



## PROPRIETARY and CONFIDENTIAL

**Applicant (Company):** NXP USA, Inc. (the Company) is a Dutch based manufacturer of semiconductors, headquartered in the Netherlands. The company employs in excess of 31,000 people, with operations in over 30 countries. Wafer fabrication facilities in Chandler, Arizona are the company's only U.S. based operations outside of Austin. The Company's product has applications in a host of industries including automotive, industrial, mobile and communication infrastructure. The Company has two existing manufacturing facilities in Austin (3949 Ed Bluestein Blvd [ATMC] and 6501 W. William Cannon [OHT]). The vast majority of the semiconductor wafers produced locally supply the automotive manufacturing industry.

The Company is a longstanding Austin corporate citizen, with operations dating back to 1974. Currently, the Company's Austin operations have an estimated \$560.0M annual impact in the local economy. It is active in the community with the following examples of local civic involvement:

- Partnered with the Westlake High School FRC 2468 team to host summer 2022 STEM camps for the children of NXP team members
- Black Achievement & Leadership Team (BALT) Employee Resource Group, partnering with NASA and the Austin Professional's chapter of the National Society of Black Engineers to host a workshop in their FreshStart Program
- The Hispanic Education Awareness Team (HEAT) employee resource group chapter in Austin volunteered at El Buen Samaritano's youth summer STEM camp
- Raised funds for:
  - Texas-based Foundation Community's Back-To-School Drive
  - I live Here I Give Here's Amplify Austin Day
  - El Buen Samaritano
- Sponsored volunteers for:
  - Keep Austin Beautiful Day
  - Austin Habitat for Humanity

**Project Summary (Project):** The Company is evaluating an opportunity to retool its manufacturing capabilities at its two Austin wafer fabrication facilities. Four of the five product lines manufactured at the OHT campus produce antiquated technology. As a result, the production capacity at OHT has trended downward, and the facility may eventually be decommissioned as its product lines become obsolete. If Austin is chosen for the growth opportunity, the facilities would be retooled to alter production lines to better service the company's markets. The Company is budgeting its upcoming capital allocations for its operations worldwide. If this project is selected over others under consideration, the non-viable production lines would be removed and replaced with manufacturing capabilities for more relevant technology. Without the additional capital investment, utilization and productivity of the OHT operation would continue to decline. The prospective total direct economic impact of the project would be the recovery of 53 jobs and an aggregate capital investment of \$290.8M.

The Company intends to utilize the prospective City award as the local match required for funding under the CHIPS and Science Act (CHIPS). CHIPS is a Federal economic plan to encourage invest in America to stimulate private sector investment in semiconductor production in the United States. No derogatory information was found on the Company that would adversely affect consideration of an incentive proposal. The Project's impact to the separate campuses are as follows:

**OHT** – The OHT Campus is located at 6501 W. William Cannon. If the Company places a capital allocation in its Austin operations, existing production lines at OHT would be retrofitted to accommodate new production equipment. The equipment would expand production of the current technology. **Most of the \$148.6 M capital investment would take the form of equipment acquisition. Job recovery at OHT is estimated at 32 positions in addition to the 110 jobs that would be retained if the facility's capacity increases to greater utilization. The OHT campus also houses roughly an additional 1,600 employees that staff its US Headquarters and research and development functions.**

**ATMC** - The ATMC campus is located at 3949 Ed Bluestein. . **Approximately 21 jobs will be recovered at ATMC along with the existing 1,062 positions. The estimated capital investment at ATMC is 142.2 M, which will largely take the form of equipment.**

