



CITY OF FRANKLIN

Community Development Department

Memorandum

To: City of Franklin Economic Development Commission

From: Rhoni Oliver, Community Development Specialist

Date: March 8, 2018

Re: Case C 2018-33: Mitsubishi Turbocharger& Engine America – MTEA (formerly Mitsubishi Engine North America-MTEA)

Summary:

1. On March 4th, 2013, the Franklin Common Council passed Resolution No. 2013-06, approving a 10-year tax abatement with a 5% economic development fee for personal property for Mitsubishi, located at 1200 N. Mitsubishi Parkway. On December 16th, 2013, the Franklin Common Council amended this resolution due to a project delay. Resolution 2013-32 amended Resolution 2013-07 and extended the completion date from December 31st, 2014 to October 1st, 2015.
2. Actual and estimated benefits, as projected for 2017:

	Estimated on SB-1	Actual in 2017	Difference
New Employees	73	110	37
Salaries	\$3,114,238	\$5,226,067	\$2,111,829
Average Hourly Wage	\$20.51	\$22.84	\$2.33
Personal Property Improvements	\$7,274,375	\$7,113,866	-\$160,509

3. The project start date was delayed and the completion date was extended to 10/1/15. This caused the company to adjust the job creation timetable chart. See the attached chart from Yoshifumi Nuruyu.
4. MTEA estimated 73 new employees with the purchase of \$7,693,125 in machinery and equipment on the SB-1. They amended the start and completion date through Resolution 2015-32. The company did not meet the estimated number of employees nor the personal property investment by 10/1/15. MENA plans to invest an additional \$3,042,583.00 for a total investment of \$7,918,392.00 and hire an additional 22 associates for a total of 74 during 2016. . An additional \$2,156,907 personal property investment was made in 2016, which is still \$241,659 short of the SB-1 estimate. No projection for personal property investment was included for 2017. In 2017 the number of employees and hourly wages exceed the SB-1 estimate. MTEA invested an additional \$81,150 in personal property in 2017. Personal property investment is \$160,509 less than the SB-1 estimate.
5. The personal property tax abatement is scheduled to expire in tax year 2024 payable 2025. Their last year for compliance review will be 2025.

Staff Recommendation: Approval



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 Turbocharger and Engine America, Inc. (MTEA)	
Address of taxpayer (number and street, city, state, and ZIP code) 1200 North Mitsubishi Parkway, Franklin, Indiana 46131	
Name of contact person Yasuyuki Ota	Telephone number (317) 346-5280

SECTION 2

LOCATION AND DESCRIPTION OF PROPERTY

Name of designating body City of Franklin Common Council		Resolution number 13-07, amended 13-32
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. Equipment and machinery for manufacturing of turbochargers.		Estimated starting date (month, day, year) 6-1-2014
2014 expenditures see (amended Company Investment Timetable for 2015 expenditures)		Estimated completion date (month, day, year) 10-1-2015

SECTION 3

EMPLOYEES AND SALARIES

EMPLOYEES AND SALARIES		AS ESTIMATED ON SB-1	ACTUAL
Current number of employees			
Salaries			
Number of employees retained			
Salaries			
Number of additional employees	<i>See amended Job creation/Retention timetable</i>	73.00	110.00
Salaries		3,114,238.00	5,226,067.20

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	0.00	0.00			0.00	0.00	0.00	0.00
Plus: Values of proposed project	7,274,375.0	7,274,375.0			418,750.00	418,750.00	18,436.00	18,436.00
Less: Values of any property being replaced								
Net values upon completion of project	7,274,375.0	7,274,375.0			418,750.00	418,750.00	18,436.00	18,436.00
ACTUAL	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE
Values before project	0.00	0.00			0.00	0.00	0.00	0.00
Plus: Values of proposed project	7,113,866.91	7,113,866.91			566,283.91	566,283.91	194,297.29	194,297.29
Less: Values of any property being replaced								
Net values upon completion of project	7,113,866.91	7,113,866.91			566,283.91	566,283.91	194,297.29	194,297.29

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: <i>MTEA produce turbochargers that conserve fuel - more fuel - efficient car engines</i>		

SECTION 6

TAXPAYER CERTIFICATION

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

Signature of authorized representative <i>Yasuyuki Ota</i>	Title Vice President	Date signed (month, day, year) 2.21.2018
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Yasuyuki Ota

OPTIONAL: FOR USE BY A DESIGNATING BODY WHO ELECTS TO REVIEW THE COMPLIANCE WITH STATEMENT OF BENEFITS (FORM CF-1)
THAT WAS APPROVED AFTER JUNE 30, 1991.

INSTRUCTIONS: (IC 6-1.1-12.1-5.9)

1. This page does not apply to a Statement of Benefits filed before July 1, 1991; that deduction may not be terminated for a failure to comply with the Statement of Benefits.
2. Within forty-five (45) days after receipt of this form, the designating body may determine whether or not the property owner has substantially complied with the Statement of Benefits.
3. If the property owner is found **NOT** to be in substantial compliance, the designating body shall send the property owner written notice. The notice must include the reasons for the determination and the date, time and place of a hearing to be conducted by the designating body. If a notice is mailed to a property owner, a copy of the written notice will be sent to the Township Assessor and the County Auditor.
4. Based on the information presented at the hearing, the designating body shall determine whether or not the property owner has made reasonable effort to substantially comply with the Statement of Benefits.
5. If the designating body determines that the property owner has **NOT** made reasonable effort to comply, then the designating body shall adopt a resolution terminating the deduction. The designating body shall immediately mail a certified copy of the resolution to: (1) the property owner; (2) the County Auditor; and (3) the Township Assessor.

