

CITY OF AUSTIN  
ECONOMIC DEVELOPMENT  
**Business Expansion  
Program Guidelines**  
A Chapter 380 Program

City of Austin Economic Development Department

2018 – 2023

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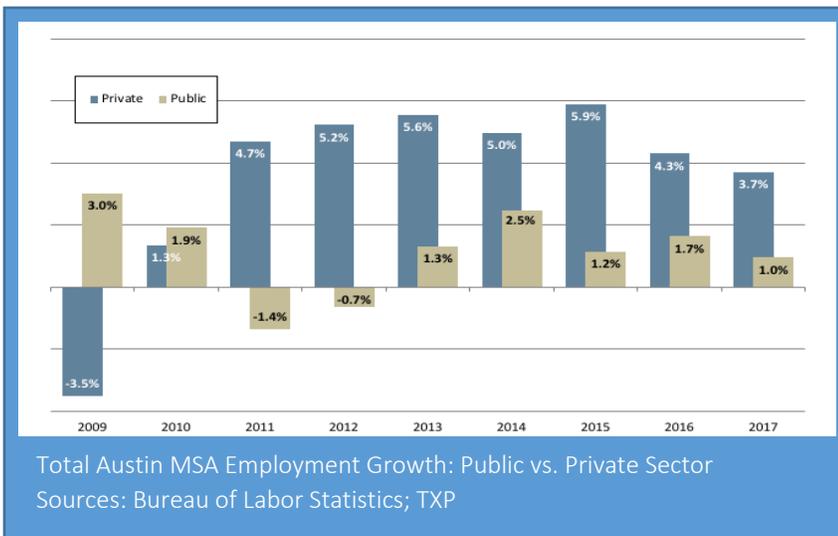
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## Context to City Program Development

### Recent Economic Trends:

In both absolute and percentage terms, the rate of growth in the Austin metro area (MSA) fell slightly during 2017, but the pace and level of growth remain among the most expansive in major metro areas in the country. Job growth (as measured by the employer survey) was slightly slower last year with 32,300 net new jobs added, the growth rate of 3.2% was off from 3.8% during 2016.

Most of this growth remains in the commercial sectors of the economy, reflecting continued population increases, while consumer spending has stabilized in recent quarters. Meanwhile, patent activity in the Austin MSA rose slightly from 2016 to 2017 (4,179 patents issued last year, up from 4,036), while venture capital in the region moved past \$1 billion in 2017. Tourism remains a growing element of the local economy, as annual hotel revenue in the City has doubled over the past ten years. Housing markets remain tight, and prices continue to rise.



While overall economic growth remains positive, wages have not kept pace with job growth, particularly on the lower end of the pay scale. According to the Texas Workforce Commission (TWC), average weekly wages in Travis County climbed from \$1,040 in 2011 to \$1,190 last year, a gain of slightly less than 15%.

As wages have fallen behind, costs have risen rapidly, especially for housing. The American Community Survey indicates that median monthly housing costs in the City increased almost 24% from 2011-

2016, well beyond wage growth. In that same vein, Texas A&M's Real Estate Research Center, using Austin Board of Realtors data, reports that the median price of a local home sold rose from \$215,000 in 2011 to \$323,000 last year, a gain of over 50%. Given the above, it's not surprising that A&M ranks Travis County as the least affordable housing market among Texas' major urban areas.

Slowing job growth puts focus on continued job creation, especially at a time when competition is intense. City economic development policy should be broad enough to foster the expansion of existing local business, support local entrepreneurs, and accommodate incentivizing selected relocations. However, the character of the jobs created and those who have access to them matters, as recent job growth without commensurate wage increases means that many in Austin are under-employed, which makes rapidly rising costs even more burdensome. Partially as a result, poverty remains largely intractable in Austin. For example, during 2010, those who were at 100% of the poverty rate accounted for 18.4% of Austin's population; after five years of strong overall economic growth, that figure had only improved to 18.0%. At the same time, there are a significant number who continue to face employment barriers. Of those adults age 16-64 listed at 100% of the poverty level, 68.7% reported having worked at some point during 2015, an implied unemployment rate of more than 30%. In addition, there are more

than 75,000 people in the City who report having a disability, as well as many who are in recovery from substance abuse or who have had a recent experience with the criminal justice system. It is these populations, those who are under-employed, chronically unemployed, and outside the labor force, who are in most need of economic development assistance.

In sum, Austin remains among the most prosperous communities in the nation, but the benefits of this prosperity have not been equitably distributed. As a result, a significant focus of the programs to be created is on the creation of better jobs paying better wages across industries, occupations, skill sets and communities. Under the authority granted by the State of Texas's Chapter 380 statute, the City of Austin seeks to develop programs that address this need, while also strengthening the local economy and tax base, sustaining economic activity and building resilience against national economic downturns. The following program guidelines have been developed relating to incentives to employers for both existing firms in the area and possible relocations. Please see the associated Economic Development Guiding Principles document for more information on how program criteria and process has been developed.

## Business Expansion Program Portfolio Structure

### Program Values & Priority Goals:

The Business Expansion Program Portfolio seeks to address the following general priorities as identified by community need, Austin City Council objectives, community strategic direction and current market conditions:

- High priority consideration given for jobs that provide above industry standard compensation for middle-skill workers;
- Heightened efforts are made to maximize meaningful labor force participation for Targeted Hiring populations (see page 12) and those facing socio-economic hardships that act as barriers for accessing local employment opportunities;
- Area of focus is on connecting the City's values for accessibility to employment and quality working environments to small and local business with expansion opportunities;
- Business expansion projects that yield benefits to the community beyond local tax base contribution, and;
- The City regulatory environment as it relates to business growth and development could be offset.

