PURPOSE

- Focus for Economic Development
  - Goals
  - Challenges
  - Opportunities
  - Solutions
- Review of 380 Agreements and performance
- Local impacts incentivized companies are making in our city
- Incentives discontinued in 2013
- Your incentive program moving forward
- New concepts for additional economic value in Austin
- Presentation from Austin Chamber
FOCUS FOR ECONOMIC DEVELOPMENT:

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.
FOCUS FOR ECONOMIC DEVELOPMENT:

THE CHALLENGES

- Individuals and Families in Poverty
- Hard to Employ Populations
- The Underemployed
- The Rising Cost of Living in Austin
- Demographic Trends
CHALLENGE NUMBER 1: POVERTY

- Over 19 percent of all residents in Austin live in poverty.\(^1\)
- From 2000 to 2011, the Austin metropolitan area recorded the nation’s second fastest increase in the number of poor people living in suburbs.\(^2\)
- The rate of child poverty is disproportionately high, reaching 27.2 percent in 2012.\(^3\)
- Just over 60% of the local public school system children rely on subsidized lunches or other public assistance, a clear indicator of family income, stress, and an important factor in youth education.\(^4\)

Sources:
1 US Census Bureau, 2008-2012 American Community Survey 5-Year Estimates
3 US Census Bureau, 2008-2012 American Community Survey 5-Year Estimates
CHALLENGE NUMBER 2: HARD TO EMPLOY

- Pool of approximately **10,000 individuals in Austin**. Hard to employ for different reasons.
  - Drop-outs
  - Former convicts
  - Individuals with language barriers
  - The homeless

- These populations include individuals that require the most social services, and their employment and self-sufficiency will make a broad impact socially and economically.
CHALLENGE NUMBER 3:

UNDEREMPLOYED

• Population includes:
  • Those employed part-time but seeking full-time employment.
  • Those employed at jobs with responsibilities below their level of skill or education.
• 53.6% of undergrads under 25 were unemployed or underemployed in the US in 2012, according to researchers at Northeastern University and Drexel¹
  • Humanities majors “were among the least likely to find jobs appropriate to their education level”
  • Most likely? Healthcare, education, accounting, computer science
• Up to 800 veterans transition out of military service per month from Fort Hood.

Sources:
¹ http://www.nbcnews.com/id/47141463/ns/business-stocks_and_economy/#.UumUQx8dVCZ
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.\(^3\)
- 2008 study found that 37,600 renters earning less than $20k per year lacked housing stock, even after accounting for subsidized unit and vouchers.\(^4\)

Sources:
1 US Census 2000, US Census 2010
2 Chart, “Travis County Wages, CPI-U,” April 30, 2012 (researched by Austin economist Stuart Greenfield)
3 Texas Department of Housing and Community Affairs
The changing face of Austin:

- White, non-hispanic share of total population has dropped below 50%
- Hispanic population is currently 35% and is estimated to equal the white, non-Hispanic population in 25 years
- 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)
- The absolute number of children continues to grow
FOCUS FOR ECONOMIC DEVELOPMENT:

Technological Progress and Adoption

- Lack of diversity in science and technology based industries:
  - Hispanics make up 7% of STEM workforce.²
  - Women make up 26% of the STEM workforce.²
- Culture is an economic asset that could be leveraged for outreach and service delivery models to reach all constituents.
- Economic development initiatives to align the growing populations of our city with the future of 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

Sources:
1 Austin-Round Rock-San Marcos MSA Job Market Report, Austin Chamber of Commerce.
2 Indicates national figures for STEM employment.
3 Austin Technology Council Annual Presentation to Council.
FOCUS FOR ECONOMIC DEVELOPMENT:

THE SOLUTIONS

• Stabilize inner city areas through commercial revitalization strategies

• Evolution of a world-class workforce through:
  • STEM initiatives and industry interaction
  • Occupational development providers like Capital Idea and Skillpoint Alliance

• Expand small business, technology manufacturing and logistics industries

• International relationships for trade and commerce:
  • Hackney, Mexico City and Sister Cities
  • International Association of Science Parks
  • Creative Ambassadors

