

Manufacturing

Austin ISD to vote on NXP Semiconductor's \$100M tax break

Such tax breaks have become very controversial



The NXP Semiconductors NV manufacturing hub in far East Austin, off Ed Bluestein Boulevard (U.S. Highway 183) in March 2021. The company also has office and manufacturing space in Southwest Austin.

ARNOLD WELLS / ABJ

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Nov 11, 2022



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Austin Independent School District is set to vote on NXP Semiconductors NV's request for tax incentives on a possible \$2.6 billion expansion at the company's two Travis County chip manufacturing plants that would create hundreds of new jobs.

<https://www.bizjournals.com/austin/news/2022/11/11/austin-isd-to-vote-on-nxp-s-100-million-tax-break.html>

The request, made through the state's sunseting Chapter 313 of the Texas tax code, asks the public school district to cap the project's property value at \$100 million for a portion of school taxes for a period of 10 years. The controversial incentives program is slated to expire at the end of the year, which has resulted in a rush of companies applying to take advantage of the program.

In January, NXP (Nasdaq: NXPI) reported full-year record revenue of \$11.06 billion for 2021, a 28% year-on-year increase for the Dutch semiconductor designer and manufacturer with headquarters in Eindhoven, Netherlands.

The agreement would specifically allow NXP to pay a maintenance and operations tax rate on the limited value of its property instead of the actual appraised value for a period of 10 years. The board is set to vote on the request Nov. 17 and heard comments from the public on the matter during an information session held Nov. 10.

Austin ISD trustees voted on May 19 to accept NXP's applications for review. The project was previously referred to as Project Gateway.

Here is what NXP wants to build

With support from the tax incentive program, NXP plans to renovate or expand fabrication space at either of its existing campuses: a 153-acre site in Southwest Austin and a 78-acre site in far East Austin.

As previously reported, the expansion in far East Austin outlines a much larger project. NXP said it could invest \$2.6 billion in its facility at 3501 and 3949 Ed Bluestein Blvd. to construct a four-story "semiconductor wafer fabrication building" of about 520,000 square feet next to existing manufacturing facilities. It would also invest in new equipment.

Of the 520,000 square feet of new fab space, 110,000 square feet would be cleanroom space, which is vital in the exacting process of creating the semiconductors that power everything from computers to cars to watches in the modern economy. The expansion would also include a 47,000-square-foot central plant to support manufacturing, 2,000 square feet of which would be office space; a 572,000- square-foot parking garage and 20,000 square feet of administrative office space.

NXP pledged in the applications to create 500 qualifying jobs, but that's across both sites. The application for the Southwest Austin site at 6501 W. William Cannon Dr. indicates the company would create 150 jobs with a minimum salary of \$68,548. The Ed Bluestein expansion would create 350 new qualifying jobs with the same minimum salary.

If Austin ISD grants NXP the incentives, Austin Business Journal calculated the company could save more than \$140 million in taxes over 10 years. If NXP were to move forward with an expansion at its Southwest Austin campus at 6501 W. William Cannon Dr, it could invest a little more than \$1.2 billion to expand the labor of two existing buildings on the campus and purchase new equipment for the manufacturing process.

Chris Grammer of Culwell Consulting, who is working for the school district, said the William Cannon project represents \$1.8 billion in peak taxable value and would lead to about \$67 million in tax savings for the company and generate about \$64 million in revenue for the school district in terms of taxable value.

Grammer said the potential East Austin project, which he said represents \$600 million in taxable value, would result in \$12 million in payments to Austin ISD and a savings of \$9 million for NXP.

The William Cannon expansion would begin in 2027 while the Ed Bluestein would begin in 2025.

Under both plans, NXP said it wants to access federal funding through the Creating Helpful Incentives to Produce Semiconductors for America Act which was signed into law in August and provides incentives to bolster domestic production of the computer chips. Representatives of NXP suggested that if approved, the Chapter 313 agreement would help secure additional funding from the federal government.

Mark Kroeker, NXP's Head of U.S. Regulatory and Government Affairs at NXP Semiconductors, addressed the school board during a public comment period.

"I am excited at the possibility of NXP expanding its operations in Austin," said Kroeker, who is based in Austin and has been with NXP for 15 years. "Approving a Chapter 313 agreement with NXP would be a significant contribution to helping make this happen."

Some push board to approve, others stand in opposition

During the Nov. 10 meeting, the board heard from both advocates and proponents of NXP's request.

The application has remained a point of contention for months, with some touting acceptance of the request as an opportunity to bolster a key industry for Central Texas, with other arguing the deal siphons funds away from the state's public schools and ultimately its students.

"This is such an important opportunity for our community and the school district to support a crucial employer to the region that is vital to our region and the United States," said Ed Latson, the executive director of the Austin Regional Manufacturers Association, a nonprofit working to improve the regional manufacturing community. Latson added that NXP's expansion will create new jobs that pay \$175,000 a year.

Texas Association of Business CEO Glenn Hamer stated that approval of NXP's request would create 100 new jobs for Austin.

"NXP has a long track record of investing in our schools," Hamer said. "Our support will support \$63 million into the school district. Your vote for this agreement will reflect your stewardship. It is a win for the school district."

The Austin Chamber of Commerce has advocated for the deal and encouraged members of the business community to support it. Chamber CEO Laura Huffman said the semiconductor industry is a "hallmark" of Austin's economy.

In opposition of the request, Austin Interfaith has remained a constant voice discouraging the board from moving forward with the agreement.

Interfaith states that the Chapter 313 program ultimately does not benefit all of the state's public school students. Recapture, a process in which local property tax revenue is diverted to the state for redistribution to other districts across Texas, does not include the funds provided to a school district through an incentives agreement.

According to research carried out by Austin Interfaith, Austin ISD annually loses more than \$10 million through Chapter 313 agreements that would support the entire state public education system through the recapture process. The same study found that from 2007 through 2037, Texas' public school system will lose an estimated \$3 billion in annual income from Chapter 313 agreements.

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The organization is part of a regional family of organizations that belong to the national Industrial Areas Foundation. Founded in 1940, the nonprofit now represents a network of thousands of religious congregations, nonprofits, civic organizations and unions in more than 65 cities across the United States and abroad.

Rev. Miles Brandon, vicar at St. Julian of Norwich Episcopal Church in Round Rock and Austin Interfaith member, said his congregation is deeply entwined with the public school system. “We are a part of the AISD community,” Brandon said. “We implore you to choose your advocates and partners over corporations. It makes certain there will be \$100 million less to fight for. It is in our children’s best interest now and in the future.”