

A. Chemung County IDA – Sikorsky Hawk Works Expansion (W280)

September 15, 2011

General Project Plan

- Grantee:** Chemung County Industrial Development Agency
("Chemung County IDA" or the "Agency")
- Beneficiary Company:** Sikorsky Aircraft Corporation ("Sikorsky" or the "Company")
- ESD Investment:** A grant of up to \$900,000 to be used for a portion of the costs associated with the redevelopment of 120,000 square feet at a facility at the Elmira Corning Regional Airport.
- Project Location:** 17 Aviation Drive, Horseheads, Chemung County
- Project Completion:** December 2011
- Grantee Contact:** George Miner, Executive Director
400 East Church Street
Elmira, NY 14901
Phone: (607) 733-6513 Fax: (607) 734-2698
- Beneficiary Contact:** Will Shaffer, General Manager
1250 Schweizer Road
Horseheads, NY 14845
Phone: (607) 739-3821 Fax: (860) 353-1184
- Project Team:**
- | | |
|--------------------|---------------|
| Project Management | Robin Alpaugh |
| Affirmative Action | Denise Ross |
| Environmental | Soo Kang |
- Regional Council:** The Southern Tier Regional Council has been made aware of this item.

Project Description:

Grantee Background

The Chemung County IDA, the grantee on behalf of Sikorsky, was established in 1975 to actively foster economic growth in Chemung County. It is a public benefit corporation consisting of a seven-member board of directors who are appointed by the county executive and ratified by the legislature. The Agency provides eligible projects with a variety of tax incentives, financing and/or related benefits, including industrial revenue bonds, real property and sales and mortgage tax abatements, as well as low-interest loans. The Agency utilizes fees charged to project applicants to purchase land and buildings to facilitate future development, such as the development of the Airport Corporate Park.

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Funds are also used to construct industrial infrastructure such as roads, rail lines and water and sewer extensions/facilities. In 2010, the Agency's budget was \$1.6 million.

Recent successful Agency projects include the Sikorsky Hawk Works expansion, General Revenue Corporation and Swiss-based SYNTHES' attraction projects, CVS Rx Services new regional distribution center, and the recent out-of-state attraction of DeMet's Candy manufacturing facility to the Agency's Airport Corporate Park.

Beneficiary Background

Sikorsky Aircraft Corporation of Stratford, Connecticut acquired the Schweizer Aircraft Corporation in 2004. Schweizer has been designing and manufacturing aircraft in New York since 1930. Schweizer manufactured a variety of gliders or sail planes as well as agricultural aircraft, and in 1983, it produced its first helicopter. Through 2004, Schweizer manufactured commercial helicopters, motorized gliders and unmanned helicopters used for reconnaissance by the military on its 47-acre parcel adjacent to the Elmira Corning Regional Airport. In 2007, with the assistance of ESD and the Chemung County IDA, Sikorsky opened its new 100,000-square-foot Hawk Works facility to house a new helicopter manufacturing and assembly operation at the airport. ESD provided a \$500,000 grant (U154) for this \$17.3 million project that resulted in the retention of 491 jobs and the creation 100 new jobs. These funds have been fully disbursed and the project was successfully completed.

In July 2010, Sikorsky decided that it would transfer its commercial helicopter manufacturing operations to Pennsylvania and that the Chemung County location would be dedicated to military contracts. Two months later, Sikorsky announced that the Company would expand its Elmira Corning Regional Airport operations into the former Wings of Eagles aircraft museum (the "Museum") building, currently owned by the county. The Museum's static displays were relocated to the nearby 15,000-square-foot vacant hangar in the Airport Corporate Park while the aircraft have been relocated on the airport grounds. The Chemung County IDA worked with Senator Winner to secure the subject New York State Economic Development Assistance Program grant in the amount of \$900,000. ESD will also assist with an Empire State Economic Development Fund grant (V672) in the amount of \$800,000, which will be presented separately to the ESD Directors for approval, to facilitate the renovations within 120,000 square feet of existing building and hangar space at the airport as part of this overall expansion project. This project would have not likely taken place in the New York State without ESD assistance, which will lower the project finance costs, due to the fact that the Company has several plants in the Northeast that could have accommodated the expansion.

