



## CITY COUNCIL ACTION REPORT

July 12, 2010

TO: John Szerlag, City Manager

FROM: John M. Lamerato, Assistant City Manager-Finance/Administration  
Mark Miller, Acting Asst City Manager – Economic Development Services  
Nino Licari, City Assessor

SUBJECT: Public Hearing to consider granting a Plant Rehabilitation Exemption Certificate (PREC) to Axle Tech International, LLC at 1400 Rochester, Troy, MI 48083

### Background:

Axle Tech International, LLC, intends to renovate and expand the building at 1400 Rochester, Troy, MI. 48083, to accommodate their move into the facility. The renovation and expansion is expected to cost \$3,673,155.00.

This is the same exemption that was granted to Bostick Rochester Road Development, LLC (BRRD) at the October 19, 2009 City Council Meeting. That exemption was denied by the State Tax Commission (STC). BRRD is appealing that determination at the Circuit Court level.

In order for the construction to continue, Axle Tech must now make the application for the exemption. The STC suggested this route after their denial of the BRRD application.

### Financial Considerations:

Plant Rehabilitation Exemptions freeze an existing Taxable Value (\$2,123,540 in this instance) for up to 12 years. The renovation costs (\$3,673,155.00) are appraised separately, and do not generate any taxes for the life of the exemption.

The total frozen taxes (assuming no change in any millage rates) equal \$1,224,517.00, of which \$239,535.00 are City taxes, that will be paid over a 12 year exemption.

The total taxes that will not be generated based on the exemption are \$1,059,039.00, of which \$207,165.00 are City taxes. This is the cost of the exemption.

Legal Considerations:

- The application and building, meet all requirements of Public Act 198 of 1974 (as amended), the Plant Rehabilitation and Industrial Development Districts legislation.

Policy Considerations:

- The application is in compliance with the amended Plant Rehabilitation tax abatement policy of the City Council of the City of Troy (Resolution #2002-05-273).

City Council Outcome III, "Troy is rebuilding for a healthy economy reflecting the values of a unique community in a changing and interconnected world."

Since both legal and policy considerations are met, staff would recommend granting the exemption.

Options:

- City Council has the option of granting the Plant Rehabilitation Exemption Certificate for any period of one (1) to twelve (12) years, or not at all.

Staff recommends that the Exemption be granted for the full twelve (12) years.

# Application for Industrial Facilities Tax Exemption Certificate

Issued under authority of Public Act 198 of 1974, as amended. Filing is mandatory.

**INSTRUCTIONS:** File the original and two copies of this form and the required attachments (three complete sets) with the clerk of the local government unit. The State Tax Commission (STC) requires two complete sets (one original and one copy). One copy is retained by the clerk. If you have any questions regarding the completion of this form or would like to request an informational packet, call (517) 373-3272.

To be completed by Clerk of Local Government Unit	
Signature of Clerk	▶ Date received by Local Unit
STC Use Only	
▶ Application Number	▶ Date Received by STC

**APPLICANT INFORMATION**  
All boxes must be completed.

▶ 1a. Company Name (Applicant must be the occupant/operator of the facility) AxleTech International, LLC	▶ 1b. Standard Industrial Classification (SIC) Code - Sec. 2(10) (4 or 6 Digit Code) 336350	
▶ 1c. Facility Address (City, State, ZIP Code) (real and/or personal property location) 1400 Rochester Road, Troy, MI 48083	▶ 1d. City/Township/Village (indicate which) Troy	▶ 1e. County Oakland
▶ 2. Type of Approval Requested <input type="checkbox"/> New (Sec. 2(4)) <input type="checkbox"/> Speculative Building (Sec. 3(8)) <input type="checkbox"/> Research and Development (Sec. 2(9))	<input type="checkbox"/> Transfer (1 copy only) <input checked="" type="checkbox"/> Rehabilitation (Sec. 3(1))	▶ 3a. School District where facility is located Troy ▶ 3b. School Code 63150
▶ 4. Amount of years requested for exemption (1-12 Years) 12		

5. Per section 5, the application shall contain or be accompanied by a general description of the facility and a general description of the proposed use of the facility, the general nature and extent of the restoration, replacement, or construction to be undertaken, a descriptive list of the equipment that will be part of the facility. Attach additional page(s) if more room is needed.

