

**TAX PHASE-IN ANALYSIS UPDATE:
2013 PAYABLE 2014**



DEPARTMENT OF PLANNING SERVICES
NOVEMBER 2014

Annually, the Department of Planning Services updates the original study of the tax phase-in program published by Allen County Department of Planning Services – Tax Abatement: A 1991 Analysis of Allen County’s Program¹. This particular update covers the 2013 Payable 2014 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, and Hometown and which use 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 unless specified.

PROGRAM OVERVIEW

Since the beginning of the Allen County Tax Abatement Program (1982) through 2013, there has been 305 tax phase-in’s granted in unincorporated Allen County and the smaller cities and towns. Based upon information provided when these companies applied for their tax phase-in, they have committed to invest more than \$2.375 billion. These are significant dollars being invested in Allen County by companies who believe this is a great place to do business. These tax deductions phase in a company’s taxes over time, which helps ease the costs associated with start-up, new equipment, and expansions.

Table 1

Investment in Real Property	\$ 675,089,944	Jobs Retained	56,422
Investment in Personal Property	\$ 1,699,831,068	Jobs Created	16,699
Total	\$ 2,374,921,012	Total	73,121

2013 APPLICATIONS FOR STATEMENT OF BENEFITS / ERA DESIGNATION

Allen County saw a significant increase in applications from 2012 to 2013. The number of applications close to doubled from eight applications in 2012 to fifteen approved applications in 2013. Investment dollars in new or additional construction increased dramatically in 2013 from 2012. The amount invested in real property from 2012 (\$6,793,000) to 2013 (\$53,311,850) demonstrates an increase of approximately 685% in companies looking to expand in the area. Personal property investment, or investment in equipment, also increased from 2012 to 2013. The large projects like FedEx Ground and CSC-Indiana, LLC in New Haven invested heavily in equipment. In 2012, investment in new equipment amounted to \$14,826,220 while in 2013 that number was estimated at \$128,876,796. Table 2 on the following page details the proposed investments that were brought before area councils in 2013 and the estimated savings for each project.

¹ This analysis, as well as previous updates, has utilized tax phase-in 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
Moon River LLC/Parco Inc	2 yr vacant	2	n/a	n/a	\$ 17,793
Great Dane/BMD Agency	\$3,200,000	10	\$215,000	5	\$ 320,163
Setzer/FedEx Ground	\$12,500,000	5	\$12,473,396	5	\$ 1,540,015
QuikCut, Inc.	n/a	n/a	\$1,400,000	5	\$ 2,003
Central States Enterprises, LLC	\$6,790,350	7	\$1,130,000	5	\$ 859,780
CSC-Indiana, LLC	na	na	\$12,600,000	10	\$ 788,155
Waterfurnace	\$ 56,500	5	\$ 263,500	5	\$ 9,908
Silverado/Ground Effects	\$ 2,500,000	7	\$ 2,162,500	7	\$ 268,065
Hatfield/Custom Eng & Fab	\$ 50,000	5	\$ 50,000	5	\$ 25,678
Vera Bradley	\$ 1,645,000	7	\$ 220,000	5	\$ 136,295
Vera Bradley	\$ 18,770,000	10	\$ 1,580,000	10	\$ 1,915,355
AITF Services, LLC	\$ 300,000	7	\$ 160,000	5	\$ 36,781
Midwest Tile/Canalway	\$ 1,500,000	5	\$ 800,000	3	\$ 90,289
General Motors	na	na	\$ 94,500,000	10	\$ 6,583,910
Silverado / ICON Exhibits	\$ 6,000,000	10	\$ 1,322,400	7	\$ 1,067,263
Totals	\$ 53,311,850		\$ 128,876,796		\$ 13,661,453

Moon River LLC, dba Parco Inc., is a light manufacturing company who specializes in safety guarding and ergonomic workstations. The company was originally located in Huntertown but moved to a vacant building on Front Street in Allen County in January of 2013. The Huntertown Town Council and Allen County Council signed an Inter-local Cooperation Agreement in February, 2013 where Huntertown retains the original tax phase in for equipment that was granted in Huntertown. The 2-year vacant building deduction was granted by Allen County for the Front Street address.

