



Proposed Performance-based Agreement with Merck Sharp & Dohme Corporation

Summary:

Merck is an innovative, global healthcare leader that is committed to improving health and well-being around the world. The company's core product categories include diabetes, cancer, vaccines and hospital acute care. Merck continues to focus research on conditions that represent some of today's most significant health challenges – like cancer, hepatitis C, cardio-metabolic disease, antibiotic-resistant infection and Alzheimer's disease, and emerging global pandemics such as ebola. The company also devotes extensive time and energy to increasing access to medicines and vaccines through far-reaching programs that donate and deliver products to the people who need them.

Three years ago, Merck embarked on a brave IT strategy that required the company to restructure itself to be better positioned to serve their clients and patients. A core component of that strategy was establishing IT Hubs to deliver innovative solutions and services. Merck has opened three hubs to date – one in Branchburg, NJ; one in Prague, Czech Republic; and one in Singapore. This model has helped reduce fragmentation of IT staff, globalize the organization, and recruit the skills required to deliver on the new value proposition. Merck's transformative technologies continue to challenge the healthcare ecosystem to provide care in the most efficient and cost effective manner to enable well-being of the patients we serve.

Key considerations include:

1. Project is an Opportunity Austin 3.0 and COA Target Market (bio/life-sciences/tech)
2. The project anticipates creating a total of 600 jobs
3. The project creates significant contracting opportunities for local firms as it proposes to invest \$20,532,000 million in construction, as well as an estimated \$2 million in annual expenditures for local services and an estimated \$500,000 in annual local purchases.
4. The development of the Company's fourth IT Hub is focused on metadata collection and designing solution-based platforms for personalized, proactive and preventative healthcare that will ultimately revolutionize the delivery of healthcare in a timely and affordable manner.
5. Looking at Austin as a potential location for the fourth IT Hub, the Company has a strong interest in the development of the Innovation Zone as its mission aligns with the university, Central Health, People's Community Clinic and many other groups that could support the transformation of healthcare delivery and affordability.
6. If Austin is chosen, the Company will locate a short-term, lease space, while the future long-term space is constructed within the Innovation Zone.
7. As noted by observations of Merck's development team (attached to the Business Information Form), locating this project will catalyze the growth of this sector in the Innovation Zone by bringing additional suppliers to the area, regularly hosting high-profile innovations summits, and engaging local healthcare and IT companies for collaboration or strategy development (ex. Community Digital Health Initiative)

Anticipated Wages:

1. Average annual wage: \$84,586; Lowest 10% is \$54,511
2. Median wage: \$79,500 by 2026

Facility Size: Temporary 26,000 sf facility expanding to 90,000 sf facility by 2023

Total Investment: \$28,722,000

Net Benefit before Support: \$2,804,104

Matrix Score: 95 out of a possible 100 points

1. Project meets all criteria for Extraordinary Economic Impact
2. Project eligible and meets criteria three bonus items

Support of Merck IT Hub in the Austin Innovation Zone:

1. 10 Year Agreement
2. \$200/job
3. \$856,000 total support from City of Austin (Net Benefit: \$1,948,104)