

# City of Austin Chapter 380 Performance-Based Contracts Policy

CITY OF AUSTIN, TEXAS

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# A Drive to Rebound The Genesis of Austin's Economic Development

## THE 2001 TECHNOLOGY RECESSION, THE LOSS OF JOBS, AND THE FINANCIAL IMPACT TO THE CITY OF AUSTIN

The creation of the City's Economic Development Department dates back to 2001 with the creation of the Mayor's Taskforce on the Economy ("Taskforce") and the appointment of (then) Council Members Will Wynn and Betty Dunkerley as co-chairs of the Taskforce. Prior to the 2001 national recession and the dot.com bust, Austin witnessed significant increases in home prices, average wages, and new jobs created. And, Austin was riding high on the rankings bestowed by Forbes Magazine, the Milken Institute, and others. This wave of economic prosperity broke quickly following a high-tech industry downfall that resulted in 17,000 local technology jobs being eliminated and huge losses in the stock market that reduced the worth of local publicly-traded companies. By January 2003, the city's unemployment rate ballooned to 6.2 percent from a historic low in November 2000 of 1.8 percent.



The resulting impact pushed city of Austin sales tax collections deep into negative decline. The City's dire financial condition was summed up best in the July 29, 2004 proposed fiscal year 2004-2005 budget presentation that elaborated on the following:

- For fiscal year 2002-2003, Austin had to close a \$54 million budget gap resulting in reductions to the General Fund of over \$31 million.
- For fiscal year 2003-04, \$38.2 million in General Fund reductions were made.
- And, for fiscal year, 2004-2005, an additional \$19.4 million in reductions was needed to close the gap between revenues and expenses. <sup>1</sup>

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<sup>1</sup> "City of Austin Proposed Budget for Fiscal Year 2004-05" presentation by City Staff, July 29, 2004.

Austin's economic growth prior to 2001 quickly turned into economic recession, with no clear plan for the future and significant cuts to General Fund programs implemented.

## A COMMUNITY FOCUSED ON ECONOMIC DEVELOPMENT TO SHORE UP AUSTIN'S ECONOMY

In November 2002, Council members Wynn and Dunkerely, together with Jon Hockenyos, a local economist and principal of Texas Perspectives, Inc. (TXP), and Bill Hudnot, former Mayor of Indianapolis, Indiana and Senior Fellow at the Urban Land Institute, presented recommendations for a comprehensive economic action plan. At the Council work session, Hockenyos presented his white paper, "Austin's Economic Future: The Intersection of Innovation, Creativity, and Quality of Life"<sup>2</sup>. The white paper provided insight into Austin's economic rise and subsequent fall. In the white paper, Hockenyos outlined Austin's assets that should be seized upon and how Austin could utilize those assets in a New Economy driven by innovation, continuous learning, and adaptation. He noted that Austin's embedded strengths of creativity, innovation and entrepreneurship should be put to use in this New Economy that drives long-term economic success to places that are rich in ideas, filled with talented and educated people, exude physical and cultural amenities, and embody the ability to learn and adapt.

However, as Hockenyos noted in the paper,<sup>3</sup> Austin lacked a singular organization that assumed the responsibility for all the factors that would contribute to the City's long-term development of the local economy. He pointed out that the city was in a position to directly influence the local economy by focusing on three specific areas: traditional recruitment and retention, small business and entrepreneurship, and cultural vitality.

At their November 2002 work session, Council Members Wynn and Dunkerley, presented four (4) recommendations of the Taskforce requesting the City Manager to do the following:

1. Participate in and support three task force subcommittees (Traditional Recruitment and Retention, Small Business and Entrepreneurship, and Cultural Vitality);
2. Review the adequacy of the organizational structure for supporting economic development activities;
3. Establish a program honoring businesses and companies that make important quality of life and job contributions to Austin; and
4. Present a quarterly economic report for the city. These recommendations were accepted in a subsequent Council meeting.

Between November 2002 and April 2003, the Taskforce created and convened the three subcommittees to develop recommendations for a comprehensive economic development initiative. The three subcommittees were comprised of city staff, consultants, and 62 individuals representing local businesses, arts organizations, university officials, bankers, city staff, economists, venture capitalists, the Texas Governor's economic development staff, local chambers of commerce, local workforce development agencies, Liveable City, and Capital IDEA.

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<sup>2</sup> "Austin's Economic Future: The Mayor's Taskforce on the Economy Subcommittee Findings", prepared for the City of Austin, April 9, 2003.

<sup>3</sup> Page 13, "Austin's Economic Future: The Intersection of Innovation, Creativity, and Quality of Life", Jon Hockenyos, Texas Perspectives, Inc., November 20, 2002.



Participants were divided into subcommittees focused on traditional industries, small business, and cultural vitality. The participants focused on how Austin could leverage its strengths of innovation, creativity, and entrepreneurship and direct and indirect roles the city of Austin should take in leveraging these strengths to ensure that the local economy thrives in a global marketplace. The subcommittee's recommendations were compiled into a report, "The Mayor's Taskforce on the Economy: Subcommittee Findings"<sup>4</sup>, which led to the comprehensive economic development initiative and economic development policy in use today, including the first divisions that would comprise the Economic Development Department (small business development, cultural arts, and business retention & recruitment).

On June 12, 2003, the Austin City Council approved a resolution<sup>5</sup> for a comprehensive Economic Development Program for the City of Austin. The resolution authorized the City Manager to take the necessary actions, including administrative changes, to implement the Economic Development Program. Then, on October 28, 2004, the Austin City Council adopted the Firm-Based Matrix<sup>6</sup>, which is the scoring mechanism used to determine whether a Chapter 380 performance-based contract should be provided or not for business recruitments. Austin now had a comprehensive economic development program focused on business recruitment and retention, cultural vitality, and small business and entrepreneurship. This three-pronged approach was fully supported by the Austin City Council. And, the focus on economic development and job creation was in alignment with newly elected Mayor Will Wynn's top priority of job creation.

**Austin's Economic Development Policy and Program are much more than using performance based agreement for job creation – it is a comprehensive approach toward developing a sustainable local economy.**

*"The biggest threat to the economy is for the city to do nothing at a time when some of our brightest and best-trained workers are unemployed. That would be a horrible signal. The budget shortfall has actually inspired us to get back to the table with regard to economic development. One of the reasons why we're having to reinvent the city's economic strategy is because the city didn't need one until recently."*

*- May 18, 2003, Mayor-Elect Will Wynn in an interview with the Austin Business Journal.*

<sup>4</sup> "Austin's Economic Future: The Mayor's Taskforce on the Economy Subcommittee Findings", prepared for the City of Austin, April 9, 2003.

<sup>5</sup> Austin, Texas City Council Resolution No. 030612-15.

<sup>6</sup> Austin, Texas City Council Resolution No. 041028-3.

