

CITY OF AUSTIN

ECONOMIC DEVELOPMENT DEPARTMENT

GLOBAL BUSINESS EXPANSION

NEW ECONOMIC DEVELOPMENT POLICY

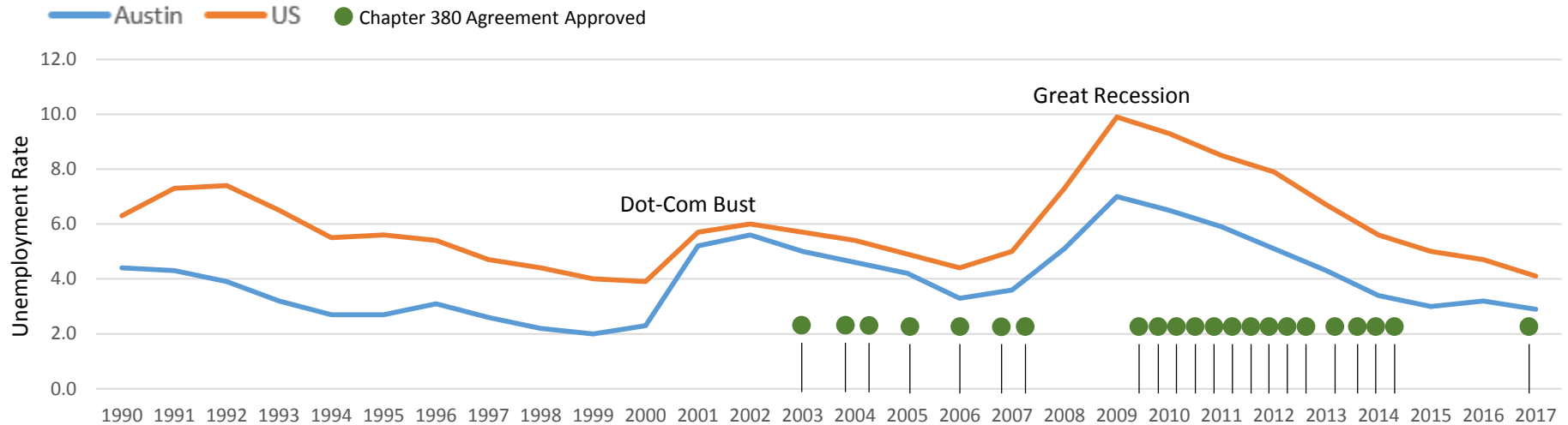


MAY 2018

Update Briefing



2003 – 2017 Economic Conditions



2003 Economic Conditions

- Austin vulnerable to dot-com bust
- January 2003 Unemployment Rate: 6.2% (from historic low Nov '00 1.8%)
- 17,000 local tech jobs lost
- FY 2002-2003 City Budget General Fund reduced by \$31M due to lost sales tax

2017 Economic Conditions

- Austin's prosperity decreases affordability & equity (rise in poverty)
- Unemployment Rate: 2.7% (Jan '18)
- Austin ranks high on both "good" and "bad" lists (Good = Best Places to Start a Company, Bad = Worst Traffic)

2003 – 2017 Chapter 380 Metrics

- **25** incentive agreements since 2003
 - **4** completed projects
 - **8** active agreements
- **12** companies elected to initiate contract termination
- **1** agreement terminated by the City of Austin
- **239%** return on investment for the City of Austin (projects incentivized since 2010)
- **+160%** over required investment: Hanger, Visa and HID Global

2003 – 2017 Chapter 380 Effectiveness

Samsung Small Business Partner

“We have so many employees that come here with no educational background, no work experience, and they work for us about five, six years and they’re doing the work that’s almost to the level of professional engineers because the steadiness of work that comes out of Samsung.”

We feel really good about what lies ahead of us...Samsung is certainly a huge part of our future plans and we’re hoping that Samsung will keep doing what they’re doing here in Austin.”

- Paul Kim, Founder & Owner
ATX Environmental Solutions, Est. 1999



Lessons Learned

- COMMUNICATIONS CHALLENGES:
 - “Incentives” = “Corporate Welfare”
 - Benefits only outsiders and not Austin residents.
 - “Exclusive” = Available only to large, established companies, excluding small biz
 - Requirements perceived as overly prescriptive, excluding competitive opportunities and limiting Economic Development agility
 - Lack of public and stakeholder engagement
- POLICY CHALLENGES:
 - ~24 Resolutions & Ordinances created an opaque, muddled “policy”
 - Lacks a clear, singular policy document aligned with Austin’s Strategic Plan
 - Previous policy reviews lacked holistic approach
 - No reassessment expectations
- COMPETITION CHALLENGES:
 - Policy and process is perceived as “difficult to work with”, “hard to navigate”, and “unfriendly to business”
 - Other cities outside and even within the region are perceived as more efficient and preferable in terms of process

2003 vs. 2018 Approach



2003

Prosperity-Focused

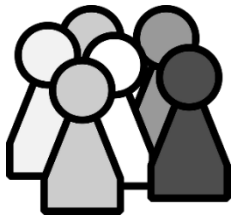
2018

Equitable Prosperity,
Affordability & Locally-Focused



Attracted leading industries &
large, established companies

Supporting both large and small
business, diversity of industries,
and enterprises that support
local, creative identity/culture



