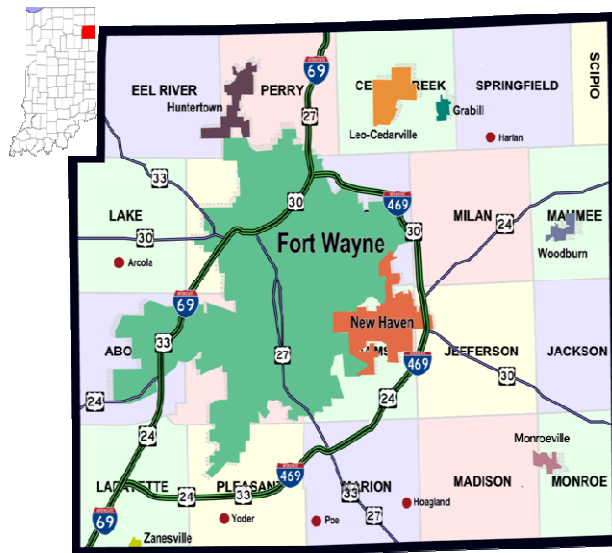


TAX ABATEMENT ANALYSIS UPDATE: 2009 PAYABLE 2010



DEPARTMENT OF PLANNING SERVICES
SEPTEMBER 2010

Annually, the Department of Planning Services updates the original study of the tax abatement program published by Allen County Department of Planning Services – Tax Abatement: A 1991 Analysis of Allen County's Program¹. This particular update covers the 2009 Payable 2010 tax year and includes data for the companies and taxing districts located in unincorporated Allen County as well as the cities of New Haven and Woodburn and the towns of Grabill, Monroeville, Huntertown and Leo-Cedarville which use County Economic Development staff to administer the County's tax abatement program. The data and information pertaining to the City of Fort Wayne is not included in this analysis unless specified.

PROGRAM OVERVIEW

Since the beginning of the Allen County tax abatement program through 2009, there have been 240 tax abatements granted in unincorporated Allen County and the smaller cities and towns. Based upon information provided when these companies applied for their tax abatement, they have committed almost \$2 billion.

Table 1

Investment in Real Property	\$ 540,592,149	Jobs Retained	24,393
Investment in Personal Property	\$ 1,392,144,848	Jobs Created	14,552
Total	\$ 1,932,736,997	Total	38,945

2009 ABATEMENT APPLICATIONS

As with 2007 and 2008, 2009 was another slow year for new investment and tax abatement in Allen County in terms of the number of businesses choosing to expand or build new facilities. While the amount invested in personal property from 2008 to 2009 went down by 39%, the amount invested by companies in real property rose by almost 50%. Table 2 details the proposed investments.

Table 2

Company	Investment in Real Property	Term	Investment in Personal Property	Term	Estimated Savings
Ash Brokerage Corp	na	na	\$501,809	7	\$ 17,250
Orthopaedics Northeast	\$17,000,000	10	\$2,000,000	7	\$ 1,771,554
Grabill Sales	\$500,000	7	na	na	\$ 55,400
General Motors	na	na	\$26,400,000	10	\$ 600,000
Riverside Mfg.LLC	\$600,000	5	na	na	\$ 36,400
Baden Gage & Schroeder	\$1,900,000	7	na	na	\$ 129,233
Totals	\$ 20,000,000		\$ 28,901,809		\$ 2,609,837

Ash Brokerage Corporation, located on West Jefferson Boulevard, purchased new technology equipment. The new equipment consisted of a Cisco phone system, which included servers, switches, routers, and telephones.

Orthopaedics Northeast, P.C. invested in both real and personal property. The investment in real property includes a new Ambulatory Surgery Center located north of the Orthopaedic Hospital. In addition to the new center, new equipment ranging from different types of monitors and x-ray machines to new computer hardware and IT equipment is being installed. The new center will employ 11 new positions while retaining 52.

¹ This analysis, as well as previous updates, has utilized tax abatement filing data provided by the Allen County Auditor's Office.

Grabill Sales is building a new 80' by 180' grocery store to be included in a larger development area called "Grabill Country Village." Because the new building is apart of an Economic Development Target Area, Grabill Sales is able to use the building as a grocery store. The store had its grand opening August 11, 2010 and is employing 24 people.