## BUILDING THE ECONOMIC DEVELOPMENT DEPARTMENT

Austin's Economic Development Department is much more than using performance-based agreement for job creation. The Taskforce leaders utilized a cross-section of community interests to develop recommendations that leveraged Austin's key economic strengths. The diverse representation of workforce development, state agency, college and university, small business, civic organizations, cultural arts, banking, corporate, technology, parks, minorities, artists, and arts institutions ensured that the strengths of Austin's economy would receive increased investment as part of this new economic future. The foundation for a collaborative innovation platform was created. The next key step for Austin was to develop a centralized department that took primary responsibility for implementing the Economic Development Program.

The City's Economic Development Department started as the Redevelopment Services Office and was created through adoption of the City's fiscal year 2001-02 budget. Austin Energy, which is the city's wholly-owned electric utility, funded the Redevelopment Services Office with a \$4.2 million transfer into the city's Economic Development Fund. The benefit to Austin Energy was continued growth in its service area through the attraction of new business and encouragement of local businesses to expand.<sup>7</sup> The Redevelopment Services Office was to work with primary employers that want to relocate to Austin as well as plan for downtown development and the redevelopment of the former Robert Mueller Airport property.<sup>8</sup>

For fiscal year 2002-03, the department name changed to Economic Growth and Redevelopment Services Office to reflect not only a focus on redevelopment, but also a focus on business growth and sensitivity to maintaining Austin's cultural identity. One (1) position was transferred from the Parks and Recreation Department for the "Austin Sense of Place and Cultural Identity" activity. The purpose of the activity was to enrich and enliven public spaces in the downtown area in order to attract new residents, businesses, and visitors.<sup>9</sup> On March 6, 2003, the Austin City Council amended the fiscal year 2002-03 budget to create the Cultural Arts Program within the department for this purpose.<sup>10</sup>

With the June 12, 2003 approval by Austin City Council of a new three-pronged approach to economic development, the Small Business Development activity from the Department of Small and Minority Business Resources was moved into the Economic Development Department as part of the fiscal year 2003-04 budget. Additionally, the fiscal year 2003-04 budget included a formal "Cultural Arts Division" within the department.<sup>11</sup> The adoption of the fiscal year 2004-05 budget for the department marked the final action to fully assemble the full economic development program as envisioned by the Taskforce. A formal Music Division component was added as part of the fiscal year 2009-10 budget. The department now has a team focused on the economic diversity and well being of the city from the vantage points of traditional industries, redevelopment, small business development, and the creative industries sectors of cultural arts, music, film, and digital media.

From the beginning of the department through today, the City's focus for economic development has been to leverage Austin's strengths to support job creation and economic resilience. No other economic development agency in Austin invests more dollars into the local economy than does the Economic Development Department.

<sup>7</sup> City of Austin, Texas Fiscal Year 2000-01 Adopted Budget, Volume IV, Page 128.

<sup>8</sup> City of Austin, Texas Fiscal Year 2000-01 Adopted Budget, Volume IV, Page 135.

<sup>9</sup> Austin, Texas City Council Ordinance No. 030603-07.

<sup>10</sup> "2003-2004 Proposed Budget Presentation", a presentation by City Staff for the Austin, Texas City Council, August 28, 2003.

<sup>11</sup> "2003-2004 Proposed Budget Presentation", a presentation by City Staff for the Austin, Texas City Council, August 28, 2003.

# Austin's Economic Development Approach: Investments in Local Assets

Unlike most economic development organizations in cities across the country, Austin's Economic Development Department is focused on several pillars of the local economy. The multi-faceted strategy is focused on traditional business recruitment, international trade and exporting, small business development, creative industries such as arts, music, and film, and catalytic redevelopment of blighted or underutilized City properties. Defining economic development as supporting Austin's core strengths allows for a comprehensive approach toward developing a sustainable local economy.

## CULTURAL FUNDING & VISUAL ART PROGRAMMING

Utilizing the arts portion of the Hotel Occupancy Tax, the Economic Development Department contracts for services to over 200 local nonprofit arts organizations individual artists. In this current fiscal year (October 1, 2014-September 30, 2015), the Cultural Funding Program is managing 240 nonprofit contractors. Of these, 28, or 16.05%, self-identified as minority. The total allocation to all contractors was \$7,944,327. Of that amount, \$1,275,098 was allocated to the 28 self-identified minority contractors. Listed here are some of the minority contractors:

- Mexic-Arte Museum - The official Mexican-American Museum of the State of Texas. Amongst numerous exhibitions and activities, they also present the Viva la Vida Fest on the Dia de los Muertos holiday.
- Cine las Americas - Produce an annual international Latino film Festival.
- Austin Latino Music Association - Showcase Latino musicians from different genres and present the Idolos del Barrio awards.
- Johnny Degollado - Conjunto musician who also produces a conjunto festival.
- Ballet East - Showcase the work of Latino choreographers.
- Puerto Rican Folkloric Dance Company - The only such dance company in the Southwest, showcasing the dance and culture of Puerto Rico.
- Teatro Vivo - Present Latino plays and the Austin Latino New Play Festival.

## MUSIC PROGRAMMING

ATX Music Industry Census & Needs Assessment Survey is a comprehensive economic development study of Austin's music industry and its workers.

Dub Academy offers 500 deserving teens from the greater Austin area free music classes.

HOPE FM Live! First Sundays encompasses a broad range of live music programming at Plaza Saltillo.

ListentoAIR launched as an online music streaming service to benefit Austin independent artists and listeners worldwide. ListentoAir.com generates distribution channels for independent artists to sell their digital and recorded music. The mobile app spawned from the success of the ListentoAIR web site, which currently has launched over 750,000 streams in over 45 countries.

Austin Music Memorial Annual Induction - The Music Memorial builds a living legacy that threads the past to the present in Austin's musical heritage, and serves as an annual event that unites Austin's citizens in a celebration of our unique culture and the people who have created it. The Economic Development Department facilitates the musician selection and produces the annual induction ceremony that honors deceased local music legends that had a unique and significant impact on Austin's music community.

## WORKFORCE DEVELOPMENT

In the realm of workforce development, the Economic Development Department invests \$1,480,650 annually into Capital Idea and another \$437,833 annually into Skillpoint Alliance. Both organizations focus on providing the skills and education to move the Austin workforce from low-paying jobs to higher paying jobs. Investments in both organizations provide the local talent needed by existing and incoming companies so that external recruitment of talent becomes a second choice.

Other workforce development investments by the Economic Development Department include the following:

Take it to the Next Level Program - Ongoing initiative of workshops, speaker series, and webinars to provide capacity building and professional development to the creative sector.

Urban Artist Development - partnership with Capitol View Arts to offer vocational training, seminars, and networking opportunities specifically targeted to the needs of urban artists to help them monetize their careers and reduce underemployment.

Artist Inc. - Up to 25 local artists, chosen by a selection panel, participated in an eight-week training program that will enhance their business and entrepreneurial skills.

## ECONOMIC DEVELOPMENT'S INVESTMENT PORTFOLIO IS AS DIVERSE AS THE CITY WE SERVE:

Allocates **\$7,944,327 TO 240 NONPROFIT CONTRACTORS** through Cultural Funding Program

Launched **750,000 STREAMS** with Austin independent artists through Music Programming partnership with ListentoAIR to **LISTENERS IN 45 COUNTRIES WORLDWIDE**.