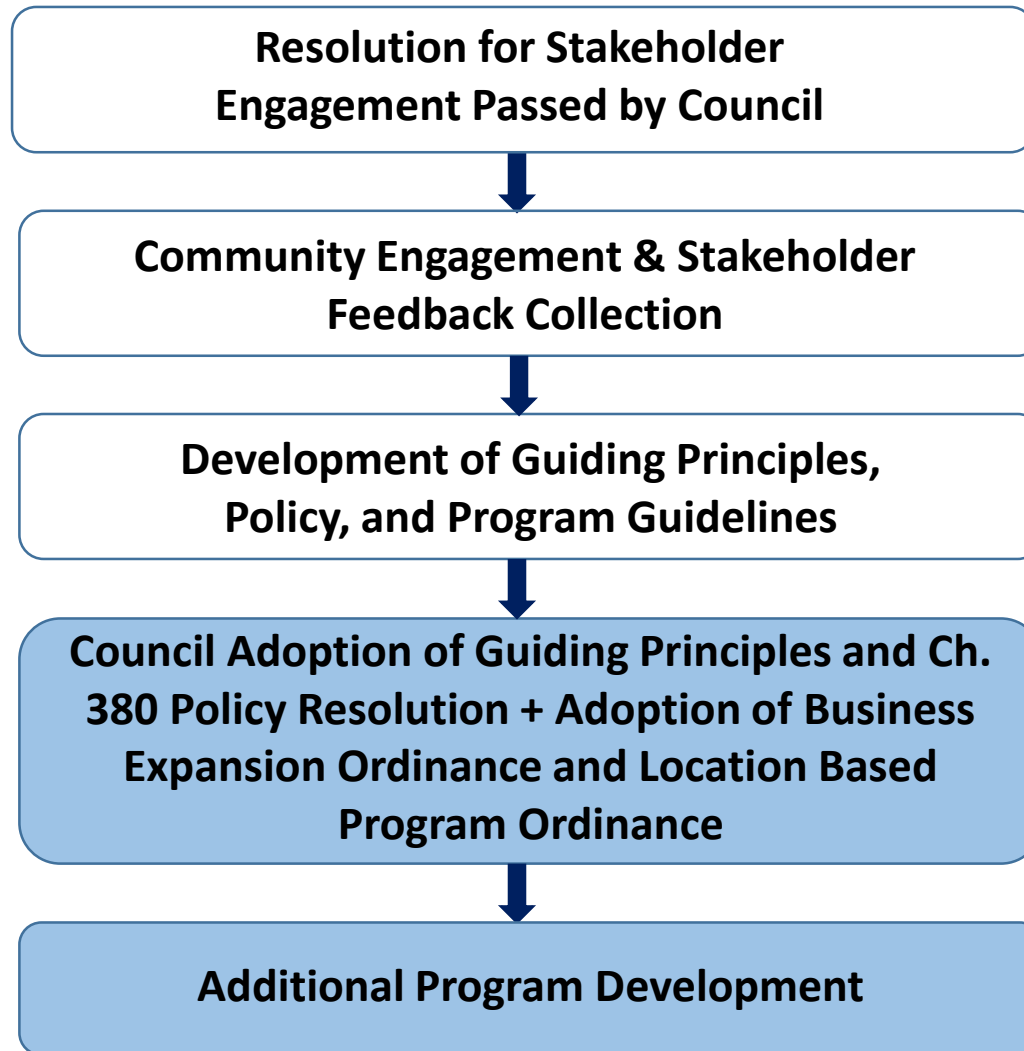
Job creation focused on highly-
educated / skilled workforce
(high wages)

Job creation focusing on
middle-skill, hard-to-employ,
low-income workers



Portfolio approach to
incentives that deliver a more
balanced diversified set of
strategic outcomes

2017 / 2018 Update Process



2017 / 2018 Community Outreach

Public Input

- Community Conversations
- Goal: Listen: Large scale information collection exercise
- 8 Sessions, ~2,500 Comments, 455 Invites, 260 Participants



Survey

- Stakeholder/Public Survey
- 8 Sessions, ~2,500 Comments, 455 Invites, 260 Participants
- 450 Invites, ~5,000 on Social, 82 Responses @ 87%

Enter your responses using this code:

- VI = Very Important
- I = Important
- NI = Not Important

	Business Recruitment / Business Expansion Program	Small Business Program	Creative Sector Program	Workforce Development Program	Real Estate Development Program	Social Enterprise Program
Value 1: Government Role Connector / Investor, Public-Private	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Value 2: Focus on Equity Empowerment / Opportunities for All	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Value 3: Unify the Community Through Collaboration	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Value 4: Train, Recruit and Retain Local and Regional Talent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Leader Review

- Community Leaders Session
- Goal: Prioritize: Organize feedback and engage experts
- 50 Invites, 32 Participants, 7 Workshop Sessions



Briefings

- Stakeholder Presentations
- Goal: Validate: Present findings and gauge validity, fill gaps
- 77 Total In-Person Briefings (21 B&Cs, 5 Ch. 380 Contract-Holders, 8 Real Estate Entities, 24 Community Stakeholders, 10 Financial Institutions, 9 Incubators)

