

AUSTIN

COMMERCE



The Plus Side of a Pandemic

Texas metros like Austin have long been attractive to businesses stuck in higher-cost areas of the country. Today, COVID-related pressures may actually be making Austin even more appealing to businesses—particularly those in the growing tech sector.

As 2020 wound down, the Austin region's large economic base was poised to grow in the new year. Some of that expansion will come from business relocations—including many technology companies—as COVID-19 made CEOs outside Texas rethink the

geographic areas where their companies operate.

"From a business development standpoint, we have 196 active projects in our pipeline," said **Adriana Cruz**, Executive Director of the Economic Development and

Tourism division in the office of Governor Greg Abbott, speaking at the YTexas State of Business Summit. "We're seeing a lot of interest in nearshoring and reshoring."

Cruz says that more prospects have reached out to her agency since the pandemic began. "There is a lot of interest in medical device manufacturing, personal-protection equipment manufacturers coming to the state. In the past they automatically would have gravitated to the East or West Coasts."

The region's tech industry will benefit from a growing focus on mergers and acquisitions and initial public offerings, according

to **Amber Gunst**, CEO of the Austin Technology Council, a trade group.

"With the continued success of this work, we will see more locally grown businesses taking the leap to expand and hit the \$1 billion cap," she says. "This will enable job growth and bring in executive-level talent who are experts in company pivots."

AUSTIN TECHNOLOGISTS LEAD THE WAY

COVID is creating opportunities for many Austin tech shops. For instance, some now help the healthcare industry understand their data and how to use it to reduce the disease's spread.

"As the medical and banking industries turn more to tech during COVID, there will be an increase in the conversation of how [tech] plays a role in those fields," Gunst says.

PIMCO, a global investment manager that employs more than 250 people in Austin, adapted its internal and client communication during the pandemic by increasing its use of technologies like video conferencing, according to **Pat Feigley**, a Managing Director.

Since the California-based firm opened its local shop in the summer of 2018, its area technology team has led the charge with automation of all types, including data processing, artificial intelligence, and creating faster, more efficient ways of doing most everything.

"The business community has greeted us with open arms and our employees have really enjoyed the city.

We have found that attracting talent here has been easy," Feigley says. "We have been one of the fastest-growing offices in the company, having started with roughly 25 people in July '18. Our plan is to expand further in 2021."

Technology is also creating opportunities at Cedar Park's Firefly Aerospace, a supplier of launch vehicles, spacecraft, and in-space services. The 300-employee firm moved here from California in 2014.



"The next generation of the information revolution is space," says **Eric Salwan**,

Firefly's Director of Commercial Business Development. "Everything you've seen with the Internet over the last 20 years, that's what we're going to see with space over the next 20 years."

CONTROLLING A SATELLITE WITH A PHONE

The large software development industry in metro Austin is helping fuel growth at Hypergiant Galactic Systems, which builds and deploys artificial intelligence-powered satellites into low-Earth orbit.

It operates the craft with a combination of industry-standard flight control software and its own product, called Hyper Intelligent Vehicle Enhancement, or HIVE for short, which helps with functions like predictive maintenance.

The company's goal is to allow control of satellites with a handheld device like a phone.

Hypergiant Galactic Systems is working with the US Air Force on building the Chameleon Constellation, a planned system of roughly 36 satellites that can be reconfigured in real time through software updates. The project has \$100,000 in funding from the Air Force's Small Business Innovation Research grant program, or SBIR, with the aim of landing another grant of up to \$10 million, according to the *Wall Street Journal*.¹

In a similar vein, Switzerland's Acutronic Holding AG turns to partners in the defense sector to help fund its research and development. A maker of technologies in areas like motion simulation and robotics, the company's turbines and actuators business is based in Austin.



