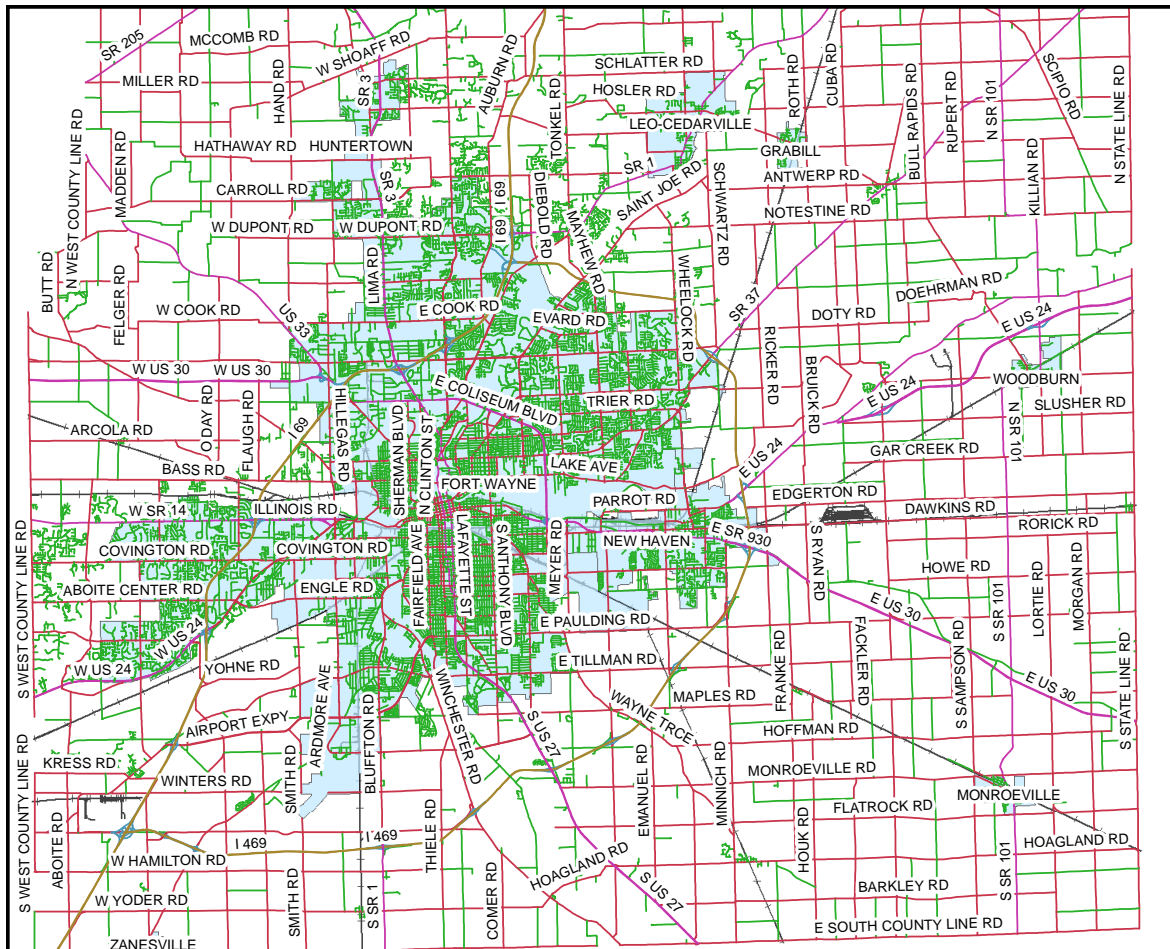


TAX ABATEMENT ANALYSIS UPDATE: 2010 PAYABLE 2011



DEPARTMENT OF PLANNING SERVICES
OCTOBER 2011

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 2010 Payable 2011 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 (1982) through 2010, there have been 266 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 \$2.2 billion. These are significant dollars being invested in Allen County by companies who feel this is a great place to do business. Tax abatement phases in a company’s taxes over time, which help ease the costs associated with start-up.

