

**SKILLED MANUFACTURING
LOCATION SEARCHES & THE CASE
FOR ALLEGANY COUNTY, NY:
A SITE SELECTION CONSULTANT'S
PERSPECTIVE**

*Why Allegany County, NY is an excellent location to establish
machinery and fabricated metals manufacturing.*

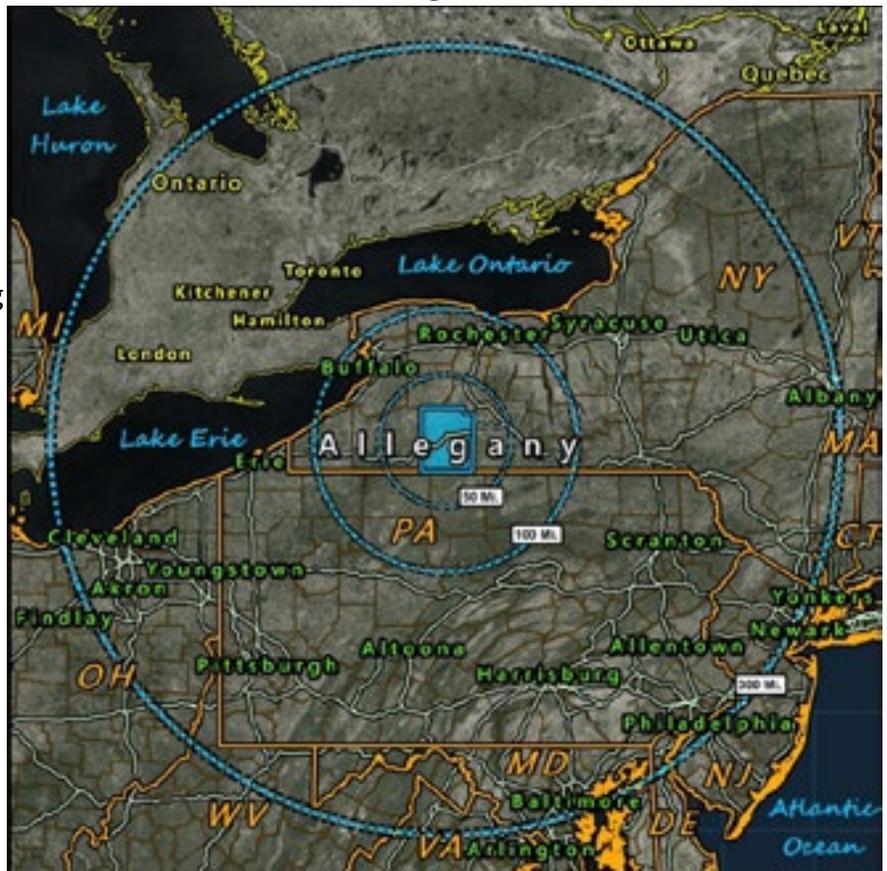
Wadley Donovan Gutshaw Consulting (WDGC) has been providing consulting support to the Allegany County Development office since 2016. Over a series of assignments, WDGC has helped to identify sites, evaluate the labor market of each major community in the County, and provide guidance on industry targets best suited to local labor market characteristics and appropriate real estate (office, industrial, buildings and land).

Introduction to Allegany County

Allegany County is situated along the Interstate Highway 86 corridor in Western New York, and centrally situated between the Great Lakes, Northeast and Mid-Atlantic Regions, as well as southern Ontario. The County boasts three universities within its borders and eight within a 50-mile radius, attractive small towns, a diverse economy and extensive agricultural, woodland, and recreational amenities. The universities attract a diverse student body and faculty, both nationally and internationally. Alfred University, in the idyllic village of the same name, is globally renowned as one of the leading ceramics engineering and arts institutions. Alfred University, adjacent Alfred State College and nearby Houghton College also offer programs ranging from technology to business to liberal arts. The universities provide an excellent source of entry level talent within the County.

