

**Cortland County IDA
Application for benefits**

Review Date March 2010

Name of Applicant: **Pyrotek, Inc.**

Nature of Business Retail Commercial/Service Manufacturing
 Other

Description of Project: **Acquisition of 140,000 s/f manufacturing facility; new equipment**

Location of Project: **641 Route 13, Town of Cortlandville**

Total number of FTE employees as of the date of application: **42**

Projected number of new FTE positions to be created within the 2 years of project:
68

Average starting wage: **\$40,000**

Date to begin new jobs : **2011**

Projected fixed asset investment to be made: **3,336,000**
Exceeds \$500,000 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 (**7.75/10.46**)
- 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:

See Project Rationale and Status Summary Sheet included in board packets

Pyrotek Project Rationale and Status

Pyrotek, Inc. is a leading international company supplying aluminum, foundry, glass, zinc, steel, sound and hearth customers with performance improving technical products, integrated processing systems and consulting services worldwide.

The company has proposed to purchase a 140,000 square-foot facility located at 641 State Route 13 in the Town of Cortlandville. The expansion of manufacturing, engineering and warehouse space will allow the company to employ up to 110 full-time employees within the first three years of the project. The wages and benefits for the 110 FTE are estimated at \$6,112,313 per year by the third year of operations. A summary of the proposed job categories is enclosed.

The current occupant of this facility, New Monarch Machine and Tool, has suffered global economic challenges to its industry sector over the past 10 years, and last year, those challenges prompted a reduction in operations there to the bare minimum. The development plan and policy as approved within a Cortland County Empire Zone and adopted by the Cortland County IDA encourages the adaptive reuse of older industrial buildings either vacant or not being used to their fullest capacity, and also encourages the use of incentives for job growth within targeted industry clusters identified for our region. The Monarch facility is located within the local Empire Zone boundary, and Pyrotek, operating in the precision metalworking cluster, is a strong match for our incentives criteria.

Jobs at Pyrotek would be well-paying, exceeding baseline wage and benefit rates as described in the IDA's development plan and policy. The company's Cortland location would also have a positive impact on other local businesses as it establishes, grows and maintains operations here, and would significantly enhance development efforts at the adjacent Fingerlakes East business park.

Pyrotek has considered making this expansion at one of their underutilized facilities located out of New York State and in some cases out of the country, but would prefer to locate here, in Cortland County, provided that this location can compete financially with the others. The BDC/IDA rendered what is believes to be a competitive incentive package on August 20, 2009, after significant work with our many state partners to identify resources fitting the project (a summary of offered programs and incentives is attached).

In addition, in order to ensure its long-term presence in the community, the company has requested a payment in lieu of tax (PILOT) agreement to begin with the sunset of its Empire Zone benefits in June of 2010. The request is for an 18-year payment schedule that would follow a schedule designed for 100 percent of the current year tax due to be paid for the first 7 years, with the first year of the standard uniform tax policy (-0- tax paid) commencing in year 8. For the remaining 11 years the tax structure would follow along the scheduled period – 3 years of zero tax paid, 2 years @ 25% of the given tax rate, 3 years @ 50%, 2 years @ 75% and the final year (year 18) back to 100% tax. By allowing this 18-year plan the company is assured the affordability of the real property tax increases far into the future and Cortland County will secure the future of at least 110

FTE with annual wages and benefits well exceeding \$6 million dollars through the year 2028.

The estimated loss in tax revenue by approving this PILOT is estimated at \$395,930 over 18 years. Considering the financial impact a successful company such as Pyrotek can have in the community, and with its potential to positively impact the development of the Finger Lakes East business park, the loss in tax revenue is not considered significant. The benefits far outweigh the loss of tax revenue in the form of wages and benefits with the potential for ongoing growth spurred by this anchor tenant. Additionally, the proposed payment schedule will allow for adequate budget planning as the loss in tax revenue will not commence until the year 2018 and phase out by year 2028.

With approval of a Preliminary Inducement from the IDA board, Pyrotek, Inc. is committed to opening an escrow account that will begin the formal process of purchasing the facility. The estimated closing date is May 2010 with new jobs onsite by June 2010. Without Preliminary Inducement the company has indicated they may not move forward with the purchase. The property tax increases throughout the years has been the driving factor in the necessity of incentives to make this project financially possible in New York State.

The following is a summary of the tax assessments estimated within this document:

As per the Town of Cortlandville Assessor, the estimated total tax for the facility based on 2010 tax rates is \$57,800. By using historical data, he estimates the taxes would increase by 10 percent in 10 years. Using this formula, the estimated tax paid over 18 years with no tax program in place would be as follows:

$$\begin{aligned} \$57,800 \times 10 \text{ years} &= \$578,000 \\ \$63,580 \times 8 \text{ years} &= \underline{\$508,640} \end{aligned}$$

Total anticipated tax revenue with no PILOT	\$1,086,640
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Under the proposed PILOT request, the following would occur:

\$57,800 annual tax payments paid in the 1 st 7 years	\$404,600
Zero tax payments paid during the next 3 years	-0-
25% of 63,580 tax paid during the next 2 years	31,790
50% of 63,580 tax paid during the next 3 years	95,370
75% of 63,580 tax paid during the next 2 years	95,370
Year 2028 100% of tax paid; fully back on rolls	<u>63,580</u>
 Total estimated payments during the 18 year period	 690,710
 Anticipated tax loss revenue over the 18 year period	 395,930

Please note that the company is also requesting a sales tax exemption during the renovation period. Total renovations are estimated at \$521,000 with a sales tax exemption estimated value of \$41,680