

Economic Development Briefing

Proposed agreements with
Websense and Dropbox

February 13, 2014

+ Economic Development Proposal

- The purpose of today's briefing is to present the following:
 - An overview of Websense and Dropbox and the economic development proposals.
 - A review of the economic development matrix scores.
 - A summary of the WebLOCI fiscal impact analyses.
 - A compilation of the anticipated benefits and expectations which will be established by these economic development agreements.
 - A proposed timeline for future City Council action.

+ Economic Development Proposal

What criteria and analysis were used?

- Economic Development Matrix
 - The matrix is a scoring tool that assesses firms using the following five categories of criteria:
 - 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.
- WebLOCI fiscal impact analysis
- Both of these companies applied for incentives prior to October 24, 2013 and are therefore two of 10 “grandfathered” projects. The projects were evaluated based the City’s economic development policy prior to October 24th.

Websense

+ Background

Websense, Inc.

- Websense, Inc. is a global leader in protecting organizations from the latest cyber attacks and data theft. The company offers comprehensive security solutions that unify web security, email security, mobile security and data loss prevention at the lowest total cost of ownership.
- Websense, Inc. is a privately-owned security firm that has been in operation for 19 years and employs 1,600 employees in 28 global locations.
- The company currently has 4 employees in Austin that work out of home offices. Websense, Inc. is considering relocating its corporate headquarters from San Diego, CA to Austin, TX.
- Over 19 years, the company the company has developed new technologies for the following sectors:
 - Small and medium business
 - Finance and banking
 - Federal government
 - Healthcare, and
 - Education (K-12).
- Websense was honored in the InformationWeek 500, a well-respected list of top U.S. business information technology (IT) innovators, for the fourth consecutive year. – October, 2013.

+ Economic Development Matrix

What is the score for this project?

- Websense, Inc. scored 85 out of 100.
- The score is reflective of the following commitments:
 - 470 new full-time jobs created in Austin over 10 years with an average annual wage of \$82,000.
 - Websense would establish an Austin presence in 90,000 sq ft of office space and invest \$2.6 million in leasehold improvements and \$7.33 million in business personal property.
 - Employees benefits include:
 - Health, dental, vision and life insurance plans,
 - Same-Sex domestic partner benefits,
 - Job and career path training with the opportunity for tuition reimbursement
 - Commuter expense program, gym discounts and more.
 - Websense gives back to the community through variety of charitable activities such as school supply drives, angel trees, toy drives, food drives, blood drives and planting days for preparing fields to grow local crops.

Dropbox, Inc.

+ Background

Dropbox, Inc.

- Dropbox, Inc. is a privately-owned software-as-a-service company headquartered in San Francisco, CA.
- Dropbox, Inc. was founded in 2007 by two MIT students as a Y Combinator startup company and currently employs over 350 employees.
- Dropbox is a file hosting service that allows its users to easily access and share documents, photos, and videos from anywhere in the world. Dropbox offers cloud storage, file synchronization, and client software.
- More than 175 million users in over 200 countries utilize Dropbox services.
- In 2013, Dropbox announced an expansion to Austin with an office of 30 employees.
- Dropbox's awards and accolades include:
 - Most Innovative Tech Company of the Year and Company of the Year- Computer Software, American Business Awards- 2013
 - Best Overall Startup and Best Cloud Service, TechCrunch- 2012
 - Top 50 Most Innovative Companies, Fast Company- 2012

+ Economic Development Matrix

What is the score for this project?

- Dropbox, Inc. scored 70 out of 100.
- The score is reflective of the following commitments:
 - An investment of \$4 million in leasehold improvements and \$1.5 million in business personal property in a Downtown office space.
 - Creating 170 new full-time jobs in Austin over the next 10 years with an average annual wage of \$59,000.
 - Hiring up to 100% of employees locally.
 - Offering employees a comprehensive benefits package including:
 - Health, dental, and vision insurance
 - Life, accidental death and dismemberment insurance;
 - Same sex partner benefits;
 - On-the-job training;
 - 401(k); and
 - An employee assistance program.
 - Dropbox offers employee the ability to sponsor one non-profit of their choice to receive 50 free Dropbox licenses.
 - Maintaining a directory of volunteer opportunities for their employees and sponsoring women in technology activities.

Summary

+ WebLOCI Fiscal Impact Analyses

The financial benefits and costs of these projects.

The table below shows the estimated direct benefits and costs of the jobs and investment created by each project over the 10 years.

Figures have been rounded.

	Websense	Dropbox	Total
City Application Received	10/01/13	09/04/13	N/A
Total Benefits	\$10 million	\$3.71 million	\$13.71 million
Total Costs	\$8.24 million	\$3.12 million	\$11.36 million
Non-Property Tax Based Incentive	\$438,000	\$244,500	\$682,500
Net Benefit	\$1.76 million	\$594,680	\$2.35 million
State Incentive	\$4.5 million	\$1.5 million	\$6 million

+ Economic Development Agreement

What are the contractual obligations?

Company Performance Obligations

	Websense	Dropbox
Leasehold Improvement Investment	\$2.6 million	\$4 million
Business Personal Property Investment	\$7.33 million	\$1.5 million
Job Creation	470 (+ retain 4 jobs)	170 (+ retain 30 jobs)
Average Annual Wage	\$82,000	\$59,000
Construction-Related Requirement	Pay higher of \$11/hr or prevailing wage, provide workers' compensation and OSHA-10 training	Pay higher of \$11/hr or prevailing wage, provide workers' compensation and OSHA-10 training
Health Insurance?	Yes	Yes
Domestic Partner Benefits?	Yes	Yes
MBE/WBE Program and Supplier Diversity Plan?	Yes	Yes
Efforts to Recruit Locally and From Diverse Candidate Pool?	Yes	Yes

+ Economic Development Agreement

What are the contractual obligations?

City of Austin – Performance Obligations

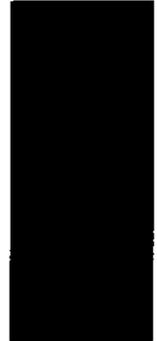
- Provide a 10 year performance-based economic development grant, payable on an annual basis from the Economic Incentives Reserve Fund.
- The City is not obligated to make a grant payment for any year in which the City has determined that a Company has failed to fulfill an obligation or condition applicable to the Company.

+ Conclusion

- **Summary of Websense and Dropbox**
 - 640 jobs created in the City of Austin with average salaries that range between \$59,000 and \$82,000.
 - Over \$15 million invested in leasehold improvements and in business personal property – eligible for the MBE/WBE process.
 - The City of Austin could capture an estimated net benefit of \$2.35 million over a 10 year period.
 - Employee programs and enrichment efforts that will promote corporate citizen participation in our community – ranging from volunteer work to charitable giving.

+ Next Steps

- Set a Special Called meeting for February 20th.
- Today – Set the public hearing for the February 20th City Council meeting so that the public may comment on the proposed Economic Development agreements between the City of Austin and Websense and Dropbox.
- February 17th– Online public comments from www.austintexas.gov/ed will be transmitted to City Council.
- February 20th– Public hearing will be conducted followed by a City Council vote.



Questions?