

FOR CONSIDERATION

October 21, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: New York Mills (Oneida County) – Oriskany Manufacturing Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions; Determination of No Significant Effect on the Environment

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General Project Plan

I. Project Summary

Grantee: Oriskany Manufacturing, LLC doing business as Oriskany Manufacturing Technologies (“OMT” or the “Company”)

ESD\* Investment: A grant of up to \$200,000 to be used for a portion of the cost of renovation and expansion of an existing facility, and the purchase of machinery and equipment.

\* The New York State Urban Development Corporation doing business as the Empire State Development Corporation (“ESD” or the “Corporation”)

Project Locations: 2 Wurz Avenue, New York Mills, Oneida County  
1914 Dwyer Avenue, Utica, Oneida County

NYS Empire Zone: Oneida County

Proposed Project: Renovation and expansion of an existing building to consolidate the Company’s fabrication, assembly, warehousing and front office operations, purchase of machinery and equipment to expand their manufacturing line.

ESD Incentive Offer Accepted: July 10, 2007

Project Completion: September 2010

Number of Employees at Project Locations:

Initial employment at time of ESD Incentive Offer:	51
Current employment level:	63
Minimum employment on January 1, 2011:	86

Grantee Contact: Michael J. Fitzgerald, Executive Vice President  
2 Wurz Avenue  
Yorkville, New York 13495  
Phone: (315) 736-0305  
Fax: (315) 732-6165

Anticipated  
Appropriation

Source: Empire State Economic Development Fund

ESD Project No.: V612

Project Team:	Origination	Jane Thelen
	Project Management	Gregory E. Fitzgerald
	Affirmative Action	Denise Ross
	Environmental	Soo Kang

## II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Real Estate Improvements	\$1,558,427
Machinery Acquisition	834,448
IT, Telecom, Office Furnishings	98,029
Soft Costs	<u>225,000</u>

Total Project Costs \$2,715,904

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Grant	\$200,000	7%	
First Niagara Bank Loan	1,488,165	55%	Prime/10 yrs/1 <sup>st</sup> on RE
NYSERDA Grant*	8,751	.3%	
Company Equity	<u>1,018,988</u>	<u>38%</u>	
Total Project Financing	<u>\$2,715,904</u>	<u>100%</u>	

\*Anticipated

### III. Project Description

#### A. Background

Oriskany Manufacturing Technologies, formed in 1997, is a privately owned company that designs, manufactures, fabricates and finishes tubular products primarily for the transit bus industry. Additionally, the Company's engineering and inventory management service provides its customers with the ability to manufacture components to meet customers' evolving needs. OMT's major products include bus luggage racks, handrails, door grab handles, upholstered wall and ceiling panels, hydraulic hose assemblies, copper tube assemblies for heating and air conditioning, and hydraulic systems on buses and rail cars.

Over the last decade, since gas prices have dramatically increased and due to a continuous demand for more environmentally friendly vehicles, the transit bus industry has experienced steady growth. In an effort to meet the current market demand, many transit agencies have added more service and increased the number of alternative fuel vehicles. OMT realized that in order to remain competitive, improve productivity, and increase profitability and market share, the Company must expand its manufacturing capacity. OMT rents its main office in Utica and was unable to expand there.

In 2007, the Company decided that it would be more cost effective to purchase a facility where it could fabricate, assemble, store and have its headquarters in one location. A larger facility would allow the Company to purchase new equipment and expand its product line. The Company also has a small facility in Oriskany at the Oneida County Industrial Park, where it planned to continue its operations.

The Company was considering relocating most of its operations to New Mexico when it approached ESD to seek assistance with financing the construction, renovation and equipping of an existing facility in New York Mills, Oneida County. In May 2007, ESD offered a \$200,000 capital grant to reduce the cost of doing business in New York State and to fill a financing gap. The project will result in the creation of 35 jobs and the retention of 51 jobs. Without ESD's assistance, OMT would have likely relocated to New Mexico.

#### B. The Project

The project includes the construction and renovation of an existing building at 2 Wurz Avenue in New York Mills, Oneida County and the purchase of new machinery and equipment. OMT purchased the building and began construction of a 34,000-square-foot, state-of-the-art expansion with truck docks and high-bays. As a result of this project, the Company expects to increase both productivity and employee sales. Also, the Company conducts training workshops for its employees to further productivity and ensure efficiency.

The project was completed in September 2010 and all 51 jobs at the Dwyer Avenue location were transferred to the New York Mills facility. The Company has 63 Full-time employees at the project location.

#### C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$200,000 capital grant (\$2,000) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.

2. The Company will be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement.
3. The Company will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after the Company's acceptance of ESD's offer. Equity is defined as cash injected into the project by the Company or by investors, and should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
4. Prior to disbursement, the Company must employ at least the number of Full-time Permanent Employees set forth as the Baseline Employment in the table below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the Grantee's payroll, who has worked at the Project Locations for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Grantee's payroll, who have worked at the Project Locations for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties.
5. Up to \$200,000 will be disbursed to the Grantee in two installments as follows:
  - a) an Initial Disbursement of an amount equal to 50% of the grant (\$100,000) will be disbursed upon completion of real estate improvements as described in these materials, documentation of project costs totaling \$1,200,000, and documentation of the employment of at least 10 Full-time Permanent Employees at the Project Location (Employment Increment of 10) and at least 51 Full-time Permanent Employees that may be located at the Project Location or at the Company's Dwyer Avenue location, assuming that all project approvals have been completed and funds are available;
  - b) a Second Disbursement of 50% of an amount equal to the grant (\$100,000), upon documentation of the employment of at least 86 Full-time Permanent Employees at the Project Location (Employment Increment of 25) and documentation of an additional expenditure of \$1,000,000 in eligible project costs as described in these materials, provided Grantee is otherwise in compliance with program requirements;

Payment will be made upon presentation to ESDC of an invoice and such other documentation as ESDC may reasonably require. Expenses must be incurred on or after July 10, 2007, to be considered eligible project costs. All disbursements must be requested by April 1, 2011.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$200,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.

