



CITY OF FRANKLIN

COMMUNITY DEVELOPMENT DEPARTMENT

Memorandum

To: City of Franklin Economic Development Commission
From: Krista Linke, Community Development Director
Date: March 29, 2016
Re: Case C 2016-27: Mitsubishi Heavy Industries Climate Control, Inc.

Summary:

1. On May 17th, 2010, the Franklin Common Council passed Resolution No. 2010-10 approving a 10-year tax abatement on real property and a 10-year tax abatement on personal property for Mitsubishi, located at 1200 N. Mitsubishi Parkway.
2. Actual and estimated benefits, as projected for 2015:

	Estimated on SB-1	Actual in 2015	Difference
Employees Retained	44	44	0
Salaries	\$2,638,636	\$2,488,375	-\$150,261
New Employees	67	145	78
Salaries	\$2,308,134	\$6,573,053	\$4,264,919
Total Employees	44	189	145
Total Salaries	\$2,638,636	\$9,061,428	\$6,422,792
Average Hourly Salaries	\$11.43	\$23.05	\$11.62
Personal Property Improvements	\$8,496,346	\$8,751,627	\$255,281

3. The company reported 110 total jobs with an average hourly salary of \$19.05 in 2011. They added 101 jobs in 2012 and slightly increased the average hourly salary. Their overall number of employees in 2013 was 219. In 2015, the total number of employees was 189.
4. The company exceeded their estimate provided on their SB-1 Form for personal property. An additional \$358,625 in research and development equipment was spent in 2010. Only manufacturing equipment was included in this abatement.
5. Mr. Francis explains in the attached letter dated February 18th that the real property abatement does not apply because the renovations to the current facility do not add tax liability.
6. The personal property tax abatement for Mitsubishi is scheduled to expire in tax year 2020 payable 2021. The final compliance review will take place in 2021.

Staff Recommendation: Approval

February 18, 2016

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 10-10

Dear Economic Development Commission Members:

Mitsubishi Heavy Industries Climate Control, Inc. (MCC) requested and was granted tax abatement (Resolution 10-10) by the City of Franklin on \$8,893,188.00 for personal property (Assembly line upgrades, Inspection equipment and Machining equipment) and \$446,212.00 for Real Estate Improvements (building upgrades in Machining and Assembly area) to be purchased and installed during 2010 and 2011. The personal property and real estate improvements have been completed. Personal property actual spending was \$9,110,252.00 and real estate improvements actual spending was \$249,334.00 – see Form CF-1/PP and also Investment Time Table form that are included with this report. We understand that the real property abatement does not apply because it was renovations to the current facility that does not add tax liability. Therefore, we will not report on the real property portion going forward.

These investments were necessary to manufacture car air conditioning compressors for a new global contract that MCC was awarded with a major US automobile manufacturer. These investments were needed to produce a new style (QS) compressor for this new contract, maintain the 44 jobs we listed on Form SB-1 dated 4/16/2010 and add 67 jobs (35 during 2011 and 32 during 2012) for a total of 111 jobs. MCC has maintained the 44 jobs listed on Form SB-1 dated 4/16/2010 and has added 9 jobs during 2010, 57 jobs during 2011, and 111 during 2012, and had a reduction of 2 employees during 2013, a reduction of seven employees during 2014 and a reduction of 23 employees during 2015. We had nine (9) job openings at the end of 2015 that, when filled, will bring the total employment to 198. See the Job Retention and Creation schedule attached.

We would like to thank the City of Franklin for its continued support in approving our tax abatement compliance requests for previous projects and we respectfully request that the City of Franklin will continue to look favorably upon our growth activities and grant this 2016 compliance request relative to Common Council Resolution 10-10 for the abatement on taxes for 2015 payable 2016.

Respectfully,



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



Susan Cunningham
Attorney at Law - Counsel
Mitsubishi Heavy Industries
Climate Control, Inc. (MCC)



**COMPLIANCE WITH STATEMENT OF BENEFITS
PERSONAL PROPERTY**

State Form 51765 (R2 / 5-13)
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 or Susan Cunningham	Telephone number (317) 346-5010

SECTION 2 LOCATION AND DESCRIPTION OF PROPERTY		
Name of designating body Franklin City Council	Resolution number 10-10	
Location of property 1200 North Mitsubishi Parkway, Franklin, Indiana 46131	County Johnson	DLGF taxing district number 41-018
Description of new manufacturing equipment, or new research and development equipment, or new information technology equipment, or new logistical distribution equipment to be acquired. Upgrade to assembly line, new machining and inspection equipment and building improvements in the machining and assembly areas to machine and assemble automotive air conditioning compressors.		Estimated starting date (month, day, year) 08/01/2011
		Estimated completion date (month, day, year) 12/31/2011

SECTION 3 EMPLOYEES AND SALARIES		
EMPLOYEES AND SALARIES	AS ESTIMATED ON SB-1	ACTUAL
Current number of employees	44.00	189.00
Salaries	2,638,636.00	9,061,428.00
Number of employees retained	44.00	44.00
Salaries	2,638,636.00	2,488,375.00
Number of additional employees	67.00	145.00
Salaries	2,308,134.00	6,573,053.00

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								
Plus: Values of proposed project	8,496,346.00	8,496,346.00	396,842.00	396,842.00				
Less: Values of any property being replaced								
Net values upon completion of project	8,496,346.00	8,496,346.00	396,842.00	396,842.00				
ACTUAL	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE
Values before project								
Plus: Values of proposed project	8,751,627.00	8,751,627.00	358,625.00	358,625.00				
Less: Values of any property being replaced								
Net values upon completion of project	8,751,627.00	8,751,627.00	358,625.00	358,625.00				

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	0.00	0.00
Amount of hazardous waste converted	0.00	0.00
Other benefits:	0.00	0.00

SECTION 6 TAXPAYER CERTIFICATION		
I hereby certify that the representations in this statement are true.		
Signature of authorized representative <i>Bob Francis</i>	Title General Manager, Administration	Date signed (month, day, year) 2-18-16