

Austin City Council Special Committee on Economic Incentives

Presentation by
City of Austin
Economic Growth and Redevelopment Services Office
and
Law Department
June 29, 2012

Council-Approved Agreements

Master Development Agreements

- Primarily focused on land development and redevelopment through public-private partnerships and sales of public land
- Performance-based

Chapter 380 Agreements

- Primarily focused on business recruitment/expansion and job creation
- Performance-based

Today's Objectives

Overview

1. Legal Context of Chapter 380 Agreements
2. Economic Development Policy History
3. Financial Structure of Economic Development Agreements
4. City Economic Development Process
5. Comparison Between Approved Economic Agreements and Announced Relocations and Expansions
6. How Local Incentives Leverage State Economic Development Funds

Legal Overview

State Law Authorizes Economic Development Incentives

- Article III, Section 52a of the Texas Constitution approved by Texas voters in 1987 establishes that economic development programs are allowed as a legally authorized “public purpose.”

Chapter 380 Texas Local Government Code

- Legislature enacted Chapter 380, Texas Local Government Code in 1989 in response to the passage of the constitutional amendment in 1987.
- Chapter 380 is broadly worded and has been interpreted to support a wide “range of incentives.”
- The City uses this statute as legal authority for its economic development agreements.

Economic Development Contracts Legal Requirements

- Sufficient controls to ensure public purpose.
- Contract provision relating to undocumented workers is required by Section 2264, Texas Government Code.

Economic Development Agreement Provisions

- Council can amend the City's Economic Development Policy to include provisions that reflect community values.
- Contract provisions may impact ability of the City to attract certain businesses.

History of City of Austin Economic Policy

2003 Mayor's Task Force on the Economy

- Three subcommittees focused on
 - Traditional Industries
 - Small Business
 - Cultural Vitality
- Task Force recommendations led to the creation of the formal Economic Development Policy and Program
- EGRSO established as the department to implement the policy
- Emerging Technologies was added as a fourth focus

Economic Policy Amendments

Amendments to the Policy Since 2003

- Adopted Firm-Based Incentive Matrix
 - Resolution No. 20041028-003
- Required Compliance with COA Water Quality Regulations
 - Resolution No. 20050113-052
- Required Compliance with M/WBE Ordinance
 - Resolution No. 20071108-127
- Required Independent Party Compliance Review and Eliminated Incentives for Large Scale Mixed-Use Developments that Include a Retail Component
 - Resolution No. 20071206-049
- Amended Business Information Form to include Domestic Partner Benefits and Non-Discrimination Policies based on Sexual Orientation and Gender Identity
 - Resolution No. 20090806-037

Economic Policy Amendments

Amendments to the Policy Since 2003 Continued

- Implemented Formal Cost-Benefit Analysis
 - Ordinance No. 20091001-011
 - Resulted in the implementation of WebLOCI
- Established Clear-and-Open Process with Timelines
 - Ordinance No. 20091001-011
 - Place economic incentive proposal on City Council agenda as a time-certain item with staff presentation allowing for public comment
 - The economic incentive proposal, back-up materials, and all unrestricted information relevant to the proposal made available to the public no later than the sixth day before agenda item with staff presentation
 - The economic development proposal, back-up materials, and all unrestricted information posted on the EGRSO website after the proposal is placed on City Council agenda in a manner that allows the public to provide written comment
 - All public written comments reviewed by staff and given to City Council in a timely manner
 - A public hearing and City Council action occurs at the next City Council meeting after the agenda item with staff presentation

