



## CITY OF FRANKLIN

COMMUNITY DEVELOPMENT DEPARTMENT

# Memorandum

**To:** Economic Development Commission  
**From:** Krista Linke, Director  
**Date:** January 9<sup>th</sup>, 2014  
**Re:** Tax Abatement Modification – Rexam Consumer Plastics, Inc.

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Rexam Consumer Plastics, Inc. was originally granted a tax abatement in 2010 through Resolution 2010-05 and confirmed by Resolution 2010-06. The abatement was granted for 10 years on \$14,500,000. One hundred and eight jobs with salaries of \$7,580,000 were retained and 46 additional jobs with salaries of \$2,760,000 were projected. In 2012 Rexam requested an amendment of this abatement. They were granted an amendment through Resolution 2012-08 to extend the completion date of the project from 12/31/2010 to 12/31/2011. They were also granted a request to increase the amount of manufacturing equipment purchased from \$14,500,000 to \$17,797,000. No salary or job numbers associated with the project changed.

In 2013 Rexam was granted a waiver of non-compliance through Resolution 2013-23. They failed to account for the tax abatement deduction when they filed their tax return. The EDC and City Council granted the request for the waiver of non-compliance, allowing them to file an amended tax return claiming the deduction.

Rexam is now requesting another amendment to this abatement. They are requesting an extension of the completion date to 10/31/2012. They have corrected salary figures. Their original SB-1 indicated 108 jobs with salaries of \$7,580,000 would be retained and 46 additional jobs with salaries of \$2,760,000 were projected. As stated in an attached letter from Thomas Sislow, the wrong amounts were used for salaries. They included all benefits and should not have. The corrected SB-1 form states 108 jobs with \$5,849,113.44 in salaries retained and 85 additional jobs with \$3,424,844.38 in salaries. The "Current Value" of manufacturing equipment in Section 4 of the SB-1 was adjusted from \$14,530,000 to \$36,348,981. The proposed project amount remains the same; \$17,797,000.

Attached to this memo you will find a letter from Thomas Sislow explaining this in further detail. I've also attached the original staff report from 2010 and the updated property tax tables showing the revised numbers. The amended FORM SB-1 / PP is also attached.

If you have any questions regarding this request please contact me directly at 346-1250.

January 8, 2014

City of Franklin  
Dept. of Planning & Economic Development  
70 E. Monroe St.  
Franklin, IN 46131  
Attn: Krista M. Linke, Planning Director

Re: Rexam Consumer Plastics Inc.  
1900 Commerce Pkwy, Franklin, IN 46131

Ms. Linke,  
Rexam Consumer Plastics Inc. has hired Bald Eagle C. I. to represent them in all matters of Real and Personal Property. I have attached the Power of Attorney.

Rexam Consumer Plastics Inc. would like to amend the Tax Abatements 2010-05 and 2012-08 for the following reasons.

- 1.) On the SB-1/pp filed, the following corrections are submitted:
  - a.) Section 2 – The completion date has been changed to reflect the correct completion date.
  - b.) Section 3 – The wrong amount was used for salaries for “current number”. The amount used included all benefits. The correct amount is now used. The final Number Additional/Salaries has been updated.
  - c.) Section 4 – The amount used for “Current Values” was incorrect. The correct amount is now used.
- 2.) With reference to the individual assets provided; an asset by asset analysis was performed comparing those assets submitted on the abatement and those filed with Property Tax returns. I have provided my Excel workbook as backup. That analysis produced the following corrections:
  - a.) The total amounts were incorrect. Error was due to the sum formula. Correct figure is now used.
  - b.) There were a number of assets where Book Values or Transfer Values were used, not Original Values. All have been changed to reflect Original Values. This of course, resulted in an increase in amount.
  - c.) Some proposed assets were not used in the project, corrections have been made.

d.) Assets under Construction numbers have been changed to Asset numbers, so they correspond to the Property Tax assets.