In addition to higher education, important components of the County's economy include health care services, cheese and other dairy products manufacturing, and precision metal products manufacturing. Overall labor costs are roughly 5 to 15% lower than the closest large city, Buffalo, which is approximately 90 miles northwest of Allegany County, and comparably lower than most urban areas in the Northeast and Great Lakes states. Average manufacturing wages in the county are estimated to be in the \$18-19 /per hour range. Trainable entry level labor can be hired in the \$12.50-\$13.50 per hour range.

Workforce quality is a major plus reported by Allegany County employers. Almost 70% of working age adults have 12-15 years education. Local employers highly rate basic skills and computer skills of workers and in addition, the workforce is stable with low turnover and unscheduled absenteeism. Overall unemployment in the County is roughly 5.1% (as of May, 2019), significantly higher than the national average. Manufacturing employment is concentrated in the communities of Wellsville (30-minute commute population of 36,000 and 99,000 within 45-minutes) and Cuba (30-minute



commute population of 57,000 and 135,000 within 45-minutes). Importantly, competitive demand in the County is modest. This contributes to favorable supply conditions and also low turnover rates. Depending on the specific site, the blue collar underemployed pool for a new manufacturer could approach 2,000 workers.

There is available labor market capacity in skilled and semi-skilled manufacturing occupations complemented by suitable industrial sites and available buildings in Allegany County to ramp-up small to medium size manufacturing operations. The town of Cuba has a 92,000 sf / expandable and vacant manufacturing building that is essentially in move-in ready condition. Recent and anticipated downsizings of machining and related operations in Wellsville will open up more manufacturing building space for new investment – with the requisite base of established precision skills.

The Metalworking Industry and the Allegany County Advantage

Fabricated metals and machinery remain strong and growing industries that continue to recalibrate and flourish in the US. Major customer sectors have generated heavy demand for fabricated metals. Such sectors include transportation, energy, manufacturing, and construction. The bulk of customers for many fabricators tend to be regional, ideally within next day or the very least second day delivery via motor carrier. This places Allegany County within a convenient trucking distance for a large base of potential customers in the Northeast, Mid-Atlantic and Midwest regions, as well as Southern Ontario and Quebec – together these comprise the epicenter of economic activity in North America. Transportation cost and market access are key siting factors.

The skilled trades, so critical in metalworking, are in increasingly short supply in the US. Allegany County is fortunate to have a solid base of apprentice-based metalworking crafts, rooted in its traditional manufacturing base, consisting of companies making, as examples, compressors, heat exchangers, pipes, processing and repair machinery, tools and other products. The County also benefits as the location of one of New York State's leading technical training assets – Alfred State College's Applied Technology Center in Wellsville, including the new Sustainable Advanced Manufacturing Center (SAMC) opened in 2016. This \$5 million, 16,000-square-foot facility helps the college continue to produce more job-ready graduates for manufacturers who are eager to find well-trained workers. As manufacturing processes continue towards an Industry 4.0 environment, the digitalization of manufacturing plants is becoming commonplace in the industry. New factories will be high tech and efficient with comparatively lower employment levels but requiring greater skills competency. Growth of the industry will outpace the skilled labor supply, even with increases in automation.

Allegany County's young talent and local training resources are geared to this transformation. The County also has development opportunities in the ceramics manufacturing space, particularly in ceramics cutting tools. Alfred University is one of the world's leading centers of Ceramic Engineering education.

WDGC envisions machinery and metal fabrication segments of the metalworking industry as excellent fits for Allegany County's labor and building / site assets. Manufacturing workforce requirements of up to 250 headcount will be well matched to the County's skilled and general labor assets. Examples of product manufacturing well suited for Allegany County: compressors, front-end loaders and other construction equipment, piping, plumbing supplies, HVAC equipment, wire, fabricated materials and many others.

