



Business Ready Community Grant and Loan Program

Report and Recommendations to the Wyoming Business Council

November 23, 2015

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BRC Financial Summary

Available Funds Summary			
	BRC	Large Infrastructure	Total
Net Appropriations	\$ 336,261,255	\$ 25,000,000	\$ 361,261,255
Awards Adjusted by Deobligations	\$ (319,333,731)	\$ (10,300,000)	\$ (329,633,731)
BRC Loan Principal and Interest Payments Received to Date	\$ 1,460,882	\$ -	\$ 1,460,882
Expiration of 2013/2014 budget footnote, transfer of unobligated funds to regular BRC	\$ 4,700,000	\$ (4,700,000)	\$ -
Total Available Funds	\$ 23,088,406	\$ 10,000,000	\$ 33,088,406

BRC Application and Program Summary

The office of the Attorney General conducts a review of each application and project structure. Awards are contingent on satisfactory execution and administration of previous grants or loans by an applicant. Other contingencies, if any, are defined in the project description.

BRC APPLICATION SUMMARY				
Applicant	Project Name	Project Type	Requested Amount	Staff Recommendation
Laramie, City of	Tungsten Heavy Powder & Parts	Business Committed	\$ 2,935,924	\$ 2,935,924
Total Requests			\$ 2,935,924	\$ 2,935,924
Available BRC Funds (less Governor's Large Infrastructure funds)			\$ 23,088,406	\$ 23,088,406
Balance remaining if awarded			\$ 20,152,482	\$ 20,152,482



**Business Ready
Community Grant
and Loan Program**

LARAMIE

\$2,935,924 Business Committed grant to construct a 15,500 square-foot manufacturing and office building to be used by Tungsten Heavy Powder & Parts (THPP)

**Staff Recommendation:
Fund as requested**

Project Description

The city of Laramie requests a \$2,935,924 Business Committed grant to construct a 15,500 square-foot manufacturing and office building to be used by Tungsten Heavy Powder & Parts (THPP). The building will be located in the Laramie River Business Park.

The Laramie Chamber Business Alliance (LCBA) will contribute the land (4.64 acres valued at \$910,000) where the building will be constructed. THPP will provide a \$225,000 cash match, equipment and employee training.

The Business

THPP is based in San Diego, California, and has been in business since 1999. The company is a worldwide supplier of tungsten components for military, industrial engineering and medical markets. The company plans to manufacture in the Laramie plant those products that are required to be made on U.S. soil. Other products will continue to be imported from China and shipped worldwide.

The business management team consists of four people including:

- Joe Sery, President and CEO.
- Russell Lewis, partner.
- Jarmo Aaltonen, general manager.
- Daren Cheng, president and CEO of Xian Refractory Precision Metals Co., Ltd.

The four have 100-plus years of combined experience in engineering, metallurgy, manufacturing marketing and management.

The company presently offers products used for military, engineering, medical and research purposes. Tungsten is an inert substance and is environmentally friendly.



Project Goals and Benefits

THPP projects the creation of 25 new jobs initially and as many as 55 in five years. Jobs will pay a median wage of \$18.33 per hour, which is higher than Albany County's/Laramie's median wage of \$16.81. The company offers benefits including vacation, sick pay, medical insurance, pension fund participation and bonuses.

The recruitment of THPP is on par with the growth of Laramie's technology and manufacturing sector. This business brings diversity to Laramie's technology and manufacturing sectors. Additional taxes will be realized. Further, this business will present opportunities for University of Wyoming graduates.

Timeline

The applicant estimates the project will be complete by December 2016.

Funding

The total project cost is \$4,070,924 of which \$2,935,924 represents a Business Committed grant. The grant will be matched by \$225,000 cash from THPP. Equipment financing will be provided by THPP through a \$1,500,000 loan. In-kind match totals \$910,000, which represents the land from LCBA. The company will provide an estimated \$1,500,000 in training for new employees.

Cost per square foot is \$208.

Timothy Belton, a registered professional architect, provided initial cost estimates. Plan One Architects provided additional detail.

Lease and Revenue Recapture

The city of Laramie will own the building through the construction phase. When construction is complete, ownership will transfer to LCBA. LCBA will lease the building to THPP for approximately \$46,200 per year. The company is responsible for insurance, taxes and utilities.

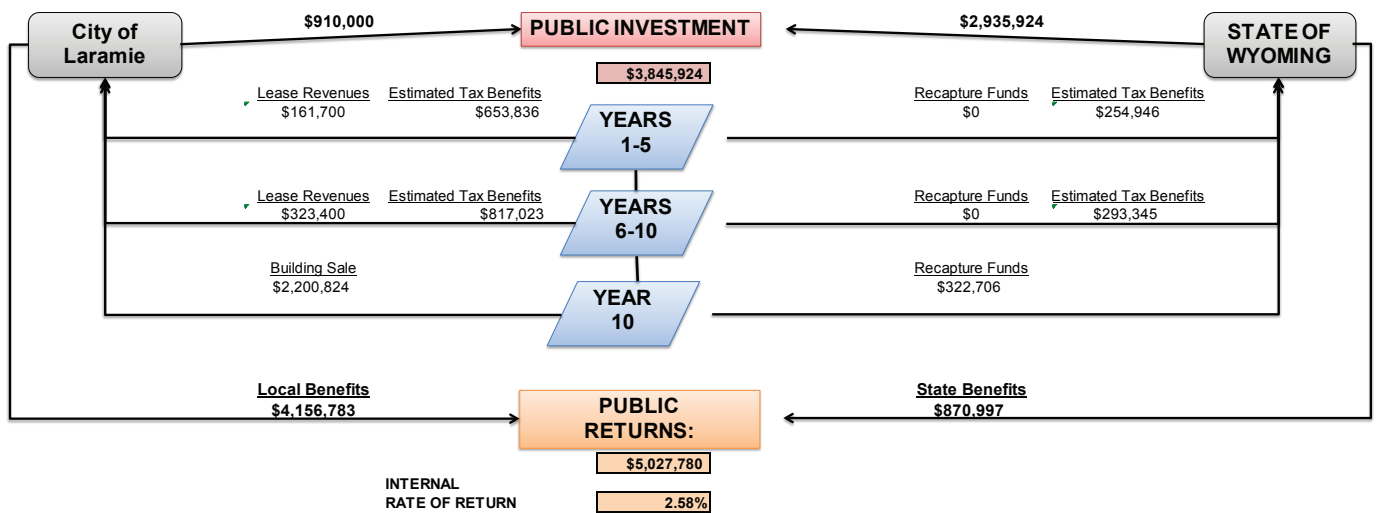
LCBA proposes to use recaptured revenue from lease payments as follows:

