

TAX PHASE-IN ANALYSIS UPDATE

Year 2015 & 2016



DEPARTMENT OF PLANNING SERVICES – ECONOMIC DEVELOPMENT

January 13, 2017
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INTRODUCTION

Each year, the Department of Planning Services compiles information on the companies receiving property tax phase-in to provide the performance in contributing to quality employment and good investments for the community. This report includes data for the companies located in unincorporated Allen County as well as the cities of New Haven, Woodburn and the towns of Grabill, Monroeville, and Hometown. The incorporated towns and cities have staff service agreements with the Allen County Economic Development staff to administer the County's tax phase-in program. The data and information pertaining to the City of Fort Wayne is not included in this analysis.

HISTORY/PROGRAM OVERVIEW

Indiana State Statute allows for property tax phase-in for new or existing companies located within an Economic Revitalization Area (ERA) which invest in the construction of new structures and/or additions to existing structures (real estate) as well as personal property (new manufacturing equipment, logistical distribution equipment, information technology equipment and equipment used in research and development). The Allen County Tax Abatement Program was established in 1982 and has offered incentives to over 300 companies since its inception. The tax deductions phase-in the company's property taxes over time, which helps to ease the costs associated with start-up business, expansions and investments in personal property. In Allen County, the phase-in period ranges from three years to ten years on real and personal property investment. Additionally, the county program offers up to a two year property tax deduction for eligible vacant buildings.

ABOUT THE COMPANIES

In 2015 and 2016, nine companies were granted property tax phase-in. Of those nine companies, five are located within unincorporated Allen County, two in the City of New Haven, one in Hometown and one in Grabill. Investments by all nine companies over both years totaled \$333,369,160 for real and personal property. Of that \$333,369,160, \$134,990,000 was in real property investments and \$198,379,160 in personal property investments. Below is a list of those companies that received property tax phase-in in 2015 and 2016. It provides a brief overview of each company, detailing their investments, quality wages and jobs for the community.

Lippert Components Manufacturing (September 2015)

Lippert Components Manufacturing is located within the City of New Haven. In the fall of 2015; the company acquired Signature Seating, a marine furniture maker. Lippert Components Manufacturing is a supplier of components to the recreational vehicle and manufactured housing industries as well as bus, cargo and equestrian trailer, marine and heavy truck industries. The New Haven facility produces soft goods and furniture for the marine industry and component parts for furniture for the RV industry. The company was granted a five year property tax phase-in for personal property by the New Haven City Council for their \$678,160 investment in equipment. Lippert will create 75 jobs as a result of the acquisition and retain Signature Seating's current workforce of 73.

Master Spas Inc. /Lincoln Parkway LLC (November 2015)

In November 2015, Master Spas Inc. /Lincoln Parkway LLC. located within Lincoln Industrial Park, was granted a property tax phase-in at two facilities located within the park. An investment of \$1.5 million for real property improvements was granted a seven year property tax phase-in. They were also granted a seven year property tax phase-in for their \$2.3 million investment in personal property (new equipment). The company projected it would create 40 new positions with an annual payroll of approximately \$10 million. The company is expected to save approximately \$138,749 in property taxes. Master Spas, headquartered within Allen County, is the largest swim spa manufacturer in the world. They tout that they make all of their hot tubs and swim spas in the United States, giving their product a noticeable difference in quality.

XPO Logistics Worldwide, LLC (December 2015)



XPO Logistics is a top ten global logistics company and according to Forbes (2016) magazine was named the fastest-growing company on their Fortune 500 list. A Fortune 500 company is the top 500 U.S. companies based on gross revenue for that particular fiscal year. According to the Fortune 500 website, “XPO debuts on this year’s list following a 223.5% increase in revenue, amounting to \$7.62 billion. The Connecticut shipping provider’s spectacular growth follows an ambitious slate of acquisitions compiled over the course of 2015: UX Specialized Logistics for \$59 million; Bridge Terminal Transport for \$100 million; Con-Way Inc. for \$3 billion; and Norbert Dentressangle for \$3.53 billion.” XPO’s construction of their new 400,000 square foot distribution facility is just north of the General Mills distribution center located on Bluffton Road. XPO Logistics plans to begin operations in 2017. The Allen County Council approved a 10 year tax phase-in for both real and personal property with a total project amount estimated at over \$26 million. The company will save an estimated \$2 million over the ten year tax phase-in timeframe in property taxes. As a new company to Allen County, XPO will create 75 jobs with an annual payroll of \$3.47 million. Additional acreage is available on their site giving XPO the ability to expand in the future.