## **Fiscal Impact**<sup>1</sup>

<b>Summary of Estimated Five Year Fiscal Impact</b>	
<b>Workforce Impact:</b>	
Estimated Net New Jobs Recovered	53
Year 1 Average Annual Salary	\$50,812
<b>Capital Investment<sup>2</sup>:</b>	
Real Property	\$29.8M
<u>Personal Property</u>	<u>\$261.0M</u>
Total Capital Investment	\$290.8M
<b>Community Benefits Score:</b>	80/100
Estimated Gross City Fiscal Benefit	\$2,859,487
Estimated Cost of City Services	<u>(\$299,211)</u>
<b>Estimated Net City Fiscal Benefit</b>	<b>\$2,560,276</b>
<b>Estimated City Property Tax 10 Year Impact</b>	
Real Property	\$321,044
<u>Personal Property</u>	<u>\$2,193,031</u>
Total Est 10 Year Property Tax Receipts	\$2,514,075

**Inducement Argument or “But For” Statement:** “Without sufficient federal funding and local incentive support for Project Live Oak, NXP would be forced to allocate its proposed investment in semiconductor chip manufacturing to alternate locations and investment scenarios outside the U.S.”

**Intra-Departmental and External Agency Coordination:** The Project is being coordinated internally with the City’s Office of Sustainability, SMBR, Financial Services Department, Austin Energy and Austin Water; externally with the Office of the Governor, Texas Workforce Commission AND Opportunity Austin.

### **Opportunities**

- The project’s anticipated capital investment would allow the Company to expand viable product lines and keep the OHT facility operational.
- Creates 53 jobs that may otherwise be permanently lost due to production ramp down.
- The project would strengthen the Austin semiconductor manufacturing industry and contribute to meeting increased global market demand for semiconductors and address national security issues resulting from shortage of semiconductor chips.
- Presents an opportunity to bring Federal resources to the community through a CHIPS award.

**Challenges:** The Company’s total employment level for its Austin operations has trended downward in recent years due to production related ramp down, handled through attrition.

**Staff Recommendation:** Significant national and international influences are currently competing for the attraction of expanding semiconductor production operations. Recognizing the importance of supporting Austin’s advanced manufacturing sector and the highly competitive nature of attracting and retaining wafer fabrication operations, staff recommends supporting the Company’s request for a Chapter 380 Economic Development Program (Program) award based on the Company’s proposed Austin Capital Investment. If the Austin operations are selected, the project would create jobs at both local campuses. In addition, the project would reinvigorate a facility that is underutilized and ramping down production. Staff recommends the following award terms and conditions, which would be included identically in draft agreement of each location:

- **AWARD TERM:** Five years.
- **AWARD REIMBURSEMENT:** Company shall be eligible for a reimbursement of up sixty-five percent (65.0%). The reimbursement award eligibility includes the base program standard reimbursement (40.0%), additional performance-based bonus awards (15.0%) and creation of an Employee Transition and Workforce Training program (10%) outlined as follows
  - **Base Project Incentive:** An award equal to forty percent (40.0%) of City of Austin property taxes eligible for reimbursement, reflecting the Company’s commitment to the Program’s standard eligibility criteria and community benefits.

<sup>1</sup> Fiscal Impact estimated for the expansion only utilizing [Impact Dashboard](#).

<sup>2</sup> For the purpose fiscal impact analysis valuation of real and personal property are estimated at 50% and 100% of capital investment, respectively. Personal property depreciated in accordance with Travis County Appraisal District Semiconductor Equipment depreciation schedule.

- **Employee Transition & Workforce Training Fund (Training Fund)<sup>3</sup>:** An award equal to ten percent (10%) of eligible property taxes shall be awarded to establish a fund to support employees dislocated as a result of the expansion and to create an advanced manufacturing skills training fund. The Training Fund will assist dislocated employees to provide support services while transitioning to alternative employment opportunities. The Training Fund shall also support an advanced manufacturing workforce training program to provide job training available for all Austin residents, with preference given to individuals experiencing job loss relating to the expansion, and training of the company’s employees and company’s suppliers.
- **High Impact Project Bonus Incentive Eligibility:** In recognition of the Project’s substantial capital investment, importance of Austin’s advanced manufacturing sector and the significant economic and fiscal benefit to the community, the Company shall have an opportunity to achieve additional performance-based incentives under the Program’s High-Impact component:
  - Economically Disadvantaged Employment: An additional award equal to ten percent (10%) City of Austin property taxes eligible for reimbursement, contingent on at least twenty-five percent (25%) of the employees in New Full-time Jobs are filled with individuals that meet one or more of the criteria as defined in Appendix D.
  - Sustainable Business Practice: An additional five percent (5%) award contingent on the company’s eligibility and commitment to participation in the City of Austin’s Green Business Leaders and Austin Energy’s GreenChoice programs , and a commitment to adhere to Austin Water’s pending requirements for the harvesting of rainwater + A/C condensate from buildings and reuse water.

