



MEMORANDUM

TO: Mayor and Council Members

FROM: Veronica Briseño, Director
Economic Development Department

DATE: January 31, 2020

SUBJECT: Update on Strategic Investment Portfolio

Over the course of the previous calendar year, Economic Development Department staff leveraged a portfolio of strategic investment programs to structure deals that will secure economic mobility for Austin residents while promoting a competitive, sustainable, vibrant and equitable economy for all. This memorandum is meant to provide a summary of activities generated in the 2019 Calendar Year that will provide performance measures to be tracked in subsequent years with a focus on two Strategic Direction 2023 indicators; Skills and capability of the community workforce, Vibrancy and sustainability of the creative industry ecosystem.

In total, twenty-nine companies were able to secure support through the Economic Development Strategic Investment Portfolio. Outcomes include the creation of more than 170 new jobs for individuals facing economic barriers, the retention of at least 1,500 existing jobs, and the retention approximately 140,969 square feet of creative space in Austin. These deals also secured more than \$55 Million of private investment that will generate additional property tax revenue for the City in the years to come. Additional details related to each of the programs and transactions outlined in this memo are included in the attached report.

Business Expansion Incentive Program

In March of 2019, EDD conducted a soft launch the Business Expansion Incentive Program through marketing and promotional efforts with our partners at the Greater Austin Chamber of Commerce and Multi-Ethnic Chamber Alliance. Two economic development agreements were executed under City Manager Spending Authority. Of note, these agreements are Austin's first that feature small, Austin-based companies, commitments that respond to a list of stakeholder-driven Community Benefits codified in program guidelines, and commitments to hire individuals from a Targeted Population.

Creative Space Assistance Program

In response to the Music and Creative Ecosystem Omnibus of 2016, staff proposed revised Art Space Assistance Program guidelines for the creation of a Chapter 380-based program that would help to address preservation of non-profit and for-profit venues that support creative industries in the city of Austin. As outlined in the September 23 [memo to Mayor and Council](#), staff executed agreements with 23 organizations for a total of \$716,904 that would be leveraged to retain approximately 140,969 square feet of creative space in Austin. Staff received incredibly valuable feedback from the community and is administratively working through process improvements before opening an application period for another round of funding in Spring of 2020.

Family Business Loan Program

With funding provided through HUD Section 108 in calendar year 2019, the Family Business Loan Program approved \$296,000 in new fixed asset loans and funded \$105,719.58 of a \$250,000 line of credit product originally approved December 2017. The line of credit product was created in response to Austin's small business community increasing challenges with predatory lending company charging high rates for short-term working capital needs for inventory and receivables. Both approved small businesses are women owned and it is anticipated that they will collectively create nine new jobs in Austin.

Texas Enterprise Zone Program

Over the course of the calendar year, staff presented Council with three local, private expansion projects in healthcare and technology. Support provided by nomination of each project to the State's Enterprise Program secured \$55 million of investment, the creation of 90 new full-time positions and the retention of nearly 1,500 existing jobs in the City. Further, each of these projects progresses outcomes associated with our community values by requiring a percentage of new employment opportunities to be connected to individuals considered "economically disadvantaged," Austin residents located within the Enterprise Zone of the qualified business site or veterans.

Workforce Development Loan

The partnership outlined in the Memorandum of Understanding between Economic Development and Capital Area Workforce Solutions not only allowed for our teams to explore collection of key performance indicators associated with our strategic investment programming but the relationship between our entities is seen as the conduit for success by applicants from the business community. Responsive to [Resolution 20190425-044](#), a \$600,000, no-interest loan to address the relocation and expansion of the North Career Center was executed in June 2019. Staff intends to present additional information regarding the development of this partnership during the next Audit and Finance Committee meeting on January 29, 2020.