In March, Great Dane Realty LLC and BMD Agency, LLC partnered on a project for a new building to house BMD Agency at Stonebridge Drive in Allen County's Lafayette Township. BMD is a promotional material ad agency who produces material for Vera Bradley, as well as other large companies in Chicago, IL. The proposed project was initially for a \$3.2 million investment in real improvements and \$215,000 in new manufacturing and information technology equipment.

At the end of March, Setzer Properties and FedEx Ground Package System were approved for a tax phase in by the New Haven City Council. A 178,000 square foot facility was built off of Lincoln Highway East which now houses FedEx's new Ground Package operations. Additionally, FedEx invested more than \$12 million in logistical equipment while Setzer Properties invested another \$12.5 million in the building. The project is to generate at least \$1.04 million in annual salaries with the addition of 87 new hires.

Not new to Allen County is the consistent and continuous growth of QuikCut Inc, who is located on the east side of the county on Allen Martin Drive. The company specializes in steel fabricated parts and sandblasting and painting of parts. QuikCut invested \$1.4 million in three new pieces of equipment, which include a plasma cutting table, a new press break, and laser machine. QuikCut also continues to hire as orders grow. This project called for twelve new employees.

Central States Enterprises, LLC is another New Haven company who has been operating as a grain terminal elevator since the 1970s. Their latest project announced an investment of just under \$7 million in the construction of two new silos, 132 foot concrete grain silo and another silo of 124 feet. CSE is also investing in new conveyors, bridges, and aeration fans which total a little more than \$1 million. The company plans to hire an additional 27 employees that will create another \$1.16 million in annual salaries.

CSC Indiana, LLC is also located in New Haven. At the Summit Street address, the company manufactures corrugated sheets for boxes and point of purchase displays. With rising customer demands and competitor capabilities, CSC was in need of new equipment. The \$12.6 million investment was used to purchase a 110”BHS Corrugator, conveyor system, and boiler. In addition to the 27 new hires, CSC has opted to contribute 5% back of their savings from the tax phase in.

Waterfurnace, a developer, designer, and manufacturer of energy efficient geothermal heating and cooling systems, is located on Conservation Way, which is along Airport Expressway. In July the company presented a project to council that would include investments of \$56,500 to building improvements to accommodate new testing and research equipment and \$263,500 for that equipment. Currently, Waterfurnace employs 250 people with annual salaries of more than \$5 million.

Silverado Properties LLC came before the Allen County Council with two different projects in 2013. The first was approved in July. Silverado partnered with a company who is doing business with General Motors as a second stage manufacturing of robotically applied spray-in bed liners – Ground Effects. A new building was constructed along Aboite Road just north of Lafayette Center Road. Silverado invested \$2.5 million in the 42,000 square foot facility while Ground Effects invested \$2.16 million in the equipment. This new employer to the county is anticipating 160 new jobs with annual salaries of more than \$4 million.

In August, Hatfield Properties / Custom Engineering and Fabrication was approved for a five year real and personal property tax phase in and a two year vacant building deduction by the New Haven City Council. The new company specializes in final assembly for steel fabricated equipment and is bringing 8 to 10 new jobs to the New Haven area. Although the investment is \$100,000 in new equipment and building improvements, the company was able to fill a vacant building at 5225 New Haven Avenue.

Vera Bradley also came before the County Council with two new projects in August. The designer bag giant continues with improvements to both their facilities at the Stonebridge addresses. The first project is the \$1.6 million investment for an additional 10,000 square feet of office space at the 11222 Stonebridge Road facility, with an additional \$220,000 investment in IT equipment. The second project is an investment of more than \$18.7 million in 150,000 square feet to the Design Center at 12420 Stonebridge Road. This project also called for an additional \$1.58 million investment in new IT and logistical equipment. Together, these two projects will allow Vera Bradley to add 128 positions and more than \$7.2 million in annual payroll to the community.