Table 1

Investment in Real Property	\$ 578,757,149	Jobs Retained	48,031
Investment in Personal Property	\$ 1,587,069,248	Jobs Created	14,751
Total	\$ 2,165,826,397	Total	62,782

2010 ABATEMENT APPLICATIONS

As with years 2007 thru 2009, 2010 was a 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, investment dollars, especially in personal property, can be looked at in two different ways. The amount invested in personal property from 2009 to 2010 increased by 546%, if the \$184 million proposed investment by General Motors is included in the equation. Without including that dollar amount, the percentage falls to a decrease in personal property investment by 78%. The amount invested by companies in real property declined by 36%. Table 2 details the proposed investments for 2010.

Table 2

Company	Investment in Real Property	Term	Investment in Personal Property	Term	Estimated Savings
Central States Enterprises, Inc	\$2,100,000	7	\$1,200,000	7	\$ 297,900
JKBC Properties, LLC	\$1,500,000	7	\$400,000	5	\$ 170,500
Global Energy Resources	na	na	\$950,000	7	\$ 40,200
Yost/Saratoga Potato Chips, LLC	\$250,000	7	\$3,307,000	7	\$ 115,550
Quincy Recycle Paper, Inc	na	na	\$633,000	5	\$ 22,300
General Motors	\$9,000,000	10	\$184,000,000	10	\$ 4,614,210
Totals	\$ 12,850,000		\$ 190,490,000		\$ 5,260,660

Central States Enterprises has been located at its Hartzell Road address since 1974. This is a grain facility plant that has continuously been modernizing and expanding its operations. This facility loads nearly 6,500 railcars annually. With their investment dollars, CSE has been able to construct a new concrete grain storage silo and add new conveying systems, electrical equipment, and computer control systems.

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

Located on Minnich Road, JKBC Properties, LLC turned a vacant property into a 10,000 sq. foot state of the art medical office building. The facility is being used by St. Joseph Hospital and has brought in 16 new jobs with annual salaries of more than \$1.4 million.

Global Energy Resources, also located in New Haven, invested in an existing vacant building. They have added almost \$1 million in new equipment and added 14 new jobs to the community with average salaries at \$39,000 per year. The company was founded in 2009 and produces an additive for renewable diesel fuel.

Yost Holdings, LLC and Saratoga Potato Chips partnered together to make improvements to their new location at 6923 Lincoln Parkway. They are currently in the process of hiring their projected 175 new employees to operate the potato chip making facility. They anticipate reaching this goal by 2013.

The fourth company to locate in New Haven is Quincy Recycle Paper, Inc. Quincy Recycle accumulates recycled material from suppliers and processes and ships it into paper mills and plastic companies. The facility is located on Summit Drive and the projected 12 new employees are already at work for this new company. These new jobs bring estimated annual salaries of \$432,120 to the community.

In 2010, the last company to file for abatement in Allen County was General Motors. The project submitted by GM is the investment of more than \$185 million into equipment for the next-generation Chevrolet Silverado and GMC Sierra pickup trucks. So far, GM confirms that an \$8 million investment in the addition of the 40,500 sq. foot addition related to this project is in progress. Currently, GM employs more than 3,400 people with annual salaries of more than \$250 million.

All in all, these six businesses plan to invest more than \$203 million in the local community, of that, \$6.78 million will be devoted to New Haven.

EMPLOYMENT

Average employment levels for the 2010 abatement applicants rose from 2009. This can be attributed to the four new companies locating in Allen County and the addition of GM's third shift. Comparing 2010 to the employment numbers in 2009 is as follows: Retained jobs increased by 12% while new positions created by companies from 2009 to 2010 increased by more than 225%. Table 3 breaks down the employment projections for each individual company.

