



Recommendation for Action

File #: 21-3254, Agenda Item #: 3.

11/4/2021

Posting Language

Approve a resolution nominating Flextronics America, LLC for designation by the Governor's Office of Economic Development and Tourism as a single Texas Enterprise Project in accordance with Texas Government Code Chapter 2303.

Lead Department

Economic Development

Prior Council Action:

October 18, 2007 - Council approved Ordinance No. 20071018-008 electing to participate in the Texas Enterprise Zone Program.

November 4, 2010 - Council approved Ordinance No. 20101104-046 amending its program identifying additional local incentives for the Texas Enterprise Zone Program.

November 14, 2019 - Council approved Ordinance No. 20191114-068 amending its program identifying additional local incentives for the Texas Enterprise Zone Program.

March 4, 2021 - Council approved Ordinance No. 20210304-079 amending its program identifying additional local incentives for the Texas Enterprise Zone Program.

For More Information:

Sylvia Holt-Rabb, Acting Director, Economic Development Department, 512-974-3131; Dusty McCormick, Economic & Business Liaison, Economic Development Department, 512-974-6390.

Additional Backup Information:

Flextronics America LLC ("Flex") requests the City of Austin's support for a Texas Enterprise Zone Single Designation. The Company seeks to submit its Texas Enterprise Zone Application to the Office of the Texas Governor during the December 1, 2021, application round.

Flex is an electronics manufacturing services (EMS) provider focused on delivering complete design, engineering, and manufacturing services to automotive, computing, consumer, industrial, infrastructure, medical, clean tech and mobile original equipment manufacturers. Flex helps customers design, build, ship, and service electronic products through a network of facilities in 30 countries.

Flex is one of the Top 15 global manufacturers of medical devices. The demand for hospital ventilators is high, with potential shortages of life-saving ventilators in hospitals overloaded with critical COVID-19 patients. Flex, in its new medical business venture, manufactured over 20,000 of these ventilators in 2020-2021 in its Austin facility. That compares to more than the total amount of ventilators built by all the other global manufacturers last year combined. Other crucial medical products Flex manufactures include oxygenators, patient monitors, testing equipment, and ICU-related necessities within two months. Other facilities can take over a year. Given the urgency of the world-wide pandemic, the company's expedition of the process is essential.

The company is planning to expand and upgrade its current facility on 12455 Research Blvd., Austin, Texas. Flex plans over the next 5 years to expand new business lines and upgrading the manufacturing facility making capital expenditures of \$20 million. The company's newest medical venture is in the diabetes market space and will involve a complex level of automation. Flex's estimated expenditure for that new line represents most of the \$20 million it plans to invest over the next five years. Normal capital investment expenditures for routine maintenance will proceed as usual. The existing facility is located outside of an Enterprise Zone at 12455 Research Boulevard, Austin, Texas 78759. Since the site location is not within a zone, the company will be required to commit that at least 35% of their new employees will meet economically disadvantaged, enterprise zone residence or veteran requirements. The company plans to retain up to 500 jobs for benefit in accordance with Chapter 2303 of the Texas Government Code. As a normal course of doing business, Flex provides the following benefits to its employees: Health Insurance, Dental Insurance, Retirement Plan, 401(k), Paid Leave, Counseling, Life Insurance, Prescription Drug Plan, Vision, Flexible Spending Accounts, Tuition Reimbursement, Disability and Wellness/Behavior Health Benefits. With respect to the project, it has already begun in accordance with state statute which provides a 90-day "look back" period.

If designated as an Enterprise Zone Project, Flex would be eligible for a refund of State sales and use tax only based on the employment criteria and the amount of the capital spent at the qualified business site. The Texas Legislature currently authorizes 105 state designations each biennium. The City is eligible to receive up to (9) Enterprise Project designations based on availability and competitiveness of the project every two (2) years.

Lastly, if approved the following are a few of the public benefits: 1. The City of Austin would join corporate partners in battling poverty, and in this case, this would assist the disadvantaged in or near a zone suffering from poverty. 2. The City of Austin would send a signal that the city appreciates all corporate partners who take advantage of this program to help citizens who meet economically disadvantaged, enterprise zone residence or veteran requirements. 3. The City of Austin would support a program that requires no fiscal impact to the city. 4. The City of Austin would support major capital investment at the qualified business site which is within the Austin city limits. 5. The City of Austin would maximize local efforts to return state sales and use tax to the City of Austin, rather than allow those dollars to be sent to other cities in support of their corporations and/or local economies.

Strategic Outcome(s):

Economic Opportunity and Affordability.