



## **Economy enters new era**

### **Arrival of giants like Samsung just start of transformational moment in Central Texas**



By Justin Sayers – Staff Writer, Austin Business Journal  
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It's a few weeks before he's scheduled to pick up the keys for his company's massive new Georgetown factory and Cellink Corp. CEO Kevin Coakley can't help but think back to when he visited the site for the first time and found what looked like an abandoned cornfield.

Almost a year ago, Coakley and fellow executives from the Silicon Valley-based manufacturer of electric vehicle parts first toured it during what he called a "southern barnstorming tour" through the Austin and Nashville areas.

Executives quickly felt Georgetown and the wider region fit all of their criteria. It was close to their customers, the biggest of which is rumored to be Tesla Inc., which operates a billion-dollar factory east of Austin. The city of Georgetown shared in their priorities to combat climate change. Plus, the region had the right workforce and was willing to offer incentives to sweeten the deal.

They zeroed in on the Georgetown site in fall 2021, breaking ground in February. They will soon move into the 295,000-square-foot building and expect to employ 2,000 people over the next few months — which would be the most jobs created via relocation or expansion in the five-county Austin metro this year.



*CellLink CEO Kevin Coakley speaks at groundbreaking ceremony for CellLink manufacturing facility in Georgetown, on Feb. 23, 2022. Arnold Wells/ABJ*

"We've been really, really pleased with the speed at which the project has come together," Coakley said. "I don't want to disparage California because I love California, but it's just a much different pace down there. ... Every day is carpe diem. It's just 'push forward.'"

2021 was a record year for corporate relocation and expansion announcements in the Austin metro, with 26,697 jobs announced across Central Texas. That included from giants such as Tesla, Samsung Electronics Co. Ltd. and Amazon.com Inc.

2022 is lagging that pace slightly. Through April, there were 28 announcements of relocations and 47 of expansions, with companies pledging to create 7,669 jobs, according to data tracked by Opportunity Austin, the economic development wing of the Greater Austin Chamber of Commerce. If that pace continues, the five-county metro would end the year with 18,406 jobs announced.

What local leaders are most proud of is the fact that the companies that are coming to Austin span various industries, from automotive suppliers like CellLink to social media companies like TikTok Inc. and Meta Platforms Inc. eating up downtown high-rises. That could prove hugely beneficial if a recession sweeps the country, as some experts are predicting.

"We are not just a single-sector economy. We've built that out very intentionally," said Laura Huffman, president and CEO of the Greater Austin Chamber of Commerce. "The end result of all that work is resiliency that allows us to weather economic storms or natural disasters or other

pandemics — things that will cause economies to slump. This region generally comes in last on those slumps and emerges first from those slumps."

"OUR ECONOMIC DEVELOPMENT TEAM CONTINUES TO FIELD INQUIRIES AND LEADS ABOUT RELOCATIONS WEEKLY. IT IS SHAPING UP TO BE A REALLY STRONG YEAR IN 2022"

— Laura Huffman, president/CEO, Austin Chamber of Commerce

And even more investment and jobs could be on the way. Applied Materials, Samsung, NXP and Infineon are among the companies considering additional expansion.

There were 304 projects in the Opportunity Austin pipeline, according to the most-recent update, referring to companies that have made various levels of contact with economic development leaders.

The reasons so many companies are choosing Austin are simple, economic development professionals and company executives say: the area has a lot of available land, a strong workforce, ample opportunities for incentives and relatively fewer regulatory restrictions.

What often doesn't get said is that all of these relocations can exacerbate fears around things like affordability and access to resources.

## **Why companies are relocating**

The United States economy is in a time of transition. Inflation is at its highest level in decades. People, many freed from the expectation of reporting to the same office five days a week, are on the move. And companies are looking to go where they feel wanted.

That's benefited Texas, which is seen in other states as having easier regulations.

"This is a time of historic mobility for people, for companies and for wealth. Money and talent tend to go where they feel wanted. Texas had a winning formula over the past several years — that's evidenced by enormous population growth, increasing clout in the electoral college and in Congress because of population gains," said John Boyd Jr., principal at prominent Florida-based site selection firm The Boyd Company Inc. "Companies are reimagining what the head office looks like and using the head office as an opportunity for the company to refresh and recalibrate its image."

Adriana Cruz, executive director of the economic development and tourism division of Gov. Greg Abbott's office, said she and her colleagues have a "very large pipeline right now, significantly larger than we've had in many years."

She agreed that reasonable regulations, low costs and a diverse workforce draw companies to Texas. A reputation for business friendliness — including 18 years straight as CEO Magazine's best state for business — doesn't hurt either.

Texas saw a record 78 headquarters relocations in 2021, double the total from 2020, Cruz said.



*Adriana Cruz Arnold Wells/Staff*

"With the diversification of our economy, we're continuing to see interest from very diverse industry sectors and we think that's going to continue into the future," she said.

Relocations and expansions are strong indicators of economic strength, but they don't tell the whole story. Yet even by other indicators, Austin has one of the strongest economies in the country.

In May, the unemployment rate was 2.7%, not seasonally adjusted, lower than the statewide rate of 3.8% and the rates of other major metros such as Dallas and Houston. Also in May, the Austin metro labor force was nearly 1.35 million, 7% larger than it was before Covid-19 arrived in February 2020.