These errors were caused by the inexperience of the person preparing the original documents. Rexam is making every effort to correct all problems. Rexam would like to apologize and ask that they be granted the amendment to the original two abatement numbers and submit this as the final version, since the project is complete and fully functioning. Thank you in advance for your consideration.

If any questions or concerns arise in the meantime, please feel free to call me at 847.662.7575

Sincerely,

**Thomas A. Sislow, CFP**

Email: TSislow@ BaldEagleCI.com



# STATEMENT OF BENEFITS PERSONAL PROPERTY

State Form 51764 (R3 / 12-13)

Prescribed by the Department of Local Government Finance

FORM SB-1 / PP

**AMENDED**

## PRIVACY NOTICE

Any information concerning the cost of the property and specific salaries paid to individual employees by the property owner is confidential per IC 6-1.1-12.1-5.1.

### INSTRUCTIONS

1. This statement must be submitted to the body designating the Economic Revitalization Area prior to the public hearing if the designating body requires information from the applicant in making its decision about whether to designate an Economic Revitalization Area. Otherwise this statement must be submitted to the designating body **BEFORE** a person installs the new manufacturing equipment and/or research and development equipment, and/or logistical distribution equipment and/or information technology equipment for which the person wishes to claim a deduction.
2. The statement of benefits form must be submitted to the designating body and the area designated an economic revitalization area before the installation of qualifying abatable equipment for which the person desires to claim a deduction.
3. To obtain a deduction, a person must file a certified deduction schedule with the person's personal property return on a certified deduction schedule (Form 103-ERA) with the township assessor of the township where the property is situated or with the county assessor if there is no township assessor for the township. The 103-ERA must be filed between March 1 and May 15 of the assessment year in which new manufacturing equipment and/or research and development equipment and/or logistical distribution equipment and/or information technology equipment is installed and fully functional, unless a filing extension has been obtained. A person who obtains a filing extension must file the form between March 1 and the extended due date of that year.
4. Property owners whose Statement of Benefits was approved, must submit Form CF-1/PP annually to show compliance with the Statement of Benefits. (IC 6-1.1-12.1-5.6)
5. For a Form SB-1/PP that is approved after June 30, 2013, the designating body is required to establish an abatement schedule for each deduction allowed. For a Form SB-1/PP that is approved prior to July 1, 2013, the abatement schedule approved by the designating body remains in effect. (IC 6-1.1-12.1-17)

SECTION 1 TAXPAYER INFORMATION								
Name of taxpayer Rexam Consumers Plastics, Inc.			Name of contact person Thomas A Sislow					
Address of taxpayer (number and street, city, state, and ZIP code) 1900 Commerce Pkwy, Franklin, IN 46131				Telephone number ( 847 ) 662-7575				
SECTION 2 LOCATION AND DESCRIPTION OF PROPOSED PROJECT								
Name of designating body City of Franklin Common Council			Resolution number (s) 10-05/10-06/12-08					
Location of property 1900 Commerce Drive, Franklin, IN 46131		County Johnson		DLGF taxing district number				
Description of manufacturing equipment and/or research and development equipment and/or logistical distribution equipment and/or information technology equipment. (Use additional sheets if necessary.) Injection Blow molding operations, system upgrade, IBM machine refurbish.			ESTIMATED					
			START DATE		COMPLETION DATE			
			Manufacturing Equipment		02/01/2010 10/31/2012			
			R & D Equipment					
			Logist Dist Equipment					
IT Equipment								
SECTION 3 ESTIMATE OF EMPLOYEES AND SALARIES AS RESULT OF PROPOSED PROJECT								
Current number 108	Salaries 5,849,113.44	Number retained 108	Salaries 5,849,113.44	Number additional 85	Salaries 3,424,844.38			
SECTION 4 ESTIMATED TOTAL COST AND VALUE OF PROPOSED PROJECT								
NOTE: Pursuant to IC 6-1.1-12.1-5.1 (d) (2) the COST of the property is confidential.	MANUFACTURING EQUIPMENT		R & D EQUIPMENT		LOGIST DIST EQUIPMENT		IT EQUIPMENT	
	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE
Current values	36,348,981.1							
Plus estimated values of proposed project	17,797,000.1							
Less values of any property being replaced								
Net estimated values upon completion of project	54,145,981.1							
SECTION 5 WASTE CONVERTED AND OTHER BENEFITS PROMISED BY THE TAXPAYER								
Estimated solid waste converted (pounds) 0			Estimated hazardous waste converted (pounds) 0					
Other benefits:								
SECTION 6 TAXPAYER CERTIFICATION								
I hereby certify that the representations in this statement are true.								
Signature of authorized representative				Date signed (month, day, year) 1/8/2014				
Printed name of authorized representative Thomas A Sislow			Title Agent, Power of Attorney					