The Local Manufacturing Community

Wellsville is the local hub for machinery and fabricated metals manufacturing. Wellsville is situated approximately 10 miles from I-86 and is the commercial and largest population center of Allegany County. GE Lufkin (shut-down in December 2016 due to company consolidation) was a sizable employer of skilled machinists and metal crafts (producing heat exchangers); reportedly many of these workers have found employment out-of-county (e.g., Hornell, Corning) – a new manufacturing employer in Wellsville could be in a position to attract some of these workers back to a local site. A large Siemens manufacturing operation is also scheduled to close (due to consolidation) in the next 12-18 months; however several manufacturing companies continue to operate successfully in the community. Wellsville is also the home of Alfred State College's Applied Technology Campus in Wellsville with 2-year programs including: building trades, diesel, electrical, HVAC, welding among others.

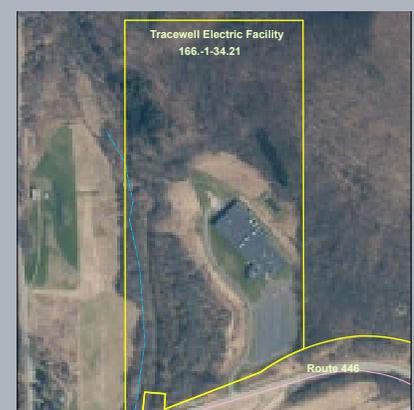
The I-86 corridor villages of **Cuba** (where there is vacant 90,000 + sf building suitable for many applications) , and the nearby communities of **Friendship** and **Belmont** provide a second concentration of local manufacturing, particularly dairy products and larger regional labor shed (Olean to Hornell) along the 86 corridor. The building opportunity in Cuba, in particular, provides a target of opportunity for not only metalworking, but other industries including plastics, packaging and building materials. This facility was formerly an electronics assembly operation.

The Village of **Alfred** is not only an idyllic home for both Alfred State College and Alfred University, but is home to an incubator for start-up and growth companies engaged in ceramics and related materials research. This is further supported by the Sugar Hill Industrial Park, which houses small scale manufacturing and development activity.



Notable Property: Tracewell Manufacturing Facility

The Tracewell Manufacturing Facility in Cuba, NY offers over 90,000 sq. ft. of clean, high-quality manufacturing space adjacent to NY's I-86. Built in 1993, this facility has been well-maintained and is in excellent condition. Features include 26,500 sq. ft. of office space, two truck bays, 22 ft. ceilings, 1500 KVA of electrical service, and 6" reinforced concrete electrostatic floors. The facility is also 100% air-conditioned.



For site selectors considering Allegany County:

- Optimal size range for manufacturing operations: 50-150 for initial staffing (12-24 months).
- Gradual expansion in future years to 200-250 is feasible.
- General, small-scale light manufacturing is also viable in each of the communities listed above.

Siting Criteria for Manufacturing and Metalworking: A Case for Allegany County

Based on the experience of WDG Consulting, gained from many years working with corporate executives concerning expansion, consolidation and relocation decisions, the following represents a foundation set of location criteria for metal and related manufacturing activities. Broad characteristics include, first and foremost, the scale and sustainability of the skilled and semi-skilled and underemployed labor pool, and the locally competitive demands placed on this talent market. The costs of talent – vis-a-vis major source metro areas – is another core, often threshold criteria.

The attractiveness (or perception) of the market is another very important consideration. Allegany County is not well known and is very rural in character yet forms a tight community of towns and villages with a traditional work ethic and values. The small-town character is not for everyone, but is a good environment to live well on a manufacturing wage.

WDGC has identified key siting factors for manufacturing operations. In 2018, WDGC evaluated the suitability of Allegany County across manufacturing and industrial sectors, and profiled the capacity of each of the County’s major communities to support the workforce, infrastructure, and siting requirements from a corporate site selectors lens. These factors are often weighted and scored based on the specifics of a particular requirement.