"In our experience, the government is one of the best sources of funding,"

says Acutronic's CEO, **Florian Aigrain**. "We're doing first-in-the-nation type stuff." Acutronic is turning hobby-grade turbojet engines into systems that can run unmanned aerial systems, urban air mobility craft, or even small missiles, he says. Austin is also home to one

¹Sara Castellanos, "Air Force Readies Launch of In-Orbit Network to Support AI Applications in Space," *Wall Street Journal*, July 30, 2020.

of three Innovation Hubs for AFWERX, where the US Air Force and Space Force work with military folks, academics, and entrepreneurs.



“The Air Force has a checkbook they can use for innovation,” says **Tony Cucolo**, a retired US Army

Major General who now runs the Austin nonprofit National Security Innovation Council, which helps connect people in national security with folks who can solve technological problems. “They’ve broken the code on that and are doing very well.” He adds that SBIR grants, like the one secured by Hypergiant Galactic Systems, can be attractive sources of funding.

ARMY INNOVATION NEAR SIXTH STREET

AFWERX Austin is located downtown in Capital Factory, a startup accelerator, along with working space for the Army Futures Command, or AFC, which was created in July 2018 to modernize that military branch.



“Standing up an additional Army Command hasn’t been done since 1973,” says Command

Sergeant Major **Michael Crosby**.

Though its headquarters are within walking distance of Austin’s famed Sixth Street entertainment district, the AFC has nearly 26,000 Army scientists and engineers spread out across 26 states, 11 countries, and five continents, Crosby said at the Summit.

The AFC is working on machine learning that can discern friendly vehicles from foes and robotics to breach obstacles surrounded by barbed wire and mines. And like Hypergiant Galactic Systems, the AFC is building AI systems that can tell people when vehicles need maintenance. The AFC is actively recruiting forward-thinkers

for a broad range of jobs focused on modernization through innovation.

The Command’s presence in Austin has also led to the establishment and growth of related jobs in the region, leveraging Austin’s entrepreneurial ecosystem in its strategy for success, according to **Ellen Troxclair**, the AFC’s Director for Strategic Partnerships.

“We’ve invested \$157 million so far in strategic partnerships with higher education, including the University of Texas, Texas A&M, Rice University, and Baylor,” she said.

A BRIGHT FUTURE, DESPITE COVID CONCERNS



What about the non-tech businesses that are also such a critical part of Austin, including

festivals, live music, and travel? **Jacqueline Yaft**, Executive Director of Austin-Bergstrom International Airport, is optimistic, but also acknowledges that things will be different post-COVID.

“The profile of business travelers and first class [flights] is going to change for airlines, as will the infrastructure of airport lounges,” she says.

Similar modifications are likely in store for the many events Austin hosts. “The entertainment and music festivals will come back,” says Yaft. “They might have a different way of holding them and a different way of handling the passengers and customers.”

While COVID may bring shifts in many areas of society, other CEOs also remain optimistic about the long-term prospects of doing business in the state. Whether they’ve come recently or a decade ago, businesses seem uniformly pleased with what Austin has to offer.



When **Ed Trevis** moved his industrial-computing business, Corvalent, from

Silicon Valley to Cedar Park in 2009, he got an unexpected benefit beyond lower costs and less regulation. “When we became a Texas company, about 30 percent of our business became the oil and gas industry,” Trevis says. “We had 12 different customer segments, but we had never been in that market.”



Steve Raucher found similar growth after moving his technology company, RapidDeploy,

to the area from South Africa in January 2019. The company makes software that helps cut response times for emergency services like police, firefighting, and ambulances. “We now employ 80 people in the US, including 70 in Austin,” he says. 📍



AUSTIN

COMMUNITY



Accelerating Change in Higher Ed

COVID-19 is pushing Austin's colleges and universities to offer more virtual classes, even as they adopt flexible training programs and coursework in entrepreneurship.

Change brings opportunity, but seldom of the scope or speed that COVID-19 has created. That's true across a wide swath of Austin's higher-education and workforce-development institutions.

