

**Cortland County IDA
Application for benefits**

Review Date June 2012

Name of Applicant: **NE Transformer Services**

Nature of Business **Retail Commercial/Service X Manufacturing**
 Other

Description of Project: **Relocate business to Preble; purchase abandoned building, retain 37 jobs, create 20 jobs**

Location of Project: **7209 Rt 281 Preble**

Total number of FTE employees as of the date of application: **37**

Projected number of new FTE positions to be created within the **3** years of project: **20**

Average starting wage: **20,800 year plus health benefits (10+ per hour)**
Date to begin new jobs : **2013**

Projected fixed asset investment to be made: **1,650,000**
Exceeds \$500,000 **X** Yes No

Qualifying Checklist

Referenced in Development Policy:

Yes No (Check one for each category)

- The number of jobs to be created, with priority given to businesses
Creating five full-time permanent jobs that pay starting hourly wages at
135% of the current NYS minimum wage or higher (8.75=\$11.81p/hr)
meets the requirement with health insurance benefits added to wages
- The timeline for the projected investment and job creation is within the
first two years of application
- The applicant will increase the skill base of the local workforce through
training, opportunities for professional development and career track

advancement

- Goods and services will be procured regionally, thereby increasing regional buyer-supply chains and producing a greater multiplier effect
- The level and type of investment is \$500,000 or greater
- The business enhances strategic goals identified in the BDC development Plan and enhance the overall regional economic climate

Additional comments or notes:

Cost benefit analysis: Total incentives \$306,889

20 new jobs projected: cost per job is 15,344

57 jobs retained with new jobs: cost per job is \$5,384

Ratio for new jobs is high, however without incentives which are necessary to purchase the building, the company will move to PA.

Building has been vacant for 5+ years

Town of Preble endorses project

NETS Preble Relocation/Expansion

Northeast Transformer Services, LLC

Gil Kozer, owner

Project Rationale

Northeast Transformer Services, 51 Elm St., Cortland, has outgrown its current facilities and a relocation to a larger space is required if it is to effectively meet current and future customer demand.

Locally-owned NETS has come to terms for the acquisition of the 70,000 square-foot Bestdeck facility, 7209 NYS Rt. 281, Preble, pending receipt of local and state incentives. At the request of its out-of-state partners, the company also strongly considered competitive options in New Jersey and Pennsylvania. Provision of incentives for this project will save 37 jobs and facilitate the addition of 20 more in Cortland County by 2015.

The \$2.5 million project comprises building acquisition, land acquisition, building modifications and moving costs.

The NETS process involves the remanufacturing of transformers from utilities and municipalities that would otherwise be scrapped. All vital parts on a NETS transformer are salvaged from a used transformer and returned to customers for half the price of a new unit. A clean, sustainable, and environmentally aware company, NETS only repairs non-PCB transformers. The facility generates no hazardous waste.

Kozer started the company in 1999, a spin-off from the former Hevi-Duty Electric company that had operated in the city for 18 years.

The company's recent growth has been prompted by utilities moving rapidly to recycle and cut costs, and both National Grid and Con Edison are ramping up their orders for 2012. Orders from a new customer, Pennsylvania Power and Light, have more than doubled the company's workload.

Staff is recommending consideration of a PILOT agreement with NETS for the reasons stated here.

Project Summary Sheet

Project Name: **Northeast Transformer Services LLC**
Preble Relocation/Expansion

TOTAL PROJECT AMOUNT	\$1,650,000
-----------------------------	--------------------

Estimated Value of each type of tax exemption being sought with Project:

Uniform Tax Exemption:

Estimated new tax revenue if no IDA exemptions
(10 yrs @ 2011/12 rates and \$1,292,260 assessment) **\$449,060**

Estimated payments in lieu of taxes over term of
PILOT agreement - 10 years **157,171**

Estimated difference **291,889**

Mortgage Recording Taxes:

Based on estimated \$1.5m recorded mortgage **\$ 15,000**

Estimated Value of Total Exemptions: **\$306,889**

EMPLOYMENT IMPACT:

FTE before PILOT: **37**

Estimate of F/T jobs to be created: **20**

Total jobs ***57**

***Agreed upon minimum FTE/80%** **46**

--All positions are full time and are eligible for health benefits after 90 days--

Notes to NE Transformer PILOT request:

- Outgrown current facility
- No properties located in the city suitable to company needs (size)
- Has looked in NJ and PA – neighboring communities to 49% partners of company
- Not excepting the new work could risk losing all contracts in that utilities would not break up the shipments to several companies
- Has submitted documentation of similar size properties in PA with sale price substantially lower
- Similar PA county property taxes average \$9,000 on a 2 million \$ property. Higher priced PA counties average \$15,000 for a 950,000 assessment
- Company will continue to maintain and pay property taxes on the city property, currently \$17,364 per year for all property taxes on city property
- At the suggestion of the Town of Preble, company has agreed to pay a flat rate of 35% of annual tax rate and assessed value of the facility. Uniform Tax Policy follows a different schedule but has an overall value of reducing taxes by 65% over the 10 year period. The concern of the town is that the company could resell the property in the earlier years thereby creating a greater reduction during that period by following the uniform tax policy. The flat rate will also have less impact on budgeting process rather than allowing for 3 years at zero payment
- Company only employs full time positions – are not seasonal—and offers health benefits to all employees after 90 days
- Majority of current employees have been with the company for many years