With the largest investment in 2009, General Motors invested more than \$26 million in equipment, machinery, and special tooling to produce three-quarter ton and one ton extended cab pickup trucks. This investment helps to retain 50 specific jobs at an annual payroll of approximately \$2.8 million.

Riverside Manufacturing is located in Huntertown. The company plans to build an engineering and test lab facility on their adjacent parcel at Lima Road and SR 3. The company designs and manufactures electrical components for military and specialty vehicles. The new lab should create 32 additional jobs.

In August 2009, Baden Gage & Schroeder, a CPA and business consulting firm, decided they needed to build a new headquarters on Chestnut Hill Parkway. Plans are to construct a 20,000 square foot facility similar to the other office buildings in the park area. The 57 staff members and additional 5 new hires will reside in the new office.

All in all, these six businesses plan to invest \$48,901,809 in the local community, of that, \$1.1 million will be devoted to Grabill and Huntertown.

EMPLOYMENT

Average employment levels for the 2009 abatement applicants dropped from 2008. Although the jobs retained in 2009 are more than double than those retained in 2008, on average, only 11 new jobs will be created per company compared to 2008 applicants who averaged 101 new jobs per company. With the exception of General Motors, all of the companies approved for tax abatement are locally owned. Table 3 breaks down the employment projections for each individual company.

Table 3

Company	Jobs Retained	Jobs Created
Ash Brokerage Corp	293	0
Orthopaedics Northeast	52	11
Grabill Sales	0	19
General Motors	2,484	0
Riverside Mfg. LLC	150	32
Baden Gage & Schroeder	57	5
Total	3,036	67

Another aspect of business expansion that is of interest is the quality of the jobs created and retained. An objective of economic development is to increase the average wage paid to workers which is often translated into an increase in the quality of life for citizens. The average annual wage for Indiana² in 2008 was \$38,404 and the national average was \$40,405³. The average for Allen County was just below the state average and well below the national average at \$37,468⁴.

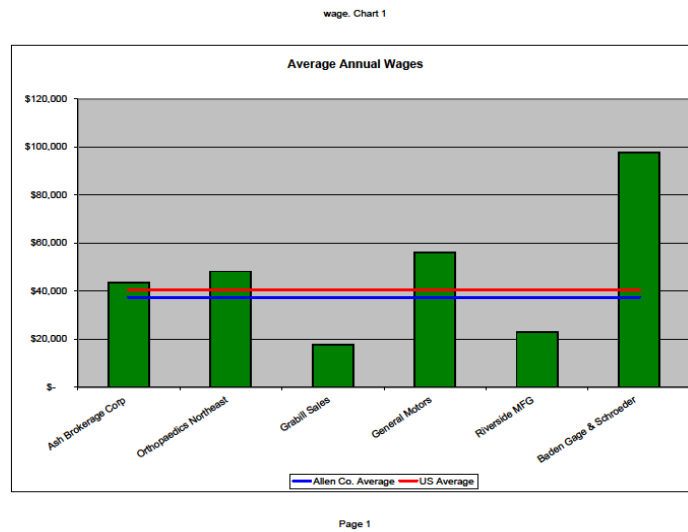
² STATS Indiana by the Indiana Business Research Center 2008

³ Bureau of Labor Statistics 2008

⁴ STATS Indiana by the Indiana Business Research Center 2008

Figure 1 demonstrates how the average annual wages paid by the companies approved for tax abatement in 2008 compare to the U.S. and County averages.

Figure 1



COMPLIANCE FORMS

By May 15, 2010, 43 companies submitted a Compliance with Statement of Benefits form (CF-1) for 2010 Payable 2011 documenting the extent to which they have followed through with their original investment and employment projections. These forms must be filed annually to receive the actual tax abatement deduction.

