CITY OF FRANKLIN

COMMUNITY DEVELOPMENT DEPARTMENT

Memorandum

To: City of Franklin Economic Development Commission

From: Krista Linke, Community Development Director

Date: April 1st, 2013

Re: Case C 2013-24: Indiana Hydraulic Equipment Corp. (Formerly Nishina)

Summary:

1. On October 23rd, 2006, the Franklin Common Council passed Resolution No. 2006-08, approving a 10-year tax abatement on real property and a 10-year tax abatement on personal property for Indiana Hydraulic Equipment Corporation (formerly Nishina Industries) located at 2000 Commerce Parkway (Musicland Drive was renamed to Commerce Parkway in 2010).
2. Actual and estimated benefits, as projected for 2012:

	Estimated on SB-1	Actual in 2012	Difference
New Employees	34	24	-10
Salaries	$1,320,000	$1,096,469	-$223,531
Average Hourly Salaries	$18.67	$21.96	$3.30
Real Property Improvements	$5,000,000	$5,959,157	$959,157
Personal Property Improvements	$7,000,000	$6,205,352	-$794,648

3. This company has exceeded their estimate provided on their SB-1 Form for Real Property.
4. Their original estimate was to hire 7 employees in 2007, an additional 13 employees in 2008, and the remaining 14 in 2009, for a total of 34 employees. They reported 23 employees at the end of 2010. They increased to 25 at the end of 2011. Please see the Attachment to Form CF-1 for further explanation.
5. The average hourly salary exceeds their original estimate.
6. The company has not met their estimated amount for personal property investment. They increased from $6,088,158 in 2011. Please see the Attachment to Form CF-1 for further explanation.
7. The personal and real property tax abatements for Indiana Hydraulic Equipment Corporation are scheduled to expire in tax year 2017 payable 2018. The final compliance review will take place in 2018.

Staff Recommendation: Approval

IHC

INDIANA HYDRAULIC EQUIPMENT, CORP.

February 19, 2013

Krista Linke, AICP
Director of Planning & Economic Development
City of Franklin
70 E. Monroe Street
Franklin, IN 46131

RE: 2012 Tax Abatement Compliance for Indiana Hydraulic Equipment, Corp.

Dear Ms. Linke,

Please find attached Form CF-1/RE and CF-1/PP (Compliance with Statement of Benefits) regarding our compliance with the real and personal property tax abatements which were granted to Indiana Hydraulic Equipment, Corp. (IHC) through Nishina Industrial Co., Ltd. in 2006 by the Franklin Common Council in Resolution No. 2006-08.

As can be seen from reviewing the enclosed documents, IHC was successful in maintaining the projected capital investment in the area of "Property" and "Buildings and Improvements". IHC continues to work at reaching the proposed amount for "Machinery and Equipment. " We are also in the process of procuring some additional IT equipment in 2013. IHC currently employs 24 of the estimated 34 Associates projected on the SB-1.

Please review the attached documents and feel free to contact me if you have any questions or concerns regarding this matter at 317-736-2532.

Thank you again for your consideration of our report and your continuing support of Indiana Hydraulic Equipment, Corp.

Sincerely,

Dean L. Isley

Dean L. Isley
Asst. Plant Manager

2000 Commerce Parkway • Franklin, Indiana 46131

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COMPLIANCE WITH STATEMENT OF BENEFITS REAL ESTATE IMPROVEMENTS

State Form 51766 (R2 / 1-07)
Prescribed by the Department of Local Government Finance

20 12 PAY 20 13
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).

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:
1. *This form does not apply to property located in a residentially distressed area. (IC 6-1.1-12.1-2 (b))*
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 (SB-1 / Real Property).*
3. *This form must accompany the initial deduction application that is filed with the County Auditor.*
4. *Property owners whose Statement of Benefits was approved after June 30, 1991, must file an updated form with the County Auditor and the local Designating Body to show the extent to which there has been compliance with the Statement of Benefits. (IC 6-1.1-12.1-5.1)*
5. *The updated form must be filed annually by May 15, or by the due date for the real property owner's personal property return that is filed in the township where the project is located, whichever is later. (IC 6-1.1-12.1-5.1 (b))*
6. *With the approval of the Designating Body, compliance information for multiple projects may be consolidated on one (1) compliance form (CF-1 / Real Property).*

SECTION 1 — TAXPAYER INFORMATION

Name of taxpayer: Indiana Hydraulic Equipment, Corp

Address of taxpayer (*number and street, city, state, and ZIP code*): 2000 Commerce Parkway Franklin, In 46131

Name of contact person: Dean Isley

Telephone number: 317-736-2532

SECTION 2 — LOCATION AND DESCRIPTION OF PROPERTY

Name of designating body: City of Franklin Common Council

Resolution number: 2006-08

Location of property: 2000 Commerce Parkway, Franklin, In 46131

County: Johnson

DLGF taxing district number:

Description of real property improvements: Construction of a new manufacturing facility consisting of approximately 6500 sq. feet of office space and 55,000 sq. ft. of manufacturing and warehouse space.