**Summary of Potential Local Award Package & Net Benefit**

<b>Estimated Net City Fiscal Benefit</b>	<b>\$2,560,276</b>
<b>Proposed Award Based Property Tax Reimbursement<sup>4</sup>:</b>	
Base Incentive (40.0%)	\$631,589
Employee Transition & Job Training Program (10.0%)	\$157,897
Economically Disadvantaged Hiring Bonus (10.0%)	\$157,897
Sustainable Business Practice Bonus (5.0%)	<u>\$78,949</u>
<b>Total Potential Proposed Award Package</b>	<b>(\$1,026,332)</b>
<b>Net Five Year Fiscal Benefit to the City of Austin</b>	<b>\$1,533,944</b>

- **GENERAL TERMS AND CONDITIONS:** Reimbursements contingent upon compliance with job creation, wage requirements, MWBE goals, capital investment and community benefit commitments attested to in the Company’s Program application, along with adherence to all local, state and federal rules and regulations and any additional provisions included in an award agreement.

<sup>3</sup>The company shall make a payment in lieu of taxes equal to the reimbursement as the source of funds for this program.

<sup>4</sup> Ad Valorem Rate eligible for reimbursement calculated as the City of Austin M&O portion of the property tax rate of .3669, less the ATP transfer rate of .0763% equaling a maximum rate eligible for reimbursement of .2906.

