

# Mayor and Council Communication

DATE: 09/22/20

M&C FILE NUMBER: M&C 20-0696

LOG NAME: 17WESCOEDPA

## **SUBJECT**

(CD 4) Authorize Execution of an Economic Development Program Agreement with Wesco Aircraft Hardware Corp., or an Affiliate, for the Relocation of Its Corporate Headquarters and Other Offices to Fort Worth

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## **RECOMMENDATION:**

It is recommended that the City Council authorize the City Manager to execute an Economic Development Program Agreement with Wesco Aircraft Hardware Corp., or an affiliate, for the relocation of its corporate headquarters to Fort Worth.

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## **DISCUSSION:**

Wesco Aircraft Hardware Corp. (Wesco) is the world's leading independent distributor and provider of comprehensive supply chain management services to the global aerospace industry. Headquartered in Valencia, California with offices across the United States and abroad, Wesco serves more than 7,000 customers worldwide across a broad range of industries that require sophisticated supply chain support.

Wesco is proposing to relocate their corporate headquarters from California to be located in Fort Worth. Wesco is seeking to lease approximately 89,000 square feet of office space to house these consolidated offices and to serve as its corporate headquarters. An initial capital investment of approximately \$4,000,000.00 for tenant improvements will be made by the Wesco as well as a \$1,500,000.00 investment in equipment (the "Phase I Investment"). A subsequent investment in an expanded presence at the site is anticipated that would involve an additional capital investment of approximately \$4,000,000.00 for tenant improvements and an additional \$1,500,000.00 investment in equipment (the "Phase II Investment"). The project is anticipated to create 239 positions after the first year of operations (the "Phase I Jobs") and up to 300 additional positions in 2023 (the "Phase II Jobs"), for a total anticipated employment of 539 positions. Average salaries for the positions is anticipated to be more than \$75,000 annually.

In order to facilitate the relocation and subject to satisfaction of certain performance and investment requirements, the City proposes to offer two one-time Economic Development Program Grants out of the Fort Worth Designated Project Fund of up to \$490,000.00 based on the number and salary levels of the Phase I Jobs and up to an additional \$510,000.00 based on the number and salary levels of the Phase II Jobs.

The grants will be tied to the amount of investment made by the company and satisfaction of other project and spending requirements, as follows:

### **Investment:**

Failure to meet the following criteria is an event of default, which subject to commercially reasonable notice and cure rights, will result in immediate termination of the Agreement:

- The company will lease and occupy at least 53,236 Sq.Ft. of office space in Fort Worth to serve as their corporate headquarters and must invest a minimum \$4,000,000.00 in Tenant Improvements and a minimum \$1,500,000.00 in Business Personal Property by no later than December 31, 2021;
- The company will lease and occupy at least 40,000 additional Sq. Ft. of office space in Fort Worth for a total of 93,236 Sq.Ft. and must invest a minimum \$4,000,000.00 in additional Tenant Improvements and a minimum \$1,500,000.00 in additional Business Personal Property by no later than December 31, 2023.

The company will be required to spend 15 percent of tenant improvement costs with contractors that are Certified Minority and Women Business Enterprise (M/WBE) Company. A Certified M/WBE Company is a minority or woman-owned business that (i) has received certification as either a minority business enterprise (MBE), a woman business enterprise (WBE), or a disadvantaged business enterprise (DBE) by the North Central Texas Regional Certification Agency (NCTRCA), D/FW Minority Supplier Development Council (MSDC) or Women's Business Council – Southwest (WBC) and (ii) has a Principal Office located within Tarrant, Dallas, Denton, Johnson, Parker or Wise Counties. Failure to meet this requirement will result in a reduction of the Potential Grant by 10%.

### **Employment and Salary Commitments:**

- The company must fill a minimum of 239 Full-Time jobs, at annual wages of at least \$44,000.00 and averaging at least \$75,000.00 annually in the leased space by December 31, 2021.
- The company must fill a minimum of 300 additional Full-Time jobs (for a total minimum of 539 Full-Time jobs), at annual wages of at least \$44,000.00 and averaging at least \$75,000.00 annually in the leased space by December 31, 2023.

### **City Commitments:**

Pursuant to Section 14 of the Economic Development Program Policy, the City will provide a cash grant from the Employment Designated Project Fund of up to \$490,000.00 to be paid in Quarter 1 of the 2022 calendar year based on December 31, 2021 employment data in association with the Year One Employment Commitment by the company upon confirmation of job creation and retention. The City will provide an additional cash grant from the Employment Designated Project Fund of up to \$510,000.00 to be paid in Quarter 1 of the 2026 calendar year based on December 31, 2023 employment data in association with the Year Three Employment Commitment by the company upon confirmation of job creation and retention. The amount of the grants will be determined by the number of new jobs earning at least \$58,522 annually and per the following table.

**Maximum Amount Per New Position**

<b>Minimum Annual Wage Rate</b>	<b>Maximum Amount Per New Position</b>
\$58,552 - \$73,111	\$1,000
\$73,112 - \$87,671	\$1,500
\$87,672 - \$102,231	\$2,000
\$102,232 or above	\$2,500

In accordance with the Economic Development Policy, the Company must maintain all jobs and minimum salary levels for at least three years. In the event that Company fails to maintain any job and minimum salary level for which it has received or may otherwise be eligible to receive a cash grant from the Employment Designated Project Fund, Company will forfeit any unpaid funds will be ineligible to receive any subsequent grant payments as guided by the agreement.

This project is located in COUNCIL DISTRICT 4

**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon approval of the above recommendation and award of the contract, funds will be available in the current operating budgets, as appropriated, of the Economic Incentives Fund. The Economic Development Department will be responsible for the administration of the grant. Prior to expenditure being incurred, the Economic Development Department has the responsibility to validate the availability of funds.

**Submitted for City Manager's Office by:** Jay Chapa 5804

**Originating Business Unit Head:** Robert Sturns 2663

**Additional Information Contact:** Michael Hennig 6024