

Live Oak - Impact Report - Expansion Only

Project Live Oak



Project Type: Business Retention & Expansion

Industry: Advanced Manufacturing

Prepared By: City of Austin

Purpose & Limitations

This report presents the results of an economic and fiscal analysis undertaken by City of Austin using Impact DashBoard, a customized web application developed by Impact DataSource, LLC.

Impact DashBoard utilizes estimates, assumptions, and other information developed by Impact DataSource from its independent research effort detailed in a custom user guide prepared for City of Austin.

This report, generated by the Impact DashBoard application, has been prepared by City of Austin to assist economic development stakeholders in making an evaluation of the economic and fiscal impact of business activity in the community. This report does not purport to contain all of the information that may be needed to conclude such an evaluation. This report is based on a variety of assumptions and contains forward-looking statements concerning the results of operations of the subject firm. City of Austin made reasonable efforts to ensure that the project-specific data entered into Impact DashBoard reflects realistic estimates of future activity. Estimates of future activity involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in this report.

City of Austin and Impact DataSource make no representation or warranty as to the accuracy or completeness of the information contained herein, and expressly disclaim any and all liability based on or relating to any information contained in, or errors or omissions from, this information or based on or relating to the use of this information.

Introduction

This report presents the results of an economic impact analysis performed using Impact DashBoard, a model developed by Impact DataSource. The report estimates the impact that a potential project will have on the local economy and estimates the costs and benefits for local taxing districts over a 5-year period.

Description of the Project

The Company is evaluating the 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 would 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. If this project is selected over others under consideration, the non-viable production lines would be removed and replaced with manufacturing capabilities for more current technology. Without the additional capital investment, utilization and productivity of the OHT operation would continue to ramp down. The prospective total direct economic impact of the project would be the recovery of 53 jobs and an aggregate capital investment of \$290.8M.

Existing & Expanded Operations

The Project under analysis represents the expansion of an existing business. The table below illustrates the economic impact over the next 5 years including both the current and expanded operations.

ECONOMIC IMPACT OF CURRENT & EXPANDED OPERATIONS OVER 5 YEARS IN CITY OF AUSTIN			
	CURRENT OPERATIONS	EXPANSION	CURRENT & EXPANDED OPERATIONS
JOBS			
Direct	2,768.0	53.0	2,821.0
Spin-off	4,055.2	77.6	4,132.8
Jobs Total	6,823.2	130.6	6,953.8
SALARIES			
Direct	\$1.65B	\$9,053,211	\$1.66B
Spin-off	\$769.14M	\$4,221,785	\$773.36M
Salaries Total	\$2.42B	\$13,274,997	\$2.43B

The table below summarizes the fiscal impact, the net benefits for local taxing districts, over the next 5 years including both the current and expanded operations.

FISCAL IMPACT OF CURRENT & EXPANDED OPERATIONS OVER 5 YEARS			
NET BENEFITS LESS INCENTIVES			
	CURRENT OPERATIONS	EXPANSION	CURRENT & EXPANDED OPERATIONS
City of Austin	\$4,179,227	\$1,539,303	\$5,718,531
Travis County	\$2,107,541	\$1,733,662	\$3,841,203
Austin ISD	\$7,727,746	\$619,824	\$8,347,570
Travis County Healthcare District	\$765,207	\$540,524	\$1,305,730
Austin Community College	\$765,331	\$540,611	\$1,305,942
Cap Metro	\$2,723,308	\$997,662	\$3,720,970
	\$18,268,360	\$5,971,586	\$24,239,946

The remainder of this report will focus on only the economic and fiscal impact associated with the expansion.

Economic Impact Overview

The table below summarizes the economic impact of the project over the first 5 years in terms of job creation, salaries paid to workers, and taxable sales.

SUMMARY OF ECONOMIC IMPACT OVER 5 YEARS IN CITY OF AUSTIN			
IMPACT	DIRECT	SPIN-OFF	TOTAL
Jobs	53.0	77.6	130.6
Annual Salaries/Wages at Full Ops (Yr 3)	\$2,773,808	\$1,293,510	\$4,067,318
Salaries/Wages over 5 Years	\$9,053,211	\$4,221,785	\$13,274,997
Taxable Sales/Purchases in City of Austin	\$99,396,781	\$369,406	\$99,766,187

Totals may not sum due to rounding

The Project may result in new residents moving to the community and potentially new residential properties being constructed as summarized below.

