




## MEMORANDUM

**TO:** Mayor and City Council

**FROM:** Kevin Johns, Director  
Economic Development Department 

**DATE:** April 12, 2017

**SUBJECT:** Public Comments and Additional Information Concerning Proposed Agreement with Merck Sharp & Dohme Corporation

As you are aware, a public hearing and consideration of an economic development agreement with Merck Sharp & Dohme Corporation (Merck) are on Thursday's City Council agenda. In order to assist you, background information and working documents can be found on our website at [www.austintexas.gov/ecodev](http://www.austintexas.gov/ecodev).

In keeping with the City of Austin process for the review of economic development proposals, attached please find the comments received on the Economic Development Department's website from the public regarding the proposed agreement with Merck. As stated during the presentation on Thursday, April 6, the public was able to submit comments through online forms from Friday, March 31 through Tuesday, April 11. Nine comments were received during this time period and are provided for your review in the attached spreadsheet.

As you may recall, several questions were asked at the April 6<sup>th</sup> City Council briefing regarding the potential Merck IT Hub locating in Austin. The company responded by providing staff insight into their selection process and practices. Responses to the items you have requested are attached.

In proudly keeping with our tradition for transparency in project investments, our department has been ranked at the top of Washington, DC-based nonprofit watchdog [Good Jobs First 2017 and 2015 rankings](#).

If you have any questions regarding this request, please contact me at (512) 974-7802 or the Global Business Expansion Manager, David Colligan at (512) 974-6381.

xc: Elaine Hart, Interim City Manager  
Greg Canally, Interim Chief Financial Officer  
David Colligan, Global Business Expansion Manager, EDD

## City of Austin Economic Development Proposal with Merck

Submission Date	Public Opinion	Email Provided
4/3/2017	Very excited about the opportunity Merck presents to help diversify our local economy. I would like to see companies that come here commit to some level of support to a local trust or fund toward music/art/local business. I believe that works for who we want to be, as well as who we want to be perceived as by others.	brian.boitmann@gmail.com
4/4/2017	Coming from Indianapolis, I have seen firsthand the positive impact of the pharmaceutical technology can have on a city. It has the potential to raise the quality of healthcare for everyone in Austin and will have profound long-term benefits. I fully and wholeheartedly support this proposal.	jonbrewer0217@gmail.com
4/4/2017	Merck is such a corrupt company I would NOT want to work for them.	Anonymous
4/6/2017	Finally a proposal to provide employment within the Central business/government district rather than 183 North, IH35 North and the equivalent corridors from the South including Hwys 290w and 71e jamming up these roadways. Now WORK with the downtown Apartment/Condo owners to entice this Merck employees to live in the Downtown area where they can bike to work. Henry Naizer	hlnaizer@swbell.net
4/6/2017	I am thankful we live in a city that attracts jobs! More jobs the better.	dcbrickley@gmail.com
4/8/2017	Fully supportive. Great jobs for our community and an anchor tenant for the Innovation Zone. Absolute win for Austin.	JHinATX@gmail.com
4/10/2017	I'm in favor of Merck opening its fourth technology hub in Austin! Lucy Enniss	lucy.enniss@gmail.com
4/10/2017	No incentives for Merck Please. They spent 6.5 million in 2016 for lobbying. As for helping the city, I consider "big pharma" a negative. Why not get that Adult Autism center a tax break?  Thanks for your hard work staff and Council members. Regards, City property tax payer.	bradeddins@hotmail.com
4/11/2017	Merck is bringing a PERFECT score on the rating that the city uses to evaluate such opportunities. No company has ever had a perfect score. The benefits are enormous. 600 jobs growing to 1000+. Imagine the property tax revenue and sales tax revenue this will inject into Austin offsetting the \$85k by a factor so large I can't calculate it. Plus all the commitments they have made to support in many ways for city objectives. For all of these reasons, I support bringing Merck to Austin and offering incentives.	deedee7.wilson@gmail.com

Source: Global Business Expansion Division of the City of Austin's Economic Development Department.

**April 12, 2017**

**Responses to inquiries during Austin City Council Morning Briefing (April 6, 2017) regarding a proposal to create an Economic Development Program for Merck Sharp & Dohme Corporate (Merck)**

Request 1: Information regarding the location of the short-term and long term facility.

Response 1: Merck is currently researching short-term space options in, or adjacent to, the downtown Austin area for its temporary office. While Merck has not committed to selecting Austin at this point, the company does have an interest in locating in or near the Innovation Zone or another area in downtown Austin due to proximity of other collaborative partners in our community.

Request 2: Willingness to commit to not appealing property taxes.