Estimated starting date (*month, day, year*): 12/01/2006

Estimated completion date (*month, day, year*): 11/30/2007

SECTION 3 — EMPLOYEES AND SALARIES

EMPLOYEES AND SALARIES	AS ESTIMATED ON SB-1	ACTUAL
Current number of employees	34	24
Salaries	$1,320,000.00	$1,096,469.26
Number of employees retained		
Salaries		
Number of additional employees	34	24
Salaries	$ 1,320,000.00	$1,096,469.26

SECTION 4 — COST AND VALUES

COST AND VALUES	REAL ESTATE IMPROVEMENTS	
AS ESTIMATED ON SB-1	COST	ASSESSED VALUE
Values before project	$ 190,000.00	
Plus: Values of proposed project	$ 5,000,000.00	
Less: Values of any property being replaced		
Net values upon completion of project	$ 5,190,000.00	
ACTUAL	COST	ASSESSED VALUE
Values before project	$ 190,000	
Plus: Values of proposed project	$ 5,959,157	
Less: Values of any property being replaced		
Net values upon completion of project	$ 6,149,157	

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	Ø	Ø
Amount of hazardous waste converted	Ø	Ø
Other benefits:	Ø	Ø

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*)
Dean L. Isley	Asst. Plant Manager	2-14-2013

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 6-1.1-12-5.1)

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. A copy of the notice will be sent to 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.*
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 and (2) the County Auditor.*

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 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.

COMPLIANCE WITH STATEMENT OF BENEFITS PERSONAL PROPERTY

State Form 51765 (R / 1-06)
Prescribed by the Department of Local Government Finance

FORM CF-1 / PP

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 March 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 March 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: Indiana Hydraulic Equipment, Corp

Address of taxpayer (number and street, city, state, and ZIP code): 2000 Commerce Parkway Franklin, In 46131

Name of contact person: Dean Isley

Telephone number: 317-736-2532

SECTION 2 — LOCATION AND DESCRIPTION OF PROPERTY

Name of designating body: City of Franklin Common Council

Resolution number: 2006-08

Location of property: 2000 Commerce Parkway Franklin, In 46131

County: Johnson

DLGF taxing district number:

Description of new manufacturing equipment, or new research and development equipment, or new information technology equipment, or new logistical distribution equipment to be acquired.
Construction of a new facility (approx 62,000 square feet) of office + manufacturing space to produce Hydraulic Control Valves.

Estimated starting date (month, day, year): 03/01/2007

Estimated completion date (month, day, year): 12/31/2008

SECTION 3 — EMPLOYEES AND SALARIES

EMPLOYEES AND SALARIES	AS ESTIMATED ON SB-1	ACTUAL
Current number of employees	34	24
Salaries	$1,320,000.00	$1,096,469.26
Number of employees retained		
Salaries		
Number of additional employees	34	24
Salaries	$1,320,000.00	$1,096,469.26

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	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Plus: Values of proposed project	$7,000,000	$2,800,000	Ø	Ø	Ø	Ø	$700,000	$280,000
Less: Values of any property being replaced	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Net values upon completion of project	$7000000	$2,800,000	Ø	Ø	Ø	Ø	$700,000	$280,000
ACTUAL	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE
Values before project	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Plus: Values of proposed project	$6,205,352	Ø	Ø	Ø	Ø	Ø	$376,748	Ø
Less: Values of any property being replaced	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Net values upon completion of project	$6,205,352	Ø	Ø	Ø	Ø	Ø	$376,748	Ø

NOTE: The **COST** of the property is confidential pursuant to IC 6-1.1-12.1-5.6 (d).

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	Ø	Ø
Amount of hazardous waste converted	Ø	Ø
Other benefits:	Ø	Ø

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)
Dean L. Isley	Asst. Plant Manager	2-19-2013

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 6-1.1-12-5.9)

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 Township 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.*
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 Township 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

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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 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.

Indiana Hydraulic Equipment, Corp.
2000 Commerce Parkway
Franklin, IN 46131
2/19/2013

Attachment to Form CF-1 (Compliance with Statement of Benefits)
Construction & Occupancy Status Report - 2012

Construction of the new Indiana Hydraulic Equipment, Corp. (IHC) manufacturing facility was started with a ground breaking ceremony on May 7, 2007. By January 18, 2008 construction was substantially complete.

The inspection of the facility for Certificate of Occupancy was completed January 18, 2008 and the IHC staff began to move in the offices on January 21, 2008.

