

**Lactalis American Group, Inc**  
**\$44,526,000 total project**  
**PRIVATE INVESTMENT INDUCEMENT RESOLUTION**

**ELIGIBILITY**

- NAICS Section – 3115

**COMPANY INCENTIVES**

- Approximately \$ 1,203,247 in sales tax savings

**JOBS & ANNUAL PAYROLL**

- Current Jobs: 375 FT, 1 PT
- Est. salary/yr. of FT jobs retained: \$77,112
- Annual Payroll: \$ 22,277,956
- Projected new jobs: 27 FT
- Est. salary/yr. of jobs created: \$47,515
- Total jobs after project completion: 402 FT
- Construction Jobs: 195

**PROJECTED COMMUNITY BENEFITS\***

- Term: 2 yrs. from project completion
  - NET Community Benefits: \$397,007,342
  - Spillover Jobs: 1722
- Total Payroll: \$374,424,843

**INCENTIVE COST / COMMUNITY BENEFIT RATIO (discounted at 2%)\***

Incentives: \$1,203,247  
 Community Benefit: \$382,712,974  
 Cost: Benefit Ratio  
 • 1:318

Project Title: Plant Modernization & Infrastructure Upgrades – Western NY

Project Address: 2375 South Park Ave, Buffalo, NY 14220  
 (City of Buffalo School District)

**Agency Request**

A sales tax abatement in connection with the modernization and revitalization of the Buffalo, NY manufacturing facility.

Building Addition	\$ 1,075,000
Reconstruction / Renovation	\$19,002,212
Manufacturing Equipment	\$21,607,000
Infrastructure	\$ 2,841,788
<b>Total Project Cost</b>	<b>\$44,526,000</b>
85%	\$37,847,100

**Company Description**

Lactalis American Group, Inc is a subsidiary of Group Lactalis – a global dairy company that owns and operates dairy manufacturing plants around the world including 11 manufacturing plants operating in the U.S. Other U.S. locations include: CA, AZ, ID, WI, VT and NH. Lactalis Buffalo employs 684 employees - 376 within the manufacturing plant.

More than 700MM pounds of milk is collected at the Buffalo plant each year for dairy product production – supporting hundreds of farms (97% of all milk processed at Lactalis Buffalo comes from NYS dairy farms). The plant produces Galbani Ricotta and mozzarella cheeses, along with Whey Powder, Galbani Provolone and President Cut-and-Wrap Brie. The site consists of two distinct plants: the cheese plant and the whey plant. The cheese plant houses the equipment to produce mozzarella, provolone, brie and ricotta cheese. A key by-product of the cheese making process – whey, is then pumped from the cheese plant to the whey plant. The whey plant primarily consists of the evaporator and dryer equipment responsible for processing the whey liquid into whey powder

**Project Description**

The Lactalis Buffalo manufacturing plant’s future economic viability needs a production capacity increase of 30%. This requires key infrastructure upgrades for the installation of new mozzarella and ricotta cheese production equipment, a new building addition for the whey evaporator and dryer equipment and regulatory plant-wide infrastructure upgrades. Most of the manufacturing facilities and processing equipment within the Buffalo plant dates back to the 1970s. The Buffalo production facility faces mounting pressures to maintain operations of the plant while competing with other Lactalis manufacturing facilities within the US.

\* Cost Benefit Analysis Tool powered by MRB Group

## Economic Impact: Inform Analytics Cost-Benefit Analysis

The Erie County Industrial Development Agency uses the Cost Benefit Analysis Tool powered by MRB Group to assess the economic impact of a project applying for incentives. A Cost-Benefit Analysis is required by Section 859-a (5)(b) of General Municipal Law. For the complete Cost Benefit Analysis – please see the attached MRB Cost Benefit Calculator.

### Cost: Incentives

COSTS	Tax Exemption	Amount
	Property	0
	Sales	\$1,203,247
	Mortgage Recording	0
	Total	\$1,203,247
	Discounted at 2%	\$1,203,247

### Benefit: Projected Community Benefit\*

BENEFITS	Region	Recipient	Revenue Type	\$ Amount **
	Erie County	Individuals	Payroll Construction	\$ 28,572,681
			Payroll Permanent	\$345,852,163
		Public	Property Taxes	\$ 0
			Sales Taxes	\$ 3,112,406
			Other Muni Revenue (NFTA)	\$ 0
	New York State	Public	Income Taxes	\$ 16,849,118
			Sales Taxes	\$ 2,620,974
			Total Benefits to EC + NYS***	\$397,007,342
			Discounted at 2%	\$382,712,974

\* Cost Benefit Analysis Tool powered by MRB Group \*\*includes direct & indirect \$ over project period \*\*\* may not sum to total due to rounding

Discounted Cost	\$ 1,203,247
Discounted Benefit	\$ 382,712,974
Ratio	1:318

**Conclusion:** The Cost Benefit for this project is: 1:318. For every \$1 in costs (incentives), this project provides \$318 in benefits (payroll & tax revenue). **Note: For Erie County, every \$1 in costs (incentives) provides \$557 in benefits to the community.**

## Draft Recapture Material Terms

Condition	Term	Recapture Provision
Total Investment	At project completion	Investment amount equal to or greater than 85% of project amount. Total project amount = \$44,526,000 85% = \$37,847,100
Employment	2 years after project completion	Maintain Base = 375 FTE Create 85% of Projected Projected = 27 FTE 85% = 22 FTE Recapture Employment = 397 FTE
Local Labor	Construction period	Adherence to policy including quarterly reporting
Pay Equity	2 years after project completion	Adherence to Policy
Unpaid Tax	2 years after project completion	Adherence to Policy
<u>Recapture Period</u>	2 years after project completion	Recapture of state and local sales taxes

Recapture applies to: State and Local Sales Taxes

### Recapture

Pursuant to New York State General Municipal Law, the agency shall modify, recover, recapture or terminate any financial assistance taken by the company that is in violation of the GML.

At completion of the project company must certify i) total investment amount is equal to or greater than 85% of the anticipated project amount; ii) company has maintained 375 FTE jobs and created 27 FTE jobs, iii) confirm adherence to local labor policy during construction and iv) its adherence to unpaid tax/pay equity policies for recapture term.

### Project ECIDA History

- 10/25/23: Public hearing held.
- 11/29/23: Inducement Resolution presented to the Board of Directors

### Company History

- 1/26/22: property and sales tax incentives associated with \$1.44 M construction and renovation project (office space). Project status = inactive / Lactalis will not move forward with project and no ECIDA benefits were taken.
- 10/13/99: property and sales tax incentives associated with \$7.76 M construction project: 86K sq ft cooler/warehouse, 91K sq ft parking lot, renovations to an existing facility and the purchase of machinery & equipment.
- 8/12/98: property & sales tax incentives associated with \$1.8 M construction project: 7K sq ft addition to an admin bldg.
- 2/12/97: property & sales tax incentives associated with \$2.83 M construction project: 16K sq ft addition existing bldg.