



CITY OF FRANKLIN

COMMUNITY DEVELOPMENT DEPARTMENT

Memorandum

To: City of Franklin Economic Development Commission
From: Krista Linke, Community Development Director
Date: April 19th, 2016
Re: **Case C 2016-14: GROK Enterprises**
Case C 2016-33: Nitrex, Inc.

Summary:

- 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.
- Actual and estimated benefits, as projected for 2015:

	Estimated on SB-1	Actual in 2015	Difference
Employees Retained	25	5	-20
Salaries	\$881,567	\$192,514	-\$689,053
New Employees	12	21	9
Salaries	\$341,974	\$710,540	\$368,566
Total Employees	37	26	-11
Total Salaries	\$1,223,541	\$903,054	-\$320,487
Average Hourly Salaries	\$15.90	\$16.70	\$0.80
Personal Property Improvements	\$6,300,000	\$6,253,343	-\$46,657
Real Property Improvements	\$850,000	\$915,000	\$65,000

- This company exceeded the total number of employees estimated on their SB-1 Form for the first time in 2014, they had 39 employees. As noted in the cover letter from Nitrex President Chris Morawski, they suffered a decline in job creation during 2015, due to a major downturn in manufacturing. They have cautiously begun to hire employees again in 2016. The average hourly wage for the remaining employees has increased from \$15.79 in 2014 to \$16.70 in 2016.
- 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. Their amended application gave them an additional year to purchase additional equipment. They were successful in purchasing \$3,393,300 of equipment in 2014. They do not plan on purchasing any additional equipment through this tax abatement.

5. Their personal property tax abatement is scheduled to expire in tax year 2023 payable 2024. Their 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

April 18, 2015

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

Re: Tax Abatement Compliance, GROK Enterprises, 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 Rose
President, Grok Enterprises, LLC

Enclosures:
FRM CF-1 for 2015
Expansion Investment Schedule - Real Property
Building/Construction and Occupancy Status Report



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

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

20 <u> </u> PAY 20 <u> </u>
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 (C 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, L.L.C.	County JOHNSON
Address of taxpayer (number and street, city, state, and ZIP code) 300 CARLSBAD VILLAGE DR, STE 108A, BOX 186, CARLSBAD, CA 92008	DLGF taxing district number 31
Name of contact person THOMAS C ROSE	Telephone number (760) 604-5049

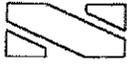
SECTION 2 LOCATION AND DESCRIPTION OF PROPERTY		
Name of designating body FRANKLIN CITY COUNCIL	Resolution number 11-02	Estimated start date (month, day, year) JULY 2011
Location of property 300 BLUE CHIP COURT, FRANKLIN IN		Actual start date (month, day, year) JULY 2011
Description of real property 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	<i>From Nitrex (tenant)</i>	<i>25</i>	<i>26</i>
Salaries		<i>881,567.</i>	<i>903,054.26</i>
Number of employees retained		<i>25</i>	<i>5</i>
Salaries		<i>881,567</i>	<i>192,514.40</i>
Number of additional employees		<i>12</i>	<i>21</i>
Salaries		<i>341,974</i>	<i>710,539.86</i>

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	915,000	
Plus: Values of proposed project		
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 <i>Thomas C Rose</i>	Title PRESIDENT - GROK LLC	Date signed (month, day, year) 04/19/2016

 **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 1, 2016

Ref.: (1) 2015 Tax Abatement Compliance Packet for Nitrex Inc.
(2) Resolutions 2011-02, 2011-03 and 2013-16.

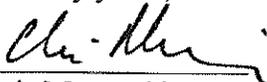
Dear Ms. Linke,

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) having reached the originally planned investment last year, there is virtually no change under this project, except a small downward adjustment in the final cost of one asset;
- b) has suffered a decline in its job creation during 2015, due to a major downturn in manufacturing, and primarily as a result of plummeting sales of Cummins, our main customer (please note that Dec 31 was the low point, and we are cautiously hiring again);
- c) has experienced a temporary decline in its salary growth plan, while increasing its headcount and salaries during the most recent month, with expectations of further increases.

The project, having been completed over one year ago, has been successful technically and the company is poised for renewed growth. 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*
Jim Cooper – Plant Manager



**COMPLIANCE WITH STATEMENT OF BENEFITS
PERSONAL PROPERTY**

State Form 51765 (R3 / 11-15)
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 January 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 January 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.	County JOHNSON
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	DLGF taxing district number
Name of contact person ISABELLE MORAWSKI	Telephone number (702) 399-1554

SECTION 2 LOCATION AND DESCRIPTION OF PROPERTY		
Name of designating body FRANKLIN CITY COUNCIL	Resolution number 2011-02 & 2013-16	Estimated start date (month, day, year) 07/01/2011
Location of property PT. OF 2100 - 2110 EARLYWOOD		Actual start date (month, day, year) 07/01//2011
Description of new manufacturing equipment, or new research and development equipment, or new information technology equipment, or new logistical distribution equipment to be acquired.		Estimated completion date (month, day, year) 12/31/2014
		Actual 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	26.00	
Salaries	881,567.00	903,054.26	
Number of employees retained	25.00	5.00	
Salaries	881,567.00	192,514.40	
Number of additional employees	12.00	21.00	
Salaries	341,974.00	710,539.86	

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	1,786,059.00	595,353.00						
Plus: Values of proposed project	6,300,000.00	2,100,000.00						
Less: Values of any property being replaced	3,659.00	1,220.00						
Net values upon completion of project	8,082,400.00	2,694,133.00						
ACTUAL	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE
Values before project	1,786,059.00	595,353.00						
Plus: Values of proposed project	6,253,343.00	2,084,448.00						
Less: Values of any property being replaced	76,964.07	25,654.69						
Net values upon completion of project	7,962,437.93	2,654,146.31						

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

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 <i>IMorawski</i>	Title ACCOUNTING MGR.	Date signed (month, day, year) 02/01/2016