



CITY OF FRANKLIN
COMMUNITY DEVELOPMENT DEPARTMENT

Memorandum

To: City of Franklin Economic Development Commission
From: Krista Linke, Community Development Director
Date: April 3, 2014
Re: Case C 2014-20: Mitsubishi Heavy Industries Climate Control, Inc.

Summary:

1. On April 28th, 2008, the Franklin Common Council passed Resolution No. 2008-08 confirming resolution 2008-02, approving a 7-year tax abatement on personal property for Mitsubishi, located at 1200 N. Mitsubishi Parkway.
2. Actual and estimated benefits, as projected for 2013:

	Estimated on SB-1	Actual in 2013	Difference
Employees Retained	139	44	-95
Salaries	\$6,146,532	\$2,427,584	-\$3,718,948
New Employees	36	175	139
Salaries	\$1,042,003	\$7,105,278	\$6,063,275
Total Employees	175	219	44
Total Salaries	\$7,188,535	\$9,532,862	\$2,344,327
Average Hourly Salaries	\$19.75	\$20.93	\$1.18
Personal Property Improvements	\$5,317,174	\$5,677,155	\$359,981

3. The company had a total of 110 employees at the end of 2011. They had 211 total employees at the end of 2012. In 2013 they exceed the total number of employees estimated again. Average hourly salaries are also above estimated. Please see the attached letter from Bob Francis dated February 26th that explains this further.
4. The company exceeded their estimate provided on their SB-1 Form for personal property.
5. The personal property tax abatement for Mitsubishi is scheduled to expire in tax year 2015 payable 2016. The final compliance review will take place in 2016.

Staff Recommendation:

Approval



COMPLIANCE WITH STATEMENT OF BENEFITS PERSONAL PROPERTY

State Form 51765 (R / 1-06)

Prescribed by the Department of Local Government Finance

FORM CF-1 / PP

- INSTRUCTIONS:**
1. Property owners whose Statement of Benefits was approved must file this form with the local Designating Body to show the extent to which there has been compliance with the Statement of Benefits. (IC 6-1.1-12.1-5.6)
 2. This form must be filed with the Form 103-ERA Schedule of Deduction from Assessed Value between March 1, and May 15, of each year, unless a filing extension under IC 6-1.1-3.7 has been granted. A person who obtains a filing extension must file between March 1, and the extended due date of each year.
 3. With the approval of the designating body, compliance information for multiple projects may be consolidated on one (1) compliance (CF-1).

SECTION 1 TAXPAYER INFORMATION

Name of taxpayer Mitsubishi Heavy Industries Climate Control, Inc.	
Address of taxpayer (number and street, city, state, and ZIP code) 1200 North Mitsubishi Parkway, Franklin, Indiana 46131	
Name of contact person Bob Francis	Telephone number (317) 346-5010

SECTION 2 LOCATION AND DESCRIPTION OF PROPERTY

Name of designating body Franklin City Council	Resolution number 08-02
Location of property 1200 North Mitsubishi Parkway, Franklin, Indiana 46131	County Johnson
Description of new manufacturing equipment, or new research and development equipment, or new information technology equipment, or new logistical distribution equipment to be acquired. New assembly line to assemble car air-conditioning compressor model	DLGF taxing district number 41-018
	Estimated starting date (month, day, year) 09/01/2008
	Estimated completion date (month, day, year) 01/30/2009

SECTION 3 EMPLOYEES AND SALARIES

EMPLOYEES AND SALARIES	AS ESTIMATED ON SB-1	ACTUAL
Current number of employees	139.00	44
Salaries	6,146,532.00	2,427,584.00
Number of employees retained	139.00	44
Salaries	6,146,532.00	2,427,584.00
Number of additional employees	36.00	175
Salaries	1,042,003.00	7,105,278.00

SECTION 4 COST AND VALUES

AS ESTIMATED ON SB-1	MANUFACTURING EQUIPMENT		R & D EQUIPMENT		LOGIST DIST EQUIPMENT		IT EQUIPMENT	
	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE
Values before project	5,317,174.00	5,317,174.00						
Plus: Values of proposed project	5,317,174							
Less: Values of any property being replaced								
Net values upon completion of project	5,317,174.00	5,317,174.00						
ACTUAL	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE
Values before project	5,677,155.00	5,677,155.00						
Plus: Values of proposed project	5,677,155							
Less: Values of any property being replaced								
Net values upon completion of project	5,677,155.00	5,677,155.00						

NOTE: The **COST** of the property is confidential pursuant to IC 6-1.1-12.1-5.6 (d).

SECTION 5 WASTE CONVERTED AND OTHER BENEFITS PROMISED BY THE TAXPAYER

WASTE CONVERTED AND OTHER BENEFITS	AS ESTIMATED ON SB-1	ACTUAL
Amount of solid waste converted	0	0
Amount of hazardous waste converted	0	0
Other benefits:		

SECTION 6 TAXPAYER CERTIFICATION

I hereby certify that the representations in this statement are true.