SUMMARY OF POPULATION IMPACT OVER 5 YEARS IN CITY OF AUSTIN			
IMPACT	DIRECT	SPIN-OFF	TOTAL
Workers who will move to City of Austin	8.6	12.7	21.3
New residents in City of Austin	22.5	32.9	55.4
New residential properties constructed in City of Austin	1.3	1.9	3.2
New students to attend local school district	4.3	6.3	10.6

Totals may not sum due to rounding

The new taxable property to be supported by the Project over the next 5 years is summarized in the following table.

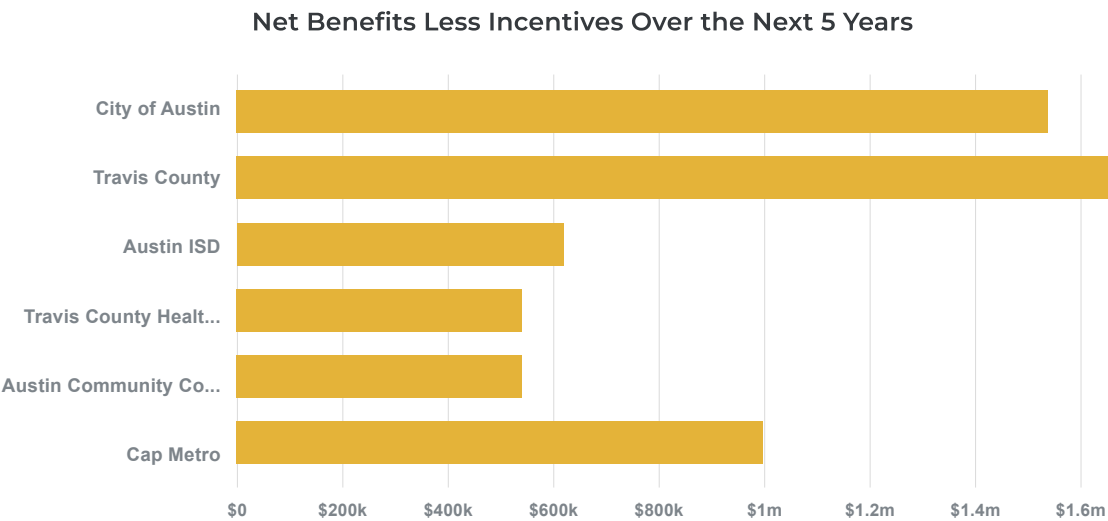
SUMMARY OF TAXABLE PROPERTY OVER THE FIRST 5 YEARS IN CITY OF AUSTIN							
YR.	NEW RESIDENTIAL PROPERTY	LAND	BUILDINGS...	FF&E	INVENTORIES	NON-RESIDENTIAL PROPERTY	TOTAL PROPERTY
1	\$0	\$0	\$9,745,000	\$41,495,300	\$0	\$51,240,300	\$51,240,300
2	\$229,869	\$0	\$14,910,000	\$117.70M	\$0	\$132.61M	\$132.84M
3	\$1,218,307	\$0	\$14,910,000	\$147.84M	\$0	\$162.75M	\$163.97M
4	\$1,218,307	\$0	\$14,910,000	\$99,792,100	\$0	\$114.70M	\$115.92M
5	\$1,218,307	\$0	\$14,910,000	\$67,130,400	\$0	\$82,040,400	\$83,258,707

Fiscal Impact Overview

The Project will generate additional benefits and costs, a summary of which is provided below. The source of specific benefits and costs are provided in greater detail for each taxing district on subsequent pages.

FISCAL NET BENEFITS OVER THE NEXT 5 YEARS					
	BENEFITS	COSTS	INCENTIVES	NET BENEFITS LESS INCENTIVES	PRESENT VALUE*
City of Austin	\$3,139,015	(\$573,380)	(\$1,026,332)	\$1,539,303	\$1,332,924
Travis County	\$1,755,034	(\$21,372)	\$0	\$1,733,662	\$1,494,132
Austin ISD	\$5,443,235	(\$4,823,411)	\$0	\$619,824	\$533,967
Travis County Healthcare District	\$540,524	\$0	\$0	\$540,524	\$465,743
Austin Community College	\$540,611	\$0	\$0	\$540,611	\$465,818
Cap Metro	\$997,662	\$0	\$0	\$997,662	\$901,102
Total	\$12,416,081	(\$5,418,163)	(\$1,026,332)	\$5,971,586	\$5,193,685

*The Present Value of Net Benefits expresses the future stream of net benefits received over several years as a single value in today's dollars. Today's dollar and a dollar to be received at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 5.0% to make the dollars comparable.