Key Siting Factors	Considerations
Labor	<ul style="list-style-type: none"> • General labor scale • CNC and related machining skills • Maintenance and tooling skills / welding • Vo-tech infrastructure to replenish workforce and stay abreast of current skills needs
Site	<ul style="list-style-type: none"> • 15-30 ac to accommodate a facility in the 100,000-200,000 sf range . Some operations such as job shops much smaller • Building ceiling ht. / large bays / column spacing /load bearing floors
Utilities	<ul style="list-style-type: none"> • Water –for cooling industrial machinery / chemical composition important to machinery life • Power – large loads dependent on type and number of machines – reliability is key • Gas – alternate process heating source
Cost	<ul style="list-style-type: none"> • Labor • Power • Occupancy
Access	<ul style="list-style-type: none"> • Proximate to interstate quality routes or good surface routes (adjacent best) for shipping • Market and supply source optimization
Zoning / permitting	<ul style="list-style-type: none"> • Rail a plus • Moderate / heavy industrial use • Permitting (particularly air quality)

During the course of WDGCs Allegany County investigations, the consultants interviewed local employers to better understand labor needs, challenges and opportunities; visited industrial buildings and sites to determine suitability for a range of industries, met with local academic and training experts to understand the talent pipeline and toured the technical assets of the local, academic, research and start-up community to gauge the level of R&D and entrepreneurial activity locally.

The results of this work distilled and summarized for metal working and related industrial activities follows.

Allegheny County as a Metalworking Center of Excellence

Industry Opportunities: Highly Attractive	Location Factor Competitiveness: Moderately Competitive	Site Fit: Suitable
---	---	---

Allegheny County's Competitive Advantage

		High	Medium	Low
Site Selection Priority Factors	High	<ul style="list-style-type: none"> • Skilled labor supply • Semi-skilled labor supply • Market access • Electric power reliability • Secondary/post secondary training resources • Personal property tax exemption 	<ul style="list-style-type: none"> • Headcount scale limitations (e.g., <=250 initially) • Potentially high electric power cost • Due to supply/demand labor costs could exceed U.S. average 	<ul style="list-style-type: none"> • No critical red flags observed
	Medium	<ul style="list-style-type: none"> • A couple fully serviced industrial sites • Possibility for reduced electric power cost • Proximity to interstate highways • Potential job creation & refundable investment tax credits • Natural gas availability • Established industry 	<ul style="list-style-type: none"> • Limited fills service sites (water/sewer) • Limited available buildings • State permitting time • Industry downsizing both a plus and perceived minus winter/cold weather 	<ul style="list-style-type: none"> • Perceived state business climate • High property tax without abatement • Motor carrier service good but not extensive
	Low	<ul style="list-style-type: none"> • Rail could be an advantage (Siemens sites) 	<ul style="list-style-type: none"> • Relocating managerial/professional talent 	<ul style="list-style-type: none"> • Air service

Snapshot of Key Advantages

Skilled and Semi-skilled Labor Supply:

Growth of the metalworking industry is outstripping the skilled workforce supply, even with increases in automation. Allegheny County is fortunate to have a solid base of metalworking crafts, rooted in its traditional manufacturing base, consisting of companies making, as examples, compressors, heat exchangers, pipes, processing and repair machinery, tools and other products. Several manufacturing operations have closed or downsized in recent years. Another is planning to significantly reduce its local presence - mainly the victims of global acquisition and consolidation. These operations had employed skilled machinists, technicians, mechanics and welders - although many of these workers have found employment out-of-county, many face long commutes and a new manufacturing employer in Wellsville could be in a position to attract some of these workers back to a local site.

Market Access:

The bulk of customers for many fabricators tend to be regional, ideally within next day delivery (via motor carrier). This places Allegheny County within a convenient ½ to full-day trucking distance for a large base of potential customers in the Northeast, Mid-Atlantic and Midwest States, as well as Southern Ontario and Quebec. Allegheny County is at the nexus of the Eastern Great Lakes-Northeast-Mid-Atlantic Regions and Interstate Highway 86 provides an uncongested toll-free east-west route linking these regions together.

