



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 2018-34: Mitsubishi Heavy Industries Climate Control, Inc.

Summary:

1. On March 18th, 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 2017:

	Estimated on SB-1	Actual in 2017	Difference
Employees Retained	219	194	-25
Salaries	\$8,431,675	\$10,272,310	\$1,840,635
New Employees	3	0	-3
Salaries	\$96,158	\$0	-\$96,158
Total Employees	222	194	-28
Total Salaries	\$8,527,833	\$10,272,310	\$1,744,477
Average Hourly Salaries	\$18.47	\$25.46	\$6.99
Personal Property Improvements	\$1,851,351	\$1,193,030	-\$658,321

3. There were six open jobs at the end of 2013. If those were filled their total jobs would have been 225 rather than 219. Their total number of employees at the end of 2014 was 219 again. There were 13 job openings at the end of 2014. At the end of 2015, there were 189 employees and nine (9) openings. There were 7 open jobs at the end of 2016, which would have totaled 206 jobs rather than 199. In 2017 the number of employees was lower than SB-1 estimates, and MCC does not foresee reaching that number in the near future.
4. The total salaries and average hourly salaries are well over the SB-1 estimate.
5. 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.
6. 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

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 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 2017 year-end total of employees on the payroll was 194, however we had seven (7) open jobs that, when filled, will bring the total to 201. This is 21 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 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). 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 13-10 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
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	Resolution number	Estimated start date (month, day, year)	
Franklin Common Council	13-10	04/01/2013	
Location of property	Actual start date (month, day, year)		
1200 North Mitsubishi Parkway, Franklin, Indiana 46131	04/01/2013		
Description of new manufacturing equipment, or new research and development equipment, or new information technology equipment, or new logistical distribution equipment to be acquired.	Estimated completion date (month, day, year)		
Introduction of six additional machines for finishing scrolls to increase production capacity at MCC Plant.	12/31/2013		
	Actual completion date (month, day, year)		
	12/31/2013		

SECTION 3		EMPLOYEES AND SALARIES	
EMPLOYEES AND SALARIES		AS ESTIMATED ON SB-1	ACTUAL
Current number of employees		219	194
Salaries		8,431,675.00	10,272,310.00
Number of employees retained		219	194
Salaries		8,431,675.00	10,272,310.00
Number of additional employees		3	0
Salaries		96,158.00	0.00

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		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						
ACTUAL		COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE
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(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	Title	Date signed (month, day, year)	
Bob Francis	General Manager, Administration	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 6-1.1-12.1-5.9)

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 TIMETABLE MCCA

	Proposed New Machinery and Equipment 2013	Actual New Machinery and Equipment	Actual 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
Year of Abatement	2014		
1st Quarter			\$0.00
2nd Quarter			\$0.00
3rd Quarter			\$0.00
4th Quarter			\$0.00
Year of Abatement	2015		
1st Quarter			\$0.00
2nd Quarter			\$0.00
3rd Quarter			\$0.00
4th Quarter			\$0.00
Year of Abatement	2016		
1st Quarter			\$0.00
2nd Quarter			\$0.00
3rd Quarter			\$0.00
4th Quarter			\$0.00
Total	\$1,851,351.00	\$1,193,030.00	\$1,193,030.00

Job Creation and Retention Schedule

Resolution 13-10

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

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

	Retained	New 1st Qtr	New 2nd Qtr	New 3rd Qtr	New 4th Qtr	Year End Total
2013	Proposed (SB-1)	219	0	0	1	220
	Actual ->	219	0	0	0	219
2014	Proposed (SB-1)	220	1	1	0	222
	Actual ->	219	-7	-7	-	212
2017	Proposed (SB-1)	222	-	-	-	222
	Actual ->	196	0	0	+5	194

NOTE: We had seven (7) job openings at the end of 2017 that, when filled, will bring the total employment to 201 or 21 less than projected on the SB-1 form. The 194 number is the actual number of employees on the payroll at the end of 2017.

MCC shares the facility at 1200 North Mitsubishi Parkway in Franklin with our affiliate company, Mitsubishi Turbocharger and Engine America, Inc. (MTEA). 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.