# NATIVE DEVELOPMENT ASSOCIATES LLC Application

As Refers To The <u>Specialty Sales LLC HoofStrong Project</u> For Benefits From The WARREN And WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY

From: Chuck Barton, WWIDA Chief Executive Officer

Date: July 10, 2023

The purpose of this memorandum is to set forth the facts and considerations utilized by the Counties of Warren and Washington Industrial Development Agency ("WWIDA") in rendering a decision to provide financial assistance via investment incentives to Native Development Associates LLC ("NDA LLC") to be passed along to a park tenant, Specialty Sales LLC for the HoofStrong project ("Project") in Queensbury, NY. This is a dairy cattle hoof health company that manufactures equipment and provides treatment solutions.

This document recognizes several factors considered by the WWIDA and is intended to provide a concise record of the issues considered as well as the justification for the investment incentive package, if offered by the WWIDA Board.

## COMPANY AND PROJECT DESCRIPTIONS and PROJECT FEASIBILITY

Native Development Associates LLC, of Wilton, NY owns Native Park located at 24 Native Drive in Queensbury, New York with one major tenant, Sheet Labels and multiple lots available for development.

NDA LLC attracted Specialty Sales LLC (SS LLC) of Fresno, California, with a tenyear agreement to build and lease a 25,000 SF facility at 26 Native



Drive in Queensbury (highlighted in yellow below). The Warren County Economic Development Corporation assisted NDA LLC and referenced the project to the WWIDA.



#### Native Park Buildings

#1 Sheet Labels

#2 Specialty Sales LLC (Tax Parcel 308-20-1-9.22)

#3 Not Yet Built #4 Not Yet Built #5 Not Yet Built

SS LLC was founded in 1999 and has facilities located in Fresno, CA; Jerome, ID; Dumas, TX; and Plymouth, WI. The company, under the brand name HoofStrong, manufactures and installs footbath systems and supplies proprietary reagents/solutions to commercial dairies to improve the health of cows and to increase milk production. According to SS LLC, for the average sized dairy customer, using Specialty Sales products saves approximately \$220,000 per year versus an average untreated dairy. SS LLC claims 28% of the United States dairy herd under contract and a 97% customer retention rate since 2001.

# (One Time)

- When Specialty Sales acquires a new customer account, a team of field service representatives installs company assembled dairy foot bath and chemical holding tanks
- The Company retains ownership of all equipment installed and no competing product can be used with it
- The Company has recently introduced a prefabricated, modular hoof bath system ("Modular Hoof Bath"), which reduces installation time to 1-2 days, allowing for quicker realization of revenue and increased business



# Product Use (Recurring)

- Specialty Sales sells its propriety chemical sequence, a Formaldehyde solution and a LQA solution directly to customer accounts
- Four to five days a week, dairy cattle walk through the dairy foot baths that are filled with Specialty Sales' chemicals
- All chemical solutions are either biodegradable or absorbent which minimizes chemical loading



#### Service & Maintenance (Recurring)

- Equipment sensors communicate with custom software, which allow the Company to coordinate the most efficient chemical delivery routes on a weekly basis
- Because Specialty Sales owns the dairy assets, it also services and maintains the equipment as necessary
- Over time, the Specialty Sales has become trusted and depended upon by owners to manage this important facet of dairy operations
- Specialty Sales takes pride in its ability to respond quickly to any issues that may come up with the hoof bath equipment

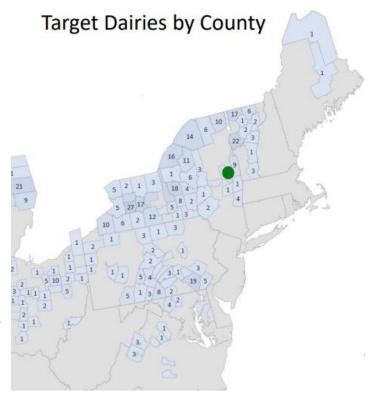


Consistent product quality and reliability of service has been the key to Specialty Sales' success

SS LLC will source from regional raw material suppliers, including Hexion in Moreau, New York. Other local industrial suppliers will be considered.

SS LLC has identified the Northeast as its next growth region. The Queensbury location will house the company's fifth facility. This region has over 450 target market dairies (including over 10 in our region) that can be serviced, which is over 13% of the nation's dairies.