Adaptive Technologies, Inc (AITF) presented before the Hometown Town Council in September to request a tax phase in for real improvements and new manufacturing equipment. The automated equipment design and build company planned on an investment of \$300,000 in a new 7500 square foot facility at 14220 Plank Street. Another \$160,000 investment was to be made in new manufacturing and IT equipment. The company proposed eight new positions to add to their existing 33, bringing in an additional \$332,000 in annual payroll.

Canalway Properties, dba Midwest Tile and Concrete Products is located on the east side of the county at 4309 Webster Road. The company produces reinforced precast concrete drainage structures. In September, the Allen County Council approved a tax phase in for a \$1.5 million investment for construction of a new 20,000 square foot steel building and \$800,000 in new manufacturing equipment. With the new project, Midwest Tile and Concrete planned to hire 10 additional employees, adding just under \$300,000 to its payroll.

General Motors also presented a project to council in September. The \$94.5 million projected investment was approved for a ten year 100% tax phase in for new paint shop related machinery and equipment. General Motors later presented their project to their corporate counterparts for the opportunity to be awarded the project at the Fort Wayne Plant. General Motors has been a presence in Allen County for almost 30 years and continues to expand and invest in the area.

The second project submitted by Silverado Properties was in coordination with ICON Exhibits, which was the final tax phase in approved for the year in December. Silverado Properties proposed a \$6 million investment of a new facility that will start out at 200,000 square feet and be expandable to 300,000 square feet. The new building will house ICON’s Midwest Division Headquarters where design and construction of exhibits for trade shows, museums, and permanent installations will take place. ICON is investing \$1.3 million in new manufacturing, logistical, and IT equipment. The project is expected to create 68 new positions, which will more than double ICON’s current 35 employee total.

All in all, these fifteen projects have proposed to invest more than \$182 million in the local community, of that, \$460,000 will be devoted to Huntertown and more than \$20.6 million in New Haven. These two communities represent 11.5% of investments made in Allen County in 2013.

EMPLOYMENT

Employment creation levels for the 2013 tax phase in applicants are considerably higher than the 2012 created jobs. This can be attributed to the fact that the amount of applications in 2013 almost doubled the amount submitted in 2012. In 2013 the fifteen projects approved for tax phase in combined to total 5,158 retained jobs and 543 jobs to be created. Table 3 breaks down the employment projections for each individual company.

Table 3

Company	Retained	Created
Moon River/Parco	18	6
Great Dane/BMD	29	27
Setzer/FedEx	103	87
QuikCut	44	12
Central States	24	0
CSC Indiana	57	27
Waterfurnace	250	2
Ground Effects	0	160
Custom Eng & Fab	-	8
Vera Bradley	358	14
Vera Bradley Design Cntr	351	114
AITF	33	8
Midwest Tile	39	10
General Motors	3817	0
ICON Exhibits	35	68
Total	5158	543

