# Samsung's $17 Billion Plant Puts Texas Semiconductor Industry on Global Stage

## Site North of Austin, in Taylor, Officially Selected for Chipmaking Project


*The small town of Taylor, Texas, north of Austin, is considered off the beaten path for a globally significant industrial project like the one Samsung said it plans to build. (Goodies First/Creative Commons)*

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Samsung's selection of Taylor, Texas, for its $17 billion chipmaking factory, after almost a year of speculation about where the South Korean tech giant would build, does more than provide a small town with one of the largest direct foreign investments in the United States. It puts the state's semiconductor industry, and its property development plans, on a global stage.

The company said late Tuesday at a press conference with Texas Gov. Greg Abbott that it was influenced by the state offering it $27 million from the Texas Enterprise Fund, the deal-closing

kitty used when the Lone Star State competes with other states for expanding companies. That's more than the $25 million the state program offered to Apple Inc. for its proposed expansion in Austin announced in 2018.

Samsung picked Taylor over sites in South Korea, Arizona, New York and the city of Austin, located just about 27 miles south, where Samsung has been expanding its existing semiconductor campus since it first arrived in 1996. Taylor, with a population of 17,000, will be home to a factory that Abbott said will provide more than 2,000 high-tech jobs and "thousands of indirect jobs," showing the power of the economic spillover from surging growth in nearby Austin.

“Texas has proven that it can create a business environment conducive for companies to grow and thrive,” said Kinam Kim, CEO of Samsung Electronics Device Solutions Division, during the press conference. “Looking back it has been more than a year of great deliberation … in multiple locations, a long journey for sure but a very important one. Our decision was based on a set of key factors for consideration such as: incentive programs, infrastructure readiness and stability, synergy with our global operations, excellent talent pool" and other factors.

John Boyd Jr., a principal at Florida-based site selection consulting firm The Boyd Co., said Samsung's decision represents "one of the largest foreign direct investments in modern economic development history" based on its sheer size.

"This would become the new center of gravity for industries that rely on chips, including automotive, aerospace, appliances, and to the momentum of the state,” Boyd said in an interview. “One of the big lessons we learned in the pandemic with supply chains is [that it’s important] being proximate to not just the end users, but also suppliers. This project is really significant."

The project in Taylor is expected to create 6,500 construction jobs once work begins in early 2022, with the plant expected to start production in the second half of 2024, according to Abbott’s office. Samsung has identified a site that Taylor officials say spans about 1,187 acres. The site is southwest of downtown Taylor, and the location description provided by Taylor reflects the undeveloped state of the new home of an important facility for a multinational industrial powerhouse: The property is south of state Highway 79, north of County Road 1660, east of County Road 3349 and west of Farm-to-Market Road 973.

## Global Implications

Abbott said the move represents “the largest foreign direct investment in the state of Texas ever. The implications of this facility extend far beyond the boundaries of Texas. It’s going to impact the entire world. As you all know, we face a global shortage of semiconductor chips, and I want you to know that Texas is working with Samsung to provide long-term solutions for the world’s growing chip shortage.”

The decision comes as semiconductor companies look to invest more heavily in building up manufacturing capacity in the United States amid the global semiconductor chip shortage.

In September, Santa Clara, California-based Intel Corp. broke ground on two new $20 billion semiconductor factories in Chandler, Arizona. And in June, Taiwan Semiconductor Manufacturing Co., the world's biggest manufacturer of semiconductors on contract, started construction on a $12 billion semiconductor factory in Arizona.

“Many of the global players in the semiconductor industry continue to scout for sites in the U.S.,” said Chris Lloyd, senior vice president at McGuireWoods Consulting, which works with companies to select locations for corporate facilities. Lloyd, who's also chairman of the Site Selectors Guild, added that “we’re in a semiconductor shortage … driven somewhat by COVID but also because semiconductors are becoming pervasive in everything — it’s not just in your laptop or in your phone, it’s in your car, your thermostat and your doorbell.”

To put Samsung’s investment in perspective, California received $17.8 billion in foreign direct investments in all of 2020 and Texas received $18.6 billion — but this is a combined total tallying up investments from multiple companies and projects, not just a single project, according to data from the U.S. Bureau of Economic Analysis.

While other foreign companies have invested equally large sums of money in the United States as Samsung, typically that is spread out over several years, Lloyd noted.

“As far as one single announcement, this is pretty staggering,” said Lloyd.

Samsung’s decision shows that Texas has a global appeal in attracting new investments, not just domestic investments from corporate relocations elsewhere in the country, Lloyd noted.

## Taylor Put on the Map

While Taylor itself has a small manufacturing industry, the plant is expected to pull from the labor and industry surrounding the already well-established semiconductor industry in Austin. In addition to operations from chip designers AMD and Silicon Labs, Austin is also home to semiconductor manufacturing plants from NXP Semiconductors and Applied Materials.

Within the semiconductor industry, “Samsung had put Austin on the map back in 1996 when it announced its semiconductor plant, and now it’s going to put Taylor on the map with this announcement — and when I say on the map, I mean on a global scale,” said Angelos Angelou, a local economist, site selector and CEO of AngelouEconomics, in an interview.

Angelou estimates the economic benefit from the construction project alone could total about $27.2 billion, when considering the cost of real estate, construction, engineering and services. The plant’s operations could support billions in economic activity over the next decade, but the timing will depend on how the plant’s production is ramped up in stages, he said.

Samsung applied for incentives in both Austin and Taylor as it was selecting the site for the plant. The size of the tax breaks has been criticized because an economically disadvantaged small town was passing out incentives to a global corporation when the region probably had enough of a draw anyway.

“Samsung is in line to get city, county as well as other incentives," said Nathan Jensen, a professor at the University of Texas who studies economic incentives, in an email. "What is problematic of this approach for a local government is that the jobs created won’t all be in Taylor. Many of these employees will live in Austin. Thus Taylor is giving out incentives but they won’t be capturing all of the benefits.”

That’s because the city of Taylor itself will probably have to pull from labor pools throughout metropolitan Austin to construct and operate the massive plant.

By passing out tax breaks, the city is missing out on a huge piece of the tax revenue the plant could generate, Jensen argued: "Research suggests incentives are generally a minor factor in site location decisions. Issues such as quality of the workforce and infrastructure are much more important."

Nevertheless, Samsung publicly has said incentives were important in its search, and it's also receiving incentives from the local school district and county.

Boyd, the Florida site selector, said Texas needed to pull out economic incentives to help support what is a "very capital-intensive project," and that they were necessary in helping secure the project in the United States.