### Minimum Requirements for Business Expansion Program Portfolio Qualification:

Outlined below are the Minimum Requirements for proposal consideration within any of the Business Expansion Program Portfolio Categories. The below list reflects requirements that appear in each of the Business Expansion Program Portfolio Categories, however projects may comply differently with some requirements depending on the General Eligibility criteria outlined for each specific Category:

- Project provides 'But For' statement: Applicant must provide credible evidence that the incentive either fills a gap that creates desirable outcomes, or that the project addresses a competitive position around a relocation or expansion project that is considering viable alternative sites outside of Austin.
- Applicants to all Chapter 380 grant and loan programs shall be required to sign and comply with a City-provided form specifying the entity is in compliance with all federal, state and local laws and authorities. Evidence of noncompliance may be grounds for terminating the agreement. At its discretion, the City may work with the recipient to develop a plan and timeline for becoming compliant.
- Incentive recipients will comply with all City Code requirements, including environmental requirements, in effect at the time the Chapter 380 agreement is executed. Absent a negotiated agreement with the City, an incentive recipient shall not petition for potential vested rights under any provision of Chapter 25 of the City Code, or Chapter 245 of the Texas Local Government Code, for the Chapter 380 project that is the subject of the agreement. Incentive recipients agree to comply with City environmental requirements on all future development that is the subject of the agreement. If the recipient is cited with a City Code environmental violation for the subject of the agreed incentivized project during the term of the agreement, the City of Austin reserves the right to negotiate a cure period in which payment of the incentive will be withheld and, failure to cure the violation results in termination of the incentive agreement in accordance with the standard termination provisions in the Chapter 380 agreements;
- Project complies with the City of Austin's MBE/WBE Ordinance through the Minority-Owned and Women-Owned Business Enterprise Procurement Program;

- If applicable to a project with capital expenditures in the form of construction:
  - All construction workers hired for construction of the project will be provided Workers Compensation Insurance and OSHA 10 Training;
  - All construction work on the project must comply with the City's established prevailing wage program that is used on City of Austin public works projects;
  - The project will ensure all employees are paid no less than the City's living wage and as it may be adjusted annually, including full-time employees and contract employees, and if applicable to a project with capital expenditures in the form of construction, construction workers hired for construction work will be paid at least the City's living wage.
- Company may protest property tax valuation, however in the event the tax valuation of the property has been lowered as a result of a successful protest, the City will evaluate the impact of the new valuation on the net fiscal position of the City and may reduce the incentive amount to reflect the lowered property value;
- Company provides written policies to support anti-harassment and anti-discrimination practices for business operations and work environment in the City. Applicants to all Chapter 380 grant and loan programs shall be required to sign and comply with a City-provided form specifying non-discrimination and anti-harassment policies and practices. Evidence of noncompliance may be grounds for terminating the agreement. At its discretion, the City may work with the recipient to develop a plan and timeline for becoming compliant;
- The City living wage must be paid to the Austin-based employees of the business receiving incentives, and there will be no waiver or exception process for this wage requirement. This requirement applies in addition to and not as a substitute for the requirement for firms to provide wages above the industry median wage.
  - Economic incentives shall only be granted to higher-wage firms for providing community benefits other than high wage jobs;
  - For economic incentives provided to higher-wage firms, economic incentives shall only be granted to those firms for providing other community benefits other than high wage jobs. Such community benefits could include, but would not be limited to, achieving the goal of the Workforce Master Plan: bringing Austinites up from below 200% of the federal poverty line into jobs that lift them above that standard;
- Company provides company-sponsored health insurance benefits for all new full-time employees, or Company provides a written explanation of how it is facilitating access to health insurance coverage for its employees (such as providing a stipend to purchase insurance on the healthcare exchanges) that is deemed to adequately satisfy the provision of the health insurance requirement;
  - Company extends those health insurance benefits stated above to domestic partners of employees and their dependents. The company's policy should reflect the definition of a domestic partner as an individual who lives in the same household and shares the common resources of life in a close, personal, intimate relationship with an employee if under Texas law the individual would not be prevented from marrying the employee on account of age,

consanguinity or prior undissolved marriage to another. A domestic partner may be of the same, or opposite, gender as the employee;

## Incentives to Employers Categories

To achieve the Business Expansion Program Portfolio Values and Priority Goals, the following program guidelines are organized into three broad categories:

**Category 1: Existing Local Expansions**

**Category 2: Opportunity for Employment**

**Category 3: External Relocations**

### *Category 1: Existing Local Expansions*

#### **Category Values & Priority Goals:**

The Existing Local Expansions category of the Business Expansion Program Portfolio seeks to connect employment and quality working environments to small and local business with expansion opportunities, addresses rising costs and access to capital/financing for businesses, facilitates filling market gaps in the provision of certain goods and services in Targeted Areas, provides relief from the City's regulatory environment as it relates to business growth and development, and in turn provides benefits to the community beyond local tax base contribution. Potential users of this program will span a wide range, from small/local firms, to "mom-and-pop" shops, to growing start-ups, to large corporations looking to grow locally.

#### **General Eligibility:**

The Company will comply with Minimum Requirements as stated in the Business Expansion Program Portfolio Qualifications and includes the following additional eligibility requirements, as stated below:

- The company has a registered and operational location within the City of Austin;
- The company can receive incentives for either internships or full-time positions (defined as working at least 1,500 hours annually). All positions must pay at least the City's Living Wage;
- Small Projects: 5-24 Jobs Created: The Company will create between 5 and 24 full-time jobs that employ Austin residents (defined as any individual having a permanent address within the Austin MSA before starting date of employment);
- Medium Projects: 25-74 Jobs Created: Projects creating 25 to 74 full-time jobs that employ Austin residents (defined as any individual having a permanent address within the Austin MSA before starting date of employment);
- Large Projects: 75 and Above Jobs Created: Projects creating more than 75 full-time jobs that employ Austin residents (defined as any individual having a permanent address within the Austin MSA before starting date of employment).

#### **Exceptions:**

There are no available Exceptions to the Eligibility Requirements Category 1 Projects: Existing Local Expansions

#### **Cost-Benefit Analysis:**

Staff will include a cost-benefit analysis in the consideration of the project and the analysis will be factored in to the resulting Project Score (see "Project Score") that informs the level of incentive available to the project. For

some projects, depending on the complexity and anticipated impact, the City may determine that an outside or third-party cost-benefit analysis is necessary. Measures for the Cost-Benefit Analysis could include, but are not limited to, construction and development costs, net new jobs additions, hiring timeline, wages, facility costs that impact water and electricity infrastructure and other project-related financial information. A net fiscal position for the City will be determined from this analysis to help inform the level of appropriate investment, coupled with other program criteria measures and Score Card (see “Project Score”). The cost-benefit tool and resulting value is not the sole determinant of the value of the total potential incentive offer.

### **Return on Investment (ROI) Including Community Benefits:**

It is anticipated that not all qualifying projects that participate in this Existing Local Expansions program will produce a net positive fiscal impact for the City of Austin. This program is intended to support economic development value outside a revenue-positive fiscal impact for the City, but all projects must have at least a revenue-neutral fiscal impact for the City, focusing on providing additional resources for existing, local firms in the Austin market who seek to hire local residents. Given the rising cost of doing business and increased financial pressure on existing, local businesses, this program does not contain a requirement for projects to provide the City with a revenue-positive fiscal position to make a financial incentive offer.