Public Support Overview

A summary of the total Public Support modeled in this analysis is shown below.

VALUE OF PUBLIC SUPPORT UNDER CONSIDERATION		
	PROPERTY TAX INCENTIVE	TOTAL
City of Austin	\$1,026,332	\$1,026,332
Travis County	\$0	\$0
Austin ISD	\$0	\$0
Travis County Healthcare District	\$0	\$0
Austin Community College	\$0	\$0
Cap Metro	\$0	\$0
Total	\$1,026,332	\$1,026,332

City of Austin Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by City of Austin over the next 5 years of the Project.

NET BENEFITS OVER 5 YEARS: CITY OF AUSTIN			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Sales Taxes	\$72,686	\$11,616	\$84,302
Real Property Taxes	\$321,044	\$0	\$321,044
FF&E Property Taxes	\$2,193,031	\$0	\$2,193,031
Inventory Property Taxes	\$0	\$0	\$0
New Residential Property Taxes	\$0	\$17,975	\$17,975
Hotel Occupancy Taxes	\$0	\$0	\$0
Building Permits and Fees	\$0	\$0	\$0
Utility Revenue	\$257,694	\$236,131	\$493,825
Utility Franchise Fees	\$3,221	\$2,948	\$6,169
Miscellaneous Taxes and User Fees	\$11,811	\$10,857	\$22,668
Benefits Subtotal	\$2,859,487	\$279,527	\$3,139,015
COSTS	PROJECT	HOUSEHOLDS	TOTAL
Cost of Government Services	(\$41,338)	(\$37,893)	(\$79,232)
Cost of Utility Services	(\$257,873)	(\$236,275)	(\$494,148)
Costs Subtotal	(\$299,211)	(\$274,168)	(\$573,380)
Net Benefits	\$2,560,276	\$5,359	\$2,565,635
INCENTIVES	PROJECT	HOUSEHOLDS	TOTAL
Property Taxes Reimbursed	(\$1,026,332)	\$0	(\$1,026,332)
Incentives Subtotal	(\$1,026,332)	\$0	(\$1,026,332)
Net Benefits Less Incentives	\$1,533,944	\$5,359	\$1,539,303

Annual Fiscal Net Benefits for City of Austin

BENEFITS

\$3,139,015

COSTS

(\$573,380)

INCENTIVES

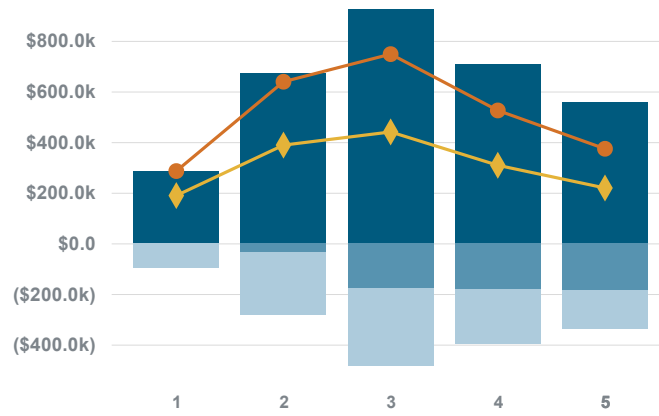
(\$1,026,332)