Upgrade of existing industrial plant containing approximately 189,000 sq. ft. and addition of a new two-story 20,000 sq. ft. office area. See attached Budget/Scope of Work.

6a. Cost of land and building improvements (excluding cost of land) * Attach list of improvements and associated costs. * Also attach a copy of building permit if project has already begun.	▶ \$3,673,155.00
6b. Cost of machinery, equipment, furniture and fixtures * Attach itemized listing with month, day and year of beginning of installation, plus total	▶ \$0.00
6c. Total Project Costs * Round Costs to Nearest Dollar	▶ \$3,673,155.00 Total of Real & Personal Costs

7. Indicate the time schedule for start and finish of construction and equipment installation. Projects must be completed within a two year period of the effective date of the certificate unless otherwise approved by the STC.

	<u>Begin Date (M/D/Y)</u>	<u>End Date (M/D/Y)</u>		
Real Property Improvements ▶	11/1/09	12/31/10	▶ <input type="checkbox"/> Owned	<input checked="" type="checkbox"/> Leased
Personal Property Improvements ▶			▶ <input type="checkbox"/> Owned	<input type="checkbox"/> Leased

▶ 8. Are State Education Taxes reduced or abated by the Michigan Economic Development Corporation (MEDC)? If yes, applicant must attach a signed MEDC Letter of Commitment to receive this exemption.  Yes  No

▶ 9. No. of existing jobs at this facility that will be retained as a result of this project. N/A	▶ 10. No. of new jobs at this facility expected to create within 2 years of completion. N/A
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11. Rehabilitation applications only: Complete a, b and c of this section. You must attach the assessor's statement of SEV for the entire plant rehabilitation district and obsolescence statement for property. The Taxable Value (TV) data below must be as of December 31 of the year prior to the rehabilitation.

a. TV of Real Property (excluding land)	\$1,269,252.00
b. TV of Personal Property (excluding inventory)	\$0.00
c. Total TV	\$1,269,252.00

▶ 12a. Check the type of District the facility is located in:  
 Industrial Development District  Plant Rehabilitation District

▶ 12b. Date district was established by local government unit (contact local unit) 10/19/09	▶ 12c. Is this application for a speculative building (Sec. 3(8))? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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RECEIVED

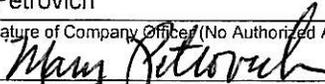
APR 28 2010

CITY OF TROY  
ASSESSING DEPT.

**APPLICANT CERTIFICATION - complete all boxes.**

The undersigned, authorized officer of the company making this application certifies that, to the best of his/her knowledge, no information contained herein or in the attachments hereto is false in any way and that all are truly descriptive of the industrial property for which this application is being submitted.

It is further certified that the undersigned is familiar with the provisions of P.A. 198 of 1974, as amended, being Sections 207.551 to 207.572, inclusive, of the Michigan Compiled Laws; and to the best of his/her knowledge and belief, (s)he has complied or will be able to comply with all of the requirements thereof which are prerequisite to the approval of the application by the local unit of government and the issuance of an Industrial Facilities Exemption Certificate by the State Tax Commission.