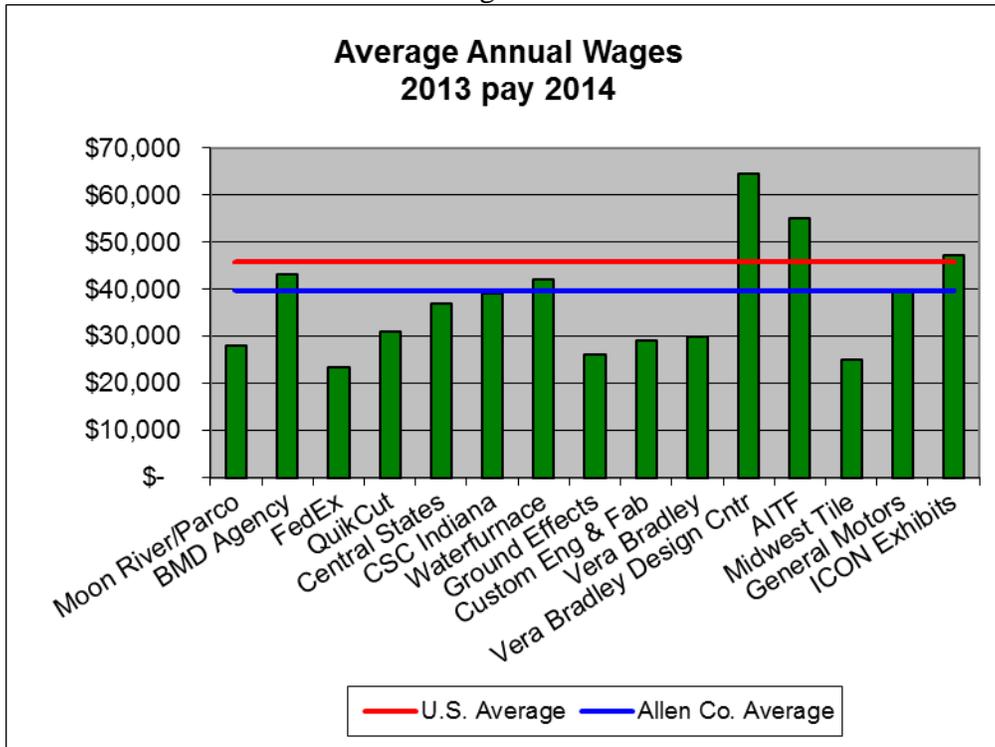
Another aspect of business expansion that is of interest is the quality of the jobs created and retained. An objective of economic development is to increase the average wage paid to workers which is often translated into an increase in the quality of life for citizens. The average annual wage for Indiana in 2012 was \$41,240³ and the national average was \$45,790². The average for Allen County was just below the state average and well below the national average at \$39,798³.

Figure 1 demonstrates how the average annual wages paid by the companies approved for tax phase-in in 2013 compare to the U.S. and Allen County averages. In 2013 companies applying for tax phase in now use an updated application. Page 2 of the application asks companies to use job codes provided by the Occupational Employment Statistics website. This website breaks down job descriptions by an occupation code and enables companies to be more specific when listing new and/or retained employment. It also gives the county a better understanding of a company’s wages compared with average annual wages in Fort Wayne, Indiana. Because a majority of the criteria on the application for tax phase in is job numbers and salaries, county staff can reward points on specific information instead of consolidating all jobs together and averaging the salaries. It is a more effective and precise way of making sure companies are rewarded points correctly.

² Bureau of Labor Statistics http://www.bls.gov/oes/current/oes_nat.htm#00-0000

³ STATS http://www.stats.indiana.edu/uspr/a/us_profile_frame.html

Figure 1



COMPLIANCE FORMS

By the end of May 2014, 42 companies submitted a Compliance with Statement of Benefits form (CF-1) for 2014 Payable 2015 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 deductions. Table 4 shows the percentages of the total numbers companies submitted regarding investment, jobs, and salary compliance. The current policy for Allen County states companies must be at least 75% compliant in one of the three categories.

Table 4

	Real Property	Percentage Met	Personal Property	Percentage Met
Investment	\$ 224,673,315	143%	\$ 562,220,156	136%
	Jobs Retained	Percentage Met	Jobs Created	Percentage Met
Jobs	26,466	102%	5,637	326%
	Salaries Retained	Percentage Met	Salaries Created	Percentage Met
Salaries	\$ 1,742,157,571	108%	\$ 459,868,475	519%

As the economy has been recovering the last couple of years, companies who before may have fallen short on their projected numbers on their Statement of Benefits, began to hire back and/or create new jobs and payroll within the past few years.

