CITY OF FRANKLIN

COMMUNITY DEVELOPMENT DEPARTMENT

Memorandum

To: City of Franklin Economic Development Commission

From: Krista Linke, Community Development Director

Date: April 24, 2014

Re: **Case C 2014-28: Nitrex, Inc.**
Case C 2014-34: GROK Enterprises

Summary:

1. On June 6th, 2011, the Franklin Common Council passed Resolution No. 2011-02, approving a 10-year tax abatement on real property with a 2% Economic Development Fee and a 10-year tax abatement on $2,913,050 in personal property with a 5% Economic Development Fee for GROK Enterprises, LLC (Real Property) and Nitrex, Inc. (Personal Property), located 300 Blue Chip Court. In 2013, through Resolution No. 2013-16, the Franklin Common Council amended the personal property tax abatement to $6,300,000 in personal property and extended the completion date through the end of 2014 for the project.
2. Actual and estimated benefits, as projected for 2013:

	Estimated on SB-1	Actual in 2012	Difference
Employees Retained	25	15	(10)
Salaries	$881,567	$606,892	-$274,675
New Employees	12	11	(1)
Salaries	$341,974	$393,340	$51,366
Total Employees	37	26	(11)
Total Salaries	$1,223,541	$1,000,232	-$223,309
Average Hourly Salaries	$15.90	$18.50	$2.60
Personal Property Improvements	$2,913,050	$1,361,572	-$1,551,478
Real Property Improvements	$850,000	$915,000	$65,000

3. The company indicated in their original application that they would hire 1 employee in 2011, 3 additional employees in 2012, 4 additional employees in 2013, and 3 additional employees in 2014. This adds up to 12 additional employees by the end of 2014. They are ahead of schedule in new employees but have not retained the number of employees they indicated. The average hourly wage is higher than originally estimated.
4. Their original abatement application indicated that they would not purchase any equipment in 2011 but they purchased $241,525. They estimated purchasing $1,499,050 in 2012 but they purchased $1,120,036. $1,414,000 was purchased in 2013 for a total of $2,913,050. They are now ahead of their original equipment investment total, and have until the end of 2014 to purchase the remaining equipment added in the amended application in 2013.

5. The personal property tax abatement is scheduled to expire in tax year 2023 payable 2024. The final compliance review will take place in 2024.
6. The real property tax abatement is scheduled to expire in tax year 2021 payable 2022. The final compliance review will take place in 2022.

Staff Recommendation: Approval

C 2014-28

NITREX INC. – INDIANA OPERATIONS

Plant
350 BLUE CHIP COURT, FRANKLIN, IN 46131
PHONE: 317-346-7700 • FAX: 317-346-7704

Corporate Address
201 E. MAYFLOWER AVE., NORTH LAS VEGAS, NV 89030
PHONE: 702-399-1554 • FAX: 702-639-3819

Ms. Krista Linke
Director of Planning & Economic Development
70 E. Monroe Street
Franklin, IN 46131

February 21, 2014

Ref.: (1) 2013 Tax Abatement Compliance Packet for Nitrex Inc.
(2) Resolutions 2011-02 and 2013-16.

Dear Ms. Linke,

Enclosed please find Form CF-1/PP (Compliance with Statement of Benefits) regarding compliance with the personal property tax abatements which were granted to Nitrex Inc. pursuant to our application made in May 2011, and further expanded pursuant to our amended application in May 2013. As can be seen from reviewing the enclosed documents, in the context of the revised application, our company:

a) has already reached the originally planned investment, while it is also in the process of investing in additional equipment, as envisaged in the updated schedule;
b) is in the process of creating additional jobs, as planned;
c) has already almost reached the originally planned salary total, while it is also in the process of increasing such total further, and anticipates that the final salary levels will significantly exceed the plan.

At this point Nitrex is very pleased with its progress, in accordance with the updated application, and the corresponding resolution. We anticipate substantially meeting our goals for December 31, 2014. If you have any questions or concerns regarding this matter, please feel free to contact me at 702-399-1554 x-101.