"2022 is shaping up to be another strong year for economic development. I think there are some really interesting things happening," Huffman said.



*Laura Huffman Arnold Wells/ABJ*

## **Where companies are landing**

Austin is becoming more expensive. Many corporate newcomers are landing in more rural parts of Williamson and Hays counties.

In Georgetown, the seat of Williamson County, it's not just CellLink. The city is seeing other large employers sprout like Onx Homes.

"Williamson County continues to be one of the most sought after locations in the world for economic expansion," County Judge Bill Gravell said. He pointed to its workforce, quality of life and safe communities as reasons why. Gravell also acknowledged that the county and its cities are more likely to incentivize projects, saying that is "absolutely essential" when competing on a national scale, like in the semiconductor industry.

There is a lot of interest in land along the State Highway 130 toll road, which runs from Georgetown to Seguin, according to Boyd.

"From personal experience and from data requests, SH 130 really pops now," the site selector said. "Some of the most influential business leaders in America are stuck in traffic on I-35."

At the southern end of the 130 corridor, Hays County is seeing increased economic activity. In Lockhart, Micron Technologies Inc. is rumored to be looking at a site for a massive development.

The relocation energy is evident in the economic development agreements found each week on suburban government agendas, from Project World in Williamson County to Project Thin Mint in San Marcos to Project Nordic in Liberty Hill.

### **What kind of companies are coming?**

The technology sector remains a fertile one for relocations and expansions. But companies in automotive production, financial services and life sciences are starting to cluster in the Austin area.

“We continue to see a diversification in industry type or industry sector looking at Central Texas, and that’s a very positive development because the more diverse, the more sustainable,” said Gary Farmer, chairman of Opportunity Austin and president of Heritage Title Company of Austin. “That diversity is a tremendous development over the last couple of years. We have all shapes and sizes of projects, big ones and little ones and everything in between. We have good career opportunities for our people, so we’re in a very enviable position.”



*Gary Farmer Arnold Wells/Staff*

## **The incentives angle**

Million of dollars worth of incentives have been pledged to these companies, largely outside Austin proper.

Much has been written about the Chapter 313 program, which allows companies to save money on their school property taxes and is set to sunset at the end of the year. It has been used by the likes of Samsung and Tesla.

Ed Latson, CEO at the Austin Regional Manufacturers Association, said incentives help Central Texas compete for and win major investments, given its relatively high property taxes.

“ARMA is hopeful the Texas Legislature will revive or create a new program that gives the State and municipalities the tools they need to compete in economic development. If they don’t, we are going to lose major deals,” he said.

Despite that, many have questioned the program's effectiveness. Everyone from professors to interfaith groups and organized labor have opposed the program. Plus there are local programs already in existence, like Chapter 380 and 381, which offer incentives from counties and cities, like the ones CelLink received.

Cruz hopes legislators can come up with a replacement for Chapter 313.

"It's an important tool for the capital intensive projects, projects like Tesla and Samsung, that have a really large capital investment component," she said. "It's an important tool in the toolbox, and we understand that the legislature is looking at alternatives and our office is happy to work with our legislators on what that might be."

## **It's not all perfect**

The story of Austin's economy has been decades of persistent growth, although the recent acceleration has been historic. Even so, there have been letdowns.

The area missed out on an Intel Corp. factory after the company instead chose Ohio. Documents obtained by the Austin Business Journal show Intel had communicated and met with Texas economic development leaders for what they called "Project Mustang."

Among the reasons companies may opt to pass over Central Texas are worsening affordability, public safety issues, worries about water supply and aging infrastructure.

"There could be companies that can't find the sites that fit their requirement, but I don't think there is any general theme for companies that choose to go elsewhere," Huffman said.

Huffman said more than \$20 billion is being invested into the city's infrastructure, led by Project Connect, the expansion of rail and transit in the region, plus improvements to I-35 and expansion of Austin Bergstrom International Airport.

"What's important is that these investments give companies assurance that we're addressing challenges related to growth that will support investments in Austin," she said.

Cruz said the biggest issue she find is not enough shovel-ready sites.

"Timing is really important for companies and they're moving very quickly, so they're looking for a site that has all that infrastructure in place and has all of the utilities in place," she said. "Sometimes our sites are not as ready as sites that may be found in other states, and we may lose some projects because of that."

But the Central Texas economy remains fundamentally strong, which should bode well for the region no matter what happens to the national economy. Those fundamentals are what attracted Coakley and his team at Cellink. They had hired a site selector, Ginovus LLC, and knew right off the bat they wanted to consider two areas that have become hotbeds for EV production: Austin and Nashville.

They toured three sites in each market. In addition to Georgetown, they visited Hutto and Pflugerville in the Austin area. In Georgetown, they found a city that had undertaken a bold but at times controversial plan to get all of its power from renewable energy.

Plus, they were able to stay on track to open this summer and then phase in 2,000 employees and \$130 million in capital investment over time.

"It's just amazing how fast things can happen down there. It's a huge advantage for our company," Coakley said. "How frequent is it you see construction projects come on time anywhere?"