NET BENEFITS

\$2,565,635

NET BENEFITS LESS INCENTIVES

\$1,539,303



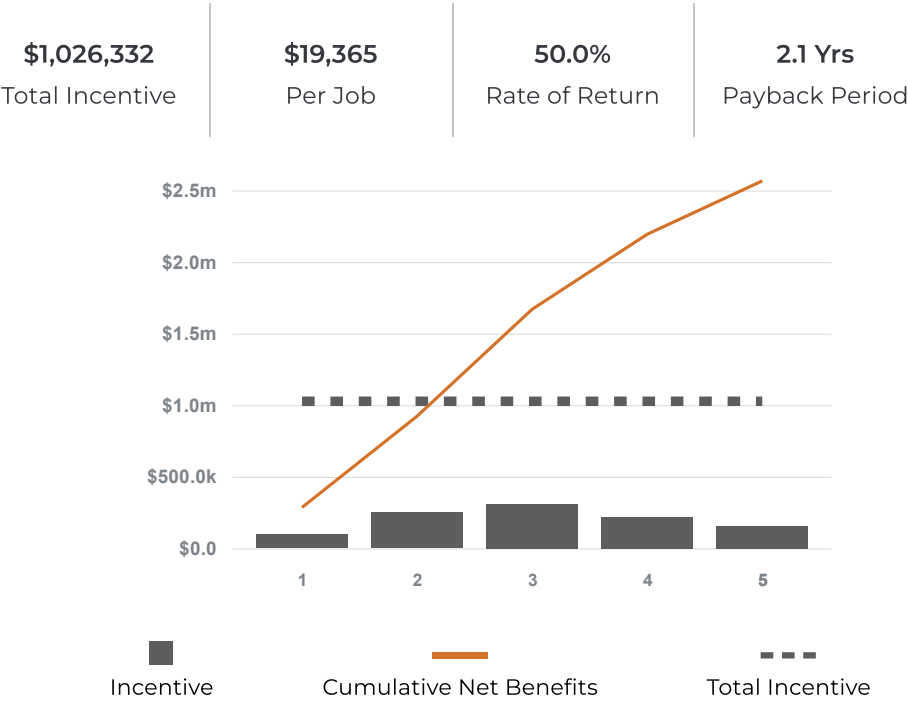
Total Incentives

City of Austin is considering the following incentives for the Project.

INCENTIVES UNDER CONSIDERATION		
YEAR	PROPERTY TAX REIMBURSEMENT	TOTAL
1	\$96,788	\$96,788
2	\$250,496	\$250,496
3	\$307,421	\$307,421
4	\$216,661	\$216,661
5	\$154,966	\$154,966
Total	\$1,026,332	\$1,026,332

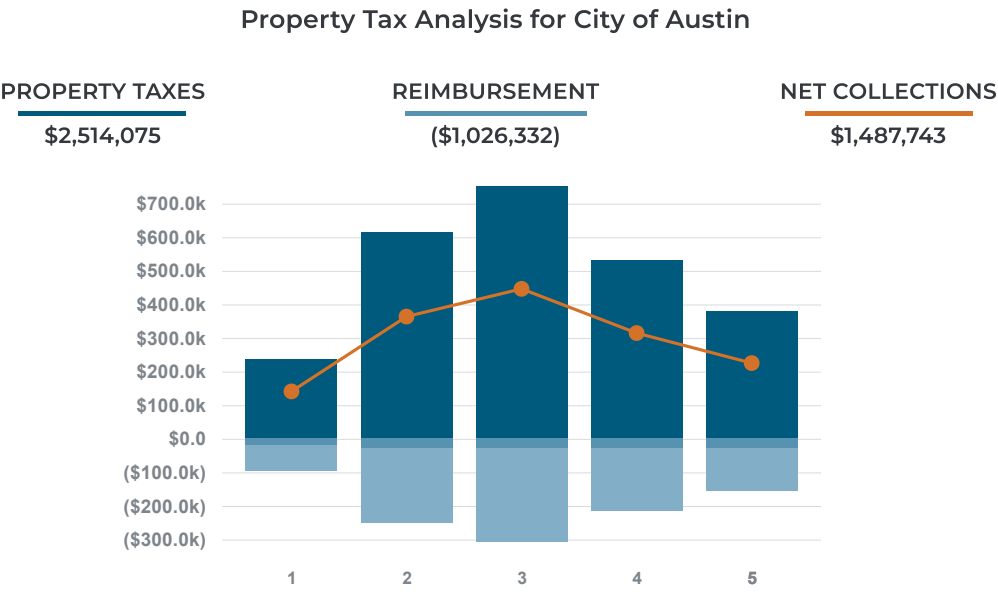
The graph below depicts the total incentives currently under consideration versus the cumulative net benefits to City of Austin. The intersection indicates the length of time until the incentives are paid back.

Total Incentive vs. Net Benefits for City of Austin



Tax Incentives

The following property tax incentive is modeled for City of Austin in this analysis.