Return on Investment that includes Community Benefits seeks to assign a “value” to elements of a project outside the sales and property tax based financial profile. These Community Benefits are another factor in determining the level of appropriate investment for the City to realize those community benefits, outside of tax revenue. Below is a list of Community Benefits that are considered “valuable” in the overall analysis of the proposed project in this Category:

- **Talent Development:** Demonstrate accessibility and delivery of employment opportunities to the economically disadvantaged and the Targeted Hiring population (see pg. 12). Demonstrate the advancement of employee skills by offering a career ladder, educational opportunities, and training such as apprenticeships, paid internships, coop learning, work-study, etc.
  - Collaborate with local schools for talent pipeline development through programs that include recruitment, internships, apprenticeships, and education of opportunities in the industry.
  - Other community benefit programs could include tuition reimbursement, parental leave/childcare programs, coordination with colleges and community colleges, workshop training, workforce development and upskilling.
- **Hiring:** Demonstrate recruitment and retention efforts, defined by hiring and employee development practices that produce equity measures to provide pathways for underrepresented minorities and racial/gender disparities.
- **Diversity, Inclusion & Equity:** Demonstrate diversity, inclusion, and equity practices and/or policies at the executive level, in the leadership profile, across the workforce and illustrate the presence of affinity groups, promotional efforts and equitable support of those groups to actively engage the workforce.
- **Neighborhood Connection:** Employer growth that affects the neighborhood or community the business services by creating jobs near workers, delivering goods or services to the surrounding community, offering training opportunities for neighborhood residents, delivers or integrates workforce housing development and includes other community solidification elements, such as communal green space and parks, local volunteer opportunities for employees, participating in local arts and culture organizations, and involvement in other initiatives that amplify Austin’s neighborhood culture.

- Local Partnerships: Partner and/or engage with local groups, non-profits, schools and small businesses to align with local values and needs. These partnerships could demonstrate any of the following:
  - Enhance relationships with local organizations and support local culture;
  - Develop and participate in neighborhood groups;
  - Promote industry diversity, encourage entrepreneurship and support small businesses through collaboration and partnership;
- Sustainable Business Practices: Engaging in zero waste and resource recovery initiatives such as recycling and/or reuse programs, mitigation of existing impact such as operations that move the community closer to net zero greenhouse gas emissions goal, and operations that are in line with the reductions mandated in the climate plan (25% reduction every 10 years), and, getting to zero by 2050. Actively engaging in environmentally friendly and sustainability-focused business operations including lowering vulnerability to drought and flood risks. Participation in the City of Austin’s Mobility Plan (if applicable), and encouraging employees of the company to participate in sustainability measures. Additional measures could include a Disaster or Emergency Preparation plan.
- Civic Engagement: Actively encouraging employees to register to vote, providing at least two hours off with compensation for employees to vote, or other programs to increase the civic engagement and democratic participation of its employees, customers, and/or nearby residents.

Return on Investment Including Community Benefits is not a requirement for participation in the program. Instead, the Community Benefits are additional measurements the City of Austin uses to determine valuable impact on the community beyond tax revenue generated from the project’s construction and job creation.

#### **Bonus Qualifiers:**

Bonus Qualifiers are a factor of the overall Project Score and could include but are not limited to:

- The company is in a targeted industry, as identified by the City of Austin.
  - The company will garner extra bonus qualifiers if the primary business activity of the incentivized project is defined as manufacturing;
  - The company will garner extra bonus qualifiers if involved in leading edge technology;
  - The company will garner extra bonus qualifiers if operations involve the use of waste or discarded material as a primary feedstock and will reuse, repair, remanufacture, or recycle that material, or otherwise enable the diversion of a waste material from the landfill/incineration through its core business activities;
- The company is defined as a Small Business by Small Business Administration guidelines (500 or less employees). The company will garner extra bonus qualifiers if it is a Small Business that employs less than 50 employees;
- The company will generate 100 or more new, full-time jobs;
- The company is in a lower wage sector but chooses to pay their employees above the City living wage;
- The company is cooperatively owned, managed, has a democratic form of representation for their workforce, or builds their projects using workers that have democratic forms of representation in their workplace;
- The company will (or already has) participated in the Human Rights Campaign Corporate Quality Index and receive a favorable score above 80% and is actively taking measures to achieve a score of 100% before the term of the incentive agreement is complete;

- The company will locate in a high frequency transit corridor, Transit Oriented Development, or Regional Center, Town Center, Job Center or Neighborhood Center identified in the Growth Concept Map in the Imagine Austin Plan and/or locate within 1/4 mile of a rail or bus stop that is accessible by safe pedestrian and bicycle routes;
  - The company will garner extra bonus qualifiers by incentivizing employees use of alternative transportation modes through Transportation Demand Management strategies such as carpooling, flextime work schedules, and subsidizing transit costs for employees;
  - The company will garner extra bonus qualifiers by offering workforce housing support or an annual stipend program to help alleviate the rising cost of living burden on employees, especially those below the Company's median salary;
- The company will commit to obtaining LEED certification silver or above for construction development of the project, if applicable;
- The company's development, if applicable, scores above a 9 out of 12 on the City of Austin's Carbon Impact Statement;
- The company will source procurement of art and installations from the local creative economy, such as local artists;
- The company will create a program that engages members of the local music and arts community to enrich the working environment for its employees, such as workplace concerts, performances, purchases, promotion programs, etc.;
- The company will provide an on-site day care facility for employees that may be open to the public, and/or provide subsidized daycare for employees.
  - The company will garner extra bonus qualifiers if the onsite daycare facility is made open to the public.

### Project Score:

A Total Project Score will be determined based off the following criteria:

- Minimum Requirements
- General Eligibility
- Cost-Benefit Analysis
- Return on Investment Including Community Benefits
- Bonus Qualifiers

### Project Score Thresholds:

- Project Score 0 – 50: No City incentive participation. A minimum Project Score of 50 is required for City investment.
- Project Score 51 – 79: City incentive participation negotiable up to a maximum of 35% for property tax reimbursements and up to 2% of wages (see "Incentives Provided"). Other/Operational Support in the form of City resources and services can be considered in this score range (see "Process: Step 4: City Resources").
- Project Score 80 – 100: City incentive participation negotiable up to 50% for property tax reimbursements and up to 3% of wages (see "Incentives Provided"). Other/Operational Support in the form of City resources and services can be considered in this score range (see "Process: Step 4: City Resources").

