



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

300 N. WASHINGTON SQ.  
LANSING, MI 48913

**CUSTOMER:**  
**CONTACT CENTER**  
517 373 9808

**WWW.MICHIGAN.ORG**

**DATE:** February 17, 2004

**TO:** Michigan Economic Growth Authority

**FROM:** Jim Donaldson, Vice President  
Business Development

**SUBJECT:** Briefing Memo – Mitsubishi Heavy Industries Climate Control Inc.  
High-Technology Credit

**COMPANY NAME AND ADDRESS:**

Mitsubishi Heavy Industries Climate Control, Inc.  
1200 North Mitsubishi Parkway  
Franklin, Indiana 46131

**HISTORY OF COMPANY:**

Mitsubishi Heavy Industries Climate Control, Inc. (MCC) is a wholly owned subsidiary of Mitsubishi Heavy Industries, Ltd. (MHI), Japan. MHI is a multi-billion company providing a broad range of products for shipbuilding, steel structures, power systems, air conditioners, machinery for industrial and general use, and automobile climate control and aerospace systems.

MCC manufactures and supplies automotive air-conditioning systems for original equipment manufacturers. MCC was founded in 1995 in Franklin, Indiana. MCC's Franklin location serves as the headquarters, manufacturing center, and engineering support for MCC in North America. MCC also maintains an Engineering Customer Support office in Southfield, Michigan and Sales/Service office in Rancho Dominguez, California.

**PROJECT DESCRIPTION:**

Mitsubishi Climate Control plans to expand engineering, research and development, testing, and prototype capabilities in the United States to expand OEM contracts in the United States. Currently, research and development for MCC products originates in Japan.

If the project locates in Sterling Heights, an existing building will be retrofitted and leased to MCC. Approximately \$7.4 million will be invested in new test facilities and equipment, computer hardware and related software, and furniture and fixtures. The majority of the investment will take place by the end of 2005. The expansion would create 14 new jobs in the first year of the project and up to 75 new jobs over the first five years. The new positions will pay an average weekly wage of \$1,264.

**EXECUTIVE COMMITTEE**  
MATTHEW P. CULLEN  
Chair  
General Motors

PHILIP H. POWER  
Vice Chair  
HomeTown Communications  
Network

DONALD E. JAKEWAY  
President & CEO

RICHARD E. BLOUSE JR., CCE  
Detroit Regional Chamber

FACUNDO BRAVO  
Uni Boring Co., Inc.

JOHN W. BROWN  
Stryker Corporation

DR. DAVID E. COLE  
Center for  
Automotive Research

JOANN CRARY  
Saginaw Future Inc.

STEVEN K. HAMP  
The Henry Ford

HAYDEN H. HARRIS  
EDF Ventures

PAUL HILLEGONDS  
Detroit Renaissance

DAVID HOLLISTER  
Michigan Department of  
Labor & Economic Growth

GEORGE JACKSON JR.  
Detroit Economic Growth  
Corporation

MICHAEL J. JANDERNOA  
Bridge Street Capital  
Partners, LLC.

MAYOR ROBERT B. JONES  
City of Kalamazoo

BIRGIT M. KLOHS  
The Right Place, Inc.

DR. IRVIN D. REID  
Wayne State University

S. MARTIN TAYLOR  
DTE Energy Company

GARY TORGOW  
Sterling Group

PETER S. WALTERS  
Guardian Industries Corp.



Briefing Memo  
Mitsubishi Heavy Industries Climate Control Inc.  
February 17, 2004  
Page Two

#### **BENEFIT TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 115 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs and adjusted for inflation, would be increased by \$4.4 million (2004 dollars) due to the presence of this facility.

#### **BUSINESS CASE:**

MCC is also considering locating the expansion at their existing headquarters and manufacturing facility in Franklin, Indiana. The City of Franklin and the State of Indiana have offered a lucrative incentive package for this expansion, including the EDGE credit, employee recruitment and training assistance, and 100 percent property tax abatements.

Michigan is being considered for the research and development expansion project to accommodate existing customers and provide prospective customers ease of access to MCC product capabilities. Without incentives from Michigan, the project is not attractive. Because MCC's Indiana facility has established system test facilities and a wind tunnel, the Michigan location requires \$4.5 more capital investment than the Franklin location and would result in annual operation costs approximately \$1 million higher than the Indiana location.

#### **OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for up to 50 new employees, or up to \$25,000.

The City of Sterling Heights has proposed a 50 percent abatement of the company's new real and personal property taxes for 9 years. The estimated value of this abatement is \$468,000. This abatement is expected to be finalized on February 17, 2004.

#### **RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for ten years, for up to 75 net new employees.