



CITY OF FRANKLIN

DEPARTMENT OF COMMUNITY DEVELOPMENT

Staff Report

To: Economic Development Commission Members
From: Krista Linke, Director
Date: December 18, 2017
Re: Case EDC 2017-10 – Rapid Prototype and Engineering

Case EDC 2017-10 – Rapid Prototype and Engineering: A request for a 5-year tax abatement on \$500,000 in personal property and a 7-year abatement on \$1,100,000 in real property investment.

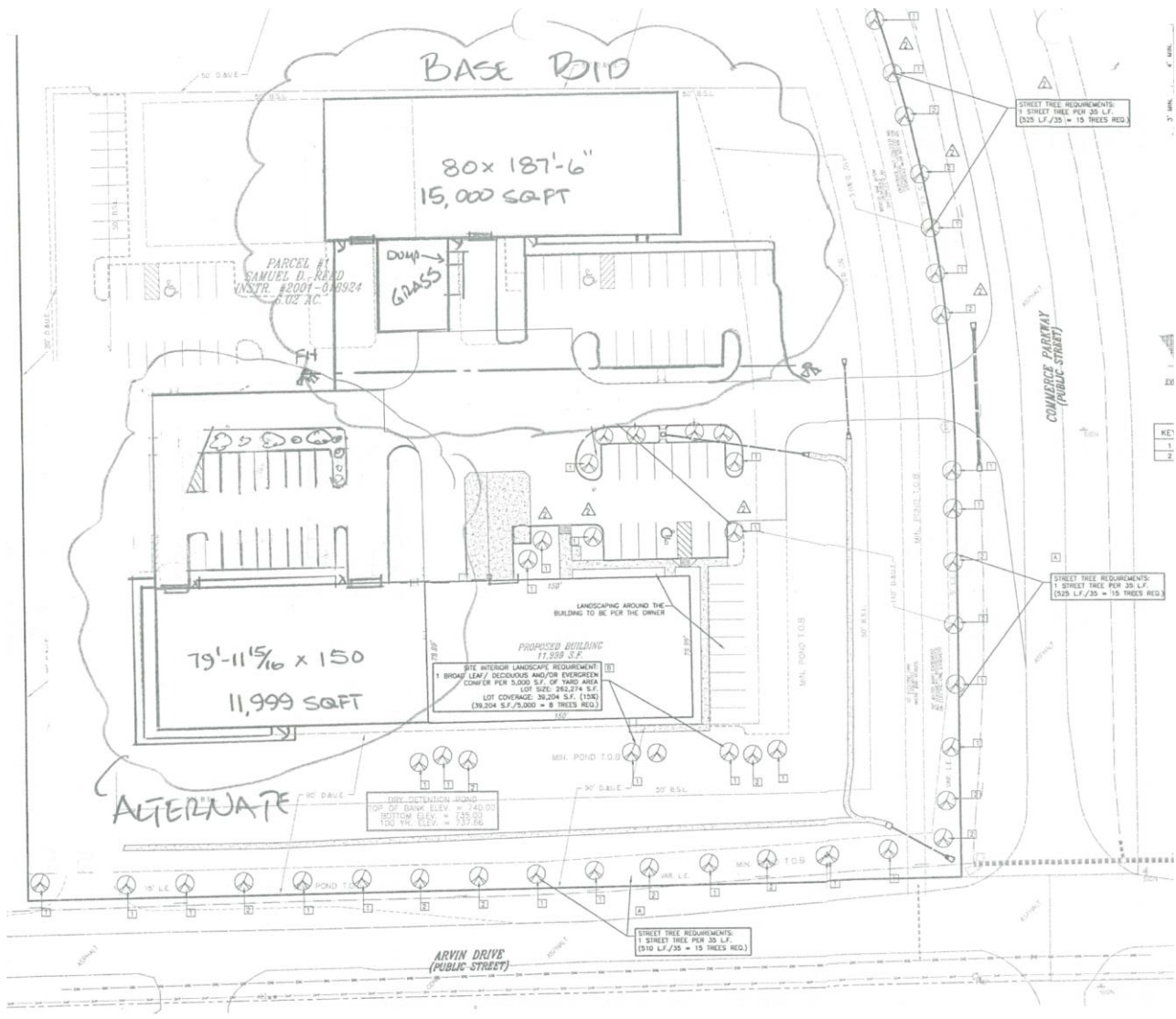
Location: 1400 Commerce Parkway



Summary:

1. Characteristics of this location:

Rapid Prototype has an offer on the property located at 1400 Commerce Parkway, pending approval of incentive offers. The existing facility is 12,000 square feet and they will build an additional 15,000 square foot building on the property. The total investment in real property will be \$1,920,000, with \$1,100,000 of that for the construction of the new building and improvements to the existing building.



2. Characteristics of this petitioner:

"Rapid Prototyping & Engineering, Inc. has provided quality engineered and machined castings, billet components, fixturing, and tooling solutions for over 30 years. Our customers are typically under pressure to bring their new products to the market with very aggressive development schedules. Many produce highly complex, technologically advanced mechanical assemblies. Regardless of a project's complexity or lead time, large and small customers alike can rely on Rapid to provide the personal attention and effort required to meet their needs." Source: www.rpemachining.com.

3. Characteristics of this project:

They are in negotiations with the current property owner of 1400 Commerce Parkway to purchase the property and existing building. They will add a 15,000 square foot building to the property as soon as construction is allowed to start.

4. Economic Revitalization Area (ERA):

This property has been previously designated an ERA through City Council Resolutions 2012-04 and 2012-05.

5. ERA & Tax Abatements Findings (Real Property):

Indiana Code Section 6-1.1-12.1-3 states that the following findings must be made when considering an ERA designation and the granting of a tax abatement for real property:

- a. Whether the estimate of the value of the development or rehabilitation is reasonable for projects of that nature;
- 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 proposed redevelopment or rehabilitation;
- 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 proposed redevelopment or rehabilitation;
- d. Whether any other benefits about which information was requested are benefits that can be reasonably expected to result from the proposed redevelopment or rehabilitation; and
- e. Whether the totality of the benefits is sufficient to justify the tax abatement.

6. 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 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 installation 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.

7. 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 this request follows:

- a. *Diversification of Local Occupations*: According to the Employment Phase-In Schedule submitted, there will be 12 jobs retained and 8 new jobs created as a result of the project. The average hourly salary for these 20 employees is \$26.00. Wage figures do not include benefits. Benefit information was not provided.
- b. *Diversification of Local Employment*: According to the 2015 U.S. Census Bureau County Business Patterns, there were 21 machinery manufacturing establishments in Johnson County. There were 933 employees at those 21 establishments.
- c. *Increase in Local Salaries*: The average wage for all industries in Johnson County in 2016 was \$17.35. The average hourly wage in Johnson County for the manufacturing sector is \$23.54 per hour. The average hourly wage (without benefits) for the 12 jobs being retained and the 8 additional jobs being created is \$26.00 per hour.
- d. *Sustainable Land Use*: The petitioner proposes to make this investment at an existing property located within the Franklin Business Park.
- e. *Future Community Investment*: The applicant should share with the EDC their plans for future community investment. The company has indicated on their application that they are agreeable to a 2% economic development fee on real property and 5% economic development fee on personal property.
- f. *Conformance with the Comprehensive Plan*: The Comprehensive Plan - Land Use Map identifies this property as a Manufacturing Area. Manufacturing areas are intended to accommodate large scale businesses that produce finished products from raw materials. Uses in these areas may include products manufacturing as well as any related warehousing and offices. Manufacturing areas may include facilities that involve emissions or the outdoor storage of materials and finished products. These two factors are the primary distinction between manufacturing areas and light industrial areas.
- g. The property is zoned IG, Industrial: General. The "IG", Industrial: General zoning district is intended to provide locations for general industrial manufacturing, production, assembly, warehousing, research & development facilities, and similar land uses. This district is intended to accommodate a variety of industrial uses in locations and under conditions that minimize land use conflicts. This district should be used to support industrial retention and expansion in Franklin.

8. 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).

