

Financial Assistance Application

Midwestern Pet Foods, Inc. Cost / Benefit Analysis

The information included herein is taken from the attached Tioga County Industrial Development Agency (IDA) "Application for Financial Assistance" made by Midwestern Pet Foods, Inc., (Corporation), and various correspondence and conversations between representatives of the Tioga County Department of Economic Development and Planning, Tioga County Industrial Development Agency, County of Tioga, Town of Barton, Empire State Development and the Corporation.

PROJECT SUMMARY

On or about July 2015, Midwestern Pet Foods, Inc. began discussions with Tioga County Economic Development and Planning (ED&P) staff about the purchase of the existing Hagen Pet Foods, Inc. (Hagen) operations located at 702-705 Broad Street Extension, Waverly NY. The Corporation is headquartered in Indiana at 9634 Hedden Road, Evansville.

The Tioga County Department of Economic Development and Planning (ED&P) responded to Corporation's request for economic development assistance for the purchase, renovation and equipping of the subject property. This would give the Corporation an east coast presence to manufacture private label pet foods for distribution domestically and around the world from the Broad Street facility.

The Tioga County Economic Development Priorities and Policies Plan, developed by Glenn Carter and adopted by the Tioga County Legislature on November 13, 1995 via Resolution 414-95, specifically identifies the need to "put maximum effort into finding and courting businesses", additionally noting that business attraction is a highly competitive activity ..., that there is the necessity for rapid response to company needs on the part of economic development entities, and the need for provision of meaningful incentives such as taxes, building, and infrastructure. The plan states, "Tioga County must be prepared to offer competitive incentives."

Midwestern Pet Foods, Inc. acquisition of the Hagen facility includes plans for the purchase of new machinery and equipment, the purchase of used machinery and equipment and for the renovation of the existing facility. The purchase would include the 7,000 square foot office building and the 147,330 square foot manufacturing building located on 15.9 acres. The anticipated building upgrades and equipment purchases are estimated at \$2.5 M. The improvements would be needed in order to enable the older facility to improve quality to industry standards, improve efficiency, and upgrade processes.

The total projected investment is currently estimated at \$9,923,590. This would include the purchase of the existing land and facility, the cost of rehabilitation of existing facility, the purchase and installation of equipment, the legal/financial/agency fees and working capital.

PROJECT DETAIL

Proposed Site: 702-705 Broad Street Extension, Waverly NY

Job Creation: Project creates an anticipated new workforce of 50 with an estimated new payroll of \$2,650,000 by 2018.

Project Schedule: Construction is expected to begin post- acquisition and is anticipated to be completed within 12 months.

ESTIMATED PROJECT BUDGET

| | |
|----------------------------|--------------|
| Midwestern Pet Foods, Inc. | |
| Land/Facility Purchase | \$ 6,750,000 |
| Building Construction | \$ 100,000 |
| Equipment purchase | \$ 2,410,318 |
| Working Capital | \$ 550,000 |
| Legal/Financial Fees | \$ 100,000 |
| Financial Application Fee | \$ 13,272 |
| Total | \$ 9,923,590 |

Tioga County IDA

Based on Building Construction, Equipment Purchase and Working Capital, the IDA will be offering a sales tax savings estimated at \$22,000.

There will be no mortgage taken, therefore no mortgage recording tax abatement offered.

Total estimated sales tax savings for the project: \$22,000.

ECONOMIC IMPACT

A) Employment Impact:

In determining employment impact to the area, we have utilized the direct-effect employment multiplier provided by the US Department of Commerce, Economics

and Statistics Administration, Bureau of Economic Analysis (2003). The following estimates employment impact for Tioga County, New York.

| Estimated Employment Impact Tioga County, NY | |
|---|-----------------------------|
| | Midwestern Pet Foods |
| Job Creation | 50 |
| Multiplier | 1.6361 |
| Total Employment Impact to Tioga County, NY | 81 |

Employment Impact Summary:

1. This project will create approximately 50 new FTE's by the Corporation.
2. Additional indirect results include creating ~31 FTE's in Tioga County, NY.

B) Earnings Impact on an annual basis:

In determining annual earnings (wages) impact, we have utilized the direct-effect earnings multiplier provided by the US Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis (2003). The following estimates annual earnings impact for Tioga County, New York.

| Estimated Annual Earnings Impact Tioga County, NY | |
|--|-----------------------------|
| | Midwestern Pet Foods |
| Annual Earnings (50 employees) | Est. \$2,650,000 |
| Multiplier | 1.5245 |
| Total Earnings Impact to Tioga County, NY | \$4,039,925 |

Annual Earnings Impact Summary:

1. This project will create approximately \$2,650,000 in annual new employee earnings by the Corporation.
2. Indirect results include creating ~\$1,389,925 in additional annual employee earnings in Tioga County, NY.

PROPOSED PAYMENT-IN-LIEU-OF-TAX

The following is the Standard PILOT offered to Midwestern Pet Foods.

| Year | PILOT percentage | PILOT estimated payment amount | Estimated Real Property Tax* |
|--------------|-------------------------|---------------------------------------|-------------------------------------|
| 1 | 0% | \$0 | \$67,518 |
| 2 | 10% | \$6,886 | \$68,868 |
| 3 | 20% | \$14,049 | \$70,245 |
| 4 | 30% | \$21,494 | \$71,649 |
| 5 | 40% | \$29,232 | \$73,081 |
| 6 | 50% | \$37,271 | \$74,542 |
| 7 | 60% | \$45,619 | \$76,032 |
| 8 | 70% | \$54,286 | \$77,552 |
| 9 | 80% | \$63,282 | \$79,103 |
| 10 | 90% | \$72,616 | \$80,685 |
| 11 | 100% | \$82,298 | \$82,298 |
| Total | | \$427,033 | \$821,573 |

*Note: Real Property Taxes estimated for \$2,430,000 total assessment based on a 2014/2015 Town, County, School and Recycle combined tax rate of 27.785185 for first year and increased by 2% each following year. Fire tax is \$.871431/1000 assessed value and at 100% all years.

According to this estimated PILOT financial model, over a period of eleven (11) years, Midwestern Pet Foods, Inc. would be afforded an estimated real property tax abatement of \$394,540.

SUMMARY

- Midwestern Pet Foods is contributing an estimated \$9,923,590 in private capital investment; creating 50 full time jobs with an associated annual payroll of \$2,650,000.
- The Tioga County IDA is offering sales tax savings estimated at \$22,000 for construction, equipment purchase and working capital.
- The Tioga County IDA is offering real property tax savings estimated at \$394,540.