BLUE KINGFISHER LLC/ WALMART (MAY 2016)

Walmart is listed number 1 on the Fortune 500 for 2016 and has 2.3 million employees.¹ Blue Kingfisher LLC/Walmart went before the Allen County Council in May of 2016 and was approved for a ten year property tax phase-in for a real estate investment of \$83 million as well as a ten year property tax phase-in for a personal property investment of \$82 million. The company is expected to employ 151 employees at the facility. This milk processing facility is approximately 250,000 square feet and will be the first processing facility in the nation for Walmart. White and chocolate milk will be processed at the facility and will be shipped to over 600 Walmart stores within the states of Indiana, Illinois, Michigan, Ohio and Kentucky. According to a press release from Walmart’s website, it states that “Walmart currently employs more than 38,000 associates across Indiana and operates ten distribution centers in the state.” The Walmart milk processing facility is currently under construction and should begin production in 2017.



(WALMART SITE JAN 2017)

CABLECRAFT MOTION CONTROLS (MAY 2016)

The City of New Haven approved a seven year property tax phase-in for Cablecraft Motion Control with their investment of \$1.1 million in new equipment. The equipment to be installed, according to the applicant, would allow an increase in both capability and capacity for the facility. Cablecraft Motion Controls LLC was formerly known as Tuthill Linkage as well as Superior Linkage. The company will retain its 81 employees and plans to hire two employees with this equipment upgrade. The company produces linkages, control cables and assemblies as well as controls and accessories for industries that range from agriculture to aerospace and construction equipment to lawn tractors. Production is to begin in the summer of 2017.

¹ <http://beta.fortune.com/fortune500/walmart-1>

NP FORT WAYNE 40, LLC (JUNE 2016)



NorthPoint Development is based out of Kansas City Missouri and is a development firm for industrial, multi-family, senior living, and self-storage projects. NorthPoint Development (NP Fort Wayne 40, LLC) proposed a \$32 million investment for a new structure to be built within Stonebridge Business Park. It is estimated that 200 new employees will be employed within the building. That number could increase once the announcement is made who will be leasing the building. NorthPoint Development received approval for a ten year tax phase-in on the \$32 million investment, saving the company approximately \$2.8 million in property taxes. The warehouse building to be constructed is 791,000 square feet and will be leased to a third party that would serve the neighboring General Motors plant to the north of the site.

PRECISION LASER SERVICES (JULY 2016)

In July 2016, the Huntertown Town Council approved a seven year property tax phase-in for Precision Laser Services. The company is a metal parts fabricator that utilizes lasers and CNC (computer numerical control) machines. Precision Laser Services \$650,000 investment in new equipment (fiber laser cutter) will add an additional six jobs to their current employment number of 29. According to the company's application for property tax phase-in, the new equipment will be 40 percent more energy efficient than the machine that it is replacing (CO2 laser cutter). The company was founded in 1941 and moved to the Huntertown location in the year 2000.

SAUDER FEEDS INC. (DECEMBER 2016)

Sauder Feeds, Inc., according to their website, is a 4th generation family owned and operated business. They produce feed for cattle, pigs, horses, sheep, poultry, dogs, rabbits, and other animals. The company was granted a seven year property tax phase-in for a real property investment of \$450,000 for the installation of new product bins to be located over a new scale which includes a basement feature. Sauder Feeds Inc. was also granted a ten year tax phase-in for a personal property investment of \$4.5 million for a new pellet mill system with a total tax savings around \$258,679. The company will retain their current number of 32 employees and add two employees once the new pellet mill is up and running. The expansion project is to be completed by the end of 2017.

BF GOODRICH TIRE MANUFACTURING (DECEMBER 2016)

The BF Goodrich Tire Manufacturing plant in Woodburn was established in 1961. The plant was granted a 10 year property tax phase-in on personal property expected to be installed in phases at the facility through 2020. The investment of \$100 million in new equipment will be broken down into four different areas of the plant which include; \$20 million on process and/or equipment upgrades \$23.5 million on production/efficiency improvements, \$18.5 million in quality verification and \$38 million in tooling and molds. The company does not expect to add any new jobs with this expansion, but they will retain and secure the 1,650 jobs with this investment. Over the ten year property tax phase-in, the company's estimated tax savings is \$3,494,048.

2015 & 2016 Applications for Statement of Benefits

Economic Revitalization Area Designation

As mentioned previously, nine companies were approved for property tax phase-in for 2015 and 2016. Four of the nine companies were for personal property investments; four were for real and personal property investments, and one for real property investment. The end of 2015 and throughout 2016, Allen County has seen an increase of new investment in companies new to the area as well as investment in companies that have been a stable part of our community for many years. The tables below detail the investments for 2015 and 2016 along with the term approved. The overall estimated savings in property taxes to each company over the length of the abatement is also shown as well.

