

API Heat Transfer, Inc.
\$1,732,134
INDUCEMENT RESOLUTION

HIGHLIGHTS

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

COMPANY INCENTIVES

- Approximately \$91,000 in property tax savings
- Approximately \$96,000 in sales tax savings



Project Title: API Heat Transfer, Inc.
 Project Address: 2777 Walden Avenue
 Cheektowaga, New York 14225
 (Cheektowaga Central School District)
 NAICS: 3443/332410

Agency Request

An exemption from sales tax, and real property taxes in connection with the construction of a 6,000 sq. ft. addition and the purchase of machinery and equipment.

Building Construction	\$714,000
Building Renovation	443,000
Equipment	525,134
Soft Costs	50,000
 Total Project Cost	 \$1,732,134

Company Description

API Heat Transfer is a global leader in the design and manufacture of a wide range of heat transfer technologies that service virtually every industrial market including food and beverage, dairy, compressors, air separation, chemical processing, mobile vehicles, power generation, pharmaceuticals, HVAC and a wide variety of general industrial applications.

In 2012, API Heat Transfer, Inc. and ThermaSys were combined to form a new company, API Heat Transfer. The result is a multi-national company with sales, design, and manufacturing facilities worldwide (6 in the U.S., 2 in the UK, 3 in Germany and 4 in China). As part of this integration, API Heat Transfer made the decision to locate and consolidate the Corporate headquarters and the thermal testing R&D laboratory for this new company in Western New York at the Walden Avenue facility, closing the former ThermaSys Corporate offices and thermal testing R&D laboratory in Montgomery, Alabama. The increased jobs associated with the corporate integration have created a need for additional office space in the Cheektowaga facility.

Project Description

Due to the integration of the Alabama location, the company is in need of additional office space and testing equipment. A two-story addition consisting of 6,000 square feet spaced over 2 floors is contemplated. As a result of the combination of API Heat Transfer and ThermaSys, the Cheektowaga will become the company's global headquarters.

The company will be outfitting the additional space and purchasing furniture as well as R&D testing equipment.

Project Incentives

- Approximately \$91,000 in property tax savings
- Approximately \$96,000 in sales tax savings

Project Benefits

The project is anticipated to create 6 additional jobs.

The project will generate approximately \$24,200 of revenue to the local taxing jurisdictions over the abatement period representing \$4,000 to the County of Erie, \$7,400 to the Town of Cheektowaga and \$12,800 to the Iroquois School District.

Employment

<u>Current</u>	<u>Year 2</u>
287	293

In 2008, API invested approximately \$10,000,000 for the construction of a 53,000 sq. ft. facility as well as machinery and equipment purchases at the Cheektowaga location. At the time of the 2008 application the company had 249 people working at the facility and had estimated the addition of another 75. Today the company employs 287 and increase of 38 employees over the 2008 application numbers but below what was projected.

Because of the economic downturn which occurred beginning in 2009 the company’s sales levels lagged behind projections which hindered their anticipated employment growth. Attached is a letter from the company addressing the reason for not attaining their projected employment level.

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 = \$1,732,134 85% = \$1,472,300
Employment	To coincide with PILOT	100% of base (287) and 85% of projected (6) = 292
Local Labor	Construction period	Adherence to policy including quarterly reporting
PILOT	PILOT Term = 10 years	Up to 100% recapture at Agency discretion
Recapture Period	Coincides with PILOT term	Recapture of state & local sales taxes

Recapture applies to:

- State and Local Sales Taxes
- Payment in Lieu of Taxes

Recapture

Pursuant to Section 875 of New York General Municipal Law, the agency may recover or recapture from the company any state sales and use tax exemption benefits taken by the company that are in violation of the GML.

In addition it is the recommendation of the ECIDA’s Policy Committee to recapture the local share of sales tax, mortgage tax and PILOT.

At completion of project company must certify i) total investment amount equal to or greater than 85% of amount proposed ii) for the 10-year PILOT term confirm that company has met 85% of its projected FTE employment while maintaining 100% of its base and iii) confirm adherence to ECIDA local labor hiring policy.

Project History

10/29/2013	Public Hearing conducted. No oral or written comments. Transcript on file at ECIDA.
11/18/2013	Resolution presented to Board of Directors authorizing adoption of a Negative Declaration in accordance with SEQRA.
11/18/2013	Lease/Leaseback Inducement Resolution presented to Board.