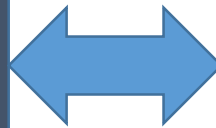


2019 – 2023 Guiding Principles

Defining Economic Development Exchange Values

City of Austin's Expected Role

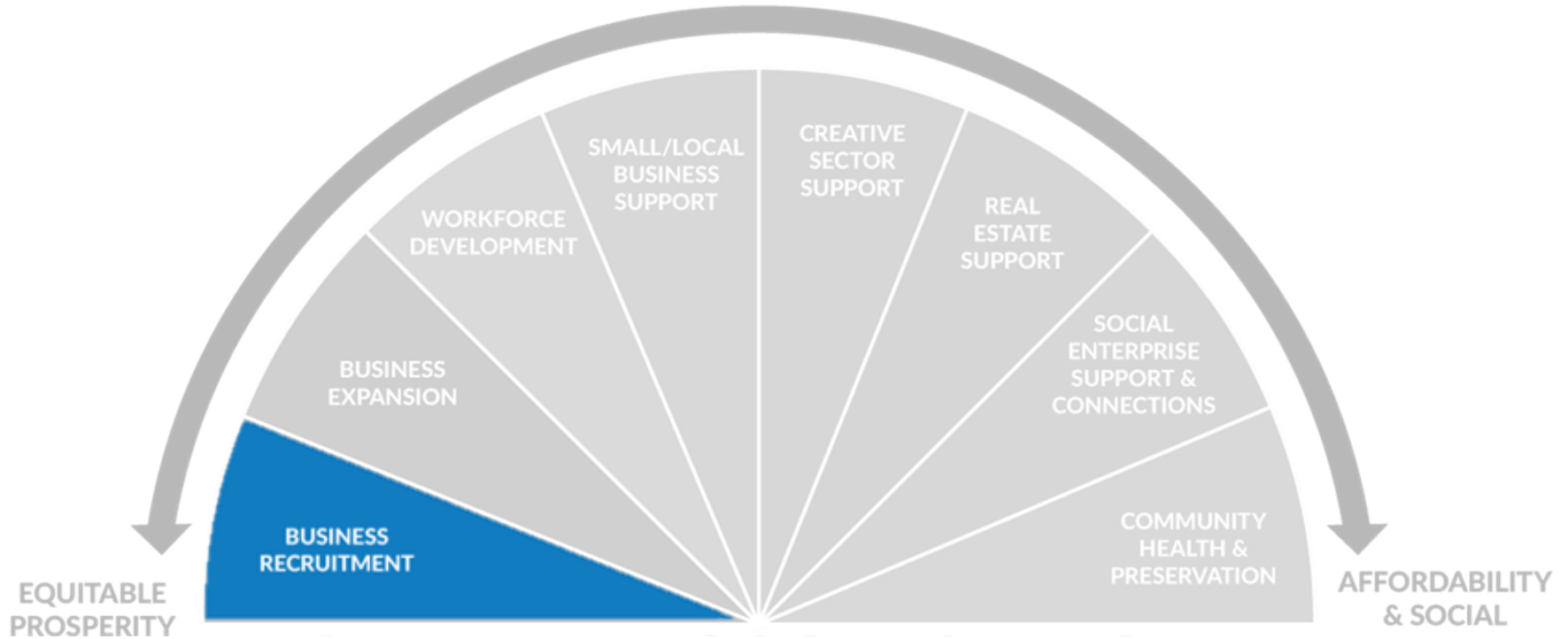
- COA: Connector, Investor, Path-Clearer
- Equity Focused
- Collaboration to Unify the Community
- Train, Recruit and Retain Local Workforce
- Support Culture, Creatives and ATX Identity
- Incentivize & Support Small Businesses
- Build Affordable, Livable, and Accessible
- Impact Business Growth
- Control Affordability
- Promote Economic Diversity



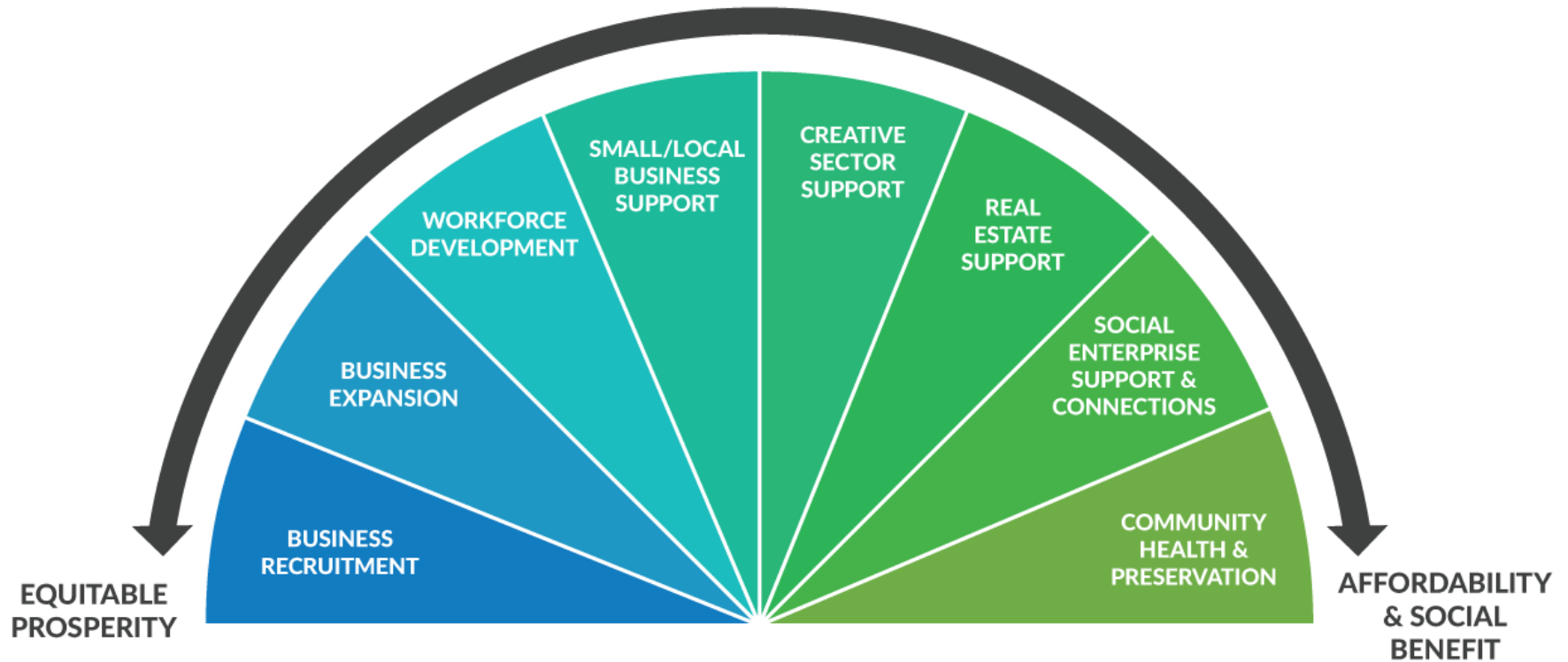
Program's/Project's Expected Role

1. Locational Enhancements
2. Workforce Development
3. Quality Jobs
4. Equity & Diversity
5. Quality Investment
6. Transportation
7. COA Revenue (Taxes & Utilities)
8. Hiring Practices