**FOR USE OF THE DESIGNATING BODY**

We have reviewed our prior actions relating to the designation of this economic revitalization area and find that the applicant meets the general standards adopted in the resolution previously approved by this body. Said resolution, passed under IC 6-1.1-12.1-2.5, provides for the following limitations as authorized under IC 6-1.1-12.1-2.

A. The designated area has been limited to a period of time not to exceed \_\_\_\_\_ calendar years \* (*see below*). The date this designation expires is \_\_\_\_\_.

B. The type of deduction that is allowed in the designated area is limited to:

- |  |                              |                             |
|--|------------------------------|-----------------------------|
| 1. Installation of new manufacturing equipment;            | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2. Installation of new research and development equipment; | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 3. Installation of new logistical distribution equipment.  | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 4. Installation of new information technology equipment;   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

C. The amount of deduction applicable to new manufacturing equipment is limited to \$ \_\_\_\_\_ cost with an assessed value of \$ \_\_\_\_\_.

D. The amount of deduction applicable to new research and development equipment is limited to \$ \_\_\_\_\_ cost with an assessed value of \$ \_\_\_\_\_.

E. The amount of deduction applicable to new logistical distribution equipment is limited to \$ \_\_\_\_\_ cost with an assessed value of \$ \_\_\_\_\_.

F. The amount of deduction applicable to new information technology equipment is limited to \$ \_\_\_\_\_ cost with an assessed value of \$ \_\_\_\_\_.

G. Other limitations or conditions (*specify*) \_\_\_\_\_

H. The deduction for new manufacturing equipment and/or new research and development equipment and/or new logistical distribution equipment and/or new information technology equipment installed and first claimed eligible for deduction is allowed for:

- |                                 |                                 |                                 |                                 |                                  |               |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------------------|---------------|
| <input type="checkbox"/> Year 1 | <input type="checkbox"/> Year 2 | <input type="checkbox"/> Year 3 | <input type="checkbox"/> Year 4 | <input type="checkbox"/> Year 5  | (see below *) |
| <input type="checkbox"/> Year 6 | <input type="checkbox"/> Year 7 | <input type="checkbox"/> Year 8 | <input type="checkbox"/> Year 9 | <input type="checkbox"/> Year 10 |               |

I. For a Statement of Benefits approved after June 30, 2013, did this designating body adopt an abatement schedule per IC 6-1.1-12.1-17? ☐ Yes ☐ No  
If yes, attach a copy of the abatement schedule to this form.  
If no, the designating body is required to establish an abatement schedule before the deduction can be determined.

Also we have reviewed the information contained in the statement of benefits and find that the estimates and expectations are reasonable and have determined that the totality of benefits is sufficient to justify the deduction described above.

Approved by: ( <i>signature and title of authorized member of designating body</i> )	Telephone number (      )	Date signed ( <i>month, day, year</i> )
Printed name of authorized member of designating body	Name of designating body	
Attested by: ( <i>signature and title of attester</i> )	Printed name of attester	

\* If the designating body limits the time period during which an area is an economic revitalization area, that limitation does not limit the length of time a taxpayer is entitled to receive a deduction to a number of years that is less than the number of years designated under IC 6-1.1-12.1-17.

