

TAX ABATEMENT ANALYSIS UPDATE:
2008 PAYABLE 2009

DEPARTMENT OF PLANNING SERVICES
SEPTEMBER 2009

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 2008 Payable 2009 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 2008, there have been 234 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 invested more than \$1.8 billion.

Table 1

Investment in Real Property	\$ 520,592,149	Jobs Retained	21,357
Investment in Personal Property	\$ 1,365,043,039	Jobs Created	14,485
Total	\$ 1,885,635,188	Total	35,842

2008 ABATEMENT APPLICATIONS

2008 was yet 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. However, the size of the proposed investments is significantly larger than those in 2007 – approximately two times more per company for real property and nine times more for personal property. Table 2 details the proposed investments.

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

Table 2

Company	Investment in Real Property	Term	Investment in Personal Property	Term	Estimated Savings
Summit Foundry	\$ 880,000	10	\$ 120,000	7	\$ 111,124
FW Oncology & Hematology	\$ 7,000,000	10	n/a	n/a	\$ 648,000
Quikcut	n/a	n/a	\$ 756,000	5	\$ 20,546
BF Goodrich	n/a	n/a	\$ 44,000,000	10	\$ 1,702,970
One Resource Group	\$ 3,500,000	10	\$ 300,000	5	\$ 358,000
Vera Bradley	\$ 2,000,000	7	\$ 2,240,000	7	\$ 299,264
Totals	\$ 13,380,000		\$ 47,416,000		\$ 3,139,904

Summit Foundry Systems is located in Wayne Haven Industrial Park in New Haven where they engineer and manufacture material handling systems for the foundry industry. The company doubled the size of their building and purchased new equipment to maintain their status as a leader in the industry.

Fort Wayne Medical Oncology and Hematology is planning to expand and relocate their operations at Parkview North Hospital. The 48,000 square foot facility will provide out-patient services as well as house the company's headquarters and executive personnel.

Quikcut Inc., located in Allen Martin Industrial Park, purchased new manufacturing and information technology equipment. The new equipment will improve their laser cutting processes and assist with quality assurance of the parts they produce.

With the largest investment in 2008, BF Goodrich, in an effort to keep up and get ahead of their foreign competitors, invested more than \$44 million in new machinery. The upgrade is intended to improve efficiency and quality.

One Resource Group joined Baekgaard Limited as the second tenant of Silverado Park Shovel Ready Site. The insurance brokerage company plans to build a 28,000 square foot building.

In early 2008, Vera Bradley announced that they would begin doing the sewing of their products in-house as opposed to outsourcing the work. The company chose the former Nishikawa building in New Haven to house these operations. They made significant improvements to the building to meet their needs and purchased sewing equipment.

All in all, these six businesses plan to invest \$60,796,000 in the local community, of that, \$5,240,000 will occur in New Haven.

EMPLOYMENT

Average employment levels for the 2008 abatement applicants were up from 2007 and more comparable to previous years. On average, 101 new jobs will be created per

company compared to 2006 applicants who averaged 16 new jobs per company. With the exception of BF Goodrich, 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
Summit Foundry Systems	11	8
FW Oncology & Hematology	80	5
Quikcut	32	8
BF Goodrich	1,380	60
One Resource Group	46	30
Vera Bradley	72	497
Total	1,621	608

