

Commission Letter #: 314-09
Commission Meeting: 11/09/2009
RE: IFT Transfer Request - HHI Form Tech LLC at 2727 W. Fourteen Mile Rd.

November 5, 2009

The Honorable Mayor
and
Members of City Commission

The City Commission previously granted two industrial facilities tax (IFT) exemption certificates to Form Tech Industries at 2727 West Fourteen Mile Road, one in 2005 and the other in 2007. In August of this year, Form Tech filed for Chapter 11 bankruptcy and they were acquired by Hephaestus Holdings (HHI).

The new owners are now requesting that the City Commission transfer the IFT certificates from Form Tech to HHI. Section 21 of the Plant Rehabilitation and Industrial Development Districts Act, Public Act 198 of 1974, as amended, states that an IFT certificate may be transferred and assigned to a new owner or lessee but only with the approval of the local governmental unit and the State Tax Commission.

Prior to taking action upon a request to transfer an approved IFT certificate, the City Commission must conduct a hearing and allow the applicant, the City Assessor, and representatives of each taxing unit that levies ad valorem property taxes within the city an opportunity for a hearing according to Section 5(2) of the Act. Notice of the hearing must be provided in writing by the City Clerk's office to the City Assessor and the legislative body of all taxing units pursuant to the same section of the Act.

The following resolution is recommended should the City Commission desire to set a public hearing for the request to transfer the IFT certificates to HHI at 2727 West Fourteen Mile Road for the December 7th meeting. This would be the first meeting for the newly elected City Commissioners. In the past, no business has been conducted at this meeting as it is usually reserved only for the swearing in of new Commissioners. Should the Commission wish to continue with that policy, the date for the hearing in the resolution will need to be changed accordingly.

The petitioner is concerned that in order for the transfer to be effective for the 2010 tax year, it must be processed by the City and approved by the State Tax Commission prior to the end of 2009 and that a later public hearing date may not allow sufficient time to process the transfer by the end of 2009.

BE IT RESOLVED, that the Royal Oak City Commission hereby sets a hearing for its regular meeting of December 7, 2009 to hear comments for and against the transfer of Industrial Facilities Tax Exemption Certificates from Form Tech Industries, LLC, at 2727 West Fourteen Mile Road in the City of Royal Oak, to Hephaestus Holdings, LLC; and

BE IT FURTHER RESOLVED, that the City Clerk is hereby directed to provide notice of the hearing pursuant to Section 5(2) of the Plant Rehabilitation and Industrial Development Districts Act, Public Act 198 of 1974, as amended.

Respectfully submitted,



Timothy E. Thwing
Director of Planning

Approved,



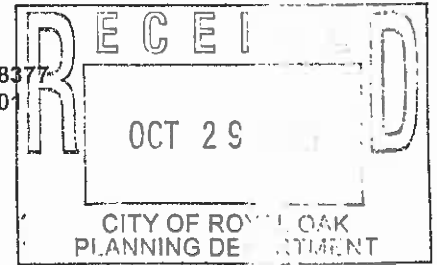
Donald E. Johnson
City Manager

Attachments

cc: Jon Anderson, VP-Finance; HHI-Form Tech, LLC; 39475 13 Mile Rd. Ste. 105; Novi, MI 48377
David Gillam, City Attorney
Melanie Halas, City Clerk
James Geiermann, City Assessor
John Kravitz, City Treasurer

HHI

39475 13 Mile Road – Suite 105, Novi, MI. 48377
Main: 248-479-2700 Fax: 248-479-2701



October 29, 2009

Honorable Mayor and Members of the City Council
c/o Mr. Timothy E. Thwing, Director of Planning
City of Royal Oak
City Hall – 3rd Floor, Room 311
211 Williams Street
Royal Oak, MI 48067

RE: HHI FormTech, LLC
Transfer request for Industrial Facilities Tax Exemption Certificates
#2005-063 and #2007-662

Dear Mayor and Members of the City Council:

In August 2009, FormTech Industries, LLC ("FormTech") filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. Subsequent to that filing, Hephaestus Holdings, LLC ("HHI") acquired substantially all the assets of FormTech located in Royal Oak, Fraser, Detroit and Troy, Michigan; Minerva, Ohio and Tonawanda, New York through an indirect, wholly-owned subsidiary.

HHI is the largest independent manufacturer of forged parts for the North American automotive industry and one of the world's best-capitalized forging companies. HHI is backed by a private equity fund with more than \$2 billion of capital and led by a CEO well-seasoned in the forging industry.

Although HHI is very excited about this acquisition, we are well aware of the many challenges that we face. One of the keys critical to the success of any business is developing and maintaining relationships. HHI is working hard to develop relationships with its new employees, customers, suppliers and governmental agencies. Establishing a good relationship with the City of Royal Oak is important as HHI plans to relocate its headquarters here in 2010.

As its flagship business in Royal Oak, HHI will employ 200 full time employees. The Royal Oak facility has open production capacity to expand which makes the location very attractive. HHI is committed to maximizing every square foot of the Royal Oak facility through the development of new business, acquisition of new equipment and consolidation of other locations.

HHI believes it has superior leadership and financial backing, but needs the assistance of local government to help keep the business playing field level. The communities in which HHI's competition is located have granted real and personal property abatements and HHI needs the City of Royal Oak to do the same. A partnership between HHI and the City is critical to its success.

As part of the partnership, HHI respectfully requests that the Industrial Facility Tax Exemption Certificates currently held by the former FormTech Industries, LLC be officially transferred to HHI FormTech, LLC and extended to the full abatement period as allowed by the State of Michigan under Act 198.

HHI is in process of preparing the paper work necessary to transfer the Certificates and requests that the City Commission add this as an agenda item to their meeting scheduled for November 16, 2009.

Should the Mayor and/or members of the City Commission wish to meet with members of our leadership team to discuss the transfer of the abatement certificates, please feel free to contact me at (248) 597-7369.

Very truly yours,

HHI FORMTECH LLC

A handwritten signature in black ink, appearing to read "Jon Anderson", followed by a horizontal line extending to the right.

Jon Anderson
VP- Finance