**IC 6-1.1-12.1-17**

**Abatement schedules**

Sec. 17. (a) A designating body may provide to a business that is established in or relocated to a revitalization area and that receives a deduction under section 4 or 4.5 of this chapter an abatement schedule based on the following factors:

- (1) The total amount of the taxpayer's investment in real and personal property.
- (2) The number of new full-time equivalent jobs created.
- (3) The average wage of the new employees compared to the state minimum wage.
- (4) The infrastructure requirements for the taxpayer's investment.

(b) This subsection applies to a statement of benefits approved after June 30, 2013. A designating body shall establish an abatement schedule for each deduction allowed under this chapter. An abatement schedule must specify the percentage amount of the deduction for each year of the deduction. An abatement schedule may not exceed ten (10) years.

(c) An abatement schedule approved for a particular taxpayer before July 1, 2013, remains in effect until the abatement schedule expires under the terms of the resolution approving the taxpayer's statement of benefits.

# Memorandum

**To:** Economic Development Commission Members

**From:** Krista Linke, Director

**Date:** February 23<sup>rd</sup>, 2010

**Re:** Case EDC 2010-01 – Rexam Consumer Plastics, Inc.

**Case EDC 2010-01 – Rexam Consumer Plastics, Inc.:** A request for a 10-year tax abatement on a \$14,600,000 personal property manufacturing equipment investment.

**Location:** 1900 Musicland Drive.



## **Summary:**

### **1. Characteristics of this location:**

The existing facility is located on Musicland Drive between Indiana Hydraulic Equipment Corporation and Klaisler Manufacturing Corporation. The parcel size is 20 acres and is zoned Industrial: General (IG).

### **2. Characteristics of this petitioner:**

As stated in the cover letter from Jay Howard, Plant Controller, "The Franklin Rexam Healthcare Plant anticipates a continued long and mutually beneficial association with the City of Franklin." This facility currently pays approximately \$400,000 in yearly real and personal property taxes. The facility expanded in 2008 and did not seek abatements on the additional \$8-10 million in capital expenditures that were incurred. The facility also has one of the highest paid labor forces in the City of Franklin.

### **3. Characteristics of this project:**

Rexam is the leading global beverage can make and major global player in rigid plastic packaging. Rexam is currently consolidating a Plastic Injection Blow Molding (IBM) facility into four different sites. One of those sites is Franklin. The consolidation into the Franklin plant represents 60% of that IBM business, or approximately \$12 million in sales. The new business represents a 35% increase to the Franklin plant's operations.

### **4. Economic Revitalization Area (ERA):**

This particular property has not been designated and ERA.

### **5. ERA & Tax Abatements Findings (Personal Property):**

Indiana Code Section 6-1.1-12.1-4.5 states that the following findings must be made when considering an ERA designation and the granting of a tax abatement for personal property:

- a. Whether the estimate of the cost of new manufacturing equipment is reasonable for equipment of that type;
- b. Whether the estimate of the number of individuals who will be employed or whose employment will be retained can be reasonably expected to result from the instillation of new manufacturing equipment;
- c. Whether the estimate of annual salaries of those individuals who will be employed or whose employment will be retained can be reasonably expected to result from the installation of the new manufacturing equipment;
- d. Whether any other benefits about which information was requested are benefits that can be reasonably expected to result from the installation of the new manufacturing equipment; and
- e. Whether the totality of the benefits is sufficient to justify the tax abatement.

