONOMIC DEVELOPMENT INCENTIVE:

Chapter 380 Policy

- Two options for providing financial incentive:
 - Property Tax - For projects that require significant capital investment, the incentivized company can receive a refund of the property taxes paid on their investment
 - Job Creation – For projects that are not capital intensive but are a strong match for job creation and industry diversification, the company can be incentivized for each new job created throughout the term of the agreement
- All agreements are performance-based with a substantial ROI, - LOCI and community values based requirements
 - The amount of Investment
 - The Job creation with living wages
 - Small Minority Business Resources MBE/WBE
 - Hiring diversity by partnering with minority chambers and community groups
 - Construction wages, benefits, and training
 - Job Creation Bonus Criteria
- Austin received a perfect score for Transparency of Economic Agreements by *Good Jobs First* (Washington, DC).

FIRM-BASED CHAPTER 380 AGREEMENTS:

Active Agreements

Company	Jobs Required ³	Investment Required ³	City's Net Benefit ²	Council Approved
Websense	470	\$9,930,000	\$1,760,000	2/20/2014
athenahealth	607	\$7,750,500	\$1,665,899	1/30/2014
Visa	794	\$27,312,918	\$6,860,665	12/6/2012
HID Global	276	\$36,000,000	\$2,257,170	9/27/2012
Apple	3,635	\$282,500,000	\$14,573,704	3/22/2012
Advisory Board Company	239	\$8,100,000	\$1,406,971	6/23/2011
Hanger	250	\$6,744,335	\$924,778	1/28/2010
Samsung	500	\$4,000,000,000	\$8,000,000 ¹	8/18/2005
Totals	6,771	\$4,378,337,753	\$37,449,187	

¹Prior to use of WebLOCI; represents net revenue

²Figure is an estimation calculated through WebLOCI analysis

³Deliverables provided in each agreement

FIRM-BASED CHAPTER 380 AGREEMENTS:

Performance Through December 31, 2014

Company	Jobs Required	Jobs Created	Average Annual Salary Verified	Investment Required	Investment Verified
HID Global	147	312	>\$44,336	\$36,000,000	\$61,035,443
Visa	273	273	\$100,443	\$27,312,918 Due 2015	30,144,343
Apple	0	721	>\$54,000	\$0	\$253,292,504
Advisory Board Company	209	240	>\$90,000	\$8,100,000	\$8,656,481
Hanger	133	268	>\$97,343	\$6,744,335	\$10,835,442
Samsung	500	2,463	Not applicable	\$2,500,000,000	\$4,688,496,480
Totals	1,262	4,277		\$2,578,157,253	\$5,052,460,693

FIRM-BASED CHAPTER 380 AGREEMENTS:

Discontinued in 2014-15

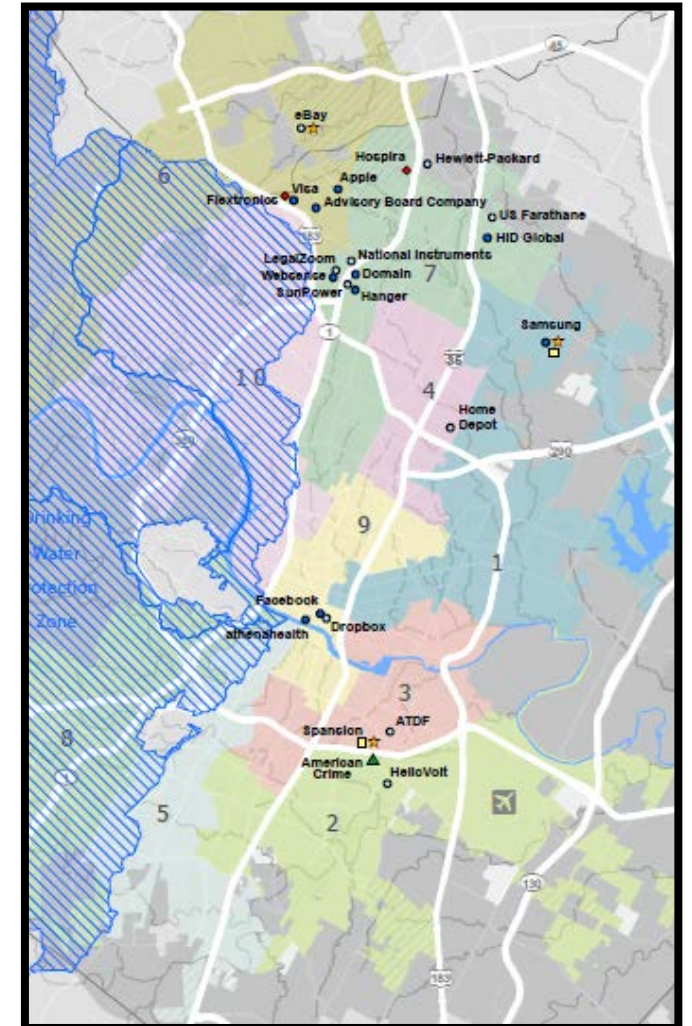
Company	Jobs Required	Jobs Created	Average Annual Salary Verified	Investment Required	Investment Verified
Facebook	140	183*	>\$54,000*	\$3,150,000	\$4,786,529
National Instruments	3,440	NA	NA	\$80,000,000	NA
Dropbox	200	NA	NA	\$5,500,000	NA
US Farathane	228	NA	NA	\$26,900,000	NA
Websense	470	NA	NA	\$9,930,000	NA
Totals	4,008	183		\$115,550,000	\$4,786,529

FIRM-BASED CHAPTER 380 AGREEMENTS:

Return on Investment

Company	Incentive	Profit After Incentive and Costs	Return on Investment
Dropbox	\$244,500	\$594,680	243.2%
Websense	\$438,000	\$1,762,865	402.5%
athenahealth	\$679,500	\$1,665,899	245.2%
National Instruments	\$1,560,000	\$7,095,834	425.5%
Visa	\$1,560,000	\$6,860,665	439.8%
HID Global	\$920,576	\$2,257,170	245.2%
Apple	\$8,612,725	\$14,573,704	169.2%
US Farathane	\$212,695	\$459,475	216.0%
Advisory Board Company	\$372,590	\$1,406,971	377.6%
eBay	\$1,206,250	\$3,107,545	257.6%
Sunpower	\$901,710	\$807,326	89.5%
Facebook	\$199,500	\$312,731	156.8%
Hanger	\$200,000	\$512,190	256.1%
LegalZoom	\$500,000	\$924,778	185.0%
Totals	\$17,715,621	\$42,341,833	239.0%

Source: WebLOCI





Thank you
Kevin Johns, Director
City of Austin Economic Development Department
VISIT OUR WEBSITE AT WWW.AUSTINTEXAS.GOV/EDD