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

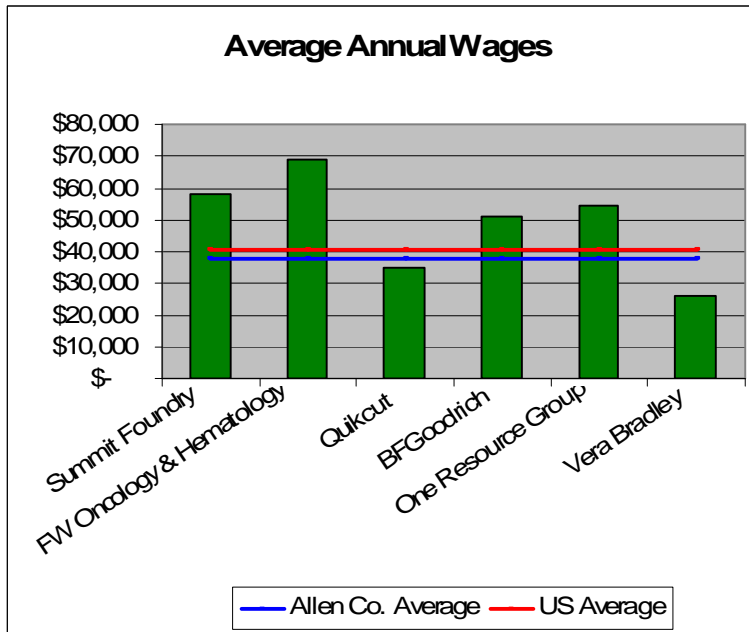
\$40,405³. The average for Allen County was just below the state average and well below

the national average at

\$37,468⁴. 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



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

COMPLIANCE FORMS

By May 15, 2009, 48 companies submitted a Compliance with Statement of Benefits form (CF-1) for 2009 Payable 2010 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	\$ 161,731,223	108%	\$ 189,725,913	95%
	Jobs Retained	Percentage Met	Jobs Created	Percentage Met
Jobs	16,406	92%	1,928	70%
	Salaries Retained	Percentage Met	Salaries Created	Percentage Met
Salaries	\$ 883,114,850	94%	\$ 86,401,885	110%

Unlike previous years, the actual figures reported, with the exception of real property investment and salaries created, fell short 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.

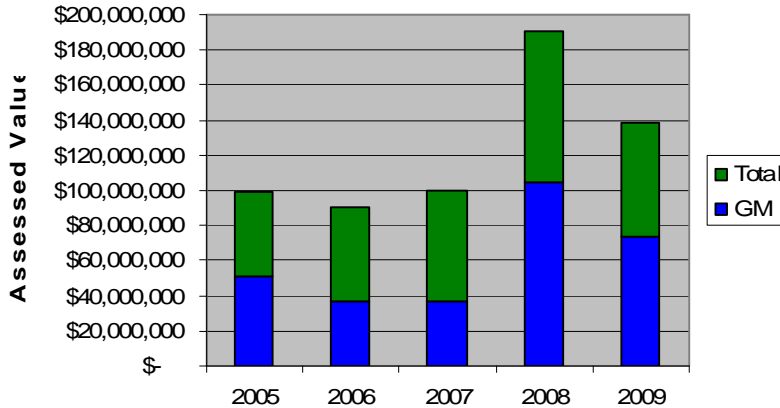
BREAKDOWN OF DEDUCTIONS

The actual deductions obtained in 2009 indicate the impact tax abatement has on the current tax revenue for Allen County. For the 2008 Payable 2009 year, 47 companies received tax abatement deductions totaling \$208,626,033 of assessed value. The companies saved approximately \$4.33 million, but still paid more than \$9 million in property taxes in 2009. Attachment A includes a detailed list of the deduction amounts and taxes saved for each company.

The 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.