9. Requested Effective Year:

The petitioner has requested that, if approved, the tax abatement be effective for the tax year 2019, payable 2020.

Staff Comments:

This project makes use of an existing facility in the Franklin Business Park and will result in the construction of a new building at that site that will be larger than the existing building. The jobs associated with the project are above average wages for even the manufacturing sector. The Mayor's Office has recommended a 7-year real property abatement and a 5-year personal property abatement. There is an additional incentive being offered by the Redevelopment Commission to help facilitate the relocation of this company to Johnson County.



CITY OF FRANKLIN

COMMUNITY DEVELOPMENT DEPARTMENT

Tax Abatement Application

Organization/Corporation Requesting Tax Abatement

Organization/Corporation Name: Rapid Prototype - WK Investments LLC
Primary Contact Name: Kasey Myers
Contact Address: 3340 Presidential Way 2235 S. Hill Valley Rd.
City: Martinsville State: IN Zip: 46151
Phone Number: 317-750-1624
Email: kasey@rpemachining.com
Three possible dates before the EDC meeting to conduct a site visit: _____
Name of Owner: _____
Parent Company (If Applicable): _____

Primary Contact for Yearly Compliance Reports

Name: Brenda Olsen
Title: Office Manager
Address: 3340 Presidential Way
City: Edinburgh State: IN Zip: 46124
Phone Number: 317-750-1624
Email: brenda@rpemachining.com

Description of Project

Project Location/Address: 1400 Commerce Pkwy.
Parcel Number: 41-08-11-044-002.000-009
Brief Description of Project:
New manufacturing location for Rapid Prototype and Engineering and AXIS Industries. New 15,000 sq.ft. building and existing 12,000 sq.ft. building.

Current Assessed Value (AV) of the Property:

1. Land \$569,400
2. Building _____
3. Inventory _____
4. Equipment _____

Have building permits been applied for (if applicable): Yes ☐ No ☒
Has equipment been installed (if applicable): Yes ☐ No ☒

Required Attachments:

- | | |
|---|--|
| <input type="checkbox"/> Completed SB-1 Form(s) | <input type="checkbox"/> Summary of Benefits (if applicable) |
| <input type="checkbox"/> Legal Description of the Property | <input type="checkbox"/> Employment Phase-In Schedule |
| <input type="checkbox"/> Company Financial Statement | <input type="checkbox"/> Company Investment Timetable |
| <input type="checkbox"/> Job and Wage Description Information Sheet | <input type="checkbox"/> Compliance Affidavit |

Type of Abatement RequestedReal Property ☒Personal Property ☒ 5Length of Abatement Requested: 7 Years

Project Size (square feet): _____ Size of Site (acres): _____

Type of Building:

Multiple Tenants (leased) ☐ Single Tenant (leased) ☐ Owner Occupied ☐ Corporate Headquarters ☐**Capital Investment**

1. Real property capital investment only: \$ 1,920,000
2. Personal property capital investment only: \$ 500,000
3. Total capital investment for proposed project: \$ 1,920,000

Jobs Created and/or Retained

1. Estimated number of full time jobs created by the proposed project: 12
2. Estimated number of full time jobs retained as a direct result of the proposed project: 12
3. Total number of full time jobs upon project completion: 12

Wages Created and Retained

1. Average hourly wage rate for new jobs (w/o benefits) 8
2. Average hourly wage rate for jobs retained (w/o benefits) \$26.00

***In addition to answering these questions, please fill out the Job and Wage Description for Tax Abatement Application information sheet and submit it with the application as an attachment.

Please explain why the abatement incentive is necessary to the project: Attach additional sheets as necessary.

