



# CITY OF FRANKLIN

COMMUNITY DEVELOPMENT DEPARTMENT

## Memorandum

**To:** City of Franklin Economic Development Commission  
**From:** Krista Linke, Community Development Director  
**Date:** March 30, 2016  
**Re:** Case C 2016-31: Mitsubishi Heavy Industries Climate Control, Inc.

### Summary:

1. On March 18<sup>th</sup>, 2013, the Franklin Common Council passed Resolution No. 2013-10, approving a 7-year tax abatement with a 5% economic development fee 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 2014 | Difference  |
|--------------------------------|-------------------|----------------|-------------|
| Employees Retained             | 219               | 219            | 0           |
| Salaries                       | \$8,431,675       | \$9,532,862    | \$1,101,187 |
| New Employees                  | 3                 | 0              | -3          |
| Salaries                       | \$96,158          | \$0            | -\$96,158   |
| Total Employees                | 222               | 219            | -3          |
| Total Salaries                 | \$8,527,833       | \$9,532,862    | \$1,005,029 |
| Average Hourly Salaries        | \$18.47           | \$20.93        | \$2.46      |
| Personal Property Improvements | \$1,851,351       | \$1,193,030    | -\$658,321  |

3. The company estimated on their original application that they would add one employee in the 4<sup>th</sup> quarter of 2013 and 2 employees in 2014. They had six open jobs at the end of 2013. If those were filled their total jobs would have been 225 at the end of 2013 instead of 219.
4. Their total number of employees at the end of 2014 was 219 again. They did have 13 job openings at the end of 2014. Once those are filled they will exceed the estimated number of employees on their SB-1 Form. At the end of 2015, there were 189 employees and nine (9) openings.
5. The average hourly salaries continue to be higher than originally estimated.
6. The two new scroll finishing machines cost less to purchase than estimated on their SB-1 Form for personal property. They have been purchased and this number will remain the same over the length of the abatement.
7. The personal property tax abatement for Mitsubishi is scheduled to expire in tax year 2019 payable 2020. The final compliance review will take place in 2020.

**Staff Recommendation:** Approval

 **MITSUBISHI HEAVY INDUSTRIES CLIMATE CONTROL, INC.**

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 13-10**

Dear Economic Development Commission Members:

Mitsubishi Heavy Industries Climate Control, Inc. (MCC) requested and was granted tax abatement (Common Council Resolution 13-10) by the City of Franklin on \$1,851,351.00 for personal property (six scroll finishing machines) to be purchased and installed during the third quarter 2013. This equipment was installed and operational during the third quarter 2013 (see Company Investment Timetable chart). However, the actual value of the six machines is \$1,193,030.00. The tax abatement is to start with 2013 taxes payable 2014.

The investment in these six machines was necessary to maintain production levels of scrolls to manufacture car air conditioning compressors for a new global contract that MCC was awarded with a major U S automobile manufacturer. With this investment we predicted that we would be able to maintain the 219 jobs we listed on Form SB-1 dated 3/1/2013 and add the 3 jobs that we listed during 2013 (1) and 2014 (2). The 2015 year-end total of employees on the payroll was 189, however we had nine (9) open jobs that, when filled, will bring the total to 198. This is twenty four less than the 222 projected on the SB-1.

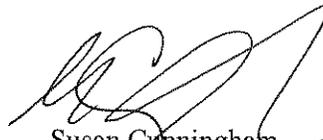
MCC does not anticipate getting to the estimated 222 employee headcount level in the near future. However, the MCC 2015 payroll is higher than the estimated payroll amount on the SB-1. In addition, MCC shares the facility at 1200 North Mitsubishi Parkway in Franklin with our sister company Mitsubishi Engine North America, Inc. (MENA). MENA has 52 employees working at our Franklin location bringing the total Mitsubishi employment in Franklin (MCC and MENA) to 241 at the end of 2015.

We would like to thank the City of Franklin for 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 on our growth activities and grant this 2016 compliance request relative to Common Council Resolution 13-10 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<br><b>Mitsubishi Heavy Industries Climate Control, Inc.</b>  |   |
| Address of taxpayer (number and street, city, state, and ZIP code)<br><b>1200 North Mitsubishi Parkway, Franklin, Indiana 46131</b> |   |
| Name of contact person<br><b>Bob Francis or Susan Cunningham</b>  | Telephone number<br><b>( 317 ) 346-5010</b> |