Electric Power Supply and Reliability:

Large industrial load power, reliability and competitive costs are essential. Served by a variety of utilities, Allegany County offers nationally competitive industrial rates for electric power cost, as well as as source fuel mix that strives to be one of the most environmentally sustainable in the country.

Secondary /Post-secondary Training Resources:

One of the outstanding assets of Allegany County is the Alfred State College Applied Technology Center in Wellsville. Alfred State is a New York State center of excellence for developing trade skills and offers 2-year programs in building trades, diesel, electrical, HVAC, machining, welding, and other skilled trades. Notably, students reside on a traditional 4-year college campus and have the opportunity to continue their education at the baccalaureate level.

Available Manufacturing Buildings:

A 92,025 sf former electronics assembly plant on a 53.85 acres site. This facility is suitable for a wide variety of manufacturing and industrial uses and includes approximately 20,000 sf of office space for support activities. The property is adjacent to Village of Cuba; with Village water/sewer and, National Grid power and Natl Fuel gas line and within 1 mile of an interchange with I-86. Within 30-minutes of this site is a workforce exceeding 28,000 and nearly 65,000 within 45 minutes. Additional industrial facility opportunities with large scale infrastructure will likely be available within the next 12-18 months in the Village of Wellsville.

Available Manufacturing Sites:

The Town of Wellsville offers a rail-served industrial site of approximately 18 acres with full infrastructure, suitable for a variety of up to mid-size manufacturing requirements and proximate to Alfred State College's Applied Technology Center.

Lifestyle:

Allegany County offers a variety of small-town options from college towns to traditional main street America to rural retreats – affordable housing, excellent schools, no congestion and a pleasant stress-free environment in a beautiful natural setting.

Labor Cost Snapshot

WDGC believes Allegany County presents an excellent business case to accommodate the set-up and growth of small to midsize manufacturing operations in the metalworking sector. Other suitable industries include plastics, packaging, building materials and craft foods and beverages. A compelling cost case can be made for wage costs versus metropolitan cities in the Northeast, MidAtlantic and Great Lakes Regions, per the following assumptions: 100 employee manufacturing plant with general production and CNC machine tool programmers. Average hourly wages for both jobs and a blended annual costs for 100 employees (50:50 split) between the two occupations are presented:

- NY Metro: \$19.69 / \$28.59
- Boston Metro: \$20.84 /31.25
- Buffalo: \$19.95 / \$28.84
- Pittsburgh: \$19.96 / \$27.23
- ALLEGANY COUNTY: \$19.45 /\$23.15

Location	Blended Wage / Annual Costs		Allegany County Annual Savings
	Hourly Wage	Labor Cost (annual)	
ALLEGANY COUNTY	\$ 21.30	\$ 4,430,400	
Boston	\$ 26.05	\$ 5,417,300	\$ 986,900
Buffalo	\$ 24.40	\$ 5,074,160	\$ 643,760
New York City	\$ 24.14	\$ 5,021,120	\$ 590,720
Pittsburgh	\$ 23.60	\$ 4,907,760	\$ 477,360

As depicted in this example, annual labor cost savings in Allegany County versus these representative Northeastern urban areas range from slightly under \$500,000 to nearly \$1 million – a substantial bottom line consideration.

Based on employer interviews conducted in 2018 with Allegany County manufacturers, trainable entry level production workers can be hired in the \$12.50-\$13.50 range, roughly 10-15% lower than in the immediate Buffalo area, per local manufacturing hiring managers.