• Business recruitment efforts through Opportunity Austin 3.0

• Incentives program

• Predictive Analytics
## STRATEGIC INITIATIVES: ECONOMIC DEVELOPMENT DEPARTMENT

<table>
<thead>
<tr>
<th>Global Business Recruitment and Expansion</th>
<th>Cultural Arts Division</th>
<th>Small Business Development Program</th>
<th>Redevelopment Division</th>
<th>Music and Entertainment Division</th>
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<tbody>
<tr>
<td>• Business Expansion</td>
<td>• mindPOP</td>
<td>• Family Business Loan Program</td>
<td>• Mueller</td>
<td>• ATXPort</td>
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<tr>
<td>• Development of Eco-Industrial Park</td>
<td>• Art in Public Places</td>
<td>• LocallyAustin.org</td>
<td>• Seaholm District</td>
<td>• Austin Music Memorial</td>
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<tr>
<td>• International Trade and Investment</td>
<td>• Faces of Austin</td>
<td>• BizAid Business Skills Classes and Certification</td>
<td>• 2nd Street</td>
<td>• HopeFM First Live Sundays</td>
</tr>
<tr>
<td>• International Welcome Program</td>
<td>• CreateAustin Cultural Master Plan</td>
<td>• BizOpen</td>
<td>• Green Water Treatment</td>
<td>• Music For Kids</td>
</tr>
<tr>
<td>• Sister and Friendship Cities</td>
<td>• Cultural &amp; Heritage Tourism</td>
<td>• Business Solutions Center</td>
<td>• Downtown Redevelopment</td>
<td>• Music Loan Program</td>
</tr>
<tr>
<td>• IC-squared</td>
<td>• Cultural Funding</td>
<td>• ElevateAustin</td>
<td>• Sustainable Places Project</td>
<td>• Music Tourism</td>
</tr>
<tr>
<td>• Austin Technology Incubator</td>
<td>• Take it to the Next Level</td>
<td>• Getting Connected &amp; Meet the Lender</td>
<td></td>
<td>• Outdoor Music Venue Permitting</td>
</tr>
<tr>
<td></td>
<td>• The People’s Gallery</td>
<td></td>
<td></td>
<td>• Music Industry Relations</td>
</tr>
</tbody>
</table>


## ACTIVE FIRM-BASED ECONOMIC DEVELOPMENT INCENTIVE AGREEMENTS

<table>
<thead>
<tr>
<th>Company</th>
<th>Jobs Required³</th>
<th>Investment Required³</th>
<th>City’s Net Benefit²</th>
<th>Council Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athenahealth</td>
<td>607</td>
<td>$7,750,500</td>
<td>$1,665,899</td>
<td>1/30/2014</td>
</tr>
<tr>
<td>National Instruments</td>
<td>1,000</td>
<td>$80,000,000</td>
<td>$7,095,834</td>
<td>3/7/2013</td>
</tr>
<tr>
<td>Visa</td>
<td>794</td>
<td>$27,312,918</td>
<td>$6,860,665</td>
<td>12/6/2012</td>
</tr>
<tr>
<td>HID Global</td>
<td>276</td>
<td>$36,000,000</td>
<td>$2,257,170</td>
<td>9/27/2012</td>
</tr>
<tr>
<td>Apple</td>
<td>3,635</td>
<td>$282,500,000</td>
<td>$14,573,704</td>
<td>3/22/2012</td>
</tr>
<tr>
<td>US Farathane</td>
<td>228</td>
<td>$26,900,000</td>
<td>$459,475</td>
<td>12/15/2011</td>
</tr>
<tr>
<td>Advisory Board Company</td>
<td>239</td>
<td>$8,100,000</td>
<td>$1,406,971</td>
<td>6/23/2011</td>
</tr>
<tr>
<td>Facebook</td>
<td>200</td>
<td>$3,150,000</td>
<td>$312,731</td>
<td>3/11/2010</td>
</tr>
<tr>
<td>Hanger</td>
<td>250</td>
<td>$6,744,335</td>
<td>$924,778</td>
<td>1/28/2010</td>
</tr>
<tr>
<td>Samsung</td>
<td>500</td>
<td>$4,000,000,000</td>
<td>$8,000,000¹</td>
<td>8/18/2005</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>7,729</strong></td>
<td><strong>$4,478,457,753</strong></td>
<td><strong>$43,557,227</strong></td>
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</tbody>
</table>

¹Prior to use of WebLOCI; represents net revenue
²Figure is an estimation calculated through WebLOCI analysis
³Deliverables provided in each agreement
# CITY LEVERAGED STATE COMMITMENTS

<table>
<thead>
<tr>
<th>Company</th>
<th>City’s Incentive</th>
<th>State’s Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athenahealth</td>
<td>$679,500</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>National Instruments</td>
<td>$1,667,575</td>
<td>$4,400,000</td>
</tr>
<tr>
<td>Visa</td>
<td>$1,560,000</td>
<td>$7,900,000</td>
</tr>
<tr>
<td>HID Global</td>
<td>$920,576</td>
<td>$1,900,000</td>
</tr>
<tr>
<td>Apple</td>
<td>$8,600,000</td>
<td>$21,000,000</td>
</tr>
<tr>
<td>US Farathane</td>
<td>$212,695</td>
<td>n/a</td>
</tr>
<tr>
<td>Advisory Board Company</td>
<td>$372,590</td>
<td>$500,000</td>
</tr>
<tr>
<td>Facebook</td>
<td>$200,000</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>Hanger</td>
<td>$500,000</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Samsung</td>
<td>$62,875,194¹</td>
<td>$129,908,917</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$77,588,130</strong></td>
<td><strong>$173,508,917</strong></td>
</tr>
</tbody>
</table>