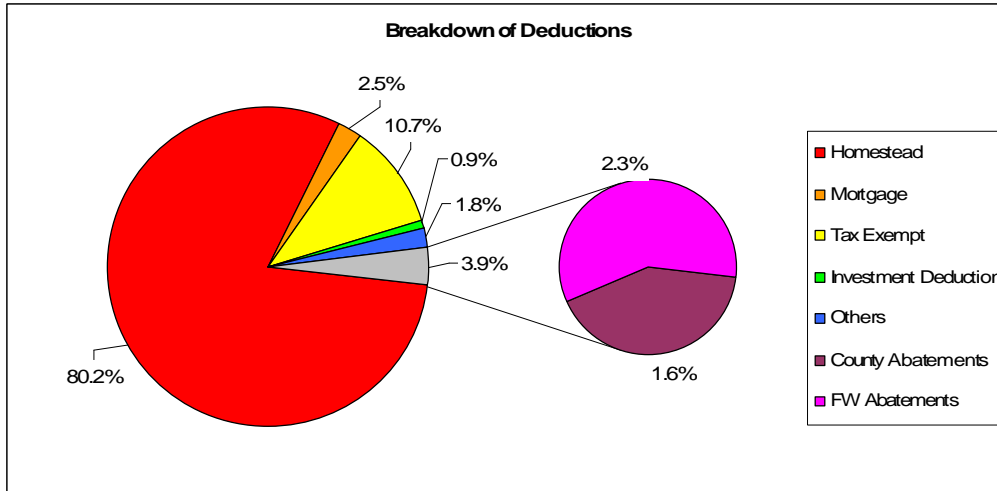
Figure 2



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. However, a majority of businesses are located within the city limits of Fort Wayne.

Homeowners benefited from approximately \$7 billion in deductions in 2008 payable 2009. 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 tax 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 \$0.02118 per \$100 of assessed value.⁶ This translates into an additional \$21.18 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) 2.92%, Lafayette (48) 2.52%, Zanesville (79) 2.24%, Aboite (38) 1.85% and New Haven Adams (41) 1.62%. 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.

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.

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.

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, which will be discussed in a later section of this paper, 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 \$813,544. The balance of the fund as of September 2009 was \$764,259.41, 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	\$129,774

For the 2008 Payable 2009 tax year, seventeen companies receiving tax abatement committed to contributing a percentage of their tax savings back to the County (see Table 6). Of the six companies approved for tax abatement in 2008, only two elected to participate in contributing to the fund once they begin receiving their abatement deduction.

Table 6

Company	Contribution	Company	Contribution
Apollo Design Technology	DNC	OmniSource	DNC
Ash Realty Group	\$ 2,015	Parker Hannifin	\$ 5,730
Breast Diagnostic Center	\$ 1,140	Rehabilitation Hospital	\$ 155
F&B Enterprises	\$ 607	Superior Aluminum Alloys	DNC
Fort Wayne Pools	\$ 722	Terex Advance Mixer	\$ 1,354
IOM/Lutheran Hospital	\$ 88,550	Tools Dies & Molds	DNC
Korte Does It All	DNC	Vera Bradley	\$ 28,886
Lincoln Foodservice Products	\$ 261	WaterFurnace	\$ 354
Neuro Spine Pain Center	DNC	Total	\$ 129,774

*DNC = Did not contribute

TAX ABATEMENT POLICY UPDATE

In August of 2008, an unofficial subcommittee of the Allen County Council convened to discuss and update the Council's policy for granting tax abatements. The council's policy had not been updated since 2004 when all of unincorporated Allen County was designated as an economic revitalization area. The main changes to the policy were made to the points system, fees for waivers of noncompliance, staff's discretion in response to requests for information, and limiting abatements to basic sector projects.

Point System

The point system used to evaluate abatement applications was adjusted to reflect investment trends and inflation rates since the points system was last updated in 2000. Because the Council wants to emphasize and encourage job creation, categories related to employment and wages were divided into subcategories that awarded points for job retention and creation separately.

Another minor change was made in the points awarded to those companies choosing to contribute a portion of their tax savings back to Allen County for future economic development endeavors. In the past, companies had the option to voluntarily contribute twenty percent (20%) or ten percent (10%) of their savings and receive 15 or 6 points, respectively, added to their total score to potentially increase the length of their abatement. This was changed to ten percent (10%) receiving five points and five percent (5%) receiving three points. This change is intended to help those companies that are on the border of receiving a longer abatement term while being less burdensome on the company in the long run if they choose to contribute.