Table 3

Company	Jobs Retained	Jobs Created
Central States Enterprises	23	2
JKBC/St Joe Hospital	0	16
Global Energy Resources	0	14
Yost/Saratoga	0	175
Quincy Recycle Paper	0	12
General Motors	3367	0
Total	3,390	219

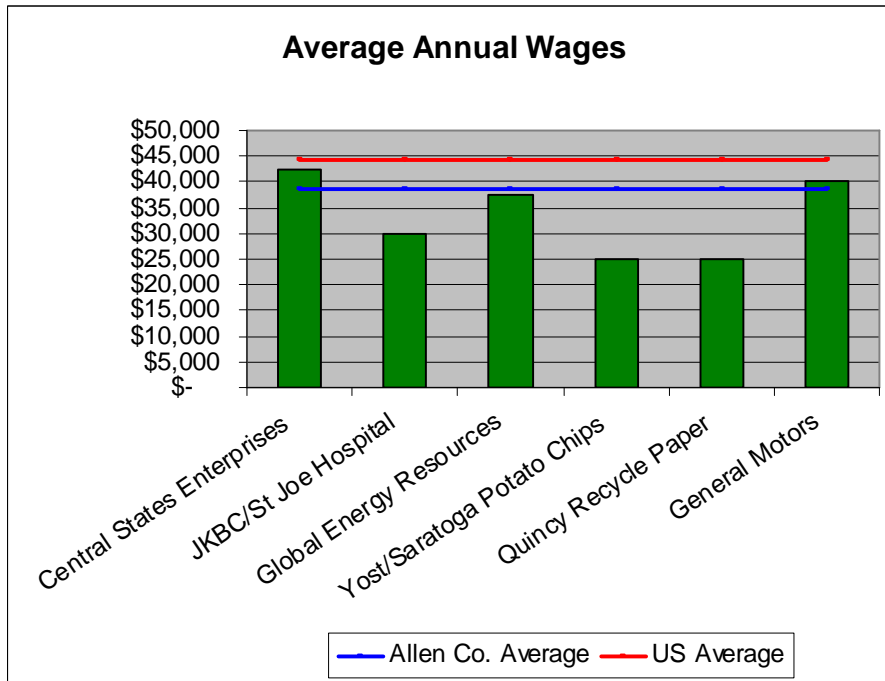
Another aspect of business expansion that is of interest is the quality of the jobs created and retained. An objective of economic development is to increase the average wage paid to workers which is often translated into an increase in the quality of life for citizens. The average annual wage for Indiana in 2010 was \$39,258² and the national average was \$44,410². The average for Allen County was just below the state average and well below the national average at \$38,663³.

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

³ STATS Indiana http://www.stats.indiana.edu/profiles/profiles.asp?scope_choice=a&county_changer=18003

Figure 1 demonstrates how the average annual wages paid by the companies approved for tax abatement in 2010 compare to the U.S. and County averages.

Figure 1



COMPLIANCE FORMS

By the end of May 2011, 38 companies submitted a Compliance with Statement of Benefits form (CF-1) for 2011 Payable 2012 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	\$ 132,962,465	116%	\$ 410,103,104	94%
	Jobs Retained	Percentage Met	Jobs Created	Percentage Met
Jobs	16,488	85%	2,907	140%
	Salaries Retained	Percentage Met	Salaries Created	Percentage Met
Salaries	\$ 988,609,638	90%	\$ 134,851,455	269%

As the economy begins to bounce back, companies who before may have fallen short on their projected numbers on their Statement of Benefits, are beginning to hire back and/or create new jobs and payroll within the past year.