Previous Objectives

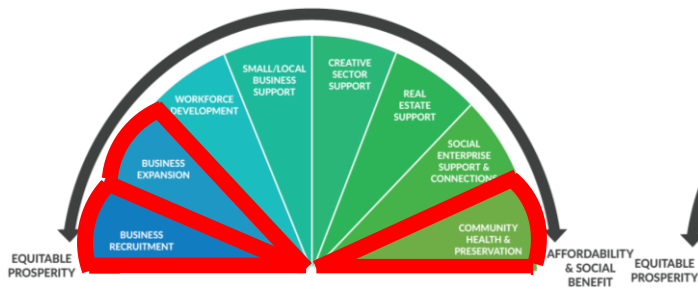


Expanded Objectives



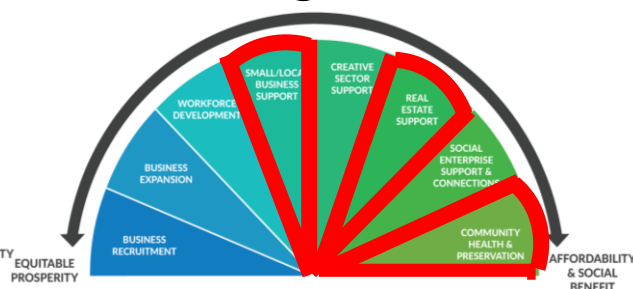
Imagining New Programs – Micro Community Examples

Creative Content Incentive Program



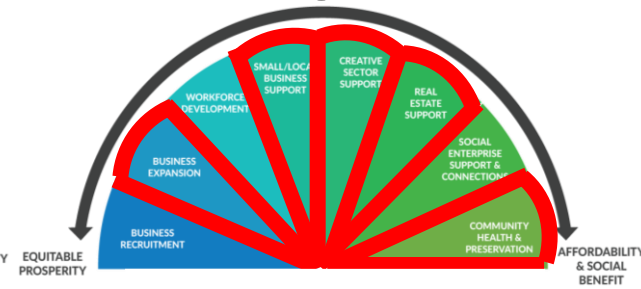
- Existing Chapter 380 program
- Considers realistic M/WBE feasibility for creative businesses with scarce resources
- Simple evaluation and award process

Healthy Food Program



- Financing for businesses to deliver healthy food solutions
- Focuses on underinvested areas: ex. East Austin
- Includes retail component
- Promotes healthy outcomes
- Focuses on delivery of new goods and services for current residents
- Provides small business support to meet a need

Place-Based Program



- Provides affordable spaces for creative, heritage, and local business
- Drives commerce in underinvested areas
- Delivers creative venue, art space & other community amenities
- Includes office, retail and mixed-use space