- 80 percent – on-going economic development including infrastructure, project-specific marketing, grant match and other projects as needed.
- 20 percent – LCBA operations

Sources	
BRC amount	\$2,935,924
Cash Match	\$ 225,000
In Kind Match	\$ 910,000
Total eligible project cost	\$4,070,924
BRC % of total eligible project costs	72%
Local % of total eligible project costs	28%
Uses	
Land Acquisition Costs	
Land	\$ 910,000
Non-Construction Costs	
Architectural and Engineering fees	\$ 160,924
Other fees (surveys, tests, etc.)	\$ 53,245
Project inspection fees	\$ 7,987
Construction Costs	
Site work	\$ 298,173
<i>Building Components:</i>	
Electrical Systems	\$ 276,875
Mechanical, plumbing, HVAC systems	\$ 612,319
Landscaping	\$ 50,583
Foundation and/or Structural Framing system	\$1,024,969
Interior Finishes	\$ 210,318
Fire Protection	\$ 29,285
Remediation	\$ 6,565
Stairs, railings, exterior finishes	\$ 85,192
Equipment (Jib Crane)	\$ 6,656
Contingencies (12%)	\$ 337,833
Total Uses	\$4,070,924

After year 10, the company will have the option to purchase the land and the building for fair market value less lease payments. Should the company choose to exercise this option the net proceeds will be managed as follows:

- 50 percent – to be used by LCBA to fund economic development infrastructure, project-specific marketing and other economic development projects as necessary
- 25 percent – return to the Wyoming Business Council in an effort to support the sustainability of the BRC program
- 25 percent – to be retained by LCBA as matching dollars for future grant projects with the Wyoming Business Council



Regional Comments by Heather Tupper

Tungsten Heavy Powder & Parts (THPP) initially contacted the Wyoming Business Council in late February 2015. THPP conducted online research in its search for a new location and was impressed by Wyoming’s favorable business climate. After researching several sites around the state and making two rounds of site visits, the company chose the location in the Laramie River Business Park II for the expansion of the company. THPP manufactures tungsten components for several applications, and many of the current contracts the company holds are with military operations worldwide. The expansion will allow THPP to enter into a number of additional pending contracts that require production to be completed in the United States.

The Laramie Chamber Business Alliance (LCBA) has been integral in the development of the relationship with THPP. LCBA will donate the land in the business park on which the THPP facility will be constructed. The company committed its own funds to meet the \$225,000 cash match requirement of the project. In addition, THPP will work with a local bank to secure financing for equipment in the new facility.

Business Plan and Financial Analysis

THPP’s business plan has been reviewed by WBC staff.

A full review of the company’s financials and business plan is available to board members upon request.

Staff Recommendation

Staff recommends funding as a Business Committed grant in the amount of \$2,935,924 as requested contingent upon verification of financing for working capital, equipment and training.

Performance measures for the project include building construction, job creation and additional private investment.

Project Overview

Laramie - Tungsten Heavy Powder & Parts Expansion					
Purpose	The city of Laramie requests a \$2,935,924 Business Committed grant to construct a 15,500 square-foot manufacturing building with office space to be used by Tungsten Heavy Powder & Parts (THPP). The building will be located in the Laramie River Business Park.				
Project Budget	Projected Grant Expenditure Schedule				
	Description	BRC	Match		Total
			Cash	In Kind	
	Land	\$ -	\$ -	\$ 910,000.00	\$ 910,000
	Non-Construction Costs	\$ 206,343	\$ 15,813	\$ -	\$ 222,156
Construction Costs	\$2,729,581	\$ 209,187	\$ -	\$ 2,938,768	
Total Project Cost	\$2,935,924	\$ 225,000	\$ 910,000	\$ 4,070,924	
Performance Measures	Measure	Quantity		Notes	
	Businesses Assisted	1			
	Return on Investment	2.58%			
	Revenue Recapture	\$ 3,071,821	\$870,997-WBC, \$2,200,824-Local		
	County Median Wage	\$ 16.81			
	Median Wage of Jobs Created	\$ 18.33			
	Jobs to be Created (3 Year Projection)	30			
Additional Investment	\$ 3,000,000.00	Equipment and training			
Project Infrastructure	Land	4.64 acres			
	Acres Developed	4.64			
	New Building Construction	15,500 sf			