Table 4

	Real Property	Percentage Met	Personal Property	Percentage Met
Investment	\$ 130,308,924	96%	\$ 311,693,675	75%
	Jobs Retained	Percentage Met	Jobs Created	Percentage Met
Jobs	16,644	85%	1,228	83%
	Salaries Retained	Percentage Met	Salaries Created	Percentage Met
Salaries	\$ 948,476,846	82%	\$ 44,725,457	73%

Following the same trend as the previous year, the actual figures reported fell short, on the average, of the projected numbers noted on the initial Statement of Benefits forms (SB-1). Individual companies reporting decreases in all three areas – investment, jobs and salaries – were contacted to better understand their situation. As could be expected, the downward spiral of the economy locally and nationally has forced many businesses to lay off workers, cut salaries and delay investment decisions.

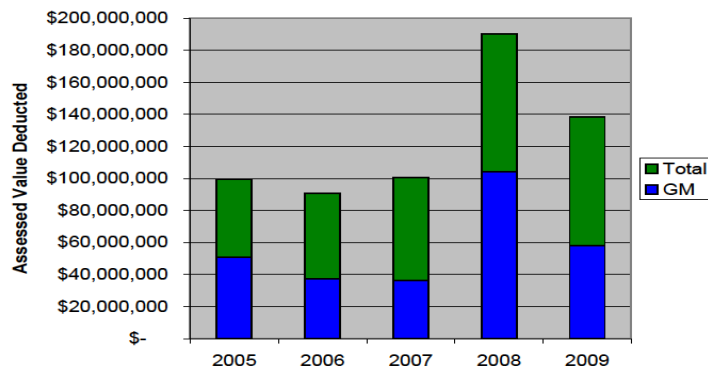
BREAKDOWN OF DEDUCTIONS

The actual deductions received in 2010 indicate the impact tax abatement has on the current tax revenue for Allen County. For the 2009 Payable 2010 year, 46 companies received tax abatement deductions totaling \$156,406,720 of assessed value. The companies saved approximately \$3.4 million, but still paid more than \$9 million in property taxes in 2010. Attachment A includes a detailed list of the deduction amounts, taxes saved, and taxes paid for each company.

Figure 2 shows the amount of true tax value deducted for tax abatements for the past five years. The green bars indicate the total amount deducted in a given year. The blue bars show how much of the total tax abatement deductions belong to General Motors, which has been and continues to be by far the largest beneficiary of the tax abatement program. BF Goodrich and IOM Health Systems, better known as Lutheran Hospital, are also large beneficiaries of the program.

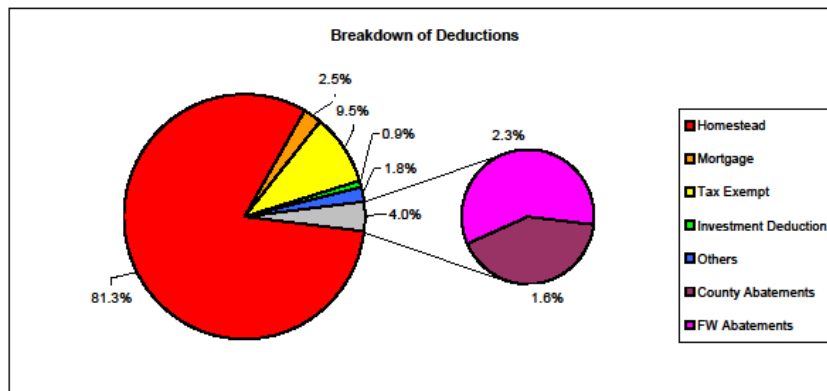
There was a significant increase in the assessed value abated from 2007 to 2008 due to an abatement GM began receiving on their new sequencing center. But, the total amount of deductions decreased by almost \$50 million in 2009 due to a number of old abatements winding down or ending.

Figure 2



Tax abatement is generally the only form of assistance available to local businesses. When compared to the volume of other tax deductions available to other property owners, tax abatement is a mere sliver of the pie which is demonstrated in Figure 3. This breakdown of deductions does include values for the City of Fort Wayne for the purpose of showing the magnitude of the impact of tax abatement throughout the entire county. The secondary pie is meant to demonstrate the size of the City's program in comparison to the County's. Combined, the city and county had an abatement deduction totaling \$335 million. However, a majority of businesses are located within the city limits of Fort Wayne. Homeowners benefited from approximately \$7.45 billion in deductions in 2009 payable 2010. Changes made by the General Assembly in 2008 allowed for additional homeowner deductions and credits as well as caps on tax rates.