In Conclusion

Allegany County is a Compelling Location for Small to Medium-scale Manufacturing – Machining, Metal Fabrication and Related Industries

1	The available labor pool in Allegany County exceeds demand. We do not see the local market currently approaching labor saturation for manufacturing and production activities, particularly those requiring skilled trades -- an enviable position in this time of national talent shortages.
2	Furthermore, there is a strong talent pipeline, generated by the regional university and technical college infrastructure and further enhanced by the extensive portfolio of leading colleges and universities throughout Central and Western New York. Within 100 miles are institutions ranging from Cornell, RIT, SUNY Buffalo and many others. Local technical training resources are outstanding and comprise a significant advantage for incoming employers.
3	Within 300 miles of major Northeast, Mid-Atlantic and Great Lakes markets including New York City, Philadelphia, Baltimore-Washington, Pittsburgh, Cleveland, Buffalo, Toronto and Rochester. Includes most of New York State, all of Pennsylvania, Northeastern Ohio and large parts of New Jersey, Delaware, Maryland and southern Ontario.
4	Within one day trucking (about 550 miles) of the above cities, plus Boston and much of New England, Virginia south to Richmond, Columbus, Detroit, Cincinnati, and Montreal.
5	Tracewell Building. This former electronics assembly plant offers 92,025 sq. ft. of industrial and office space on a 54-acre site with Interstate 86 visibility in Cuba NY and is available for various manufacturing and support applications.
6	Vossler Road site, Wellsville. Located in the largest community in Allegany County; an 18- acre, rail-served property with industrial grade power, gas and water / sewer.
7	Competitive operating costs with significant labor cost savings versus urban areas within the larger Region.
ALLEGANY COUNTY: Skills Base, Market Access, and Competitive Costs for Your Manufacturing Requirements	

Did You Know?

Alfred University is one of the world's leading institutions of ceramic engineering, design and art.

Alfred State College, part of the SUNY system, has one of New York's leading applied technology programs and offers 2-yr students in the skill trades an on-campus living experience and opportunities to complete a 4-year degree, combining core job skills with business and other professional credentials.

In a recent survey by US News and World Report, Alfred State College has the number one ranked machine tool technology program in the country.

Wellsville was an original center of the oil extraction and refining industry, a forerunner of the skilled metalworking and machining industries that have developed locally over the years.

Wellsville's major employers including leading producers of turbines, heat exchangers and piping for a wide variety of manufacturing, utility and construction applications.

Cuba and Friendship are leading dairy and cheese products manufacturing clusters for both regional and national distribution.

I-86 is a convenient, toll-free and uncongested alternative from the Midwest to East Coast cities, avoiding NY Thruway and Pa Turnpike tolls and the heavy truck traffic and at times challenging road conditions of I-80.

Two medium hub sized airports (Buffalo and Rochester) are within a 90-minute drive of much of Allegany County.

Wellsville Airport provides access for general aviation and corporate aircraft.

The Peace Bridge Port of Entry in Buffalo is within 2 hours drive, providing convenient access from Toronto and much of Southern Ontario.

Overall very low overall cost of living means higher discretionary income and comfortable lifestyles for families of average means – plus excellent local schools and an excellent state-wide network of public higher education institutions.

COL difference in Allegany will be significantly lower the Northeast/MidAtlantic metro areas, yet the area is accessible. Driving times: Buffalo / Rochester- 90 minutes; New York City, Philadelphia and Baltimore (5 hours); Boston 6.5 hours; Pittsburgh, 4 hours; Cleveland 3 hours; Toronto, 4 hours; Detroit (5.5 hours).

Access to moderate cost industrial power and one of the most environmentally balanced mixed of power sources, including large-scale hydro. Depending on the program, costs could be in the 5.5-6.5 cents per kWh range.

No inventory tax in New York State is a benefit for many manufacturers and distributors.

The area's climate offers the attraction of seasonal weather patterns, but moderated from extreme disruption; low risk from earthquakes, hurricanes and tornado, and generally outside the lake effect snowbelts closer to Lakes Erie and Ontario.

