

FOR CONSIDERATION

November 21, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Monticello (Mid-Hudson Region – Sullivan County) – Shelburne Plastics 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

General Project Plan

I. Project Summary

Grantee: Plastic Technologies of New York, LLC d/b/a Shelburne Plastics (“Shelburne Plastics” or the “Company”)

ESD* Investment: A grant of up to \$150,000 to be used for a portion of the cost of 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 Location: 198 Bridgeville Road, Monticello, Sullivan County

Proposed Project: Purchase of an existing 24,000-square-foot building with 8 acres, building renovations, and purchase and installation of machinery and equipment.

ESD Incentive Offer Accepted: September 25, 2009

Project Completion: June 2013

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	0
Current employment level:	6
Minimum employment on January 1, 2013:	50

Grantee Contact: Robert Fougere, COO/CFO
8 Harbor View Drive
South Burlington, VT 05403
Phone: (802) 658-6588
Fax: (802) 658-6596

Anticipated
Appropriation

Source: Empire State Economic Development Fund

ESD Project No.: W765

Project Team:	Origination	Paul Taxter
	Project Management	Brendan Healey
	Affirmative Action	Denise Ross
	Environmental	Soo Kang

Regional Council: The Mid-Hudson Regional Council has been made aware of this item.

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Real Estate Acquisition	\$1,500,000
Site Work/ Building Renovations	500,000
Machinery and Equipment	1,200,000
Relocation	<u>800,000</u>
Total Project Costs	<u>\$4,000,000</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Grant	\$150,000	3.7%	
Bridgeville Realty Loan (Previous Land Owner)	1,500,000	37.5%	6%/10 yrs/first lien on RE
Bank Financing	1,750,000	43.8%	TBD
Company Equity	<u>600,000</u>	<u>15.0%</u>	
Total Project Financing	<u>\$4,000,000</u>	<u>100.0%</u>	

III. Project Description

A. Background

Established in 1978, Shelburne Plastics is a privately owned manufacturer and supplier of high-quality, high-density polyethylene and polypropylene bottles and containers for the dairy, water, juice, chemical, and food markets throughout the eastern United States and eastern Canada. The Company's product line includes not only standard gallon and half-gallon containers, but also a large variety of unique small bottles from 8 through 32 ounces. Shelburne Plastics specializes in shrink label applications, which gives the Company a competitive advantage over bigger companies that traditionally do not offer this service. CCC in Massachusetts and Graham Packing in Pennsylvania are two of Shelburne Plastic's significant competitors. Shelburne Plastics established Plastic Technologies of New York, LLC to carry out the project.

Shelburne Plastics has its corporate office in Vermont and has manufacturing sites in Vermont, New Hampshire and Maryland. In 2009, the Company determined that they needed to build an additional manufacturing facility because they were losing sales opportunities and market share to its competitors in Massachusetts and Pennsylvania due to increases in the cost of freight and tight margins that occur as Shelburne Plastics tries to penetrate markets that are further away from its manufacturing plants. The Company considered sites in Allentown, Pennsylvania; Newark, New Jersey; and Sullivan County. In order to induce Shelburne Plastics to proceed with the project in New York State, ESD offered a \$150,000 capital grant to assist with the cost of the project in Monticello. The Company accepted the offer in September 2009. As a result of the project, Shelburne Plastics will create 50 new jobs by January 2013. Without ESD's assistance, it is likely that the Company would have proceeded with the project in Pennsylvania or New Jersey.

B. The Project

The project involves the acquisition of a 24,000-square-foot facility with eight acres in order to establish a new manufacturing plant for Shelburne Plastics. In addition, the project entails facility renovations, electric systems upgrade and the purchase and installation of new bottle and container producing equipment.

The facility renovations, electric systems upgrade and the purchase and installation of some machinery and equipment were completed in July 2011. The Company has already hired 6 people and expects to have 15 full-time jobs at the facility by December 2011. As a result of the project, Shelburne Plastics has already identified a number of local clients in the dairy and food industries because of the Company's ability to produce bottles and containers in the new facility, and its strategic location in reaching expanded markets from Massachusetts to Pennsylvania.