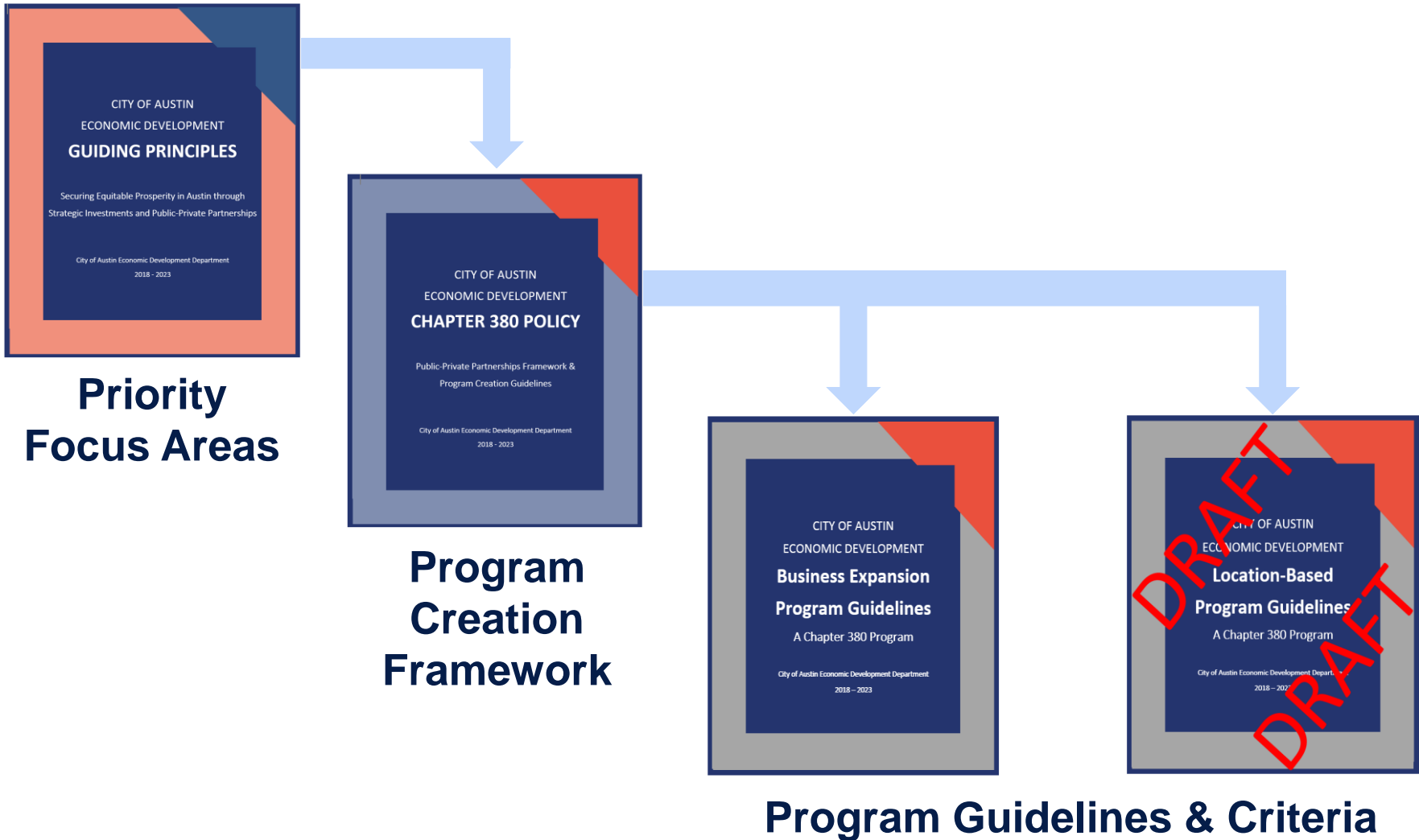
City and Council Suggested Actions

Initial Suggested Actions Based on 2017 Community Input	Council Feedback Based on 2017 Work Session
<p>Expand Portfolio of Programs</p> <ul style="list-style-type: none"> Expand range of programs Jobs for “hard-to-employ” Middle-skill jobs for local residents Small, local, creative, cultural, heritage Target micro-community needs and gaps <p>Process Adjustments</p> <ul style="list-style-type: none"> Connect Economic Development within COA Engage external partners More workable requirements and parameters Goal reassessment schedule <p>Communications</p> <ul style="list-style-type: none"> Internal to City of Austin departments External to community and stakeholders 	<p>Reorient Focus</p> <ul style="list-style-type: none"> Local businesses, struggling businesses Unemployed, underemployed, “hard-to-employ” workforce <p>Insulate Austin From National Trends</p> <ul style="list-style-type: none"> Achieve agility and flexibility Build in reassessment <p>Address Existing Resolutions & Ordinances</p> <ul style="list-style-type: none"> Mixed-use / “location-based” neighborhood development Increased goods and services Healthy outcomes <p>Operational</p> <ul style="list-style-type: none"> New program guidelines & resources

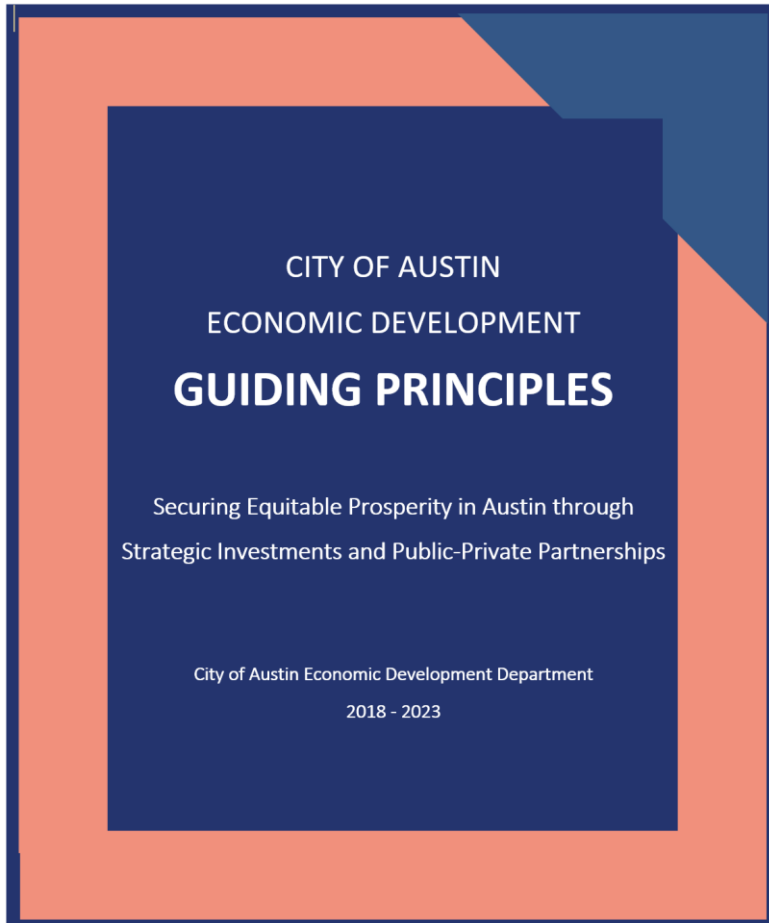
PRINCIPLES, POLICY, & PROGRAMS



Principles, Policy & Programs



Economic Development Guiding Principles – The “Why”



Overview:

- Why Economic Development matters
- Public-Private Partnerships & Strategic Investments

Enabling Legislations:

- Chapter 380 & Others

Economic Development Value Definition:

