



May 3, 2024

Deschutes County Board of County Commissioners
1300 NW Wall Street Bend, OR 97702

RE: Deschutes County Economic Development Loan Program - Proposal to Convert Cognitive Surplus Loan to a Grant

Board of County Commissioners:

I am writing to request, with respect to the Deschutes County Economic Development Loan Program, the Deschutes County Administration and/or the Board of Commissioners, as appropriate, consider the:

- Cognitive Surplus loan to be converted to a grant since all conditions under the Agreement have been met

Cognitive Surplus

Agreement Date:	March 6, 2021
Loan amount:	\$26,000
Agreement #:	#2021-288
Employment Increase:	19 (13 required)
Employment Retention Period:	February 5, 2023 – February 5, 2024
Average Wage:	\$49,092 (\$47,595 required)

Cognitive Surplus relocated from Portland to Redmond Oregon in a 36,000sf facility located at 725 SW Umatilla and is a minority, woman owned business, founded in 2013 by Kristen and Geoff Zephyrus. Their products include t-shirts, glassware, stationary, notebooks and other lifestyle products celebrating science and inspiring discovery. The company searched far and wide throughout Oregon and found the Redmond warehouse after discovering vacant buildings in this size range were hard to come by.

From the original briefing paper for Cognitive Surplus in February 2021:

“The owners and 3 other employees moved to Redmond in late December and early January, where the company began initial operations in mid-January. They locally hired 2 new employees in January, prior to application (not included in the proposed 13 jobs), continued to hire 5 more through February and the remaining balance are expected later this year. The company pays aggregate wages above the current County annual average of \$47,595.”

In the original briefing paper for the Cognitive Surplus request for Deschutes County Economic Development Fund, it states that the company pays aggregate wages above Deschutes County annual average of \$47,595. This would be the minimum required wage for the 13 new jobs to meet the requirements of the program.

However, the briefing paper and subsequent contract states that the average wage for the 13 new employees needs to be \$57,067.53. (This number was taken from a spreadsheet of projected wages the company submitted to REDI.)



3.2.3 Aggregate wages for the new and relocated positions will average \$57,067.53 per year excluding commissions, per annum.

But the program only required that wages meet the minimum of the average annual Deschutes County wage at the time of \$47,595.

The actual wages calculated over the period averaged \$49,092, meeting the program minimum, but not the contractual obligation. With those considerations, REDI would recommend that the contract be amended to state that the minimum required wages be at the Deschutes County average annual wage at the time of \$47,595, which aligns with the program requirements.

In addition, the company has increased their workforce to 21 employees, substantially above what was anticipated, which has created additional aggregate wages paid in Deschutes County.

Attached is the certification prepared by Economic Development for Central Oregon that Cognitive Surplus has fulfilled its obligations under the agreement.

REDI recommends conversion of Cognitive Surplus' existing loan to a grant.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Curley', written in a cursive style.

Steve Curley
REDI Director
Economic Development for Central Oregon