

CITY OF FRANKLIN

COMMUNITY DEVELOPMENT DEPARTMENT

Memorandum

To: City of Franklin Economic Development Commission
From: Krista Linke, Community Development Director
Date: April 2nd, 2013
Re: Case C 2013-27: Mitsubishi Heavy Industries Climate Control, Inc.

Summary:

1. On May 17th, 2010, the Franklin Common Council passed Resolution No. 2010-10 approving a 10-year tax abatement on real property and a 10-year tax abatement on personal property for Mitsubishi, located at 1200 N. Mitsubishi Parkway.
2. Actual and estimated benefits, as projected for 2012:

	Estimated on SB-1	Actual in 2012	Difference
Employees Retained	44	44	0
Salaries	\$2,638,636	\$2,488,375	-\$150,261
New Employees	67	167	100
Salaries	\$2,308,134	\$5,915,857	\$3,607,723
Total Employees	111	211	100
Total Salaries	\$4,946,770	\$8,404,232	\$3,457,462
Average Hourly Salaries	\$21.43	\$19.15	-\$2.28
Personal Property Improvements	\$8,496,346	\$8,751,627	\$255,281
Real Property Improvements	\$446,212	\$249,334	-\$196,878

3. The company reported 110 total jobs with an average hourly salary of \$19.05 in 2011. They have added 101 jobs in 2012 and slightly increased the average hourly salary.
4. The company exceeded their estimate provided on their SB-1 Form for personal property. An additional \$358,625 in research and development equipment was spent in 2010. Only manufacturing equipment was included in this abatement.
5. Mr. Francis explains in the attached letter dated February 15th that the real property abatement does not apply because the renovations to the current facility do not add tax liability.
6. The real and personal property tax abatement for Mitsubishi is scheduled to expire in tax year 2020 payable 2021. The final compliance review will take place in 2021.

Staff Recommendation: Approval

MITSUBISHI HEAVY INDUSTRIES CLIMATE CONTROL, INC.

February 15, 2013

Krista Linke, AICP
 Director of Planning & Economic Development
 City of Franklin
 70 E. Monroe Street
 Franklin, Indiana 46131

RE: Annual Tax Abatement Compliance - Common Council Resolution 10-10 (EDC 2010-02)

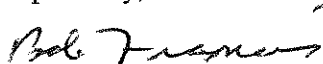
Dear Economic Development Commission Members:

Mitsubishi Heavy Industries Climate Control, Inc. (MCC) requested and was granted tax abatement (EDC 2010-02) by the City of Franklin on \$8,893,188.00 for personal property (Assembly line upgrades, Inspection equipment and Machining equipment) and \$446,212.00 for Real Estate Improvements (building upgrades in Machining and Assembly area) to be purchased and installed during 2010 and 2011. The personal property and real estate improvements have been completed. Personal property actual spending was \$9,110,252.00 and real estate improvements actual spending was \$249,334.00 – see Forms CF-1/PP and CF-1/Real Property and also Investment Time Table form that are included with this report. We understand that the real property abatement does not apply because it was renovations to the current facility that does not add tax liability.

These investments were necessary to manufacture car air conditioning compressors for a new global contract that MCC was awarded with a major US automobile manufacturer. These investments were needed to produce a new style (QS) compressor for this new contract, maintain the 44 jobs we listed on Form SB-1 dated 4/16/2010 and add a total of 67 jobs (35 during 2011 and 32 during 2012). MCC has maintained the 44 jobs listed on Form SB-1 dated 4/16/2010 and has added 9 jobs during 2010, 57 jobs during 2011, and 111 during 2012, for a total of 221 jobs on 12/31/12.

We would like to thank the City of Franklin for its 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 upon our growth activities and grant this 2013 compliance request relative to EDC2010-02 for the abatement on taxes for 2012 payable 2013.

Respectfully,



Bob Francis
 General Manager Administration
 Mitsubishi Heavy Industries Climate Control, Inc. (MCC)



COMPLIANCE WITH STATEMENT OF BENEFITS REAL ESTATE IMPROVEMENTS

State Form 51766 (R2 / 1-07)

Prescribed by the Department of Local Government Finance

20 12 PAY 20 13

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).

This statement is being completed for real property that qualifies under the following Indiana Code (check one box):

- ☐ Redevelopment or rehabilitation of real estate improvements (IC 6-1.1-12.1-4)
☐ Eligible vacant building (IC 6-1.1-12.1-4.8)

INSTRUCTIONS:

1. This form does not apply to property located in a residentially distressed area. (IC 6-1.1-12.1-2 (b))
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 (SB-1 / Real Property).
3. This form must accompany the initial deduction application that is filed with the County Auditor.
4. Property owners whose Statement of Benefits was approved after June 30, 1991, must file an updated form with the County Auditor and the local Designating Body to show the extent to which there has been compliance with the Statement of Benefits. (IC 6-1.1-12.1-5.1)
5. The updated form must be filed annually by May 15, or by the due date for the real property owner's personal property return that is filed in the township where the project is located, whichever is later. (IC 6-1.1-12.1-5.1 (b))
6. With the approval of the Designating Body, compliance information for multiple projects may be consolidated on one (1) compliance form (CF-1 / Real Property).