Economic Policy Amendments

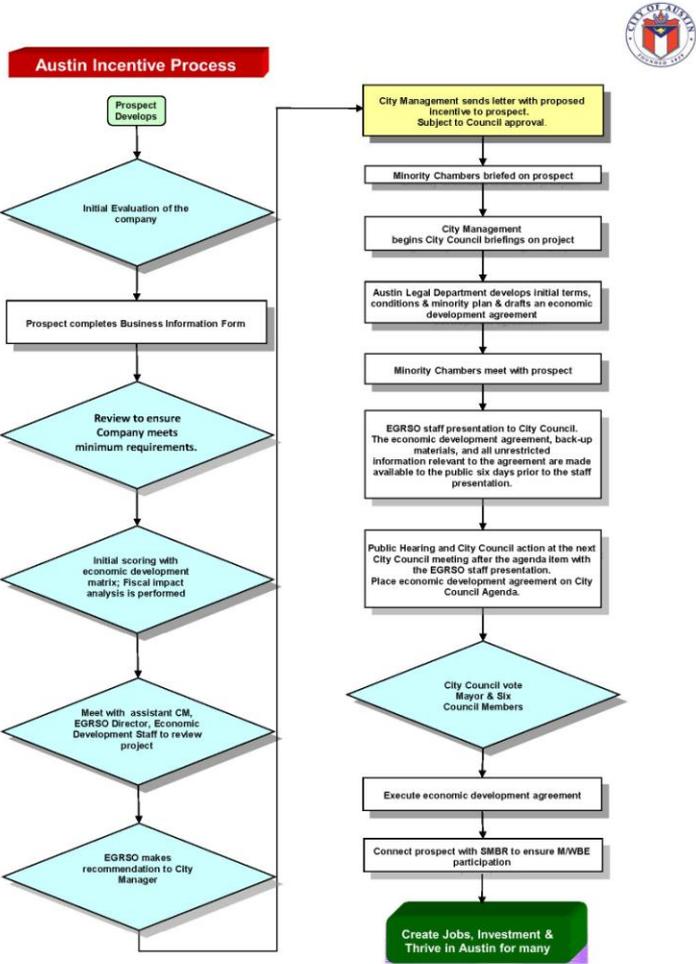
Amendments to the Policy Since 2003 Continued

- Added Requirement to Gather Information about Transit-Oriented Development
 - Ordinance No. 20101118-058
 - For all companies seeking firm-based economic development proposals
 - Requires collection of information about intent to locate near transit developments and transportation hubs
 - Requires information about nearby Capital Metro bus stop, rapid rail stations, transit facilities and park & rides

Financial Structure of Chapter 380 Agreements

- Chapter 380 Agreements are:
 - Performance-based
 - Reviewed internally and by an independent party
- Payment Structure
 - From Tax Increment
 - Rebate of a percentage of taxes paid
 - Since paid from taxes received, net impact on general fund is zero or positive, net impact overall is positive
 - From Economic Incentive Fund
 - Per-job incentive
 - Net positive impact overall
 - Created for projects which have significant job impacts, but without sufficient tax increment to structure an incentive

Austin Incentive Process Overview



Economic Incentive Process

First Phase

- Receive Completed Business Information Form
- Score project using Council-approved matrix
- Perform WebLOCI analysis
- Prepare proposal or terminate process based on outcome of matrix score and WebLOCI analysis
- Present proposal to City Manager
- Send Incentive Letter to Prospect

Economic Incentive Process

Second Phase

- Brief Minority Chambers
- Law Department drafts Economic Development Agreement
- Minority Chambers meet with prospect
- EGRSO staff makes presentation to CMO
- All documents and back-up material made available to public allowing for review and comment
- Staff makes presentation to City Council allowing for public comment
- Public Hearing conducted followed by City Council action
- Execute Economic Development Agreement
- Connect prospect with SMBR to ensure MBE/WBE compliance

Economic Development Proposals

Matrix Scoring/Fiscal Impact Analysis

- Economic Development Matrix
 - Council-approved scoring tool assesses firms using five criteria categories
 - Overall economic and fiscal impact
 - Linkages to the local economy
 - Infrastructure impact
 - Character of jobs and labor force practices
 - Quality of Life and Cultural Vitality
 - Council-approved fiscal impact analysis tool
 - WebLOCI
 - Determines bottom line profit or loss from a project

2011 Expansions and Relocations

From the Greater Austin Chamber

- 60 announced relocations and expansions
 - 26 relocations
 - 34 expansions
 - 6,990-7,105 additional jobs announced
- 4 of the 60 received City of Austin Incentives
 - Advisory Board Company, eBay/PayPal, Samsung, US Farathane
 - 1,797 jobs required to be created pursuant to Chapter 380 Agreements

2012 Expansions and Relocations

From the Greater Austin Chamber

- 16 announced relocations and expansions
 - 4 relocations
 - 12 expansions
 - 813 jobs
- None received City of Austin Incentives
- Apple Corporation proposal
 - 3,600 jobs
 - \$8.6 million in City incentives
 - \$21 million in State incentives

Leveraging State Economic Development Funds

- State requires City financial participation before offering Texas Enterprise Fund award
- Since 2004, 14 Chapter 380 Economic Development Agreements approved by City Council
- 11 are active and represent:
 - 8,055 jobs are required by contract to be created
 - \$4 billion capital investment required by contract
 - \$53.5 million from Texas Enterprise Fund
 - \$80.8 million in incentives approved by Council