Invests **\$1,918,483 IN CAREER AND OCCUPATIONAL TRAINING** services annually, providing the skills and education to move the Austin workforce from low-paying jobs to higher paying jobs.



Invests **\$308,750 ANNUALLY FOR FUNDING BIO/HEALTH SCIENCES AND WIRELESS INCUBATORS** that are critical for developing industry clusters in each of these areas.

Invests **\$679,750 ANNUALLY INTO MINORITY CHAMBERS OF COMMERCE** that help to develop local businesses by providing them access to skills and business opportunities for growing and expanding.

Invests **\$350,000 ANNUALLY INTO OPPORTUNITY AUSTIN, THE REGIONAL ECONOMIC DEVELOPMENT PROGRAM** that is aimed at fostering job-creating investment in the Austin region.

## SMALL BUSINESS & COMMUNITY ECONOMIC OPPORTUNITY

The Economic Development Department invests \$617,500 annually into three of the four Austin Technology Incubators (ATI), a program of The University of Texas at Austin (UT) IC<sup>2</sup> Institute. Funding for the Clean Energy, Bio/Health Sciences, and IT/Wireless incubators is critical for developing industry clusters in each of these areas. ATI provides strategic counsel, operational guidance, and infrastructure support to its member companies to help them transition into successful, high growth technology businesses. A March 2014 report by UT's Bureau of Business Research concluded that between 2003 and 2012, ATI graduate companies created more than 6,520 direct and indirect jobs, and produced more than \$20 million in local revenue.<sup>12</sup>

The Economic Development Department invests \$679,750 annually into the Greater Austin Asian Chamber of Commerce, the Greater Austin Black Chamber of Commerce, the Greater Austin Hispanic Chamber of Commerce, and the Austin Gay and Lesbian Chamber of Commerce. The chambers of commerce help to develop local businesses by providing them access to skills and business opportunities for growing and expanding.

The Economic Development Department invests \$350,000 annually into the Opportunity Austin program. This regional economic development program is aimed at fostering job-creating investment in the Austin region. Opportunity Austin markets Austin as a desired business location and provides access to data, site information, and talent information for companies interested in locating or expanding in Austin.

Other small business investments and community investments include the following:

**Business Education** - Classroom training for local, small businesses on a variety of business topics through a partnership with UT. Classes are taught by UT Adjunct Professors.

**Business Solutions Center** - A technology center located on the 1st floor of One Texas Center that provides small business owners with access to online business research tools. The Business Solutions Center also provides "How To" and "Where To Go" information, and serves as a portal to City services for small businesses.

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<sup>12</sup> March 15, 2014 news release by The University of Texas at Austin, "AustinTechnology Incubator Generates Thousands of Jobs and Millions in Economic Impact".

**BizOpen** - Helps small business owners navigate the City's complex development and permitting processes. BizOpen offers one-on-one assistance and an overview class on the City's development process.

**Commercial Regeneration Program** - This new program is being rolled out to provide support and enhancement to Austin's commercial corridors in challenged areas to enhance the viability of commercial clusters, promote local job creation, and provide neighborhoods greater access to retail and services.

**Global Business Matching Program** - Leading over 184 visiting international delegations during fiscal year 2014-15. The majority of these delegations sought business introductions and collaborative opportunities with local companies or educational/ cultural organizations. A short list of the business delegations include: young entrepreneurs from Argentina; photovoltaic delegation from Brazil; ICT from Chile; Power Market Management Systems Group from Colombia; oil and gas industry representatives from Mexico; and digital media industry representatives from Spain.

**International Events Calendar** - The growth of diversity in Austin's community drives the need for a comprehensive calendar, which provides a resource for individuals interested in exploring our numerous global, cultural, and educational and business offerings. As a result, a partnership with GlobalAustin was established to create Austin's International Events Calendar: [www.internationalaustin.org](http://www.internationalaustin.org).

**LocallyAustin.org** - This online map allows residents and visitors the tool to discover the many locally-owned, small businesses that give Austin its treasured and unique character. LocallyAustin.org gives locally-owned, small businesses a greater presence online, increasing their chances of attracting customers.

**Technical Assistance** - This service provides one-on-one coaching and technical assistance with starting a business, writing a business plan, developing a marketing plan, basic financial management and preparing to apply for a business loan.

**BONUS - Austin / Mexico Creative Sector Development** - The Economic Development Department is working with the organizers of BONUS Creative Week in Mexico, representatives of Mexico's regional and federal governments, and representatives of various educational and industry trade associations in Mexico to find ways to enhance creative sector business and cultural opportunities between Austin and Mexico.



## FINANCING

**Business Retention and Enhancement Program** - Supports the re-establishment of Congress Avenue and East 6th Street as retail and urban entertainment destinations by providing low-interest loans to existing businesses displaced by growth or businesses wanting to locate into this area.

**Creative Content Incentive Program** - Increases Austin's competitive advantage for bringing in film, television and digital media eligible projects through the use of an incentive equal to 0.5%-0.75% of the wages paid to local workers.

**Family Business Loan Program** - A public-private partnership between the Economic Development Department, the U.S. Department of Housing and Urban Development, and local banks, this program requires borrowers to create one job for every \$35,000 borrowed, and 51% of individuals hired must be deemed low to moderate income as defined by federal levels.

**Immigrant Investor Program** - Opens the door to foreign capital in areas of the City with particular need for investment dollars and new jobs. High unemployment census tracts have been designated as Targeted Employment Areas with the US Citizenship and Immigration Services (USCIS). Foreign investors may become eligible for an EB-5 Visa if they invest at least \$500,000 in a workplace creating 10 jobs within a TEA. In addition to Asia, many investors come from South and Latin America.

**Micro Loan Program** - An alternative financing option for qualified borrowers, characterized by smaller dollar amounts in order to meet the relatively modest needs of business in the early stages of growth.

**Music Venue Assistance Program** - This program offers low interest micro loans to qualifying establishments for the purpose of enhancing the sound quality of indoor and outdoor venues, while reducing sound impact to neighboring uses.

**Industrial Revenue Bonds** - Through the Austin Industrial Development Corporation, this program is used to issue bonds to finance all or part of the cost of commercial, industrial, or manufacturing projects to promote and develop commercial, industrial, and manufacturing enterprises in support of employment.

The department now has a team focused on the economic diversity and well-being of the city from the vantage points that include:

- Traditional industries recruitment
- Redevelopment
- Small business development
- The creative industries sectors of cultural arts, music, film, and digital media



## SPECIAL EVENTS & PROJECTS

Formula One Fun Fest (2012) and various stages (2013) - In 2012, the Economic Development Department worked with a group of minority music groups (some were education-based Cultural Funding Program recipients), and together produced a stage on Congress Avenue as part of the three-day Formula One Fan Fest. They were a culturally diverse group that featured musicians and entertainers showcasing Austin's cultural talent to an international audience. The goal was to highlight the cultural diversity of Austin through music & dance performances, visual art installations, and art-making activities.