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The Project

The Company has outgrown its most recent expansion, which opened in 2007, and is now looking to move into the former Museum. In an effort to retain Sikorsky, Chemung County government, in conjunction with the Chemung County IDA, has secured ownership of the former Wings of Eagles aircraft museum at the Elmira Corning Regional Airport and will assist relocating the Museum to a new location. The Chemung County IDA has leased the former Museum facility from the county and will redevelop a total of 120,000 square feet for use as Sikorsky's customer delivery center and an International Military Completion Center of Excellence with offices, and conference rooms for administration and engineering. The main hangar area with 65,000 square feet will be reconfigured into manufacturing space to support Black Hawk, Fire Scout and reconnaissance aircraft production. Renovations began in March 2011 and total project costs are expected to be \$12.7 million, including building acquisition and renovation related expenses, machinery and equipment, and relocation costs. ESD funds will assist with facility renovations and the purchase of machinery and equipment. Local construction management company, Welliver, was selected through a private bidding process to lead the project's renovations.

Financing Uses	Amount	Financing Sources	Amount	Percent
Building Renovation	\$7,200,000	ESD NYSEDAP Grant (W280)	\$900,000	7%
Facility Acquisition	3,000,000	ESD EDF Grant* (V672)	800,000	6%
Equipment	1,600,000	Chemung County IDA Equity**	11,000,000	87%
Construction Admin	400,000			
Engineering	400,000			
Relocation	100,000			
Total Project Costs	\$12,700,000	Total Project Financing	\$12,700,000	100%

*to be taken to the Board for approval separately

**consists of an \$11 million construction loan from Five Star Bank, 4.85 % fixed rate interest over 12 years

Financial Terms and Conditions:

1. Upon execution of the grant disbursement agreement, the Grantee shall reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Grantee will be obligated to advise ESD of a material or adverse change in its financial condition prior to disbursement.

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3. Up to \$900,000 will be disbursed to Grantee upon documentation of project costs totaling \$12,700,000, assuming that all project approvals have been completed and funds are available. 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 April 1, 2008 to be considered eligible project costs.
4. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$900,000 for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Grantee 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.

Environmental Review:

The Chemung County Industrial Development Agency, as lead agency, has completed an environmental review of the proposed project, pursuant to the requirements of the State Environmental Quality Review Act (“SEQRA”) and the implementing regulations of the New York State Department of Environmental Conservation. This review found the project would not have a significant effect on the environment. ESD staff reviewed the supporting materials and concurs. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

Statutory Basis – New York State Economic Development Assistance Program:

The project was authorized in the 2008 - 2009 New York State budget and reappropriated in the 2011 – 2012 New York State budget. No residential relocation is required as there are no families or individuals residing on the site.

Disclosure and Accountability Certifications:

The Grantee and Beneficiary Company have provided ESD with the required Disclosure and Accountability Certifications, which disclosed the following information under Good Standing:

- Schweizer Aircraft and OSHA executed a stipulated agreement on July 30, 2010 for penalties associated with electrical safety and fall protections. All issues have been resolved and no “willful” violations occurred.

The Disclosure and Accountability Certifications, while disclosing the above, do not indicate that the Grantee or Beneficiary Company have any other current conflict of interest or good standing violations and, therefore, staff recommends that the Corporation authorize the grant to the Grantee as described in these materials.

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Chemung County IDA – Sikorsky Hawk Works Expansion – New York State Economic Development Assistance Program – Capital Grant - Determination of No Significant Effect on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the Chemung County IDA – Sikorsky Hawk Works Expansion Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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