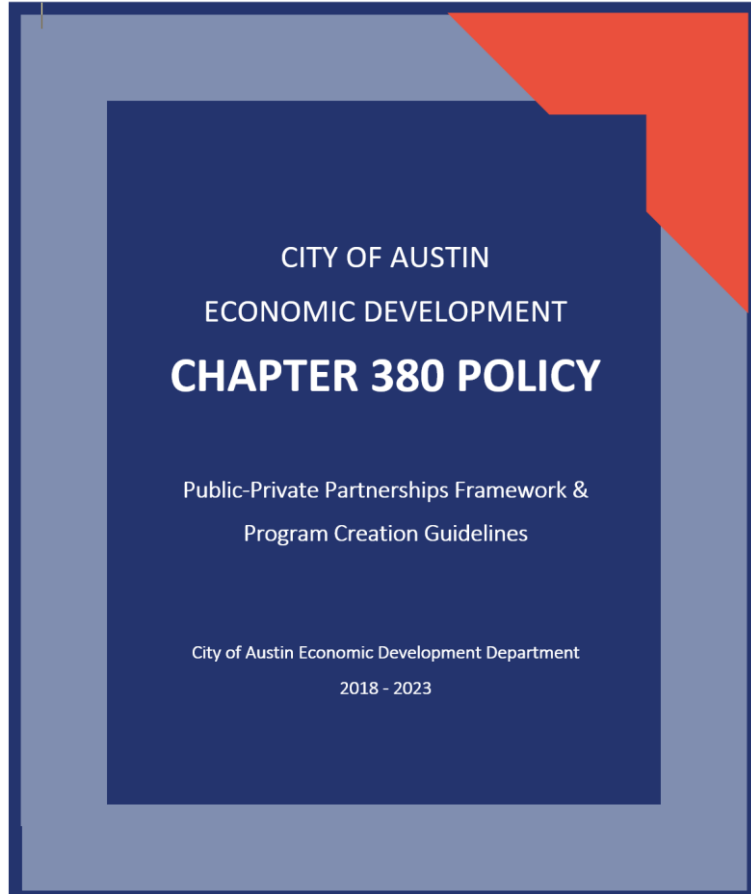
- City of Austin Contributions
- Partner Contributions

Equitable Prosperity, Opportunity, and Affordability:

- Wages, Hard-To-Employ, Middle-Skill, Small Business, Mixed-Use & Place-Making

Strategic Alignment

Chapter 380 Policy - The “How”



Overview:

- City of Austin Public-Private Partnerships & Strategic Investments
- Program Creation
- Project Selection
- Program Stewardship
- Regular Reassessment

Economic Development Value Definition:

- City of Austin Contributions
- Partner Contributions

Program Creation Criteria:

- Integrating existing Resolutions & Ordinances
- Strategic Outcomes
- Community Priorities

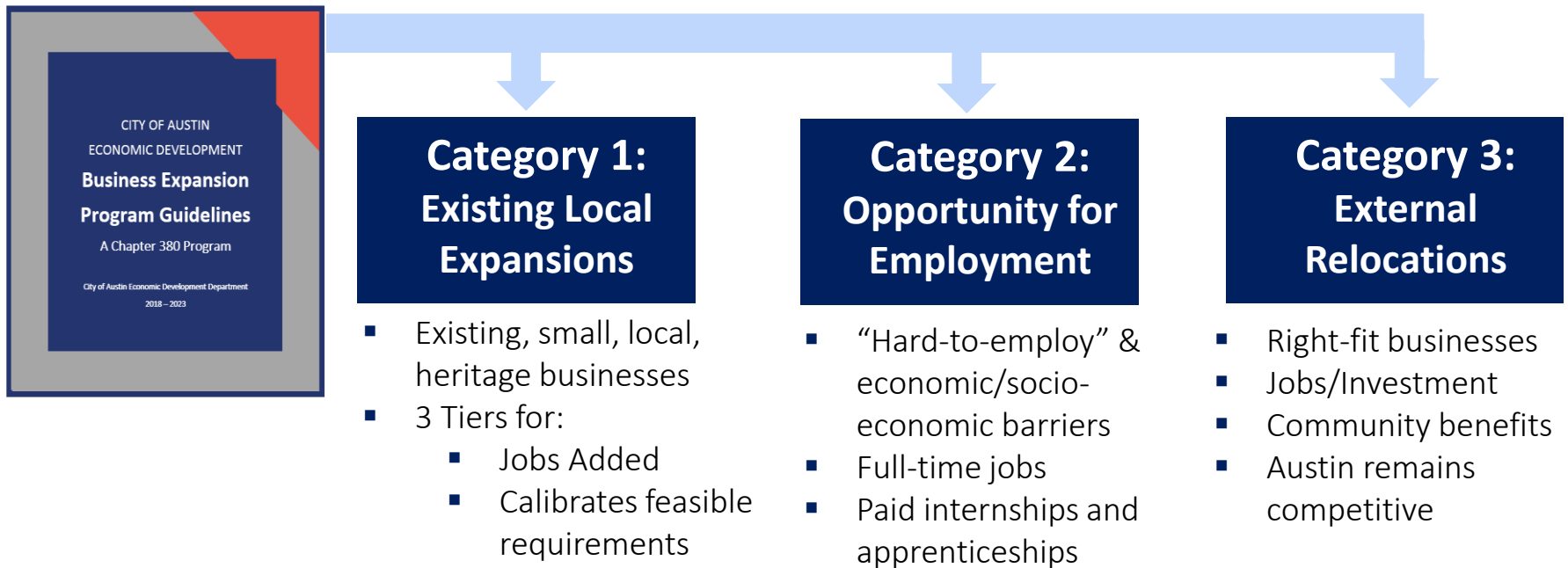
Program Structure:

- Program-specific objectives
- Evaluation, Process, Stewardship, Reassessment

Business Expansion Program Portfolio

PORTFOLIO GOALS:

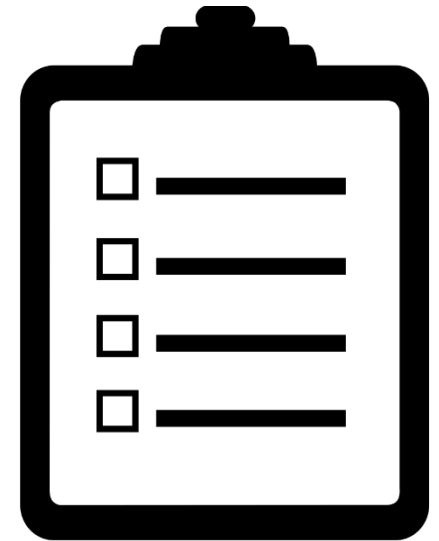
- Compensation for **middle-skill** workers
- Jobs for “Hard-to-employ” and/or “**economically disadvantaged**”
- Intervention to **address rising costs** for business and provide financing/capital
- Address **needs of local business base** and provide support
- Business expansions that yield **benefits to community beyond local tax base**
- **Offset City regulatory environment** as it relates to barriers to business growth