13a. Preparer Name Michael Brody	13b. Telephone Number (248) 244-9730	13c. Fax Number (248) 435-1120	13d. E-mail Address michael.brody@axletech.com
14a. Name of Contact Person Michael Brody	14b. Telephone Number (248) 244-9730	14c. Fax Number (248) 435-1120	14d. E-mail Address michael.brody@axletech.com
▶ 15a. Name of Company Officer (No Authorized Agents) Mary Petrovich			
15b. Signature of Company Officer (No Authorized Agents) 		15c. Fax Number (248) 435-1120	15d. Date 4/20/2010
▶ 15e. Mailing Address (Street, City, State, ZIP Code) 1400 Rochester Road, Troy, MI 48083		15f. Telephone Number (248) 435-1663	15g. E-mail Address mary.petrovich@axletech.com

**LOCAL GOVERNMENT ACTION & CERTIFICATION - complete all boxes.**

This section must be completed by the clerk of the local governing unit before submitting application to the State Tax Commission. Check items on file at the Local Unit and those included with the submittal.

▶ 16. Action taken by local government unit <input type="checkbox"/> Abatement Approved for _____ Yrs Real (1-12), _____ Yrs Pers (1-12) After Completion <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Denied (Include Resolution Denying)	16b. The State Tax Commission Requires the following documents be filed for an administratively complete application: <b>Check or Indicate N/A if Not Applicable</b> <input type="checkbox"/> 1. Original Application plus attachments, and one complete copy <input type="checkbox"/> 2. Resolution establishing district <input type="checkbox"/> 3. Resolution approving/denying application. <input type="checkbox"/> 4. Letter of Agreement (Signed by local unit and applicant) <input type="checkbox"/> 5. Affidavit of Fees (Signed by local unit and applicant) <input type="checkbox"/> 6. Building Permit for real improvements if project has already begun <input type="checkbox"/> 7. Equipment List with dates of beginning of installation <input type="checkbox"/> 8. Form 3222 (if applicable) <input type="checkbox"/> 9. Speculative building resolution and affidavits (if applicable)
16a. Documents Required to be on file with the Local Unit <b>Check or Indicate N/A if Not Applicable</b> <input type="checkbox"/> 1. Notice to the public prior to hearing establishing a district. <input type="checkbox"/> 2. Notice to taxing authorities of opportunity for a hearing. <input type="checkbox"/> 3. List of taxing authorities notified for district and application action. <input type="checkbox"/> 4. Lease Agreement showing applicants tax liability.	
16c. LUCI Code	16d. School Code
17. Name of Local Government Body	▶ 18. Date of Resolution Approving/Denying this Application

Attached hereto is an original and one copy of the application and all documents listed in 16b. I also certify that all documents listed in 16a are on file at the local unit for inspection at any time.

19a. Signature of Clerk	19b. Name of Clerk	19c. E-mail Address
19d. Clerk's Mailing Address (Street, City, State, ZIP Code)		
19e. Telephone Number	19f. Fax Number	

State Tax Commission Rule Number 57: Complete applications approved by the local unit and received by the State Tax Commission by October 31 each year will be acted upon by December 31. Applications received after October 31 may be acted upon in the following year.

Local Unit: Mail one original and one copy of the completed application and all required attachments to:

**State Tax Commission**  
**Michigan Department of Treasury**  
P.O. Box 30471  
Lansing, MI 48909-7971

(For guaranteed receipt by the STC, it is recommended that applications are sent by certified mail.)

STC USE ONLY				
▶ LUCI Code	▶ Begin Date Real	▶ Begin Date Personal	▶ End Date Real	▶ End Date Personal