As we look to the 2020 Calendar Year, staff is already in the process of connecting with businesses across the city to better understand the type of programming or support that could be beneficial to each realizing their expansion potential and sustainable growth. The department looks forward to bringing more information to Council and the community that speaks to our spectrum of services and proposals for new or modified programming. Further, as stated in the Economic Development Policy of 2018, staff will produce similar annual reporting on the activity of Strategic Investment Portfolio and the alignment of outcomes that support Strategic Direction 2023. Staff will distribute an updated scorecard of key performance indicators and information regarding our services to your offices in the first quarter of 2020 to provide to any business constituents you meet with in the new year.

Should you have any questions or interest in discussing the information reported in this memo, please contact myself or David Colligan at 512-974-6381 or david.colligan@austintexas.gov.

xc: Spencer Cronk, City Manager
J. Rodney Gonzales, Assistant City Manager
David Colligan, Acting Assistant Director, Economic Development

Business Expansion Incentive Program

Over the course of the calendar year, EDD leveraged the Business Expansion Incentive Program – a revised policy on the Chapter 380 Performance-Based Contracts Policy – to execute two economic development incentive transactions. Of note, these agreements are Austin’s first that feature the following: 1) small, Austin-based companies, 2) commitments made by incentivized companies that respond to a list of stakeholder-driven Community Benefits ([City Council Resolution 20170302-034](#)), and 3) commitments made by incentivized companies to hire individuals from a Targeted Population, a subjective term that describes any persons that face barriers to entry into Austin’s labor force.

AllPro Hospitality Staffing

On November 26, EDD executed its first performance-based incentive agreement under the Business Expansion Incentive Program with Turcan Enterprises, LLC DBA AllPro Hospitality Staffing (“AllPro”). AllPro, which provides boutique staffing throughout Austin for hotels, event venues, and gourmet catering options, was ranked No. 3 among small employers in the American-Statesman 2019 Top Workplaces of Greater Austin project. In exchange for a jobs-based incentive agreement that shall not exceed \$60,970, the company commits to collaborating with Workforce Solutions Capital Area to employ a total of 10 new full-time employees from a Targeted Population in addition to delivering community benefits in the form of mobility solutions through 2024.

L’Oca d’Oro, LLC

On December 2, EDD executed its second performance-based incentive agreement in the calendar year with L’Oca d’Oro, LLC (“L’Oca d’Oro”). L’Oca d’Oro, a neighborhood restaurant in the Mueller neighborhood that has been operational since 2016, is seeking an expansion of up to 7 extra meal services during the day. To mitigate the business risk associated with the expansion and facilitate the addition of the required jobs, EDD executed a jobs-based incentive agreement that shall not exceed \$54,040. In exchange, L’Oca d’Oro commits to employing 6 new traditional full-time jobs and 4 new full-time jobs from a Targeted Population through 2024. In addition, the restaurant will deliver Community Benefits in the form local partnerships, sustainable business practices, connections to underserved communities, and mobility solutions through the term of the contract.

Creative Space Award Program

On August 22, City Council approved [Resolution 20190822-20](#), creating the Creative Space Assistance Program (CSAP) as a Chapter 380 economic development program. Through a competitive, panel-reviewed process, 23 organizations – comprised of arts-focused nonprofits, performance spaces, art galleries, and live music venues – received an average award amount of \$28,934 for rent assistance, gap financing, or other space-related needs.

As part of the program, Awardees commit to participating in technical assistance or other capacity building supported by the City of Austin, retention of current job levels, participating in a professional development opportunity for the community, and engaging in career development opportunities with AISD or other school districts operating in Austin.

Texas Enterprise Zone Program

St. David’s Healthcare Partnership, L.P., LLP

St. David’s Healthcare Partnership, L.P., LLP (“St. David’s Healthcare”) is based in Austin, Texas and is a partnership between Round Rock Hospital, Inc. and the local non-profit, St. David’s Foundation. Part of the St. David’s Healthcare, St. David’s Medical Center is a full-service medical center in Austin, Texas

offering a 350-bed acute care hospital and a 64-bed rehabilitation hospital providing comprehensive inpatient and outpatient care. Over the next 5 years, St. David's Healthcare plans to make capacity improvement projects that include the expansion of the Electrophysiology ("EP") and Neurosurgery programs. The investment will result in increased capacity from four to six EP labs, with a dedicated 15-bed pre-op and recovery area. Similarly, an additional 24 medical and surgery beds will support the growth initiatives in Neurosurgery.