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$150,000 capital grant (\$1,500) 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 any material or adverse changes 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 Location 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 Location 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 \$150,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$75,000) upon documentation of real estate acquisition, site work, building renovation, relocation, and machinery and equipment project costs totaling \$3,000,000, and documentation of the employment of at least 15 Full-time Permanent Employees at the Project Location (Employment Increment of 15), assuming that all project approvals have been completed and funds are available;
 - b) a Second Disbursement of an amount equal to 25% of the grant (\$37,500) will be disbursed upon documentation of the employment of at least 33 Full-time Permanent Employees at the Project Location (Employment Increment of 18), provided Grantee is otherwise in compliance with program requirements;
 - c) a Third Disbursement of an amount equal to 25% of the grant (\$37,500) will be disbursed upon completion of the project substantially as described in these materials, documentation of additional real estate acquisition, site work, building renovation, relocation, and machinery and equipment project costs totaling

\$1,000,000 (\$4,000,000 cumulatively), and documentation of the employment of at least 50 Full-time Permanent Employees at the Project Location (Employment Increment of 17), provided Grantee is otherwise in compliance with program requirements.

Payment will be made upon presentation to ESD of an invoice and such other documentation as ESD may reasonably require. Expenses must be incurred on or after September 25, 2009, to be considered eligible project costs. All disbursements must be requested by April 1, 2014.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$150,000, 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	0
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A	B
Reporting Date	Employment Goals
February 1, 2013	0+X+Y+Z
February 1, 2014	0+X+Y+Z
February 1, 2015	0+X+Y+Z
February 1, 2016	0+X+Y+Z
February 1, 2017	0+X+Y+Z

X = Grantee's Employment Increment that will be the basis of the First Disbursement of the Grant as described in section C.5 above (i.e. X=15, and Employment Goals shall equal $[0 + X = 15]$ if the First Disbursement is made, in the year such disbursement is made and for each year thereafter). If the First Disbursement has not yet been made then X=0.

Y = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant as described in section C.5 above (i.e. Y=18, and Employment Goals shall equal $[0 + X + Y = 33]$ 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.

Z = Grantee's Employment Increment that will be the basis of the Third Disbursement of the Grant as described in section C.5 above (i.e. Z=17, and Employment Goals shall equal $[0 + X + Y + Z = 50]$ if the Third Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Third Disbursement has not yet been made then Z=0.

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 create 50 new jobs.

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

The Company considered locating this operation in Allentown, Pennsylvania or Newark, New Jersey. 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 \$1,390,978;
- Fiscal cost to NYS government is estimated at \$150,000;

- Project cost to NYS government per direct job is \$4,516;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$2,453;
- Ratio of project fiscal benefits to costs to NYS government is 9.27:1;
- Fiscal benefits to all governments (state and local) are estimated at \$2,445,160;
- Fiscal cost to all governments is \$150,000;
- All government cost per direct job is \$4,516;
- All government cost per total job is \$2,453;
- The fiscal benefit to cost ratio for all governments is 16.30:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$11,986,398, or \$196,014 per job (direct and indirect);
- The economic benefit to cost ratio is 79.91:1;
- Project construction cost is \$1,300,000, which is expected to generate 10 direct job years and five indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.86 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is one 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 the project constitutes a Type II action as defined by the New York State Environmental Quality Review Act and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

VI. Affirmative Action

ESD's Non-Discrimination and Affirmative Action policy will apply. Shelburne Plastics 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

Resolution

New York State Map

Benefit-Cost Analysis

November 21, 2011

Monticello (Mid-Hudson Region – Sullivan County) – Shelburne Plastics 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

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 Shelburne Plastics 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 President 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 President 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 President and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Plastic Technologies of New York, LLC d/b/a Shelburne Plastics a grant for a total amount not to exceed One Hundred Fifty Thousand Dollars (\$150,000) 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 President 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 President 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 President and Chief Executive Officer 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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