2015

Company	Investment in Real Property	Term	Investment in Personal Property	Term	Estimated Savings
Lippert Components Manufacturing			\$678,160	5	\$6,972
Masterspas Inc./Lincoln Parkway LLC	\$1,540,000	7	\$2,380,000	7	\$138,749
XPO Logistics Worldwide, LLC	\$18,000,000	10	8321000	10	\$2,027,795
Totals	\$19,540,000		\$11,379,160		\$2,173,516

2016

Company	Investment in Real Property	Term	Investment in Personal Property	Term	Estimated Savings
Cablecraft Motion Controls			\$1,140,000	7	\$51,438
Blue Kingfisher LLC/Walmart	\$83,000,000	10	\$82,000,000	10	\$10,807,616
NP Fort Wayne 40, LLC	\$32,000,000	10			\$2,849,933
Precision Laser Services			\$650,000	7	\$21,711
Sauder Feeds Inc.	\$450,000	7	\$4,200,000	10	\$258,679
BF Goodrich Tire Manufacturing			\$100,000,000	10	\$3,494,048
Totals	\$115,450,000		\$187,000,000		\$17,483,425

EMPLOYMENT

Each company is required to provide projections of new jobs, jobs that will be retained, as well as wages for their employees on the Statement of Benefits forms. The tables below break down the employment projections for each individual company in both 2015 and 2016 that received property tax phase-in. Created jobs within the incorporated and unincorporated areas within the county increased by approximately 62%. This can be attributed to the increase in new companies investing in the area in 2016.

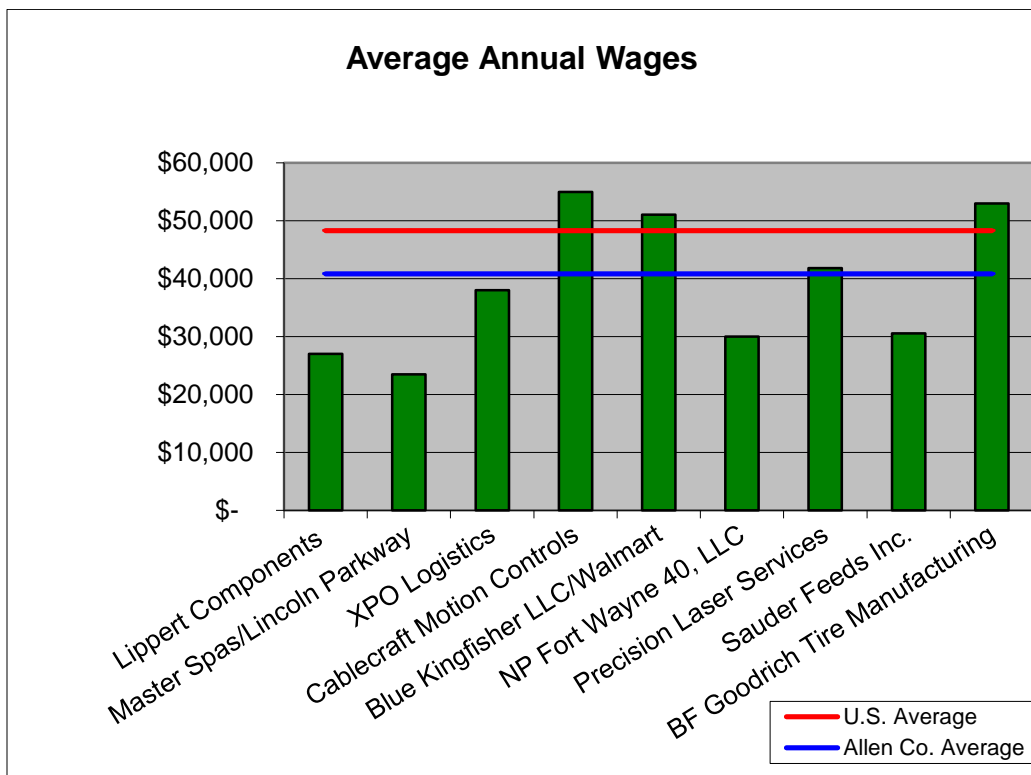
2015 Employment Totals

Company	Retained	Created
Lippert Components Manufacturing	110	75
Masterspas Inc./Lincoln Parkway LLC	330	40
XPO Logistics Worldwide, LLC		75
Totals	440	190

2016 Employment Totals

Company	Retained	Created
Cablecraft Motion Controls	81	2
Blue Kingfisher LLC/Walmart		151
NP Fort Wayne 40, LLC		200
Precision Laser Services	29	6
Sauder Feeds Inc.	32	2
BF Goodrich Tire Manufacturing	1600	0
Totals	1742	361

Another aspect of employment 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 Indiana in 2015 was \$42,070² and the national average was \$48,320.² The average for Allen County was below the state average and the national average at \$40,840². The table below demonstrates how the average annual wages paid by the companies approved for tax phase-in in 2015 and 2016 compare to the U.S. and county averages that were reported in 2015.