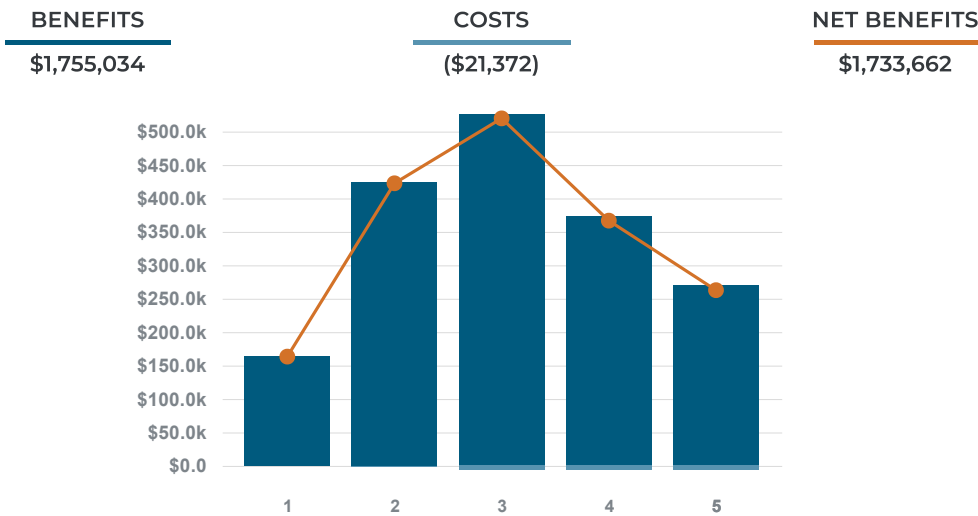


Travis County Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Travis County over the next 5 years of the Project.

NET BENEFITS OVER 5 YEARS: TRAVIS COUNTY			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Real Property Taxes	\$220,810	\$0	\$220,810
FF&E Property Taxes	\$1,508,338	\$0	\$1,508,338
Inventory Property Taxes	\$0	\$0	\$0
New Residential Property Taxes	\$0	\$13,949	\$13,949
Miscellaneous Taxes and User Fees	\$5,548	\$6,390	\$11,938
Benefits Subtotal	\$1,734,695	\$20,339	\$1,755,034
COSTS	PROJECT	HOUSEHOLDS	TOTAL
Cost of Government Services	(\$10,021)	(\$11,351)	(\$21,372)
Costs Subtotal	(\$10,021)	(\$11,351)	(\$21,372)
Net Benefits	\$1,724,674	\$8,988	\$1,733,662

Annual Fiscal Net Benefits for Travis County

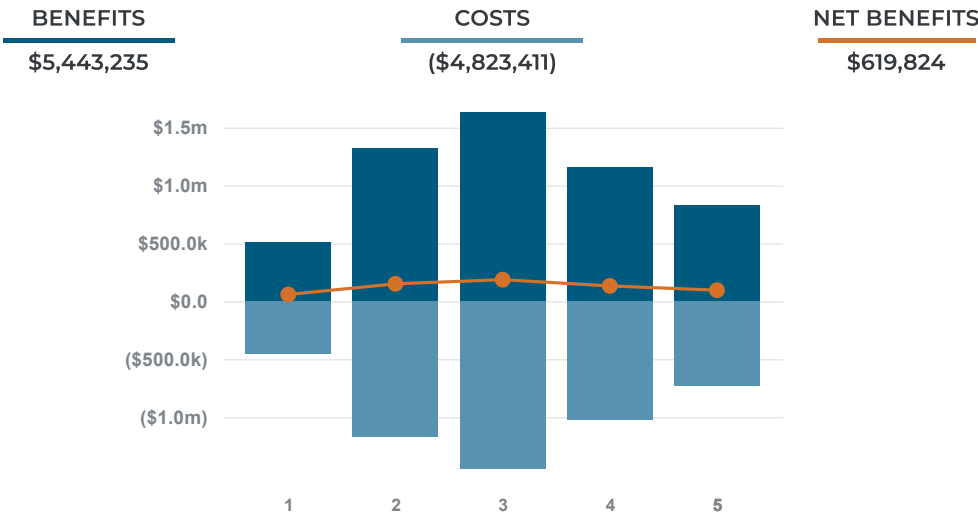


Austin ISD Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Austin ISD over the next 5 years of the Project.