¹ Estimated before expansion
## PERFORMANCE THROUGH DECEMBER 31, 2012

<table>
<thead>
<tr>
<th>Company</th>
<th>Jobs Required</th>
<th>Jobs Created</th>
<th>Average Annual Salary Verified</th>
<th>Investment Required</th>
<th>Investment Verified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advisory Board Company</td>
<td>109</td>
<td>109</td>
<td>&gt;$90,000</td>
<td>$8,100,000 Due 2017</td>
<td>$3,761,433</td>
</tr>
<tr>
<td>Facebook</td>
<td>140</td>
<td>183*</td>
<td>&gt;$54,000*</td>
<td>$3,150,000</td>
<td>$4,786,529</td>
</tr>
<tr>
<td>Hanger</td>
<td>133</td>
<td>196</td>
<td>&gt;$125,000</td>
<td>$6,744,335 Due 2014</td>
<td>$9,338,854</td>
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<tr>
<td>Samsung</td>
<td>500</td>
<td>2,160</td>
<td>Not applicable</td>
<td>$2,500,000,000</td>
<td>$4,688,496,480</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>882</strong></td>
<td><strong>2,648</strong></td>
<td></td>
<td><strong>$2,517,994,335</strong></td>
<td><strong>$4,706,383,296</strong></td>
</tr>
</tbody>
</table>

* Company verification still pending.

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**LOCAL IMPACT:**

- **Small Business Interaction**
  - Over 200 local companies are interacting with incentivized companies
  - Verified expenditures over $390,000,000 in 2012
The Advisory Board Company provided 5,000 volunteer hours to the Austin community over the past year. Examples include:

- Developing an HR strategy plan for Breakthrough Austin,
- Working with the City of Austin on web application platforms to increase community and corporate volunteerism, developing analytical frameworks and care improvement strategies for multiple community health clinics in the region,
- A number of hands-on activities that include “Saturday Service” events and staffing of a weekly Meals on Wheels route and monthly Ronald McDonald House dinner.

Samsung Austin Semiconductor provided substantial financial grants and volunteer hours in areas such as:

- Early childhood intervention and youth development,
- STEM education and
- Environmental sustainability.

Samsung also sponsored the first ever Samsung Holiday Shop:

- Partnership with Manor ISD at Decker Middle School.
- Collected donations from employees and served over 50 Manor families at the Holiday Shop by providing gifts that were discounted by 90%.
- All proceeds presented to the MISD Student and Family Support Services.
## INCENTIVES DISCONTINUED IN 2013

<table>
<thead>
<tr>
<th>Company</th>
<th>Council Approved</th>
<th>First Performance Year</th>
<th>Performance Years Completed</th>
<th>Cumulative Investment Verified</th>
<th>Total Incentives Paid</th>
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</thead>
<tbody>
<tr>
<td>HelioVolt</td>
<td>10/18/2007</td>
<td>2009</td>
<td>3</td>
<td>$68,807,095</td>
<td>$160,243</td>
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<tr>
<td>eBay</td>
<td>4/12/2011</td>
<td>2011</td>
<td>1</td>
<td>$2,271,544</td>
<td>$0</td>
</tr>
<tr>
<td>LegalZoom</td>
<td>2/18/2010</td>
<td>2010</td>
<td>2</td>
<td>$1,004,341</td>
<td>$20,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$72,082,980</strong></td>
<td><strong>$180,243</strong></td>
</tr>
</tbody>
</table>
MOVING FORWARD

• **Goals for maintaining economic competitiveness:**
  - Focus on development in logistics, technology manufacturing, food and creative sectors, as well as opportunities for hard to employ, those in poverty and working-poor.
  - Economic Development will continue to monitor how recent changes affect potential projects.
  - Our department will dive deeper into local industry needs to align new jobs with workforce organizations.

• **Increased efforts for transparency:**
  - Economic Development was recognized nationally with a perfect score for its online transparency of economic development subsidies and business approach - *Good Jobs First*, June, 2013.
  - Economic Development will deliver additional web-based documents.
  - Increasing level of communication between companies and Economic Development partners, such as SMBR and local civic groups.

• **Two forthcoming recommendations:**
  - Science, Technology, Engineering and Math (STEM) education initiative
  - New initiative to support the growth of the film, television and digital media production industry
QUESTIONS OR COMMENTS?

NEXT: OPPORTUNITY AUSTIN PRESENTATION
BY MICHELE SKELDING, SENIOR VP OF GLOBAL TECHNOLOGY AND INNOVATION