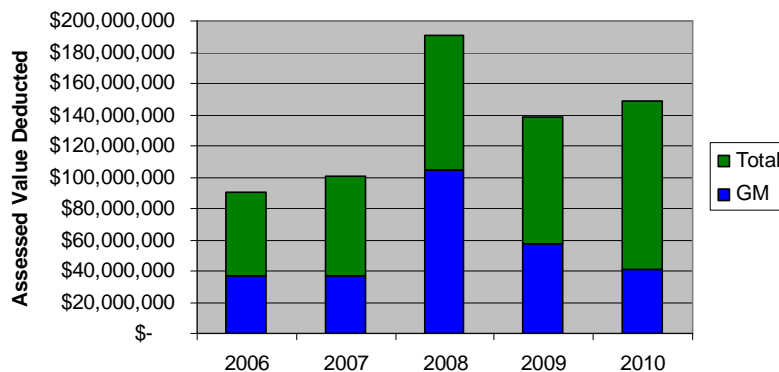
BREAKDOWN OF DEDUCTIONS

The actual deductions received in 2011 indicate the impact tax abatement has on the current tax revenue for Allen County. For the 2010 Payable 2011 year, 52 companies received tax abatement deductions totaling \$148,733,574 of assessed value. The companies saved approximately \$3.25 million, but still paid more than \$10.7 million in property taxes in 2011. 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, IOM Health Systems (better known as Lutheran Hospital), and Vera Bradley are also large beneficiaries of the program.

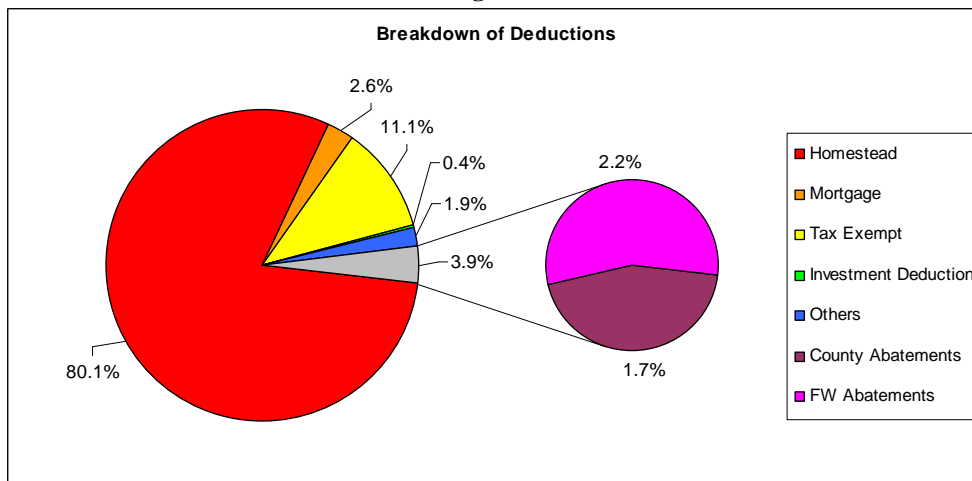
There was a significant increase in the assessed value abated from 2007 to 2008 due to an abatement GM began receiving on their new sequencing center. It decreases from 2008 thru the present because of the depreciation of equipment. The total amount of deductions also decreased, by almost \$50 million in 2009 due to a number of old abatements winding down or ending. As shown in 2010, the next few years will show an increase in assessed value deducted. Newer companies designated for abatement from 2008 on, have begun to receive their deductions.

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. (Attachment C demonstrates this same breakdown excluding GM's deduction.) Combined, the city and county had an abatement deduction totaling \$336 million. However, a majority of businesses are located within the city limits of Fort Wayne. Homeowners benefited from approximately \$9 billion in deductions in 2010 payable 2011. 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.⁴

The average difference between the actual tax rate and the estimated tax rate without the tax abatement deductions is \$0.02390 per \$100 of assessed value.⁵ This translates into an additional \$23.90 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) 3.42%, Zanesville (79) 3.15%, Pleasant and Pleasant PTC (59 & 60) 2.46% each. 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 August 2010 \$400,000 was placed in the Redevelopment Commission capital fund for the Land Banking Program.

⁴ Taxing districts for the City of Fort Wayne were not included in this recalculation of tax rates.