Selected Performers were: Texas Folklife presents (Mariachi Corbetas, Conjunto Clemencia, Ponty Bone), The Cipher, Interfest Presents (Naga Valli, Omar Lopez with String Phoenix, Texas Bhangra), David Giribaldi, Roy Lozano's Ballet Folklorico, Austin Taiko, Capitol View Arts, Interfest presents (Eastside Blues Syndicate, Layalina, Tio Jacare and Austin Samba School), Puerto Rican Folkloric Dance, Inside Out Steelband, Lannaya West African Drum and Dance Ensemble, Austin Jazz Workshop, Academy of Tango and Estampas del Sur, Spunshine/Sangre del Sol, Interfest presents (John Arthur Martinez, Joel Guzman, Sarah Fox, Patricia Vonne, Pilar Andujar, St. Edward's University Ballet Folklorico), and various street performers and activities.

International Welcome Program - A program to welcome newcomers to help them to quickly feel at home in Austin. The program helps individuals navigate through Austin's systems and is designed to help immigrant families feel more comfortable with local schools, law enforcement, public transportation, finances, housing, etc. There are also sessions on how to start a small business and how to access City resources such as public libraries. This program matches newcomers to local volunteer ambassadors through community groups that have signed on as International Welcome Ambassador Organizations.

Sister, Friendship, and Science Cities Programs - These international partnerships foster friendly relations and economic development initiatives between citizens of Austin and our thirteen sister, four friendship, and ten science cities around the world.

Special Project - Imagine Austin Creative Economy Priority Program - This priority program is managed and led by the Economic Development Department. Cross department and division City teams work on implementation of Imagine Austin through strategies to "grow and invest in Austin's creative economy" for all of Austin.

Special Project - Cross-Cultural Artistic Exchange between the U.S. and China - A one-time cultural exchange celebrating friendship between communities and cultures between Austin, Texas and Yunnan Folk Song & Dance Ensemble of the People's Republic of China.

# Local and National Recognition for a Distinctive Economic Development Program

Locally, Austin's approach to defining economic development has earned the department numerous local awards. The accolades represent the community's embracement of using Austin's existing strengths to catapult economic development.

**2011:** *Liveable City Award for Economy* for the Economic Development Department's Small Business Program.

**2012:** *Envision Central Texas Heritage Society Award* for the Economic Development Department's efforts in Downtown Austin.

**2013:** *Austin Chapter of the Urban Land Institute "Development of Distinction" Public Impact Award* for Mueller Lake Park, which is part of the Mueller Redevelopment project being led by the Economic Development Department.

**2014:** *YMCA Community Partner of the Year Award* for the Economic Development Department's Art in Public Places Program.

And, Austin's distinctive approach toward economic development has garnered numerous awards from the *International Economic Development Council (IEDC)*, including:

**2011:** *Gold Award for Public-Private Partnerships* for the Economic Development Department's 2<sup>nd</sup> Street District project which catalyzed development in the southwest quadrant of Downtown Austin.

**2012:** *Gold Award for Entrepreneurship* for the Economic Development Department's Small Business Program, which is the largest division of the department and wholly focused on supporting local, small businesses.

**2013:** *Gold Award for Advertising Campaign* for the Economic Development Department's LocallyAustin.org program for supporting local, small businesses.

**2013:** *Gold Award for Excellence in Responding to Globalization* for the Economic Development Department's Global Commerce Strategy.

Additionally, Austin's local economic development efforts are supported at the national level through grants that support the continued focus on local assets.

**2014:** Awarded a \$1 million Economic Development Administration grant in partnership with Austin Resource Recovery for the creation of Austin's first eco-industrial park, which will be a manufacturing hub for processing Austin's recyclable waste.

**2014:** Awarded \$656,500 through two grants from ArtPlace America in partnership with Fusebox and thinkEAST to create a 24-acre art village on a former brownfield site and to map and identify Austin's cultural assets.





# Targeting Traditional Industry Sectors and Growing New Industry Sectors

Through Council Resolution No. 030612-15, the Economic Development Department is directed to work with chambers of commerce to identify diverse industries and to coordinate the recruitment of those industries for the purpose of job creation. A target industry or company is one that has been evaluated in the context of national performance over both the short term and the next ten years; has been reviewed in the scope of the regional economy and related clusters; has been evaluated against the region's competitors and comparative advantages; and, is consistent with Austin's values and vision for its economy as determined by community and stakeholder sentiment.

The Greater Austin Chamber of Commerce (GACC) has been commissioned by the City of Austin and other regional governments and economic development entities to promote the Austin area to these targeted industries and companies since 2004, through a campaign known as "Opportunity Austin." The Economic Development Department has been the largest financial contributor to Opportunity Austin since its inception. Opportunity Austin, now in its third iteration, has identified five key industries for future economic development - based off of the progression of industry and resources available for immediate growth and development in our region.

Focusing on multiple industry sectors promotes economic growth and sustainability and stability during fluxes in the national and international economies. Diversifying Austin's portfolio of traditional employment sectors is a strategy to safeguard against job layoffs. Whether large industry sectors begin to slow down and eliminate jobs or an individual large employer makes employment adjustments, Austin's economy is adaptable and resilient through a diversification strategy.

And, through a diversification of traditional industry sectors, new opportunities are created for hard-to-employ individuals as well as families that are in poverty and those looking to advance into or up from the middle-class. The Economic Development Department has identified seven other industries and niche areas that will bring these new opportunities and that compliment Opportunity Austin target markets. In an effort to strategically position Austin for growth in these sectors, the Economic Development Department will look to prioritize projects and means of securing investments for development in these targeted sectors.



## OPPORTUNITY AUSTIN TARGETED INDUSTRY SECTORS



### ADVANCED MANUFACTURING

Consists of research and development/engineering centers, high tech manufacturing (esp. semiconductor, computer & electronics), and general manufacturing facilities.

#### SAMPLE JOBS AND WAGES

##### **Electrical engineering technician**

Entry: \$64,463    Median: \$93,368

##### **Electromechanical equipment assembler:**

Entry: \$20,426    Median: \$25,351

##### **Electric and Electric equipment assembler:**

Entry: \$20,429    Median: \$25,351

##### **Semiconductor processor:**

Entry: \$23,035    Median: \$36,526

##### **Machinists**

Entry: \$29,111    Median: \$44,136



### CLEAN ENERGY & POWER TECHNOLOGY

Consists of clean/renewable energy technologies, storages/efficiency & management technologies, green industries, and traditional energy.

