

# Austin offering \$500,000 in incentives to lure Hanger headquarters

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AMERICAN-STATESMAN STAFF

Tuesday, Jan. 12, 2010

Hanger Orthopedic Group Inc., which is planning to move its headquarters to Austin this year, could qualify for up to \$2 million in state and city incentives if it meets job creation targets and other benchmarks.

**The company confirmed its plans Tuesday, marking the area's biggest economic development win in several years.**

The proposed 10-year city agreement stipulates that Hanger have at least 133 employees in Austin in each of the first five years, growing to 250 in the last five to earn city payments of \$50,000 a year. A city document said the jobs will pay a median of \$65,290 a year.

**Although Hanger will offer its 130 to 140 Bethesda, Md., employees a chance to move here, not all of them are expected to relocate, and a number of the jobs could be filled locally. Hanger could start recruiting to fill jobs as soon as March and expects to be fully staffed by September, CEO Tom Kirk said.**

**"It's going to be a game changer for Austin," said Dave Porter, senior vice president of economic development for the Greater Austin Chamber of Commerce, which played a key role in attracting the company. "Hanger is a leader in their industry. It will only enhance our ability to draw other medical device firms. It's a huge victory for us."**

The City Council would have to approve the incentive deal. The council will be briefed on the proposal at a special meeting on Jan. 21 and vote after a public hearing on Jan. 28. The state is kicking in \$1.5 million from the Texas Enterprise Fund.

The Hanger incentives are similar to the package Austin offered in 2007 to the "Friday Night Lights" television show, which was to receive \$40,000 a year to film 21 episodes in Austin and fill 75 percent of the jobs locally. The show did not receive payments last year because it did not fulfill some terms of the agreement.

Other recent Austin incentive packages chiefly involved sales tax rebates or property tax abatements, but also substantial capital investments.

Of the seven agreements in place, the largest include up to \$62.9 million over 20 years to Samsung Austin Semiconductor to build a second Austin chip plant with at least 500 jobs and \$37 million over 20

years to the Domain, the North Austin shopping, office and apartment development, which was to create 1,100 permanent jobs.

Both have received \$2.3 million, based on job creation, average wage and other benchmarks, according to the city's Economic Growth and Redevelopment Services Office.

Hanger must spend \$7.7 million to outfit its Austin offices as a condition of the city incentives but is not building new facilities.

"It is cash-positive to the city, and the only difference is the incentive is a fixed amount of money per year based on performance. But the cash return shows double what we are putting into it," said Mayor Lee Leffingwell.

Hanger is in an industry Austin is trying to build, Leffingwell said.

"They are getting a big boost from the state (on incentives). And our participation was essential to making the whole thing work," he said.

Hanger has been in negotiations to lease office space at a second phase of Simon Property Group's Domain project in North Austin. The lease, for a reported 75,000 square feet, would accommodate 250 to 300 employees.

Overall, Hanger has more than 3,000 employees at more than 670 patient care facilities nationwide and four subsidiaries, including Innovative Neurotronics, which has about 30 employees in Austin.

The publicly traded firm, which is almost 150 years old, has a 25 percent share of the estimated \$3 billion orthotic and prosthetic market, Kirk said. Its annual revenue is about \$740 million.

Austin's central location, convenient to Hanger's other operations, and its quality of life amenities, ranging from outdoor activities and favorable weather to the strong presence of area universities and a positive business climate, were among the factors that drew Hanger, Kirk said.

"The growth of the city and the general area is completely compatible with our views and our philosophy and our values," Kirk said. "When we put it all down on a piece of paper, Austin came out on top."

Hanger's Bethesda landlord began offering shorter, five-year lease terms in 2008, triggering a search for a new home, Kirk said. By early last year, Hanger had identified 25 potential cities, and by fall it had narrowed that list to Bethesda; Nashville, Tenn.; and Austin.

Paul Ney, former director of economic and community development for the Nashville mayor's office, said it was clear that Austin had an advantage because Hanger already had operations here, with its Innovative Neurotronics subsidiary.

"That gave Austin a leg up," said Ney. "Austin was in their sights."

Gov. Rick Perry said Hanger's move will "expand our growing biomedical industry, create jobs and strengthen the economy in Central Texas."

"In addition to our low taxes, reasonable and predictable regulatory climate and educated work force, the (Texas Enterprise Fund) continues to be one of our state's greatest resources in helping to attract businesses, quality jobs and investment to Texas," Perry said in a statement Tuesday.