

# **Financial Assistance Application**

## **Crown Cork & Seal USA, 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 Crown Cork & Seal USA, 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 Nichols, Empire State Development and the Corporation.

### **PROJECT SUMMARY**

---

On or about June 2015, Crown Cork & Seal USA, Inc. began discussions with Tioga County Economic Development and Planning (ED&P) staff about a potential purchase of the vacant IDA owned property located at the corner of Berry Road and Hunt Creek Road, Nichols NY.

The Corporation is a subsidiary of Crown Holdings, Inc. and is headquartered in Pennsylvania at One Crown Way, Philadelphia. The Corporation is a worldwide leader in the design, manufacture and sale of packaging products for consumer goods. The Corporation's primary products include steel and aluminum cans for food, beverage, household and other consumer products and metal vacuum closures and caps. These products are currently manufactured in the Corporation's plants both within and outside the U.S. and are sold through the Corporation's sales organization to the soft drink, food, citrus, brewing, household products, personal care and various other industries.

The Tioga County Department of Economic Development and Planning (ED&P) responded to Corporation's request for economic development assistance for the purchase, construction and equipping of the subject property. This facility will provide Crown with increased production capacity to service the North American market.

Crown Cork & Seal USA, Inc. construction includes plans for the purchase of new machinery and equipment, which will provide a state-of-the-art working environment in New York State yielding employee satisfaction and productivity. The build will include 375,000 square feet of manufacturing area, 150,000 square feet of warehousing for finished products and office space. The 525,000 square foot facility will be located on 40.66 acres currently owned by the Tioga County Industrial Development Agency. The anticipated land purchase, building construction and equipment purchases are estimated at \$132,800,000.

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.”

The rural economy of Tioga County, New York has undergone severe disruption over the past few years. This includes a substantial drop in non-agricultural and manufacturing jobs in the early 2000’s. Over 1000 jobs were lost due to job cutbacks by Lockheed Martin and the Department of Defense. The subsequent lack of adequate employment within the County forces 55% of the County’s workforce to commute to work outside the County every day.

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. The State has made an offer to the Company to assist in bringing Crown Cork & Seal USA to Tioga County.

Bringing manufacturing back to Tioga County poses unique challenges. As a border County to Pennsylvania, the proximity can often be an obstacle to overcome. Such is the case with the Crown Cork & Seal USA project planned for the Town of Nichols. 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

---

Proposed Site:	Berry Road, Nichols NY
Job Creation:	Project creates an anticipated new workforce of 164 with an estimated new payroll of \$7,600,000 by 2018.
Project Schedule:	Construction is expected to begin in November of 2015 and is anticipated to be completed by January 2017.

**ESTIMATED PROJECT BUDGET**

---

Crown Cork & Seal USA, Inc.	
Land Purchase	\$ 1,000,000
Building Construction	\$ 42,000,000
Equipment purchase	\$ 89,800,000
Working Capital	\$
Legal/Financial Fees	\$
Financial Application Fee	\$ 0
<hr/>	
Total	\$132,800,000

**Tioga County IDA**

Based on taxable items related to the building construction, equipment purchase and working capital expense anticipated at \$16,800,000, the IDA will be offering a sales tax savings estimated at \$1,344,000; State and local portions are in equal amounts of \$672,000.

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

**Local portion of estimated sales tax savings for the project: \$672,000.**

**ECONOMIC IMPACT**

---

**A) Operations 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.

<b>Estimated Operations Employment Impact Tioga County, NY</b>	
	<b>Crown Cork &amp; Seal USA, Inc.</b>
Job Creation	164
Multiplier	1.68
Total Employment Impact to Tioga County, NY	275

***Operations Employment Impact Summary:***

1. This project will create approximately 164 new FTE's by the Corporation.
2. Additional indirect results include creating ~ 111 FTE's in Tioga County, NY.

**B) Operations 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.

<b>Estimated Operations Annual Earnings Impact Tioga County, NY</b>	
	<b>Crown Cork &amp; Seal USA, Inc.</b>
Annual Earnings (164 employees)	Est. \$7,600,000
Multiplier	1.5856
Total Earnings Impact to Tioga County, NY	\$12,050,560

***Operations Annual Earnings Impact Summary:***

1. This project will create approximately \$7,600,000 in annual new employee earnings by the Corporation.
2. Indirect results include creating ~\$4,450,560 in additional annual employee earnings in Tioga County, NY.
3. Total impact to earnings through term of agreement ~ \$488,868,073.

