



5/5/20

Mr. Fred Braun  
Chairman  
Town of Brookhaven Industrial Development Agency (IDA)  
One Independence Hill  
Farmingville, NY 11738

Dear Chairman Braun,

Global Tissue Group (GTG) is a manufacturer of disposable paper good products including facial tissue, paper towels, napkins and bath tissue. We produce these through private label and contract manufacturing. During this current pandemic we are working steadfastly on the prospect of mask production. The retrofit we are looking at is a new process for converting masks at high volume and can likely produce 10,000 masks per minute or 10 times the volume of standard machinery. This is more innovative equipment compared to standard Chinese made pieces of equipment that can output 100 masks per minute which is not financially viable for an operation such as GTG. Additionally, the company is determining the type of masks to be produced (ie; surgical, n95, kn95, etc). Once that decision is made we will then have to apply for FDA approval.

During this due diligence process GTG is financially modeling out the equipment, raw material, labor, packaging, shipping and soft costs ensuring that the new line is as efficient as possible. The company continues to spend a significant amount of time mapping out this new production and hope to have more clarity on the process in 30 to 45 days. It would be helpful to get some guidance on what type of financial and additional support to undertake this project may be available as we analyze costs and options to support the growing need locally, regionally and in the country.

We are a Brookhaven IDA success story. GTG was able to invest millions of dollars to build and equip a 160,000 square foot state of the art manufacturing facility in the Town while creating 100 new jobs with the IDA's assistance.

Our current job count in Medford is 185 employees with an annual payroll of \$12MM. GTG has a robust economic multiplier effect by making it a priority to use local vendors for supplies and materials. We spend a significant amount of dollars purchasing from Bellport based Pallets-R-Us, while the supplier we use for our product packaging raw materials moved from Queens to Hauppauge where they purchased a building to be closer to our facility. We also strive to create a positive work culture at GTG. This includes paying for employees English as a second language (ESL) classes, continuing education and advanced learning courses in manufacturing.

GTG's growth has been rapid. We have outgrown our facility locally requiring us to enter into 225,000 square feet of short-term leases for warehousing and distribution.

In an effort to reduce operational costs while simultaneously creating a new product distribution channel in 2009/ 2010 we constructed a 165,000 square foot manufacturing facility in Jacksonville Florida. This location is a strong profit center for us while having a significantly lower operating cost.

While the Town's officials have been doing their part to create a positive business environment, New York State has been making it exceedingly difficult to maintain a profitable operation in the Long Island region.

Our company competes on both a global and national scale with manufacturers who operate in a drastically lower cost environments including North Carolina, South Carolina and Pennsylvania. For example, a main competitor just invested hundreds of millions of dollars in a new plant and equipment in the State of Ohio. The minimum wage there is \$8.55 per hour. In New York, we are on pace shortly for \$15.00 per hour. Add higher energy costs, our property taxes that are soon to set at \$300,000+ per year and you get an unsustainable model.

Given these competitive dynamics GTG is at a crossroads. As we see it there are three options our management team is considering.

One is shuttering the Medford facility relocating 185 positions to our Jacksonville Florida location. The payroll cost there starts at \$8.46 per hour resulting in an hourly rate savings of 75% for unskilled positions.

The second is investing in a new facility in Ohio. The State has given us an incentives proposal valued at \$1.7MM. This will allow us to be on even footing with our main competitor from an operational cost perspective.

Our third option is that we would consider investing back into our Medford facility, doing our best to buck the negative high cost environment. Over the next few years, we anticipate creating an additional 40 jobs and investing \$2 million in new manufacturing equipment. This would result in a 20% employment increase. We would like for nothing more than continue to make this investment in Medford rather than anywhere else. Though, this can only be accomplished by getting a significant extension to our PILOT agreement. We are requesting an additional 10-year extension with years 1-5 at 100% abatement, then years 6-10 increasing 20% per year.

During our meeting and plant tour with the IDA staff it came up about the possibility of expanding the footprint of our current building. While this is not in our near-term capital expenditure plans, it is something that may be considered in the future.

We are truly thankful to the Town of Brookhaven Officials, the Town of Brookhaven IDA Staff and the Town of Brookhaven IDA Board of Directors for their understanding and consideration.

Regards,



Fred Meir Elnkaveh  
Chief Executive Officer