



MEMORANDUM

TO: Mayor and Council

FROM: Kevin Johns, Director
Economic Development Department

DATE: April 15, 2015

SUBJECT: Economic Development Policy Workshop Update

Attached for your information are responses to questions raised at the recent Economic Development Policy Workshop.

For additional information, please feel free to contact me at (512) 974-7802 or via e-mail at Kevin.Johns@austintexas.gov.

Attachment

Cc: Marc Ott, City Manager
Sue Edwards, Assistant City Manager

REQUEST (CM CASAR):

Requested clarification - did Dropbox receive state funding after all?

RESPONSE:

Dropbox did not receive an incentive from the State of Texas.

For a complete list of Chapter 380 Performance-Based Agreements (Active or Inactive), please visit our website at <https://data.austintexas.gov/dataset/Economic-Development-Compliance-Chapter-380-Agreem/pxe3-na7s>.

REQUEST (CM CASAR):

Requested language used in proposed performance-based agreement referencing recruitment of ex-offenders

RESPONSE:

Source: Please see page 3, section 1.03 Recruitment of the [City of Austin proposed Economic Development Agreement with U.S. Farathane](#); requires “efforts to work with the Austin/Travis County Reentry Roundtable in the development of a local recruitment strategy for ex-offenders.” The company does have a formal Human Resources policy to hire ex-offenders. This was primary consideration for the performance-based agreement proposal.

For a complete list of Chapter 380 Performance-Based Agreements, please visit our website at <https://data.austintexas.gov/dataset/Economic-Development-Compliance-Chapter-380-Agreem/pxe3-na7s>.

REQUEST (CM GARZA):

Requested information on the Matrix and scoring mechanisms

RESPONSE:**WebLOCI Fiscal Impact Analysis Tool**

On October 1, 2009, City Council, through Ordinance No. 20091001-011, directed the Economic Development Department to implement a formal cost-benefit analysis in conjunction with the City’s review and evaluation process of a Chapter 380 economic development proposal. At the recommendation of stakeholders, staff implemented WebLOCI, which is a direct fiscal impact analysis tool developed and used by over 300 chambers of commerce and economic development agencies which was developed by Georgia Tech.

Staff uses data captured from the Business Information Form (BIF) as inputs into WebLOCI in order to estimate city expenses/costs and revenues derived from and expenses to be incurred as a result of the project. Examples of revenues include property tax, sales tax, electric and water utility charges, and other general revenues of the city. Examples of expenses include parks and recreation, library, public safety, electric and water utility operations, and other general expenses of the city. The analysis assists staff with determining the financial proposal to be offered by the city. Since the implementation of WebLOCI in 2010, the seven (7) agreements approved by Council that remain active have an estimated total Return-on-Investment of 225%. The City stands to profit \$29.5 million from these seven (7) agreements after factoring the cost of the contracts and the incremental operating cost to the City.

The Firm-Based Project Scoring Matrix

The City Council adopted a Firm-Based Project Scoring Matrix to assess economic, financial, and qualitative factors stemming from the project and company. City Council recently amended the Matrix through Resolution No. 20131024-056. The recent amendments included adding additional minimum criteria and bonus scoring criteria. Projects must meet all minimum criteria and score at least 60 points in order to be considered for a Chapter 380 performance-based contract. Businesses requesting an exception from certain minimum criteria must complete an exception application. Exceptions to minimum criteria require approval by a two-third majority vote of the Council.

The Economic Development Department analyzes potential projects to assess the project by scoring various criteria, including the following:

- Overall economic and fiscal impact: Measuring the size of net profit to the City and the level of desirable public benefits
- Linkages to the local economy: Assessing whether the project is a targeted industry, making use of underutilized labor force or office space, creating significant contracting opportunities for local firms including small and disadvantaged businesses, filling a hole in the Austin economic base, seeding new industry clusters, or competing for resources with existing firms.
- Infrastructure impact: Determining whether the project will make a disproportionate demand on Austin's infrastructure.
- Character of jobs/labor force practices: Analyzing the share of local hires, average wages paid as compared to local and industry averages. Assessing the distribution of job categories and wages within the overall structure, job training and education funding provided, opportunities for employee advancement, and the company's policies toward diversity in hiring and promotion.
- Quality of life/cultural vitality: Assessing the company's cultural outreach program and company's policy toward employee volunteer/charitable efforts.

A hard copy of the [City of Austin Chapter 380 Performance-Based Contracts Policy](#) was provided to Council offices on March 6, 2015.