#### SAMPLE JOBS AND WAGES

##### **Hydrologist:**

Entry: \$52,823    Median: \$72,141

##### **Environmental Science and Protection Technician**

Entry: \$30,150    Median: \$47,523

##### **Civil Engineer**

Entry: \$64,465    Median: \$88,605  
Experience: \$109,386

##### **Natural Science Manager**

Entry: \$91,440    Median: \$116,572

##### **Materials Scientist**

Entry: \$57,862    Median: \$79,707



### CREATIVE & DIGITAL MEDIA

Consists of eCommerce and (mobile) payment technology, education technology, game and mobile app development, hardware/enabling technology, music and film technology, social media and digital content, software/information technology, and visual effects/common gateway interface (CGI)/animation

#### SAMPLE JOBS AND WAGES

##### **Web Developers**

Entry: \$40,639    Median: \$62,265

##### **Software Developer, Systems Software**

Entry: \$64,803    Median: \$101,266

##### **Computer Programmer**

Entry: \$56,116    Median: \$79,210

##### **Sound Engineering Technician**

Entry: \$27,686    Median: \$51,255

##### **Software Developer, Applications**

Entry: \$65,220    Median: \$95,239

## OPPORTUNITY AUSTIN TARGETED INDUSTRY SECTORS



### CORPORATE HEADQUARTERS & REGIONAL OFFICES

Targets industry-wide corporate headquarters and regional offices.



### LIFE SCIENCES

Consists of pharmaceutical & biotech development, medical device, and healthcare information technology

#### SAMPLE JOBS AND WAGES

##### **Biomedical Engineers**

Entry: \$66,536    Median: \$97,914

##### **Biochemist and Biophysicist**

Entry: \$55,461    Median: \$72,009

##### **Life, Physical, And Social Science Occupations**

Entry: \$35,811    Median: \$57,520

##### **Medical and Clinical Laboratory Technologist**

Entry: \$26,348    Median: \$49,316

##### **Biological Technician**

Entry: \$31,255    Median: \$44,039



### SPACE TECHNOLOGY AND EXPLORATION

Consists of companies in the field of satellites, launch providers, spacecraft components, in-space services, software and robotics.

#### SAMPLE JOBS AND WAGES

##### **Mechanical Engineers**

Entry: \$59,748    Median: \$82,563

##### **Electrical Engineer**

Entry: \$65,471    Median: \$93,295

##### **Aerospace Engineer**

Entry: \$65,450    Median: \$103,720

##### **Aerospace Engineering and Operations Technician**

Entry: \$49,760    Median: \$62,680



## COA ECONOMIC DEVELOPMENT DEPARTMENT ADDITIONAL TARGETED INDUSTRY SECTORS



### ADVANCED MANUFACTURING, DISTRIBUTION & LOGISTICS

Consists of organizations that are engaged across all arrangements in the intermodal supply chain.

#### SAMPLE JOBS AND WAGES

##### *Transportation, Storage & Distribution Managers*

Entry: \$60,424    Median: \$88,413

##### *Wholesale and Retail Buyers*

Entry: \$31,992    Median: \$50,276

##### *Transportation and Material Moving Occupations*

Entry: \$18,240    Median: \$27,052

##### *Logistician*

Entry: \$55,833    Median: \$78,433

##### *Shipping, Receiving, Traffic Clerks*

Entry: \$19,360    Median: \$26,773



### CREATIVE SECTOR

The Creative Sector is defined by six broad categories of activity: music, film and visual media, gaming and digital media, not-for profit arts groups, visual arts, and culture-related tourism

#### SAMPLE JOBS AND WAGES

##### *Audio and Video Equipment Technician*

Entry: \$16,127    Median: \$34,352

##### *Camera Operators, Television, Video & Motion Picture*

Entry: \$20,709    Median: \$36,610

##### *Sound Engineering Technician*

Entry: \$27,686    Median: \$51,255

##### *Graphic Designer*

Entry: \$31,969    Median: \$43,595

##### *Computer Programmer*

Entry: \$56,116    Median: \$79,210



### FASHION

Engages all aspects of the fashion supply chain: design, manufacturing, and distribution.

#### SAMPLE JOBS AND WAGES

##### *Sewing Machine Operators*

Entry: \$17,361    Median: \$22,667

##### *Pressers, Textile, Garment, and Related Materials*

Entry: \$17,001    Median: \$19,536

##### *Tailors, Dressmakers, and Custom Sewers*

Entry: \$16,975    Median: \$23,801

##### *Textile, Apparel, & Furnishings Workers*

Entry: \$16,822    Median: \$18,769

##### *Wholesale and Retail Buyers*

Entry: \$31,992    Median: \$50,276

## COA ECONOMIC DEVELOPMENT DEPARTMENT ADDITIONAL TARGETED INDUSTRY SECTORS



### FOOD SECTOR

Includes agriculture, food-related manufacturing & distribution, food consumed at home, eating & drinking places, and food waste.

#### SAMPLE JOBS AND WAGES

##### **Bakers**

Entry: \$18,918    Median: \$23,622

##### **Food Batchmakers**

Entry: \$18,004    Median: \$22,808

##### **Food Preparation & Serving Related Workers**

Entry: \$16,732    Median: \$17,999

##### **Food-Line Supervisor/Managers of Food Preparation**

Entry: \$20,982    Median: \$29,191

##### **Food Service Managers**

Entry: \$35,363    Median: \$50,687



### LIFE SCIENCES AND TECHNOLOGY INTEGRATION

Life Sciences consist of pharmaceutical & biotech development, medical device, and healthcare information technology

#### SAMPLE JOBS AND WAGES

##### **Biomedical Engineers**

Entry: \$66,536    Median: \$97,914

##### **Biochemist and Biophysicist**

Entry: \$55,461    Median: \$72,009

##### **Life, Physical, And Social Science Occupations**

Entry: \$35,811    Median: \$57,520

##### **Medical and Clinical Laboratory Technologist**

Entry: \$26,348    Median: \$49,316

##### **Biological Technician**

Entry: \$31,255    Median: \$44,039



### MOBILITY INNOVATIONS: AUTOMOTIVE & AEROSPACE

Leverages existing assets and anchor firms in the automotive and aerospace sectors to increase Austin's presence in developing advanced technologies and manufacturing within the industry. Consists of companies in the field of satellites, launch providers, spacecraft components, in-space services, software, robotics, electrical power systems, renewable fuels, and engine control systems.

#### SAMPLE JOBS AND WAGES

##### **Mechanical Engineers**

Entry: \$59,748    Median: \$82,563

##### **Electrical Engineer**

Entry: \$65,471    Median: \$93,295

##### **Aerospace Engineer**

Entry: \$65,450    Median: \$103,720

##### **Aerospace Engineering and Operations Technician**

Entry: \$49,760    Median: \$62,680

##### **Engine and Other Machine Assembler**

Entry: \$24,947    Median: \$37,718

## COA ECONOMIC DEVELOPMENT DEPARTMENT ADDITIONAL TARGETED INDUSTRY SECTORS



### ZERO WASTE

Comprises all efforts around recycling, remanufacturing, and reducing dependence on raw materials. The Department intends to focus efforts on industry that utilize recyclables as raw materials in the production of new products.