### Incentives Provided:

A firm may receive either a “per job” payment or a portion of incremental property tax liability associated with the expansion.

**Per Job Incentive Allowance:** Annually, the City will return a share of the gross income paid to workers in the newly created positions based on the Per-Job Allocation Schedule outlined below. The total incentive amount will be estimated at the time of the agreement execution and will be capped at that amount. If the cap is reached before the end of the agreement term, the agreement is deemed complete.

Project Score	Max % of Annual Wages Per Job Incentive Allowance	Per Job Cap (Annual)
0-50	None	N/A
51-79	1% - 2%	\$1,800
80-100	2.01% - 3%	

Notes on Per-Job Allocation Schedule:

- Assumes an annual work rate of 1,500 hours
- Maximum number of years allowed for per job incentive allowance: 5 years
- Per job incentives are only available to current local residents of the City of Austin
- Other/Operational Support in the form of City resources and services can be considered in the Project Score range of 51-100 (see “Process: Step 4: City Resources”)

**Property Tax Reimbursement:** Annually, the City will return a share of the property tax liability (not to exceed, in the aggregate, 50% of the net present value of the total estimated tax liability over five years.) Property tax reimbursements will be made based on the below Property Tax Reimbursement Allocation Schedule. The total incentive amount will be estimated at the time of the agreement execution and will be capped at that amount. If the cap is reached before the end of the agreement term, the agreement is deemed complete. As stated above, if the business successfully protests and lowers its property tax valuation, the reimbursement from the City may be reduced proportionately.

Project Score	Max Property Tax Reimbursement (% of net present value of the total estimated tax liability over 5 years)
0-50	0%
51-79	10% - 35%
80-100	36% - 50%

## Category 2: Targeted Hiring

### Category Values & Priority Goals:

The Targeted Hiring category of the Business Expansion Program Portfolio seeks to provide pathways for business expansions that focus on delivering compensation for middle-skill job creation, maximize meaningful labor force participation for populations that face unusual individual challenges to employment that act as barriers for accessing local employment opportunities, and in turn provide benefits to the community beyond local tax base contribution. Potential users of this program will span a wide range, from small/local firms, to mom-and-pop shops, to growing start-ups, to large corporations looking to grow locally.

### General Eligibility:

The Company will comply with Minimum Requirements as stated in the Business Expansion Program Portfolio Qualifications to include the following additional eligibility requirements, as stated below:

- The company creates one or more “apprenticeships” (position that is a combination of one-the-job training and related instruction from a supervisor in anticipation and preparation for a permanent job in the applicable company), or “internships” (positions of no more than two years that typically are made available to students);
- The company creates one or more full-time jobs, hiring and retaining the same individual for each job from the local population facing economic and socio-economic barriers to employment. This following list serves only as an example of populations and barriers and does not exclude other populations and barriers:

#### Targeted Hiring population:

- 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;
- 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; and
- 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.

*\* 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.*

- The appropriate level of annual hours worked will be determined on an individual basis, likely in consultation between the firm, the City, and a qualified third-party;
- The hiring firm pays or exceeds the City’s living wage for all employees and incentivized positions;
- The company will encourage and support the use of alternative transportation modes;

### Cost-Benefit Analysis:

Staff will include a cost-benefit analysis in the consideration of the project and will be factored in to the resulting Project Score (see “Project Score”) that informs the level of incentive available to the project. For some projects, depending on the complexity and anticipated impact, the City may determine that an outside or third-party cost-benefit analysis is necessary. Measures for the Cost-Benefit Analysis could include, but are not limited to construction and development costs, net new jobs additions, hiring timeline, wages, facility costs that impact water and electricity infrastructure and other project-related financial information. A net fiscal position for the City will be determined from this analysis to help inform the level of appropriate investment, coupled with other program criteria measures and Score Card (see “Project Score”). The cost-benefit tool and resulting value is not the sole determinant of the value of the total potential incentive offer.

### Return on Investment (ROI) Including Community Benefits:

It is anticipated that many projects that qualify for the Category 2: Opportunity for Employment program criteria will not produce a revenue-positive fiscal position for the City. This program is intended to support economic development value outside a revenue-positive fiscal impact for the City, but in no event will the value be less than roughly equivalent to the value that the City is paying, focusing on providing new opportunities for the intended segments of the Austin workforce. As an example, the combination of new revenue and avoided social services costs suggests that the City could realize as much as \$3,000 in net gain per job created for those in a Targeted Hiring population (see pg. 12). Therefore, this program does not contain a requirement for projects to provide the City with a tax revenue-positive fiscal position to make a financial incentive offer.

Return on Investment that includes Community Benefits seek to assign a “value” to elements of a project outside the financial profile. These Community Benefits are another factor in determining the level of appropriate investment for the City to realize those community benefits, outside of revenue. Return on Investment Including Community Benefits are not requirements for participation in the program. Instead, they are additional measurements the City of Austin uses to determine valuable impact on the community beyond tax revenue generated from the project’s construction and job creation. Below is a list of Community Benefits that are considered “valuable” in the overall analysis of the project in this Category:

- **Talent Development:** Demonstrate accessibility and delivery of employment opportunities to the economically disadvantaged and the Targeted Hiring population (see pg. 12). Demonstrate the advancement of employee skills by offering a career ladder, educational opportunities, and training such as apprenticeships, paid internships, coop learning, work-study, etc.
  - Collaborate with local schools for talent pipeline development through programs that include recruitment, internships, apprenticeships, and education of opportunities in the industry.
  - Other community benefit programs could include tuition reimbursement, parental leave/childcare programs, coordination with colleges and community colleges, workshop training, workforce development and upskilling.
- **Hiring:** Demonstrate recruitment and retention efforts, defined by hiring and employee development practices that produce equity measures to provide pathways for underrepresented minorities and racial/gender disparities.
- **Diversity, Inclusion & Equity:** Demonstrate diversity, inclusion, and equity practices and/or policies at the executive level, in the leadership profile, across the workforce and illustrate the presence of affinity groups, promotional efforts and equitable support of those groups to actively engage the workforce.