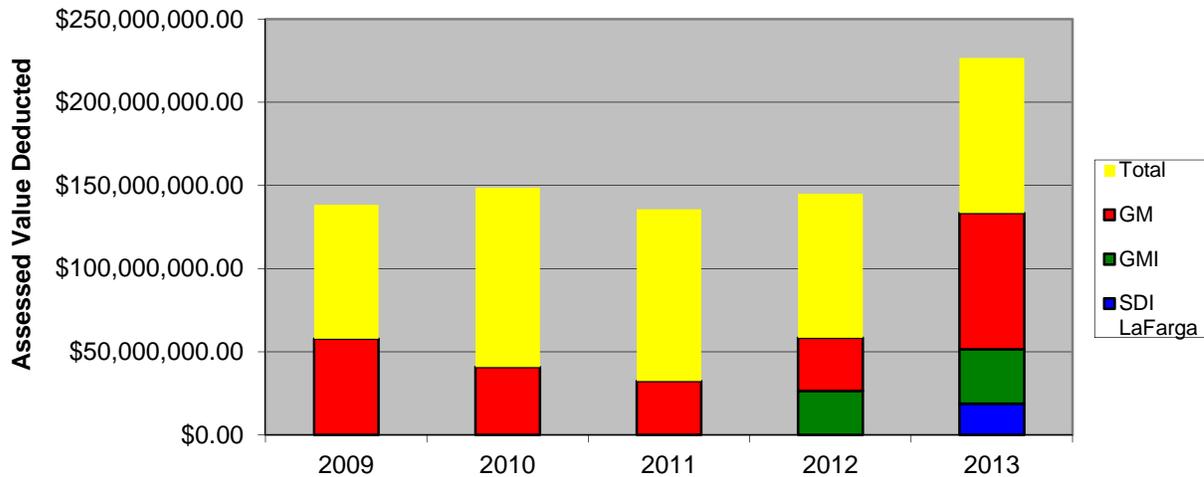
BREAKDOWN OF DEDUCTIONS

The actual deductions received in 2014 indicate the impact tax phase in has on the current tax revenue for Allen County. For the 2013 Payable 2014 year, approximately 73 deductions were granted to companies in Allen County totaling \$226,660,636 of assessed value. The companies saved approximately \$4,690,404, but still paid more than \$9,343,991 in property taxes in 2014. Attachment A includes a detailed list of the deduction amounts, taxes saved, and taxes paid for each company.

Figure 2 below shows the amount of true tax value deducted for tax phase ins for the past five years. The yellow bars indicate the total amount deducted in a given year. The red bars show how much of the total tax deductions belong to General Motors, which has been and continues to be by far the largest beneficiary of the tax phase in program. Added last year, as seen in the green bar, is General Mills (RG-Fort Wayne) who has started receiving deductions based on their \$36 million project from 2011. This year, SDI LaFarga was added to show that they are also receiving large deductions in regards to the total deducted in 2014. These three companies account for more than half of the abated amounts in 2014.

The amount deducted for General Motors had started to decrease from 2008 thru 2012 because of the depreciation of equipment. The total amount of deductions also decreased, by almost \$50 million in 2009 due to a number of old phase ins winding down or ending. However, the addition of new equipment shows that GM’s deductions increased in 2014. In addition, larger companies designated for tax deductions from 2011 on,

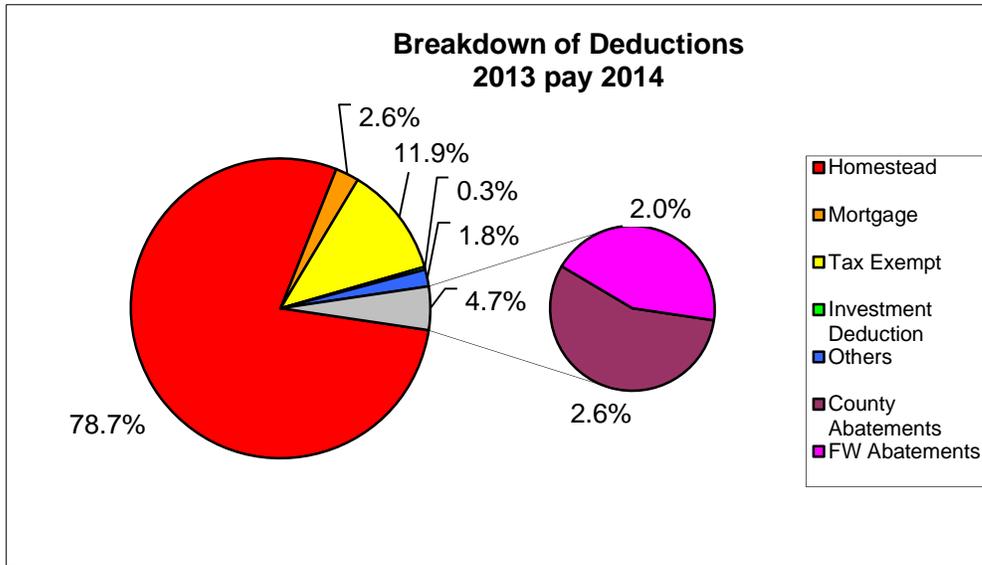
Figure 2



have begun to receive their deductions.