The NDA LLC estimated total project cost is \$3,631,207. The infrastructure cost excluding land acquisition is \$880,969. The new building construction is \$1,950,238. The tenant specified require work estimate is \$250,000. 80% of construction cost will be sourced in New York State. The estimates are from local vendor quotes. The start of construction is targeted for August 2023 with completion and occupancy in March 2024.



Financing for the project will be finalized with NDA LLC's established local banking institutions. NDA LLC recognizes the investment incentives are contingent upon the financing arrangement.

# ANALYSIS OF PILOT AND ABATEMENT REQUEST

The investment incentives requested for the Project are the following:

1. Property tax incentives in the form of a PILOT. In comparing the application to the WWIDA's UTEP, this application is served under the Manufacturing eligible projects with 100% property tax exemption for 5 years and 50% exemption for the next 5 years. The <u>estimated</u> new assessed value of property based on the applicant's estimated investment is \$3,216,207 (with the base assessment of the land remains the same). Assuming the traditional assessed value methodology, the **estimated property tax saving is \$482,656 over the 10 years**. (See analysis in the Appendix.)

(Note the PILOT estimates are based on current tax rates and a projected increase in assessed value. The actual PILOT payments will be based on the then current tax rate

- and the assessed value as determined by the assessor. Consequently, the actual benefit may vary from the projected estimate.)
- 2. **State and County sales tax abatement** totaling 7% based on up to \$1,314,285 subject to sales tax. The WWIDA calculates this estimated savings at **\$92,000**.
- 3. **Mortgage tax abatement** of 1.25% from an estimated financing loan of \$2,700,000. The WWIDA calculates this estimated savings at \$33,750.

The proposed investment incentives for NDA LLC assisted with the attraction of SS LLC to the Queensbury site. The incentives reduced triple net charges to approximately \$1.50 per square foot, a low cost versus the norm. **NDA LLC stated the investment incentives were a key point in reaching agreement with SS LLC, confirming the necessity of the incentives.** 

#### **COMMUNITY AND ECONOMIC IMPACTS:**

Specific community and economic benefits of the Project include:

- 1. Support the regional dairy industry and improve the health and productivity of regional cattle.
- 2. **Generate an estimated 20 construction jobs** from August 2023 to March 2023.
- 3. Source construction materials estimated at \$1,051,428 within Warren County and New York State.
- 4. Generate an estimated 8 Full-Time Equivalent employment positions with estimated total annual wages and benefits is \$586,161.
- 5. Generate estimated PILOT payments of \$160,885 over ten years.
- 6. **Generate Community Cost Benefit Ratio estimated at 1 to 11** over the ten years. The estimated "cost" of all State, County, and Town incentives is \$608,406. The estimated "benefits" to the community is \$6.8 million. (See analysis in the Appendix.)
- 7. Generate Community Net Benefit estimated at \$5.1 million over ten years, adjusted to net present value at 3%. (See analysis in the Appendix.)

In conclusion, approving the NDA LLC application would enable the SS LLC HoofStrong project and be in the economic and community interests of the residents of Warren and Washington Counties.



# Warren-Washington Counties Industrial Development Agency

## 5 Warren Street, Glens Falls, NY 12801

IDA Project Applicant: Native Development Associates LLC

Project Name: Specialty Sales LLC - HoofStrong

Project Type: Manufacturing Facility For Cattle Hoof Health Baths

Project Street Location: 26 Native Drive

Project Municipality: Town of Queensbury

Parcel Identification: 308-20-1-9.22

Project Description: Construction of 25,000 SF facility

Total Project Investment: \$3,631,207

Project Material Terms: \$3,081,207 in equipment and infrastructure

IDA Benefits Provided: Mortgage, Sales and Use Tax Exemptions, and PILOT

Community Benefits:

(over ten years)

a. Support regional dairy industry.

b. Support at least 20 construction jobs.

c. Generate local construction materials sales over \$1.0M.

d. Create at least 8 Full-Time Equivalent jobs.

e. PILOT payments of \$161K.

h. Community Cost Benefit Ratio: 1 to 11.

i. Net Community Benefit: \$5.2M (NPV @ 3%).

