

Derrick Corporation
\$ 1,150,000
INDUCEMENT RESOLUTION

ELIGIBILITY

- NAICS Section - 33 manufacturing

COMPANY INCENTIVES

- Approximately \$65,000 in sales tax savings
- Approximately \$74,000 in real property tax savings

PROJECT BENEFITS

- The project will generate approximately \$20,000 of revenue to the local taxing jurisdictions over the abatement period representing \$3,300 to the County of Erie, \$6,000 to the Town of Cheektowaga and \$10,700 to the Cheektowaga Central School District

EMPLOYMENT

- Current = 477
- Retained -2 (two employees out of the existing workforce are associated with this project)

PROJECT HISTORY

- 12/29/2014 - Public hearing held.
- 1/28/2015 - Inducement Resolution presented to Board of Directors adopting a Negative Declaration in accordance with SEQRA.
- 1/28/2015 - Lease/Leaseback Inducement Resolution presented to the Board of Directors

COMPANY HISTORY

- 1980 - \$500,000 RDC Loan Closed
- 1981- \$2,500,000 Tax Incentive Project Closed
- 1991- \$1,650,000 Tax Incentive Project Closed
- 2002 - \$1,800,000 Tax Incentive Project Closed
- 2006 - \$1,100,000 Tax Incentive Project Closed
- 2012 - \$19,500,000 Tax Incentive Project Closed
- 2014 - \$9,750,000 Tax Incentive Project Induced

Project Title: Derrick Corporation

Project Address: 585 Duke Road
 Cheektowaga, New York 14225
 (Cheektowaga Center School District)

Agency Request

A sales tax and real property tax abatement in connection with the 5,500 sq. ft. expansion of its existing research center.

New Building Addition	\$850,000
Infrastructure	200,000
Non-Manufacturing Equipment	75,000
Soft Costs	25,000

Total Project Cost	\$1,150,000
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85%	\$977,500
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Company Description

Derrick Corporation was founded in 1951 and has been at its current location in Cheektowaga for 57 years. The company is a manufacturer of high frequency vibrating screening equipment, centrifuge equipment and replacement screens. . Customers are oil and gas drilling companies and various mining operations. Most customers are multi-national companies located around the world. The company owns locations in Cheektowaga, West Seneca and Houston, Texas.

Project Description

Since 1981 when IDA assisted Derrick with its first expansion project, the company has made repeated investments in the Cheektowaga plant.

IDA records indicate that in 1990 the company had approximately 200 employees. Today that number exceeds 470.

In 2006, Derrick constructed a 10,000 sq. ft. building to house its research activities. Continued growth and a demand for enhanced project innovation have created the need for additional space.

The company is proposing to construct a 5,500 sq. ft. expansion to its existing research center which will allow for enhanced equipment testing to be completed at the site.

The project falls on the heels of an approval in mid-2014 for the construction of a 31,250 sq. ft. addition which is allowing a doubling of the company's office space.

PILOT Table

The project will generate approximately \$20,000 of revenue to the local taxing jurisdictions over the abatement period representing \$3,300 to the County of Erie, \$6,000 to the Town of Cheektowaga and \$10,700 to the Cheektowaga Central School District

Year	% payment under PILOT	Est. County PI-LOT	Est. Town PILOT	Est. School PILOT	Est. Total PILOT	Full Taxes without PILOT	Net Exemption
1	0.1%	\$223	\$402	\$715	\$1,340	\$13,399	\$12,059
2	0.1%	\$223	\$402	\$715	\$1,340	\$13,399	\$12,059
3	0.2%	\$446	\$803	\$1,431	\$2,680	\$13,399	\$10,719
4	0.2%	\$446	\$803	\$1,431	\$2,680	\$13,399	\$10,719
5	0.3%	\$669	\$1,205	\$2,146	\$4,020	\$13,399	\$9,379
6	0.3%	\$669	\$1,205	\$2,146	\$4,020	\$13,399	\$9,379
7	0.3%	\$669	\$1,205	\$2,146	\$4,020	\$13,399	\$9,379
TOTAL PAYMENTS		\$3,344	\$6,024	\$10,729	\$20,098	\$93,790	\$73,692

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 = \$1,150,000 85% = \$977,500
Employment	To coincide with PILOT period	Maintain 100% of base = (477)
Local Labor	Construction Period	Adherence to policy including quarterly reporting
PILOT	PILOT Term 7 years	Up to 100% recapture at Agency discretion
Recapture Period	Coincides with 7 year PI-LOT term	Recapture of state and local sales taxes and real property 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 tax 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 and real property taxes.

At completion of project company must certify i) total investment amount equal to or greater than 85% of amount proposed ii) confirm that company has maintained 100% of base employment and iii) adheres to local labor policy.