"Today, Austin has a rare chance for jobless residents and workers to reskill, re-engage, and come out of this pandemic stronger," says **Tamara Atkinson**, CEO of Workforce Solutions Capital Area, a nonprofit that plans, oversees, and evaluates workforce development activities in the Austin and Travis County area.

Workforce Solutions Capital Area offers tuition assistance, childcare, transportation, and other help to train people for "middle-skill jobs," or those requiring more than a high school diploma but less than a college degree. COVID prompted the organization to rework its Community Workforce Plan, which aims to move 10,000 people living at or below 200 percent of the federal poverty line into middle-wage jobs.

"Updated for the era of social distancing, [this plan] focuses on rapid retraining for the digital environment, emphasizing safety, speed, and sufficient supports to provide pathways out of poverty for workers who lost jobs because of the pandemic," Atkinson says.

Despite the Austin region's wealth of colleges and universities that focus on science, technology, engineering, and math education, its tech employers are growing faster than the number of students entering college. Workforce Solutions Capital Area is working with the Austin Technology Council, a trade group, on a study of what types of middle-skill technical training could help its clients find jobs in tech.

"Our membership was eager to get involved with this, as it solves the problem of talent and offers opportunities for people looking to better their lives," says **Amber Gunst**, Austin Technology Council's CEO.

AN EVOLVING DEFINITION OF COLLEGE

Higher-education institutions in Austin are also playing a significant role in building a workforce with the skills that match the needs of local employers. In fact, COVID hit as higher education in Austin was becoming more flexible than students of previous eras may have seen.

The Austin Community College District, for instance, provides fast-track options that can lead students straight to the workforce. ACC can also give students transfer options that lead to a four-year degree at another institution. It also

offers dual credit for high schoolers and programs to get students ready for higher ed.

"We believe college is for everyone," says Dr. **Richard Rhodes**, ACC's chancellor. "The beauty of the community college is that we can do a lot more while still providing the same level of excellence students deserve and employers expect—all at a much lower cost."

ACC is working to move low- and middle-income residents into more stable and high-paying jobs by lining up education and training programs with employers' needs, Rhodes says. That has happened through partnerships with the Austin Chamber of Commerce and local schools.

In 2020's fall semester, ACC provided deep tuition discounts for fast-track training programs in some of the most in-demand careers. "As in any crisis, we discover the power of community," Rhodes says. "We are adaptable and stronger than ever."

Many have emphasized, however, that training and development cannot end once a student earns a degree. Ongoing job-related training for people already in the workforce



is also vital to keep up with changes in various vocations. "The half-life of

A Helping Hand for the Unemployed

Since March of 2020, countless jobs have been lost across the state of Texas. Fortunately, there's been no shortage of programs designed to help the newly unemployed upskill for new opportunities.

One is the Pflugerville Manufacturing Academy, founded in the middle of the pandemic to train locals for jobs in plastic injection molding and additive manufacturing (the latter also known as 3-D printing).

The program has operated in rented space in area facilities as a way of avoiding the expense of a bricks-and-mortar location and training equipment that would get outdated. "We're thinking we need more training for our residents who lost jobs in retail and service centers," said **Amy Madison**, Executive Director of the Pflugerville Community Development Corporation, which developed the Pflugerville Manufacturing Academy in conjunction with the Texas Workforce Commission.

"We've got plans to partner with other organizations to provide and deliver seminars and training for them in various ways."

degrees is less than 10 years,” says **Wade Allen**, President and CEO of the Austin executive placement firm Cendea. “People need to embrace change because the occupations of the future may not have even been thought of today.”

HIGHER ED ADAPTS QUICKLY

The recession that COVID-19 created has also lent new urgency to the 60x30TX plan, an initiative whose aims include over 60 percent of Texans ages 25 to 34 having earned a certificate or degree by 2030.