**C) Construction 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.

<b>Estimated Construction Employment Impact Tioga County, NY</b>	
	<b>Crown Cork &amp; Seal USA, Inc.</b>
Job Creation	550
Multiplier	1.58
Total Employment Impact to Tioga County, NY	869

**Construction Employment Impact Summary:**

1. This project will create approximately 550 construction jobs.
2. Additional indirect results include creating ~ 319 jobs in Tioga County, NY.

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

---

The following is a deviation from the standard PILOT offered to Crown Cork & Seal USA.

Year	Estimated PILOT payment amount	Estimated Real Property Tax*
1	\$300,000	\$1,340,798
2	\$300,000	\$1,367,614
3	\$300,000	\$1,394,966
4	\$300,000	\$1,422,865
5	\$300,000	\$1,451,322
6	\$300,000	\$1,480,349
7	\$300,000	\$1,509,956
8	\$300,000	\$1,540,155
9	\$300,000	\$1,570,958
10	\$300,000	\$1,602,377
11	\$303,000	\$1,634,425
12	\$306,030	\$1,677,113
13	\$309,090	\$1,700,456
14	\$312,180	\$1,734,465
15	\$315,301	\$1,769,154
16	\$318,454	\$1,804,537
17	\$321,638	\$1,840,628
18	\$324,854	\$1,877,440
19	\$328,102	\$1,914,989
20	\$331,383	\$1,953,289
21	\$334,696	\$1,992,355
22	\$338,042	\$2,032,202
23	\$341,422	\$2,072,846
24	\$344,836	\$2,114,303
25	\$348,284	\$2,156,589
26	\$351,766	\$2,199,721
27	\$355,283	\$2,243,715
28	\$358,835	\$2,288,589
29	\$362,423	\$2,334,361
30	\$366,047	\$2,381,048
31	\$2,428,669	\$2,428,669
	<b>\$12,100,335</b>	<b>\$56,822,252</b>

\*Note: Real Property Taxes estimated for \$9,460,000 total assessment based on a 2014/2015 Town, County, School and Recycle combined tax rate of 141.73336 for first year and increased by 2% each following year. Fire tax is \$3.36756/1000 assessed value and at 100% all years.

**According to this estimated PILOT financial model, over a period of thirty (30) years, Crown Cork & Seal USA, Inc. would be afforded an estimated real property tax abatement of \$44,721,917.**

### **JUSTIFICATION FOR DEVIATION FROM UNIFORM PILOT POLICY**

Company is a long standing Fortune 500 Company

Company operates in 40 countries, employing over 23,000 people

Company to offer above average manufacturing pay rates for this area, with benefits

Company is making private investment of over \$133 million in Tioga County

Company is bringing 164 jobs to Tioga County

Company is stimulating additional 111 indirect jobs to Tioga County

Company is bringing \$7.6 million in new direct payroll to Tioga County annually and over an estimated \$300 million in new direct payroll over the life of the PILOT

Company is stimulating additional \$4.4 million indirect payroll to Tioga County annually and over \$480 million in new and indirect payroll over the life of the PILOT

Company is bringing 550 construction jobs to Tioga County

Company is stimulating additional 319 indirect jobs related to construction to Tioga County

Project brings \$11 million in new real property revenue on a previously tax exempt property

Company has strong track record of community support

New York State has made substantial incentives offer

Competitive real property taxes are needed to compete with PA

Revenue projections show the need for longer payback

Development addresses 2010 Strategic Plan objectives

## **SUMMARY**

---

- Crown Cork & Seal USA is contributing an estimated \$132,800,000 in private capital investment
- Crown Cork & Seal USA is creating 164 full time jobs with an associated annual payroll of \$7,600,000.
- The total wage impact is \$488,868,073 over 30 years.
- Crown Cork & Seal USA is creating 550 construction jobs with an estimated payroll of \$25 million.
- The Tioga County IDA is offering sales tax savings estimated at \$1,344,000 for construction, equipment purchase and working capital. Local portion equals \$672,000.
- The Tioga County IDA is offering real property tax savings estimated at \$44,721,917 over 30 years.
- Crown Cork & Seal USA will be adding over \$11 million in new real property tax revenue on a previously tax exempt property.