



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 2019-29: Mitsubishi Heavy Industries Climate Control, Inc.

Summary:

1. On March 4th, 2013, the Franklin Common Council passed Resolution No. 2013-06, approving a 10-year tax abatement with a 2% economic development fee for real 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 2013-31 amended Resolution 2013-06 and extended the completion date from December 31st, 2013 to July 1st, 2014.
2. Actual and estimated benefits, as projected for 2018:

	Estimated on SB-1	Actual in 2018	Difference
Employees Retained	219	194	-25
Salaries	\$8,431,675	\$9,801,660	\$1,369,985
New Employees	9	0	-9
Salaries	\$353,433	\$0	-\$353,433
Total Employees	228	194	-34
Total Salaries	\$8,785,108	\$9,801,660	\$1,016,552
Average Hourly Salaries	\$18.52	\$24.29	\$5.77
Real Property Improvements	\$913,793	\$900,000	-\$13,793

3. The project start date was delayed and the completion date was extended to 7/1/14. This caused the company to adjust the job creation timetable chart.
4. Real property improvements were -\$13,739 under estimate, which is in substantial compliance and will remain the same throughout the abatement.
5. The company estimated on their original application that they would add nine employees once the improvements were complete. They ended 2015 with 189 employees and nine (9) job openings. In 2017 MCC ended the year with 194 employees and 7 job openings. That is under the SB-1 estimate, and they do not anticipate reaching the estimated number of employees in the near future. In 2018 there were 194 employees at an average hourly salary of \$24.29 which is \$5.77 over SB-1 estimate.
6. The total salaries and average hourly salaries are well over the SB-1 estimates.

7. The real 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

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 13-06 / 13-31

Dear Economic Development Commission Members:

**Common Council Resolution 2013-06 was amended and is now Common Council Resolution 2013-31.
Mitsubishi Heavy Industries Climate Control, Inc. (MCCA)**

Common Council Resolution 13-06 (Real Estate Improvements) relative to a 10,500 square foot addition to the North / West end of the current MCCA plant located at 1200 North Mitsubishi Parkway, in Franklin had an initial start date of 04/01/13 and completion date of 12/31/13. This project was delayed by MCCA and the company requested an amended start (12/01/13) and completion (07/01/14) date from the City of Franklin. On December 16, 2013, the Common Council of the City of Franklin approved MCCA's request.

The 10,500 square foot addition to the north/west end of the current Mitsubishi plant was completed during June 2014. The City of Franklin Occupancy Inspection was completed June 6, 2014.

MCCA ended 2018 with 194 employees on the payroll and five (5) open jobs, bringing total jobs to 199. The 199 is 29 less than the 228 projected on SB-1 for 2018. MCC does not anticipate getting to the estimated 228 employee headcount level in the near future. However, the MCC 2018 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 10,500 square foot addition was needed to accommodate MTEA warehouse and office space. MTEA has 107 employees working at our Franklin location bringing the total Mitsubishi employment in Franklin (MCC and MTEA) to 301 at the end of 2018.

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 2019 compliance request relative to Common Council Resolution 13-06, amended to 13-31, 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 REAL ESTATE IMPROVEMENTS

State Form 51766 (R3 / 2-13)

Prescribed by the Department of Local Government Finance

20__ PAY 20__

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	Resolution number	Estimated start date (month, day, year)		
Franklin Common Council	13-06 / 13-31	4-1-13, amended 12-1-13		
Location of property	Actual start date (month, day, year)			
1200 North Mitsubishi Parkway, Franklin, Indiana 46131	12-1-13			
Description of real property improvements	Estimated completion date (month, day, year)			
New construction - approximately 10,500 square feet of new building on the northwest end of the current MCCA plant, north of the current office area.	12-31-13, amended 7-1-14			
	Actual completion date (month, day, year)			
	06-06-2014			
SECTION 3		EMPLOYEES AND SALARIES		
EMPLOYEES AND SALARIES		AS ESTIMATED ON SB-1	ACTUAL	
Current number of employees		219	194	
Salaries		8,431,675	9801660	
Number of employees retained		219	194	
Salaries		8,431,675	9801660	
Number of additional employees		9	0	
Salaries		353,433	0	
SECTION 4		COST AND VALUES		
COST AND VALUES		REAL ESTATE IMPROVEMENTS		
AS ESTIMATED ON SB-1	COST	ASSESSED VALUE		
Values before project	5,767,800	5,767,800		
Plus: Values of proposed project	913,793	913,793		
Less: Values of any property being replaced				
Net values upon completion of project	6,681,593	6,681,593		
ACTUAL	COST	ASSESSED VALUE		
Values before project	5,980,000	5,980,000		
Plus: Values of proposed project	900,000	900,000		
Less: Values of any property being replaced				
Net values upon completion of project	6,680,000	6,680,000		
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	Title	Date signed (month, day, year)		
Bob Francis	General Manager, Administration	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 6-1.1-12.1-5.1 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)

Common Council
Resolution 13-06 / 13-31
Mitsubishi Heavy Industries
Climate Control, Inc. (MCC)

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

	Manager	Technical / Administration	Precision Production	Operator	Additional Jobs	Total Jobs (New and Retained)	
						Proposed	Actual
Year of Abatement	2015						
1st Quarter					0		
2nd Quarter					0		
3rd Quarter					0		
4th Quarter		1	1	1	3	222	189
Year of Abatement	2016						
1st Quarter				1	1		
2nd Quarter		1	2	2	5		
3rd Quarter					0		
4th Quarter					0	228	199
Year of Abatement	2018						
1st Quarter					0		
2nd Quarter					0		
3rd Quarter					0		
4th Quarter	0	0	0	0	0	228	194
Total		2	3	4	9	228	194
Average hourly wages							
Wages + Benefits							
							\$13.55
							\$18.98

NOTE : We had five (5) open jobs at the end of 2018 that, when filled, will bring the total employment to 199. The 194 number is the actual number of employees on the payroll at the end of 2018.

MCC shares the facility at 1200 North Mitsubishi Parkway in Franklin with our affiliate company, Mitsubishi Turbocharger and Engine America, Inc. (MTEA). MTEA has 107 employees working at our Franklin location bringing the total Mitsubishi employment in Franklin (MCC and MTEA) to 301 at the end of 2018.