Signature of authorized representative <i>Bob Francis</i>	Title <i>General Mgr. Admin</i>	Date signed (month, day, year) <i>2-26-14</i>
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 **MITSUBISHI HEAVY INDUSTRIES CLIMATE CONTROL, INC.**

February 26, 2014

Krista Linke, AICP
Director of Community Development
City of Franklin
70 E. Monroe Street
Franklin, Indiana 46131
RE: Annual Tax Abatement Compliance - Common Council Resolution 08-02

Dear Economic Development Commission Members:

Mitsubishi Heavy Industries Climate Control, Inc. (MCC) requested and was granted tax abatement (Resolution 08-02) by the City of Franklin on \$5,317,174.00 for personal property (a new automotive air conditioning compressor assembly line) to be purchased and installed during the fourth quarter 2008. The tax abatement was to begin for 2009 taxes payable to 2010. MCC has complied with the machinery and equipment purchase and installation. The new assembly line was installed during 2008 and is operational. See attachments – Form CF-1 / PP, Investment Time Table for QS Assembly Line machines.

The new compressor assembly line was installed to produce a new style (QS) compressor that we felt would enable MCC to obtain new business, maintain the 139 jobs we listed on Form SB-1 dated 3/4/08 and add 18 jobs during the fourth quarter 2009 and 18 jobs during the fourth quarter 2010 for a total of 175 jobs.

However, the 2009/2010 global and automotive industry economic crisis that we were facing resulted in reduced sales that caused MCC to stop production and reduce headcount from the 139 jobs that we planned to maintain down to 44 that we reported on Form CF-1/PP dated February 16, 2010. MCC has since been awarded a new business contract with a major automotive manufacturer that resulted in restarting production during the third quarter 2011. We hired nine (9) new employees during 2010, 57 employees during 2011, 111 employees during 2012 and had a reduction of two employees during 2013. We had six job openings at the end of 2013 that, when filled, will bring total employees to 225. The total number of employees at the end of 2013 is 219, or 44 more than projected on our original request for tax abatement. See the Job Retention and Creation Schedule attached to Form CF-1/PP dated February 26, 2014.

We would like to thank the City of Franklin for continued support in approving our tax abatement compliance request for previous projects and we respectfully request that the City of Franklin will continue to look favorably upon our growth activities and grant this 2014 compliance request for the abatement on taxes for 2013 payable 2014.

Respectfully,



Bob Francis
General Manager Administration
Mitsubishi Heavy Industries Climate Control, Inc. (MCC)

Company Investment Time Table

Resolution 08-02

Mitsubishi Heavy Industries Climate Control, Inc. (MCC)
 1200 North Mitsubishi Parkway
 Franklin, IN 46131

	Buildings	Equipment Type 1 (Machining and Equipment) 2008	Equipment Type 2 (Fixtures) 2008	Equipment Type 3 (Tooling) 2008	Total
Year of Abatement					
1st Quarter					
2nd Quarter			\$270,868.00		\$270,868.00
3rd Quarter		\$4,593,217.00			\$4,593,217.00
4th Quarter		\$535,230.00	\$159,086.00	\$10,000.00	\$704,316.00
Year of Abatement			2009		2009
1st Quarter			\$108,754.00		\$108,754.00
2nd Quarter					
3rd Quarter					
4th Quarter					
Year of Abatement					
1st Quarter					
2nd Quarter					
3rd Quarter					
4th Quarter					
Total		\$5,128,447.00	\$538,708.00	\$10,000.00	\$5,677,155.00

Note: This money has been spent and the machines and equipment are installed and operational.

Job Creation and Retention Schedule

Resolution 08-02

Attachment to Form CF-1 (Compliance with Statement of Benefits) :
Job Creation Schedule by Quarter

Climate Control, Inc.
(MCC)

SB-1
03/04/08

Retained 139, added 18 in 4th quarter 2009 and 18 in 4th quarter 2010 for a total of 175 at the end of 2010. Major layoff in 2009 - stopped production - retained 44 employees at year end.

2009

Proposed (SB-1)
Actual ->

Retained	New 1st Qtr	New 2nd Qtr	New 3rd Qtr	New 4th Qtr	Year End Total
139	-	-	-	18	157
44	-	-	-	-	44

2010

Proposed (SB-1)
Actual ->

Retained	New 1st Qtr	New 2nd Qtr	New 3rd Qtr	New 4th Qtr	Year End Total
157	-	-	-	18	175
44	1	2	3	3	53

2011

Proposed (SB-1)
Actual ->

Retained	New 1st Qtr	New 2nd Qtr	New 3rd Qtr	New 4th Qtr	Year End Total
175	-	-	-	-	175
53	15	19	21	2	110

2012

Proposed (SB-1)
Actual ->

Retained	New 1st Qtr	New 2nd Qtr	New 3rd Qtr	New 4th Qtr	Year End Total
175	-	-	-	-	175
110	47	27	23	14	221

2013

Proposed (SB-1)
*** Actual ->

Retained	New 1st Qtr	New 2nd Qtr	New 3rd Qtr	New 4th Qtr	Year End Total
175	-	-	-	-	175
221	-	-	-	-2	219

*** NOTE: We had six (6) job openings at the end of 2013 - that, when filled, will bring the total employment to 225.

The 219 number is the actual number of employees on the payroll at the end of 2013.