## SECTION 2 LOCATION AND DESCRIPTION OF PROPERTY

|  |                          |   |
|--|--------------------------|---|
| Name of designating body<br><b>Franklin City Council</b>   |                          | Resolution number<br><b>13-10</b>                                 |
| Location of property<br><b>1200 North Mitsubishi Parkway, Franklin, Indiana 46131</b>  | County<br><b>Johnson</b> | DLGF taxing district number<br><b>41-018</b>                      |
| Description of new manufacturing equipment, or new research and development equipment, or new information technology equipment, or new logistical distribution equipment to be acquired.<br><b>Introduction of six additional machines for finishing scrolls to increase production capacity at MCC Plant.</b> |                          | Estimated starting date (month, day, year)<br><b>04/01/2013</b>   |
|  |                          | Estimated completion date (month, day, year)<br><b>12/31/2013</b> |

## SECTION 3 EMPLOYEES AND SALARIES

| EMPLOYEES AND SALARIES         | AS ESTIMATED ON SB-1 | ACTUAL       |
|--------------------------------|----------------------|--------------|
| Current number of employees    | 219.00               | 189.00       |
| Salaries                       | 8,431,675.00         | 9,061,428.00 |
| Number of employees retained   | 219.00               | 189.00       |
| Salaries                       | 8,431,675.00         | 9,061,428.00 |
| Number of additional employees | 3.00                 | 0.00         |
| Salaries                       | 98,158.00            | 0.00         |

## SECTION 4 COST AND VALUES

|   | MANUFACTURING EQUIPMENT |                | R & D EQUIPMENT |                | LOGIST DIST EQUIPMENT |                | IT EQUIPMENT |                |
|---|-------------------------|----------------|-----------------|----------------|-----------------------|----------------|--------------|----------------|
|   | COST                    | ASSESSED VALUE | COST            | ASSESSED VALUE | COST                  | ASSESSED VALUE | COST         | ASSESSED VALUE |
| <b>AS ESTIMATED ON SB-1</b>                 |                         |                |                 |                |                       |                |              |                |
| Values before project                       |                         |                |                 |                |                       |                |              |                |
| Plus: Values of proposed project            | 1,851,351.00            | 1,851,351.00   |                 |                |                       |                |              |                |
| Less: Values of any property being replaced |                         |                |                 |                |                       |                |              |                |
| Net values upon completion of project       | 1,851,351.00            | 1,851,351.00   |                 |                |                       |                |              |                |
| <b>ACTUAL</b>                               |                         |                |                 |                |                       |                |              |                |
| Values before project                       |                         |                |                 |                |                       |                |              |                |
| Plus: Values of proposed project            | 1,193,030.00            | 1,193,030.00   |                 |                |                       |                |              |                |
| Less: Values of any property being replaced |                         |                |                 |                |                       |                |              |                |
| Net values upon completion of project       | 1,193,030.00            | 1,193,030.00   |                 |                |                       |                |              |                |

**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<br><i>Bob Francis</i> | Title<br>General Manager, Administration | Date signed (month, day, year)<br><b>2-18-16</b> |
|--|--|--|

**COMPANY INVESTMENT TIMETABLE MCCA**

|                   | Proposed<br>New Machinery and Equipment<br>2013 | Actual<br>New Machinery and Equipment | Actual<br>Total |
|-------------------|---|---------------------------------------|-----------------|
| Year of Abatement |   |                                       |                 |
| 1st Quarter       |   |                                       | \$0.00          |
| 2nd Quarter       |   |                                       | \$0.00          |
| 3rd Quarter       | \$1,851,351.00                                  | \$1,193,030.00                        | \$1,193,030.00  |
| 4th Quarter       |   |                                       | \$0.00          |
| <hr/>             |   |                                       |                 |
| Year of Abatement | 2014  |                                       |                 |
| 1st Quarter       |   |                                       | \$0.00          |
| 2nd Quarter       |   |                                       | \$0.00          |
| 3rd Quarter       |   |                                       | \$0.00          |
| 4th Quarter       |   |                                       | \$0.00          |
| <hr/>             |   |                                       |                 |
| Year of Abatement | 2015  |                                       |                 |
| 1st Quarter       |   |                                       | \$0.00          |
| 2nd Quarter       |   |                                       | \$0.00          |
| 3rd Quarter       |   |                                       | \$0.00          |
| 4th Quarter       |   |                                       | \$0.00          |
| <hr/>             |   |                                       |                 |
| Year of Abatement | 2016  |                                       |                 |
| 1st Quarter       |   |                                       | \$0.00          |
| 2nd Quarter       |   |                                       | \$0.00          |
| 3rd Quarter       |   |                                       | \$0.00          |
| 4th Quarter       |   |                                       | \$0.00          |
| <b>Total</b>      | \$1,851,351.00                                  | \$1,193,030.00                        | \$1,193,030.00  |