



CITY OF FRANKLIN
COMMUNITY DEVELOPMENT DEPARTMENT

Memorandum

To: City of Franklin Economic Development Commission
From: Krista Linke, Community Development Director
Date: April 2nd, 2014
Re: Case C 2014-10: Heartland Machine & Engineering, LLC

Summary:

1. On March 18th, 2013, the Franklin Common Council passed Resolution No. 2013-11, approving a 10-year tax abatement on real property with a 2% Economic Development Fee for Heartland Machine & Engineering, located at 2848 N. Graham Road.
2. Actual and estimated benefits, as projected for 2013:

	Estimated on SB-1	Actual in 2013	Difference
Employees Retained	18	18	0
Salaries	\$1,080,144	\$1,080,144	\$0
New Employees	7	10	3
Salaries	\$364,000	\$576,056	\$212,056
Total Salaries	\$1,444,144	\$1,656,200	\$212,056
Average Hourly Salaries	\$27.77	\$28.44	\$0.67
Real Property Improvements	\$800,000	\$178,518	-\$621,482

3. Justin Weber, VP & Chief Operating Officer for Heartland Machine & Engineering, LLC explains in the attached letter that the entire capital investment was not made in 2013 due to harsh fall/winter conditions, as well as time to secure financing and state building permits. Financing was ultimately secured and all permits have been granted.
4. The revised investment timetable indicates that the remaining \$621,482 will be spent in the first two quarters of 2014.
5. The real property tax abatement for Heartland Machine & Engineering, LLC, is scheduled to expire in tax year 2024 payable 2025. The final compliance review will take place in 2025.

Staff Recommendation

Approval



COMPLIANCE WITH STATEMENT OF BENEFITS REAL ESTATE IMPROVEMENTS

State Form 51766 (R2 / 1-07)

Prescribed by the Department of Local Government Finance

20 13 PAY 20 14

FORM CF-1 / Real Property

PRIVACY NOTICE

The cost and any specific individual's salary information is confidential; the balance of the filing is public record per IC 6-1.1-12.1-5.1 (c) and (d).

This statement is being completed for real property that qualifies under the following Indiana Code (check one box):

- Redevelopment or rehabilitation of real estate improvements (IC 6-1.1-12.1-4)
 Eligible vacant building (IC 6-1.1-12.1-4.8)

INSTRUCTIONS:

- This form does not apply to property located in a residentially distressed area. (IC 6-1.1-12.1-2 (b))
- Property owners must file this form with the County Auditor and the Designating Body for their review regarding the compliance of the project with the Statement of Benefits (SB-1 / Real Property).
- This form must accompany the initial deduction application that is filed with the County Auditor.
- Property owners whose Statement of Benefits was approved after June 30, 1991, must file an updated form with the County Auditor and the local Designating Body to show the extent to which there has been compliance with the Statement of Benefits. (IC 6-1.1-12.1-5.1)
- The updated form must be filed annually by May 15, or by the due date for the real property owner's personal property return that is filed in the township where the project is located, whichever is later. (IC 6-1.1-12.1-5.1 (b))
- With the approval of the Designating Body, compliance information for multiple projects may be consolidated on one (1) compliance form (CF-1 / Real Property).

SECTION 1 TAXPAYER INFORMATION

Name of taxpayer Heartland Machine & Engineering, LLC	
Address of taxpayer (number and street, city, state, and ZIP code) 2850 Graham Road, Franklin, IN 46131	
Name of contact person Justin G. Weber	Telephone number (317) 346-0463

SECTION 2 LOCATION AND DESCRIPTION OF PROPERTY

Name of designating body The City of Franklin Common Council		Resolution number 13-11
Location of property 2848 Graham Road, Franklin, IN 46121	County Johnson	DLGF taxing district number
Description of real property improvements: HME will build a 20K sq. ft. building to support machine tool distribution. The building will provide office space for 6-8 employees, showroom facilities, and warehousing.		Estimated starting date (month, day, year)
		Estimated completion date (month, day, year)

SECTION 3 EMPLOYEES AND SALARIES

EMPLOYEES AND SALARIES	AS ESTIMATED ON SB-1	ACTUAL
Current number of employees	18	25
Salaries	1,080,144.00	1,500,200.00
Number of employees retained	18	18
Salaries	1,080,144.00	1,080,144.00
Number of additional employees	7	10
Salaries	364,000.00	576,056.00