Business Expansion Program Portfolio

Administrative Process:

- **Application Process:**
 - Efficient, Inviting, Responsive
 - Application Submission to Proposal Execution (6 Steps)
- **Stewardship**
 - Transparency
 - Compliance & Third Party Assessment
- **Reassessment**
 - 5-Year Program Reassessment
 - Terms of Agreements
 - Market Conditions: Exceptions/Waivers/High-Impact Projects
 - Public Input
 - Annual Update & Reporting
 - Program Metrics & Project Metrics



Location-Based Program Development

Approve New
Ordinance



- Supersedes Existing Ordinance No. 20090312-005
- Allows private, mixed used projects
- May include a retail component



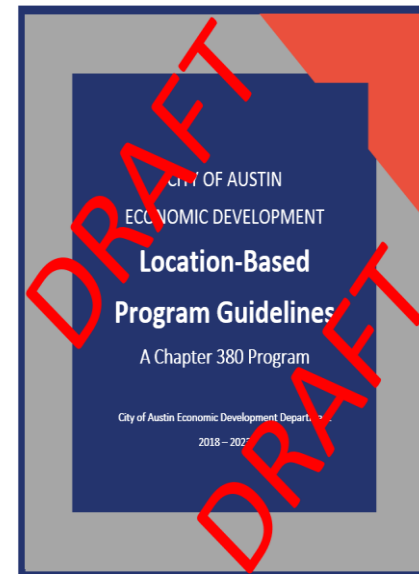
Develop
Guidelines



- Location-specific
- Collect market context
- Define community benefit exchange
- Define “affordability”



Adopt
Guidelines



External Economic Development Entity

OPERATIONAL PURVIEW:

- Fielding projects and assisting City with due diligence
- Property acquisition and land banking
- Redevelopment
- Corridor, location, industry and cluster development
- Affordable and workforce housing
- Transportation development and enhancements
- Local/neighborhood needs i.e. retail

FOR DISCUSSION:

- Reviewed framework with internal and external legal teams
- Drafted legal documents for creation of entity
 - Structure of governance
 - Resources for seeding and ongoing resources needed
 - Implementation timing and strategy

NEW ECONOMIC DEVELOPMENT POLICY MODEL

EXISTING/PROPOSED PROGRAMS – NEW MODEL

CHAPTER 380



External Entity

ED Partner

Singular External Entity

- Property Acquisition and Land Banking
- Redevelopment
- Corridor, Location, Industry and Cluster Development
- Affordable and Workforce Housing
- Transportation Development and Enhancements
- Local/Neighborhood Needs i.e. Retail

Structure Exists, Funded

Structure Exists, Unfunded

Working Documents Prepared

EXISTING/PROPOSED PROGRAMS – NEW MODEL

CHAPTER 380

External Entity

Grant	Grant	Loan	Operational	ED Partner
Business Expansion <ul style="list-style-type: none"> • Opportunity for Employment • Existing Firms • External Relocation 	Cultural and Heritage Business Preservation Program	Creative Venue Loan Program	Predevelopment Costs	Singular External Entity <ul style="list-style-type: none"> • Property Acquisition and Land Banking • Redevelopment • Corridor, Location, Industry and Cluster Development • Affordable and Workforce Housing • Transportation Development and Enhancements • Local/Neighborhood Needs i.e. Retail
Location Based <ul style="list-style-type: none"> • Cultural Space • Small/Local • Healthy • Social Benefits 	Business Incubation Program	Healthy Food Program	Permitting/Fee Assistance	
Creative Content	Workforce Development Program	Business E/R Program	Transit Development	
	Social Enterprise Program	Manufacturing Facility Upgrade Program	Enhanced Utility Capacity	
Revenue Generator	Investment Portfolio Requires One-time or Ongoing Source of Funds			Startup Assistance with Fixed Funding

Structure Exists, Funded

Structure Exists, Unfunded

Working Documents Prepared



NEW MODEL FUNDING SCENARIO: A

CHAPTER 380

External Entity

Grant	Grant	Loan	Operational	ED Partner
Business Expansion <ul style="list-style-type: none"> • Opportunity for Employment • Existing Firms • External Relocation 	Cultural and Heritage Business Preservation Program Business Incubation Program Workforce Development Program Social Enterprise Program	Creative Venue Loan Program Healthy Food Program Business E/R Program Manufacturing Facility Upgrade Program	Predevelopment Costs Permitting/Fee Assistance Transit Development Enhanced Utility Capacity Other City Services	Singular External Entity <ul style="list-style-type: none"> • Property Acquisition and Land Banking • Redevelopment • Corridor, Location, Industry and Cluster Development • Affordable and Workforce Housing • Transportation Development and Enhancements • Local/Neighborhood Needs i.e. Retail
Location Based <ul style="list-style-type: none"> • Cultural Space • Small/Local • Healthy • Social Benefits 				
Creative Content				
Revenue Generator	Investment Portfolio Requires One-time or Ongoing Source of Funds			Startup Assistance with Fixed Funding
Performance based Cash positive	Continued/ Increased funding	Seed Revolving Loan Portfolio	Annual Budget	City Owned Assets Establish Annual Millage
Agreement Based	\$2 Million Increase	\$10 Million (1 time/5 years)	\$250,000 (Annual)	Variable

