



MEMORANDUM

TO: Mayor and Council

FROM: Kevin Johns, Director, Economic Growth & Redevelopment Services Office

DATE: February 21, 2013

SUBJECT: Staff action related to Council Special Committee on Economic Incentives:
Approved motions including direction to staff

This is a brief report on tasks associated with the *Council Special Committee on Economic Incentives Subcommittee*. In June of 2012, the City Council created a Council Special Committee on Economic Incentives to create a uniform framework that incorporates community values within economic development agreement proposals. On November 27, 2012, the Special Committee approved several motions (described below) to propose amendments of the *City's Economic Development Policy* to City Council for consideration. Additionally, the Special Committee, by motion, directed the EGRSO staff in the four (4) areas described on the second page. This memo is to provide an update on the work EGRSO has completed to date.

Motions approved by the Special Committee to amend the City's Economic Development Policy are listed below 1 – 5:

1. Shift the economic development policy from an abatement system to a rebate system that is tied to documentation and achievement of targeted goals identified in the economic incentive package.
2. Require that prevailing wages be paid to construction workers.
3. Use the City's Living Wage of \$11/hour as a Core Value. A Core Value is meant to be a minimum requirement that becomes part of the evaluation to determine whether or not an economic development agreement proposal is appropriate for Council consideration.
 - a. Apply the living wage minimum hourly rate to all jobs, including full time employees, contract employees and contract construction employees.
 - b. Create an exception process, with a recommendation from staff as to how to structure this process, which would allow a company, in certain circumstances, to ask for an exception that would be heard at the same time as the final vote for an incentive package.
4. Include domestic partner benefits and health insurance benefits as a Core Value. Utilize the same exception process created in 3.b. above.
5. Change the Threshold for Extraordinary Economic Impact within the Firm-Based Matrix to include the items listed below. Direction was given to staff to blend this motion with a staff recommendation and to bring the finished product back to Council for consideration.
 - a. Paying base wages of \$11/hour
 - b. Meeting or exceeding Minority-owned and women-owned (MBE/WBE) goals identified in the Chapter 380 agreement
 - c. Creating 10% of jobs that benefit the economically disadvantaged population
 - d. Developing a program for recruiting of ex-offenders
 - e. Providing domestic partner benefits

- f. Filling 25% of new jobs by City of Austin residents
- g. Paying at least the industry average for new full-time jobs created
- h. Locating in a targeted redevelopment area
- i. Locating within ½ mile of public transit
- j. Obtaining LEED certification silver or above
- k. Creating a Web LOCI net benefit of at least \$5,000,000

Status Report

Progress for items #3(b) and #5: The exception process and recommended changes to the Threshold for Extraordinary Impact are being developed and will take into consideration research from item #9 and # 10 below. We are optimistic that completion is within the next 2-3 months, at which time staff recommendations for items #3(b), #5, and #6 will be brought forward for Council consideration. In the interim I will keep you apprised of our progress through monthly communications.

Other motions approved by the Special Committee were made as follows:

6. Establish a stakeholder process to consider strategies for mitigating potential impacts on from #3 above to subcontractors and attempt to solve the prompt pay issues associated with subcontracting, including the possible requirement to establish a collateral pool.
Progress: Staff is developing a process to obtain stakeholder input in order to develop a recommendation. The work is anticipated to be completed in 2-3 months.
7. Provide a briefing annually to City Council to discuss targeted industries and how staff goes about determining which industries should be targeted from one year to the next. ***Progress: Both EGRSO staff and the Greater Austin Chamber of Commerce presented this information at the January 17, 2013 City Council meeting.***
8. Make available a series of evaluations made as a function of the firm-based evaluation criteria matrix so that scoring rationale can be seen.
Progress: The series will be completed at the end of March 2013 and will be made available to the public on the EGRSO website.
9. Research and provide to Council options as to how hiring of individuals from the City of Austin can be scaled at both the baseline and as a bonus. Further direction was given to seek best practices from other municipalities.
Progress: EGRSO is utilizing the International Economic Development Council to conduct this research of its member municipalities. The best practices research and recommended options will be completed in the next 2-3 months. This item will be presented with the package of items #1-#6 above for Council consideration.
10. Assess the number of local hires by incentivized companies.
Progress: The eleven companies with active firm-based agreements have been asked to provide local hire data for the purpose of determining the number and percentage of City of Austin residents employed by these companies. The companies are responding. The survey responses will be finalized within the next 1-2 months.
11. Make economic development agreement information more accessible.
Progress: The EGRSO main webpage now features a direct link to the active agreements and payment information, and descriptive paragraphs have been added to assist users with understanding the information that is presented.

Cc: Marc A. Ott, City Manager
Sue Edwards, Assistant City Manager