



MEMORANDUM

TO: Mayor and City Council

FROM: Rebecca Giello, Interim Director, Economic Development Department

DATE: July 27, 2018

SUBJECT: Economic Development Policy: Aug 9, 2018 City Council Agenda Items 13, 14, and 15

This memo serves to provide a summary of topics the Economic Development Department staff has addressed through edits to various documents related to the proposed Economic Development Policy since the June 28, 2018 postponement of related City Council Agenda items. These items are now set for August 9, 2018, and are items 13, 14 and 15.

Below is a high-level summary of changes made to corresponding documents in response to additional feedback from City Council members and stakeholders since June 28, 2018:

Clarifying Terminology:

The following items have been changed to reflect community feedback and provide clarity within the policy that addresses project sizes, Council approvals, program portfolio structure and exceptions/waivers.

Project Size: Language has been clarified to illustrate the size of the projects that would receive incentives based on the number of jobs added over the term of the agreement. Tiers 1, 2 and 3 have been renamed to Small (5-24 jobs), Medium (25-74 jobs) and Large (75 and above jobs) Projects, respectively.

Council Approval: Language has been clarified to more intuitively describe the levels for Council Approval, replacing Tiers 1, 2 and 3 with the “City Manager Authority Approval”, “City Council Approval”, and “City Council and Public Hearing Approval”, respectively.

Portfolio Revenue Generation: For the City of Austin to achieve Economic Development Values as defined by the community and Council, the Economic Development Department will create an inclusive portfolio of outcome-focused programs for different users, areas and purposes. For example, one program may emphasize the creation of new revenue generation for the City of Austin in order to financially sustain other programs annually or as-needed in the portfolio that directly targets the delivery of community benefits and not impact revenues as significantly as a program specifically designed to generate revenue.

The purpose of this model is to include numerous and different tools within a program portfolio that can achieve community outcomes and Council objectives while also building in a funding model for the creation and sustainment of such programs within the Economic Development Department.

Exceptions & Waivers: An “Exception” is defined as being requested by the Company during the project application process and could be granted by staff/Council in exchange for achieving other community values. A “Waiver” may only be requested/recommended by staff and occurs during Program Creation and, depending on desired outcomes of the program, can be requested by staff on a project-by-project basis.

Requirements/Exceptions Net Effect of Changes in the Business Expansion Program:

Categories 1, 2 and 3 in the Business Expansion Program Guidelines will not include Exceptions, which is responsive to specific stakeholder input. The program guidelines have been modified to better reflect industry and market appropriate standards to ensure the City prioritizes incentives for those companies that perform at or above industry standards. For example, full-time employee wage standards will reflect industry wage levels whereas construction jobs will continue to require living wage/prevaling wage. In addition, the requirement for employers to provide health insurance will offer the option to either directly sponsor health insurance benefits for all new full-time employees, or require employers to provide a written explanation of how the employer will be facilitating access to health insurance coverage for its employees (such as providing a stipend to purchase insurance on the healthcare exchanges) that is deemed adequate to satisfy the provision of the health insurance requirement.

Establishment of “But For”:

The Economic Development Department evaluates Chapter 380 incentive requests to determine a balanced exchange of community benefits and incentives. The program guidelines now require an employer to establish a ‘But For’ statement in an application for an incentive –“But for approved incentives to the project, the City’s desired outcomes (community benefits) would not occur. The employer must provide credible evidence that the incentive either fills a gap that creates desirable outcomes, or addresses a competitive position around a relocation or expansion project that would otherwise locate at a site outside of Austin.”

Approval of Council Meeting Agenda Items 13, 14 and 15 that request Council adopt Guiding Principles and Chapter 380 Policy, establish the Economic Development Business Expansion Program Guidelines and establish the Economic Development Locational Enhancement Program will position the City with a revised Economic Development Policy, reflective of the community's and Council policy priorities and aligned with Austin’s Strategic Direction 2023.

For additional information, contact David Colligan, Interim Assistant Director, (512) 974-6381; or Julia Campbell, Acting Global Business Expansion Division Manager, (512) 974-1357.