Phasing in of taxes is generally the only form of assistance available to existing businesses. When compared to the volume of other tax deductions available to other property owners, tax phase in is a diminutive piece of the pie which is demonstrated in Figure 3 on the following page. 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 phase in 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 tax deductions totaling \$403.67 million. Although a majority of businesses are located within the city limits of Fort Wayne, 2014 tax deduction amounts for county businesses exceeded the City of Fort Wayne’s amount. In addition, homeowners benefited from approximately \$7 billion in deductions in 2013 payable 2014. 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 ABATEMENT DEVELOPMENT FUND

The Tax Abatement Development Fund was established in 1992 and is funded through contributions from companies receiving tax phase in. 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 2013 approximately \$420,500 was used for efforts in the Allen County Redevelopment Commission’s Land Banking Program and work on the Bandelier Drain.

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, 50 companies have voluntarily contributed \$1,218,169. The balance of the fund as of November 13, 2014 was \$188,981.57, which includes principal and interest and accounts for the disbursements and a January, 2014 loan payment of \$50,000 from the Bandelier TIF Fund.

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	\$124,578
2010 pay 2011	\$97,071
2011 pay 2012	\$57,940
2012 pay 2013	\$57,935
2013 pay 2014	\$62,381
TOTAL	\$1,218,169

For the 2013 Payable 2014 tax year, eighteen of the companies receiving tax phase in had committed to contributing a percentage of their tax savings back to the County (see Table 6). Of the 18 companies, 13 actually sent in their contributions. Fortunately, three out of five of the fifteen companies approved for tax phase in 2013 did elect to participate in contributing to the fund once they begin receiving their tax deduction.

Table 6

Company	Contribution	Company	Contribution
Vera Bradley Designs	\$ 31,943	Terex Advance Mixer	\$ 259
Breast Diagnostic Center, LLC	\$ 163	Parker Hannifin	\$ 163
JKBC Properties/St Joe Med	\$ 565	OmniSource Corp	\$ 1,328
Yost/Saratoga Potato Chips	\$ 6,140	Feenix, LLC	\$ 3,774
Precision Laser	DNC	Hercules Machinery	\$ 100
IOM Health/Lutheran Hosp	\$ 15,791	Waterfurnace International	\$ 780
Summit Foundry Systems	DNC	Ash Realty Group	DNC
Allied Building Co.	DNC	Apollo Design Technology	DNC
CSC Indiana	\$ 519	Parkview ONE	\$ 856
		Total:	\$ 62,381

*DNC = Did not contribute

CONCLUSION

The Allen County tax phase in 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 and December 2011 to the County Council's policy will hopefully increase accountability while maintaining the business friendly atmosphere in Allen County.

Attachment A (2013 pay 2014)