After the Great Recession of 2008, some 85 percent of new jobs created in Texas (and 99 percent of those created nationwide) required some kind of post-secondary education.

“We have the opportunity to accelerate innovation in what teaching and learning looks like in a way that we’re going to look back on 2020 as the year it all changed,” says



Harrison Keller,
Commissioner of
Higher Education
for the Texas
Higher Education
Coordinating Board.

The agency is spearheading work on 60x30TX. While many states have made deep cuts to their colleges’ and universities’ budgets in 2020,

Texas governor Greg Abbott and the legislature dedicated \$175 million of federal stimulus funds to higher education, with the top priority being need-based financial help for students, Keller says.

“We recently distributed contracts to about 150 public and independent schools to make sure we could maintain our current need-based aid program,” he said at the Summit. “It will also help public institutions provide additional emergency aid to help keep students on track.”



We’ve seen that communities with better-educated populations really recover faster.

—Tracye McDaniel

There is good reason to focus on education if we hope to recover from the downturn of 2020 as quickly as possible. **Tracye McDaniel**, President of TIP Strategies, an Austin consultancy, notes that there is a correlation

between post-secondary education and how quickly economies emerge from recessions. “We’ve seen that communities with better-educated populations really recover faster,” she says.

TAKING EDUCATION ONLINE

Just as COVID-19 is changing the job market, it is also forcing colleges and universities like Austin’s Huston-Tillotson University to do things differently. As Austin’s oldest institution of

higher learning, the historically black school—whose roots date to 1875—had no fully online degrees.



Dr. Colette Pierce Burnette, who has served as the university’s President and CEO since 2015. “Higher education does not make a hard right turn. We are an ocean liner. So when COVID-19 happened, that pushed the ocean liner to turn to avoid the iceberg, so to speak.”

Huston-Tillotson does not want to be fully online forever, because it wants to retain the culture of its campus. But having done the work to go online means it can find a hybrid operating model of virtual and in-person instruction.

“The landscape of higher education is changing drastically,” Burnette said. “We are a stronger university and a different university.”

NEW OPPORTUNITIES ON CAMPUS

Beyond new ways of connecting teachers and students, higher ed’s degree programs are adding new coursework to train students in areas that are key to workplace success but that historically may not have been part of college curriculums.



“There are 68 different programs at the University of Texas focused around entrepreneurship

and innovation,” says **Mitch Jacobson**, Executive Director of the Austin Technology Incubator at UT’s Austin campus. Beyond running the nation’s longest-running tech incubator, Jacobson also heads the National Science Foundation’s Southwest I-Corps Node, which helps faculty build companies around something they’ve invented at UT Austin, Texas A&M, the MD Anderson Cancer Center, Texas Tech, or Rice University.

He also heads up the Blackstone LaunchPad, which provides education in entrepreneurship and on how to launch companies out of UT. “The opportunities today are massive in terms of the different programs, competitions, and other things offered on [the UT Austin] campus,” Jacobson said.

Those include internships, which increasingly have become part of students’ preparation for jobs in various areas.

“We have 46 interns over the summer,” says **Eric Salwan**, Director of Commercial Business Development at Cedar Park’s Firefly Aerospace. “And we consider that a big part of our program. We have people who started as interns that now run departments.”



AUSTIN

CULTURE



A Spirit of Helping

Music, nightlife, and technology geeks get the most attention in Austin, but the region also prospers because of its population's willingness to lend a hand—especially post-COVID.



When **Tiffany Taylor** and **Leon Chen** started delivering hot-from-the-oven cookies

as an Austin business in 1999, their packaging wasn't great and their service was only so-so. But because the cookies were delicious, customers supported what became known as Tiff's Treats, which today has 62 stores and 1,500-plus employees.

"We went through years of not making money and just working really hard," says Leon, who has since married Tiffany. "As we're saying why we didn't quit, part of it was we got so much support from the community."

