



CITY OF FRANKLIN

Community Development Department

Memorandum

To: City of Franklin Economic Development Commission
From: Dana Monson, Community Development Department
Date: April 14, 2020
Re: Case C 2020-23: NSK Corporation (16-19)

Summary:

1. On October 17th, 2016, the Franklin Common Council passed Resolution No. 2016-19, approving a 7-year tax abatement with a 5% economic development fee on personal property for NSK Corporation, located at 3400 Bearing Drive.
2. Actual and estimated benefits, as projected for 2019:

	Estimated on SB-1	Actual in 2019	Difference
Employees Retained	253	253	0
Salaries	\$11,878,189	\$18,169,314	\$6,291,125
New Employees	1	26	-1
Salaries	\$57,200	\$1,848,288	\$1,791,088
Total Employees	254	279	25
Total Salaries	\$11,935,389	\$19,833,658	\$7,898,269
Average Hourly Salaries	\$22.59	\$34.18	\$11.59
Personal Property Improvements	\$6,625,200	\$4,090,354	-\$2,534,846

3. The company indicated on their original application that \$6,625,200 in equipment would be purchased by May 31st, 2017. Personal property improvements were \$2,561,187 less than estimated. In the letter of noncompliance from Amy Miller dated April 8, 2019, it is stated that NSK hopes to complete the personal property investment.
4. In 2017 there were 8 employees fewer than estimated, but the total salaries were \$4,668,896 over the estimate. Average hourly salaries were \$9.86 higher than estimated. In 2018 the company was short only one employee, but the hourly salaries are \$11.94 higher than estimated. In 2019 they were ahead on both employees and wages.
5. The completion date approved on their SB-1 Form was May 31, 2017. The personal property tax abatement is scheduled to expire in tax year 2024 payable 2025. Their last year for compliance review will be 2025.

Staff Recommendation: Approval

NSK Corporation
3400 Bearing Dr
Franklin, IN 46131

April 7th, 2020

Mrs. Dana Monson, Community Development Specialist
Dept. of Planning & Economic Development
70 E. Monroe Street
Franklin, IN 46131

Re: Tax Abatement Compliance for NSK Corporation

Dear Mrs. Monson:

Enclosed please find Forms CF-1 (Compliance with Statement of Benefits) regarding compliance with the real and personal property tax abatements which were granted to NSK Corporation in 2010, 2013, and 2016 under Franklin Common Council Resolution numbers 13-02 (formerly 10-19), 13-20, and 16-19.


NSK has been successful in making all of the capital investments and creating the full complement of jobs projected under Resolution number 13-02.

Per our supporting documentation, previous conversations, and previous years' compliance packet letters regarding Resolution 13-20, we did not meet our original capital expenditures target of \$20m. We had a substantially smaller investment, some of which was due to business we did not win, and some of which was canceled due to changes in business plans at global headquarters as a result of the lost business and significant currency fluctuations between the US dollar and the Japanese Yen. But we would like to draw increased attention to the fact that our headcount and salary amounts have both exceeded the original estimates.

In regards to Resolution 16-19, NSK is in the process of making all of the capital investments and has created the full complement of jobs projected under Resolution 16-19.

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

Sincerely,



Timothy Ferraro
Advantax
630-444-2777

Enclosures



COMPLIANCE WITH STATEMENT OF BENEFITS PERSONAL PROPERTY

State Form 51765 (R4 / 11-16)

Prescribed by the Department of Local Government Finance

FORM CF-1 / PP

PRIVACY NOTICE

This form contains information
confidential pursuant to
IC 6-1.1-35-9 and IC 6-1.1-12.1-5.6.

- 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 NSK Corporation		County Johnson	
Address of taxpayer (number and street, city, state, and ZIP code) PO Box 134007, Ann Arbor, MI 48113-4007		DLGF taxing district number	
Name of contact person Amy Miller		Telephone number (734) 913-7597	
SECTION 2		LOCATION AND DESCRIPTION OF PROPERTY	
Name of designating body The City of Franklin Common Council		Resolution number 16-19	Estimated start date (month, day, year) 01/01/2017
Location of property 3400 Bearing Drive, Franklin, IN 46131 41-05, 034-042, 008.000-009		Actual start date (month, day, year) 05/01/2017	
Description of new manufacturing equipment, or new research and development equipment, or new information technology equipment, or new logistical distribution equipment to be acquired. Grinding, machining, assembly, and inspection equipment to produce hub bearings for the automotive passenger market		Estimated completion date (month, day, year) 05/01/2019	
		Actual completion date (month, day, year)	

SECTION 3		EMPLOYEES AND SALARIES	
EMPLOYEES AND SALARIES		AS ESTIMATED ON SB-1	ACTUAL
Current number of employees		254	279
Salaries		11,935,389.00	19,833,658.00
Number of employees retained		12	12
Salaries		411,840.00	411,840.00
Number of additional employees		1	1
Salaries		57,200.00	57,200.00