6. City of Franklin "Tax Abatement Policy" criteria:

The "Tax Abatement Policy" section of the *City of Franklin Community Investment Incentives Summary* states that the Economic Development Commission shall use certain criteria when considering a request for tax abatement. A comparison of those criteria and the Corporate Capital and Development request follows:

- a. *Diversification of Local Occupations*: The company proposes 46 new employees within one year: 10 hourly and 1 salary in the 1<sup>st</sup> Quarter of 2010, 10 hourly and 2 salary in the 2<sup>nd</sup> Quarter of 2010, 10 hourly and 2 salary in the 3<sup>rd</sup> Quarter of 2010, and an additional 10 hourly and 1 salary in the 4<sup>th</sup> Quarter of 2010, for a total of 46 additional employees. There is an existing 116 jobs currently at the site. The breakdown of new jobs created are as follows:

- 2-3 Managerial/Professional Specialty Occupations with an average hourly wage of \$52.00
- 1 Technical/Sales/Administrative Support Occupations with an average hourly wage of \$42.00
- 16 Precision Production/Craft/Repair Occupations with an average hourly wage of \$35.00
- 27 Operators/Fabricators/Laborers with an average hourly wage of \$20.00

The average hourly wage listed for each type of job includes all benefits. The average hourly wage for all new jobs is \$27.09.

- b. *Diversification of Local Manufacturing Employment*: According to the STATS Indiana, plastics and rubber products manufacturing jobs made up 7.9% of the manufacturing sector jobs in Johnson County in the 1<sup>st</sup> Quarter of 2009. There were 4,740 jobs in the manufacturing sector and 376 in the rubber products manufacturing sub-sector of manufacturing.
- c. *Increase in Local Salaries*: The company reports the average hourly wage for the new employees will be \$27.09 per hour. This average hourly wage includes benefits. According to STATS Indiana, the average hourly wage for all industries in Johnson County was \$14.50 per hour in the 1<sup>st</sup> Quarter of 2009. The average hourly wage in Johnson County for the manufacturing sector was \$19.70 per hour and the average hourly wage in Johnson County in the plastics and rubber products manufacturing was \$19.38 in Johnson County.
- d. *Sustainable Land Use*: The petitioner proposes to locate the new manufacturing equipment within the existing facility at 1900 Musicland Drive. Making use of an existing building meets the sustainable land use criteria.
- e. *Future Community Investment*: Jay Howard, Plant Controller, states in the letter of inducement that the Franklin Rexam Healthcare plant anticipates a continued long and mutually beneficial association with the City of Franklin. This operation currently pays approximately \$400,000 in yearly Real and Personal Property Tax. The facility expanded in 2008 and did not seek abatements for the additional \$8-10 million in capital expenditures made at that time.
- f. *Conformance with the Comprehensive Plan*: The Comprehensive Plan Future Land Use Plan identifies this property as Manufacturing. Manufacturing areas are intended to accommodate



large scale businesses that produce finished products from raw materials. Uses in these areas may include facilities that involve emissions or the outdoor storage of materials and finished products. The property is zoned IG, Industrial: General.

7. Tax Abatement Duration:

The *City of Franklin Community Investment Incentives Summary* provides that longer periods of abatement on real and personal property may be considered for requests of an exceptional nature. The Summary states that development examples of an exceptional nature include projects which:

- a. Create a new plant or product line for an existing manufacturer;
- b. Creates substantial employment opportunities with higher than average wages;
- c. Increase substantially property values and the city tax base with minimal impact to city services (police & fire protection, schools, utilities, infrastructure, etc.); and
- d. Utilize existing public infrastructure (sanitary & storm sewer, roads & streets, drainage facilities, and other utilities).

8. Tax Abatement Worksheet:

A copy of the Tax Abatement Worksheet from the *City of Franklin Community Investment Incentives Summary* is enclosed with the staff report. This document is recommended as an outline for considering and documenting these tax abatement requests for this meeting.

9. Requested Effective Year:

The petitioner has requested that, if approved, the tax abatement be effective for the tax year 2010, payable 2011. However, the deadline for tax abatements to become effective in the year 2010 with the Johnson County Assessor is March 1, 2010. Since the EDC meeting is March 2<sup>nd</sup> and then two City Council meetings will follow, the tax abatement would have to be effective 2011 payable 2012.

**Staff Comments:**

This tax abatement petition proposes an economic development project that will strengthen the community in many different ways. Rexam is located in an appropriately zoned industrial area and is also in line with the Comprehensive Plan. The project will increase the local employment base by 46 employees over the next year and will positively impact the diversity of employment opportunities as well as expand the type of industry in the community. Staff would suggest that the EDC consider an Economic Development Fee in the amount of 2% if a ten year abatement were recommended.

