



CITY OF FRANKLIN

Community Development Department

Memorandum

To: City of Franklin Economic Development Commission
From: Rhoni Oliver, Community Development Department
Date: April 26, 2019
Re: Case C 2019-36: 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 2018:

| | Estimated on SB-1 | Actual in 2018 | Difference |
|--------------------------------|-------------------|----------------|--------------|
| Employees Retained | 253 | 253 | 0 |
| Salaries | \$11,878,189 | \$18,169,314 | \$6,291,125 |
| New Employees | 1 | 0 | -1 |
| Salaries | \$57,200 | \$0 | -\$57,200 |
| Total Employees | 254 | 253 | -1 |
| Total Salaries | \$11,935,389 | \$18,169,314 | \$6,233,925 |
| Average Hourly Salaries | \$22.59 | \$34.53 | \$11.94 |
| 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.
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



April 8, 2019

City of Franklin
Attn: Krista Linke
70 East Monroe Street
Franklin, IN 46131

Re: 2019 Tax Abatement Compliance Packet for NSK Corporation

Dear Ms. Linke:

Please find enclosed Forms CF-1/PP (Compliance with Statement of Benefits) regarding compliance with the personal property tax abatements 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 expenditure 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. Our headcount is currently slightly under the estimate on our SB-1 filing, but we would like to draw increased attention to the fact that our salary amount is much higher than the original estimate.

In regards to our project for Resolution 16-19, NSK is in the process of making all of the capital investments and has created (with the exception of one position) the full complement of jobs projected under Resolution number 16-19.

Please contact me at (734) 913-7597 if you have any questions or concerns during your review of the enclosed documents.

Thank you,

A handwritten signature in cursive script that reads "Amy Miller".

Amy Miller
Tax 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 NSK Corporation | County Johnson | |
| Address of taxpayer (number and street, city, state, and ZIP code) P.O. 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 | 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 | 253 |
| Salaries | | 11,935,389.00 | 18,169,314.00 |
| 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 | | | | | | | |
| Plus: Values of proposed project | 6,625,200.00 | | | | | | | |
| Less: Values of any property being replaced | 322,034.00 | | | | | | | |
| Net values upon completion of project | 124,721,207.00 | | | | | | | |
| 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>Amy Miller</i> | Title Tax Manager | Date signed (month, day, year) 4/8/19 |

