



CITY OF FRANKLIN

Community Development Department

Memorandum

To: City of Franklin Economic Development Commission
From: Dana Monson, Community Development Specialist
Date: March 10, 2020
Re: Case C 2020-19: Mitsubishi Heavy Industries Climate Control, Inc.

Summary:

- 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.
- Actual and estimated benefits, as projected for 2019:

| | Estimated on SB-1 | Actual in 2019 | Difference |
|----------------------------|-------------------|----------------|--------------|
| Employees Retained | 219 | 93 | -126 |
| Salaries | \$8,431,675 | \$4,703,715 | -\$3,727,960 |
| New Employees | 9 | 0 | -9 |
| Salaries | \$353,433 | \$0 | -\$353,433 |
| Total Employees | 228 | 93 | -135 |
| Total Salaries | \$8,785,108 | \$4,703,715 | \$4,081,393 |
| Average Hourly Salaries | \$18.52 | \$24.32 | \$5.80 |
| Real Property Improvements | \$913,793 | \$900,000 | -\$13,793 |

- 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.
- Real property improvements were -\$13,739 under estimate, which is in substantial compliance and will remain the same throughout the abatement.
- 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. In 2019 due to customer order declines the company has reduced headcount to 93 and does not anticipate reaching the projected 228.
- The 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

February 19, 2020

Dana Monson
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 2019 with 93 employees on the payroll. The 93 is less than the 228 projected on SB-1 for 2019. MCC does not anticipate getting to the estimated 228 employee headcount level in the near future. 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 111 employees working at our Franklin location bringing the total Mitsubishi employment in Franklin (MCC and MTEA) to 204 at the end of 2019.

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 company and grant this 2020 compliance request relative to Common Council Resolution 13-06, amended to 13-31, for the abatement on taxes for 2019 payable 2020.

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 20 PAY 20 21

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 13-06 / 13-31 | Estimated start date (month, day, year) 4-1-13, amended 12-1-13 |
| Location of property 1200 North Mitsubishi Parkway, Franklin, Indiana 46131 | | Actual start date (month, day, year) 12-1-13 | |
| Description of real property improvements 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. | | Estimated completion date (month, day, year) 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 | 93 |
| Salaries | | 8,431,675 | 4703715 |
| Number of employees retained | | 219 | 93 |
| Salaries | | 8,431,675 | 4703715 |
| 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 <i>Bob Francis</i> | | Title General Manager, Administration | Date signed (month, day, year) 2-19-20 |

**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 | | | | | | 2019 |
| 1st Quarter | | | | | 0 | | -5 |
| 2nd Quarter | | | | | 0 | | -10 |
| 3rd Quarter | | | | | 0 | | -70 |
| 4th Quarter | 0 | 0 | 0 | 0 | 0 | 228 | -16 |
| Total | | 2 | 3 | 4 | 9 | 228 | 93 |
| Average hourly wages | | \$29.80 | \$18.71 | \$13.55 | | | |
| Wages + Benefits | | \$35.23 | \$24.14 | \$18.98 | | | |

NOTE : The 93 number is the actual number of employees on the payroll at the end of 2019.

MCC shares the facility at 1200 North Mitsubishi Parkway in Franklin with our affiliate company, Mitsubishi Turbocharger and Engine America, Inc. (MTEA). MTEA has 111 employees working at our Franklin location bringing the total Mitsubishi employment in Franklin (MCC and MTEA) to 204 at the end of 2019.