#### SAMPLE JOBS AND WAGES

##### ***Hydrologist:***

Entry: \$52,823    Median: \$72,141

##### ***Environmental Science and Protection Technician***

Entry: \$30,150    Median: \$47,523

##### ***Conveyor Operators and Tenders***

Entry: \$26,313    Median: \$29,571

##### ***Extruding, Forming, Pressing & Compacting Machine Settlers, Operators. & Tenders***

Entry: \$20,664    Median: \$28,032

##### ***Industrial Truck and Tractor Operators***

Entry: \$20,466    Median: \$27,631



# Chapter 380

## Investing in the Future of Austin

In the realm of economic development, there are many tools and programs that can be used for creating jobs within communities. To say that monetary incentives for business recruitment is the only means for creating jobs is akin to using only one type of bait for catching fish. Austin's approach is to use a multitude of tools to support the local economy, including investment in small business programs, infrastructure, quality of life, arts, music, workforce development, catalyst regeneration projects, technology incubators, and minority chambers of commerce.

### AUSTIN'S COMPETITIVE ADVANTAGE

Austin has many advantages above other locations in the country and the globe. To begin with, Austin is recognized as having a talented workforce. Businesses are attracted to Austin because 44% of the population possesses an undergraduate degree, and there are 181,191 students in 29 colleges and universities within a 60-mile radius of Austin. These factories of talent produce a steady stream of future employees.

Austin is known as having a great quality of life and has a great geographic location within the state and the country. Our quality of life embodies amenities such as the hike-and-bike trails, the Highland Lakes, parks such as Arboretum and Zilker, year-round festivals and activities, local restaurants, and much more.



With regard to geographic location, our centralized location and central time zone offers businesses an opportunity to access both ends of the coast in short timeframes to conduct more business in a workday. Austin's proximity to Mexico and location along the NAFTA corridor offer a prime location for companies that trade regularly with Mexico.

And, Austin is in a state known for a low business cost environment. Companies look at Austin

and Texas because there is no statewide personal income tax and Texas is a right-to-work state. Businesses in high cost environments are looking for areas to expand their operations where costs are reasonable.

Many companies choose to locate in Austin because of inducements such as superior quality of life, access to talent, and low business cost environment.

## USING CHAPTER 380 UNDER THE RIGHT CIRCUMSTANCES

The 2003 Taskforce Report noted the City of Austin should be willing, under the right circumstances, to create a shared investment with firms that are either relocating or expanding to Austin. The Taskforce identified Texas Local Government Code Chapter 380 as the preferred vehicle, due to its simplicity and flexibility. This portion of Local Government Code became effective in 1987 when Texas voters approved a constitutional amendment that “provided grants of monies for economic development to serve a public purpose.”

Chapter 380 provides legislative authority for Texas municipalities to establish and provide financial programs that promote state and local goals for economic development. Such measures for the use of this program include the creation of jobs and the expansion of the tax base. The City’s use of Chapter 380 was authorized as part of the creation of the City’s Economic Development Policy and Program via Council Resolution No. 030612-15.

The utilization of incentives for business recruitment and expansion is a norm across the country and across the world. In order to compete in this global environment of incentives, Austin uses its Chapter 380 performance-based contracts program<sup>13</sup> to bring about targeted business expansions and recruitments that return benefits to the Austin community. In November 2014, Site Selection magazine published a chart of financial assistance programs offered by each state. Every state provides some form of financial assistance programs, some provide more than others. In January 2015, the IEDC released a report, “Seeding Growth: Maximizing the Return on Incentives,” which included an estimate of over 1,800 state incentive programs in 2013.

Chapter 380 is used as the most powerful tool for anchoring competitive projects that can catalyze positive change in the Austin region. In the past, this meant using Chapter 380 as a means for diversifying our economy rather than relying on one or two industry sectors. Today, as Austin is ranked first in overall economic performance and holds an official unemployment rate of 3.8%, the vision for utilizing this tool is shifting to focus on creating opportunities for those hard-to-employ individuals, as well as families that are in poverty and for those looking to advance into or up from the middle-class. And, there are areas of Austin where the unemployment rate remain unacceptably high not just for adults, but also for youth.

The Economic Development Department’s vision is to create opportunities for hard-to-employ individuals as well as families that are in poverty and those looking to advance into or up from the middle-class.

As we embrace this vision, the City of Austin looks to eight key target markets that will continue to diversify and strengthen our industry ecosystems, cultivate a new generation of entrepreneurs, and bring innovative employment opportunities for all Austinites. While Chapter 380 is a fluid tool that is intended for strategic and competitive use, it also ensures that that Austin's community values are represented in each project. As this program continues into the future, leadership and residents alike can be assured that the investments made toward a sustainable economy are inclusive of public input, transparent, and only provided to promote a higher-value for the City of Austin.

## SECURING COMMUNITY VALUES THROUGH STRATEGIC INVESTMENTS

Austin's economic development policy is structured in such a way that we measure the merits of the project and determine whether they meet or exceed the goals to be achieved through using a Chapter 380 performance-based contract. Should the public benefit goals be met or exceeded, Austin will propose a competitive offer that provides a financial benefit to the company and to the City and obligates the company to achieve the desired public benefits. Chapter 380 performance-based contracts are used as a means to secure quality jobs to Austin, seed and grow desired industry sectors, create contracting opportunities for local businesses, increase the City's revenue streams, and diversify Austin's economic base.

Austin's competitive advantage is providing a business friendly location that also has an identity defined by our quality of life standards.

The impact of a well-run Chapter 380 performance-based contracts program, such as Austin's, provides current and long-lasting economic benefits. With regard to Chapter 380 performance-based contracts for business recruitment and expansion, Austin is very clear on its guiding principles for utilizing this tool. Specifically, the provision of Chapter 380 performance-based contracts must be done under the right circumstances and carefully designed to maximize benefits to Austin while minimizing costs. Local benefits such as the creation of higher paying and higher quality jobs, growing local industry sectors, increasing annual revenue to the City, diversifying the economy, and developing contracting opportunities for local businesses must be achieved when engaging in Chapter 380 performance-based contracts.

The City's Chapter 380 program seeks to maximize the opportunity for a local impact. This is done by creating relationships with our small and minority businesses and also creating relationships with our community groups. Recently, the Economic Development Department has utilized the Chapter 380 performance-based contracts program to secure additional local benefits. In the U.S. Farathane Chapter 380 performance-based contract, the company agreed to develop a hiring program with the Austin/Travis County Reentry Roundtable organization, whose work involves reintegrating formerly incarcerated persons into the workforce. Successful reentry lowers recidivism rates and decreases public costs for courts, incarceration facilities, and other publicly subsidized programs.

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<sup>13</sup> State Incentive Programs, Chart 1: Financial Assistance for Industry, Site Selection Magazine, November 2014.

Within the National Instruments Chapter 380 performance-based contract, the company agreed to continue its local Science, Technology, Engineering, and Math (STEM) outreach program efforts, including connecting at least 1,000 students to its STEM programs each year. STEM programs, such as those supported by National Instruments, develop a local pipeline of talent by investing in the future workforce of Austin. The introduction of young minorities and girls to STEM programs is intended to increase their desire to pursue degreed programs in STEM fields and, ultimately, their entry into high-paying STEM careers.

