



2013 ANNUAL REPORT

GENERATING JOBS, TAX REVENUES AND INVESTMENT

CITY OF AUSTIN:
ECONOMIC DEVELOPMENT DEPARTMENT

FEBRUARY 13, 2014

PURPOSE

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

FOCUS FOR ECONOMIC DEVELOPMENT:

THE GOALS

Implement the Imagine Austin Plan by diversifying the economy:

1. Address inequity and poverty by creating jobs for the hard to employ.
2. Use our cultural diversity as an economic strength, locally and internationally.
3. Attract high-tech industrial companies and logistics businesses.
4. Expand local small businesses citywide as a revitalization and hiring strategy.

FOCUS FOR ECONOMIC DEVELOPMENT:

THE CHALLENGES

- Individuals and Families in Poverty
- Hard to Employ Populations
- The Underemployed
- The Rising Cost of Living in Austin
- Demographic Trends

CHALLENGE NUMBER 1:

POVERTY

- Over 19 percent of all residents in Austin live in poverty.¹
- From 2000 to 2011, the Austin metropolitan area recorded the nation's second fastest increase in the number of poor people living in suburbs.²
- The rate of child poverty is disproportionately high, reaching 27.2 percent in 2012.³
- Just over 60% of the local public school system children rely on subsidized lunches or other public assistance, a clear indicator of family income, stress, and an important factor in youth education.⁴

Sources:

1 US Census Bureau, 2008-2012 American Community Survey 5-Year Estimates

2 <http://www.mystatesman.com/news/news/local/poverty-takes-root-in-austins-suburbs/nXwt2/>

3 US Census Bureau, 2008-2012 American Community Survey 5-Year Estimates

4 <http://www.austinisd.org/legislature/about-austinisd>. Accessed January 29, 2014.

CHALLENGE NUMBER 2:

HARD TO EMPLOY

- Pool of approximately **10,000** individuals in Austin. Hard to employ for different reasons.
 - Drop-outs
 - Former convicts
 - Individuals with language barriers
 - The homeless
- These populations include individuals that require the most social services, and their employment and self-sufficiency will make a broad impact socially and economically.

CHALLENGE NUMBER 3:

UNDEREMPLOYED

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

Sources:

1 http://www.nbcnews.com/id/47141463/ns/business-stocks_and_economy/#.UumUQxBdVCZ

CHALLENGE NUMBER 4:

AFFORDABILITY

- As Austin grows in popularity and becomes a more desirable place to live, market forces result in higher prices for housing and other scarce resources:
 - Consider: Austin is the third fastest-growing city in the US.¹
 - From 2001 to 2010, real annual pay in Travis County increased by nearly 1%, and wages barely outpaced inflation.²
 - Austin now has the highest rent in the state of Texas.³
 - 2008 study found that 37,600 renters earning less than \$20k per year lacked housing stock, even after accounting for subsidized unit and vouchers.⁴

Sources:

1 US Census 2000, US Census 2010

2 Chart, "Travis County Wages, CPI-U," April 30, 2012 (researched by Austin economist Stuart Greenfield)

3 Texas Department of Housing and Community Affairs

4 http://www.ci.austin.tx.us/housing/downloads/austin_comprehensive_housing_market_study.pdf

CHALLENGE NUMBER 5

DEMOGRAPHIC TRENDS

The changing face of Austin:

- White, non-hispanic share of total population has dropped below 50%
- Hispanic population is currently 35% and is estimated to equal the white, non-Hispanic population in 25 years
- Growth rates of Latino and Asian households far exceed the growth of white households
- African-American population has dropped to 8%
- 19.1% of Austinites are foreign born
- Austin has a young median age (31)
- The absolute number of children continues to grow

FOCUS FOR ECONOMIC DEVELOPMENT:

THE OPPORTUNITIES

Technological Progress and Adoption

- Lack of diversity in science and technology based industries:
 - Hispanics make up 7% of STEM workforce.²
 - Women make up 26% of the STEM workforce.²
- Culture is an economic asset that could be leveraged for outreach and service delivery models to reach all constituents.
- Economic development initiatives to align the growing populations of our city with the future of industry development and job creation.
 - Strong relationships with minority chambers for outreach and exchange.
 - 9,000 jobs being created in Austin Tech Industry over the next 3 years.³

Sources:

1 Austin-Round Rock-San Marcos MSA Job Market Report, Austin Chamber of Commerce.

2 Indicates national figures for STEM employment.

3 Austin Technology Council Annual Presentation to Council.

FOCUS FOR ECONOMIC DEVELOPMENT:

THE SOLUTIONS

- Stabilize inner city areas through commercial revitalization strategies
- Evolution of a world-class workforce through:
 - STEM initiatives and industry interaction
 - Occupational development providers like Capital Idea and Skillpoint Alliance
- Expand small business, technology manufacturing and logistics industries
- International relationships for trade and commerce:
 - Hackney, Mexico City and Sister Cities
 - International Association of Science Parks
 - Creative Ambassadors
- Business recruitment efforts through Opportunity Austin 3.0
- Incentives program
- Predictive Analytics

STRATEGIC INITIATIVES: ECONOMIC DEVELOPMENT DEPARTMENT

Global Business Recruitment and Expansion

- Business Expansion
- Development of Eco-Industrial Park
- International Trade and Investment
- International Welcome Program
- Sister and Friendship Cities
- IC-squared
- Austin Technology Incubator

Cultural Arts Division

- mindPOP
- Art in Public Places
- Faces of Austin
- CreateAustin Cultural Master Plan
- Cultural & Heritage Tourism
- Cultural Funding
- Take it to the Next Level
- The People's Gallery

Small Business Development Program

- Family Business Loan Program
- LocallyAustin.org
- BizAid Business Skills Classes and Certification
- BizOpen
- Business Solutions Center
- ElevateAustin
- Getting Connected & Meet the Lender

Redevelopment Division

- Mueller
- Seaholm District
- 2nd Street
- Green Water Treatment
- Downtown Redevelopment
- Sustainable Places Project

Music and Entertainment Division

- ATXPort
- Austin Music Memorial
- HopeFM First Live Sundays
- Music For Kids
- Music Loan Program
- Music Tourism
- Outdoor Music Venue Permitting
- Music Industry Relations

ACTIVE FIRM-BASED ECONOMIC DEVELOPMENT INCENTIVE AGREEMENTS

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

¹Prior to use of WebLOCI; represents net revenue

²Figure is an estimation calculated through WebLOCI analysis

³Deliverables provided in each agreement

CITY LEVERAGED STATE COMMITMENTS

Company	City's Incentive	State's Incentive
Athenahealth	\$679,500	\$5,000,000
National Instruments	\$1,667,575	\$4,400,000
Visa	\$1,560,000	\$7,900,000
HID Global	\$920,576	\$1,900,000
Apple	\$8,600,000	\$21,000,000
US Farathane	\$212,695	n/a
Advisory Board Company	\$372,590	\$500,000
Facebook	\$200,000	\$1,400,000
Hanger	\$500,000	\$1,500,000
Samsung	\$62,875,194 ¹	\$129,908,917
Total	\$77,588,130	\$173,508,917

¹ Estimated before expansion

PERFORMANCE THROUGH DECEMBER 31, 2012

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

* Company verification still pending.

LOCAL IMPACT:

- Small Business Interaction
 - Over 200 local companies are interacting with incentivized companies
 - Verified expenditures over \$390,000,000 in 2012

LOCAL IMPACT: COMPANIES MAKING A DIFFERENCE



The Advisory Board Company provided 5,000 volunteer hours to the Austin community over the past year. Examples include:

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



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

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

Samsung also sponsored the first ever Samsung Holiday Shop:

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

INCENTIVES DISCONTINUED IN 2013

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

MOVING FORWARD

- **Goals for maintaining economic competitiveness:**
 - Focus on development in logistics, technology manufacturing, food and creative sectors, as well as opportunities for hard to employ, those in poverty and working-poor.
 - Economic Development will continue to monitor how recent changes affect potential projects.
 - Our department will dive deeper into local industry needs to align new jobs with workforce organizations.
- **Increased efforts for transparency:**
 - Economic Development was recognized nationally with a perfect score for its online transparency of economic development subsidies and business approach - *Good Jobs First*, June, 2013.
 - Economic Development will deliver additional web-based documents.
 - Increasing level of communication between companies and Economic Development partners, such as SMBR and local civic groups.
- **Two forthcoming recommendations:**
 - Science, Technology, Engineering and Math (STEM) education initiative
 - New initiative to support the growth of the film, television and digital media production industry

QUESTIONS OR COMMENTS?

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