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				118,418,041.00	35,525,412.00								
Plus: Values of proposed project				6,625,200.00	1,987,560.00								
Less: Values of any property being replaced				322,034.00	96,610.00								
Net values upon completion of project				124,721,207.00	37,416,362.00								
ACTUAL				COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE		
Values before project				118,418,041.00	35,525,412.00								
Plus: Values of proposed project				4,090,354.00	1,227,106.00								
Less: Values of any property being replaced				0.00	0.00								
Net values upon completion of project				122,508,395.00	36,752,518.00								

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>Anthony P. Ferraro</i>		Title Tax Agent	Date signed (month, day, year) 4-7-2020	

OPTIONAL: FOR USE BY A DESIGNATING BODY WHO ELECTS TO REVIEW THE COMPLIANCE WITH STATEMENT OF BENEFITS (FORM CF-1)
THAT WAS APPROVED AFTER JUNE 30, 1991.

INSTRUCTIONS: (IC 6-1.1-12.1-5.9)

1. This page does not apply to a Statement of Benefits filed before July 1, 1991; that deduction may not be terminated for a failure to comply with the Statement of Benefits.
2. Within forty-five (45) days after receipt of this form, the designating body may determine whether or not the property owner has substantially complied with the Statement of Benefits.
3. If the property owner is found **NOT** to be in substantial compliance, the designating body shall send the property owner written notice. The notice must include the reasons for the determination and the date, time and place of a hearing to be conducted by the designating body. If a notice is mailed to a property owner, a copy of the written notice will be sent to the County Assessor and the County Auditor.
4. Based on the information presented at the hearing, the designating body shall determine whether or not the property owner has made reasonable effort to substantially comply with the Statement of Benefits and whether any failure to substantially comply was caused by factors beyond the control of the property owner.
5. If the designating body determines that the property owner has **NOT** made reasonable effort to comply, then the designating body shall adopt a resolution terminating the deduction. The designating body shall immediately mail a certified copy of the resolution to: (1) the property owner; (2) the County Auditor; and (3) the County Assessor.

We have reviewed the CF-1 and find that:

- ☐ the property owner **IS** in substantial compliance
- ☐ the property owner **IS NOT** in substantial compliance
- ☐ other (specify) _____

Reasons for the determination (attach additional sheets if necessary)

Signature of authorized member

Date signed (month, day, year)

Attested by:

Designating body

If the property owner is found not to be in substantial compliance, the property owner shall receive the opportunity for a hearing. The following date and time has been set aside for the purpose of considering compliance.

Time of hearing

☐ AM
☐ PM

Date of hearing (month, day, year)

Location of hearing

HEARING RESULTS (to be completed after the hearing)

☐ Approved

☐ Denied (see instruction 5 above)

Reasons for the determination (attach additional sheets if necessary)

Signature of authorized member

Date signed (month, day, year)

Attested by:

Designating body

APPEAL RIGHTS [IC 6-1.1-12.1-5.9(e)]

A property owner whose deduction is denied by the designating body may appeal the designating body's decision by filing a complaint in the office of the clerk of Circuit or Superior Court together with a bond conditioned to pay the costs of the appeal if the appeal is determined against the property owner.