- **Neighborhood Connection:** Employer growth that affects the neighborhood or community the business services by creating jobs near workers, delivering goods or services to the surrounding community, offering training opportunities for neighborhood residents, delivers or integrates workforce housing development and includes other community solidification elements, such as communal green space and parks, local volunteer opportunities for employees, participating in local arts and culture organizations, and involvement in other initiatives that amplify Austin’s neighborhood culture.
- **Business Type:** Incentives will be targeted and extra incentives will be considered for businesses and employers that are cooperatively owned or managed or who have democratic forms of representation for their workforce, or who build their projects using workers that have democratic forms of representation in their workplace.
- **Business Sector:** Incentives will be targeted and additional incentives will be considered for businesses and employers in lower wage sectors who choose to pay their employees above the City living wage.
- **Civic Engagement:** Actively encouraging employees to register to vote, providing at least two hours off with compensation for employees to vote, or other programs to increase the civic engagement and democratic participation of its employees, customers, and/or nearby residents.

**Project Score:**

A Project creating accessible opportunity for the intended audience will be deemed “acceptable” and staff will move forward with transaction development when the partner is able to agree to the terms provided and provide information that supports delivery of intended outcomes:

- Minimum Requirements
- General Eligibility
- Cost-Benefit Analysis

Projects that are not able to agree or provide information that properly addresses the criteria above will be deemed “not acceptable” and will not continue in the process.

**Incentives Provided:**

A company that meets required criteria may receive a cash allocation from the City, on a reimbursement basis, under the following schedule for each position.

**Allocation Schedule (per position, annually):**

	If Engage Qualified 3 <sup>rd</sup> Party	If Engage Qualified 3 <sup>rd</sup> Party + Housing Stipend	If Company Alone	If Company Alone + Housing Stipend
Year 1	\$2,000	\$3,000	\$1,000	\$2,000
Year 2	\$1,900	\$2,900	\$950	\$1,950
Year 3	\$1,800	\$2,800	\$900	\$1,900
Year 4	\$1,700	\$2,700	\$850	\$1,850
Year 5	\$1,600	\$2,600	\$800	\$1,800

**Engaging with Qualified Third Parties:** In 2016, the City received an average of \$2,215 in taxes and fees per job in Austin (\$1,440 when taxes alone are considered). Moreover, the City administers a range of means-tested social services programs that in some way address poverty. A total of 35 programs with FY

2015-16 annual budgets totaling \$16.5 million in client service spending were identified, serving just over 19,350 clients for an average of approximately \$855/client. The activities of these programs were broadly related to workforce development, transitional housing, victim services/violence prevention, childcare, and financial literacy. However, the process of finding, training, placing, and supporting these individuals after employment is not easy, and may be challenging for firms that are not accustomed to dealing with these populations and/or are not organizationally prepared to implement an effort of this type. As a result, private entities are encouraged to engage qualified third-parties (initially defined as those organizations who are already providing analogous or related services to public sector clients in Texas and approved by the City in its sole discretion) to facilitate the successful placement and retention of employment candidates.

**Additional Housing Stipend Allocation:** In an effort to alleviate the rising cost of living burden for employees, private entities are encouraged to provide a “Housing Stipend” to employees within the City of Austin, especially those beneath the Company’s median salary. This amount assumes the average cost of a one-bedroom or efficiency unit within the City of Austin is currently at an estimated \$1,000 per month. This additional allocation is equivalent of a stipend equal to one-month’s rent per employee per year for up to five years. Should the company offer such a stipend to their employees, especially those beneath the Company’s median salary, they would be eligible for consideration for an additional incentive allocation equivalent to \$1,000 per employee, per year up to five years, above their baseline incentive allocation amount.

### *Category 3: External Relocations*

#### **Category Values & Priority Goals:**

The External Relocations category of the Business Expansion Program Portfolio seeks to provide strategic interventions and investments that attract outside employers relocating and expanding within the local market to grow and hire in Austin by providing needed capital/financing and support, potentially offsetting costs associated with the City regulatory environment as it relates to business growth. This program could help provide new employment opportunities for local residents, solidify neighborhood employment centers and activity corridors, and yield numerous community benefits beyond traditional increases to the tax base for the City. The potential users of this program could include established businesses with operations currently outside the City, newcomers with proven track records and growth trajectories in target industries, and those that offer alignment with Austin's strategic direction.

#### **General Eligibility:**

The Company will comply with Minimum Requirements as stated in the Business Expansion Program Portfolio Qualifications to include the following additional eligibility requirements, as stated below:

- The company does not currently have a significant presence within the City of Austin or if there is already a significant presence, the project delivers a new division or operation into Austin. Significant presence is defined as at least 5 full-time jobs that are currently based and operational within the City of Austin;
- The company will create at least 75 new full-time jobs (defined as working at least 1,500 hours annually) paid at or above the City's living wage;
- The company and the industry within which they operate demonstrate business growth and stability.

#### **Exceptions:**

There are no available Exceptions to the eligibility requirements for Category 3 Projects: External Relocations.

#### **Cost-Benefit Analysis:**

Staff will include a cost-benefit analysis in the consideration of the project and will be factored in to the resulting Project Score (see "Project Score") that informs the level of incentive available to the project. For some projects, depending on the complexity and anticipated impact, the City may determine that an outside or third-party cost-benefit analysis is necessary. Measures for the Cost-Benefit Analysis could include, but are not limited to, construction and development costs, net new jobs additions, hiring timeline, wages, facility costs that impact water and electricity infrastructure and other project-related financial information. A net fiscal position for the City will be determined from this analysis to help inform the level of appropriate investment, coupled with other program criteria measures and Score Card (see "Project Score"). The cost-benefit tool and resulting value is not the sole determinant of the value of the total potential incentive offer.

#### **Return on Investment (ROI) Including Community Benefits:**

The External Relocation Category allows for the City of Austin to receive a net positive fiscal impact to support economic development values in the community. Given the nature of qualifying projects within this Category being required to provide a new job increase of a minimum of 75 new jobs in Austin, this Category contains a requirement for a revenue-positive fiscal position for the City to make a financial incentive offer.

