



CASE STUDY

Precision in Vermont

NMTC keeps company, jobs in state *By Mark Fogarty*

New Markets Tax Credits (NMTCs) can make a big difference in bolstering rural development and preventing manufacturers from fleeing to greener pastures. A good example of this is G.S. Precision of Brattleboro, VT. It got two separate allocations of NMTCs, which helped it stay in Vermont, add additional space and increase output, allowing it to hire additional employees.

Two Community Development Entities (CDEs) in different states worked in tandem on the project: The Massachusetts Housing Investment Corp., a regional player whose area includes all of New England, provided \$5.3 million in NMTCs, while Vermont Rural Ventures added \$11.7 million in credits, for a total of \$17 million.

The rural southeastern Vermont area suffered an economic blow when the Vermont Yankee nuclear power plant shut down in 2014 with a loss of 600 jobs. Meantime G.S. Precision, which manufactures precision parts for the aerospace and airplane industries, was having trouble raising the money it needed to fulfill a big contract from General Electric. If it had to move it would have taken away another 329 well-paying jobs from Brattleboro, a town of about 11,000 people.

Today, the firm has no plans to move after construction of additions to two existing buildings in 2017. The successful project was the work of many hands, with the Brattleboro Development Credit Corp. taking the lead in developing the NMTC structure with state and regional entities joining, as well as TD Bank, which extended a loan and was the equity investor. Even the town of Brattleboro joined in, with a \$200,000 revolving loan.

In all, according to Vermont Rural Ventures, "The



New Markets Tax Credits helped G.S. Precision of Brattleboro, VT stay in the state and expand its facilities to take on a large manufacturing contract.

financing package leverages G.S. Precision funds, a Community Development Block Grant, the Vermont Yankee closure and town funds, TD Bank and Vermont Economic Development Authority financing, and New Markets Tax Credit equity." (The closure of the nuclear plant was accompanied by a pledge of \$2 million a year for five years for area economic development.)

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Team sport financing

At an event marking completion, Vermont Sen. Patrick Leahy remarked on the successful patchwork quilt of financing that went into the construction. “No rock was left unturned in finding the resources to finance this deal. Vermont could count on federal programs to partner with G.S. Precision to make this possible,” the senator said. “This creative package shows once again that successful economic development is truly a team sport.”

Deborah Favreau, chief development officer at MHIC and Ellen Caracciolo, MHIC’s senior asset manager, explained that it wasn’t unusual for the two CDEs to work together.

“MHIC and Vermont Rural have a close relationship,” said Favreau. “We can fill gaps in projects in rural areas. We really work in tandem.”

The two detailed a situation which could have led to another drain on the Brattleboro economy, since G.S. Precision has about 15 percent of the area’s manufacturing jobs. “This is a classic rural environment,” said Favreau.

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Financing

Total cost: \$19 million

Vermont Rural Ventures:

\$11.7 million NMTC

Massachusetts Housing Investment Corp.:

\$5.3 million NMTC

Other parties:

TD Bank, G.S. Precision, Brattleboro Development Credit Corp., town of Brattleboro, Community Block Development Grant fund, Vermont Economic Development Authority, Vermont Yankee closure funds.

“Wages falling, average age increasing and state, regional, local organizations intent on how to turn that around and create better paying jobs.”

The cost of expansion

G.S. Precision, a family business that has been operating since 1958 and in Brattleboro since 1985, was poised to expand to fulfill a big contract with General Electric on a high-efficiency, super light engine but couldn’t do it with their existing facility. “They were thinking of moving, of how they could lower costs, of how to expand,” said Favreau.

The problem, the MHIC officials said, was that the cost of construction would be more than the appraised price when finished. “They had to bridge the gap between what the bank would lend and the construction cost,” said Favreau.

The result of the complicated financing (BDCC ended up buying the buildings and leasing them back to GSP) was two additions to existing buildings and about \$5 million to buy the equipment they will need. The project took a year-and-a-half to complete. A 60,000 square foot building got an additional 16,000 square feet of space. The second building, originally 40,000 square feet, was expanded by 7,300 square feet.

Not only did GS Precision keep its original head count, but it also added 68 new jobs, according to the two officials. Over five years, the company hopes to see a total extra head count of 100.

The expansion “will allow us to increase our capacity to meet the growing demands of the markets that we serve,” said G.S. Precision president and CEO Norm Schneeberger.

“It was a really efficient use of the NMTC,” said Favreau. She also likes the fact that the company has set up a training program with a local technical college. Employees can take classes at night. “It’s also a pathway to encourage high school kids to take a look at this kind of work,” she said.



Workers at G.S. Precision show off the precision manufacturing that makes the operation resemble a Swiss watch plant.



Operating like a watch

MHIC thought highly enough of the project to highlight it in its annual report, describing a site visit to the operation.

MHIC director of communications Deborah Addis wrote, “When you enter the building, it is relatively quiet. Large machines and equipment operated by skilled employees looking intent, many behind computer screens, occupy 123,000 square feet of industrial space in two buildings. The whole scene looks like a huge Swiss watch operating in sync.”

In fact, all the parties to the financing seem quite pleased with the way it has turned out.

“This project allowed for the retention of 300 high paying, quality precision manufacturing jobs and the creation of up to 100 new jobs here in Brattleboro. The expansion will help offset the impacts from the closure of Vermont Yankee Nuclear Power plant,” summed up Adam Grinold, the executive director of BDCC.

The project was put together at speed, Grinold said, with the concept hashed out in about six weeks and then another eight months to get all the permits and do all the work to achieve the award of the NMTCs. “We had to work really quickly to get the concept together,” he said. “Our region and the state were invested in keeping them.”

The public/private partnership “worked hand in hand” to get the deal done, Grinold said, with great cooperation from everyone from the governor down to the municipality. “Everyone is able to stand up a little taller,” he said of the venture, which won Project of the Year from the New England Developers Association.

And there is no mistaking that NMTC is what made the GSP expansion possible. According to John Hanley, chief financial officer at GSP, “G.S. Precision is in the midst of a major growth phase that requires significantly more equity capital than GSP

could access on its own. The underwriting of the NMTC financing by MHIC and others was the single biggest financial driver behind our ability to move forward.”

Grinold reported a similar project using NMTC funding now is underway in Rockingham, VT. That project will end up costing \$23 million, with the same two CDEs involved in the tax credits. **TCA**

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