| Legacy Dept No | Legacy Asset No | Legacy System No | New Cost Center No. | New | Class | Resolution # | Asset Classification | Description | Acq Value |
|----------------|------------------|------------------|---------------------|--------|-------|--------------|----------------------|---|--------------|
| 22CIA | 223CJ1ISA130H | 19265 | 3004471 | 127513 | 08 | 16-19 | Mach & Equip | A Ring Super Finish 15A-130H FRH0852 | 306,126.07 |
| 22CIA | 223CJ1BF93ZBWH-E | 19251 | 3004471 | 129225 | 08 | 16-19 | Mach & Equip | B1 Supply Wash & ECT Mach BF-93ZBWH-E | 81,593.26 |
| 22CIA | 223CJ1WZ830HHE | 19269 | 3004471 | 131009 | 08 | 16-19 | Mach & Equip | B2 Rough Wash WZ-930HBE | 71,094.95 |
| 22CIA | 223CJ1S6S521 | 19264 | 3004471 | 127312 | 08 | 16-19 | Mach & Equip | B3 Super Finish SBS-S21 FRH0855 | 190,066.64 |
| 22CIA | 223CJ1HB1T1664 | 19250 | 3004471 | 125487 | 08 | 16-19 | Mach & Equip | Bolt Press Machine AZ-833B-E | 141,693.81 |
| 22CIA | 223CJ1NBV510A | 19268 | 3004471 | 127515 | 08 | 16-19 | Mach & Equip | Broaching Machine NBV-5-10A | 304,423.53 |
| 22CIA | 223CJ1DRECTON | 19249 | 3004471 | 127310 | 08 | 16-19 | Mach & Equip | Direct Conveyor | 15,859.80 |
| 22CIA | 223CJ1GA731H | 19263 | 3004471 | 127311 | 08 | 16-19 | Mach & Equip | Ginding Machine 1GA-731H | 243,524.18 |
| 22CIA | 223CJ1AA830H2 | 19254 | 3004471 | 127311 | 08 | 16-19 | Mach & Equip | HUB 3 Assembly Machine AA-930H3 | 199,262.35 |
| 22CIA | 223CJ1AA830H3 | 19255 | 3004471 | 130118 | 08 | 16-19 | Mach & Equip | HUB 3 Ball Filling Machine AB-930H3 | 140,015.28 |
| 22CIA | 223CJ1AE5831H3 | 19258 | 3004471 | 129227 | 08 | 16-19 | Mach & Equip | HUB 3 Encoder Seal Press AE-8318KH-E | 144,434.47 |
| 22CIA | 223CJ1MPF834BKHE | 19259 | 3004471 | 131011 | 08 | 16-19 | Mach & Equip | HUB 3 Flanize and OD Runout Check MF-834BKH-E | 137,403.55 |
| 22CIA | 223CJ1AM830H3 | 19252 | 3004471 | 131925 | 08 | 16-19 | Mach & Equip | HUB 3 Matching Machine AM-930H3 | 157,399.17 |
| 22CIA | 223CJ1AR63BH3E | 19257 | 3004471 | 131929 | 08 | 16-19 | Mach & Equip | HUB 3 Rigidity Check Machine MP-832H3 | 109,225.21 |
| 22CIA | 223CJ1MW831HRE | 19261 | 3004471 | 132012 | 08 | 16-19 | Mach & Equip | HUB 3 Rust Prevention and Visual Inspection AR-833BWH-E | 83,202.92 |
| 22CIA | 223CJ1APF5831 | 19260 | 3004471 | 128276 | 08 | 16-19 | Mach & Equip | HUB 3 Spindle Check Machine MM-931H3-E | 77,398.09 |
| 22CIA | 223CJ1AMA830H3 | 19253 | 3004471 | 128275 | 08 | 16-19 | Mach & Equip | HUB 3 Swaging machine APS-931H3 | 515,449.62 |
| 22CIA | 223CJ1ATCLB12679 | 19256 | 3004471 | 129226 | 08 | 16-19 | Mach & Equip | HUB 3 Vibration Check MA-930H3 | 141,241.58 |
| 22CIA | 223CJ1QNN003FR | 19274 | 3004471 | 126407 | 08 | 16-19 | Mach & Equip | L3 Material Handling TOLB-12679 | 74,364.54 |
| 22CIA | 223CJ1ABUFCV | 19262 | 3004471 | 131926 | 08 | 16-19 | Mach & Equip | Line Monitor Hub 3-QNN-003FR | 5,142.61 |
| 22CIA | 223CJ1GALJ31H | 19273 | 3004471 | 130116 | 08 | 16-19 | Mach & Equip | Outer Ring Grinding 1GA-131H FRH0851 | 31,208.61 |
| 22CIA | 223CJ1WVA831H3 | 19267 | 3004471 | 130115 | 08 | 16-19 | Mach & Equip | Outer Wing washing Equipment WWA-931H3 | 270,280.91 |
| 22CIA | 223CJ1HB8831H3 | 19271 | 3004471 | 131927 | 08 | 16-19 | Mach & Equip | Sandile Raceway Grindline Machine 1GB-734H | 100,968.23 |
| 22CIA | 223CJ1LGB734H | 19266 | 3004471 | 127314 | 08 | 16-19 | Mach & Equip | Spindle Washing Equip VWVB-2831H3 | 148,966.22 |
| 22CIA | 223CJ1WW82831HS | 19270 | 3004471 | 128274 | 08 | 16-19 | Mach & Equip | Okuma LB250 Rebuild 120535 (Addl Cost) | 265,680.22 |
| 22CIA | H1656.19509 | 19510 | 3004471 | 124683 | 08 | 16-19 | Mach & Equip | HUB 3 Swaging machine AP5-831H3 (Addl Cost) | 3,974.07 |
| 22CIA | H1656.19509 | 19509 | 3004471 | 124724 | 08 | 16-19 | Mach & Equip | Chip Blaster | 2,366.48 |
| 22CIA | H1680.19169 | 19169 | 3004471 | 129216 | 08 | 16-19 | Mach & Equip | | 19,999.55 |
| | | | | | | | | | 4,090,353.53 |

NSK Corporation
Investment Timetable
Resolution 16-19

| 3/31/2020 | Buildings/ Improvements | Equipment Pool 2 | Total |
|------------------|------------------------------------|-----------------------------|--------------|
| 1st Quarter | 200,000.00 | 1,125,000.00 | 1,325,000.00 |
| 2nd Quarter | 200,000.00 | 1,125,000.00 | 1,325,000.00 |
| 3rd Quarter | 200,000.00 | 1,125,000.00 | 1,325,000.00 |
| 4th Quarter | 200,000.00 | 1,125,000.00 | 1,325,000.00 |

| | | | |
|-------|------------|--------------|--------------|
| Total | 800,000.00 | 4,500,000.00 | 5,300,000.00 |
|-------|------------|--------------|--------------|

NSK Corporation
Company Headcount Timetable
Resolution 16-19

| | Engineer (new) | Machine Operators (retained) |
|---------|-------------------|------------------------------------|
| 2019 Q1 | - | - |
| 2019 Q2 | - | 1 |
| 2019 Q3 | - | - |
| 2019 Q4 | - | - |
| Total | - | 1 |