

AGENDA ITEM #: \_\_\_\_\_

DATE: July 1, 2019

CAR #: 2019-6701



## CITY COUNCIL ACTION REPORT

**SUBJECT:** Resolution for a Job Creation Agreement with Nike IHM, Inc.

**STAFF PRESENTER(S):** Harry Paxton, Economic Development Project Manager

**OTHER PRESENTER(S):** N/A

**Summary:** Nike IHM, Inc., a Missouri corporation, doing business as Air Manufacturing Innovation (“Air MI”), an international manufacturer of footwear components has selected Goodyear for the location of a new advanced manufacturing facility. Staff is recommending the adoption of a Resolution and approval of a Job Creation Agreement with Nike IHM, Inc.

**Recommendation:**

ADOPT RESOLUTION NO. 2019-1979 APPROVING, AUTHORIZING AND DIRECTING THE CITY MANAGER TO EXECUTE A JOB CREATION AGREEMENT FOR NIKE IHM, INC., AUTHORIZING CITY STAFF TO TAKE ACTIONS CONSISTENT WITH TERMS OF RESOLUTION AND AGREEMENT; AND PROVIDING FOR AN EFFECTIVE DATE.

**Fiscal Impact:** The city proposes to waive/reimburse 75% of plan review and permit fees, and 100% of the expedited portion of fees up to a maximum of \$994,810. Job Creation funding of \$3,923.07 for each Qualified Employment Position for new employees up to a maximum of \$1,020,000. The maximum amount of Job Creation funding paid annually is \$204,000 over the five-year term of the agreement. Requests for Job Creation payments will not be due for this agreement until Fiscal Year 2021 at the earliest. If approved, Job Creation funding will be programmed into the FY2021 general fund budget.

Estimated Direct Revenue to the City: \$7,652,600

Maximum waived/payable from City: \$2,014,810

### Background and Previous Actions

Air MI is an international manufacturer of footwear components with its United States corporate headquarters located in Saint Charles, Missouri. Air MI works with companies worldwide to design, develop and manufacture custom performance plastic solutions. Air MI has identified the need for a new advanced manufacturing facility for the production of the mid-sole cushioning portion of its athletic shoes.

Air MI plans to purchase a building in Goodyear, Arizona to accommodate its manufacturing needs. Air MI plans, within three (3) years of the Effective Date of this Agreement, to have invested, or will cause to have invested, a minimum of \$184.5 million in improving the property

upon which the Goodyear facility will be located, including tenant improvements, and equipping the property for the Goodyear Facility.

There were no previous items that went to Council related to this agreement.

## **Staff Analysis**

Air MI has identified the city as its preferred location for its new advanced manufacturing facility that will accommodate its immediate and long-term expansion plans and otherwise meet its business needs, and plans to purchase and occupy a building in Goodyear, Arizona.

Benefits to the community of Air MI's advanced manufacturing facility in Goodyear over the course of five (5) years include:

- Creating at least 505 full-time manufacturing jobs in Goodyear
- Paying employees a weighted average salary/wage of \$48,514 per year
- Paying at least 65% of the premium costs for employee health care coverage
- Capital investment of at least \$184.5 million in tenant improvements and equipping the advanced manufacturing facility

## **Fiscal Analysis**

### *Plan Review and Permit Fees*

Negotiations with Air MI begin in May 2019. The city of Goodyear offered (contingent upon approval by Council and a third-party economic analysis) to waive 75% of all non-expedited plan review and permit fees up to \$652,233 and 100% of expedited portion of plan review fees up to \$342,577 for a total of \$994,810 for Phase I. The City will also process tenant improvement plans on an expedited basis for an existing building after only one review with a mutually agreed upon submission and review schedule.

### *Job Creation*

The job creation agreement also contains a job hiring, training, relocation and related expenses reimbursement component in which the city agrees to pay the company \$3,923.07 for each qualified employment position hired before or after the effective date, with a maximum amount of \$1,020,000 regardless of the number of new employees (the agreement is for 505 jobs, maintaining 379 commencing with the third annual anniversary of the issuance of the final certificate of occupancy). This payment will be made for Qualified Employment Positions (QEP's) meeting specific qualifications, including a full-time basis at a salary of at least \$42,614 (including overtime and bonuses), with healthcare coverage offered by the company covering at least 65% of the premium costs. The company is also required to have a weighted average annual base salary of Phase I employees of at least \$48,514 (including overtime and bonuses).

Payments to the company shall be made on an annual basis at the beginning of each city fiscal year. Requests for payments will not be due for this agreement until Fiscal Year 2021, at the earliest. The maximum payment per year is \$204,000 for each of the five years. The department will monitor and identify if and when an additional budget allocation is required and requests will be made through the normal budget process.

There are also what is called “clawbacks” in this agreement for repayment of funding from the city, should the company not perform. Those clawbacks are as follows:

- If the Company does not cumulatively hire five hundred five (505) full-time employees within forty-two (42) months after obtaining a final Certificate of Occupancy for the entire Phase I or maintain an annual average of three hundred seventy-nine (379) full-time employees for the twelve-month period ending on such forty-second (42<sup>nd</sup>) month, the Company shall be obligated to return 25% of the Job Creation Payments received from the City;
- If the Company does not cumulatively hire five hundred five (505) full-time employees within forty-eight (48) months after obtaining a final Certificate of Occupancy for the entire Phase I or maintain an annual average of three hundred seventy-nine (379) full-time employees for the twelve-month period ending on such forty-eight (48<sup>th</sup>) month, the Company shall be obligated to return 50% of the Job Creation Payments received from the City;
- If the Company does not cumulatively hire five hundred five (505) full-time employees within fifty-four (54) months after obtaining a final Certificate of Occupancy for the entire Phase I or maintain an annual average of three hundred seventy-nine (379) full-time employees for the twelve-month period ending on such fifty-fourth (54<sup>th</sup>) month, the Company shall be obligated to return 75% of the Job Creation Payments received from the City; and
- If the Company does not cumulatively hire five hundred five (505) full-time employees within sixty (60) months after obtaining a final Certificate of Occupancy for the entire Phase I or maintain an annual average of three hundred seventy-nine (379) full-time employees for the twelve-month period ending on such sixtieth (60<sup>th</sup>) month, the Company shall be obligated to return 100% of the Job Creation Payments received from the City.
- Should the Company not meet the Minimum Capital Investment within five (5) years after the Effective Date of this Agreement, then as the sole and exclusive remedy, Air MI shall return all actual Plan Fees waived by the City, up to a maximum of the actual aggregate Maximum Fee Waiver Benefit received by Air MI.

#### *Third-Party Analysis on Economic Impact*

A third-party economic analysis was conducted by Applied Economics, showing that the economic benefits of Phase I. Applied Economics estimated the direct revenue and economic impacts for Phase I to be:

- Direct revenue benefit to the City of Goodyear from sales taxes, personal property and real property taxes, permit fees, and utility franchise fees, generated by Air MI during the first five (5) years of operation will be approximately \$7,652,600; and
- The total economic impacts of Air MI’s operations in Goodyear will total approximately \$483.4 million over the first five (5) years of operation.

## **Recommendation**

Given the creation of at least 505 full-time manufacturing jobs, a capital investment of at least \$184.5 million, and significant ongoing property taxes, utility taxes and franchise fees, it is recommended that the proposed agreement be approved.

## **Attachments**

Resolution No. 2019-1979  
Job Creation Agreement