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City of Jacksonville, Florida

Lenny Curry, Mayor

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Eastern Wire Products, Inc. Summary June 7, 2021

Company:

Eastern Wire Products, Inc.
5301 W 5th Street
Jacksonville, FL 32254

Background:

Eastern Wire Products (EWP) manufactures steel wire and related products. The Company offers single and double loop bale ties, galvanized Hi-tensile tying, ceiling, and automatic tying wire. EWP's products are manufactured to support the recycling and construction industries. Their customer base is primarily located east of the Mississippi River. All products are manufactured to meet their customers' requirements. Fifty percent of their business is sold in truckload lots to distributors and the balance to smaller users. The Company was founded in 1971 by Robert Yates, Sr. and Robert Yates, Jr. (father & son) and now is owned and managed by Robert Jr's two sons Mark and Scott Yates. The Company has been leasing a portion of the multi-tenant building owned by a national Real Estate Investment Trust located at 5301 W 5th Street for the last 30 years. The cost of occupancy has continued to escalate, and they desire to purchase a facility enabling them to expand their business and better control their occupancy costs.

The building they are negotiating to purchase is located at 5415 Longleaf Street, Jacksonville, FL 32209. The location is within a Level 2 Distress Area. Constructed in 1964 the 78,000 SF building requires significant updating to meet the current building code requirements and to retrofit the interior for manufacturing. Presently 21,200 SF is being leased to Wrist Ship Supply Company. Wrist has 5 years remaining on the lease. Eastern Wire proposes to initially occupy the remaining 56,800 SF of the building. Once the lease expires or Wrist chooses to terminate the lease then Eastern Wire will expand into the space.

The costs associated with upgrading the building to meet current building code and install the infrastructure to convert the interior space from a warehouse to manufacturing use create a material factor for Eastern Wire Products. EWP prefers to remain in Northwest Jacksonville and upgrade the building to meet health and safety codes and their manufacturing infrastructure needs. The costs associated with the acquisition and renovation is estimated to be \$4,461,905 and summarized as follows:

• Site Acquisition & Demolition	\$ 3,055,000
• Infrastructure Improvements	522,239
• Building Renovations	645,242
• Machinery & Equipment Purchases	<u>239,424</u>
Total	\$4,461,905

Eastern Wire Products has been working with Wells Fargo Bank to provide permanent financing totaling up to \$3,790,715 subject to an SBA Program 7 (a) loan guarantee and the financial assistance from the Northwest Economic Development Fund totaling \$250,000 and an equity contribution by the company totaling \$421,190. The financial assistance from the Northwest Economic Development Fund is a material factor in enabling Eastern Wire Products, Inc. remain in Northwest Jacksonville and expand their family-owned manufacturing business.

Sources of Funds:

• First Mortgage / Lien	\$3,790,715
• Equity Contribution by Principals	421,190
• Northwest SBDI 2 nd Mortgage Loan	150,000
• Northwest Business Infrastructure Grant	<u>100,000</u>
Total	\$4,461,905

Eastern Wire Products presently employs 42 full time persons at an average wage of \$38,000 (\$18.26 hr.) plus benefits. Annual payroll averages \$1.6 million plus benefits. Eastern Wire estimates that the expansion will result in the creation of an additional 10 new permanent full-time jobs within the three (3) years averaging \$32,500 per year plus benefits after the building is acquired and renovated.

Project Assistance Requested: Northwest Economic Development Fund Business Infrastructure Grant (BIG) in the amount of \$100,000. A Small Business Development Initiative (SBDI) loan of \$150,000 amortized over 20 years with a balloon payment (\$86,153) at the end of the tenth year. The SBDI loan would be subordinate to the first mortgage loan provided by Wells Fargo Bank guaranteed by the US Small Business Administration 7 (a) Program. The level of assistance recommended is within the Public Investment Policy Guidelines.

Estimated ROI is 2.13: 1