NET BENEFITS OVER 5 YEARS: AUSTIN ISD			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Real Property Taxes	\$691,491	\$0	\$691,491
FF&E Property Taxes	\$4,723,523	\$0	\$4,723,523
Inventory Property Taxes	\$0	\$0	\$0
New Residential Property Taxes	\$0	\$14,290	\$14,290
Addtl. State & Federal School Funding	\$0	\$13,931	\$13,931
Benefits Subtotal	\$5,415,014	\$28,221	\$5,443,235
COSTS	PROJECT	HOUSEHOLDS	TOTAL
Cost to Educate New Students	\$0	(\$7,619)	(\$7,619)
Reduction in State School Funding	(\$4,803,118)	(\$12,675)	(\$4,815,792)
Costs Subtotal	(\$4,803,118)	(\$20,294)	(\$4,823,411)
Net Benefits	\$611,897	\$7,927	\$619,824

Annual Fiscal Net Benefits for Austin ISD

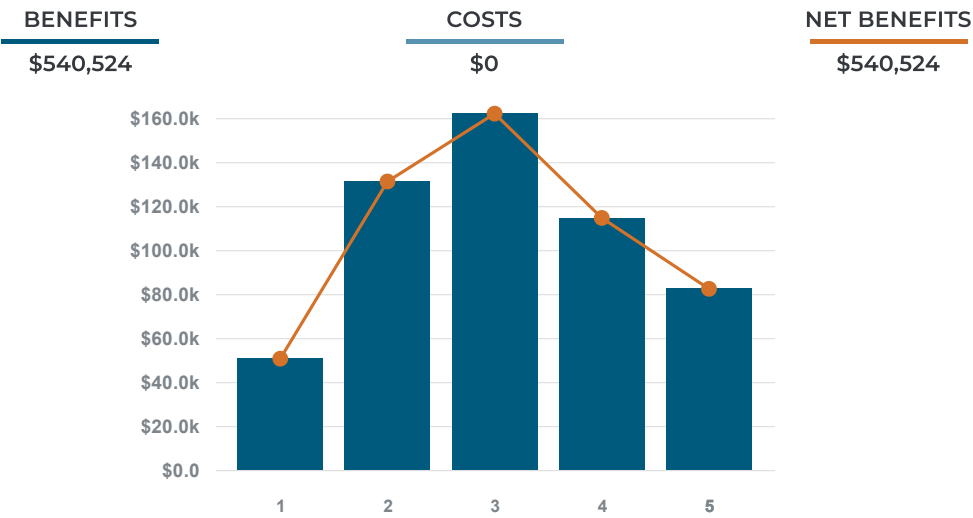


Travis County Healthcare District Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Travis County Healthcare District over the next 5 years of the Project.

NET BENEFITS OVER 5 YEARS: TRAVIS COUNTY HEALTHCARE DISTRICT			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Real Property Taxes	\$68,472	\$0	\$68,472
FF&E Property Taxes	\$467,726	\$0	\$467,726
Inventory Property Taxes	\$0	\$0	\$0
New Residential Property Taxes	\$0	\$4,325	\$4,325
Benefits Subtotal	\$536,198	\$4,325	\$540,524
COSTS	PROJECT	HOUSEHOLDS	TOTAL
None Estimated	\$0	\$0	\$0
Costs Subtotal	\$0	\$0	\$0
Net Benefits	\$536,198	\$4,325	\$540,524

Annual Fiscal Net Benefits for Travis County Healthcare District

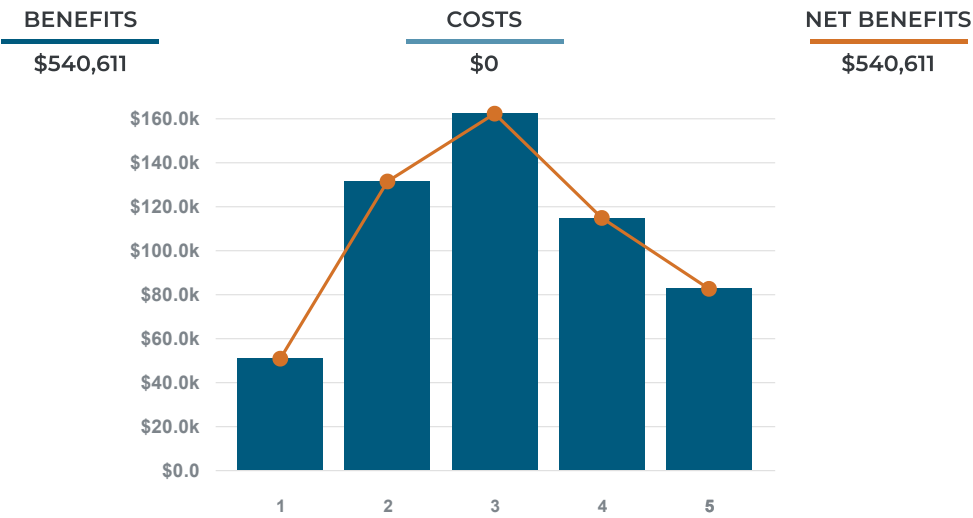


Austin Community College Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Austin Community College over the next 5 years of the Project.

