



Recommendation for Action

File #: 23-2832, **Agenda Item #:** 103.

9/14/2023

Posting Language

Conduct a public hearing to present details and staff evaluation of an application for an economic development agreement from NXP USA, Inc., under the City of Austin Chapter 380 Economic Development Policy.

Lead Department

Economic Development Department.

Fiscal Note

This item has no fiscal impact.

For More Information:

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Additional Backup Information:

The Economic Development Department requests City Council's consideration of a proposed ordinance authorizing the negotiation and execution of an economic development agreement with NXP USA, Inc. (NXP). NXP submitted an application to the City for a Chapter 380 economic development agreement.

NXP has two existing manufacturing facilities in Austin, located at 3949 Ed Bluestein Boulevard (ATMC) and 6501 W. William Cannon (OHT). The Chapter 380 economic development agreement will act as an inducement for NXP to select its Austin campuses as the location for an expansion of its semiconductor wafer manufacturing capacity. If this project is selected over competing locations, the non-viable production lines at ATMC and OHT will be removed and replaced with manufacturing capabilities for semiconductor wafers that better meet current market demands. Without the additional capital investment, utilization, and productivity of NXP's Austin operations would continue to decline as its existing product lines become obsolete. The prospective total direct economic impact of the project across the two campuses would be the recovery of 53 jobs and a capital investment of \$290,800,000.

The project is eligible for consideration under the City's Chapter 380 guidelines and received the necessary score for a base reimbursement of 40 percent (Base Award) of property taxes paid to the City. Staff recommends a 10 percent additional award (Additional Award) be provided to the company for the sole purpose of creating an Advanced Manufacturing Workforce training (Training Program). The combined Base and Additional Award equal the full 50 percent reimbursement allowed under the City's Chapter 380 guidelines. In recognition of the Project's substantial capital investment and contribution to Austin's advanced technology cluster, staff recommends NXP have an opportunity to achieve additional performance-based metrics under the policy's High-Impact Project provision. Staff recommend an additional 10 percent bonus award for hiring economically disadvantaged workers and an additional five percent for meeting certain sustainable business practices.

Contract compliance and award payment eligibility will be determined annually by the City and an independent third-party to verify that NXP has performed in accordance with the terms of the contract. Upon confirmation of compliance, the City will provide an award equal to a 50 percent reimbursement of actual property taxes paid

to the City for the Base Award and Additional Award. Bonus awards for hiring economically disadvantaged workers and meeting certain sustainable business practices will be made annually for those years each eligibility criteria is attained. Using the Impact Dashboard fiscal impact model, the City is projected to receive \$1,500,000 in total net benefits from the project over the five-year agreement term. The total net benefit amount is calculated after the total estimated award of \$1,000,000 is factored in.

There is no fiscal impact in Fiscal Year 2023 and 2024 budgets from this agreement. Funding for property tax reimbursements will be requested in Fiscal Year 2025-2029 budgets.

The Economic Development Department provided a public comment period open from 5:00 p.m., September 8, 2023, through 5:00 p.m., September 15, 2023. During that period, working documents and online public comment portal will be available for access at speakupaustin.org.

The City's Business Expansion Program Guidelines require staff to place the application on the Council agenda with a staff presentation on the proposal. The public can comment on the proposal at the Council meeting. This item satisfies that requirement. The Guidelines also require the item be placed on a second Council agenda for public hearing before the Council decides on the application. Staff have posted the second hearing on the September 21st agenda.