The Austin metro may be better known for technology and weirdness, but residents say the willingness of its people to help each other out is a hallmark of its culture—and a major reason they are optimistic it will succeed in the wake of resurgent COVID-19 and a national recession.



Tennis star and Austin resident **Andy Roddick**, who has invested in Tiff's Treats, says that people there

supported the brand during the pandemic because of its corporate culture.

He remembers overhearing an employee describing what it was like to work at Tiff's Treats all the way back in 2007. "You're going, 'Oh, they still love working here,'" Roddick

says. "A lot of times, that won't affect the bottom line right away. But all of a sudden when you need people the most, they want to be there for you."

Austin's broader spirit of helping was also readily apparent to the Australian founders of BigCommerce, an e-commerce company, as they considered moving their headquarters to the United States.

Driving past farmland soon after their arrival in Austin, one founder wanted to leave.

"The other said, 'No, let's do the meetings,'" says **Robert Alvarez**, BigCommerce's Chief Financial Officer. "They went downtown and found how helpful people were."



The company now has its headquarters in Austin.

Partnerships have also been on the agenda as companies and local government agencies work together to tackle problems that COVID-19 and a slow economy have brought to Central Texas.

In Pflugerville, located about 20 minutes northeast of downtown Austin, a series of 7:00 a.m. Zoom calls starting in March resulted in some of the city's manufacturers helping each other with equipment, hiring, and supply chain disruptions.

"It took a pandemic to get them together," said **Amy Madison**, Executive Director



of the Pflugerville Community Development Corporation, which organized the calls. "Several have wanted to work together as an industry cluster."



Elsewhere in the region, the Austin Chamber of Commerce has worked to connect

struggling businesses with services that could help them survive in the heart of a downturn. "We created a pro bono marketplace so businesses that have a few extra hours can provide legal or financial support, strategic planning, whatever it is that our smaller businesses need right now to stay afloat," says **Laura Huffman**, the chamber's President and CEO.

Efforts like these showcase Austin residents' willingness to lend a helping hand, whether it's developing brand new citywide programs—or simply staying loyal to their favorite neighborhood cookie shop. 🍪



More than just talking about diversity

"There is a lot of work to do around diversity, equity, and inclusion in Austin," says Austin Technology Council CEO **Amber Gunst**. "But our companies are poised to make strides in this area."

One area Austin has made progress on is women in leadership. Gunst notes that "women make up 30 percent of people in Director to C-suite roles in area tech firms. . . . This is one of the highest percentages in the United States and beats Silicon Valley. The level of female leadership we have puts us in a position to make significant impacts."

Dr. Colette Pierce Burnette, President and CEO of Huston-Tillotson University, a historically black school in East Austin, has also seen more energy going into issues of diversity, equity, and inclusion.

"We're an honest broker in that conversation," she says. "I want it to continue and not be something where we all get lulled back to sleep when COVID-19 is over."



Lifestyle in Austin's second downtown

Northwest Austin in particular has attracted many headquarters recently.

Large West Coast tech companies like Apple and Amazon have expanded there, with Amazon growing its location at the retail and office complex known as the Domain (often referred to as Austin's "second downtown") and Apple breaking ground

on a major facility nearby.

These expansions in turn helped draw the region's first major league sports team: Austin FC will kick off its first Major League Soccer season in 2021 at a \$260 million, privately financed stadium it is building near the Domain.

"This is an area where companies are putting in large office presences



and where there are a significant amount of fun recreational activities being added as well," says **Andy Loughnane**, President of the soccer club.

Austin FC's ownership, which includes actor Matthew McConaughey, chose the Austin area partly because the sport's audience jibes

with the region's roughly 2.2 million population.

"Austin is a very Millennial, multicultural, and tech savvy market," Loughnane says. "That aligns well with successful Major League Soccer markets. Lifestyle for us is important. If you love the Domain today, you will really love it in five years when development is further built out."