Through Council Resolution No. 20131024-056, a company can be considered for additional bonus contact amounts for the following:

- Placing economically disadvantaged workers in at least 10% of the new, full-time jobs.
- Developing and implementing a program for recruiting ex-offenders and providing employed ex-offenders with continuing education services.
- Placing City of Austin residents in at least 75% of the new, full-time jobs.
- Developing a program to encourage employees to use alternative transportation modes through Transportation Demand Management strategies such as carpooling, flextime work schedules, and subsidizing transit costs for employees.
- Committing to obtaining LEED certification silver or above for the project.
- Ensuring that employees and/or construction workers are provided workforce development services through nonprofits that contract with the City of Austin or apprenticeship/training programs registered with the Department of Labor, or making a monetary donation to a workforce training program approved by the City of Austin.
- Providing an on-site day care facility for employees that may be open to the public, and/or providing subsidized daycare for employees.





# A Process Built on Safeguarding Austin's Resources

The consideration of a Chapter 380 performance-based contract is a process that does not take place “behind closed doors” at the City of Austin. The following tools and process depict the information, assessment, and time required for considering a Chapter 380 performance-based contract.

## THE BUSINESS INFORMATION FORM

The purpose of the Business Information Form (BIF) is to collect all the pertinent company and project information that enables staff to research a potential project; to inform the Firm-Based Matrix scoring process; and to use as inputs into the WebLOCI fiscal impact analysis. Examples of information collected through the BIF include whether other non-Austin locations for the project are being considered, a description of the project, jobs to be retained and created, local hiring levels, wages paid, capital investment to be made, utility usage, employee benefits and opportunities, hiring practices, procurement practices, and community outreach programs and charitable volunteer/giving programs.

## 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 several stakeholders, staff implemented WebLOCI, which is a fiscal impact analysis tool developed used by over 300 chambers of commerce and economic development agencies. Over 300 economic development agencies use this fiscal impact analysis tool, which was developed by Georgia Tech.

Staff uses data captured from the BIF as inputs into WebLOCI in order to estimate city 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

As part of Resolution No. 030612-15, the City Council adopted a Firm-Based Project Scoring Matrix (“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.

## THE CHAPTER 380 PERFORMANCE-BASED CONTRACT PROPOSAL

As described above, only projects that meet the Matrix minimum criteria and score at least 60 points are considered. And, as a matter of practice, only projects that are cash positive are considered, meaning that the City earns a profit after factoring additional incremental City operating costs related to the project and the financial offer itself. Upon completion of the research (informed through the BIF), project qualification (utilizing the Matrix), and fiscal impact (utilizing WebLOCI), staff develops a Chapter 380 performance-based contract proposal, which is put in the format of a letter from the City Manager to the company. The City develops a Chapter 380 proposal from the net profit that is calculated from the project. The City currently has two options for financing the Chapter 380 proposal: (1) refunding a portion of property taxes paid by the company on a significant capital investment, or (2) developing a "per job" payment structure for projects that are not capital intensive. Per Council Resolution No. 20141211-221, the City will not offer a Chapter 380 proposal based on a property tax refund for projects locating in a tax increment finance district on City-owned property. The City Manager's letter includes the City's Chapter 380 performance-based contract proposal and stipulates conditions upon which the company must agree in order for the Chapter 380 proposal to be presented to Council for consideration.

If a company accepts the city's Chapter 380 performance-based contract proposal, an agreement is drafted that outlines the annual obligations the company must meet in order to receive each year's contract

payment. Obligations of the company include the minimum criteria as set forth in the Matrix as well as other obligations Council has requested through previous Council resolutions and ordinances. The draft contract is submitted to City Council as a Chapter 380 performance-based contract proposal.

## PRESENTATION OF CHAPTER 380 PROPOSAL TO THE PUBLIC AND TO CITY COUNCIL

The City of Austin's public engagement process for Chapter 380 performance-based contract proposals was enhanced through Ordinance No. 20091001-011. In effect, the Chapter 380 proposals require two City Council meetings. The enhanced process includes the following:

- The Chapter 380 proposal is placed on the Council agenda as a time-certain agenda item with a staff presentation on the proposal. The public is allowed to comment on the Chapter 380 proposal at this Council meeting.
- The Chapter 380 proposal, Matrix, BIF, WebLOCI analysis, and proposed contract are announced in a press release and made available to the public no later than the sixth day before the Council agenda item with the staff presentation. All of this information is posted to the Economic Development Department website.
- An online comment portal is setup to collect public comments. All comments received are forwarded to the City Council prior to the second Council meeting.
- The second City Council meeting includes a public hearing and City Council action.

## AGREEMENTS ARE PERFORMANCE-BASED AND COMPLIANCE IS REVIEWED ANNUALLY

As part of Resolution No. 030612-15, Council requires all Chapter 380 agreements to be performance-based, meaning the company must demonstrate its compliance annually in order to receive that year's contract payment. No upfront incentives are allowed. Every year, the Economic Development Department reviews the company's compliance with the contractual requirements, and an independent, third-party reviews the department's annual review. City Council added the requirement of an independent, third-party review through Ordinance No. 20090312-005. If both annual reviews confirm compliance, then the company is deemed to have fulfilled its annual obligations, and the contract payment is made for that year. All contract payment information can be found on the Economic Development Department website. Because the City utilizes a performance-based contract system and no upfront incentives are allowed, there is no need for clawbacks. Clawbacks are contained in agreements when a company is paid incentives upfront before meeting any obligations.

## MONITORING THE FISCAL IMPACT

In December 2014, Council approved Resolution No. 20141211-221, which provides for adjusting the Chapter 380 performance-based contract amount if the agreement is no longer revenue positive for the

City due to a successful property tax valuation protest by the company. In connection with the annual review of each Chapter 380 performance-based contract, the Economic Development Department is directed to determine whether the company's property tax valuation has been lowered as a result of a successful protest. To the extent an agreement is no longer revenue positive for the City, due to the successful protest, a recommendation shall be presented to the City Council to adjust the Chapter 380 performance-based contract amount commensurate with the reduction in property tax valuation. Therefore, the Economic Development Department will work alongside the Travis Central Appraisal District to monitor whether a company receiving a Chapter 380 performance-based contract has successfully appealed its property tax valuation, and the department will perform an analysis to determine whether the agreement is no longer revenue-positive for the City.



# The Best Practices for Transparency are in Austin, Texas

## DISCLOSURE OF INFORMATION SO THE PUBLIC IS WELL INFORMED

The Economic Development Department understands its responsibility of transparency to the citizens of Austin, and integrity of the Chapter 380 performance-based contract program is of the utmost concern. As described in the previous section, a robust public engagement process is used for considering a Chapter 380 performance-based contract. And, the department actively updates and provides information to the public on existing Chapter 380 performance-based contracts. The department was pleased to receive a perfect score for Transparency of Economic Agreements by Good Jobs First, a non-profit watchdog group from Washington, DC.