Cordially yours,

Chris Morawski
President / Nitrex Inc.

cc.: Isabelle Morawski – Controller
Michael Rodman – Business Development Manager

COMPLIANCE WITH STATEMENT OF BENEFITS PERSONAL PROPERTY

State Form 51765 (R2 / 5-13)
Prescribed by the Department of Local Government Finance

FORM CF-1 / PP

INSTRUCTIONS:
1. *Property owners whose Statement of Benefits was approved must file this form with the local Designating Body to show the extent to which there has been compliance with the Statement of Benefits. (IC 6-1.1-12.1-5.6)*
2. *This form must be filed with the Form 103-ERA Schedule of Deduction from Assessed Value between March 1, and May 15, of each year, unless a filing extension under IC 6-1.1-3.7 has been granted. A person who obtains a filing extension must file between March 1, and the extended due date of each year.*
3. *With the approval of the designating body, compliance information for multiple projects may be consolidated on one (1) compliance (CF-1).*

SECTION 1 — TAXPAYER INFORMATION

Name of taxpayer
NITREX INC.

Address of taxpayer *(number and street, city, state, and ZIP code)*
350 BLUE CHIP COURT, FRANKLIN, IN 46131 - MAILING ADDRESS: 201 E. MAYFLOWER AVE, N. LAS VEGAS, NV 89030

Name of contact person	Telephone number
ISABELLE MORAWSKI	(702) 399-1554

SECTION 2 — LOCATION AND DESCRIPTION OF PROPERTY

Name of designating body		Resolution number
FRANKLIN CITY COUNCIL		2011-02 & 2013-16
Location of property	County	DLGF taxing district number
PT. OF 2100 - 2110 EARLYWOOD	JOHNSON	31

Description of new manufacturing equipment, or new research and development equipment, or new information technology equipment, or new logistical distribution equipment to be acquired.
SEE ATTACHMENT

Estimated starting date *(month, day, year)*: 07/01/2011

Estimated completion date *(month, day, year)*: 12/31/2014

SECTION 3 — EMPLOYEES AND SALARIES

EMPLOYEES AND SALARIES	AS ESTIMATED ON SB-1	ACTUAL
Current number of employees	25.00	29.00
Salaries	881,567.00	1,122,364.00
Number of employees retained	25.00	11.00
Salaries	881,567.00	434,637.00
Number of additional employees	12.00	18.00
Salaries	341,974.00	687,727.00

SECTION 4 — COST AND VALUES

	MANUFACTURING EQUIPMENT		R & D EQUIPMENT		LOGIST DIST EQUIPMENT		IT EQUIPMENT	
AS ESTIMATED ON SB-1	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE
Values before project	1,786,059.0	595,353.00						
Plus: Values of proposed project	6,300,000.0	2,100,000.0						
Less: Values of any property being replaced	3,659.00	1,220.00						
Net values upon completion of project	8,082,400.0	2,694,133.0						
ACTUAL	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE
Values before project	1,786,059.0	595,353.00						
Plus: Values of proposed project	2,860,044.0	953,348.00						
Less: Values of any property being replaced	0.00	0.00						
Net values upon completion of project								

NOTE: The **COST** of the property is confidential pursuant to IC 6-1.1-12.1-5.6 (d).

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		
Amount of hazardous waste converted		
Other benefits:		

SECTION 6 — TAXPAYER CERTIFICATION

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

Signature of authorized representative	Title	Date signed *(month, day, year)*
IMorawski	ACCOUNTING MGR.	02/24/2014

14-34

GROK ENTERPRISES, LLC

300 Carlsbad Village Dr.
Suite 108/A, Box 186
CARLSBAD, CA 92008

OFFICE: 760-565-9754
FAX: 760-565-9440
MOBILE: 760-604-5049
E-mail: grokllc@prodigy.net

March 11, 2014

Krista Linke, Director
Franklin Economic Development Department
70 E. Monroe Street
Franklin, IN 4613

Re: Tax Abatement Compliance, GROK Enterprise, LLC for 300 Blue Chip Court - Nitrex
Building Council Resolution 11-02

Dear Ms. Linke,

Enclosed please find Form CF-1 RE (Compliance with Statement of Benefits) regarding compliance for the real property tax abatements which were granted to GROK ENTERPRISES, LLC.

As can be seen from a review of the enclosed document, the new building continues to be rented by Nitrex-Indiana Operations who will be filing their own separate CF-1 which reflects their continued growth and their projected capital investment..

Please review the enclosed documents and if you have any questions or concerns regarding this matter, please feel free to contact me. .