We have reviewed the CF-1 and find that:

- ☒ the property owner **IS** in substantial compliance
- ☐ the property owner **IS NOT** in substantial compliance
- ☐ other (specify) _____

Reasons for the determination (attach additional sheets if necessary)

Signature of authorized member

Date signed (month, day, year)

Attested by

Designating body

If the property owner is found not to be in substantial compliance, the property owner shall receive the opportunity for a hearing. The following date and time has been set aside for the purpose of considering compliance.

Time of hearing

☐ AM
☐ PM

Date of hearing (month, day, year)

Location of hearing

HEARING RESULTS (to be completed after the hearing)

☐ Approved

☐ Denied (see instruction 5 above)

Reasons for the determination (attach additional sheets if necessary)

Signature of authorized member

Date signed (month day year)

Attested by

Designating body

APPEAL RIGHTS [IC 6-1.1-12.1-5.9(e)]

A property owner whose deduction is denied by the designating body may appeal the designating body's decision by filing a complaint in the office of the Circuit or Superior Court together with a bond conditioned to pay the costs of the appeal if the appeal is determined against the property owner.

Amended Job Creation / Retention TimeTable MTEA

	Manager	Technical/ Administration	Engineer Production related	Operator	Total
Year of Abatement	2013				
1st Quarter					0
2nd Quarter	1 (1)				1 (1)
3rd Quarter	1 (1)				1 (1)
4th Quarter	1 (1)		1 (1)		2 (2)
	3 (3)		1 (1)		4 (4)
Year of Abatement	2014				
1st Quarter					0
2nd Quarter		5 (5)	1 (1)		6 (6)
3rd Quarter				2 (2)	2 (2)
4th Quarter		1 (1)		4 (4)	5 (5)
		6 (6)	1 (1)	6 (6)	13 (13)
Year of Abatement	2015				
1st Quarter	1 (1)	2 (2)			2 (3)
2nd Quarter	1 (1)	4 (4)		2 (2)	5 (7)
3rd Quarter	2 (2)		1 (1)	7 (6)	8 (9)
4th Quarter		2 (3)		18 (13)	20 (16)
	1 (4)	8 (9)	1 (1)	25 (21)	35 (35)
Year of Abatement	2016				
1st Quarter		1 (3)		1 (1)	1 (4)
2nd Quarter		2 (2)	1 (1)	7 (9)	7 (12)
3rd Quarter		1 (1)		7 (12)	7 (13)
4th Quarter		1 (1)		6 (11)	6 (12)
	0 (0)	1 (7)	1 (1)	20 (43)	21 (51)
Year of Abatement	2017				
1st Quarter					
2nd Quarter		1 (1)	2 (2)	6 (6)	8 (8)
3rd Quarter		1 (1)		3 (3)	4 (4)
4th Quarter		1 (1)	1 (1)	2 (2)	4 (4)
	0 (0)	3 (3)	3 (3)	7 (7)	13 (13)
Total	7 (7)	19 (19)	7 (7)	77 (77)	110 (110)

UPDATED this time
UPDATED this time
UPDATED this time
UPDATED this time
UPDATED this time

*** NOTE: Numbers in () are actual new jobs created

Average hourly wages	\$33.65	\$26.44	\$33.65	\$14.47
Wages + Benefits	\$39.08	\$31.87	\$39.08	\$20.38

COMPANY INVESTMENT TIMETABLE

	MCEA	MCEA	MCEA	MTEA	MTEA	MTEA	MTEA	MTEA	MTEA	
	New Building construction 2013	Existing Building Improvement 2013	New Machinery and Equipment 2013	Special Tooling/ Retooling 2013	Logistics Equipment 2013	Other Furniture 2013	New Computer/ IT Hardware 2013	New Software 2013	Total	
Year of Abatement										
1st Quarter									\$0.00	
2nd Quarter									\$0.00	
3rd Quarter									\$0.00	
4th Quarter									\$0.00	
Year of Abatement	2014	2014	2014	2014	2014	2014	2014	2014		
1st Quarter									\$0.00	
2nd Quarter			\$1,307,215.38						\$1,307,215.38	#1 Line
3rd Quarter									\$0.00	
4th Quarter			\$2,014,533.05		\$15,283.28		\$18,436.39		\$2,048,252.72	#2 Line
Year of Abatement	2015	2015	2015	2015	2015	2015	2015	2015		
1st Quarter			\$85,983.68		\$8,189.00				\$94,172.68	
2nd Quarter			\$17,068.71	\$2,169.90	\$136,560.59				\$155,799.20	
3rd Quarter			\$1,167,799.10		\$32,840.34				\$1,200,639.44	#3 Line
4th Quarter				\$16,548.99	\$53,182.68				\$69,731.67	
Year of Abatement	2016	2016	2016	2016	2016	2016	2016	2016		
1st Quarter			\$63,825.54		\$17,256.03				\$81,081.57	
2nd Quarter			\$1,211,587.74		\$52,411.19				\$1,263,998.93	#4 Line
3rd Quarter			\$18,543.10		\$65,260.20				\$83,803.30	
4th Quarter			\$1,146,159.78		\$125,362.00				\$1,271,521.78	#5 Line
Year of Abatement	2017	2017	2017	2017	2017	2017	2017	2017		
1st Quarter									\$0.00	
2nd Quarter			\$81,150.00	\$7,000.00	\$24,036.60	\$2,194.12		\$170,911.00	\$197,141.72	
3rd Quarter						\$65,601.00	\$4,949.90		\$158,700.90	
4th Quarter					\$35,902.00	\$898.98			\$36,800.98	
Total	\$0.00	\$0.00	\$7,113,866.08	\$25,718.89	\$566,283.91	\$113,143.12	\$23,386.29	\$170,911.00	\$194,297.29	IT