



City of Austin

Recommendation for Action

File #: 25-2597, **Agenda Item #:** 116.

12/11/2025

Posting Language

Authorize the negotiation and execution of a Business Expansion Program economic development agreement with Southwest Airlines Co. for a jobs-based award of \$2,750 per job hired in the City of Austin over a five-year term, and approve an ordinance providing an exemption of the requirements Ordinance Nos. 20180830-057 and 20240926-013 to support Southwest Airline Co.'s business expansion at the Austin International Airport. Funding: Funding is contingent upon approval of future Economic Development Department's Economic Incentive Reserve Fund Budgets and contract performance and compliance evaluations.

Lead Department

Austin Economic Development.

Fiscal Note

A total of \$19,800,000 in annual local tax revenue with \$11,850,000 recognized directly by the City of Austin is projected to result from the approval of this agreement. Maximum incentive payments to Southwest Airlines are estimated at \$5,500,000 in total over the course of a five-year term if all performance and compliance criteria are met. Funding for incentive payments is contingent upon the annual appropriation of funds to the Economic Incentive Reserve Fund by City Council. Eligible sources of funding for the Economic Incentive Reserve Fund may include, but are not limited to, sales taxes, property taxes, mixed beverage taxes, and grants and private donations. Staff shall explore a diverse complement of funding sources to support the Economic Incentive Reserve Fund's sustainability in future years.

For More Information:

For more information regarding this Request for Council Action, Please Contact: Anthony Segura, Interim Director, Austin Economic Development.

Additional Backup Information:

Southwest Airlines Co. (Southwest) has served Austin International Airport (AUS) and the City of Austin for 48 years as a provider of air travel, a job creator, and a dedicated community partner. The company is in the top ten largest private employers in the State of Texas and the largest airline at AUS with more than 40% of all passengers flying to and from Austin. As the company meets growth plans, it seeks to expand facilities and operations infrastructure to support new flight capacity and employment growth. Southwest, on its mission to find a suitable site for the business expansion, has pinpointed Austin as a potential viable location. However, there are multiple sites in competition, and therefore, is exploring State and Local incentives along with other cost drivers to make its selection.

This item seeks approval from Council to negotiate and execute a Business Expansion Program economic development agreement with Southwest. The Business Expansion Program is a Chapter 380 Program (authorized by Chapter 380, Local Government Code) of the City of Austin approved by Council through Ordinance Nos. 20180830-057 and 20240926-013. Southwest fits Category BE-2 minimum eligibility requirements of a large business expansion. This category seeks to provide strategic interventions and investments that attract employers relocating to and/or 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 is intended to help provide new

employment opportunities for Austin residents, solidify neighborhood employment centers and activity corridors, and yield numerous community benefits aside from traditional increases to the City's tax base. In addition to meeting the minimum eligibility criteria for the program category, the Southwest business expansion project offers significant community benefits and is aligned with Austin airport's expansion ensuring that resident and business air travel needs are met.

Exemption from Existing Ordinances

Staff request an exemption from the ordinances that adopted and revised the Business Expansion Program guidelines because this project is unique and does not fit the templates envisioned in the guidelines as is allowable under section 11.a.v of the adopted program. If similar projects are presented to the City in the future, staff will bring a revision to the guidelines to add this type of project for Council consideration.

Project Summary

Southwest estimates the expansion project will create ~2,000 net new jobs with an average wage of ~\$180,000 adding a high volume of quality employment options to the Austin job market. The award is proposed to be recognized on a per-jobs basis of \$2,750 per job created paid out only if the person hired for the job lives in the City of Austin. The company will be donating 10% of the award to the Childcare Assistance Reserve Fund. Per-job awards will be paid to the company less the 10% of the donation equating to a \$2,475 payment for eligible hires. The term of the agreement is proposed to be five years, with awards being paid annually following the year the hire was made. All Chapter 380 agreements are performance-based, meaning the company must demonstrate its compliance annually to receive that year's payment.

Fiscal Impact Analysis Summary

The Southwest expansion includes job estimates of ~2,000 net new local jobs in the aviation industry and ~5,100 indirect net new local jobs in the industries of construction, transportation, food and hospitality service, real estate, healthcare, financial services, and manufacturing. These jobs are projected to generate \$816,000,000 in increased local output (GDP), \$748,000,000 in increased local earnings, and \$19,800,000 in local taxes annually including property, sales, hotel occupancy, and mixed beverage taxes added to the local economy. \$11,850,000 in tax revenue annually is expected to be recognized by the City of Austin including \$1,190,000 in retail sales tax, \$3,800,000 in property tax, and \$6,860,000 in Hotel Occupancy Tax. In addition, Southwest, as a tenant of Austin International Airport, will be developing City-owned property at a capital expenditure estimate of ~\$7,500,000. This infrastructure would otherwise need to be financed by the City or another tenant occupying the space.

