

# Financial Assistance Application

## Two Brothers Property, LLC

### Cost Benefit Analysis

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**REVISED**  
**1/20/21**

The information included herein is taken from the attached Tioga County Industrial Development Agency (IDA) "Application for Financial Assistance" made by Two Brothers Property, LLC, (Company), and various correspondence and conversations between representatives of the Tioga County Department of Economic Development and Planning, Tioga County Industrial Development Agency, and the Company.

#### PROJECT SUMMARY

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On or about December 2020, Two Brothers Property, LLC began discussions with Tioga County Economic Development and Planning (ED&P) staff about the purchase of the existing Waverly Warehouse building located at 700 Broad Street Extension, Waverly NY. The Company is headquartered in Indiana at 9634 Hedden Road, Evansville.

The Tioga County Department of Economic Development and Planning (ED&P) responded to Company's request for economic development assistance for the renovation and equipping of the subject property. Two Brothers Property, LLC owns and leases the facility located at 702-705 Broad Street Extension, Waverly NY to Midwestern Pet Foods, Inc. (Corporation). Midwestern Pet Foods (MPF) has operated out of the 702-705 Broad Street Extension property since the purchase of the facility from Hagen Pet Foods in 2015. It is the intent of Two Brothers Property, LLC to lease the subject property located at 700 Broad Street Extension, Waverly NY to MPF as well.

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."

Since the 2015 acquisition of the Hagen Pet Foods facility, Midwestern Pet Foods, Inc. has purchased new machinery and equipment, and renovated the facility. The total investment of over \$9.9 M including improvements over \$2.5 M resulted in MPF's ability to stabilize the facility, improve quality to industry standards, improve efficiency, and upgrade processes.

The purchase of the subject property will allow MPF to expand the current facility footprint as future business activity increases. Additionally, the warehouse space will eliminate third party storage currently being housed out of state. By bringing the storage of product in house, it will reduce the cost of doing business, thus improving the bottom line and increasing the viability and significance of the Waverly location.

The Company made a bid on the subject property at auction in December. The result of the auction left the Company as the high bidder (\$1.1 M) with an anticipated closing on the property by December 2020. However, upon inspection of the property in preparation for a closing, it became apparent that the condition of the property is not as presented. There are substantial improvements required that were not planned for, resulting in the need for the Company to reach out for assistance. Whereas MPF is interested and in need of the property in an effort to stabilize and grow the existing operations, the immediate need for significant improvements made the completion of the acquisition of the property no longer viable for the Company.

New York State policy makers who are looking to revive long-lagging upstate regions are relying on a concentrated effort to bring manufacturing back to NY. The long-term goal is to transform upstate New York regions past their manufacturing heydays. In order to accomplish this goal there must be a buy in by both State and Local leaders. Unfortunately, due to current circumstances related to the COVID-19 pandemic, assistance by the State at this time is non-existent. This shifts the responsibility and only opportunity for growth and development entirely on the local community.

Add to this mix the fact that there are unique challenges with bringing development to Tioga County. As a border county to Pennsylvania, the proximity can often be an obstacle to overcome. At the local level one of the principal barriers to development in NY vs. PA is related to real property taxes. In order for NY to be competitive, local officials must be willing to negotiate to degrees that at least level the playing field.

## **PROJECT DETAIL**

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Proposed Site: 700 Broad Street Extension, Waverly NY

Job Creation/Retention:

Project creates an anticipated new workforce of 1 and retains a workforce of 50 with an estimated payroll of \$3,200,000 by 2022.

Project Schedule: Construction is expected to begin February 2021 and is anticipated to be completed February 2022.

**ESTIMATED PROJECT BUDGET**

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Midwestern Pet Foods, Inc.	
Land/Facility Purchase	\$995,000
Building Improvements	\$113,750
Equipment purchase	\$ 25,000
Labor	\$ 61,250
Legal/Financial Fees	\$ 53,750
<u>Agency Fees \$</u>	<u>\$ 15,000</u>
Total	\$1,263,750

**Tioga County IDA**

Based on Building Construction and Equipment Purchase, the IDA will be providing a sales tax savings estimated at \$11,100.

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

**Total estimated sales tax savings for the project: \$11,100; local share totaling \$5,550 and State share in the same amount.**

**ECONOMIC IMPACT**

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**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 (2016). The following estimates employment impact for Tioga County, New York.

<b>Estimated Employment Impact Tioga County, NY</b>	
	<b>Midwestern Pet Foods</b>
Job Creation/Retention	51
Multiplier	1.7143
Total Employment Impact to Tioga County, NY	87

***Employment Impact Summary:***

1. This project will create/retain approximately 51 FTE's by the Corporation.
2. Additional indirect results include supporting ~36 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 (2016). The following estimates annual earnings impact for Tioga County, New York.

<b>Estimated Annual Earnings Impact Tioga County, NY</b>	
	<b>Midwestern Pet Foods</b>
Annual Earnings (51 employees)	Est. \$3,200,000
Multiplier	1.5531
Total Earnings Impact to Tioga County, NY	\$4,969,920

**Annual Earnings Impact Summary:**

1. This project will create/retain approximately \$3,200,000 in annual employee earnings by the Corporation.
2. Indirect results include supporting ~\$1,769,920 in additional annual employee earnings in Tioga County, NY.
3. Total impact to earnings through term of the agreement ~ \$49,699,200

**PROPOSED PAYMENT-IN-LIEU-OF-TAX**

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The following is the Standard PILOT breakdown for Two Brothers Property, LLC request.

<b>Year</b>	<b>PILOT Percentage</b>	<b>Estimated Real Property Tax*</b>	<b>Estimated PILOT Payment Amount</b>	<b>Estimated Benefit</b>
1	0%	\$31,049	\$0	\$31,049
2	10%	\$31,670	\$3,167	\$28,503
3	20%	\$32,304	\$6,460	\$25,844
4	30%	\$32,950	\$9,885	\$23,065
5	40%	\$33,609	\$13,443	\$20,166
6	50%	\$34,281	\$17,140	\$17,141
7	60%	\$34,967	\$20,980	\$13,987
8	70%	\$35,666	\$24,966	\$10,700
9	80%	\$36,379	\$29,103	\$7,276
10	90%	\$37,107	\$33,396	\$3,711
11	100%	\$37,849	\$37,849	\$0
<b>Total</b>		<b>\$377,831</b>	<b>\$196,389</b>	<b>\$181,442</b>

\*Note: Real Property Taxes estimated for \$1,000,000 total assessment based on a 2020/2021 Town, County, and School combined tax rate of 31.049699 for first year and increased by 2% each following year. Fire tax is 100% all years and not included in this analysis.

**According to this estimated PILOT financial model, over a period of ten (10) years, Two Brothers Property, LLC would be afforded an estimated real property tax abatement of \$181,442.**

## **SUMMARY**

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- The local share sales tax savings is estimated at \$5,550 for construction and equipment purchase.
- The real property tax savings is estimated at \$181,442.
- Corporation is creating/retaining 51 full time jobs with an associated annual payroll of \$3,200,000.
- Corporation supports over \$49.6 M in payroll over the life of the PILOT.
- Company is making investment of over \$1.2 M investment to a longtime vacant property.
- Benefits are needed due to undisclosed/unknown improvements identified to long standing vacant building.
- Additional property will allow Corporation to strengthen stability and position of the Waverly site within the corporate footprint, thus ensuring the retainage of 50 jobs.
- Additional property will help to reduce cost of doing business by ceasing the housing of additional stock at off site and out of state facilities.
- Benefits make NY site more desirable for Corporation business model modifications.