

Mayor and Council Communication

DATE: 01/10/23

M&C FILE NUMBER: M&C 23-0014

LOG NAME: 17SMARTACTIONEDPAA1

SUBJECT

(CD 9 / Future CD 9) Authorize an Amendment to City Secretary Contract No. 56461, an Economic Development Program Agreement with SmartAction, LLC, to Extend the Employment Completion Deadline for One Year to December 31, 2023

RECOMMENDATION:

It is recommended that the City Council authorize an amendment to City Secretary Contract No. 56461, an Economic Development Program Agreement with SmartAction, LLC, to extend the employment completion deadline for one year to December 31, 2023.

DISCUSSION:

SmartAction, LLC, (Company) is a company that provides artificial intelligence-based services to businesses across diverse industries. The United States (U.S.) headquarters are based in El Segundo, California and was founded in 2002. The Company is rapidly expanding its presence and market share in the U.S. Following a national site search, the Company relocated its corporate headquarters to Fort Worth in 2021 to office space located at 306 W. 7th St, Fort Worth, TX 76102.

In order to facilitate the relocation of the corporate headquarters, the City provided a grant in an amount not to exceed \$660,000.00 as authorized by the Chapter 380, Texas Local Government Code. The Company is eligible for 380 grants under Section 9 of the City's General Chapter 380 Policy relating to incentives for *Technology Company Projects*, which allows up to \$10,000.00 for each new full-time job in the first three years of operation with minimum annual salaries of \$65,800.00.

To earn the grant, the Company is required to meet the following commitments under the agreement:

- Company must lease temporary office space within the City of Fort Worth prior to the deadline for leasing permanent office space;
- Company must lease a minimum of 7,400 square feet of permanent office space within the City of Fort Worth on or before January 1, 2022;
- Company must provide a minimum of 66 full-time jobs by December 31, 2022 and retain the 66 full-time jobs through December 31, 2025; and
- Company must pay the 66 employees with a full-time job an annual minimum salary of \$65,800.00 during the entire term of the agreement.

In exchange for the Company's commitments, the City entered into a three-year Economic Development Program Agreement for a maximum amount of \$10,000.00 for each new full-time job with an annual salary over \$65,800.00 for a total payment amount not to exceed \$660,000.00. There is a potential for clawbacks if the Company does not meet its obligations.

Clawbacks:

- If, at any time during the term of the agreement, the Company only employs between 46 and 65 full-time jobs, then the Company will be required to pay the City \$15,000.00 for each full-time job below the minimum required 66. For example, if the Company has 46 full-time jobs, then the Company must pay the City \$300,000.00 [(66-46 = 20) x \$15,000.00].
- If, at any time during the term of the agreement, the Company employs less than 46 full-time jobs, then the Company will be required to pay the City the full \$660,000.00.

The Company qualified for the incentives through the City's targeted 380 program for Technology Company Projects, which allows up to \$10,000.00 for each new full-time job in the first three years of operation with minimum annual salaries of \$65,800.00.

The Company met commitments to lease a minimum of 7,400 square feet of permanent office space within the City of Fort Worth before the January 1, 2022 deadline. However, the Company struggled to get employment for the 66 required jobs before the December 31, 2022 deadline, citing labor shortages in the technology industry and other challenges that have lengthened the hiring ramp-up schedule versus what had been anticipated prior to their relocation to Fort Worth.

In response, the Company is requesting an extension of its employment Completion Deadline for one year to December 31, 2023. The estimated employment currently is 47 full-time equivalent employees. Staff is recommending approval of the request.

The company will initially be located in Council District 9.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of this agreement will have no material effect on the Fiscal Year 2023 Budget. While no current year impact is anticipated from this action, any effect on expenditures and revenues will be budgeted in future Fiscal Years and will be included in the long-term financial forecast.

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