Company Name	Abatement	Asset #	Description	Acquisition Date	Reported Cost	Asset Category
NSK Corporation	16-19	124683	Okuma LB250 Rebuild 120535 (Addl Cost)	04/16/2018	3,974.07	Machinery & Equipment
NSK Corporation	16-19	124724	HUB 3 Swaging machine APS-831H3 (Addl Cost)	04/16/2018	2,366.48	Machinery & Equipment
NSK Corporation	16-19	126407	L3 Material Handling TCLB-12679	08/16/2017	74,364.54	Machinery & Equipment
NSK Corporation	16-19	127318	HUB 3 Assembly Machine AA-830H3	08/16/2017	199,262.35	Machinery & Equipment
NSK Corporation	16-19	128275	HUB 3 Swaging machine APS-831H3	08/16/2017	515,449.62	Machinery & Equipment
NSK Corporation	16-19	128276	HUB 3 Spline Check Machine MM-831H3-E	08/16/2017	77,398.09	Machinery & Equipment
NSK Corporation	16-19	129216	Chip Blaster	04/16/2017	19,999.65	Machinery & Equipment
NSK Corporation	16-19	129225	B1 Supply Wash & ECT Mach BF-832BWH-E	08/16/2017	81,593.26	Machinery & Equipment
NSK Corporation	16-19	129226	HUB 3 Vibration Check MA-830H3	08/16/2017	141,241.38	Machinery & Equipment
NSK Corporation	16-19	129227	HUB 3 Encoder Seal Press AES-831BKH-E	08/16/2017	144,434.47	Machinery & Equipment
NSK Corporation	16-19	130119	HUB 3 Ball Filling Machine AB-830H3	08/16/2017	140,015.28	Machinery & Equipment
NSK Corporation	16-19	131011	HUB 3 Flange and OD Runout Check MF-834BKH-E	08/16/2017	137,403.55	Machinery & Equipment
NSK Corporation	16-19	131012	HUB 3 Rust Prevention and Visual Inspection AR-833	08/16/2017	83,202.92	Machinery & Equipment
NSK Corporation	16-19	131925	HUB 3 Matching Machine AM-830H3	08/16/2017	157,399.17	Machinery & Equipment
NSK Corporation	16-19	131926	Line Monitor Hub 3- QNN-003FR	08/16/2017	5,142.61	Machinery & Equipment
NSK Corporation	16-19	131929	HUB 3 Rigidity Check Machine MP-832H3	08/16/2017	109,225.21	Machinery & Equipment
NSK Corporation	16-19	125487-1	Bolt Press Machine AZ-833B-E	08/16/2017	42,508.14	Machinery & Equipment
NSK Corporation	16-19	125488-1	Overhead Conveyor HBB-831H3	08/16/2017	74,483.11	Machinery & Equipment
NSK Corporation	16-19	127310-1	Direct Conveyor	08/16/2017	12,671.84	Machinery & Equipment
NSK Corporation	16-19	127311-1	Grinding Machine 1GA-731H	08/16/2017	219,171.76	Machinery & Equipment
NSK Corporation	16-19	127312-1	B2 Super Finish S8S-521 FRH0855	08/16/2017	152,053.31	Machinery & Equipment
NSK Corporation	16-19	127313-1	A Ring Super Finish 1SA-130H FRH0852	08/16/2017	91,837.82	Machinery & Equipment
NSK Corporation	16-19	127314-1	Spindle Raceway Grinding Machine 1GB-734H	08/16/2017	79,704.07	Machinery & Equipment
NSK Corporation	16-19	127315-1	Broaching Machine NBV-5-10A	08/16/2017	152,211.77	Machinery & Equipment
NSK Corporation	16-19	128274-1	Spindle Washing Equip WWB-2831HS	08/16/2017	32,582.34	Machinery & Equipment
NSK Corporation	16-19	130115-1	Outer Ring Grinding 1GA-131H FRH0851	08/16/2017	216,224.65	Machinery & Equipment
NSK Corporation	16-19	130116-1	Outer Ring Buffer Conveyor A-BUF-CV	08/16/2017	24,966.89	Machinery & Equipment
NSK Corporation	16-19	131009-1	B2 Rough Wash WZ-830H3E	08/16/2017	56,875.96	Machinery & Equipment
NSK Corporation	16-19	131927-1	Outer Wing washing Equipment WWA-831H3	08/16/2017	80,294.60	Machinery & Equipment
NSK Corporation	16-19	125487-2	Bolt Press Machine AZ-833B-E	08/16/2017	99,185.67	Molds, Dies, Jigs & Tools
NSK Corporation	16-19	125488-2	Overhead Conveyor HBB-831H3	08/16/2017	74,483.11	Molds, Dies, Jigs & Tools
NSK Corporation	16-19	127310-2	Direct Conveyor	08/16/2017	3,167.96	Molds, Dies, Jigs & Tools
NSK Corporation	16-19	127311-2	Grinding Machine 1GA-731H	08/16/2017	24,352.42	Molds, Dies, Jigs & Tools
NSK Corporation	16-19	127312-2	B2 Super Finish S8S-521 FRH0855	08/16/2017	38,013.33	Molds, Dies, Jigs & Tools
NSK Corporation	16-19	127313-2	A Ring Super Finish 1SA-130H FRH0852	08/16/2017	214,288.25	Molds, Dies, Jigs & Tools
NSK Corporation	16-19	127314-2	Spindle Raceway Grinding Machine 1GB-734H	08/16/2017	185,976.15	Molds, Dies, Jigs & Tools
NSK Corporation	16-19	127315-2	Broaching Machine NBV-5-10A	08/16/2017	152,211.77	Molds, Dies, Jigs & Tools
NSK Corporation	16-19	128274-2	Spindle Washing Equip WWB-2831HS	08/16/2017	76,025.45	Molds, Dies, Jigs & Tools
NSK Corporation	16-19	130115-2	Outer Ring Grinding 1GA-131H FRH0851	08/16/2017	54,056.16	Molds, Dies, Jigs & Tools
NSK Corporation	16-19	130116-2	Outer Ring Buffer Conveyor A-BUF-CV	08/16/2017	6,241.72	Molds, Dies, Jigs & Tools
NSK Corporation	16-19	131009-2	B2 Rough Wash WZ-830H3E	08/16/2017	14,218.99	Molds, Dies, Jigs & Tools
NSK Corporation	16-19	131927-2	Outer Wing washing Equipment WWA-831H3	08/16/2017	20,073.65	Molds, Dies, Jigs & Tools
					<u>4,090,353.54</u>	