Figure 3



TAX RATE IMPACT

This section of the update examines the impact tax abatement deductions have on the tax rates of individual taxing districts. This was accomplished by adding back in to the levies the total assessed values that were deducted in each district for abatements and recalculating the tax rates.⁵

The average difference between the actual tax rate and the estimated tax rate without the tax abatement deductions is \$0.03479 per \$100 of assessed value.⁶ This translates into an additional \$34.79 in property taxes for an owner of a property with a net assessed value of \$100,000. See Attachment B for a complete list of tax rates.

The five most affected taxing districts were Monroeville (56) 2.98%, Lafayette (48) 3.31%, Zanesville (79) 3.03%, New Haven St. Joe (85) 1.88% and New Haven Adams (41) 1.84%. Even those tax districts in which there were no companies receiving abatements, such as Zanesville, are affected by the deductions in other parts of the county. Though these are separate taxing districts, they are a part of greater taxing units, such as townships and school districts that are affected by the decrease in assessed value.

The argument can be made, however, that abatement does not necessarily have a negative impact on tax rates. If it were not for the new investment and the addition of assessed value, the taxing district and units would be in the same position. As the abatement deduction rolls off, the taxing district and units will benefit from the added value of the investment and tax rates will be affected accordingly.

TAX ABATEMENT DEVELOPMENT FUND

The Tax Abatement Development Fund was established in 1992 and is funded through contributions from companies receiving tax abatement. The fund was intended to be used as a resource to supplement future economic development projects. To date, the fund has been used on three occasions; most recently, in 2007, a grant was given to Baekgaard Limited to aid in their new headquarters building project. Also, in August 2010 \$400,000 was placed in the Redevelopment Commission capital fund for the Land Banking Program.

⁵ Taxing districts for the City of Fort Wayne were not included in this recalculation of tax rates.

⁶ This is an approximate estimate based on tax rate and assessed value information distributed by the Allen County Auditor's Office. Some values are subject to change and recalculation.

Going forward, the fund will likely be used as another resource for controlling land and certifying shovel-ready sites as well as continuing to be a source for supplemental funding of other economic development projects. The additional use of this fund for shovel-ready sites was added as a result of the changes made to the County Council’s Tax Abatement Policy. The other change to the fund was the decrease in percentage of savings contributions to be made by those companies receiving an abatement deduction from twenty percent (20%) and ten percent (10%) to ten percent (10%) and five percent (5%).

Since 1994, 43 companies have voluntarily contributed \$933,213. The balance of the fund as of September 2010 was \$507,129.05, which includes principal and interest and accounts for the disbursements.

Table 5

Year	Total
1994 pay 1995	\$6,988
1995 pay 1996	\$21,908
1996 pay 1997	\$30,590
1997 pay 1998	\$49,649
1998 pay 1999	\$54,008
1999 pay 2000	\$51,706
2000 pay 2001	\$27,917
2001 pay 2002	\$43,024
2002 pay 2003	\$25,801
2003 pay 2004	\$43,693
2004 pay 2005	\$47,127
2005 pay 2006	\$45,619
2006 pay 2007	\$95,518
2007 pay 2008	\$140,222
2008 pay 2009	\$134,494
2009 pay 2010	\$114,949
TOTAL	\$933,213

For the 2009 Payable 2010 tax year, twenty-one companies receiving tax abatement committed to contributing a percentage of their tax savings back to the County (see Table 6). Of the 21 companies, 16 actually sent in their contributions. Unfortunately, all six companies approved for tax abatement in 2009 did not elect to participate in contributing to the fund once they began receiving their abatement deduction.