*“[Austin’s] type of comprehensive monitoring and disclosure is critical to ensure that business subsidies are applied efficiently and equitably, and they enable Austin’s taxpayers to draw their own well-informed conclusions about such expenditures,”* Good Jobs First, 2013 “Show Us the Local Subsidies” report.<sup>14</sup>

Since the 2013 report, the department has made further improvements to its online reporting platform to incorporate more information on its agreements, payments and compliance reports in a more organized and user-friendly format.

## ADMINISTERING AND EVALUATING THE CHAPTER 380 PROGRAM

The Economic Development Department recognizes the criticism of using incentives and is aware of the stories of failed incentives. To that end, the department has implemented the City’s policy of using Chapter 380 performance-based contracts rather than using upfront incentives. This performance-based approach coupled with a robust effort for managing and assessing the use of the Chapter 380 performance-based contracts program is a best practice for economic development. Examples of best practices include the following:

- The Economic Development Department strategic plan incorporates the use of many other non-financial tools that far outnumber the use of Chapter 380 performance-based contracts program.
- As discussed early in this policy, the department engages in programs that support local, small businesses, cultural arts, music, film, workforce development, business incubators, and targeted regeneration efforts.

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<sup>14</sup> “Show Us the Local Subsidies” by Good Jobs First, published May 2013.

- The department is the largest financial contributor to the Opportunity Austin regional economic development plan and is the largest financial contributor to the minority and gay and lesbian regional chambers of commerce. Regional economic development cooperation is identified as a proven long-term strategy and more successful than competing against other cities within the same region.
- The department has designed a method for tracking and monitoring a company's compliance with the Chapter 380 performance-based contract. There are mechanisms used for data collection, evaluation, monitoring, and review.
- An independent, third-party is used to verify the department's annual compliance reviews.
- The Chapter 380 Performance-Based Contracts Policy clearly identifies the target industrial sectors whose attraction will benefit Austin's economy.
- The criteria used to qualify for Chapter 380 performance-based contracts is clear, and a minimum score must be achieved to qualify.
- Minimum criteria are used to establish a floor for achieving community goals and values, and bonus criteria are used to reward extraordinary efforts.

Chapter 380 is used as the most powerful tool for anchoring competitive projects that can catalyze positive change in the Austin region. In the past, this meant using Chapter 380 as a means for diversifying our economy and to promote growth and sustainability. Today, the vision for utilizing this tool is shifting to focus on creating opportunities for those hard-to-employ individuals, as well as families that are in poverty and for those looking to advance into or up from the middle-class.

- The Chapter 380 Performance-Based Contracts Policy clearly states the financial structures that can be used.
- All financial Chapter 380 contracts are performance-based, and there are no upfront financial incentives allowed. The department does not use a tax abatement program. Paying for performance eliminates the need for clawbacks.
- Chapter 380 performance-based contracts are executed to legally bind a company to its commitments. The criteria used to evaluate a project are incorporated into the agreement. And,

<sup>14</sup> "Show Us the Local Subsidies" by Good Jobs First, published May 2013.

the agreement requires the company to submit information that demonstrates performance of its commitments.

- The Economic Development Department maintains a comprehensive portal of information pertaining to Chapter 380 performance-based contracts, including the agreement, all annual compliance reviews, independent third-party reviews, and payments. On an annual basis, the department presents a report to the City Council on the Chapter 380 performance-based contracts program.
- Chapter 380 performance-based contracts are only used when Austin is competing with a non-Austin area location, when the project creates additional local economic growth, and when the financial offer is decisive in the company's location search.

# Leveraging Austin's Economic Success to Solve Long-Standing and Growing Economic Challenges

According to the U.S. Conference of Mayors, Austin is poised to be the fastest growing large U.S. metro economy through 2020. As the country's 11th largest city, economic data suggests Austin is positioned to leverage its strong educational base and talented workforce for further growth. As we take pause to reflect on these accolades and measurements of success, we must be mindful of the areas of Austin that have lagged in benefiting from this economic prosperity. As the City of Austin greets this economic success, the Economic Development Department is stepping forward with a new strategic plan that has a strong focus on creating opportunities for those hard-to-employ individuals, as well as families that are in poverty and for those looking to advance into or out of the middle-class.

Challenges in the Austin economy include an uneven landscape of population growth and decline, profound racial and ethnic diversification, significant suburbanization of African-American households, deepening poverty differentials, stubborn socio-economic separations<sup>15</sup>, higher prices for housing, suburbanization of those who can no longer afford to live in the city, and a hard-to-employ population that desires to work.

Opportunities to address these challenges include room for increased minority and female workforce participation in science and technology based industries, utilizing anticipated new job growth to train and place local talent, opportunities to stabilize and preserve commercial corridors, new industry clusters for growth including aerospace, fashion, food, high tech manufacturing, logistics, distribution, and health/life sciences through the new UT Medical School and teaching hospital, and potential to expand exports and trade from our local, small businesses.

Economic Development has a unique focus on business recruitment that includes a strong sensitivity for maintaining Austin's cultural identity. Chapter 380 is a fluid tool that is intended for strategic and competitive use, it also ensures that that Austin's community values are represented in each project.

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<sup>15</sup> "Top Ten Demographic Trends in Austin," October 24, 2014, a presentation by Ryan Robinson, City of Austin Demographer.



# Value to the Austin Community

Since 2003, the Economic Development Department has brought forward 22 Chapter 380 agreements, resulting in an improved tax base, career opportunities, economic diversity, business exports, and new money injected into the local economy. Since utilizing the WebLOCI fiscal impact analysis tool in 2010, the City's forecasted return on investment of seven (7) agreements approved since 2010 that remain active is 225%. The City's forecasted profit from these seven (7) agreements, after factoring the cost of the contract and incremental operating cost to the City, is \$29.5 million.

## ECONOMIC RESILIENCY AS A MEASURE OF SUCCESS

The resiliency of Austin's economy was again tested in the most recent downturn, known as the Great Recession. But for the Taskforce's efforts to refocus on economic development and industry diversification, the Austin region remained relatively unscathed. Today, the Austin metro is ranked first in overall economic performance across the 100 largest U.S. metro areas. The Austin metro has held this ranking from Brookings Institution's Metro Monitor between the third quarter of 2008 and the second quarter of 2014. As of October 2014, the Austin region holds an official unemployment rate of 3.8%, well below the national unemployment rate of 5.8%. Austin's future is bright, and it is at this point of pinnacle of success where we have to wherewithal to address long-standing economic challenges.

## CONCLUSION

In conclusion, the Economic Development Department is committed to an interdisciplinary economy. Austin's economy must be agile and strongly arranged to address specific growth needs to support local business expansions and that forcefully targets sectors. A diversified and growing economy will help us eliminate poverty and create futuristic jobs for our youth.

The department has identified eight target markets to strategically position Austin for growth in local jobs and investment, as well as economic sustainability and diversity:

Automotive

Creative

Fashion

Food

Life Sciences

Manufacturing, Distribution  
and Logistics

Space Technology and  
Exploration

Zero Waste