Fees for waiver of noncompliance

Though state law allows for applicants to request and receive a waiver of noncompliance for not filing paperwork on time, it can cause problems administratively sometimes resulting in the recalculation of tax rates. For applicants that fail to file an application for tax abatement prior to beginning the project for which they are seeking the abatement, there will be a fee of one tenth of a percent (0.1%) of the investment amount with a minimum of \$500. For those requesting a waiver of noncompliance for failing to file their deduction paperwork by the deadline, a fine of \$500 will be imposed. The impetus behind this was to deter abuse of the program.

Requests for information

Staff often receives Requests for Information (RFI) through the Indiana Economic Development Corporation or the Regional Partnership which require staff to estimate tax abatement benefits that would be available to a prospective company. With the limited information contained in these RFIs, it is not possible to use the established point system to give an accurate length of abatement and estimated savings. In an effort to project a business friendly atmosphere and make the prospective company's shortlist, staff is allowed to use their discretion to project ten-year abatements for prospective companies that would make multi-million dollar investments and employ at least 100 people.

Limiting abatements to basic sector projects

In an attempt to keep with the purpose of the program and incentivize development that would not otherwise occur in Allen County, the council added to its policy limitations on non-competitive projects. Applicants whose general industry can be classified as non-basic, i.e. "Office" or "Service," must indicate the percentage of their client or customer base that is located within Allen County. Those whose clients or customers are primarily (fifty percent or more) located outside of Allen County will remain eligible. The Council will more cautiously investigate the eligibility of those businesses whose primary customers reside in Allen County simply because those businesses must remain here to serve their customers.

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 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
ACM Real Estate Holdings	\$ 258,256	\$ 6,770
Allied Building Co/Neurospine Pain Center	\$ 7,608,825	\$ 217,331
Apollo Design Technology	\$ 864,514	\$ 23,600
Ash Realty Group	\$ 1,182,130	\$ 20,152
Asphalt Drum Mixers Inc	\$ 127,714	\$ 2,846
Auto Bumper Exchange Inc	\$ 473,026	\$ 10,992
Bailey Enterprises LLC	\$ 985,920	\$ 17,837
Bhar Inc	\$ 714,613	\$ 18,734
Breast Diagnostic Center	\$ 279,874	\$ 5,702
C&M Fine Pack Inc	\$ 17,379,581	\$ 296,270
Central States Enterprises	\$ 2,818,602	\$ 73,892
Christman LLC/Microtech Welding	\$ 256,620	\$ 7,005
CME Automotive	\$ 1,422,927	\$ 36,285
CSC Indiana LLC	\$ 3,333,937	\$ 86,696
DeBeere/DeBrand	\$ 150,700	\$ 4,135
Dennis Tippmann Sr Family	\$ 952,990	\$ 24,984
Double B Property Management	\$ 525,000	\$ 13,763
Ecenbarger LLC	\$ 181,320	\$ 3,088
F&B Enterprises	\$ 178,370	\$ 3,037
Fort Wayne Plastics Inc	\$ 771,778	\$ 13,156
Fort Wayne Pools Inc	\$ 423,662	\$ 7,222
General Motors	\$ 57,873,990	\$ 1,047,056
Grabill Cabinet Co	\$ 894,820	\$ 20,367
Gutherie Partners LP	\$ 767,890	\$ 20,131
Hatlem LLC	\$ 24,564	\$ 539
IOM Health System LP/Lutheran Hospital	\$ 31,001,754	\$ 885,503
IOM Health System/Citadel Realty	\$ 6,855,370	\$ 195,810
Indiana Franklin Realty/I&M Power	\$ 40,600	\$ 1,061
Inverness Pointe Property/Petroleum Traders	\$ 3,390,670	\$ 96,848
Korte Management LLC	\$ 1,133,370	\$ 17,747
Lincoln Foodservice Products	\$ 76,479	\$ 1,304
Meridian Automotive Systems	\$ 252,579	\$ 3,970
Michelin North America/BF Goodrich	\$ 27,376,210	\$ 428,684
Omnisource	\$ 114,017	\$ 1,944