Table 6

Company	Contribution	Company	Contribution
Rehabilitation Hosp of FW	\$ 100	Lincoln Foodservice	\$ 209
Apollo Design Technology	DNC	Parker Hannifin	\$ 4,379
Lutheran Musculoskeletal	\$ 1,211	Neurospine / Allied	DNC
Tools, Dies, & Molds	DNC	Terex Advance Mixer	\$ 729
Vera Bradley Designs	\$ 27,565	Summit Foundry Systems	DNC
Waterfurnace International	\$ 482	OmniSource	\$ 749
Breast Diagnostic Center	\$ 1,063	Superior Aluminum	\$ 59
Baekgaard Ltd of Indiana	\$ 724	Ash Realty Group LLc	\$ 1,269
Fort Wayne Pools	\$ 893	F& B Enterprises	\$ 375
IOM Health/Citedel	\$ 71,019	GAO Park, Allen Fab	\$ 4,123
Korte Electric Inc	DNC		
		Total:	\$ 114,949

*DNC = Did not contribute

CONCLUSION

Allen County tax abatement program still remains a viable resource for attracting and retaining local businesses. Its impact on tax rates is minimal but justified in the fact that the new investment will eventually benefit not only the taxing units it supports but the potential for job creation which benefits all citizens in Allen County. In light of questions about the program's efficacy, the updates made in August 2008 to the County Council's policy will hopefully increase accountability while maintaining the business friendly atmosphere in Allen County.

Attachment A

COMPANY	Total Deduction	Total Saved	Taxes Paid
ACM Real Estate / Smith Metal	\$ 166,550	\$ 4,789	\$ 12,327
Allied Building Co / NeuroSpine Pain Ctr	\$ 6,308,660	\$ 192,698	\$ 109,999
Apollo Design Technology	\$ 959,450	\$ 27,441	\$ 50,717
Ash Brokerage/Realty Group	\$ 882,990	\$ 20,106	\$ 62,240
Asphalt Drum Mixers	\$ 842,380	\$ 20,358	\$ 31,996
Auto Bumper Exchange Inc.	\$ 286,400	\$ 7,894	\$ 13,132
Baekgaard / Great Dane	\$ 1,976,610	\$ 38,350	\$ 9,602
Bailey Enterprises, LLC	\$ 840,210	\$ 16,302	\$ 10,943
Bhar, Inc.	\$ 475,140	\$ 13,097	\$ 70,492
Breast Diagnostic Center	\$ 247,910	\$ 5,315	\$ 4,094
C&M Fine Pack	\$ 13,504,200	\$ 246,223	\$ 293,057
Central States Enterprises Inc.	\$ 1,430,480	\$ 37,430	\$ 332,119
Christman LLC / Microtech Welding	\$ 173,800	\$ 4,971	\$ 9,201
CME Automotive Corp	\$ 1,070,570	\$ 28,401	\$ 85,215
CSC Indiana LLC	\$ 2,062,370	\$ 56,381	\$ 21,847
DeBeere / DeBrand	\$ 216,550	\$ 6,227	\$ 5,524
Double B Property/PPI DurEquip	\$ 509,010	\$ 14,030	\$ 1,659
Ecenbarger Building Inc	\$ 83,400	\$ 1,469	\$ 7,014
F&B Enterprises LLC	\$ 106,420	\$ 1,875	\$ 19,899
Fort Wayne Plastics	\$ 481,450	\$ 8,778	\$ 16,494
Fort Wayne Pools Inc	\$ 489,860	\$ 8,932	\$ 8,932
GAO Park / Allen Fabricators	\$ 2,340,080	\$ 41,228	\$ 11,441
General Motors	\$ 39,439,650	\$ 738,208	\$ 3,058,992
Grabill Cabinet Co Inc	\$ 386,270	\$ 9,187	\$ 49,623
IOM Health Systems/Citadel/FW Oncol	\$ 8,466,440	\$ 258,607	\$ 741,647
IOM Health Systems LP/Lutheran Hosp	\$ 23,250,710	\$ 710,193	\$ 2,317,708
Korte Electric Inc	\$ 919,010	\$ 26,489	\$ 22,577
Lincoln Foodservice Products Inc	\$ 57,360	\$ 1,046	\$ 94,658
Lutheran Hosp Musculoskeletal Ctr LLC	\$ 396,560	\$ 12,113	\$ 40,142
Meridian Automotive Systems	\$ 152,670	\$ 3,631	\$ 26,817
Michelin N America / Uniroyal Goodrich	\$ 28,288,870	\$ 464,984	\$ 720,747
OmniSource Corp	\$ 205,370	\$ 3,745	\$ 9,195
Parker Hannifin Corp	\$ 1,588,610	\$ 43,788	\$ 128,802
Press-Seal Gasket / Skinner Properties	\$ 687,500	\$ 19,663	\$ 158,792
QuikCut Inc	\$ 469,800	\$ 9,500	\$ 10,988
Rehabilitation Hosp of FW	\$ 32,650	\$ 997	\$ 13,746
Romines BA Sheetmetal	\$ 183,660	\$ 2,575	\$ 4,423
Speedway Sand & Gravel Inc	\$ 153,740	\$ 2,869	\$ 2,061
Summit Foundry / Richard Meyer	\$ 507,680	\$ 13,993	\$ 13,718
Superior Aluminum Alloys	\$ 17,320	\$ 294	\$ 66,125
Tools Dies & Molds	\$ 79,610	\$ 1,351	\$ 24,017
Terex Advance Mixer	\$ 423,880	\$ 7,295	\$ 7,814
Tippmann Industrial Products, Inc	\$ 605,640	\$ 16,694	\$ 54,973
Tuthill Linkage Group	\$ 158,740	\$ 4,340	\$ 145,852
Vera Bradley Designs	\$ 14,207,160	\$ 275,648	\$ 104,321
Waterfurnace International Inc	\$ 273,330	\$ 4,816	\$ 11,677
Totals:	\$ 156,406,720	\$ 3,434,321	\$ 9,017,359