**Appendix A - Community Benefit Highlights**

<p><b>Hiring:</b></p> <p>Diversity, Inclusion &amp; Equity</p> <p>Employment Opportunity</p> <p>Talent Development</p>	<ul style="list-style-type: none"> <li>• Facilitates training on diversity, equality and inclusion topics and host events aimed at promoting career development and building leadership skills.</li> <li>• DEI initiatives and cite performance tracking with a goal of 20% Women in Executive Positions by 2025. (Currently at 16%).</li> <li>• Engages in professional development conferences that enables the continued growth of our diverse workforce. Over the last nine years, NXP team members have participated in the Texas Conference for Women, the Watermark Conference for Women, the Arizona Women’s Conference, and the Global Semiconductor Alliance’s Women’s Leadership Initiative.</li> <li>• Created an internal resource hub to provide resources on topics such as diversity, inclusion, intercultural collaboration, microaggressions, bias, and allyship. Integrating unconscious bias training into our team member development process in 2022.</li> <li>• Engineering Review Board – This initiative aims to provide Technicians, who may not have a 4-year engineering degree, the ability to apply for higher grade Engineering positions. Upon review and approval of experience, education, and demonstration of skills and behaviors, they can be promoted.</li> <li>• Engineering Leadership Rotation Program being piloted in ATMC – The focus is to create a rotation program to train and develop early-in-career engineers to become future managers. The result would be a pipeline of strong, diverse leaders ready for all section manager positions.</li> <li>• Internship programs focus on the students’ technical advancement and skills development that are needed as they prepare to enter the professional workforce, with more than 800 internships granted to university students and converted 40% of our interns into an NXP team member</li> <li>• NXP’s approach to diversity, equality and inclusion is centered around the following: Leadership commitment and accountability, Building and sustaining a qualified, diverse talent pipeline and equitable processes, Fostering an inclusive culture and a sense of belonging to attract and retain the best talent by: Welcoming and embracing our team members’ diversity and fostering respect for everyone’s different, leveraging the diversity of thought and life experiences, cultivating a collaborative work environment where team members feel valued and are comfortable being their true selves</li> <li>• To serve as an additional partner, resource and advocate for diversity, equality and inclusion (DE&amp;I) at the company, in 2022 we established the NXP Diversity Council. This Council is responsible for advancing our DE&amp;I strategy, with the ultimate goal of contributing to the transformation of our global workplaces and communities into more inclusive environments where individuals are valued for their talents and empowered to reach their fullest potential.</li> <li>• To date, NXP has nine primary Employee Resource Groups (ERGs), with representation in Asia, Europe, Mexico and the United States: Asian Cultural Team, Black Achievement &amp; Leadership Team, Emerging Professionals/ Young! NXP Group, EQUAL (LGBTQ focused), Hispanic Education Awareness Team, Interconnection (supports team members in Europe from multicultural backgrounds), No eXtra Planet (focuses on environmental sustainability), United Veterans, and Women in NXP.</li> <li>• NXP has existing relationships with the following workforce development programs in Austin, TX and would continue to strengthen its current and future workforce through engagement with these organizations: Austin Regional</li> </ul>
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	Manufacturers Association, Skillpoint Alliance, Austin Community College, and Texas State Technical College
<b>Mobility Solutions</b>	<ul style="list-style-type: none"> <li>• Facilities provide on-site parking, including multi-level parking structures, sufficient for all employee parking requirements and avoiding any need for neighborhood parking.</li> <li>• Incorporate bike/pedestrian amenities to facilitate alternative transportation options for employees and adjacent communities, such as shower and locker facilities for employees who bike to work and free charging with dedicated parking spots for employee electric vehicles.</li> </ul>
<b>Civic Engagement</b>	<ul style="list-style-type: none"> <li>• Awards a select number of Community Impact Grants, supporting initiatives that are aligned with its core focus areas: STEM Education, Health &amp; Wellness, and Environmental Stewardship.</li> <li>• Network of employee groups and volunteers who provide monitoring, instruction, and career awareness through local organizations.</li> <li>• Committed to providing economic and educational opportunities for Texans from diverse and underrepresented communities and engages with groups including but not limited to: Breakthrough Central Texas, Latinas, AUSPREP, El Buen Samaritano, and Out Youth.</li> </ul>
<b>Sustainable Business Practices</b>	<ul style="list-style-type: none"> <li>• Recycled 76% of our total waste (nonhazardous and hazardous), an increase of 7 percentage points from 2020 and 6 percentage points from 2011. Recycling rate includes waste-to-energy activities, including the conversion of non-recyclable waste materials into usable heat, electricity, or fuel through incineration. Recycle rate was 69% in 2021, excluding waste-to-energy.</li> <li>• Our E-Scrap Program ships scrap waste to processing plants that reclaim and recover these valuable (and potentially toxic) metals to reduce the amount of e-waste sent to landfills.</li> <li>• In 2022, although production increased 9% compared to 2021, our e-scrap went down, mainly due to process-yield improvements implemented during the year.</li> <li>• Increased its consumption of renewable energy over the last 11 years.</li> <li>• Goal of Carbon neutrality by 2035 - Reduce carbon emissions by 35% in 2027 (2021 baseline) Optimize natural resources by 2027 - 50% renewable energy, 60% wastewater recycled, 90% waste recycle</li> <li>• In accordance with criteria from the International Organization of Standardization (ISO), our environmental management system is certified to ISO 14001 at all our manufacturing sites.</li> <li>• NXP supports the following alternative transportation options for employees at its Austin sites:</li> <li>• NXP provides free charging with dedicated parking spots for employee electric vehicles.</li> </ul>