Build-To-Suit 20,000 SF Two-Story Office Addition

Sitework	Sitework consist of clearing and grading the immediate construction area to workable grades. Any excess soils (not to exceed 1,000 cubic yards) shall be removed from the site. Removal of existing concrete paving assumed to be 6" to 8" concrete
Site Utilities	Storm Drainage - Roof water drainage will be collected by roof sumps and carried by PVC drainage pipe within the building and discharged into storm drains Gas Service - Natural gas will be extended from the existing main to the building. Water Service - 1 1/2" water line to be extended from the existing main for domestic water use. Water main will be extended from the existing fire protection. Electrical - Existing incoming overhead service will pole mounted transformers will be removed and a new underground 2000 amp service to be installed. Sanitary Sewer - Sanitary sewer shall be extended from the existing sanitary sewer.
Foundation	Reinforced concrete footings and foundations for soil bearing pressure of 3000 psf All foundations will be designed in accordance with applicable code requirements.
Interior Concrete	Office floor 4" fiber mesh on a compacted sand base.
Roof System	Rubber roof with ten year manufacturer warranty.
Wall System Office	8" block with foam fill insulation in cores with face brick.
Structural Steel	Allowance \$150,000
Elevator	One hydraulic passenger elevator. Stainless steel doors, frame and control panels.
Window System	Insulated and tinted commercial grade anodized aluminum window and door system.
Hollow Metal Doors	High grade mortize locks, closers where needed and completely insulated.
Painting	All exposed structural steel to be painted. All exposed block to be filled and painted.
Fire Protection	Total building to be fire protected to meet ordinary hazard class. Sprinkler heads to be recessed/drop-down heads.
Office Area Finish	Layout per owner's requirement. Interior walls to extend 6" above finish drop ceiling. Full height restroom and mechanical to be insulated. Acoustical ceiling of 2 X 4 lay-in panels. Solid core wood doors. Brushed stainless steel hardware to be ADA compliant. Ceramic tile floors in vestibule, main lobby \$8.00 p.s.f. Commercial grade carpeting \$14.00 p.s.f.
Millwork	Lunchrooms to receive upper and lower laminate cabinets and countertops. Coffee areas to receive lower laminate cabinets and countertops.
Plumbing	Two (2) stainless steel double-bowl sinks. Two (2) stainless steel single bowl sinks for coffee areas. Metal toilet partitions. One (1) janitor's utility sink. Four (4) drinking fountains - two on each floor
HVAC	Office area completed heated and airconditioned through roof mounted combination air conditioner/furnaces with ducted return system
Electrical	2' X 4' layin fixtures with acrylic lens. Outlets provided throughout office walls with a minimum of two (2) 110 volt duplex outlets. Two (2) 480/277 volt panels and two (2) 208/120 volt panels included. All power distribution to panels included. Power to exterior wall-mounted sign.
Sub-Total	

5 1,630,000

1400 Rochester Road  
Troy, Michigan

Budget

Additional Work On Existing Building

Removal of existing roofs and truss system and replace roof	75,000
Powerwash and paint exterior of building	50,000
New brick elevation for remaining office	100,000
Relocate existing Edison power and re-feed building with 2000 amp underground service	120,000
Rework existing offices/demo shop areas and build out new	600,000
<b>Grand Total</b>	<b>\$ 2,575,000</b>

Miscellaneous Requirements

Landscaping	\$ 50,000
Siding extension and enclosure	7,391
Preparation and coating of 109,776 SF with epoxy enamel	104,400
Repair truck well and touch up south bays	15,000
Powerwash and repaint 40,000 SF of siding	20,000
New high efficiency lighting	79,248
Construct new engineering lab in building	36,000
Fire protection for existing office and shop area	150,000
Commissions	362,116
Permits and Fees	25,000
Consultants	15,000
Engineers	50,000
Architects	50,000
Environmental/Soil, Etc.	10,000
Winter Property Tax	28,000
Interest reserve 4.7%, 6 months	96,000
<b>Total Miscellaneous Requirements</b>	<b>\$ 1,098,155</b>

**Total Construction Cost** \$ 3,673,155

## FIRST AMENDMENT TO LEASE

This First Amendment to Lease (this "First Amendment") is entered into this 26<sup>th</sup> day of April, 2010, between Bostick Rochester Road Development LLC, a Michigan limited liability company ("Landlord") and AxleTech International, LLC, a Delaware limited liability company ("Tenant").

