



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 2014-32: Indiana Hydraulic Equipment Corp. (Formerly Nishina)

Summary:

1. On October 23rd, 2006, the Franklin Common Council passed Resolution No. 2006-08, approving a 10-year tax abatement on real property and a 10-year tax abatement on personal property for Indiana Hydraulic Equipment Corporation (formerly Nishina Industries) located at 2000 Commerce Parkway (Musicland Drive was renamed to Commerce Parkway in 2010).
2. Actual and estimated benefits, as projected for 2013:

	Estimated on SB-1	Actual in 2013	Difference
New Employees	34	32	-2
Salaries	\$1,320,000	\$1,109,172	-\$210,828
Average Hourly Salaries	\$18.67	\$16.66	-\$2.00
Real Property Improvements	\$5,000,000	\$6,014,112	\$1,014,112
Personal Property Improvements	\$7,000,000	\$6,623,542	-\$376,458

3. This company has exceeded their estimate provided on their SB-1 Form for Real Property.
4. Their original estimate was to hire 7 employees in 2007, an additional 13 employees in 2008, and the remaining 14 in 2009, for a total of 34 employees. They reported 23 employees at the end of 2010. They increased to 25 at the end of 2011.
5. While they increased their number of employees from 2012, the average hourly salary no longer exceeds their original estimate as it did in 2012.
6. The company has not met their estimated amount for personal property investment. They increased from \$6,088,158 in 2011 and \$6,205,352 in 2012.
7. The personal and real property tax abatements for Indiana Hydraulic Equipment Corporation are scheduled to expire in tax year 2017 payable 2018. The final compliance review will take place in 2018.

Staff Recommendation: Approval



INDIANA HYDRAULIC EQUIPMENT, CORP.

February 19, 2014

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

RE: 2013 Tax Abatement Compliance for Indiana Hydraulic Equipment, Corp.

Dear Ms. Linke,

Please find attached Form CF-1/RE and CF-1/PP (Compliance with Statement of Benefits) regarding our compliance with the real and personal property tax abatements granted in 2006 to Indiana Hydraulic Equipment, Corp. (IHC) through Nishina Industrial Co., Ltd. by the Franklin Common Council via Resolution No. 2006-08.

As can be seen from reviewing the enclosed documents, IHC was successful in maintaining the projected capital investment in the area of "Property" and "Buildings and Improvements". IHC made significant "Machinery and Equipment" purchases in 2013, however we did not make any new investments in IT equipment. At the end of 2013, IHC employed 32 of the estimated 34 Associates projected on the SB-1.

Please review the attached documents and feel free to contact me at 317-736-2532 if you have any questions or concerns regarding this matter.

Thank you again for your consideration of our report and your continuing support of Indiana Hydraulic Equipment, Corp.

Sincerely,

Dean L. Isley
Asst. Plant Manager
Indiana Hydraulic Equipment, Corp.

Indiana Hydraulic Equipment, Corp.
2000 Commerce Parkway
Franklin, IN 46131
2/19/2014

Attachment to Form CF-1 (Compliance with Statement of Benefits)
Construction & Occupancy Status Report - 2013

Construction of the new Indiana Hydraulic Equipment, Corp. (IHC) manufacturing facility was started with a ground breaking ceremony on May 7, 2007. By January 18, 2008 construction was substantially complete.

The inspection of the facility for Certificate of Occupancy was completed January 18, 2008 and the IHC staff began to move in the offices on January 21, 2008.

Receipt and unpacking of the new manufacturing equipment began from February 4, 2008 with the equipment setting and utilities completed by February 29, 2008.

Adjustments were completed by the end of March 2008 and initial trials were started from the first of April 2008. IHC Associates began training on the equipment from April 28, 2008. First production trials were on May 19, 2008 and IHC began shipping product to our customer on June 2, 2008.

Indiana Hydraulic Equipment, Corp.
2000 Commerce Parkway
Franklin, IN 46131
2/19/2014

Attachment to Form CF-1 (Compliance with Statement of Benefits)
Personal Property Listing - 2013

The attached 6 pages list the personal property which is presently installed and for which the original abatement deduction was granted.

Indiana Hydraulic Equipment, Corp. (IHC)
2000 Commerce Parkway
Franklin, IN 46131
2/19/2014

Attachment to Form CF-1 (Compliance with Statement of Benefits)
Comments concerning Expansion Investment Schedule and Job Creation Schedule - 2012

As of December 31, 2013, \$6,623,543 of the estimated \$7,000,000.00 "Machinery & Equipment" investment has been achieved. The discrepancy is due to the difference between the projected equipment and installation estimate and the actual equipment procurement and installation cost. IHC did however make machinery and equipment purchases of over \$500,000 in 2013.

