



CITY OF FRANKLIN

COMMUNITY DEVELOPMENT DEPARTMENT

MINUTES

ECONOMIC DEVELOPMENT COMMISSION

January 8, 2019

Members Present:

Jake Sappenfield	President
Josh DeArmitt	Vice President
John Ditmars	Member
Lee Hodgen	Member

Others Present:

Krista Linke	Community Development Director
Julie Spate	Recording Secretary

Call to Order:

Jake Sappenfield called the meeting to order.

Election of Officers

Lee Hodgen made a motion to continue with the same slate of officers for 2019. Josh DeArmitt seconded. Passed.

Approval of Minutes

Mr. Hodgen made a motion to approve the December 11th minutes. Mr. DeArmitt seconded. Passed.

Old Business

EDC 2018-07: Mitsubishi Heavy Industries Climate Control, Inc.: Waiver of Non-Compliance Res. 2013-29

EDC 2018-08: Mitsubishi Heavy Industries Climate Control, Inc.: Waiver of Non-Compliance Res. 2013-31

Mr. Sappenfield reminded that EDC is being asked to make a recommendation decision one way or the other to City Council. He also suggested the EDC's responsibility to look at the eligibility of companies and the structure of abatements. This Mitsubishi case is a question of the execution of an ongoing abatement, and Mr. Sappenfield struggles to see this within the scope of what EDC is to do.

Krista Linke clarified that the first year of abatement ('15, pay '16) was \$26,129.79. The second year was \$26,585.56. The third year ('17, pay '18) was \$23,721.46. The personal property tax abatement of \$65,537.57 we be a refund that will affect all the taxing units -- the school corporation, the library, solid waste, Johnson County, Needham Township and City of Franklin. This real property tax abatement, because it is in a TIF district, will directly affect the RDC and their projects. Ms. Linke also stated that the mayor would be agreeable to granting the waiver for no more than one year in arrears and also moving forward.

Mr. Ditmars thanked Ms. Linke for her clarifying comments and specifically with regards to the mayor's recommendation. He also doesn't understand this to be a waiver. He sees that the EDC did its job, and

Mitsubishi did not. Rob Schafstall recommended thinking of it not as a waiver of non-compliance but as a letter of support and that is what the auditor is looking for with permission for them to correct this. There are no statutory rules to look to that govern this request. He also asked if EDC is going to get five percent of the personal property refund Mitsubishi received because of the five percent agreement EDC has with them on the tax abatement. And will two percent be received going forward on any refund granted on the real property. Ms. Linke said yes and that there is also a 10 percent interest they would be refunded.

Mr. Ditmars expressed favor for Mitsubishi as a wonderful corporate citizen of the community. He likewise felt there to be a missed responsibility for follow through on making sure what EDC approved was initiated and appropriately engaged. He feels, if there is any compromise to be found, it lies somewhere with the fact that the company bears some responsibility. Mr. Sappenfield concurred, suggesting that EDC is trying to recommend where that compromise lies. Ms. Linke understands the county to be asking for a resolution from the city Council granting a Waiver of Non-Compliance. EDC has written them before, and it is required in order for them to issue a refund. Mr. Schafstall explained a Waiver of Non-Compliance to be a statutory term of art that applies to a company that doesn't fulfill the promises they made when applying for an abatement. When it happens due to circumstances beyond their control, it is allowed to be overlooked. It is perhaps the only label the county is familiar with. If EDC is going to take action, Mr. Schafstall recommends a Letter of Support. Mr. DeArmitt questioned the benefit of a letter from EDC if it is City Council's decision. It is also precedent setting. Mr. Hodgen asked if there hasn't been a previous company in this situation. Ms. Linke explained only new companies never having been through the process before and only the first year. Mr. Ditmars asked if a recommendation is required and if this is in front of the correct group to address the issue. Mr. Schafstall explained its start before this body because it is EDC policy. There is no formal role for either EDC or City Council, but Mr. Schafstall believes if Mitsubishi had asked to go before City Council, City Council would likely have sent it back to EDC for their recommendation. It is an option for EDC to consider it and defer to City Council. Ms. Linke explained that if there is no approved resolution from City Council, the county says no refund will be given. Mr. DeArmitt maintained that EDC scope is the determination of compliance or non-compliance, and there is no non-compliance in this situation, so it is not within EDC's scope. Mr. Sappenfield is alarmed at the company level mistake made. He also believes it highlights flaws in the execution in that it is three years. Ms. Linke asked Dana Monson if she had seen this in any other communities and she responded not for this amount of time. Ms. Monson identified that if they are found the first year, they are still resolved by a Waiver of Non-Compliance and a resolution.

Diane McClure, accounting manager for Mitsubishi Heavy Industries Climate Control, acknowledged the company's mistake. What makes the situation unique for them is that it is a shared facility so there was confusion on ownership of real and personal property. The building belongs to Heavy Industries Climate Control but used by Turbo Charger. She spoke with Bob Francis and they realize three years is a long time to go back. They would like to see it go forward and be granted the one year if possible. She is not sure how the two percent fee would play into it.

Mr. Sappenfield's position would be that EDC has considered this situation and does not have an issue with them receiving their abatement going forward because they are compliant. He does not feel the reimbursement is within the scope of the EDC. Mr. Ditmars doesn't see going forward as an issue but the going back is more subjective. Mr. Schafstall clarified the abatement going forward to mean resuming where they are in the schedule and not starting over at 100%.

Mr. Ditmars made a motion to recommend at a minimum the remainder of the abatement continue as per the original schedule for the remaining term as approved by original resolutions 13, 29 and 31 and any action on refund be deferred to City Council. Mr. DeArmitt seconded. Passed.

Rhoni Oliver of Community Development asked for EDC's permission to work through tax abatement and compliance correspondence with Ms. Linke, Mr. Schafstall and an EDC board member, incorporating some of what has been discussed in the Mitsubishi situation. Permission was granted.

New Business

Other Business

Adjournment

There being no further business, a motion for adjournment was made.

Respectfully submitted this 12th day of February, 2018.

Jake Sappenfield, President

Ken Austin, Secretary