⁵ 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, 45 companies have voluntarily contributed \$1,039,913. The balance of the fund as of October 2011 was \$619,286.70, 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	\$124,578
2010 pay 2011	\$97,071
TOTAL	\$1,039,913

For the 2010 Payable 2011 tax year, nineteen of the companies receiving tax abatement had committed to contributing a percentage of their tax savings back to the County (see Table 6). Of the 19 companies, 14 actually sent in their contributions. Fortunately, two more of the six companies approved for tax abatement in 2010 did 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	\$ 51	Lincoln Foodservice	\$ 209
Apollo Design Technology	DNC	Parker Hannifin	\$ 3,124
Lutheran Musculoskeletal	\$ 835	Neurospine / Allied	DNC
Feenix/Parkview Health	\$ 6,720	Terex Advance Mixer	\$ 588
Vera Bradley Designs	\$ 21,461	Summit Foundry Systems	DNC
Waterfurnace International	\$ 468	OmniSource	\$ 3,562
Breast Diagnostic Center	\$ 717	F& B Enterprises	\$ 148
Ash Realty Group LLc	\$ 354	GAO Park, Allen Fab	\$ 2,621
Fort Wayne Pools	DNC	IOM Health	\$ 56,213
		Korte Electric Inc	DNC
		Total:	\$ 97,071

*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.