**Appendix B**  
**Estimated Economic Impact Detail**

**Economic Impact of Austin Operations and Expansion**<sup>5</sup>

	<u>Current Operations</u>	<u>Expansion</u>	<u>Current &amp; Total Operations</u>
<b>Employment Impact</b>			
<b>Direct</b>	2,768	53	2,821
<b>Spin-off</b>	4,054	78	4,133
<b>Total Impact to Employment</b>	6,823	131	6,954
<b>Operational Impact</b>			
<b>Direct Payroll</b>	\$1.65B	\$9.1M	\$1.66B
<b>Spin-off Payroll</b>	\$769.14M	\$4.22M	\$773.36M
<b>Salaries Total</b>	\$2.42B	\$13.27M	\$2.43B
<b>Taxable Purchases in Austin</b>	\$272.34M	\$99.77M	\$372.103M
<b><i>Total Estimated Annual Economic Impact</i></b> <sup>6</sup>			<b><i>\$560.42M</i></b>

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<sup>5</sup> Economic impact, incorporating temporary reduction in workforce estimated utilizing [Impact Dashboard](#).

<sup>6</sup> Equal to the 5 year average of the sum of Aggregate Payroll and Local Purchases.

**Appendix C**  
**Estimated Local, State and Federal Economic Incentive Package**

<b>Est, State and Local Award Summary</b>	<b>Award Amount</b>
<b>Business Expansion Incentive – COA</b>	
Base Award (40.0%)	\$631,589
Employee Transition & Job Training Program (10.0%)	\$157,897
Economically Disadvantaged Hiring Bonus (10.0%)	\$157,897
Sustainable Business Practice Bonus (5.0%)	<u>\$78,949</u>
Total Potential COA Incentive Package (65.0%) <sup>7</sup>	<b>\$1,026,332</b>
<b>Total Local Potential Award Package</b>	<b>\$1,026,332</b>
<b>CHIPS for America Act</b>	
Total Estimated Grant <sup>8</sup>	\$14,539,000
<b>Total Estimated Comprehensive Award Package</b>	<b>\$15,565,332</b>

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<sup>7</sup> Estimated as a 65.0% reimbursement of COA eligible property tax receipts.

<sup>8</sup> Assumes CHIPS funding is at 5% of total capital investment.

## **Appendix D**

### **Economically Disadvantaged Employee definition**

To meet the requirements as an economically disadvantaged hire, an individual must meet one or more of the following criteria at the time of hire:

- Individuals without a high-school diploma or GED or transitioning from GED/high-school equivalent programs;
- Individuals experiencing homelessness, transitioning from homelessness or residents of Permanent Supportive Housing (PSH) and other publicly funded housing programs to include Housing Choice Voucher programs;
- Individuals served by other local, state, or federal social services contracts; o individuals with a past criminal justice system experience;
- Individuals transitioning from drug, alcohol or other treatment programs;
- Those who either lack sustained labor force experience or those returning to the labor force from a sustained absence;
- Individuals with a disability that has been identified by a qualified third-party service provider engaged in workforce development and supportive services as a barrier to employment.
- Resides in an underserved neighborhood, district or community, defined as a census tract with a poverty rate above 15.4 percent based on the most recent decennial census; in which at least 25.4 percent of the adult population does not hold a high school diploma or high school equivalency certificate based on the most recent decennial census; and that has an unemployment rate that has remained above 4.9 percent during the preceding five years, based on Texas Workforce Commission data
- Unemployed for at least three months before obtaining employment with the company
- Receives public assistance benefits, including welfare payments or food stamps, based on need and intended to alleviate poverty
- Low-income individual, as defined by Section 101, Workforce Investment Act of 1998 (29 U.S.C. Section 2801(25))
- Individual with a disability, as defined by 29 U.S.C. Section 705(20)(A)
- Entering the workplace after being confined in a facility operated by the institutional division of the Texas Department of Criminal Justice or under contract with the Texas Department of Criminal Justice
- Released by the Texas Youth Commission and is on parole, if state law provides for such a person to be on parole
- Meets the current low income or moderate-income limits developed under Section 8, United States Housing Act of 1937 (42 U.S.C. Section 1437f et seq.)
- In addition, other individuals who are considered to have challenges in regular employment may be included in the hiring population upon City receipt of, and agreement with, the justification for inclusion.