

Welded Tube USA, Inc. \$50,150,000 INDUCEMENT RESOLUTION

HIGHLIGHTS

- Eligibility: NAICS Section - **33 Manufacturing**

COMPANY INCENTIVES

- Approximately \$700,000 in sales tax savings
- Approximately \$150,000 in mortgage recording tax savings.
- Approximately \$6,800,000 in real property tax savings.



Project Title: Welded Tube USA, Inc.
 Project Address: Tecumseh Business Park/Lackawanna Site Parcel 3
 Route 5 & Ridge Road
 Lackawanna, New York 14218
 (Lackawanna City School District)
 SIC/NAICS: 2410/331200

Agency Request

Real property, sales tax and mortgage recording tax exemptions.

New Building Construction	\$16,500,000
Manufacturing Equipment	31,550,000
Non-Manufacturing Equipment	700,000
Soft Costs	<u>1,400,000</u>
Total Project Cost	\$50,150,000

Company Description

Welded Tube USA, Inc. is a start-up company. Its parent company, Welded Tube of Canada, Inc. is a multi-faceted cold formed carbon and HSLA (high strength low-allow) tubular steel producer, headquartered in Concord (Toronto) Ontario. The USA operation will produce the same product. The company employs over 600 people in North America and operates 5 facilities in Canada and 1 in South Carolina.

Project Description

The company is purchasing a to be determined amount of acres in the Tecumseh Business Park and constructing a new high speed, steel tube production facility. The facility will consist of a 100,000+/- SF manufacturing facility, a 30,000+/- SF testing facility, and a 30,000+/- SF pipe threading and coupling facility. The manufactured steel will be further processed at other pipe processing facilities before being shipped to distributors and customers. The company's customer base includes companies that drill for oil and gas in various locations in both Canada and the U.S.

The project investment will occur in 3 phases. Based on the size and scope of the investment, the business plan is to have the plant fully operational within 5 years or sooner.

Offered below is a rough project expenditure estimate.

Phase I	New Building Construction, land acquisition and site improvements	\$14,200,000
	Purchase of machinery & equipment	\$27,550,000
Phase II	30,000 sq. ft. building expansion to house hydrotester -- tests finished products for defects	\$2,300,000
	Purchase of hydrotester	\$2,100,000
Phase III	30,000 sq. ft. new building construction	\$2,100,000
	Purchase of additional machinery and equipment	

Welded Tube USA, Inc.

Project Benefits

\$50,000,000 of new investment

Since the project is located on a Brownfield site, it will require remediation prior to construction.

Upon completion of all phases, the project is projected to employ approximately 121 people.

In addition to hiring local employees, the applicant intends on working with local contractors for the building construction, equipment and purchase of supplies. The impact of the indirect employment generated due to construction, transportation and related industries will be substantial.

Project Incentives

Based on the amount of money invested and employment impact the company is eligible for an enhanced PILOT.

The total amount of abatement over the 10 year period is estimated at \$6.8M and is determined by taking 75% of the construction budget and the current tax rate of \$75 per 1000 of value.

Current Land Taxes based on pro rata value	Direct Payments to Taxing County, City and School District over 10 year abatement period and 11th year at full taxes based on estimated value of improvements
\$170	\$996,000

In addition to the direct payment, under the PILOT the company will be responsible for full payment of taxes on the assessed value of the land which is yet to be determined. The entirety of the Welded Tube site is on a 980 acre parcel which currently carries an assessed value of \$514,645. On a per acre basis, this amounts to \$55.00 per acre. If we were to prorate the value of the 40 acres being purchased by Welded Tube, the assessed value would be \$2,230. Based on a tax rate of \$75 per \$1,000, the property is now paying \$170 in taxes. Once the land is purchased by the company that amount will most likely be increased although we cannot estimate the final value. That final value once determined by the assessor will be subject to a full tax payment.

- Approximately \$700,000 in sales tax savings
- Approximately \$150,000 in mortgage recording tax savings

Project Employment

Prior to IDA Status	0
Phase I	25
Phase II	50
Phase III	92
Phase IV	119
Phase V	121

Project History

- 05/29/2012 Public Hearing held. Transcript attached.
- 7/13/2012 Negative Declaration by City of Lackawanna acting as lead agency
- 7/16/2012 Lease/Leaseback Inducement Resolution presented to Board of Directors.