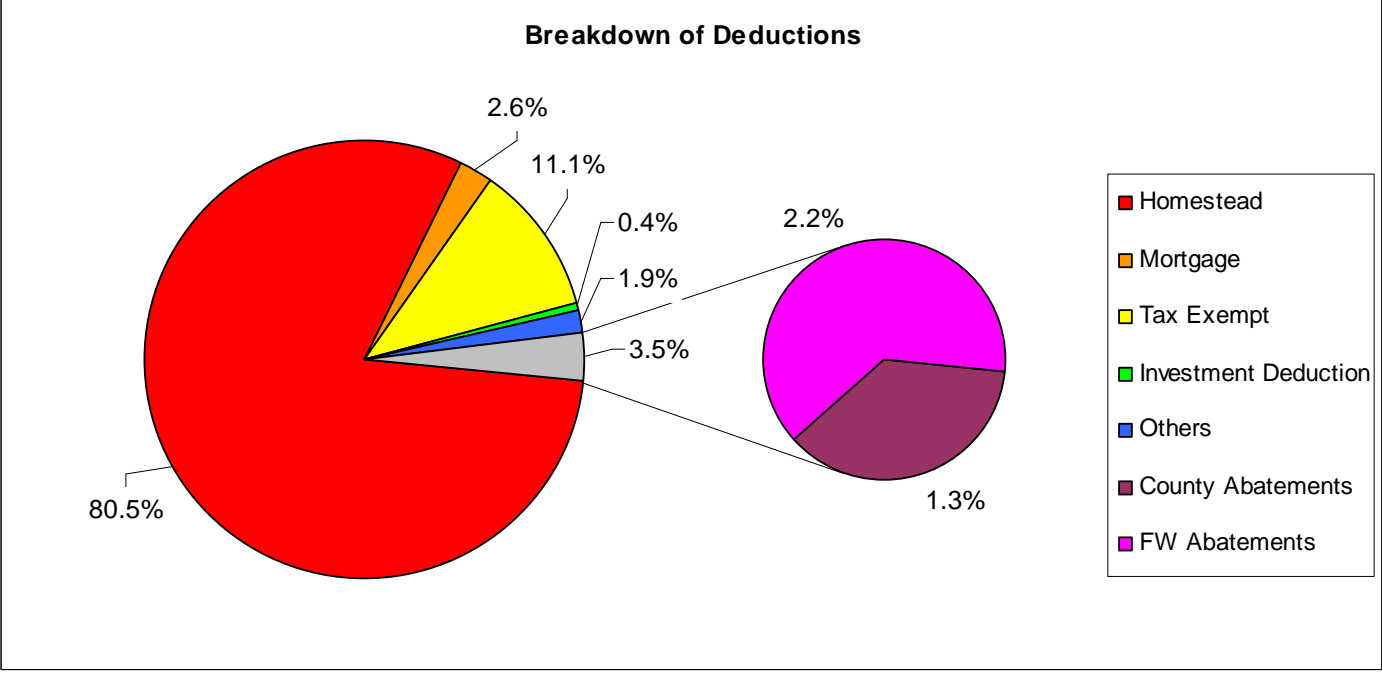
Attachment A

COMPANY	Total Deduction	Total Saved	Taxes Paid
Allied Building Co / NeuroSpine Pain Ctr	\$ 4,678,580	\$ 144,929	\$ 138,337
Apollo Design Technology	\$ 706,520	\$ 21,467	\$ 39,062
Ash Brokerage/Realty Group	\$ 422,630	\$ 7,478	\$ 59,619
Asphalt Drum Mixers	\$ 627,994	\$ 16,006	\$ 39,775
Auto Bumper Exchange Inc	\$ 126,320	\$ 3,628	\$ 15,868
Baekgaard	\$ 444,870	\$ 8,368	\$ 2,073
Bailey Enterprises, LLC	\$ 603,120	\$ 11,344	\$ 12,711
Bhar, Inc.	\$ 254,340	\$ 7,305	\$ 74,584
Breast Diagnostic Center	\$ 153,910	\$ 3,583	\$ 5,047
BS Land	\$ 2,908,600	\$ 54,708	\$ -
C&M Fine Pack	\$ 10,357,160	\$ 183,260	\$ 335,680
Central States Enterprises Inc.	\$ 1,425,400	\$ 40,940	\$ 365,205
Christman LLC / Microtech Welding	\$ 78,500	\$ 2,385	\$ 11,394
CME Automotive Corp	\$ 731,650	\$ 19,850	\$ 81,065
CSC Indiana LLC	\$ 1,696,000	\$ 48,292	\$ 25,571
DeBeere / DeBrand	\$ 306,830	\$ 9,367	\$ 6,621
Double B Property/PPI DurEquip	\$ 639,180	\$ 18,359	\$ 9,275
F&B Enterprises LLC	\$ 40,440	\$ 742	\$ 18,726
Feenix/Parkview Health System	\$ 2,886,770	\$ 67,195	\$ 37,986
Fort Wayne Pools Inc/Latham Pool	\$ 160,720	\$ 2,844	\$ 23,536
GAO Park / Allen Fabricators	\$ 1,428,540	\$ 26,212	\$ 18,657
General Motors	\$ 40,723,690	\$ 765,972	\$ 4,145,986
Grabill Cabinet Co Inc	\$ 162,880	\$ 3,967	\$ 53,875
Great Dane Realty LLC	\$ 1,498,210	\$ 28,180	\$ 13,516
IOM Health Systems/Citadel/FW Oncol	\$ 4,858,600	\$ 150,505	\$ 68,726
IOM Health Systems LP/Lutheran Hosp	\$ 19,047,460	\$ 590,033	\$ 3,283,915
Inverness Pointe/Petroleum Traders	\$ 2,188,940	\$ 67,807	\$ 22,910
Korte Management LLC	\$ 580,670	\$ 17,584	\$ 28,738
Lincoln Foodservice Products Inc	\$ 59,010	\$ 1,044	\$ 58,949
Lutheran Hosp Musculoskeletal Ctr LLC	\$ 269,590	\$ 8,351	\$ 49,802
Michelin N America / Uniroyal Goodrich	\$ 26,705,090	\$ 452,892	\$ 717,952
One Resource Group corp	\$ 34,340	\$ 646	\$ 3,050
OmniSource Corp	\$ 1,006,510	\$ 17,809	\$ 94,553
Orthopaedics Northeast PC	\$ 13,260	\$ 483	\$ 2,264
Parker Hannifin Corp	\$ 1,087,810	\$ 31,244	\$ 144,643
Parkview Health/Ortho Hospital	\$ 4,542,600	\$ 105,738	\$ 24,325
Press-Seal Gasket / Skinner Properties	\$ 390,650	\$ 11,870	\$ 156,667
Primco	\$ 682,200	\$ 13,688	\$ 1,198
QuikCut Inc	\$ 421,290	\$ 9,159	\$ 11,522
Rehabilitation Hosp of FW	\$ 16,430	\$ 509	\$ 10,732
RJH Park	\$ 225,540	\$ 4,138	\$ 4,412
Romines BA Sheetmetal	\$ 122,730	\$ 2,201	\$ 5,063
Speedway Sand & Gravel Inc	\$ 78,090	\$ 1,567	\$ 2,470
Summit Foundry / Richard Meyer	\$ 498,430	\$ 14,316	\$ 20,460
Superior Aluminum Alloys	\$ 320	\$ 6	\$ 58,218
Terex Advance Mixer	\$ 330,700	\$ 5,879	\$ 9,719
Tippmann Industrial Products, Inc	\$ 242,140	\$ 6,955	\$ 66,266
Tuthill Linkage Group	\$ 114,640	\$ 3,264	\$ 154,250
Vera Bradley Designs	\$ 11,410,060	\$ 214,612	\$ 137,774
Vera Bradley Designs-New Haven	\$ 488,500	\$ 14,031	\$ 6,363
Waterfurnace International Inc	\$ 255,120	\$ 4,681	\$ 11,692
Totals:	\$ 148,733,574	\$ 3,247,393	\$ 10,690,802

