

A G E N D A



Recommendation for Council Action

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| Austin City Council | Item ID | 69907 | Agenda Number | 41. |
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| Meeting Date: | 4/13/2017 | Department: | Economic Development |
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Subject

Conduct a public hearing and consider an ordinance creating an economic development program and authorizing the negotiation and execution of an economic development agreement with Merck Sharp & Dohme Corporation.

Amount and Source of Funding

There is no fiscal impact in Fiscal Year 2017 and 2018 budgets from this agreement. Funding for the first year of this agreement will be requested in the Fiscal Year 2018-2019 budget.

Fiscal Note

A fiscal note is not required.

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| Purchasing Language: | |
| Prior Council Action: | |
| For More Information: | Kevin Johns, Director / EDD, 512-974-7802; David Colligan, Global Business Expansion Manager / EDD, 512-974-6381 |
| Council Committee, Boards and Commission Action: | |
| MBE / WBE: | |
| Related Items: | |

Additional Backup Information

The Economic Development Department recommends approval of the proposed ordinance which creates an economic development program and authorizes the negotiation and execution of an economic development agreement with Merck Sharp & Dohme Corporation (Merck). Under the proposal, Merck is considering Austin as a potential location for their fourth international IT Hub. If Austin is chosen for this project, it could anchor the fusion of tech, bio and life sciences (Target markets designated by Opportunity Austin 3.0 and the City). It could also catalyze the success and development of the Innovation Zone in the City's Central Business District. The project would create a total of 600 jobs over a period of ten years, with an average annual wage of \$84,586. The project would offer significant contracting opportunities for local firms as it proposes a total investment of \$28,722,000, which includes \$20,532,000 million in construction, an estimated \$2 million in annual expenditures for local services, and an estimated \$500,000 in annual local purchases.

The project received the necessary score to be eligible for an economic development grant and based on the Council approved matrix, this project meets all criteria for an extraordinary economic impact. The project is also eligible and meets criteria for three bonus items. For each year the City and an independent third-party have verified that Merck has performed according to the terms of the agreement, the City will provide an economic development grant equal

to \$200 per each new full-time job. Using the LOCI fiscal impact software, the City is projected to receive \$1,984,104 in total net benefits from the project over the 10-year agreement term. The net benefits amount is calculated after the total estimated economic development grant of \$856,000 is factored.

The Economic Development Department is conducting a public comment period open through 5 p.m. on Tuesday, April 11, 2017. The working documents and online survey can be accessed at www.austintexas.gov/ecodev.