<b>3 YEAR</b>				
<b><i>Rexam Consumer Plastics Inc.</i></b>				
<b>Sample Property Tax on Personal Property (3 Year)</b>				
Personal Property Tax Investment: \$17,797,000				
Tax Rate: 3.0%				
	<b><i>2014 Payable 2015</i></b>	<b><i>2015 Payable 2016</i></b>	<b><i>2016 Payable 2017</i></b>	
<b><i>Cost of Equipment</i></b>	\$17,797,000	\$17,797,000	\$17,797,000	
<b><i>True Cash Percentage Rate</i></b>	65%	50%	35%	
<b><i>True Cash Value</i></b>	\$11,568,050	\$8,898,500	\$6,228,950	
<b><i>Net Tax Rate</i></b>	3.0%	3.0%	3.0%	<b><i>Total</i></b>
<b><i>Tax w/o Abatement</i></b>	\$347,042	\$266,955	\$186,869	<b><i>\$800,865</i></b>
<b><i>Abatement Rate</i></b>	100%	66%	33%	
<b><i>Amount Abated</i></b>	\$347,042	\$176,190	\$61,667	<b><i>Total</i></b>
<b><i>Taxes Paid w/Abatement</i></b>	\$0	\$90,765	\$125,202	<b><i>\$215,967</i></b>
				<b><i>Total Fees Paid</i></b>
<b><i>5% Fee</i></b>	\$17,352	\$8,810	\$3,083	<b><i>\$29,245</i></b>
<b><i>Total Tax Savings without Economic Development Fee</i></b>				<b><i>\$584,898</i></b>
<b><i>Total Tax Savings with 5% Economic Development Fee</i></b>				<b><i>\$555,653</i></b>

<b>5 YEAR</b>						
<b><i>Rexam Consumer Plastics Inc.</i></b>						
<b>Sample Property Tax on Personal Property (5 Year Period)</b>						
Personal Property Tax Investment: \$17,797,000						
Tax Rate: 3.0%						
	<b>2014 Payable 2015</b>	<b>2015 Payable 2016</b>	<b>2016 Payable 2017</b>	<b>2017 Payable 2018</b>	<b>2018 Payable 2019</b>	
<b>Cost of Equipment</b>	\$17,797,000	\$17,797,000	\$17,797,000	\$17,797,000	\$17,797,000	
<b>True Cash Percentage Rate</b>	40%	56%	42%	32%	24%	
<b>True Cash Value</b>	\$7,118,800	\$9,966,320	\$7,474,740	\$5,695,040	\$4,271,280	
<b>Net Tax Rate</b>	3.0%	3.0%	3.0%	3.0%	3.0%	<b>Total</b>
<b>Tax w/o Abatement</b>	\$213,564	\$298,990	\$224,242	\$170,851	\$128,138	<b>\$1,035,785</b>
<b>Abatement Rate</b>	100%	80%	60%	40%	20%	
<b>Amount Abated</b>	\$213,564	\$239,192	\$134,545	\$68,340	\$25,628	<b>Total</b>
<b>Taxes Paid w/Abatement</b>	\$0	\$59,798	\$89,697	\$102,511	\$102,511	<b>\$354,516</b>
						<b>Total Fees Paid</b>
<b>5% Fee</b>	\$10,678	\$11,960	\$6,727	\$3,417	\$1,281	<b>\$34,063</b>
						<b>Total Tax Savings without Economic Development Fee</b>
						<b>\$681,269</b>
						<b>Total Tax Savings with 5% Economic Development Fee</b>
						<b>\$647,206</b>



**10 YEAR**

**Rexam Consumer Plastics Inc.**

### Sample Property Tax on Personal Property (10 Year Period)

Personal Property Tax Investment: \$17,797,000

Tax Rate: 3.0%

[illegible]