

Financial Assistance Application Lockheed Martin Owego Mission Systems and Training (MST) Portfolio Expansion Cost / Benefit Analysis

The information included herein is taken from the attached Tioga County Industrial Development Agency (IDA) "Application for Financial Assistance", Memorandum of Understanding (MOU) between Empire State Development and Lockheed Martin Corporation (Corporation), and various correspondence and conversations between representatives of the Tioga County Department of Economic Development and Planning, Tioga County Industrial Development Agency, County of Tioga, Town of Owego, Empire State Development and the Corporation's Mission Systems & Training (MST).

PROJECT SUMMARY

In January 2014, the Tioga County Department of Economic Development and Planning (ED&P) responded to Corporation's request for economic development assistance for the relocation and merging of heavy machine tool and milling equipment and for the relocation of program specific laboratory space into Owego's current production facilities. This would allow the Owego operation to expand its current manufacturing portfolio to include not only aircraft and material handling components but also other U.S. Department of Defense (DoD) applications such as heavy ship board systems.

The Tioga County Economic Development Priorities and Policies Plan, developed by Glenn Carter and adopted by the Tioga County Legislature on November 13, 1995 via Resolution 414-95, specifically identifies the need to "retain and expand an existing company", additionally noting the electronics supply and manufacturing industry as an economic development priority for Tioga County. The plan states, "Tioga County must do everything possible to encourage the growth of [Lockheed Martin] these firms."

MST – Ship and Aviation Systems -Owego NY Operations located in the Town of Owego - Tioga County, design and build complex electronic and flight systems, and provide aircraft integration services, and research and development for the DoD and allied nations. The business also designs and builds complex package and mail sorting equipment for package handlers and postal systems world-wide. As part of a corporate wide consolidation effort the company is planning to develop a centralized state of the art center of excellence for aerospace/defense machining applications and add additional project laboratory space at the Owego campus. This proposed project would build upon Lockheed Martin Owego's current expertise in small to medium / light weight machining and manufacturing primarily for aircraft applications to be broadened to include machining for other DoD manufacturing applications.

The proposed manufacturing center of excellence and additional laboratory space located in Owego would provide economies of scale that would greatly enhance new business opportunities for MST. This new facility co-located with MST Owego's current electronic circuit board and components manufacturing operations along with the world – class research and development operation at the Owego campus would provide a broad capability in supporting high technology programs. The greatly enlarged and updated manufacturing center would be located in existing underutilized space on the MST Owego campus. The positions created / sustained by this project would be approximately 75 production and 55 technical support and engineering positions for a total job count of approximately 130. It is also important to note that the new jobs will support the entire MST Division and will not be tied to one particular DoD program or contract.

The total projected investment is currently estimated at \$19,284,547. The renovated space will house heavy machine tool and milling equipment and program specific laboratory space.

Establishing the proposed Manufacturing Center of Excellence at Lockheed Martin –Owego should:

- Establish Lockheed Martin - Owego as a key complex manufacturing location within the Lockheed Martin Corporation in addition to its current position as a recognized center of excellence for engineering design and development.
- Provide opportunities for new production / technician positions in New York's Southern Tier
- Assist in stabilizing the employment base at the Owego facility and assist the Corporation in maintaining and growing its large pool of New York State based suppliers and vendors.
- Allow Lockheed Martin – Owego to expand its University partnerships currently focused on electronics packaging to include complex mechanical systems. This should also provide additional opportunities for partnership at the Community College level.

PROJECT DETAIL

Proposed Site:	Current Lockheed Martin site at 1801 State Route 17C, Owego, NY.
Job Retention:	No projected job retention.
Job Creation:	Project creates an anticipated new workforce of 130 with an estimated new payroll of \$9,142,925 by 2015.
Project Schedule:	Construction is scheduled to begin in April 1 of 2014 and be completed by January 15 of 2015; projected 10-month construction schedule.

