

# Mayor and Council Communication

DATE: 05/14/24

M&C FILE NUMBER: M&C 24-0381

LOG NAME: 17ITSLOGISTICSEDPA

## **SUBJECT**

(CD 9 / Future CD 9) Authorize Execution of an Economic Development Program Agreement with ITS Logistics LLC or an Affiliate, to Provide Three Annual Grants in an Total Amount Not to Exceed \$847,500.00 for the Establishment of a Network Transportation, Drayage and Intermodal Logistics Center in the City of Fort Worth and Associated Employment Commitments

## **RECOMMENDATION:**

It is recommended that the City Council authorize execution of an economic development program agreement with ITS Logistics LLC or an affiliate, to provide up to three annual grants in a total amount not to exceed \$847,500.00 for the establishment of a Network Transportation, Drayage and Intermodal Logistics Center in the City of Fort Worth and associated employment commitments.

## **DISCUSSION:**

ITS Logistics LLC is a supply chain logistics and technology company (Company), a third-party logistics company that provides supply chain solutions. The company is headquartered in Reno, Nevada with a current distribution center in Fort Worth, over 1M square feet, opened in 2022 at the Northpoint Intermodal Logistics Center north of the Burlington Northern Santa Fe intermodal facility and in proximity to Perot Field. The company is one of the fastest-growing logistics companies in America, ranked 1,751 on the Inc. 5000 fastest growing private companies list, with annual revenue over \$1B dollars.

The company will establish a Network Transportation, Drayage and Intermodal Logistics Center (Center) in the City of Fort Worth, after a competitive process with alternative sites in Indiana. The Center will be located at 2821 West 7th Street, at the 3rd floor of the One West 7th office building (Project Site). The business focus at the Center will be ContainerAI, a cutting-edge container management and visibility platform, using artificial intelligence to optimize the movement of freight.

In order to facilitate the establishment of the Center, the City proposed to enter into an Economic Development Program Agreement (Agreement) to provide up to three annual grants in an aggregate amount not to exceed \$847,500.00 as authorized by the Chapter 380, Texas Local Government Code, and as authorized under the City's General Chapter 380 Policy relating to incentives for *Technology* and *Target Sector Projects (Mobility)*.

Company's commitments under the proposed Agreement include the following:

- Company must lease temporary office space of 15,000 square feet within the City on or before June 30, 2024;
- Company must provide a minimum number of full-time jobs by certain deadlines
  - 100 full-time jobs by December 31, 2025
  - 100 full-time jobs by December 31, 2026
  - A minimum of 50, and (for purposes of grant calculation) up to 139 full-time jobs by December 31, 2027
- Company must retain the jobs for at least 3 years from the year the job is added
- Average annual salaries for the required jobs must be at least \$100,000.00 during the entire term of the agreement.
- Company will use its best efforts to hire locally with a goal of 30% employment with Fort Worth residents
- Company must expend or cause to be expended 15% of all construction costs (Hard and Soft) for the Project as defined in Chapter 20, Article X of the City Code. Failure to meet this commitment will not constitute a default, but the value of grant will be reduced by 10%.

City's commitments under the proposed Agreement include the following:

- Year one grant up to \$250,000.00 upon verification of site lease and year one employment and salary commitments;
- Year two grant up to \$250,000.00 upon verification of year two employment and salary commitments;
- Year three grant of a minimum of \$125,000.00 and up to \$347,500.00 upon verification of year three employment and salary commitments;

Agreement will include certain clawback provisions ensuring that jobs are maintained for a period of at least three years as outlined above.

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 2024 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.

**Submitted for City Manager's Office by:** William Johnson 5806

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Expedited