(The U.S. and County averages for 2016 will not be reported until the end of March of 2017 so the average totals on the table are compared only to the 2015 averages.)

² https://www.bls.gov/oes/current/oes_nat.htm#00-0000

COMPLIANCE WITH STATEMENT OF BENEFITS

Upon completion of the real and/or personal property improvements, each company is required to file Compliance with Statement of Benefits forms to the appropriate local entities per the Indiana Code (I.C. 6-1.1-12.1-5.1 and I.C. 6-1.1-12.1-5.6). The applicant must show the extent to which there has been substantial compliance with the Statement of Benefits Form that was approved by council.

By the end of May 2016, 34 companies submitted a Compliance with Statement of Benefits Form (CF-1) for 2015 Payable 2016 documenting the extent to which they have followed through with their original investment and employment projections. The table below shows the percentages of the total numbers companies submitted regarding investment, jobs, and salary compliance. The current policy for Allen County states that companies must be at least 75% compliant in one of three categories which include created and/or retained jobs, created and/or retained salaries and lastly real and/or personal property investment.

	Real Property	Percentage Met	Personal Property	Percentage Met
Investment	\$ 252,634,414	83%	\$ 1,449,871,771	104%
	Jobs Retained	Percentage Met	Jobs Created	Percentage Met
Jobs	27,940	119%	5,047	175%
	Salaries Retained	Percentage Met	Salaries Created	Percentage Met
Salaries	\$ 2,638,110,710	143%	\$ 141,053,754	124%

TAX ABATEMENT DEVELOPMENT FUND

Fund 331 is a fund dedicated to economic development that was established in 1994 by resolution 94-4-21-3. The purpose of the fund is to provide funds for off-site infrastructure improvements in Allen County and other items related to economic development such as shovel-ready sites and land banking. The economic development staff of the Allen County Department of Planning Services (DPS) administers the non-reverting fund, although technically the fund is controlled by the Allen County Board of Commissioners.

The funds income sources are only through voluntary contributions from companies receiving tax abatements through the county and interest income on the funds balance. The fund is non-reverting which means the funds do not revert to the Allen County General Fund at the end of the year. The fund's percentage of savings contributions made by those companies that (choose) to contribute are ten percent ten percent and five percent while in previous years it was twenty percent or ten percent.

The most recent expenditures from Fund 331 took place in 2013 were for \$420,731.22 which included payments for the infrastructure in developing Stonebridge Business Park. Prior to that, Fund 331 had previously been used in 2003 for a \$200,000 loan to the county's general fund to help cover a short-term cash-flow problem due to delays in receiving property tax revenue following the 2001 reassessment. This loan was repaid on May 3, 2004. In December 2007, an expenditure of \$122,000 was made to write down the cost of land for the Baekgaard project (Great Dane Realty) in Silverado Park. The Allen County Redevelopment Commission paid back these expenses in 2016 through the Zubrick Tax Increment Finance (TIF) allocation area within the Silverado Economic Development Area (EDA). In 2010, \$400,000 was transferred to the Allen County Redevelopment Commission's Capital Fund to assist in funding the land banking program. Lastly, in 2012, \$358,891 was paid to construct drainage improvements for the SDI LaFarga project. Going forward, the fund will likely continue to be used as a 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.

Since its establishment in 1994, 60 companies have voluntarily contributed approximately \$1,336,573. The balance of the fund as of December 2016 was \$515,705.37 which includes principal and interest as well as accounts for the disbursements.

In 2015, one of the three companies receiving property tax phase-in had committed to contributing a percentage of their tax savings back to the county. Out of the six companies receiving property tax phase-in during 2016, two of the companies committed to contributing to the tax abatement development fund. The tables below detail the contributions made to the tax abatement development fund for both 2015 and 2016.

2014 payable 2015

Company	Contribution	Company	Contribution
Vera Bradley	\$ 28,986	Parkview Health System	\$ 1,896
Feenix, LLC	\$ 3,647	CSC- Indiana, LLC	\$ 7,994
Hercules	\$ 73	Apollo Design Tech, Inc.	\$ 1,411
Saratoga Potato Chips, LLC	\$ 3,861	Breast Diagnostic Center, LLC	\$ 41
Omni Source Corporation	\$ 905	Allied Building Co.	\$ 2,859
Waterfurnace International	\$ 432	IOM Health Systems	\$ 1,446
New Haven Plaza	\$ 404		
		Total:	\$ 66,977

2015 payable 2016

Company	Contribution	Company	Contribution
Vera Bradley	\$ 40,972	OmniSource Corporation	\$ 568
Feenix, LLC	\$ 2,915	Parkview Health System	\$ 1,741
Hercules	\$ 1,479	AITF Services, LLC	\$ 287
Saratoga Potato Chips, LLC	\$ 2,485	Apollo Design Tech, Inc.	\$ 981
		Total:	\$ 51,427