ESTIMATED PROJECT BUDGET

Lockheed Martin Corporation	
Building Construction	\$13,245,243
Equipment purchase	\$2,978,990
Equipment relocation	\$2,823,820
Design & Planning	\$143,947
Legal Fees	\$50,000
Financial Application Fee	<u>\$42,547</u>
Total	\$19,284,547

Tioga County IDA

Based on Building Construction, Equipment Purchase and Equipment Relocation estimates, including the break out materials and labor, the IDA will be offering a sales tax savings estimated at \$1,123,013.44

Total estimated incentive package for project: \$1,123,013.44

ECONOMIC IMPACT

A) Employment Impact:

In determining employment impact to the area, we have utilized the direct-effect employment multiplier provided by the US Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis (2003). The following estimates employment impact for Tioga County, New York.

Estimated Employment Impact Tioga County, NY	
	Lockheed Martin
Job Creation	130
Multiplier	1.4806
Total Employment Impact to Tioga County, NY	192

Employment Impact Summary:

1. This project will ramp up to creating approximately 130 employees by the Corporation.
2. Additional indirect results include creating ~62 jobs in Tioga County, NY.

B) Earnings Impact on an annual basis:

In determining annual earnings (wages) impact, we have utilized the direct-effect earnings multiplier provided by the US Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis (2003). The following estimates annual earnings impact for Tioga County, New York.

Estimated Annual Earnings Impact Tioga County, NY	
	Lockheed Martin
Annual Earnings (130 employees)	Est. \$9,142,925
Multiplier	1.1865
Total Earnings Impact to Tioga County, NY	\$10,848,080

Annual Earnings Impact Summary:

1. This project will ramp up to creating an estimated \$9,142,925 in annual employee earnings by the Corporation.
2. Indirect results include creating ~\$1,705,155 in additional annual employee earnings in Tioga County, NY.

If the sales tax exemption is not agreed upon by the Corporation, the IDA and the municipalities, the possibility exists that the total project costs increase to a point where Lockheed Martin- Owego is no longer competitive with other Lockheed Martin sites outside of New York State. Lockheed Martin- Owego could lose the opportunity for positioning as a key complex manufacturing location within the entire Lockheed Martin Corporation.

JUSTIFICATION FOR DEVIATION FROM UNIFORM PILOT POLICY

The following additional points should be considered as justification for deviation from the IDA's Uniform PILOT Policy:

- Without the proposed sales tax exemption, competitive considerations may force the Corporation to locate the highly skilled heavy/precision machining and manufacturing areas to a facility out of state.
- Lockheed Martin- Owego is the largest private-sector employer in the County of Tioga and has plans to significantly renovate existing space if granted the sales tax exemption.
- The project will have a significant economic impact with regard to job creation and new wage earnings in Tioga County. At a minimum, the project will create 130 new jobs with wages estimated at \$9,142,925.

- The sales tax abatement provided will only be applied to Lockheed Martin Owego Portfolio Expansion Project new construction / improvements on current property under ownership of the Corporation.
- If the Lockheed Martin Owego Portfolio Expansion Project is approved and the relocation/renovation work advances, Lockheed Martin- Owego will be recognized as a key complex manufacturing location within the Lockheed Martin Corporation in addition to its current position as a recognized center of excellence for engineering design and development. This designation could result in the possibility of additional future work, additional high technology employment opportunities, and additional economic stimulus to Tioga County, NY.
- Electronics supply and manufacturing is one of five key business growth industries toward which the Tioga County Department of Economic Development and Planning is targeting its efforts. (See “Economic Development Priorities and Policies” - Tioga County Department of Economic Development and Planning, 11/8/95)

SUMMARY

- Lockheed Martin is contributing an estimated \$18,534,547 in private capital investment, creating 130 new jobs and paying \$9,142,925 in new annual wage earnings.
 - The Tioga County IDA is offering sales tax savings estimated at \$1,123,013.44 for construction, equipment purchase and relocation.
 - There will be no mortgage tax abatement or real property tax abatement associated with the Lockheed Martin Owego Portfolio Expansion project.
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