Funding Request: \$17,250,000 in Y1 with \$7,250,000 in following years

NEW MODEL FUNDING SCENARIO: B

CHAPTER 380

External Entity

ED Partner

Grant

Business Expansion

- Opportunity for Employment
- Existing Firms
- External Relocation

Location Based

- Cultural Space
- Small/Local
- Healthy
- Social Benefits

Creative Content

Grant

Cultural and Heritage Business Preservation Program

Business Incubation Program

Workforce Development Program

Social Enterprise Program

Loan

Creative Venue Loan Program

Healthy Food Program

Business E/R Program

Manufacturing Facility Upgrade Program

Operational

Predevelopment Costs

Permitting/Fee Assistance

Transit Development

Enhanced Utility Capacity

Other City Services

Singular External Entity

- Property Acquisition and Land Banking
- Redevelopment
- Corridor, Location, Industry and Cluster Development
- Affordable and Workforce Housing
- Transportation Development and Enhancements
- Local/Neighborhood Needs i.e. Retail

Revenue Generator

Investment Portfolio Requires One-time or Ongoing Source of Funds

Startup Assistance with Fixed Funding

**Performance based
Cash positive**

**Continued/
Increased
funding**

**Seed Revolving
Loan Portfolio**

Annual Budget

**City Owned Assets
Establish Annual Millage**

Agreement Based

50% Remaining from Project Taxes

50% Remaining from Project Taxes

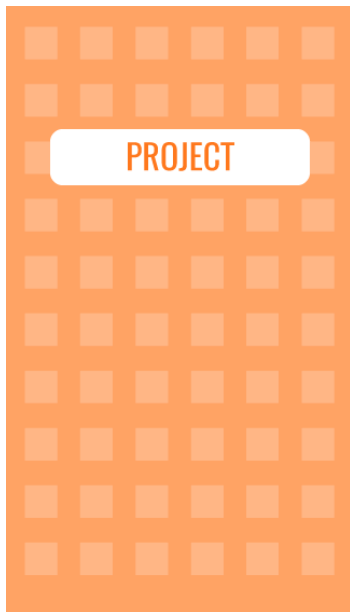
Initial Funding Request: \$0



Business Expansion Project

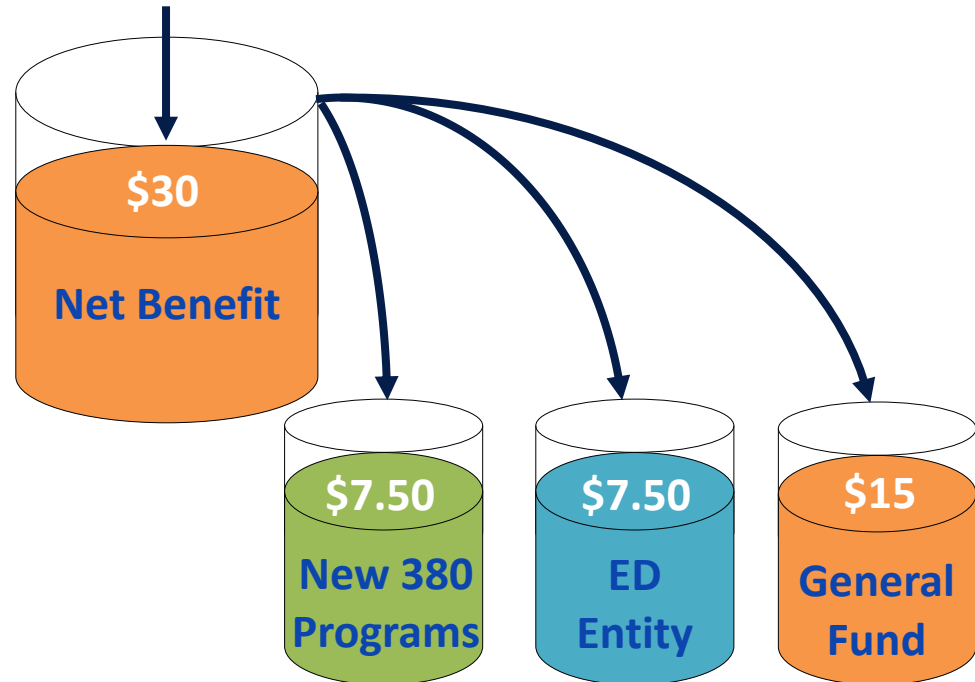
Property Tax – Based Incentive

Company Recruited



Fiscal Cost-Benefit Analysis

Benefits: \$100 (Direct and Indirect)
Costs: \$70 (includes performance-based incentive)



Requested Actions

- Approve Resolution for Economic Development Guiding Principles and Chapter 380 Policy Framework based on Option B
- Approve Ordinance for Business Expansion Program Guidelines
- Approve Ordinance for further Location-Based program development
- Continue conversations:
 - Establish a singular external Economic Development Entity and initiating execution strategy
 - Develop policy for real estate acquisition and disposition of city-owned resources
 - Develop future Chapter 380 programs and resource needs

Next Steps

- ✓ March 2017: Council Resolution 20170302-034 – Chapter 380 Stakeholder Engagement Process
- ✓ June – December 2017: Chapter 380 Stakeholder Engagement Process
 - ✓ June: Phase 1: Community Conversations
 - ✓ July: Phase 2: Survey
 - ✓ September: Phase 3: Community Leaders
 - ✓ September – December: Phase 4: Stakeholder Briefings
- ✓ December 5, 2017: Council Briefing & Findings Update
- ☐ **May 2018: Presentation of Economic Development Guiding Principles, Chapter 380 Policy and Program Proposals**
- ☐ **May 2018: Public Feedback (Stakeholder Re-engagement, Open Comment Portal, Wrap-Up Events)**
- ☐ **June 2018: Adopt Economic Development Guiding Principles, Chapter 380 Policy and Program Proposal**
- ☐ **July: Upon Council approval, design new program guidelines responsive to Council values, market, customers**
- ☐ **Sept/Oct: Implement programming aligned with Budget**

Conclusion & Questions

For more information, please visit:

www.austintexas.gov/investinaustin

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