However, a net positive fiscal return for projects in this Category is not the only way a project can demonstrate its value on the community. Return on investment includes Community Benefits that seeks to assign a “value” to those elements of a project outside the financial profile. These Community Benefits are another factor in determining the level of appropriate investment for the City to realize those community benefits, outside of revenue. Below is a list of Community Benefits that are considered “valuable” in the overall analysis of the project in this Category:

- Industry Diversification: Seed new investment in a new industry to potentially create a new cluster or bring additional types of industries to Austin;
- Gaps in Needed Services/Goods: Provide goods/services to under-served communities within Austin;
- Hiring: Demonstrate recruitment and retention efforts, defined by hiring and employee development practices that produce equity measures to provide pathways for underrepresented minorities and racial/gender disparities.
  - Diversity, Inclusion & Equity: Demonstrate diversity, inclusion, and equity practices and/or policies at the executive level, in the leadership profile, across the workforce and illustrate the presence of affinity groups, promotional efforts and equitable support of those groups to actively engage the workforce.
  - Employment Opportunity: Promote equity and decrease barriers to employment. Include in the hiring plan new employment opportunities and retention efforts for Targeted Hiring populations in Category 2 of the Business Expansion Program (see pg. 12). This produces a more balanced economy, reduces poverty, and equalizes income across demographics and other economic segregations;
  - Talent Development: Demonstrate accessibility and delivery of employment opportunities to the economically disadvantaged and the Targeted Hiring population (see pg. 12). Demonstrate the advancement of employee skills by offering a career ladder, educational opportunities, and training such as apprenticeships, paid internships, coop learning, work-study, etc.
    - Collaborate with local schools for talent pipeline development through programs that include recruitment, internships, apprenticeships, and education of opportunities in the industry.
    - Other community benefit programs could include tuition reimbursement, parental leave/childcare programs, coordination with colleges and community colleges, workshop training, workforce development and upskilling.
  - Quality of Life Enhancements: Demonstrating willingness to create benefits for the workforce and proximate residents, such as focusing hiring on local workers, enveloping and/or subsidizing wrap-around services such as parental leave, childcare programs, sick leave, FMLA and other quality of life enhancements;
- Mobility Solutions: Participation in solutions that offset traditional transportation impacts of the project, such as roadway congestion, neighborhood parking, transit needs and pedestrian/bike developments.
- Neighborhood Connection: Employer growth that affects the neighborhood or community the business services by creating jobs near workers, delivering goods or services to the surrounding community, offering training opportunities for neighborhood residents, delivers or integrates workforce housing development and includes other community solidification elements, such as communal green space and parks, local volunteer opportunities for employees, participating in local arts and culture organizations, and involvement in other initiatives that amplify Austin’s neighborhood culture.

- Sustainable Business Practices: Engaging in zero waste and resource recovery initiatives such as recycling and/or reuse programs, mitigation of existing impact such as operations that move the community closer to net zero greenhouse gas emissions goal, and operations that are in line with the reductions mandated in the climate plan (25% reduction every 10 years), and, getting to zero by 2050. Actively engaging in environmentally friendly and sustainability-focused business operations including lowering vulnerability to drought and flood risks. Participation in the City of Austin's Mobility Plan (if applicable), and encouraging employees of the company to participate in sustainability measures. Additional measures could include a Disaster or Emergency Preparation plan.
- Local Partnerships: Partner and/or engage with local groups, non-profits, schools and small businesses to align with local values and needs. These partnerships could demonstrate any of the following:
  - Enhance relationships with local organizations and support local culture;
  - Develop and participate in neighborhood groups;
  - Promote industry diversity, encourage entrepreneurship and support small businesses through collaboration and partnership;
- Civic Engagement: Actively encouraging employees to register to vote, providing at least two hours off with compensation for employees to vote, or other programs to increase the civic engagement and democratic participation of its employees, customers, and/or nearby residents.

Return on Investment Including Community Benefits are not requirements for participation in the program. Instead, they are additional measurements the City of Austin uses to determine valuable impact on the community beyond tax revenue generated from the project's construction and/or job creation.

#### **Bonus Qualifiers:**

Bonus Qualifiers are a factor of the overall Project Score and could include but are not limited to:

- The company is in a targeted industry, as identified by the City of Austin.
  - The project is relocating a headquarters operation or it represents the "headquarters" of a new product line or service for the company;
  - The company will garner extra bonus qualifiers if the primary business activity of the incentivized project is defined as manufacturing;
  - The company will garner extra bonus qualifiers if involved in leading edge technology;
  - The company will garner extra bonus qualifiers if operations involve the use of waste or discarded material as a primary feedstock and will reuse, repair, remanufacture, or recycle that material, or otherwise enable the diversion of a waste material from the landfill/incineration through its core business activities;
- The company is defined as a Small Business by Small Business Administration guidelines (500 or less employees). The company will garner extra bonus qualifiers if it is a Small Business that employs less than 50 employees;
- State economic development funds are available for the firm;
- The company will generate 500 or more new, full-time jobs or more;
  - The company will garner extra bonus qualifiers if it fills at least a cumulative 75% new, full-time jobs with City of Austin residents (defined as any individual having a permanent address within the City of Austin before starting date of employment and not having worked for the company prior to the effective date of the agreement);
  - The company will garner extra bonus qualifiers if it is in a lower wage sector but chooses to pay their employees above the City living wage;

- The company will garner extra bonus qualifiers if it is cooperatively owned, managed, has a democratic form of representation for their workforce, or builds their projects using workers that have democratic forms of representation in their workplace;
- The company will (or already has) participated in the Human Rights Campaign Corporate Quality Index and receive a favorable score above 80% and is actively taking measures to achieve a score of 100% before the term of the incentive agreement is complete;
- The company will locate in a high frequency transit corridor, Transit Oriented Development, or Regional Center, Town Center, Job Center or Neighborhood Center identified in the Growth Concept Map in the Imagine Austin Plan, and/or locate within 1/4 mile of a rail or bus stop that is accessible by safe pedestrian and bicycle routes (**Bonus does not apply to any project locating in the Downtown Area**);
  - The company will garner extra bonus qualifiers by incentivizing employees use of alternative transportation modes through Transportation Demand Management strategies such as carpooling, flextime work schedules, and subsidizing transit costs for employees;
  - The company will garner extra bonus qualifiers by offering workforce housing support or an annual stipend program to help alleviate the rising cost of living burden on employees, especially those below the Company's median salary;
- The company will commit to obtaining LEED certification silver or above for construction development of the project, if applicable;
- The company's development, if applicable, scores above a 9 out of 12 on the City of Austin's Carbon Impact Statement;
- The company will source procurement of art and installations from the local creative economy, such as local artists;
- The company will create a program that engages members of the local music and arts community to enrich the working environment for its employees, such as workplace concerts, performances, purchases, promotion programs, etc.;
- The company will provide an on-site day care facility for employees that may be open to the public, and/or provide subsidized daycare for employees.
  - The company will garner extra bonus qualifiers if the onsite daycare facility is made open to the public.