Attachment A-Continued

Company	Total Deduction	Total Saved
Parker Hannifin Corporation	\$ 2,185,732	\$ 57,301
Press-Seal Gasket Corporation	\$ 955,485	\$ 26,083
Quikcut Inc	\$ 304,640	\$ 5,874
Rehabilitation Hospital of Fort Wayne	\$ 54,397	\$ 1,554
Romines BA Sheetmetal	\$ 141,630	\$ 2,313
Speedway Sand and Gravel	\$ 273,320	\$ 5,122
Superior Aluminum Alloys	\$ 463,859	\$ 7,505
Terex Advance Mixer Inc	\$ 737,192	\$ 13,539
Tools Dies & Molds	\$ 119,193	\$ 1,929
Trelleborg Sealing Solutions	\$ 34,006	\$ 892
Tuthill Corporation	\$ 444,739	\$ 11,565
Vera Bradley Designs	\$ 15,965,962	\$ 288,856
Water Furnace International	\$ 208,042	\$ 3,543
Totals	\$ 192,580,869	\$ 4,040,535

Attachment B

	District	Rate w/ Abatement	Rate w/o Abatement	Difference	Difference %
38	Aboite	1.7047	1.6731	0.0316	1.85%
39	Adams	1.8790	1.8591	0.0199	1.06%
40	Adams PTC	1.9282	1.9082	0.0200	1.04%
41	New Haven Adams FWPTC	2.6216	2.5791	0.0425	1.62%
42	Cedar Creek	1.5717	1.5551	0.0166	1.06%
43	Grabill	2.2761	2.2418	0.0343	1.51%
44	Eel River	2.0408	2.0337	0.0071	0.35%
45	Jackson	1.5552	1.5386	0.0166	1.07%
46	Jefferson	1.6180	1.6006	0.0174	1.08%
47	New Haven Jefferson FWPTC	2.6004	2.5580	0.0424	1.63%
48	Lafayette	1.8092	1.7636	0.0456	2.52%
49	Lake	2.0621	2.0550	0.0071	0.34%
50	Madison	1.5921	1.5755	0.0166	1.04%
51	Marion	1.5870	1.5704	0.0166	1.04%
52	Maumee	1.6100	1.5934	0.0166	1.03%
53	Woodburn	2.1927	2.1758	0.0169	0.77%
54	Milan	1.5659	1.5459	0.0200	1.28%
55	Monroe	1.6148	1.5971	0.0177	1.10%
56	Monroeville	2.5500	2.4755	0.0745	2.92%
57	Perry	2.0373	2.0302	0.0071	0.35%
58	Huntertown	2.2285	2.2213	0.0072	0.32%
59	Pleasant	1.7028	1.6813	0.0215	1.26%
60	Pleasant PTC	1.7520	1.7305	0.0215	1.23%
61	Scipio	1.5690	1.5524	0.0166	1.06%
62	Springfield	1.6333	1.6166	0.0167	1.02%
63	St. Joseph	1.6490	1.6421	0.0069	0.42%
64	St. Joseph PTC	1.6982	1.6913	0.0069	0.41%
65	Washington	1.6519	1.6446	0.0073	0.44%
66	Washington PTC	1.7011	1.6937	0.0074	0.43%
67	Wayne	1.8247	1.8033	0.0214	1.17%
68	Wayne PTC	1.8739	1.8524	0.0215	1.15%
79	Zanesville	2.0370	1.9914	0.0456	2.24%
82	Leo-Cedarville	1.8733	1.8567	0.0166	0.89%
85	New Haven St. Joe	2.6121	2.5821	0.0300	1.15%
87	Eel River Huntertown	2.2320	2.2248	0.0072	0.32%
	Average Difference			0.0212	1.09%