**WHEREAS**, the parties entered into that certain Lease Agreement dated September 15, 2009 ("Lease") for certain premises located at 1400 Rochester Road, Troy, Michigan; and

**WHEREAS**, the parties desire to amend the Lease.

**NOW, THEREFORE**, the parties agree as follows:

1. Section 4 of the Lease is deleted in its entirety and replaced with the following:

#### **4. RENTAL PAYMENTS.**

**4.1 Base Rent.** Beginning on the Existing Building Commencement Date, Tenant shall pay to Landlord the annual base rent specified on Exhibit C-1 hereto (the "**Base Rent**"), in equal monthly installments in the amount specified on Exhibit C-1 hereto, on or before the first day of each calendar month during the Term hereof.

**4.2 Additional Rent.** In addition to the Base Rent, beginning on the Existing Building Commencement Date of the Lease, Tenant shall pay Tenant's Share of the Operating Expenses to Landlord.

**a. "Tenant's Share"** shall mean (i) 62.42% during the period beginning on the Existing Building Commencement Date and ending on the day before the New Office Area Commencement Date, and (ii) 66.03% beginning on the New Office Area Commencement Date. Tenant's Share has been calculated by dividing the rentable area contained in the Premises by the total rentable area contained in the Building, which for the purposes of this Lease is stipulated to be 204,792 rentable square feet, Landlord represents that it has measured the Building in accordance with the BOMA Standards. Tenant's Share shall be recalculated upon determination of the rentable area of the Premises and the Building in accordance with Section 2 hereof.

**b. Operating Expenses** shall be computed based on expenses incurred or paid on behalf of Landlord and determined in accordance with generally accepted accounting principles consistently applied ("**GAAP**"). "Operating Expenses" shall mean all expenses, costs and disbursements of every kind which Landlord shall pay in connection with the management, maintenance, insuring, operation, replacement and repair of the Project, but shall not include Taxes (as defined below). Notwithstanding the foregoing, Operating Expenses shall not include those items listed on Exhibit C-2 of this Lease except those items expressly included in Operating Expenses pursuant to item 18 of Exhibit C-2.

**c. Taxes.** In addition to the Base Rent and Tenant's Share of Operating Expenses, beginning on the Existing Building Commencement Date of the Lease,

Tenant shall pay all Taxes (as defined below) directly to the various state, county and local taxing authorities prior to delinquency, provided Tenant receives an invoice therefor no later than thirty (30) days prior to the date such Taxes are due. The term "**Taxes**" shall mean those taxes payable against the Project by any lawful authority during each calendar year of the Term, regardless of whether or not the amount payable in that year relates to a previous year; provided, however, Tenant may take the benefit of the provisions of any statute or ordinance permitting any assessment to be paid over a period of years, and Tenant shall be obligated to pay only those installments falling due during the Term (except to the extent such assessments are attributable to a year prior to the year in which the Existing Building Commencement Date occurs). Specifically, Taxes shall mean all taxes and assessments, of every kind and nature, special or otherwise, including without limitation, general real property taxes, personal property taxes imposed upon Landlord's fixtures, machinery, apparatus systems and appurtenances in, upon, or used in connection with the Building or the operation thereof, sewer rents, water rents, special assessments, transit taxes, any tax or excise on Base Rent, or any other tax (however described) on account of Base Rent received for use and occupancy of any or all of the Building (excluding any federal and state taxes on the income of Landlord), whether such Taxes are imposed by the United States, the State of Michigan (the "**State**"), the County of Oakland (the "**County**"), the City of Troy, or any other governmental authority or agency or political subdivision. If at any time during the Term, the method of taxation then prevailing shall be altered so that any tax, assessment, levy, imposition or charge or any part thereof, shall be imposed upon Landlord (or upon the beneficiaries of Landlord) in place, or partly in place, of any such Taxes or increase therein heretofore described in this subparagraph, and/or the same shall be measured by or be based in whole or in part upon the Building or the Base Rent or other income therefrom, then all such taxes, assessments, impositions, levies, or charges or part thereof shall be included in Taxes, to the extent that such items would be payable if the Building were the only property and/or income of Landlord (or the only property and/or income of the beneficiaries of Landlord) subject thereto. Taxes shall not include any federal, state, or local municipal income taxes, capital or stock taxes, transfer taxes, franchise taxes, or gift, estate or inheritance taxes, other than as specifically provided for above, or penalties or interest on the late payment of installments of Taxes. From time to time, Landlord, in its reasonable discretion or at Tenant's request, shall take all reasonable and proper steps and procedures to minimize Taxes, including, but not limited to, the contesting of or objecting to increases of the determination of the fair market value of the Building by the County assessor for real estate tax purposes and the objecting to the tax rate imposed by the taxing authorities; provided, however, that Tenant shall cooperate with Landlord to the extent necessary to contest Taxes. On or before thirty (30) days after receiving an invoice therefor, Tenant shall reimburse Landlord for Tenant's Share of all fees and costs including, without limitation, reasonable attorneys' fees paid or incurred by Landlord in seeking to obtain a reduction of or a limit on an increase in Taxes, and objecting to or defending against the levy of same; provided however that Tenant's Share of such fees and costs shall not exceed Tenant's Share of the amount of the savings or reductions obtained. Landlord does not warrant that any such steps or procedures will result in the reduction or minimization of Taxes. Notwithstanding anything herein to the contrary, in no event shall Tenant be obligated to pay (a) any increase in Taxes resulting from a refinancing (as opposed to new financing obtained in connection with a sale of the Project) of all or a portion of the Premises, or (b) any increase greater than five percent (5%) over the previous year's Taxes if such increase results from any new construction or renovation of the Premises or the Building (except the Work or any Alterations made by Tenant).