7. In consideration for the making of the Grant, Grantee will achieve the Employment Goals set forth in Column B of the table below. If the Full-time Permanent Employee Count for the year prior to the reporting date set forth in Column A of the table below is less than eighty-five percent (85%) of the Employment Goal set forth in Column B (an “Employment Shortfall”), then upon demand by ESD, Grantee shall be obligated to repay to ESD a portion of each disbursement of the Grant, as follows:

The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the Employment Shortfall occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:

- (i) 100% of the disbursed amount if the Employment Shortfall occurred in the calendar year that the disbursement was made, or in the first full calendar year after the disbursement was made;
- (ii) 80% of the disbursed amount if the Employment Shortfall occurred in the second full calendar year after the disbursement was made;
- (iii) 60% of the disbursed amount if the Employment Shortfall occurred in the third full calendar year after the disbursement was made;
- (iv) 40% of the disbursed amount if the Employment Shortfall occurred in the fourth full calendar year after the disbursement was made;
- (v) 20% of the disbursed amount if the Employment Shortfall occurred in the fifth full calendar year after the disbursement was made.

The Grantee’s number of Full-time Permanent Employees shall be deemed to be the greater of the number as of the last payroll date in the month of December for such year or the average employment for the 12 month period computed by quarter.

Baseline Employment*	51
<b>A</b>	<b>B</b>
Reporting Date	Employment Goals
February 1, 2012	51+X+Y
February 1, 2013	51+X+Y

X = Grantee's Employment Increment that will be the basis of the Initial Disbursement of the Grant as described in section C.5 above (i.e. X=10, and Employment Goals shall equal [51 + X = 61] if the Initial Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Initial Disbursement has not yet been made then X=0.

Y = Grantee’s Employment Increment as described in section C.5 above (i.e. Y=25, and Employment Goals shall equal [51 + X + Y = 86] if the Second Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Second Disbursement has not yet been made then Y=0.

\*Employees located at the Dwyer Avenue location to be transferred to the New York Mills location.

#### IV. Statutory Basis

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms.

As a result of this project, the Company will retain its employment level of 51 Full-time Permanent Employees and create 35 new jobs.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.

The Company considered relocating its operations to New Mexico. ESD's assistance helped to reduce costs and make the project feasible in New York.

3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$2,135,909;
- Fiscal cost to NYS government is estimated at \$230,059;
- Project cost to NYS government per direct job is \$3,894;
- Project cost to NYS government per job (direct plus indirect ) is estimated at \$2,451;
- Ratio of project fiscal benefits to costs to NYS government is 9.28:1;
- Fiscal benefits to all governments (state and local) are estimated at \$3,556,782;
- Fiscal cost to all governments is \$265,753;
- All government cost per direct job is \$4,498;
- All government cost per total job is \$2,831;
- The fiscal benefit to cost ratio for all governments is 13.38:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$18,218,763, or \$194,113 per job (direct and indirect);
- The economic benefit to cost ratio is 134.21:1;
- Project construction cost is \$2,286,054 which is expected to generate 29 direct job years and 13 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.59 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is 1 year.

( See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

4. The requirements of Section 10(g) of the Act are satisfied.

No residential relocation is required because there are no families or individuals residing on the site.

V. Environmental Review

ESD staff has determined that, although the funding of this project by ESD may constitute an “action” as defined by the State Environmental Quality Review Act (“SEQRA”), the project itself has been previously completed. ESD’s action in the funding decision will not alter the adverse environmental impacts, if any, of the project as completed. ESD staff accordingly believes that funding the completed project will not have any significant adverse impacts on the environment.

VI. Affirmative Action

ESD’s Non-discrimination and Affirmative Action policy will apply. The Grantee is encouraged to include minorities and women in any job opportunities created by the project, and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the project.

VII. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

VIII. Additional Submissions to Directors

Resolutions  
New York State Map  
Cost-Benefit Analysis

October 21, 2010

New York Mills (Oneida County) – Oriskany Manufacturing Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) – Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

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RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Oriskany Manufacturing Capital -- Empire State Economic Development Fund – General Development Financing (Capital Grant) Project (the “Project”), the Corporation hereby determines pursuant to Sections 16-m and 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms;
2. The project would be unlikely to take place in New York State without the requested assistance;
3. The project is reasonably likely to accomplish its stated objectives and that the likely benefits of the project exceed costs;
4. There are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the Corporation does hereby adopt, subject to the requirements of Section 16(2) of the Act, the proposed General Project Plan (the “Plan”) for the Project submitted to this meeting, together with such changes therein as the Chairman and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, a copy of which Plan, together with such changes, is hereby ordered filed with the records of the Corporation; and be it further

RESOLVED, that upon written finding of the Chairman and Chief Executive Officer of the Corporation or his designee(s) that no substantive negative testimony or comment has been received at the public hearing held on the Plan, such Plan shall be effective at the conclusion of such hearing, and that upon such written finding being made, the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Oriskany Manufacturing, LLC doing business as Oriskany Manufacturing Technologies a grant for a total amount not to exceed Two Hundred Thousand Dollars (\$200,000) from the Empire State Economic Development Fund, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the Chairman and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

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October 21, 2010

New York Mills (Oneida County) – Oriskany Manufacturing Capital – Empire State  
Economic Development Fund – General Development Financing (Capital Grant) –  
Determination of No Significant Effect on the Environment

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RESOLVED, that based on the material submitted to the Directors with respect to the Oriskany Manufacturing Capital Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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