Best regards,

Thomas C Rose

Thomas Rose
President. Grok Enterprises, LLC

Enclosures:
FRM CF-1 for 2013
Expansion Investment Schedule - Real Property
Building/Construction and Occupancy Status Report

CONSTRUCTION AND OCCUPANCY STATUS REPORT 2013
GROK ENTERPRISES, LLC

NITREX-INDIANA OPERATIONS
300-350 BLUE CHIP COURT, FRANKLIN, IN 46131

Construction of the new building began in 2011 and was completed for occupancy in July 2012. In August of 2012, Nitrex employees began the task of moving and installing the heat treating furnaces, outfitting the offices and moving the metallurgical lab. The office work and metallurgical lab was completed by Dec 2012. In addition, Nitrex-Indiana continues to provide heat treating services to Cummins Engine, Eaton Aerospace, Illinois Tool Works, Timron Gear and several other major customers.

Nitrex-Indiana has installed new Gas Nitride equipment and continues to install additional processing capabilities.

Nitrex-Indiana continues to occupy 100% of both buildings located at 300 & 350 Blue Chip Court.

2013 EXPANSION INVESTMENT SCHEDULE
FOR
GROK ENTERPRISES, LLC
NITREX-INDIANA OPERATION

Attachment to Form CF-1 (Compliance with Statement of Benefits)
Expansion Investment Schedule by Quarter

	Actual Amount of Investment in 2013	Proposed Amount of Investment in 2013	Actual Amount of Investment Added by Year During Quarter				Actual Total Amount of Investment as of 12/31/2013	Difference between Actual and Proposed Amount of Investment
			3/13	6/13	9/13	12/13		
Buildings and Improvements	0	0	0	0	0	0	$915,000 (previous year)	+$65,000 (previous year)
Machinery & Equipment	Supplied by Nitrex		Supplied by Nitrex	Supplied by Nitrex	Supplied by Nitrex	Supplied by Nitrex	Supplied by Nitrex	
Totals	Supplied by Nitrex		Supplied by Nitrex	Supplied by Nitrex	Supplied by Nitrex	Supplied by Nitrex	Supplied by Nitrex	

COMPLIANCE WITH STATEMENT OF BENEFITS
REAL ESTATE IMPROVEMENTS

State Form 51766 (R3 / 2-13)
Prescribed by the Department of Local Government Finance

20____ PAY 20____
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).

INSTRUCTIONS:

1. *This form does not apply to property located in a residentially distressed area or any deduction for which the Statement of Benefits was approved before July 1, 1991.*
2. *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 (Form SB-1/Real Property).*
3. *This form must accompany the initial deduction application (Form 322/RE) that is filed with the county auditor.*
4. *This form must also be updated each year in which the deduction is applicable. It is filed with the county auditor and the designating body before May 15, or by the due date of the real property owner's personal property return that is filed in the township where the property is located. (IC 6-1.1-12.1-5.1(b))*
5. *With the approval of the designating body, compliance information for multiple projects may be consolidated on one (1) compliance form (Form CF-1/Real Property).*

SECTION 1 — TAXPAYER INFORMATION

Name of taxpayer: Grok Enterprises, LLC 92008	County: Johnson
Address of taxpayer (number and street, city, state, and ZIP code): 300 Carlsbad Village Drive, Suite 108A, Box 186, Carlsbad, CA	DLGF taxing district number: 31
Name of contact person: Thomas C Rose	Telephone number: (760) 604-5049

SECTION 2 — LOCATION AND DESCRIPTION OF PROPERTY

Name of designating body: Franklin City Council	Resolution number: 11-02	Estimated start date (month, day, year): July 2011
Location of property: 300 Blue Chip Court		Actual start date (month, day, year): July 2011
Description of real property improvements: Building @ 300 Blue Chip Court		Estimated completion date (month, day, year): July 2012
		Actual completion date (month, day, year): July 2012

SECTION 3 — EMPLOYEES AND SALARIES

EMPLOYEES AND SALARIES	AS ESTIMATED ON SB-1	ACTUAL
Current number of employees		
Salaries		
Number of employees retained		
Salaries		
Number of additional employees		
Salaries		

completed by NHREK

SECTION 4 — COST AND VALUES

COST AND VALUES	REAL ESTATE IMPROVEMENTS	
AS ESTIMATED ON SB-1	COST	ASSESSED VALUE
Values before project	0	
Plus: Values of proposed project	850,000	
Less: Values of any property being replaced		
Net values upon completion of project	850,000	
ACTUAL	COST	ASSESSED VALUE
Values before project	0	
Plus: Values of proposed project	915,000	
Less: Values of any property being replaced		
Net values upon completion of project	915,000	

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		
Amount of hazardous waste converted		
Other benefits:		

SECTION 6 — TAXPAYER CERTIFICATION

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

Signature of authorized representative: Thomas C Rose	Title: President-GRK	Date signed (month, day, year): 3-11-2014