Company Information

How long has the company been in existence? _____

Current address of company headquarters and duration at that address: 3340 Presidential Way, Edinburgh, IN 46124

Approximate percentage of employees at current location who live in the City of Franklin and/or Johnson County: _____

Have you ever received tax abatement at your current location? Yes ☐ No ☒

If yes, when and for what term? _____

What specifically has the company done to give back to the community: _____

While acting as a strong advocate for using economic incentives to help applicants expand and/or locate in the community, the City of Franklin also strives to enrich the quality of life for its citizens. To that end, the City embraces the use of voluntary economic development fees as allowed under Indiana law (IC 6-1.1-12.1-14). These fees are directed by the City to local nonprofit organizations to bolster their economic development efforts. The fee can be applied on both real and personal property abatements. The fee is collected annually by the County Treasurer as a special assessment on the tax bill and is distributed by the City to the designated economic development nonprofit organization. Typically, 2% is charged on Real Property and 5% is charged on Personal Property. The fee is a percentage of the abatement received. For example, instead of receiving 100% abatement in the first year, the company receives a 95% abatement, with the 5% difference going to support local economic development. More information can be found on the City's website (www.franklin.in.gov) under the Economic Development tab.

Is the company agreeable to the Economic Development Fee? Yes ☒ No ☐

If yes, at what percent(s)?

2%, 5%



STATEMENT OF BENEFITS REAL ESTATE IMPROVEMENTS

State Form 51767 (R2 / 1-07)

Prescribed by the Department of Local Government Finance

20__ PAY 20__

FORM SB-1 / Real Property

This statement is being completed for real property that qualifies under the following Indiana Code (check one box):

- ☐ Redevelopment or rehabilitation of real estate improvements (IC 6-1.1-12.1-4)
☐ Eligible vacant building (IC 6-1.1-12.1-4.8)

INSTRUCTIONS:

- 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** the redevelopment or rehabilitation of real property for which the person wishes to claim a deduction. "Projects" planned or committed to after July 1, 1987, and areas designated after July 1, 1987, require a STATEMENT OF BENEFITS. (IC 6-1.1-12.1)
- Approval of the designating body (City Council, Town Board, County Council, etc.) must be obtained prior to initiation of the redevelopment or rehabilitation, **BEFORE** a deduction may be approved.
- To obtain a deduction, application Form 322 ERA/RE or Form 322 ERA/VBD, whichever is applicable, must be filed with the County Auditor by the later of: (1) May 10; or (2) thirty (30) days after the notice of addition to assessed valuation or new assessment is mailed to the property owner at the address shown on the records of the township assessor.
- Property owners whose Statement of Benefits was approved after June 30, 1991, must attach a Form CF-1/Real Property annually to the application to show compliance with the Statement of Benefits. [IC 6-1.1-12.1-5.1(b) and IC 6-1.1-12.1-5.3(j)]
- The schedules established under IC 6-1.1-12.1-4(d) for rehabilitated property and under IC 6-1.1-12.1-4.8(1) for vacant buildings apply to any statement of benefits approved on or after July 1, 2000. The schedules effective prior to July 1, 2000, shall continue to apply to a statement of benefits filed before July 1, 2000.

SECTION 1		TAXPAYER INFORMATION			
Name of taxpayer WK Investments LLC					
Address of taxpayer (number and street, city, state, and ZIP code) 2235 S. Hill Valley Rd. Martinsville, IN					
Name of contact person Kasey Myers		Telephone number (317) 750-1624		E-mail address kasey@rpmachining.com	
SECTION 2		LOCATION AND DESCRIPTION OF PROPOSED PROJECT			
Name of designating body City of Franklin Common Council		Resolution number			
Location of property 1400 Commerce Pkwy		County Johnson		DLGF taxing district number	
Description of real property improvements, redevelopment, or rehabilitation (use additional sheets if necessary)		Estimated start date (month, day, year) 4-1-18		Estimated completion date (month, day, year) 12-31-18	
SECTION 3		ESTIMATE OF EMPLOYEES AND SALARIES AS RESULT OF PROPOSED PROJECT			
Current number 12	Salaries 508,000	Number retained 12	Salaries 508,000	Number additional 8	Salaries 432,640
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.		REAL ESTATE IMPROVEMENTS			
		COST		ASSESSED VALUE	
		Current values			
		Plus estimated values of proposed project		\$1,100,000	
		Less values of any property being replaced			
Net estimated values upon completion of project					
SECTION 5		WASTE CONVERTED AND OTHER BENEFITS PROMISED BY THE TAXPAYER			
Estimated solid waste converted (pounds)		Estimated hazardous waste converted (pounds)			
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) 12-6-17	