Attachment B
YEAR: 2010
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	1.7694	1.7499	0.01950	1.10%
39 ADAMS	2.1189	2.0985	0.02040	0.96%
40 ADAMS PTC	2.1741	2.1524	0.02170	1.00%
41 NEW HAVEN ADAMS FWPTC	2.8722	2.8216	0.05060	1.76%
42 CEDAR CREEK	1.6947	1.6761	0.01860	1.10%
43 GRABILL	2.4354	2.3950	0.04040	1.66%
44 EEL RIVER	2.3305	2.3088	0.02170	0.93%
45 JACKSON	1.6842	1.6551	0.02910	1.73%
46 JEFFERSON	1.7499	1.7201	0.02980	1.70%
47 NEW HAVEN JEFFERSON - FWPTC	2.8474	2.7972	0.05020	1.76%
48 LAFAYETTE	1.8809	1.8166	0.06430	3.42%
49 LAKE	2.3511	2.3294	0.02170	0.92%
50 MADISON	1.7683	1.7392	0.02910	1.65%
51 MARION	1.7179	1.6888	0.02910	1.69%
52 MAUMEE	1.7836	1.7545	0.02910	1.63%
53 WOODBURN	2.4413	2.4126	0.02870	1.18%
54 MILAN	1.6959	1.6630	0.03290	1.94%
55 MONROE	1.7448	1.7148	0.03000	1.72%
56 MONROEVILLE	2.7130	2.6339	0.07910	2.92%
57 PERRY	2.3277	2.3056	0.02210	0.95%
58 HUNTERTOWN	2.5487	2.5254	0.02330	0.91%
59 PLEASANT	1.8349	1.7897	0.04520	2.46%
60 PLEASANT PTC	1.8901	1.8436	0.04650	2.46%
61 SCIPIO	1.6976	1.6685	0.02910	1.71%
62 SPRINGFIELD	1.7935	1.7642	0.02930	1.63%
63 ST. JOSEPH	1.8000	1.7693	0.03070	1.71%
64 ST. JOSEPH PTC	1.8552	1.8231	0.03210	1.73%
65 WASHINGTON	1.7777	1.7468	0.03090	1.74%
66 WASHINGTON PTC	1.8329	1.8006	0.03230	1.76%
67 WAYNE	1.9512	1.9038	0.04740	2.43%
79 ZANESVILLE	2.0385	1.9742	0.06430	3.15%
82 LEO-CEDARVILLE	2.0172	1.9881	0.02910	1.44%
85 NEW HAVEN ST JOE	2.8662	2.8150	0.05120	1.79%
87 EEL RIVER HUNTERTOWN	2.5515	2.5282	0.02330	0.91%

Attachment C



(Without GM)