SECTION 4 COST AND VALUES

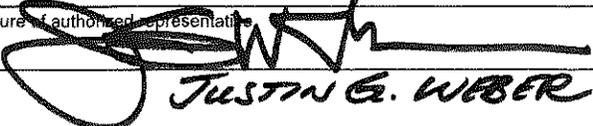
COST AND VALUES	REAL ESTATE IMPROVEMENTS	
AS ESTIMATED ON SB-1	COST	ASSESSED VALUE
Values before project	63,000.00	92,600.00
Plus: Values of proposed project	800,000.00	800,000.00
Less: Values of any property being replaced		
Net values upon completion of project	863,000.00	892,600.00
ACTUAL	COST	ASSESSED VALUE
Values before project	63,000.00	92,600.00
Plus: Values of proposed project	178,518.00	178,518.00
Less: Values of any property being replaced		
Net values upon completion of project	241,518.00	271,118.00

SECTION 5 WASTE CONVERTED AND OTHER BENEFITS PROMISED BY THE TAXPAYER

WASTE CONVERTED AND OTHER BENEFITS	AS ESTIMATED ON SB-1	ACTUAL
Amount of solid waste converted	0	0
Amount of hazardous waste converted	0	0
Other benefits:		

SECTION 6 TAXPAYER CERTIFICATION

I hereby certify that the representations in this statement are true.

Signature of authorized representative  JUSTIN G. WEBER	Title VP & COO	Date signed (month, day, year) 02/27/2014
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2850 Graham Road
Franklin, IN 46131
(317) 346-0463

February 27, 2014

City of Franklin
Attn: Krista Linke
70 E. Monroe Street
Franklin, IN 46131

Re: 2013 Tax Abatement Compliance Packet for Heartland Machine & Engineering, LLC

Dear Ms. Linke,

Enclosed, please find Form CF-1/RE and other required documentation per your instructions listed in your letter dated January 28, 2014. The enclosed documentation pertains to our compliance with the real property tax abatements which were granted to Heartland Machine & Engineering, LLC (HME) in 2013 under Franklin Common Council Resolution number 13-11. The tax abatement deduction was granted for the redevelopment or rehabilitation of real estate improvements for the construction of a 20,000 square foot facility located at 2848 Graham Rd. in Franklin, IN. The facility will provide office space for six to eight employees, showroom facilities, and warehousing for machine tools (whole goods) and spare parts for aftermarket / warranty fulfillment.

As can be seen from the enclosed documents, our company has been successful in creating the full complement of jobs which had been proposed in the Statement of Benefits (Form SB-1). Eighteen employees were retained at our headquarters location in Franklin, and ten additional employees were hired in 2013. Seven of the ten additional hires are based in the Franklin office. The three remaining employees reside in our satellite office in Mason, MI. Although the Michigan staff members do not reside at the Franklin location, their positions were directly created as a result of strengthened, strategic relationships with our key vendors. Distribution expansion agreements with these vendors will be fulfilled through the new showroom and warehouse.

HME was not successful in making all of the projected capital investment in the forecasted period as stated on Form SB-1. A total of \$800,000 in capital investment was to have been spent in 2013. Due to harsh fall / winter conditions, and to a lesser extent, time to secure financing and State building permit approval delays, total capital expenditures amounted to \$178,518 in 2013. Financing was secured and all permits have been granted, but severe weather conditions continue to delay building progress. Please refer to the enclosed deficiency statement and revised timeline for the project.

If you have any questions or concerns regarding this matter, please feel free to contact me at (317) 346-0463.

Sincerely,

Justin G. Weber
VP & Chief Operating Officer
Heartland Machine & Engineering, LLC

Heartland Machine & Engineering Employment Phase-In Schedule

	Managerial/Professional	Technical/Sales/Admin	Service	Other	Total
Year of Abatement	2013	2013	2013	2013	
1st Quarter					
2nd Quarter					
3rd Quarter	1	3	2		6
4th Quarter		2	2		4
Year of Abatement	2014	2014	2014	2014	
1st Quarter					
2nd Quarter					
3rd Quarter					
4th Quarter					
Year of Abatement	2015	2015	2015	2015	
1st Quarter					
2nd Quarter					
3rd Quarter					
4th Quarter					
Total	1	5	4		10

Heartland Machine & Engineering Investment Timetable

	Buildings	Equip. Type 1	Equip. Type 2	Equip. Type 3	Total
Year of Abatement	2013	2013	2013	2013	
1st Quarter					
2nd Quarter					
3rd Quarter					
4th Quarter	\$ 178,518				\$178,518
Year of Abatement	2014	2014	2014	2014	
1st Quarter	\$ 300,000				\$300,000
2nd Quarter	\$ 321,482				\$321,482
3rd Quarter					
4th Quarter					
Year of Abatement	2015	2015	2015	2015	
1st Quarter					
2nd Quarter					
3rd Quarter					
4th Quarter					
Total	\$ 800,000				\$800,000

Construction Progress



Steel frame assembly.



Brick fascia materials on site.