### Project Score:

A Total Project Score will be determined based off the following criteria:

- Minimum Requirements
- General Eligibility
- Cost-Benefit Analysis
- Return on Investment Including Community Benefits
- Bonus Qualifiers

### Project Score Thresholds:

- Project Score 0 – 50: No City incentive participation. A minimum Project Score of 50 is required for City investment.
- Project Score 51 – 79: City incentive participation negotiable up to a maximum of 35% for property tax reimbursements and up to 2% for wages (see "Incentives Provided"). Other/Operational Support in the form of City resources and services can be considered in this score range (see "Process: Step 4: City Resources".)

- Project Score 80 – 100: City incentive participation negotiable up to 50% for property tax reimbursements and up to 3% for wages (see “Incentives Provided”). Other/Operational Support in the form of City resources and services can be considered in this score range (see “Process: Step 4: City Resources”).

**Incentives Provided:**

A firm may receive either a “per job” payment or a portion of incremental property tax liability associated with the relocation.

**Per Job Incentive Allowance:** Annually, the City will return a share of the gross income paid to workers in the newly created positions based on the Per-Job Allocation Schedule outlined below. The total incentive amount will be estimated at the time of the agreement execution and will be capped at that amount. If the cap is reached before the end of the agreement term, the agreement is termed complete.

Project Score	Max % of Annual Wages Per Job Incentive Allowance	Per Job Cap (Annual)
0-50	None	N/A
51-79	1% - 2%	\$1,800
80-100	2.01% - 3%	

Notes on Per-Job Allocation Schedule:

- Assumes an annual work rate of 1,500 hours
- Per job incentives are only available to current local residents of the City of Austin
- Other/Operational Support in the form of City resources and services can be considered in the Project Score range of 51-100 (see “Process: Step 4: City Resources”)

**Property Tax Reimbursement:** Annually, the City will return a share of the property tax payment (not to exceed 50% of the net present value of the total estimated tax liability over 10 years.) Property tax reimbursements will be made based on the below Property Tax Reimbursement Allocation Schedule. The total incentive amount will be estimated at the time of the agreement execution and will be capped at that amount. If the cap is reached before the end of the agreement term, the agreement is deemed complete. If the Project successfully protests and lowers its property tax valuation, the reimbursement from the City may be reduced proportionately.

Project Score	Max Property Tax Reimbursement (% of net present value of the total estimated tax liability over 10 years)
0-50	0%
51-79	10% - 35%
80-100	36% - 50%

## Process

Projects seeking partnership with the City of Austin through the Business Expansion Program Portfolio will follow this general administrative process:

### **Step 1: Applicants Complete the Online Application**

The Online Application is the first opportunity for a Company to request consideration for a Chapter 380 incentive through the Economic Development Department with the City of Austin. It is imperative the Applicant self-select for appropriate Minimum Requirement and General Eligibility criteria. This Online Application is not the Final Business Expansion Program Category Application, but rather serves as the initial introduction of the project seeking alignment with the City of Austin’s Business Expansion Program Category.

### **Step 2: Project Introduction & Application Review**

In a timely manner, staff will review the Online Application. If City staff so determines, the Applicant may be invited to discuss the Online Application with Economic Development staff in person or via conference call. This meeting is an opportunity for both parties to discuss the project, review the initial application and make any needed adjustments to the application if the intention is to submit the application for formal consideration (see Step 3.) Economic Development staff will make inter-Departmental connections within the City of Austin to help facilitate the Application in the event other Departments or programs will be involved in the project.

### **Step 3: Submit Final Business Expansion Program Category Application**

If adjustments are made to the original Online Application during Step 2, Applicants are requested to amend the documentation and re-submit as a “Final Business Expansion Program Category Application” for formal consideration by City staff. If the City does not request any adjustments, or the applicant chooses not to make any adjustments, the City will treat the initial application as a final application and advise the applicant of its determination of whether the initial application is acceptable as a final application or not.

### **Step 4: Project & Application Analysis**

After the Final Business Expansion Application submission, the City will review the Final Application and determine whether Minimum Requirements and General Eligibility criteria are met and measure program qualifications, fiscal impact and determine a Project Score.

**Bundling Programs:** It is possible for projects to qualify for more than one program within the Chapter 380 Policy portfolio of programs. In those cases, potential agreement terms pursuant to the project details will be determined by City staff. If City staff has not done so already by this point, inter-Departmental connections within the City will be made to help facilitate the Application in the event other Departments or programs will be involved in the project. For a project that qualifies for more than one program, a blended Project Score may be created to

measure overall impact weighted against total costs. In this case, the blended score and methodology will be determined by City staff managing the programs involved.

**City Resources:** Other/Operational Support Grants to include, but not limited to, City resources such as expedited permitting, dedicated ombudsman services, development fee waivers, transportation and public works resources and other City services. These resources can be included in or in lieu of a financial or non-financial incentive package for projects that score above 51. It is at this time that City staff would engage with the Department that manages those services to determine feasibility of support delivery for this project and ensure it aligns with the project timeline.

#### **Step 5: Project Status – Accepted or Declined**

Applicants will be informed of the status of their application in a timely manner after the Final Business Expansion Application is submitted. If the project has been approved for further processing, City staff will communicate directly with the Applicant to inform them to expect the process going forward (see Step 6).

#### **Step 6: Proposal Execution**

The following processes will be followed for varying levels of incentive package proposal valuations:

**City Manager Authority Approval:** For total incentive package proposals that are valued below City Manager Spending Authority, and if the company agrees to move forward with the City’s proposal, Applicants will be informed to expect a formal letter of “Program Acceptance” from the Program’s Department including the City’s Chapter 380 Business Expansion Category agreement proposal and stipulated conditions upon which the company must agree. The agreement is executed by both parties and begins with the Compliance process.

**City Council Approval:** For incentive package proposals that are valued above City Manager Spending Authority but below a total \$5,000,000\* net benefit value for the City or less than a \$200,000,000\* project Capital Investment Value, and if the company agrees to move forward with the City’s proposal, a Chapter 380 Business Expansion Program Category agreement is drafted by City staff and submitted for City Council approval on the next regular Council Meeting Agenda date. The proposal will not be approved on a "consent" vote by Council to allow the public an opportunity to speak on behalf of the item. If Council approves of the proposal, the agreement is executed by both parties and begins with the Compliance process.