NET BENEFITS OVER 5 YEARS: AUSTIN COMMUNITY COLLEGE			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Real Property Taxes	\$68,483	\$0	\$68,483
FF&E Property Taxes	\$467,802	\$0	\$467,802
Inventory Property Taxes	\$0	\$0	\$0
New Residential Property Taxes	\$0	\$4,326	\$4,326
Benefits Subtotal	\$536,285	\$4,326	\$540,611
COSTS	PROJECT	HOUSEHOLDS	TOTAL
None Estimated	\$0	\$0	\$0
Costs Subtotal	\$0	\$0	\$0
Net Benefits	\$536,285	\$4,326	\$540,611

Annual Fiscal Net Benefits for Austin Community College

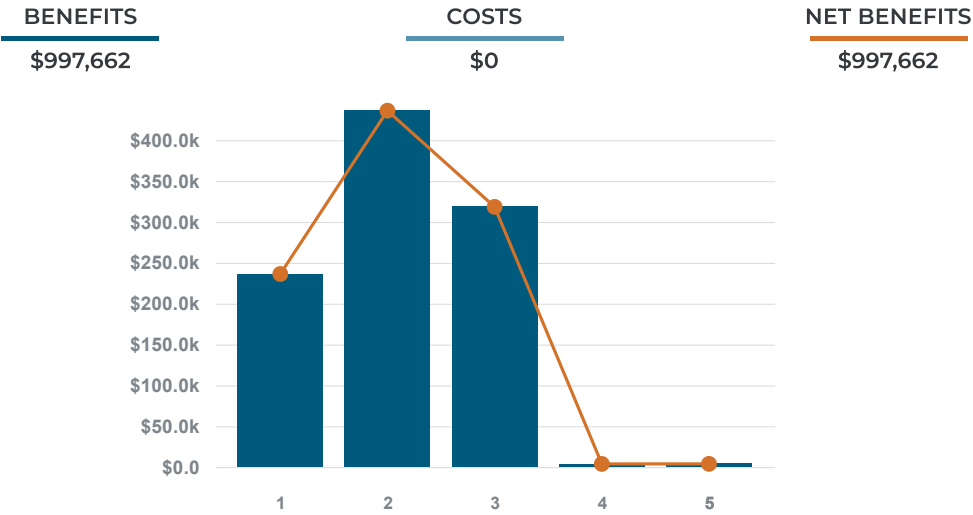


Cap Metro Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Cap Metro over the next 5 years of the Project.

NET BENEFITS OVER 5 YEARS: CAP METRO			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Sales Taxes	\$986,046	\$11,616	\$997,662
Benefits Subtotal	\$986,046	\$11,616	\$997,662
COSTS	PROJECT	HOUSEHOLDS	TOTAL
None Estimated	\$0	\$0	\$0
Costs Subtotal	\$0	\$0	\$0
Net Benefits	\$986,046	\$11,616	\$997,662

Annual Fiscal Net Benefits for Cap Metro



Overview of Methodology

The Impact DashBoard model combines project-specific attributes with community data, tax rates, and assumptions to estimate the economic impact of the Project and the fiscal impact for local taxing districts over a 5-year period.

The economic impact as calculated in this report can be categorized into two main types of impacts. First, the direct economic impacts are the jobs and payroll directly created by the Project. Second, this economic impact analysis calculates the spin-off or indirect and induced impacts that result from the Project. Indirect jobs and salaries are created in new or existing area firms, such as maintenance companies and service firms, that may supply goods and services for the Project. In addition, induced jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to new workers and their families.

The economic impact estimates in this report are based on the Regional Input-Output Modeling System (RIMS II), a widely used regional input-output model developed by the U. S. Department of Commerce, Bureau of Economic Analysis. The RIMS II model is a standard tool used to estimate regional economic impacts. The economic impacts estimated using the RIMS II model are generally recognized as reasonable and plausible assuming the data input into the model is accurate or based on reasonable assumptions. Impact DataSource utilizes adjusted county-level multipliers to estimate the impact occurring at the sub-county level.