On May 23, City Council passed a resolution ([City Council Resolution 20190523-017](#)) that nominated St. David's as an Enterprise Project pursuant to the Texas Enterprise Zone Act. As a result, St. David's Healthcare is eligible receive a maximum estimated State Sales & Use Tax refund of \$1,250,000. In exchange, St. David's Healthcare anticipates investing approximately \$20MM at its primary hospital and commits to creating 50 new full-time jobs while retaining 450 full-time employees for the benefit of the program. Of note, the St. David's Healthcare currently will have 4,376 full-time employees at the project site (919 E 32nd St).

SHI International Corp.

SHI International Corp. ("SHI") is a privately held technology products services company headquartered in Somerset, New Jersey with more than 35 offices around the world. SHI is constructing a new 250,000 square foot, four-story divisional headquarters in Austin located at 3828 Pecana Trail. Over the next five years, SHI will establish a new divisional headquarters that position SHI with the ability to expand their operations and better support a growing customer base.

On November 14, City Council passed a resolution ([City Council Resolution 20191114-009](#)) that nominated SHI as an Enterprise Project pursuant to the Texas Enterprise Zone Act. As a result, SHI is eligible to receive a maximum State Sales & Use Tax refund of \$1,250,000. In exchange, SHI will invest \$25 million into the construction and build out of the new facility. In addition, SHI commits to retaining 500 full-time jobs for the benefit of the program. Of note, SHI will have 977 full-time employees at the project site.

Dell Inc.

Dell Inc. ("Dell") a Delaware corporation headquartered in Round Rock, Texas, was founded by Michael Dell in 1984, then doing business as PC's Limited. Since then Dell has grown into one of the world's largest publicly-traded technology companies. Over the next five (5) years, Dell plans to remodel and improve the current building's infrastructure. The renovations and new equipment will allow Dell to continue to employ highly-skilled individuals and continue offering products and services while contributing to the Austin economy.

On August 22, City Council passed a resolution ([City Council Resolution 20190822-021](#)) that nominated Dell as an Enterprise Project pursuant to the Texas Enterprise Zone Act. As a result, Dell is eligible to receive a maximum State Sales & Use Tax refund of \$1,250,000. In exchange, Dell will invest \$10 million in its facility at 701 East Parmer Lane. In addition, Dell will retain 490 full-time employees and create 40 full-time employees for the benefit of the program. Of note, 1,753 full-time employees currently exist at the project location.

Workforce Solutions Capital Area

[Resolution 20190425-044](#), adopted April 25th, 2019, asked the City Manager to, "recommend options for partnering with Workforce Solutions Capital Area ("WFS") to meet shared goals regarding facilities, funding, and level and location of services". Approved by Council in June 2019, a \$600,000, no-interest loan to WFS has been executed to assist with the new North Career Center facility expansion to avoid potential cuts to client services.

WFS' previous location (6505 Airport Blvd, Ste. 101) was at capacity and would not offer the service capacity needed to meet the goals of the Master Community Workforce Plan. WFS intended to expand capacity to provide workforce development services by moving into a new North Career Center (9001 N, N Interstate Hwy 35, Ste. 110). The North Career Center serves as the community's largest, most comprehensive American Job Center. The new location is 70,508 square feet, which is 32,500 square feet larger than the previous center and will houses over 200 total staff. This expansion offers several public benefits:

- It is in East Austin, to better align with customer needs;
- It has triple the conference room space of the current facility, to accommodate more job seekers, employers, and community demand for collaborative space;
- It has more work stations to accommodate new partnership opportunities, including 42 Vocational Rehabilitation field and administrative staff from the Texas Workforce Commission; and
- It expands customer access to WFS' services: job counseling and matching, job training, job seeker workshops, subsidized child care, employer job fairs, veterans' services, disability employment services, and community-based programs.