Attachment B

COUNTY: 02 ALLEN

<u>DISTRICT</u>	<u>Net Rate</u> <u>w/Abatement</u>	<u>Net Rate</u> <u>w/o Abatement</u>	<u>Difference</u>	<u>Percent</u>
38 ABOITE	1.8233	1.8038	0.01950	1.07%
39 ADAMS	1.9698	1.9494	0.02040	1.04%
40 ADAMS PTC	2.0219	2.0002	0.02170	1.07%
41 NEW HAVEN ADAMS FWPTC	2.7564	2.7058	0.05060	1.84%
42 CEDAR CREEK	1.6429	1.6243	0.01860	1.13%
43 GRABILL	2.3785	2.3381	0.04040	1.70%
44 EEL RIVER	2.1475	2.1258	0.02170	1.01%
45 JACKSON	1.6320	1.6029	0.02910	1.78%
46 JEFFERSON	1.6965	1.6667	0.02980	1.76%
47 NEW HAVEN JEFFERSON - FWPTC	2.7338	2.6836	0.05020	1.84%
48 LAFAYETTE	1.9402	1.8759	0.06430	3.31%
49 LAKE	2.1661	2.1444	0.02170	1.00%
50 MADISON	1.7514	1.7223	0.02910	1.66%
51 MARION	1.6653	1.6362	0.02910	1.75%
52 MAUMEE	1.7454	1.7163	0.02910	1.67%
53 WOODBURN	2.3821	2.3534	0.02870	1.20%
54 MILAN	1.6437	1.6108	0.03290	2.00%
55 MONROE	1.6926	1.6626	0.03000	1.77%
56 MONROEVILLE	2.6529	2.5738	0.07910	2.98%
57 PERRY	2.1439	2.1218	0.02210	1.03%
58 HUNTERTOWN	2.4167	2.3934	0.02330	0.96%
59 PLEASANT	1.7618	1.7166	0.04520	2.57%
60 PLEASANT PTC	1.8139	1.7674	0.04650	2.56%
61 SCIPIO	1.6459	1.6168	0.02910	1.77%
62 SPRINGFIELD	1.7174	1.6881	0.02930	1.71%
63 ST. JOSEPH	1.7110	1.6803	0.03070	1.79%
64 ST. JOSEPH PTC	1.7631	1.7310	0.03210	1.82%
65 WASHINGTON	1.7209	1.6900	0.03090	1.80%
66 WASHINGTON PTC	1.7730	1.7407	0.03230	1.82%
67 WAYNE	1.8660	1.8186	0.04740	2.54%
79 ZANESVILLE	2.1195	2.0552	0.06430	3.03%
82 LEO-CEDARVILLE	1.9638	1.9347	0.02910	1.48%
85 NEW HAVEN ST JOE	2.7222	2.6710	0.05120	1.88%
87 EEL RIVER HUNTERTOWN	2.4203	2.3970	0.02330	0.96%
		Average	0.03479	1.74%