As of December 31, 2013, \$376,748.00 of the estimated \$700,000.00 "IT Equipment" investment has been achieved. The last IT equipment purchased was in 2008; IHC will upgrade, replace and add new equipment as necessary.

IHC added a second shift in August 2013 in order to keep up with sales demand. Currently IHC is able to employ 32 of the 34 Associates originally projected on the SB-1; this includes approximately 17% temporary workforce. It has been IHC's practice to transition the temporaries to IHC employees between 3 and 6 months of service.

IHC's actual payroll cost in 2013 was \$1,109,172 of the estimated \$1,320,000 on the SB-1. This figure includes full time and temporary workers salary but does not include medical, dental, vision, 401K and other benefits IHC offers. Please note that in last year's report, I included benefit cost in the actual salary reported; I did not include benefit costs in this year's report.

As we continue to address those concerns of which we have control over, we hope to have them resolved as we move into the future. It is IHC's desire and request that the City of Franklin will look favorably upon our activities and grant us an extension of time to be in full compliance with our tax abatement commitments.



**COMPLIANCE WITH STATEMENT OF BENEFITS
REAL ESTATE IMPROVEMENTS**

State Form 51766 (R3 / 2-13)

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).

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 <i>Indiana Hydraulic Equipment, Corp.</i>	County <i>Johnson</i>
Address of taxpayer (number and street, city, state, and ZIP code) <i>2000 Commerce Parkway Franklin, IN 46131</i>	DLGF taxing district number <i>12</i>
Name of contact person <i>Dean Isley</i>	Telephone number <i>(317) 736-2532</i>

SECTION 2 LOCATION AND DESCRIPTION OF PROPERTY

Name of designating body <i>City of Franklin Common Council</i>	Resolution number <i>2006-08</i>	Estimated start date (month, day, year)
Location of property <i>2000 Commerce Parkway Franklin, IN 46131</i>		Actual start date (month, day, year)
Description of real property improvements <i>Construction of a new manufacturing facility consisting of approximately 6500 sq. feet of office space and 55,000 sq. feet of manufacturing and warehouse space.</i>		Estimated completion date (month, day, year)
		Actual completion date (month, day, year)

SECTION 3 EMPLOYEES AND SALARIES

EMPLOYEES AND SALARIES	AS ESTIMATED ON SB-1	ACTUAL
Current number of employees	<i>34</i>	<i>32</i>
Salaries	<i>\$1,320,000.00</i>	<i>\$1,109,171.98</i>
Number of employees retained		
Salaries		
Number of additional employees	<i>34</i>	<i>32</i>
Salaries	<i>\$1,320,000.00</i>	<i>\$1,109,171.98</i>

SECTION 4 COST AND VALUES

COST AND VALUES	REAL ESTATE IMPROVEMENTS	
AS ESTIMATED ON SB-1	COST	ASSESSED VALUE
Values before project	<i>\$190,000.00</i>	
Plus: Values of proposed project	<i>\$5,000,000.00</i>	
Less: Values of any property being replaced		
Net values upon completion of project	<i>\$5,190,000.00</i>	
ACTUAL	COST	ASSESSED VALUE
Values before project	<i>\$190,000.00</i>	
Plus: Values of proposed project	<i>\$6,014,112.94</i>	
Less: Values of any property being replaced		
Net values upon completion of project	<i>\$6,204,112.94</i>	

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	<i>0</i>	<i>0</i>
Amount of hazardous waste converted	<i>0</i>	<i>0</i>
Other benefits:	<i>0</i>	<i>0</i>

SECTION 6 TAXPAYER CERTIFICATION

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

Signature of authorized representative <i>Dean Isley</i>	Title <i>Asst. Plant Manager</i>	Date signed (month, day, year) <i>02-19-2014</i>
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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
Indiana Hydraulic Equipment, Corp.

Address of taxpayer (number and street, city, state, and ZIP code)
2000 Commerce Parkway Franklin, IN 46131

Name of contact person
Dean Isley

Telephone number
(317) 736-2532

SECTION 2 LOCATION AND DESCRIPTION OF PROPERTY

Name of designating body
City of Franklin Common Council

Resolution number
2006-08

Location of property
2000 Commerce Parkway Franklin, IN 46131

County
Johnson

DLGF taxing district number
12

Description of new manufacturing equipment, or new research and development equipment, or new information technology equipment, or new logistical distribution equipment to be acquired.
Construction of a new facility (approx. 60,000 square feet) of office and manufacturing space to produce Hydraulic Control Valves.