**City Council and Public Hearing Approval:** For incentive package proposals that are valued above a total \$5,000,000\* net benefit value for the City or more than a \$200,000,000\* project Capital Investment Value, and if the company agrees to move forward with the City’s proposal, the following process is followed:

- The Chapter 380 Business Expansion Program Category proposal is placed on the Council agenda as a time-certain agenda item with a staff presentation on the proposal. The public can comment on the Chapter 380 Business Expansion proposal at this Council meeting.
- The Chapter 380 Business Expansion Program Category proposal, application, evaluation documents, analysis and proposed contract are announced in a press release and made

available to the public at the time of the Agenda posting. All of this information is posted to the Economic Development Department's page on the City website.

- An online comment portal is setup to collect public comments for a minimum of five business days, unless special circumstances are required. All comments received are forwarded to the City Council prior to the second Council meeting.
- The second City Council meeting includes a public hearing and City Council action.

## Stewardship

City staff is committed to the following values in the administrative implementation and stewardship of the Chapter 380 Business Expansion Program Portfolio:

**Efficient, Inviting, and Responsive to Market Needs:** The Chapter 380 Program is a visible, accessible opportunity for the City to use public funds to encourage private entities to discover new ways to improve the Austin community and improve business endeavors. This process must be efficient and expeditious to match the rapid pace of the business environment and minimize delay. Every effort will be made to build in appropriate timelines, clearly communicate expectations on those timelines, and carry out an efficient process of the Chapter 380 application steps.

**Transparency:** The Chapter 380 Business Expansion Program Portfolio will comply with best practice transparency measures, including producing timely and accurate reporting on all Chapter 380 agreements, supporting documentation, compliance reports, and ongoing payment information available on the City's website or other communication outlet. All final agreements and project information will be made available to the public via online portal immediately and openly after approval.

**Compliance and Third Party Assessment:** All Chapter 380 agreements are performance-based, meaning the company must demonstrate its compliance annually to receive that year's payment. No upfront incentives are allowed through the above mentioned programs. Every year, the Economic Development Department reviews the company's compliance with the agreement requirements, and an independent, third-party reviews the department's annual review. If both annual reviews confirm compliance, then the company is deemed to have fulfilled its annual obligations, and the payment is made for that year. All payment information will be available on the [Economic Development Department Open Portal website](#).

## Reassessment

The Business Expansion Program Portfolio will follow a regular reassessment process to include the following elements:

**Five-Year Program Reassessment:** The Business Expansion Program Portfolio, will run with a standard five-year term to allow for changes in Austin's economic environment, community needs and shifting policy directives. Program Values and Priority Goals identified in each of the Business Expansion Categories will be examined on a five-year term to ensure proper connection with the current Austin Strategic Direction priorities. At the end of the five-year term, the program will be reassessed by City staff to determine if adjustments need to be made to the program evaluation method, criteria, process, administration, or whether the program's current structure achieves the intended priority goals. Staff will provide a briefing

to the City Council on the results of the five-year reassessment. Council must approve the continuation of and/or any changes to the program after the reassessment is complete. Staff will continue to operate and administer programs until Council action. Reassessment will include an overview of performance measured against the program's priority goals (annual and five-year) as well as City of Austin executive leadership input and community feedback. Community stakeholders will be consulted for feedback during this reassessment process. Suggestions and identification of new needs will be solicited on a five-year basis to recalibrate program priority goals to match community needs, Council objectives, and changes in Strategic Direction.

**Term of Agreements & Grandfathering:** Agreements made within the Business Expansion Program Portfolio are not subject to the five-year maximum term. Typically 5-10 years, the term of those agreements is made to best reflect the project's timeline, investment, and job creation schedule and the City will honor those agreements until the termination of the agreement. In the event a program is allowed to sunset or program criteria is changed to reflect shifting conditions, existing agreements will be grandfathered for the remainder of the term of the project agreement unless otherwise agreed to by the parties in a written amendment to the agreement. The City Manager is able to propose a longer or shorter term for an agreement should the City have a competitive justification or business need for such action. All agreements must contain standard City termination provisions for economic development agreements, including Payments Subject to Future Appropriation and Event of Default clauses.

**Market Conditions: "High-Impact" Projects:**

High-impact projects, unique developments, and market competitive or other non-conforming projects will be considered on a case-by-case basis and within the context of the current market conditions at the time of project application. City staff will analyze those conditions and projects and determine if a recommendation for incentive proposal is achievable through current programs. If it is determined that the non-conforming project is attractive, justifiable, and can provide significant community value given current market conditions, and does not fit within the structure of a current program outline, special consideration may be made to create a program to support such a project depending on feasibility and City financial bandwidth.

**Public Input:** The Business Expansion Program Portfolio has been created with the intention to meet a specific community need and outline priority goals. If both the program and projects contained are not successful, underperforming and/or the community need is not being met, then a thoughtful reassessment of the program's structure or existence should be evaluated in a timely manner to address delivery of outcomes. As a part of this reassessment, public input is of tremendous importance. Community stakeholders will be consulted for feedback during this process. Suggestions and identification of new needs will be solicited on a five-year basis to recalibrate program priority goals to match community needs, Council objectives, and changes in Strategic Direction.

**Annual Update & Reporting:** An annual assessment will be made for the "effectiveness" of the programs and projects in reaching the intended goals. Program Metrics and Project Metrics are tracked on an annual basis that will be shared publicly. Metrics focus on Austin's Strategic Direction outcomes and general performance measurements could include but are not limited to (see following page):

Affordability Measurements  
Workforce Impacts  
Other Strategic Direction Measurements

**Project Metrics:**

Metrics by Program Criteria  
New Jobs Created  
Jobs Retained  
Job Types  
Revenue Impacts  
Community Benefits Achieved  
Capital Investment  
Other Strategic Direction Measurements

**Program Metrics:**

Number of Applications Received/Accepted  
Community Preservation  
Catalytic Event Affects  
Equity Measures  
Transportation Impact

Specific goals for each of the Program and Project metrics will be identified during the rule promulgation and development process to occur in the first year of this program. This process to determine specific goals that will be carried forward in future years will include stakeholder input, consideration of best practice programs, and appropriate goals based on determined annual program budget allocations.

At the end of the five-year period of the program, those Annual Reports will be reviewed and used as supporting documentation to make the decision to sunset, phase-out or revise the program structure.