STATEMENT OF BENEFITS PERSONAL PROPERTY

State Form 51764 (R / 1-06)

Prescribed by the Department of Local Government Finance

FORM SB-1 / PP

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 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. "Projects" planned or committed to after July 1, 1987, and areas designated after July 1, 1987, require a STATEMENT OF BENEFITS. (IC 6-1.1-12.1)
2. Approval of the designating body (City Council, Town Board, County Council, etc.) must be obtained prior to installation of the new manufacturing equipment and/or research and development equipment and/or logistical distribution equipment and/or information technology equipment, **BEFORE** a deduction may be approved
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. 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 after June 30, 1991, must submit Form CF-1 / PP annually to show compliance with the Statement of Benefits. (IC 6-1.1-12.1-5.6)
5. The schedules established under IC 6-1.1-12.1-4.5(d) and (e) apply to equipment installed after March 1, 2001. For equipment installed prior to March 2, 2001, the schedules and statutes in effect at the time shall continue to apply. (IC 6-1.1-12.1-4.5(f) and (g))

SECTION 1		TAXPAYER INFORMATION						
Name of taxpayer WK Investments LLC								
Address of taxpayer (number and street, city, state, and ZIP code) 2235 S. Hill Valley Rd Martinsville, IN 46151								
Name of contact person Kasey Myers		Telephone number 317-750-1624						
SECTION 2		LOCATION AND DESCRIPTION OF PROPOSED PROJECT						
Name of designating body City of Franklin Common Council		Resolution number (s)						
Location of property 1400 Commerce Pkwy.		County Johnson	DLGF taxing district number 5100 11 01 007/02					
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) CNC Equipment		ESTIMATED						
		START DATE COMPLETION DATE						
		Manufacturing Equipment	01-01-18 12-31-25					
		R & D Equipment						
		Logist Dist Equipment						
IT Equipment								
SECTION 3		ESTIMATE OF EMPLOYEES AND SALARIES AS RESULT OF PROPOSED PROJECT						
Current number 10-RPE 2-Axis	Salaries 508,000	Number retained 12	Salaries 508,000	Number additional 8	Salaries 432,640			
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	500,000							
Plus estimated values of proposed project	\$1,000,000							
Less values of any property being replaced								
Net estimated values upon completion of project								
SECTION 5		WASTE CONVERTED AND OTHER BENEFITS PROMISED BY THE TAXPAYER						
Estimated solid waste converted (pounds) _____		Estimated hazardous waste converted (pounds) _____						
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) 12-6-17					

**JOB AND WAGE DESCRIPTION
FOR TAX ABATEMENT APPLICATION**

Please provide the following job and wage earning information that is associated with this Tax Abatement Petition *(Please specify all wages in an hourly format without benefits)*:

- (1) Company NAICS code: 333510.
- (2) The total number of jobs current at the site: 12, the number of those jobs that will be retained as a direct result of the proposed investment 12, and the number of new jobs which will be created as a direct result of the proposed investment 8.
- (3) The total number of full-time employees at the site: 12.
- (4) The total number of temporary and/or contract employees currently at the site: 2 part time \$12/hr.
- (5) The average hourly wages for the new jobs: \$26.
- (6) Will the new jobs being created begin as temporary and/or contract employees? _____
If yes, please provide an explanation of the typical transition process to full time:

(7) Number of new and/or retained jobs in:

- (a) Managerial/Professional Specialty Occ.: _____ Average Hourly Wage: _____
- (b) Technical/Sales/Admin. Support Occ.: _____ Average Hourly Wage: _____
- (c) Service Occ.: _____ Average Hourly Wage: _____
- (d) Precision Production/Craft/Repair Occ.: _____ Average Hourly Wage: _____
- (e) Operators/Fabricators/Laborers: _____ Average Hourly Wage: _____

Note: The total number of jobs specified above should correspond with the Statement of Benefits Form SB-1.

