



CITY OF FRANKLIN

Community Development Department

Memorandum

To: City of Franklin Economic Development Commission
From: Rhoni Oliver, Community Development Specialist
Date: April 5, 2019
Re: Case C 2019-27: Mitsubishi Heavy Industries Climate Control, Inc.

Summary:

- 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.
- Actual and estimated benefits, as projected for 2018:

	Estimated on SB-1	Actual in 2018	Difference
Employees Retained	44	44	0
Salaries	\$2,638,636	\$2,433,984	-\$204,652
New Employees	67	150	83
Salaries	\$2,308,134	\$7,367,676	\$5,059,542
Total Employees	111	194	83
Total Salaries	\$4,946,770	\$9,801,660	\$4,854,890
Average Hourly Salaries	\$21.43	\$24.29	\$2.86
Personal Property Improvements	\$8,496,346	\$8,751,627	\$255,281

- 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. The total number of employees in 2016 was 199, and the average hourly salary exceeds the SB-1 estimate. In 2017 MCCA had 194 employees at an average hourly salary of \$25.47, both of which are considerably higher than SB-1 estimates. In 2018 MCCA had 194 employees at an average hourly salary of \$24.29 which are considerably high than estimated.
- The company exceeded their estimate provided on their SB-1 Form for personal property.
- 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

March 27, 2019

Rhoni Oliver
Community Development Specialist
City of Franklin
70 E. Monroe Street
Franklin, Indiana 46131

RE: Annual Tax Abatement Compliance - Common Council Resolution 10-10

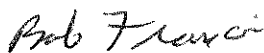
Dear Economic Development Commission Members:

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) to be purchased and installed during 2010 and 2011. The personal property improvements have been completed. Personal property actual spending was \$9,110,252.00 – see Form CF-1/PP and also Investment Time Table form that are included with this report.

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. The 2018 year-end total of employees on the payroll was 194. We had five (5) job openings at the end of 2018 that, when filled, will bring the total employment to 199. 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 2019 compliance request relative to Common Council Resolution 10-10 for the abatement on taxes for 2018 payable 2019.

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 (R4 / 11-16)

Prescribed by the Department of Local Government Finance

FORM CF-1 / PP

PRIVACY NOTICE

This form contains information
confidential pursuant to
IC 6-1.1-35-9 and IC 6-1.1-12.1-5.6.

- 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 January 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 January 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.						County Johnson			
Address of taxpayer (number and street, city, state, and ZIP code) 1200 North Mitsubishi Parkway, Franklin, Indiana 46131						DLGF taxing district number 41-018			
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 Common Council				Resolution number 10-10		Estimated start date (month, day, year) 08/01/2011			
Location of property 1200 North Mitsubishi Parkway, Franklin, Indiana 46131						Actual start date (month, day, year) 08/01/2011			
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 completion date (month, day, year) 12/31/2011			
						Actual 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						111		194	
Salaries						4,946,770.00		9,801,660.00	
Number of employees retained						44		44	
Salaries						2,638,636.00		2,433,984.00	
Number of additional employees						67		150	
Salaries						2,308,134.00		7,367,676.00	
SECTION 4 COST AND VALUES									
		MANUFACTURING EQUIPMENT		R & D EQUIPMENT		LOGIST DIST EQUIPMENT		IT EQUIPMENT	
AS ESTIMATED ON SB-1		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(c).									
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) March 27, 2019		

**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 County 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 and whether any failure to substantially comply was caused by factors beyond the control of the property owner.
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 County 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 clerk of 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.

Company Investment Time Table

Resolution 10-10

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

	Buildings 2010	Equipment Type Manufacturing Equipment	Equipment R&D 2010	Total 2010
Year of Abatement				
1st Quarter		\$148,888.00		
2nd Quarter		\$706,691.00		
3rd Quarter		\$697,452.00	\$358,625.00	
4th Quarter		\$346,467.00		
Year of Abatement	2011	2011		2011
1st Quarter		\$1,271,951.00		
2nd Quarter		\$3,106,877.00		
3rd Quarter		\$1,910,062.00		
4th Quarter		\$563,239.00		
Total		\$8,751,627.00	\$358,625.00	\$9,110,252.00

Note: This money has been spent and the machines and equipment are installed and operational.
*** NOTE: Abatement request has also been referred to as Common Council Resolution 10-10

Job Creation and Retention Schedule

Resolution 10-10

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

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

	Retained	New 1st Qtr	New 2nd Qtr	New 3rd Qtr	New 4th Qtr	Year End Total
2011	Proposed (SB-1) ----- Actual -> -----	44 53	0 15	0 19	22 21	79 110
2012	Proposed (SB-1) ----- Actual -> -----	79 110	21 47	11 27	0 23	111 221
2018	Proposed (SB-1) ----- Actual -> -----	111 194	0 -5	0 +8	0 -2	111 194

NOTE: We had five (5) job openings at the end of 2018 that, when filled, will bring the total employment from 194 to 199.

The 194 number is the actual number of employees on the payroll at the end of 2018.