

## West Coast firm's choice of Durham over Austin for global HQ could mark big shift



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San Francisco-based Smart Wires' decision to move its global headquarters to the Triangle over Texas is a big deal, economic development executives say.

The phenomenon of companies vacating San Francisco is nothing new given California's tax policies. But many of those relocations are going to Austin, Texas – not North Carolina – with executives consistently pointing to Austin's proximity to the West Coast as an advantage in making a move.

John Boyd, a Florida-based site selection consultant, said Tuesday's announcement by Smart Wires, which provides technology to electric utilities across the globe, could mark a shift. The company said it is also planning a research and development hub in Durham and that the expansion will create 250 jobs.

"This really puts an exclamation point on Durham becoming a premiere tech market," he said. "For years, Austin was able to leverage its skillset, its intellectual capital, its pro-business climate to site seeking California tech companies unwilling to go too far east and that's really changing today."

Boyd said he's hearing from firms looking more seriously at the East Coast, from the Triangle to Tampa and Nashville.

The more big projects the region wins, the higher its profile gets on the radar of decision makers. In just 2021, the state has scored multiple mega projects, including a 3,000-job commitment from

Apple (Nasdaq: APPL) in Research Triangle Park – and a 1,000-job commitment from Google (Nasdaq: GOOG) in Durham.

Smart Wires did not return a request to comment on the site selection decision. But, it's clear Austin was a serious contender. A briefing memo released by the North Carolina Department of Commerce calls Austin a “great possibility” for several reasons, from talent availability to the proximity of Semiconductor Power Electronics Center at the University of Texas. The company also cited favorable lease rates and the “attractiveness” of Texas’ incentives, which were not disclosed in the documents *TBJ* received Tuesday.

In an email, Melissa Smith, vice president for business recruitment and development at the Economic Development Partnership of North Carolina, said access to engineers was critical for Smart Wires.



*Austin, Texas*

Early on, the company made it known that it would prioritize talent availability “because of the heavy competition among companies for engineers in the San Francisco Bay area,” Smith said. North Carolina boasts more than 45,000 engineers – a workforce that has grown 46 percent over the past years, the second-highest rate in the nation, according to EDPNC.

Ryan Regan, vice president of economic development for the Greater Durham Chamber of Commerce, agreed, pointing to the engineers coming out of N.C. State University and Duke University as a major plus.

“What gave us the leg up ... I think it was our ability to attract new top talent, and our ability to produce it,” he said.

Joe Vranich, a consultant with Spectrum Location Solutions, suspects housing was another big factor.

“If Austin indeed lost out to Durham then the probability is high that Austin’s stratospheric housing costs played a role,” he said.

As far as North Carolina versus Texas, it's hardly North Carolina's first win against the Lone Star State – or even its biggest this year. Fujifilm had considered both Texas and North Carolina for its 725-job project that ultimately went to Holly Springs. And Texas had offered up \$300 million in incentives to try to grab its interest.

Records show Taysha Gene Therapies (Nasdaq: TSHA) turned down \$7.5 million in incentives when it picked Durham over Dallas for an expansion. California firm Grail Inc. also tapped the Triangle over Texas even though it could've gotten \$11.5 million in incentives to expand in Houston, records show. And those are just three examples on an ever-lengthening list.

That's why many weren't surprised when, earlier this month, North Carolina topped Texas, landing in the number two spot on CNBC's list of best states for business. The state was also named 2020 State of the Year by *Business Facilities* magazine — the first time North Carolina earned the magazine’s top honor.

North Carolina could become an even stronger competitor, as Texas' Chapter 313 property tax abatement program nears its end. The \$10 billion program has played a large role in Central Texas landing blockbuster investments, such as Tesla Inc.'s (Nasdaq: TSLA) \$1.1-billion gigafactory, but the program is expected to expire at the end of next year.

“The fact this a global headquarters relocation from California to North Carolina will also be very helpful to us in our future efforts to attract both companies and talent from higher cost areas such as the West Coast,” EDPNC’s Smith said.

But competition from Texas isn't going away – especially when it comes to companies in California. An analysis last year put Texas at the top of a list of states California companies are flocking to while North Carolina ranked seventh in the report.

Smart Wires technology aims to improve the sustainability at utility companies. Its technology routes power to electric transmission circuits with excess capacity, allowing utilities to maximize the use of their existing networks.

The firm is moving both its global headquarters and its research development facilities to North Carolina. The plan, according to the briefing memo, is to base 250 employees at the site, a mix of senior leadership, office employees and lab technicians. The senior leadership team in Durham

will consist of the CEO, CFO, Chief People Officer “as well as multiple other senior level positions in various functions.”

The headquarters will also serve as the main location for many of the company’s administrative functions, including human resources, finance, IT and legal. The headquarters will also house the company’s main laboratory space.