Two types of regional economic multipliers were used in this analysis: an employment multiplier and an earnings multiplier. An employment multiplier was used to estimate the number of indirect and induced jobs created or supported in the area. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. The employment multiplier shows the estimated number of total jobs created for each direct job. The earnings multiplier shows the estimated amount of total salaries paid to these workers for every dollar paid to a direct worker. The multipliers used in this analysis are listed below:

334413 SEMICONDUCTOR AND RELATED DEVICE MANUFACTURING		CITY OF AUSTIN
Employment Multiplier	(Type II Direct Effect)	2.465
Earnings Multiplier	(Type II Direct Effect)	1.4663

Most of the revenues estimated in this study result from calculations relying on (1) attributes of the Project, (2) assumptions to derive the value of associated taxable property or sales, and (3) local tax rates. In some cases, revenues are estimated on a per new household, per new worker, or per new school student basis.

The company or Project developer was not asked, nor could reasonably provide data for calculating some other revenues. For example, while the city will likely receive revenues from fines paid on speeding tickets given to new workers, the company does not know the propensity of its workers to speed. Therefore, some revenues are calculated using an average revenue approach.

This approach uses relies on two assumptions:

1. The taxing entity has two general revenue sources: revenues from residents and revenues from businesses.
2. The taxing entity will collect (a) about the same amount of miscellaneous taxes and user fees from each new household that results from the Project as it currently collects from existing households on average, and (b) the same amount of miscellaneous taxes and user fees from the new business (on a per worker basis) will be collected as it collects from existing businesses.

In the case of the school district, some additional state and federal revenues are estimated on a per new school student basis consistent with historical funding levels.

Additionally, this analysis sought to estimate the additional expenditures faced by local jurisdictions to provide services to new households and new businesses. A marginal cost approach was used to calculate these additional costs.

This approach relies on two assumptions:

1. The taxing entity spends money on services for two general groups: revenues from residents and revenues from businesses.
2. The taxing entity will spend slightly less than its current average cost to provide local government services (police, fire, EMS, etc.) to (a) new residents and (b) businesses on a per worker basis.

In the case of the school district, the marginal cost to educate new students was estimated based on a portion of the school's current expenditures per student and applied to the headcount of new school students resulting from the Project.

Additionally, this analysis seeks to calculate the impact on the school district's finances from the Project by generally, and at a summary level, mimicking the district's school funding formula.

According to the Texas Education Agency, any property added to local tax rolls, and the local taxes that this generates, reduces the amount of state funding equivalent to local taxes collected for maintenance and operations. The school district retains local taxes received for debt services and the corresponding state funding is not reduced. However, according to the Texas Education Agency, the school district will receive state aid for each new child that moves to the District. The additional revenues for the school district are calculated in this analysis.

About Impact DataSource

Established in 1993, Impact DataSource is an Austin, Texas-based economic consulting firm. Impact DataSource provides high-quality economic research, specializing in economic and fiscal impact analyses. The company is highly focused on supporting economic development professionals and organizations through its consulting services and software. Impact DataSource has conducted thousands of economic impact analyses of new businesses, retention and expansion projects, developments, and activities in all industry groups throughout the U.S.

For more information on Impact DataSource, LLC and our product Impact DashBoard, please visit our website www.impactdatasource.com

Appendix

CITY OF AUSTIN PROPERTY TAX REIMBURSEMENT					
YR.	LAND	BUILDINGS...	FF&E	INVENTORIES	TOTAL
1	\$0	\$18,407	\$78,380	\$0	\$96,788
2	\$0	\$28,163	\$222,333	\$0	\$250,496
3	\$0	\$28,163	\$279,257	\$0	\$307,421
4	\$0	\$28,163	\$188,497	\$0	\$216,661
5	\$0	\$28,163	\$126,803	\$0	\$154,966
Total	\$0	\$131,061	\$895,270	\$0	\$1,026,332

CITY OF AUSTIN PROPERTY TAX REIMBURSEMENT SCHEDULE				
YR.	LAND	BUILDINGS...	FF&E	INVENTORIES
1	0.0%	65.0%	65.0%	0.0%
2	0.0%	65.0%	65.0%	0.0%
3	0.0%	65.0%	65.0%	0.0%
4	0.0%	65.0%	65.0%	0.0%
5	0.0%	65.0%	65.0%	0.0%