# Appendix

#### NATIVE DEVELOPMENT HOOFSTRONG INCENTIVES ESTIMATION

100% FIRST FIVE YEARS AND 50% SECOND FIVE YEARS

	Est. New	Estimated	2023 County	2023 Town		2022-23			
	Construction	New	Tax Rate /	Tax Rate /	Village Tax	School Tax			
Base Land	Dollar Value	Assessed	1000	1000	Rate /1000	rate / 1000			
\$135,000	\$3,081,207	\$3,216,207	\$3.97400	\$0.82100		\$16.09100			
		COUNTY		VILLAGE	SCHOOL		FULL	ESTIMATED	
		PILOT	TOWN PILOT	PILOT	PILOT		PAYMENT	NET	
PILOT YEAR	% PAYMENT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	TOTAL PILOT	W/O PILOT	EXEMPTION	
1	0%	\$0	\$0	\$0	\$0	\$0	\$64,354	\$64,354	
2	0%	\$0	;0	\$0	\$0	, \$0	\$64,354	\$64,354	
3	0%	\$0	\$0	\$0	\$0	\$0	\$64,354	\$64,354	
4	0%	\$0	\$0	\$0	\$0	\$0	\$64,354	\$64,354	
5	0%	\$0	\$0	\$0	\$0	\$0	\$64,354	\$64,354	
6	50%	\$6,122	\$1,265	\$0	\$24,790	\$32,177	\$64,354	\$32,177	
7	50%	\$6,122	\$1,265	\$0	\$24,790	\$32,177	\$64,354	\$32,177	
8	50%	\$6,122	\$1,265	\$0	\$24,790	\$32,177	\$64,354	\$32,177	
9	50%	\$6,122	\$1,265	\$0	\$24,790	\$32,177	\$64,354	\$32,177	
<u>10</u>	50%	\$6,122	\$1,26 <u>5</u>	<u>\$0</u>	\$24,790	\$32,177	\$64,35 <u>4</u>	\$32,177	
Totals		\$30,612	\$6,324	\$0	\$123,949	\$160,885	\$643,541	\$482,656	
FULL ANNUAL PAYMENT \$12,245			\$2,530	\$0	\$49,580	===>	\$64,354		
Estimated Tax Exemptions:			Estimated Cost Benefit Ratio:			I have read and reviewed the Section V information completed by the WWIDA.			
Improvements	\$482,656				40.02.25				
Sales & Use 7%	\$92,000		Estimated Tota	•	\$3,631,207	Name:			
Mortgage 1.25%	\$33,750		Gross Benefit A		\$608,406				
Gross Benefit \$608,406		Benefit / Cost Ratio 16.8%			Signature:				
Fee 0.9%	<u>(\$32,681)</u>								
Net Benefit	\$575,725					Date:			

### Native Development Associates Hoofstrong WWIDA Application Community Cost Benefit Analysis June 28, 2023

	Community "Cost"					Community "Benefit"				Net "Benefit"
	State 4%	County 3%	Mortgage	Net		8 FTE	20 Const. Jobs			
	Sale Tax	Sale Tax	Tax	Property	TOTAL	Wages &	Wages & Ben.	PILOT		
<u>Year</u>	Exempt.	Exempt.	Exempt.	Exempt.	Exempt.	<u>Benefits</u>	for 6 months	<u>Payments</u>	<b>TOTAL</b>	
0	(\$52,571)	(\$39,429)	(\$33,750)		(\$125,750)		\$750,000		\$750,000	\$624,250
1				(\$64,354)	(\$64,354)	\$586,616		\$0	\$586,616	\$522,262
2				(\$64,354)	(\$64,354)	\$586,616		\$0	\$586,616	\$522,262
3				(\$64,354)	(\$64,354)	\$586,616		\$0	\$586,616	\$522,262
4				(\$64,354)	(\$64,354)	\$586,616		\$0	\$586,616	\$522,262
5				(\$64,354)	(\$64,354)	\$586,616		\$0	\$586,616	\$522,262
6				(\$32,177)	(\$32,177)	\$586,616		\$32,177	\$618,793	\$586,616
7				(\$32,177)	(\$32,177)	\$586,616		\$32,177	\$618,793	\$586,616
8				(\$32,177)	(\$32,177)	\$586,616		\$32,177	\$618,793	\$586,616
9				(\$32,177)	(\$32,177)	\$586,616		\$32,177	\$618,793	\$586,616
10				<u>(\$32,177)</u>	(\$32,177)	\$586,616	<u>\$0</u>	\$32,177	\$618,793	\$586,616
TOTAL	(\$52,571)	(\$39,429)	(\$33,750)	(\$482,656)	(\$608,406)	\$5,866,160	\$750,000	\$160,885	\$6,777,045	\$6,168,640
	The Cost to Benefit Ratio is ===> 1			1	to	========	<b>:&gt;</b>	11.1		

Net Benefits - Net Present Value @ 3% \$5,178,137