REQUEST (CM GALLO):

Requested information on the locations of Family Business Loan companies

REQUEST:

The Family Business Loan Program has resulted in eight (8) loan agreements in the following areas:

| Borrower | Location |
|--|--|
| Rosa Santis | 1103 E 6 th Street 78702 |
| Eastern Diner- Sawyer and Co | 4827 East Cesar Chavez 78702 |
| Sweet Victoria- Eat Ban Mi | 1007 S Congress Ave |
| Eastside Music School | 501 N IH 35 78702 |
| 11E5 LLC- Fair Market | 1100 East 5 th Street 78702 |
| 1707 Airport Commerce LLC- Home2Suites | 1707 Airport Commerce Drive 78741 |
| Jose Luis Salon Inc. | 1100 South Lamar 78704 |
| Austin Fit Centro | 4901 E Cesar Chavez 78702 |

REQUEST (CM HOUSTON):

Requested information on Family Business Loan Program minority-owned companies

RESPONSE:**Overview of Minority-Owned Business Participation in the Family Business Loan Program:**

The Family Business Loan Program has resulted in the following eight (8) loan agreements:

- 63% 5 of the 8 loans represent Minority-Owned Business participation
- 38% 3 of the 8 loans represent Women-Owned Businesses participation
- 75% 6 of the 8 participating business are located in East Austin

The Family Business Loan Program (FBLP) was created as a citywide program in May 2012 with a Department of Housing and Urban Development (HUD) grant to create low-interest loans in exchange for a commitment to hire low- to moderate- income employees for qualified small businesses that are expanding.

FBLP is a public-private partnership between the City of Austin, HUD, and participating private lenders offering low interest loans to small businesses at no cost to the City of Austin. The mission of the program is to enable existing local businesses to expand and create jobs, regenerate communities, increase the tax base of the City of Austin, and enhance the overall quality of life for Austin residents.

The Family Business Loan Program follows the rules and regulations established by the U.S. Department of Housing and Urban Development that govern Community Development Block Grant (CDBG), under Section 108 of the regulations.

See the [Family Business Loan Program information sheet](#) for information on the types of projects that are eligible.

REQUEST (MPT TOVO):

When will the next two (2) Family Business Loan Program loan proposals come before Council for consideration?

RESPONSE:

At least one (1) Family Business Loan proposal is in process. We estimate the loan will be presented to Council for discussion and approval in June.

The loan review process includes:

- 1) Extensive vetting through partner local lending institutions and credit unions;
 - 2) City Loan Review Committee (Finance, Economic Development and Neighborhood Housing) vetting;
 - 3) U.S. Department of Housing and Urban Development (HUD) Regional Review;
 - 4) A formal presentation to Mayor and Council for review and consideration;
 - 5) U.S. Department of Housing and Urban Development (HUD) Headquarters Review.
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REQUEST (CM TROXCLAIR):

Requested more information on federal requirements related to the Family Business Loan Program.

RESPONSE:

The Family Business Loan Program follows the rules and regulations established by the U.S. Department of Housing and Urban Development that govern Community Development Block Grant (CDBG), under Section 108 of the regulations.

Overview of Section 108 Regulations

<http://portal.hud.gov/hudportal/HUD?src=/hudprograms/section108>

Community Development Block Grant (CDBG) Laws and Regulations

<https://www.hudexchange.info/community-development/cdbg-laws-and-regulations/>

In May 2012, Council approved Family Business Loan [program guidelines and criteria](#).

REQUEST (CM GALLO):

When will the Art in Public Places Women & Children Project come back to Council for consideration?

RESPONSE:

The item is scheduled for Council consideration on April 23, 2015.

The Art in Public Places Program (AIPP), a program of the City's Cultural Arts Division of the Economic Development Department distributed a call for artist, or artist team, to create artwork for the Austin Shelter for Women and Children (ASWC) located at 4523 Tannehill Lane in East Austin.

The Austin Shelter for Women and Children is funded by the City of Austin and operated by the Salvation Army. It is located on five acres of property owned by Travis County and leased to the City of Austin for 50 years. ASWC strives to provide a safe place of respite for women and children; assistance for gaining and maintaining self-sufficiency; and a natural setting which fosters awareness, healing, and growth. The ASWC renovation and expansion project will address urgent repairs, safety upgrades, provide increased housing areas for family groups, and provide a new daycare facility.

The daycare's playground area will provide the selected artist with ample space to create integrated, exterior artwork that encourages natural discovery learning and sensory exploration. AIPP seeks to commission art that complements the healing aspects of the shelter and respects the facility's natural setting and diverse client community. The commissioned artwork should be engaging and safe for children aged 18 months to 12 years old.

REQUEST (CM POOL):

Request for more information on the Small Business Program budget

RESPONSE:

The Small Business Program has an operating budget of \$1.8 million. See page 374 of the [2014/2015 Austin, Texas Approved Budget, Volume One](#).

REQUEST (CM ZIMMERMAN):

Requested Economic Development Department budget information

RESPONSE:

The Economic Development Department (EDD) budget includes Operational and other managed funds managed by the department can be found on page 359 of the [2014/2015 Austin, Texas Approved Budget, Volume One](#)