COMPANY	Total Deduction	Total Saved	Taxes Paid
Allied Building Co (NeuroSpine Pain Ctr)	\$ 1,844,190	\$ 62,494	\$ 195,695
American Mitsuba Corp	\$ 2,466,370	\$ 74,206	\$ 264,844
Android Industries/Crown Enterprises	\$ 4,127,160	\$ 83,872	\$ 75,641
Apollo Design Technology	\$ 310,270	\$ 10,448	\$ 53,847
Ash Brokerage/Realty Group	\$ 79,580	\$ 1,507	\$ 84,318
Asphalt Drum Mixers	\$ 1,660	\$ 43	\$ 7,490
Bailey Enterprises, LLC	\$ 110,030	\$ 2,236	\$ 16,559
Breast Diagnostic Center	\$ 34,170	\$ 817	\$ 7,679
BS Land / One Resource Group	\$ 1,728,240	\$ 35,121	\$ 44,467
C&M Fine Pack	\$ 3,860,540	\$ 73,103	\$ 683,716
Cedar Creek Inv / AVI Foodsystems	\$ 198,650	\$ 6,148	\$ 7,553
Central States Enterprises Inc.	\$ 1,246,250	\$ 38,570	\$ 381,389
Continental Diamond Tool Corp	\$ 433,240	\$ 13,408	\$ 6,755
CSC Indiana LLC	\$ 946,720	\$ 29,037	\$ 34,456
Fort Wayne-Rube Realty LLP	\$ 172,150	\$ 5,280	\$ 148,333
Gator Cases Inc.	\$ 81,750	\$ 2,136	\$ 2,522
General Motors	\$ 81,953,010	\$ 1,665,449	\$ 4,014,508
Grabill Country Village	\$ 585,230	\$ 15,291	\$ 8,067
Great Dane Realty LLC/ Vera Bradley	\$ 848,840	\$ 17,250	\$ 33,331
Hercules Machinery/Innovative Piledriving	\$ 64,480	\$ 1,996	\$ 17,983
IOM Health Systems/Citadel/FW Oncol	\$ 1,564,093	\$ 53,002	\$ 202,927
IOM Health Systems LP/Lutheran Hosp	\$ 4,522,463	\$ 153,253	\$ 669,333
Inverness Pointe/Petroleum Traders	\$ 691,490	\$ 23,433	\$ 76,837
JCR Enterprises LLC	\$ 67,540	\$ 1,246	\$ 2,741
JKBC Properties, LLC/St Joe Med Grp	\$ 364,980	\$ 11,296	\$ 60,607
Larson Financial Group LLC	\$ 14,280	\$ 270	\$ 352
Long Term Care Investments	\$ 4,305,500	\$ 102,945	\$ 11,903
Michelin N America / Uniroyal Goodrich	\$ 30,633,900	\$ 547,489	\$ 1,033,105
Moon River LLC / Parco Inc	\$ 399,210	\$ 7,779	\$ 3,235
OmniSource Corp	\$ 351,210	\$ 6,651	\$ 101,548
Parker Hannifin Corp	\$ 52,610	\$ 1,628	\$ 122,611
Parkview Health System/Feenix LLC	\$ 1,578,410	\$ 37,740	\$ 71,137
Parkview Health/Orthopaedics NE	\$ 716,000	\$ 17,120	\$ 262,995
Precimed / Greatbatch Medical	\$ 8,559,260	\$ 166,794	\$ 92,967
Precision Laser Services Inc	\$ 73,300	\$ 1,901	\$ 25,139
Press Seal Gasket / Skinner Properties	\$ 11,970	\$ 403	\$ 64,396
Primco	\$ 223,280	\$ 4,880	\$ 8,190
QuikCut Inc	\$ 256,360	\$ 5,948	\$ 13,779
Quincy Recycle	\$ 307,830	\$ 9,441	\$ 8,633
R3 Composites Corporation	\$ 112,500	\$ 2,010	\$ 8,626
RG-Ft Wayne / General Mills	\$ 32,730,000	\$ 657,840	\$ 49,763
RMI Properties / Riverside MFG	\$ 277,750	\$ 7,204	\$ 17,566
Romines BA Sheetmetal	\$ 21,840	\$ 404	\$ 6,551
Saratoga Potato Chips / Yost Holdings	\$ 3,242,440	\$ 61,399	\$ 48,726
SDI LaFarga LLC	\$ 18,690,010	\$ 344,681	\$ 17,160
Summit Foundry / Richard Meyer	\$ 251,690	\$ 7,790	\$ 28,719
Terex Advance Mixer	\$ 132,810	\$ 2,588	\$ 13,735
Vera Bradley Designs	\$ 14,869,750	\$ 302,183	\$ 185,495
Vera Bradley New Haven	\$ 157,320	\$ 4,869	\$ 23,534
Waterfurnace International Inc	\$ 388,310	\$ 7,805	\$ 22,528
Totals:	\$ 226,660,636	\$ 4,690,404	\$ 9,343,991