

MEMORANDUM

To: Governor Peter Shumlin
From: Pat Moulton
CC: Justin Johnson
Date: June 26, 2015
Re: Windham County Economic Development Program funding for GS Precision

G.S. Precision (GSP) is a leader in the manufacturing of high-precision machined components and sub-assemblies for the aircraft engine, aerospace, medical, fiber-optic, automotive, specialty bearing, and other commercial industries.

GSP was founded in 1958 in Wilmington, Vermont and moved to the Brattleboro facility in 1985. They also opened a facility in Guaymas, Mexico in 2003; opened a second facility in Brattleboro in 2008; acquired Matthews Aerospace Industries in California in 2010 and purchased Knappe & Koester in Keene, NH in 2013. GSP has been a family-owned and operated business for more than 50 years.

GSP has over 500 employees worldwide (290 in Brattleboro) and, based on current growth estimates they will exceed 600 by 2020. Employee benefits include medical, dental, vision, long-term and short-term disability, 401K, vacation, paid holidays and advancement opportunities. Employees also receive on-the-job and web-based training.

GSP is planning an expansion to meet expected future demand over the next five years, primarily due to a potential GE turbine engine contract. The company is expecting to increase employment levels by up to 100 jobs between 2016 and 2020. This growth is tied to this new contract.

GSP will be investing in a new facility with up to 100,000 sf of additional floor space plus substantial equipment purchases. New equipment in the range of \$10 million will be added over the five year period including state of the art water jet cutting and CNC milling machines as well as substantial support operations. GSP has two facilities in the Exit One Industrial Park in Brattleboro. Existing operations at 101 John Seitz Drive, Brattleboro, would be transferred to the new facility along with the new equipment. The new space will be substantially larger and will allow for a more efficient plant layout as well as more capacity. The existing "training center" further up John Seitz Drive will remain as is. The existing plant at 101 will be available for sale to a new company.

GSP already has a facility in Keene, New Hampshire from their acquisition of Knapp & Koester and is considering locating their expansion there as well. They have invested \$120,000 in a site and building design and NH has offered an incentive package. Owner Norm Schneeberger was not going to consider expansion in Vermont until the Vermont team you led met with him in May to explain what Vermont could offer. The Vermont offer was very well received but Norm has yet to agree to the expansion here over NH.

Mr. Schneeberger has agreed to consider doing the GSP expansion in Vermont if details on the following incentive package can be finalized:

- Vermont Economic Development Authority (VEDA) low interest loan of \$2.3 million;
- Community Development Block Grant of \$1,000,000 toward either infrastructure or the building;
- Vermont Employment Growth Incentives (VEGI) of between \$0.5M to \$1.0M, depending on VEPC's decision to use the Subsection 5 authority. VEPC approved incentives just over \$1m at their meeting June 23.
- Economic Development Administration (EDA) Grant of \$1 million through BDCC for Exit 1 industrial park infrastructure, and development of the new building;
- A \$2,000,000 grant/loan from the Windham County Economic Development Program. This is a loan which will be paid back at the time of the sale of the building to GSP. The pay back will be 7+ years out. The loan will be in a subordinate position and repaid after the first tier debt is satisfied. For the purposes of the New Market Tax Credits, and to maximize leverage of those tax credits, it is considered a "grant" in the short term. A portion of this funding will be used to match an EDA grant for infrastructure in the park. The balance toward construction of the building.
- Up to \$500,000 short term, interim grant from WCEDP for development costs which will be paid back at closing on financing for the building. A target date for closing is September 2015. These funds will not be released until there is a firm commitment from GSP as well as \$100,000 toward development costs from GSP.

We seek your approval to utilize \$2,000,000 from the Windham County Economic Development Program as described, for this incentive package. As well as the short term use of up to \$500,000 of WCEDP to be paid back at closing.

Please let me know if you have questions.

Approved: X

Not approved: _____

Peter Shumlin, Governor

Date

10/30/15