



CITY OF FRANKLIN

Community Development Department

Memorandum

To: City of Franklin Economic Development Commission

From: Rhoni Oliver, Community Development Specialist

Date: March 7, 2018

Re: **Case C 2018-19: GROK Enterprises (Res. 11-02)**
Case C 2018-36: Nitrex (Res. 11-02)

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 2017:

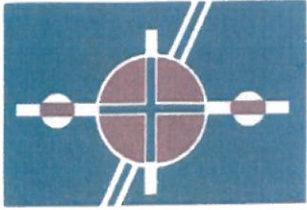
	Estimated on SB-1	Actual in 2017	Difference
Employees Retained	13	3	(10)
Salaries	\$539,593	\$144,352	-\$395,241
New Employees	12	31	19
Salaries	\$341,974	\$1,078,875	\$736,901
Total Employees	25	34	9
Total Salaries	\$881,567	\$1,223,227	\$341,660
Average Hourly Salaries	\$16.95	\$17.30	\$0.34
Personal 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 2015. In 2016 the total number of employees was 25, which is 12 lower than SB-1 estimates. In 2017 Nitrex employed 34 at an average hourly wage of \$17.30, both exceed SB-1 estimates.
- 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. As of 2017 the actual personal property investment is \$6,253,343, which is just under SB-1 estimates.

5. The real property investment is \$915,000, which is \$65,000 over SB-1 estimate.
6. Their personal property tax abatement (Nitrex) is scheduled to expire in tax year 2023 payable 2024. Their final compliance review will take place in 2024.
7. The real property tax abatement (GROK) is scheduled to expire in tax year 2021 payable 2022. The final compliance review will take place in 2022.

Staff Recommendation: Approval



GROK ENTERPRISES, LLC

SAN DIEGO OFFICE:
300 CARLSBAD VILLAGE DR
SUITE 108A, BOX 186
CARLSBAD, CA 92008

OFFICE: 760-609-4645
FAX: 760-720-2956
MOBILE: 760-604-5049
E-mail: grokllc@prodigy.net

February 23, 2018

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 2017
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__ PAY 20__

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	GROK ENTERPRISES, LLC		County	JOHNSON		
Address of taxpayer (number and street, city, state, and ZIP code)	300 CARLSBAD VILLAGE DRIVE, STE 108a, BOX 186		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 AT 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						
Salaries						
Number of employees retained						
Salaries						
Number of additional employees						
Salaries						
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	Thomas C Rose		Title	PRESIDENT-GROK LLC	Date signed (month, day, year)	FEB 21, 2018

CONSTRUCTION AND OCCUPANCY STATUS REPORT 2017
GROK ENTERPRISES, LLC

NITREX-INDIANA OPERATIONS
300-350 BLUE CHIP COURT, FRANKLIN, IN 46131

Construction of the new building began in 2011 and was completed for occupancy in July 2012. In August of 2012, Nitrex employees began the task of moving and installing the heat treating furnaces, outfitting the offices and moving the metallurgical lab. The office work and metallurgical lab was completed by Dec 2012. In addition, Nitrex-Indiana continues to provide heat treating services to Cummins Engine, Eaton Aerospace, Illinois Tool Works, Timron Gear and several other major customers.

Nitrex-Indiana has installed new Gas Nitride Vacuum carburizing equipment and continues to install additional processing capabilities.

Nitrex-Indiana continues to occupy 100% of both buildings located at 300 & 350 Blue Chip Court.

2017 EXPANSION INVESTMENT SCHEDULE
FOR
GROK ENTERPRISES, LLC
NITREX-INDIANA OPERATION

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

	Actual Amount of Investment in 2017	Proposed Amount of Investment in 2017	Actual Amount of Investment Added by Year During Quarter				Actual Total Amount of Investment as of 12/31/2017	Difference between Actual and Proposed Amount of Investment
			3/17	6/17	9/17	12/17		
Buildings and Improvements	0	0	0	0	0	0	\$915,000 (previous years)	+\$65,000 (previous year)
Machinery & Equipment	Supplied by Nitrex		Supplied by Nitrex	Supplied by Nitrex	Supplied by Nitrex	Supplied by Nitrex	Supplied by Nitrex	
Totals	Supplied by Nitrex		Supplied by Nitrex	Supplied by Nitrex	Supplied by Nitrex	Supplied by Nitrex	Supplied by Nitrex	



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 19, 2018

Ref.: (1) 2016 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 three years ago, subject to the referenced abatement, has had virtually no change within the scope of that project during the past twelve months, except for one small disposal in the amount of approximately \$2,000;
- b) has generated a significant amount of job creation in the past twelve months, by increasing its employee count from 25 to 34 individuals, with a corresponding increase in total payroll.

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.: Bryce Dupere – Controller
Sam Jackins – Plant Manager

**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	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	BRYCE DUPERE		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 - 2100 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		
		AS ESTIMATED ON SB-1	ACTUAL	
Current number of employees		25	34	
Salaries		881,567.00	1,223,227.00	
Number of employees retained		25	3	
Salaries		881,567.00	144,352.00	
Number of additional employees		12.00	31	
Salaries		341,974.00	1,078,875.00	
SECTION 4		COST AND VALUES		
	MANUFACTURING EQUIPMENT	R & D EQUIPMENT	LOGIST DIST EQUIPMENT	
	COST	ASSESSED VALUE	COST	ASSESSED VALUE
AS ESTIMATED ON SB-1				
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
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	98,227.00	32,742.00		
Net values upon completion of project	7,941,175.00	2,647,058.33		
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		
		AS ESTIMATED ON SB-1	ACTUAL	
WASTE CONVERTED AND OTHER BENEFITS				
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	Title	Date signed (month, day, year)		
	Controller	2-7-18		

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(c)]

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.