SECTION 1 TAXPAYER INFORMATION			
Name of taxpayer Mitsubishi Heavy Industries Climate Control, Inc. (MCC)			
Address of taxpayer (number and street, city, state, and ZIP code) 1200 North Mitsubishi Parkway, Franklin, Indiana 46131			
Name of contact person Bob Francis		Telephone number (317) 346-5010	
SECTION 2 LOCATION AND DESCRIPTION OF PROPERTY			
Name of designating body Franklin City Council		Resolution number EDC2010-02	
Location of property 1200 North Mitsubishi Parkway, Franklin, Indiana 46131		County Johnson	DLGF taxing district number 41-018
Description of real property improvements: Improvements to current building to allow for machining of parts and assembly of product.		Estimated starting date (month, day, year) 10/01/2010 Estimated completion date (month, day, year) 12/31/2011	
SECTION 3 EMPLOYEES AND SALARIES			
EMPLOYEES AND SALARIES		AS ESTIMATED ON SB-1	ACTUAL
Current number of employees		44	44
Salaries		2,638,636.00	2,488,375.00
Number of employees retained		44	44
Salaries		2,638,636.00	2,488,375.00
Number of additional employees		67	167
Salaries		2,308,134.00	5,915,937.00 - 9.51
SECTION 4 COST AND VALUES			
COST AND VALUES		REAL ESTATE IMPROVEMENTS	
AS ESTIMATED ON SB-1	COST	ASSESSED VALUE	
Values before project	446,212.00	446,212.00	
Plus: Values of proposed project	446,212		
Less: Values of any property being replaced			
Net values upon completion of project	446,212.00	446,212.00	
ACTUAL	COST	ASSESSED VALUE	
Values before project	249,334.00	249,334.00	
Plus: Values of proposed project	249,334		
Less: Values of any property being replaced			
Net values upon completion of project	249,334.00	249,334.00	
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 Bob Francis		Title General Manager	Date signed (month, day, year) 2-15-13



COMPLIANCE WITH STATEMENT OF BENEFITS PERSONAL PROPERTY

State Form 51765 (R / 1-06)

Prescribed by the Department of Local Government Finance

FORM CF-1 / PP

- 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 March 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 March 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.								
Address of taxpayer (number and street, city, state, and ZIP code) 1200 North Mitsubishi Parkway, Franklin, Indiana 46131								
Name of contact person Bob Francis		Telephone number (317) 346-5010						
SECTION 2		LOCATION AND DESCRIPTION OF PROPERTY						
Name of designating body Franklin City Council		Resolution number EDC2010-02						
Location of property 1200 North Mitsubishi Parkway, Franklin, Indiana 46131		County Johnson	DLGF taxing district number 41-018					
Description of new manufacturing equipment, or new research and development equipment, or new information technology equipment, or new logistical distribution equipment to be acquired. Upgrade to assembly line, new machining and inspection equipment and building improvements in the machining and assembly areas to machine and assemble automotive air conditioning compressors.		Estimated starting date (month, day, year) 08/01/2010 Estimated completion date (month, day, year) 12/31/2011						
SECTION 3		EMPLOYEES AND SALARIES						
EMPLOYEES AND SALARIES		AS ESTIMATED ON SB-1	ACTUAL					
Current number of employees		44.00	44					
Salaries		2,638,636.00	2,488,375.00					
Number of employees retained		44.00	44					
Salaries		2,638,636.00	2,488,375.00					
Number of additional employees		67.00	167					
Salaries		2,308,134.00	5,915,957.00					
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	8,496,346.00	8,496,346.00	396,842.00	396,842.00				
Plus: Values of proposed project	8,496,346							
Less: Values of any property being replaced								
Net values upon completion of project	8,496,346.00	8,496,346.00	396,842.00	396,842.00				
ACTUAL	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE	COST	ASSESSED VALUE
Values before project	8,751,627.00	8,751,627.00	358,625.00	358,625.00				
Plus: Values of proposed project	8,751,627							
Less: Values of any property being replaced								
Net values upon completion of project	8,751,627.00	8,751,627.00	358,625.00	358,625.00				
NOTE: The COST of the property is confidential pursuant to IC 6-1.1-12.1-5.6 (d).								
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 <i>General Manager</i>	Date signed (month, day, year) <i>2-15-13</i>					

Company Investment Time Table

EDC 2010-02

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

	Buildings	Equipment Type Manufacturing Equipment	Equipment R&D		Total
Year of Abatement	2010		2010		2010
1st Quarter		\$148,888.00			
2nd Quarter		\$706,691.00			
3rd Quarter		\$697,452.00	\$358,625.00		
4th Quarter		\$346,467.00			
Year of Abatement	2011	2011			2011
1st Quarter		\$1,271,951.00			
2nd Quarter		\$3,106,877.00			
3rd Quarter	\$249,334.00	\$1,910,062.00			
4th Quarter		\$563,239.00			
Total	\$249,334.00	\$8,751,627.00	\$358,625.00		\$9,359,586.00

Note: This money has been spent and the machines and equipment are installed and operational.

Job Creation or Retention Schedule

EDC 2010-02

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

2011 Proposal and Actual Numbers	Number of Employees (12/31/10)	Number of Employees Added during 2011 by Quarter				Number of Employees Added during 2011
		03/31/11	06/30/11	09/30/11	12/31/11	
Proposed (2011)	44	0	0	22	13	35
Actual ->	53	15	19	21	2	57
Running Total	53	68	87	108	110	

2012 Proposal	Number of Employees (12/31/11)	Proposed Number of Employees to be Added during 2012 by Quarter				Proposed Number of Employees Added during 2012
		03/31/12	06/30/12	09/30/12	12/31/12	
Proposed (2012)	79	21	11	0	0	32
Actual ->	110	47	27	23	14	111
Running Total	110	157	184	207	221	