Community Benefits Addendum

The Southwest expansion project community benefits are detailed below:

Quality Job Opportunities

- Wages well-exceeding the living wage and industry norms (including shift differential and overtime pay)
- Employer-sponsored premium-free medical, dental, vision and life insurance
- Generous sick leave, vacation, maternity leave, and bereavement leave
- Opportunities to participate in wellness programs
- Profit sharing
- 401(k) with a company match of up to 9.3% of earnings
- ~82% of all employees are unionized and covered by Collective Bargaining Agreements (CBAs)

- Company-sponsored training
- Space-available flight privileges extending to employees and their eligible dependents

Workforce Development Pipelines

Southwest has an established history of adding to the development of workforce pipelines and opportunities in Austin and is committed to growing its activities should Austin be selected for the expansion. Workforce development opportunities as a part of the agreement will include:

- Continued participation in career fairs across Universities and K-12 schools;
- Partnering with Austin Infrastructure Academy on its K-12 Awareness program, teaching children about careers in aviation and offering teachers opportunities to engage with Southwest employees at AUS to enhance aviation curriculum in classrooms;
- Sharing Austin Infrastructure Academy resources with interested candidates including connections to assistance for childcare;
- Collaborating with training partners in the Austin Infrastructure Academy to prepare local candidates to become ground service mechanics and licensed airframe and powerplant mechanics;
- Expanding internships through the Workforce Solutions MC3 Program; and
- Expanding the Austin Aviation Internship program which provides high school students with summer employment experiences in the aviation industry.

Investment into the Childcare Assistance Reserve Fund

The Childcare Assistance Reserve Fund is a new, dedicated City reserve created under the Business Expansion Program guidelines that aims to support childcare affordability and access for working families by expanding access to childcare programs through taxes raised from business attraction initiatives. Guidelines state that 10% of new property tax revenue from each Business Expansion Program project will be set aside for the fund. As this project is being developed on City-owned land and will not incur a property tax liability, the company will donate 10% of each per-jobs payment to the City's Childcare Assistance Reserve Fund. Additionally, this will be the first investment into the fund as this will be the first Business Expansion Program agreement established under the program.

Enhanced Air Travel Availability and Reliability

This expansion strengthens Southwest's operational footprint and capacity at AUS by increasing staffing levels, gate activity, and aircraft availability. These improvements translate into improved schedule reliability, fewer cancellations, greater flexibility during irregular operations, and increased flight options for travelers. As Austin continues to grow, this investment helps ensure that air service keeps pace with demand, supports tourism and business travel, and improves the overall passenger experience.

Community Investment Partnership Expansion

Southwest has a long-established history of investing in education, workforce development, and youth development in local communities. Southwest investments in the Austin community in cash and in-kind donations for 2024 totaled ~\$300,000, benefiting 55 organizations. Key local community partners include Keep Austin Beautiful, Urban Roots, Explore Austin, Del Valle ISD Education Foundation, Hispanic Women's Network of Texas, Mobile Loaves and Fishes, Austin Sunshine Camp, Seedling Mentors, Texas CASA, LBJ Women's Campaign School, Austin LGBT Chamber of Commerce, Greater Austin Chamber of Commerce, Visit Austin, and the University of Texas at Austin. In addition, the Company's local Medical Transportation Grant Partner is Dell Children's Medical Center. It's expected that these community partnerships will grow

alongside the Company's expansion equitable to the scale in Southwest's employment as Southwest empowers its employees to volunteer in local nonprofit organizations. The airline's Tickets for Time program rewards employee volunteerism with donated tickets to nonprofit organizations or schools of their choice. In 2024, Austin Southwest Employees volunteered 2,300+ hours and donated 39 tickets in the Austin area. These locally driven employee volunteer events are supplemented by other Companywide service opportunities, such as Earth Month and Ronald McDonald House. Additionally, a long-standing and beloved program at Southwest Airlines is Adopt-A-Pilot which has served ~500,000 fifth-graders nationally through STEM-centered education. In 2024, three elementary schools in Austin were part of the program, involving 71 students which is also expected to grow with the Company's expansion.