- (8) **Attach detailed information on the types of benefits offered for new employees. A description of all possible bonuses and incentives should also be given if provided.**

**EMPLOYMENT PHASE-IN SCHEDULE
SAMPLE JOB CREATION/RETENTION TIMETABLE**

	2018 Job Type 1	Job Type 2	Job Type 3	Job Type 4	Total
Year of Abatement					
1st Quarter					
2nd Quarter					
3rd Quarter					
4th Quarter					1
Year of Abatement	2019				
1st Quarter					
2nd Quarter					
3rd Quarter					
4th Quarter					2
Year of Abatement	2020				
1st Quarter					
2nd Quarter					
3rd Quarter					
4th Quarter					1
TOTAL					

SAMPLE COMPANY INVESTMENT TIMETABLE

Year of Abatement	Buildings	Equip. Type 1	Equip. Type 2	Equip. Type 3	Total
1st Quarter	2018				
2nd Quarter					
3rd Quarter	\$1,100,000		\$100,000		
4th Quarter					
Year of Abatement					
1st Quarter					
2nd Quarter					
3rd Quarter			\$250,000		
4th Quarter					
Year of Abatement					
1st Quarter					
2nd Quarter					
3rd Quarter					
4th Quarter			\$150,000		
TOTAL					

Indiana Tax Abatement Results

- Johnson County, Franklin City-Franklin Twp
- Tax Rate (2017): 3.3147
- Project Name: Rapid Prototype and Engineering

Real Property: \$1,100,000.00

	Abatement Percentage	With Abatement			Without Abatement			Estimated Tax Abatement Savings
		Property Taxes	Circuit Breaker Tax Credit	Net Property Taxes	Property Taxes	Circuit Breaker Tax Credit	Net Property Taxes	
Year 1	100%	\$ 0.00	\$0.00	\$0.00	\$36,462.00	(\$3,462.00)	\$33,000.00	\$33,000.00
Year 2	85%	\$ 5,469.00	\$0.00	\$5,469.00	\$36,462.00	(\$3,462.00)	\$33,000.00	\$27,531.00
Year 3	71%	\$ 10,574.00	\$0.00	\$10,574.00	\$36,462.00	(\$3,462.00)	\$33,000.00	\$22,426.00
Year 4	57%	\$ 15,679.00	\$0.00	\$15,679.00	\$36,462.00	(\$3,462.00)	\$33,000.00	\$17,321.00
Year 5	43%	\$ 20,783.00	\$0.00	\$20,783.00	\$36,462.00	(\$3,462.00)	\$33,000.00	\$12,217.00
Year 6	29%	\$ 25,888.00	\$0.00	\$25,888.00	\$36,462.00	(\$3,462.00)	\$33,000.00	\$7,112.00
Year 7	14%	\$ 31,357.00	\$0.00	\$31,357.00	\$36,462.00	(\$3,462.00)	\$33,000.00	\$1,643.00
Totals		\$109,750.00	\$0.00	\$109,750.00	\$255,234.00	(\$24,234.00)	\$231,000.00	\$121,250.00

Personal Property: \$500,000.00

	Abatement Percentage	With Abatement			Without Abatement			Estimated Tax Abatement Savings
		Property Taxes	Circuit Breaker Tax Credit	Net Property Taxes	Property Taxes	Circuit Breaker Tax Credit	Net Property Taxes	
Year 1	100%	\$0.00	\$0.00	\$0.00	\$6,629.00	(\$629.00)	\$6,000.00	\$6,000.00
Year 2	80%	\$1,856.00	\$0.00	\$1,856.00	\$9,281.00	(\$881.00)	\$8,400.00	\$6,544.00
Year 3	60%	\$2,784.00	\$0.00	\$2,784.00	\$6,961.00	(\$661.00)	\$6,300.00	\$3,516.00
Year 4	40%	\$3,182.00	\$0.00	\$3,182.00	\$5,304.00	(\$504.00)	\$4,800.00	\$1,618.00
Year 5	20%	\$3,978.00	\$0.00	\$3,978.00	\$4,972.00	(\$472.00)	\$4,500.00	\$522.00
Totals		\$11,800.00	\$0.00	\$11,800.00	\$33,147.00	(\$3,147.00)	\$30,000.00	\$18,200.00