**City of Austin Case Study**

**Transparency in Corporate Incentives**



**Case Study Category:**

Communications

**Jurisdiction Name:**

City of Austin

**Jurisdiction Population:**

842,000

**City Manager Name:**

Marc A. Ott

**Innovation Award**

**Consideration:**

Yes

**Rapid Fire Session**

**Consideration:**

Yes

**Project Leader:**

Kevin Johns

Director,

Economic Development

Department

301 West 2nd Street

Suite 2030

Austin, TX 78701

512‐974‐7802

[kevin.johns@austintexas.gov](mailto:kevin.johns@austintexas.gov)

**Intent of Project/Program/Service**

The City of Austin has developed a uniquely *deliberate*, *fair*, and *transparent* Economic Development Policy that has successfully incentivized the creation of thousands of new jobs. The policy recently received an outstanding score of 100/100 in a study of the nation’s largest cities and counties done by Good Jobs First. The policy exists to stimulate development that enhances livability and economic viability by offering tax‐revenue‐positive grants to desirable private‐sector projects that preserve the character of Austin and its environment.

Austin’s process is uniquely principled and fair through a *standard scoring matrix*. Each project is evaluated using a standard set of criteria adopted by the Austin City Council. The criteria are based on community values, and each criterion enables a project to earn points toward a final score that can make the firm eligible for up to an 80% rebate on the present value of the total estimated tax liability over 10 years.

At the same time as the matrix evaluation, a *fiscal analysis* is conducted through an innovative web‐based fiscal impact assessment tool called WebLOCI. The tool identifies the minimum expected net tax income that the project will generate. This conservative estimate serves as the upper bound of a possible incentive.

All prospective agreements and their supporting materials (including the WebLOCI analysis and original incentive application from the company) are posted publicly *online* at least six days prior to the public staff presentation to City Council. This allows the community to review the exact same information available to City Council before the agreement ever goes to a public hearing. As a result the community has *three opportunities to provide input* on the economic development incentive: 1) online, 2) at the public Council briefing where a date isset for a hearing, and 3) at the public hearing.

All City of Austin economic development grant terms are *performance‐based*, so compliance with specifictangible goals must be demonstrated before the company ever receives an incentive payment. Compliancedocuments and audits are posted online yearly for the life of the agreement.

**Cost/Savings**

Costs of optimizing a transparent, standardized economic development policy come from the allocation of staff time toward briefing the public and making documents accessible in a coordinated, timely manner. However, the front‐end effort to share information with the community often translates to more productive public hearings and better dialogue between decision‐makers and community stakeholders.

Subsequent compliance efforts can be costly. Regardless, third‐party audits assure that the community is receiving promised benefits before any incentive payment is ever made. The costs of compliance monitoring are insignificant compared to the savings of withholding payment to non‐compliant companies. Despite the process and monitoring costs, every economic development agreement generates a *positive net fiscal impact* for the community by design.

**Innovation Characteristics**

Two‐thirds of US municipal economic development subsidy programs do not offer online descriptions of which companies are receiving incentives, according to Good Jobs First, a nonprofit dedicated to promoting governmental accountability. Good Jobs First recently recognized Austin for its superior degree of incentive transparency, including stating key outcomes online, mapping investment locations, and revealing the value of subsidies ultimately rewarded at the end of the compliance period.

Also notable is how our degree of transparency is made possible through our strong procedural foundation and that such efforts do not deter corporate expansions.

**Obstacles**

Coordination of staff and information is challenging when fiscal analysis, matrix evaluation, and terms negotiations must move according to aggressive and often secretive corporate calendars. Moreover, incentives are offered in a competitive environment: municipalities with speedier, less rigorous incentive application processes appeal to corporations, which are often wary of sharing their information.

Several elements are crucial to make a transparent, accountable process smooth and successful. First, an open line between corporate decision‐makers and economic development staff is critical to assure the availability of accurate information for analysis. Additionally, a dedicated media specialist is essential to time the release of information and to coordinate the resulting interest from the press and community.

**Applicable Results and Real World Practicality**

Each agreement is ultimately unique, allowing for negotiating leverage and the opportunity for additional community benefits. For example, the recent agreement securing the expansion of National Instruments with 1,000 new jobs included provisions for STEM (science, technology, engineering, and math) education programs for middle and high school students.

Though our rigorous incentive application process may put us at a disadvantage in the eyes of some corporate executives, it has resulted in committed, superior projects, demonstrating that transparency does not have to jeopardize economic growth. The City of Austin executed 3 economic development agreements in the 2012 fiscal year that are expected to bring over *$17M in net revenue to the city*: HID Global, $2.3 million net revenue, 276 jobs; Apple, Inc., $14.6 million net revenue, 3,600 jobs; and US Farathane Corporation, $459,000 net revenue, 228 jobs.

The City of Austin is eager to share its success story with communities around the country to encourage the fiscally‐responsible, publicly‐accountable use of incentives. Our economic development policy is absolutely replicable and sets a model for other communities.

**Consultant Information**

Padgett Strateman conducts the independent third‐party audits of each agreement’s compliance terms every year. Contact: Padgett‐cpa.com.

Local economist Jon Hockenyos has assisted in developing the matrix and policy in each of its three iterations. Contact: info@txp.com.

**Presentation Style**

We propose a dynamic Prezi presentation illustrating the key geographic locations and impacts of the companies we have incentivized since 2010. We would highlight the 10,000 students that will benefit from our ground‐breaking National Instruments STEM community education contract as well as the US Farathane contract that will create jobs for ex‐convicts.

As part of the presentation, we will challenge the audience to *evaluate a project*! Does the project fit with core community values? This dynamic, interactive portion will use our score matrix to assess a project’s eligibility and demonstrate how to quantify the seemingly unquantifiable.