

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	64076	Agenda Number	3.
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Meeting Date:	11/10/2016	Department:	Economic Development
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Subject

Approve a resolution to nominate Samsung Austin Semiconductor, LLC for designation by the Governor's Office of Economic Development and Tourism as a single Texas Enterprise Project in accordance with Chapter 2303 of the Texas Government Code.

Amount and Source of Funding

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

Purchasing Language:	
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.
For More Information:	Kevin Johns, Director/Economic Development Department, (512) 974-7802; Dusty McCormick, Economic & Business Development Liaison/Economic Development Department, (512) 974-6390
Council Committee, Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

This resolution will nominate Samsung Austin Semiconductor, LLC. ("Samsung") as a single enterprise zone project under the Texas Enterprise Zone Act. A single designation provides a \$2,500 per job refund of state sales/use tax for purchases made for the designated site. A company may receive benefit for up to 500 jobs. This is a state sales tax and there is no fiscal impact to the City.

Samsung is a limited liability company based in Austin. Samsung produces digital large scale integration logic components for tablets, smart phones and other mobile devices. Since 1997, Samsung prides itself on delivering world class semiconductor technology and continues to be one of the most advanced semiconductor plants in the United States. Over the next five (5) years, Samsung anticipates spending \$500 million at its Austin Fabrication Facility. The investment will allow Samsung to remodel and improve its nanometer production lines by adding and replacing semiconductor tools. Samsung plans to upgrade its network systems to adapt the existing nanometer

technology, remedy the tool's shortcomings and construct a new cleanroom layout for the tools to fit in. The new equipment renovations of Samsung's Austin facility will enable Samsung to continue with its wide-ranging products. Some of the \$500 million investment will upgrade the 300 mm Fab plant for which Samsung has a Chapter 380 economic development incentive agreement with the City. If the designation is approved, the state will refund only the state's portion of the sales/use tax purchase. The chapter 380 agreement abates real property taxes as set out in the agreement and there is no duplication of incentives by this action.

Samsung currently employs 2500 employees at its facility located at 12100 Samsung Blvd., and looks forward to being a part of the expanding Austin and Travis County business community. It is committed to retain 500 full-time jobs for the purposes of the Texas Enterprise Zone Program. The company qualifies for a designation because of a planned investment at the business site located within the City and the retention of jobs.

If designated as an enterprise zone project, Samsung would be eligible for a refund of state sales and use tax 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 nine (9) Enterprise Projects designations based on availability and competitiveness of the project every two (2) years. A single enterprise zone designation for this project will require one of the City's eight (8) remaining designations.