

Tompkins County Industrial Development Agency

Administration provided by Ithaca Area Economic Development

Knickerbocker – Community Benefits Overview

11/10/21 – revised 12/8/21

Project Overview

Founded in 1919, Knickerbocker is the oldest manufacturer in the bed frame industry. They currently employ approximately 100 employees in two facilities and have operated continuously in New Jersey for over 100 years. All products are 100% Made in America and covered by numerous patents and trademarks.

As Knickerbocker has transitioned into its new Bed Architecture programs over the past 10 years, the existing facilities in New Jersey do not afford the proper space and manufacturing environment to continue to grow. The new product lines have more space intensive requirements due to the complexity in the process, and the size and scale of the equipment necessary. Knickerbocker's new products for the hospitality and hotel industries are scheduled to launch in the third quarter of 2022. These products require more manufacturing space than their traditional offerings, thus creating the need for substantially more manufacturing space.

The project consists of the purchase and renovation of the 220,000 square foot vacant Vanguard building at 17 Hallwoods Road in Dryden, along with purchase of equipment. The new hospitality division will be started in the facility, followed by the phase out of manufacturing in New Jersey and consolidation of all current product lines in Ithaca. The \$10 million investment will repurpose a vacant industrial building into a state-of-the-art manufacturing facility that is best in industry class, and capable of attracting a loyal workforce that is dedicated to building industry leading products. The project will create 80 new jobs over three years. This project is a large undertaking for our company and there is a gap in financing that local and state assistance is critical to help fill.

The purchase and interior renovations will not significantly increase the value of the building and as a result, I am recommending a schedule that will provide an established tax payment for 7 years that is based on the taxes associated with the current value of the building followed by a three-year phase in of the estimated full tax payment (see detail attached). This structure is consistent with the IDA's incentive for Emmy's Organics and Incodema when these companies purchased an existing building. This structure deviates from the IDA's standard policy. The standard sales tax and mortgage recording tax incentive are contemplated as well.

Cost-Benefit Analysis

- Extent to which project would create and/or retain private sector jobs – The project will create ~~83-88~~ new manufacturing jobs and 20-25 construction jobs.
- Estimated value of tax exemption – 8% of total project costs

Property Tax	\$652,757
Sales Tax	\$200,00
Mortgage Tax	\$21,060
TOTAL	\$878,817

- Estimate of private sector investment to be generated by the project – \$10,525,000

- Likelihood of completing project in a timely manner – the building is under contract; site plan, special permit and SEQRA are on track to be completed on 11/18/21 by the Town of Dryden; a general contractor and engineering firm are engaged and working through the renovations necessary. The applicant has been diligently working to secure this building for several months and is ready to begin construction upon closing.
- Extent to which project would generate additional sources of revenue for local taxing jurisdictions – putting this vacant building into productive re-use will generate \$65,000 in new taxes over the term of the PILOT and an estimated \$80,000 each year after the term of the PILOT. Adding new jobs will generate indirect benefits to the town and the county.
- Other benefits that might result from the project:
Industrial Redevelopment – This project will repurpose a three year plus vacant industrial property, attracting a manufacturer from out of state to invest not only in the building but also creating new job opportunities. The building upgrades will make the facility much more energy efficient.

Knickerbocker

Cost Benefit Analysis

Assumptions

\$ 3,000,000 Current Assessment
 \$ 2,500,000 Increase in Assessment
 2% Annual Tax Rate/Assessment Increase

	Tax	
	<u>Rates</u>	
County	4.303195	
Town	5.088859	
Village	0	
School	16.837842	
Total	26.229896	

Inputs

Year	Abatement		New Taxable Value	Existing Taxable Value
	Multipliers			
1	0.0000	1.0000	2,500,000	3,000,000
2	0.0000	1.0000	2,550,000	3,060,000
3	0.0000	1.0000	2,601,000	3,121,200
4	0.0000	1.0000	2,653,020	3,183,624
5	0.0000	1.0000	2,706,080	3,247,296
6	0.0000	1.0000	2,760,202	3,312,242
7	0.0000	1.0000	2,815,406	3,378,487
8	0.0000	1.0000	2,871,714	3,446,057
9	0.0000	1.0000	2,929,148	3,514,978
10	0.0000	1.0000	2,987,731	3,585,278

**Proposed Incentive -
 Deviates from Standard Schedule**

Year	Tax Payment	Taxes Abated
1	78,690	65,575
2	78,690	68,460
3	78,690	71,403
4	78,690	74,405
5	78,690	77,467
6	78,690	80,590
7	78,690	83,775
8	98,690	67,024
9	123,690	45,339
10	153,690	18,719
Total	926,898	652,757

Estimated Actual with No Incentive (for comparison)

Year	Abatement	County	Town	School	New Taxes Paid	Existing Taxes Paid	Total Taxes Paid
1	0%	10,758	12,722	42,095	65,575	78,690	144,264
2	0%	10,973	12,977	42,936	66,886	80,263	147,150
3	0%	11,193	13,236	43,795	68,224	81,869	150,093
4	0%	11,416	13,501	44,671	69,588	83,506	153,095
5	0%	11,645	13,771	45,565	70,980	85,176	156,156
6	0%	11,878	14,046	46,476	72,400	86,880	159,280
7	0%	12,115	14,327	47,405	73,848	88,617	162,465
8	0%	12,358	14,614	48,353	75,325	90,390	165,714
9	0%	12,605	14,906	49,321	76,831	92,198	169,029
10	0%	12,857	15,204	50,307	78,368	94,041	172,409
Total		117,797	139,304	460,924	718,025	861,630	1,579,655

Project Costs \$ 10,625,000
Hard Costs \$ 4,825,000

Sales Taxes Abatement

<u>category</u>	<u>value</u>	<u>taxes</u>
construction	2,500,000	200,000
nachinery & ff&e	-	
Total		200,000

Mortgage Recording Tax Abatement

Mortgage	8,424,000
Tax	21,060

Fees

IDA	(1% of Project Costs)	\$48,250
IDA Attorney	(1/3 of IDA fee)	\$16,083
	CIITAP app	\$0
	IDA app	\$1,000
	Total	\$65,333

Summary

\$ 652,757	Total Property Tax Abatement
200,000	Sales Tax Abatement
21,060	Mortgage Recording Tax Abatement
\$ 873,817	Total IDA Incentives

8% Incentive as a percentage of project costs
 8% ESD incentive as a percentage of project costs