Response 2: Merck intends to lease space that is owned by another entity that will control the decision whether or not to appeal property taxes. If Merck were to protest property taxes associated with business personal property, the company has already agreed to terms in the agreement in which the annual payment would be evaluated and could be reduced as a result of their action. As stated in section 1.09 of the Agreement, if the company successfully appeals its property valuation resulting in a lower value, then the City will evaluate the project to determine whether the agreement is still revenue-positive for the City. If it is not, then the City Manager will present Council with a recommendation for adjusting the amount of the incentive commensurate with the reduction in property tax valuation. However, in 2014 staff studied property value appeal behavior among companies holding Chapter 380 agreements and found no evidence of companies with job-based incentive agreements, similar to this proposed agreement, protesting their property valuations (pp 7-8 of Property Tax Appeals Report). A copy of this report can be found on the [Economic Development Department's website](#).

Request 3: Percentage of local hires and intentions to fill jobs with Austin residents.

Response 3: Provided the breakdown of positions in the Business Information Form, staff estimates 50% of the new jobs being filled locally. Merck intends to open the IT hub and quickly ramp-up activity by bringing in high-level talent to on-board and train new hires. Once the level of activity at the new IT hub has stabilized, the company intends to transition new hires into high-talent roles and backfill positions with Austin residents.

The company also understands their on-going role in developing the workforce pipeline is critical and, in order to achieve their goals for staffing an Austin IT hub, the company intends to look for ways to enhance the systems for local talent availability in the coming years. As Merck has previously mentioned, the company cannot succeed without diverse local talent. Provided the approval of the agreement with the City of Austin, Merck is looking to establish "roots in Austin" and as such, local hires are key to not only the company's short-term success but long-term goals. While the per-job performance-based agreement is capped at \$856,000, Merck considers the job creation figures in the Business Information Form to be conservative and they have every intention of exceeding those estimates to the extent possible.

Request 4: Past success in building a workforce pipeline through community partnerships.

Response 4: Merck believes the company's role in developing a workforce pipeline is to work in partner with others - local communities, governments, donors, patient organizations, health care professionals, non-governmental organizations (NGOs), multilateral organizations, and others in the private sector—to leverage their expertise and knowledge. Further statements regarding their intentions to focus on talent management and development, and for building an inclusive workforce, can be found through the company's [Corporate Responsibility Report](#) and Global Diversity and Inclusion Policy.

Examples of programming extended through Merck's community partnerships include:

1. [Moravian College and Merck's Growth through Partnership Program](#)
2. [University and Merck's 4th Annual Grand Business Challenge in Digital Health](#)
3. [The Grand Challenge in Digital Health](#)

Request 5: Jobs created through the project that pay between \$13 and \$24/hour.

Response 5: Merck estimates that the project could directly create approximately ten jobs in this pay range that are primarily administrative positions. The company also anticipates the project could indirectly create approximately 200 jobs with partners that share Merck's values and compliment their internal capabilities. Examples of partnering agencies discussed in *Addendum A*, attached to the Business Information Form, include Jones Lang LaSalle, HCL, Cognizant and Accenture.

Request 6: Transportation Department review of Merck's Alternative Transportation and Telecommuting Policy.

Response 6: The City of Austin Transportation Department applauds the efforts by Merck to locate in a mobility-friendly location and to support alternative modes to address their mobility impact. The Transportation Department is ready and interested to work with Merck on developing a comprehensive response to their mobility needs in a way that minimizes their mobility footprint on our community.

Request 7: Educational opportunities open to all employees or only certain employees.

Response 7: Merck's U.S. Educational Assistance Policy applies to all active employees working for a United States subsidiary of Merck in the United States.

Request 8: Subsidies and support for child care and/or day care.

Response 8: Merck provides the following programs as options for child or dependent care:

1. **Dependent Care Flexible Spending Account** - elect to contribute up to \$5,000 annually on a before-tax basis to pay for certain day-care expenses
2. **Adoption Assistance Program** - Reimburses a portion of the expenses related to domestic and foreign adoptions, up to \$25,000 per child.
3. **Flexible Work Arrangements** - Formal agreements include telecommute, remote work, flextime, compressed workweek, part-time and job sharing. Informal agreements include occasional flexibility (less than six weeks in duration) and the Summer Hours Program in the U.S.
4. **Back-up Dependent Care through LifeCare** - Offers back-up care for healthy children or mildly sick children and adult care. Options include center-based as well as home-based care at a nominal fee

5. **Merck Sponsored Childcare Centers** - Merck offers two childcare centers that are located onsite or close to a Merck site. All centers offer care for infants through kindergarten.
6. **National Childcare Discount Programs** - discount off child care tuition.