Receipt and unpacking of the new manufacturing equipment began from February 4, 2008 with the equipment setting and utilities completed by February 29, 2008.

Adjustments were completed by the end of March 2008 and initial trials were started from the first of April 2008. IHC Associates began training on the equipment from April 28, 2008. First production trials were on May 19, 2008 and IHC began shipping product to our customer on June 2, 2008.

Indiana Hydraulic Equipment, Corp.
2000 Commerce Parkway
Franklin, IN 46131
2/19/2013

Attachment to Form CF-1 (Compliance with Statement of Benefits)
Personal Property Listing - 2012

The attached 4 pages list the personal property which is presently installed and for which the original abatement deduction was granted.

Indiana Hydraulic Equipment, Corp.
2000 Commerce Parkway
Franklin, In. 46131

Attachment to Form CF-1 (Compliance with Statement of Benefits)
Expansion Investment Schedule by Quarter - 2012

	Actual Amount of Investment as of 12/31/2011	Proposed Amount of Total Investment by 11/30/2007 (From SB-1)	Actual Amount of Investment Added During Year (by Quarter)				Actual Total Amount of Investment as of 12/31/2012	Difference Between Actual and Proposed Amount of Investment
			3/31/2012	6/30/2012	9/30/2012	12/30/2012		
Property	$ 687,822.00	$ 190,000.00	$ -	$ -	$ -	$ -	$ 687,822.00	$ 497,822.00
Buildings and Improvements	$ 5,449,664.00	$ 5,000,000.00	$ 11,671.00	$ -	$ -	$ -	$ 5,461,335.00	$ 461,335.00
Totals (A)	$ 6,137,486.00	$ 5,190,000.00	$ 11,671.00	$ -	$ -	$ -	$ 6,149,157.00	$ 959,157.00

	Actual Amount of Investment as of 12/31/2011	Proposed Amount of Total Investment by 11/30/2007 (From SB-1)	Actual Amount of Investment Added During Year (by Quarter)				Actual Total Amount of Investment as of 12/31/2012	Difference Between Actual and Proposed Amount of Investment
			3/31/2012	6/30/2012	9/30/2012	12/30/2012		
Machinery and Equipment	$ 6,088,157.65	$ 7,000,000.00	$ 8,905.59	$ 62,045.72	$ -	$ 46,242.74	$ 6,205,351.70	$ (794,648.30)
IT Equipment	$ 376,748.00	$ 700,000.00	$ -	$ -	$ -	$ -	$ 376,748.00	$ (323,252.00)
Totals (B)	$ 6,464,905.65	$ 7,700,000.00	$ 8,905.59	$ 62,045.72	$ -	$ 46,242.74	$ 6,582,099.70	$ (1,117,900.30)

Indiana Hydraulic Equipment, Corp.
2000 Commerce Parkway
Franklin, In. 46131

Attachment to Form CF-1 (Compliance with Statement of Benefits)
Job Creation Schedule by Quarter - 2012

Actual Number of Employees on 12/31/2011	Proposed Total Number of Employees by 12/31/08 (From SB-1)	Actual Number of Employees Added During the Year by Quarter				Actual Total Number of Employees as of 12/31/2012	Difference Between Actual and Proposed Number of Employees
		3/31/2012	6/30/2012	9/30/2012	12/31/2012		
25	34	0	0	0	-1	24	-10

Indiana Hydraulic Equipment, Corp. (IHC)
2000 Commerce Parkway
Franklin, IN 46131
2/19/2013

Attachment to Form CF-1 (Compliance with Statement of Benefits)
Comments concerning Expansion Investment Schedule and Job Creation Schedule - 2012

As of December 31, 2011, $6,205,352 of the estimated $7,000,000.00 "Machinery & Equipment" investment has been achieved. The discrepancy is due to the difference between the projected equipment and installation estimate and the actual equipment procurement and installation cost.

As of December 31, 2011, $376,748.00 of the estimated $700,000.00 "IT Equipment" investment has been achieved. The last IT equipment purchased for IHC was in 2008; IHC intends to purchase some additional IT equipment in 2013.

Currently IHC is able to employ 24 Associates as opposed to 34 which were originally projected on the SB-1. It should be noted that in 2012, IHC paid its Associates on average $21.96 per hour with salary and comprehensive benefits; this exceeds the SB-1 projection of $18.67 per hour for 34 Associates. IHC reduced manpower by (1) Associate in the last quarter of 2012 through attrition. Due to increased process efficiency and current production targets, IHC found it unnecessary to back fill the position at this time.

As we continue to address those concerns of which we have control over, we hope to have them resolved as we move into the future. It is IHC's desire and request that the City of Franklin will look favorably upon our activities and grant us an extension of time to be in full compliance with our tax abatement commitments.