Estimated starting date (month, day, year)
6 1 07

Estimated completion date (month, day, year)
12 31 07

SECTION 3 EMPLOYEES AND SALARIES

EMPLOYEES AND SALARIES	AS ESTIMATED ON SB-1	ACTUAL
Current number of employees	<i>34</i>	<i>29</i>
Salaries	<i>\$1,320,000.00</i>	<i>\$1,109,171.98</i>
Number of employees retained		
Salaries		
Number of additional employees	<i>34</i>	<i>29</i>
Salaries	<i>\$1,320,000.00</i>	<i>\$1,109,171.98</i>

SECTION 4 COST AND VALUES

AS ESTIMATED ON SB-1	MANUFACTURING EQUIPMENT		R & D EQUIPMENT		LOGIST DIST EQUIPMENT		IT EQUIPMENT	
	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE
Values before project	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Plus: Values of proposed project	<i>\$7,000,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>\$700,000</i>	<i>0</i>
Less: Values of any property being replaced	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net values upon completion of project	<i>\$7,000,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>\$700,000</i>	<i>0</i>
ACTUAL	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE
Values before project	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Plus: Values of proposed project	<i>\$6,623,542</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>\$376,748</i>	<i>0</i>
Less: Values of any property being replaced	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net values upon completion of project	<i>\$6,623,542</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>\$376,748</i>	<i>0</i>

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	<i>0</i>	<i>0</i>
Amount of hazardous waste converted	<i>0</i>	<i>0</i>
Other benefits:	<i>0</i>	<i>0</i>

SECTION 6 TAXPAYER CERTIFICATION

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

Signature of authorized representative
Dean S. Isley

Title
Asst. Plant Manager

Date signed (month, day, year)
02-19-2014

Indiana Hydraulic Equipment, Corp.
 2000 Commerce Parkway
 Franklin, In. 46131

Attachment to Form CF-1 (Compliance with Statement of Benefits)
 Expansion Investment Schedule by Quarter - 2013

	Actual Amount of Investment as of 12/31/2012	Proposed Amount of Total Investment by 11/30/2007 (From SB-1)	Actual Amount of Investment Added During Year (by Quarter)				Actual Total Amount of Investment as of 12/31/2013	Difference Between Actual and Proposed Amount of Investment
			3/31/2013	6/30/2013	9/30/2013	12/30/2013		
Property	\$ 687,822.00	\$ 190,000.00	\$ -	\$ -	\$ -	\$ 36,173.44	\$ 723,995	\$ 533,995.44
Buildings and Improvements	\$ 5,461,335.00	\$ 5,000,000.00	\$ 18,782.42	\$ -	\$ -	\$ -	\$ 5,480,117	\$ 480,117.42
Totals (A)	\$ 6,149,157.00	\$ 5,190,000.00	\$ 18,782.42	\$ -	\$ -	\$ 36,173.44	\$ 6,204,113	\$ 1,014,112.86

	Actual Amount of Investment as of 12/31/2012	Proposed Amount of Total Investment by 11/30/2007 (From SB-1)	Actual Amount of Investment Added During Year (by Quarter)				Actual Total Amount of Investment as of 12/31/2013	Difference Between Actual and Proposed Amount of Investment
			3/31/2013	6/30/2013	9/30/2013	12/30/2013		
Machinery and Equipment	\$ 6,098,134.01	\$ 7,000,000.00	\$ 25,446.40	\$ 491,229.19	\$ -	\$ 8,733.28	\$ 6,623,543	\$ (376,457.12)
IT Equipment	\$ 376,748.00	\$ 700,000.00	\$ -	\$ -	\$ -	\$ -	\$ 376,748	\$ (323,252.00)
Totals (B)	\$ 6,474,882.01	\$ 7,700,000.00	\$ 25,446.40	\$ 491,229.19	\$ -	\$ 8,733.28	\$ 7,000,291	\$ (699,709.12)

Indiana Hydraulic Equipment, Corp.
 2000 Commerce Parkway
 Franklin, In. 46131

Attachment to Form CF-1 (Compliance with Statement of Benefits)
 Job Creation Schedule by Quarter - 2013

Actual Number of Employees on 12/31/2012	Proposed Total Number of Employees by 12/31/08 (From SB-1)	Actual Number of Employees Added During the Year by Quarter				Actual Total Number of Employees as of 12/31/2013	Difference Between Actual and Proposed Number of Employees
		3/31/2013	6/30/2013	9/30/2013	12/31/2013		
24	34	1	-1	9	-1	32	-2