



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 2018-35: Mitsubishi Heavy Industries Climate Control, Inc.

Summary:

1. On December 16th, 2013, the Franklin Common Council passed Resolution No. 2013-29, approving a 10-year tax abatement with a 2% economic development fee for real property for Mitsubishi, located at 1200 N. Mitsubishi Parkway.
2. Actual and estimated benefits, as projected for 2017:

	Estimated on SB-1	Actual in 2017	Difference
Employees Retained	228	194	-34
Salaries	\$8,784,108	\$10,272,310	\$1,488,202
New Employees	3	0	-3
Salaries	\$89,793	\$0	-\$89,793
Total Employees	231	194	-37
Total Salaries	\$8,873,901	\$10,272,310	\$1,398,409
Average Hourly Salaries	\$18.47	\$25.46	\$6.99
Real Property Improvements	\$1,200,000	\$1,434,851	\$234,851

3. The 23,840 square foot addition to the north end of the existing Mitsubishi plant was completed in January 2015. MCC has greatly exceeded the estimated real property investment.
4. The company indicates in their cover letter that they currently have 7 open jobs, which would bring the total number of jobs to 201. That is 30 less than estimated. However, the average hourly salary is much higher than estimated. There are also an additional 115 employees at this facility that work for Mitsubishi Turbocharger and Engine North America (MTEA), who are not included in these employment figures. Mitsubishi does not anticipate increasing their overall employee headcount to the originally estimated 231 in the near future.
5. The real property tax abatement is scheduled to expire in tax year 2023 payable 2024. Their last year for compliance review will be 2024.

Staff Recommendation: Approval

February 23, 2018

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

RE: Annual Tax Abatement Compliance - Common Council Resolution 2013-29

Dear Economic Development Commission Members:

Common Council Resolution 13-29 (Real Estate Improvements) relative to a 23,840 square foot addition to the North end of the current Mitsubishi Heavy Industries Climate Control, Inc. (MCCA) plant located at 1200 North Mitsubishi Parkway, in Franklin had a start date of 03/01/14 and completion date of 09/30/14.

The 23,840 square foot addition to the north end of the current Mitsubishi plant was completed during January 2015. The City of Franklin Occupancy Inspection was completed January 16, 2015.

We ended 2017 with 194 employees on the payroll and seven (7) open jobs, bringing total jobs to 201. The 201 is thirty less than the 231 projected on SB-1 for 2017. MCCA does not anticipate getting to the estimated 231 employee headcount level in the near future. However, the MCCA 2017 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 affiliate company Mitsubishi Turbocharger and Engine America, Inc. (MTEA). The 23,840 square foot addition was needed to accommodate MTEA warehouse and production space. MTEA has 115 employees working at our Franklin location bringing the total Mitsubishi employment in Franklin (MCC and MTEA) to 309 at the end of 2017.

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 2018 compliance request relative to Common Council Resolution 2013-29, for the abatement on taxes for 2017 payable 2018.

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 REAL ESTATE IMPROVEMENTS

State Form 51766 (R3 / 2-13)

Prescribed by the Department of Local Government Finance

20 17 PAY 20 18

FORM CF-1 / Real Property

PRIVACY NOTICE

The cost and any specific individual's salary information is confidential; the balance of the filing is public record per IC 6-1.1-12.1-5.1 (c) and (d).

INSTRUCTIONS:

1. This form does not apply to property located in a residentially distressed area or any deduction for which the Statement of Benefits was approved before July 1, 1991.
2. Property owners must file this form with the county auditor and the designating body for their review regarding the compliance of the project with the Statement of Benefits (Form SB-1/Real Property).
3. This form must accompany the initial deduction application (Form 322/RE) that is filed with the county auditor.
4. This form must also be updated each year in which the deduction is applicable. It is filed with the county auditor and the designating body before May 15, or by the due date of the real property owner's personal property return that is filed in the township where the property is located. (IC 6-1.1-12.1-5.1(b))
5. With the approval of the designating body, compliance information for multiple projects may be consolidated on one (1) compliance form (Form CF-1/Real Property).

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 2013-29	Estimated start date (month, day, year) 3-1-14
Location of property 1200 North Mitsubishi Parkway, Franklin, Indiana 46131		Actual start date (month, day, year) 3-1-14	
Description of real property improvements New construction - approximately 23,840 square feet of new building on the north end of the current MCCA plant.		Estimated completion date (month, day, year) 9-30-14	
		Actual completion date (month, day, year) 1-16-15	
SECTION 3 EMPLOYEES AND SALARIES			
EMPLOYEES AND SALARIES		AS ESTIMATED ON SB-1	ACTUAL
Current number of employees		228	194
Salaries		8784108	10272310
Number of employees retained		228	194
Salaries		8784108	10272310
Number of additional employees		3	0
Salaries		89793	0
SECTION 4 COST AND VALUES			
COST AND VALUES		REAL ESTATE IMPROVEMENTS	
AS ESTIMATED ON SB-1		COST	ASSESSED VALUE
Values before project		6681593	6681593
Plus: Values of proposed project		1200000	1200000
Less: Values of any property being replaced			
Net values upon completion of project		7881593	7881593
ACTUAL		COST	ASSESSED VALUE
Values before project		6681593	6681593
Plus: Values of proposed project		1434851	1434851
Less: Values of any property being replaced			
Net values upon completion of project		8116444	8116444
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 General Manager, Administration	Date signed (month, day, year) February 23, 2018

**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 6-1.1-12.1-5.1 and IC 6-1.1-12.1-5.9)

1. Not later than 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 (Form SB-1/Real Property).
2. 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. The date of this hearing may not be more than thirty (30) days after the date this notice is mailed. A copy of the notice may be sent to the county auditor and the county assessor.
3. Based on the information presented at the hearing, the designating body shall determine whether or not the property owner has made reasonable efforts to substantially comply with the Statement of Benefits (Form SB-1/Real Property) and whether any failure to substantially comply was caused by factors beyond the control of the property owner.
4. If the designating body determines that the property owner has **NOT** made reasonable efforts to comply, then the designating body shall adopt a resolution terminating the property owner's deduction. If the designating body adopts such a resolution, the deduction does not apply to the next installment of property taxes owed by the property owner or to any subsequent installment of property taxes. 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. (Hearing must be held within thirty (30) days of the date of mailing of this notice.)

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 4 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.

Job Creation / Retention TimeTable (MCCA)

CCR 13-29

	Manager	Operator	Total
Year of Abatement	2015		
1st Quarter		1	1
2nd Quarter			0
3rd Quarter			0
4th Quarter			0
Year of Abatement	2016		
1st Quarter		1	1
2nd Quarter		1	1
3rd Quarter			0
4th Quarter			0
Year of Abatement	2017		
1st Quarter			0
2nd Quarter			0
3rd Quarter			0
4th Quarter			0
Total	0	3	3

Average hourly wages \$13.55
Wages + Benefits \$18.98

The above chart reflects Mitsubishi Heavy Industries Climate Control, Inc. (MCCA) employees only. However, Mitsubishi Turbocharger and Engine America (MTEA) is also at the Franklin location and they have hired 115 employees since starting operations during 2013 in Franklin. Total employment at the location is MCCA (194) and MTEA (115) for a total of 309 employees in Franklin at the end of 2017.

TOTAL JOBS (New and Retained)	
Proposed	Actual
1	-
229	189
1	3
1	2
	5
231	199
231	194