**4.3 Payment of Additional Rent.** Prior to the Existing Building Commencement Date and from time to time thereafter, Landlord shall make a reasonable estimate of the Additional Rent payable by Tenant for the upcoming year, and Tenant shall pay to Landlord the Additional Rent, as so estimated, without demand, deduction or set-off (except as expressly set forth herein) in twelve (12) equal monthly installments during each year, each such installment being due with installments of Base Rent. In the event Landlord receives or is entitled to any rebate, refund, abatement, credit or remission of Operating Expenses attributable to a year with respect to which Tenant paid Operating Expenses, then Landlord shall, within thirty (30) days after the date of such rebate, refund, abatement, credit or remission is received by Landlord, pay to Tenant Tenant's Share thereof. Tenant shall have the right (at its election by notice to Landlord) to credit the same against Rent thereafter payable.

**4.4 Adjustment of Additional Rent.** If the Additional Rent paid by Tenant for any year during the Term, based upon Landlord's estimate, differs from the actual amount of Additional Rent due and payable for such year, the difference shall be payable by Landlord or Tenant, as the case may be, in a lump sum on the first day of the second month following the month in which Landlord renders its operating statement to Tenant. Landlord shall deliver to Tenant an operating statement of actual Operating Expenses as soon as possible after the end of each calendar year, but in any event prior to April 1 of the following year.

**4.5 Verification of Operating Statement.** Upon request by Tenant, Landlord shall furnish Tenant such information as may be necessary for Tenant to verify and audit Operating Expenses and shall cooperate with Tenant in verifying and auditing the operating statement (the "Supporting Documentation"). Tenant shall have one hundred twenty (120) days after receipt of the Supporting Documentation to dispute the correctness or completeness of the operating statement, after which time the operating statement shall be deemed to be complete and correct and conclusive and binding on Landlord and Tenant. If Tenant's audit of the operating statement discloses an overcharge by Landlord in excess of three percent (3%) of Operating Expenses, Landlord shall reimburse Tenant for the cost of Tenant's review. Any overcharge by Landlord shall be promptly paid to Tenant with interest at the Default Rate (as hereinafter defined). Landlord agrees that Tenant shall have the right to engage third party auditors to perform such review of Landlord's books and records relating to Operating Expenses.

**4.6 Additional Rent and Rent.** All costs and expenses which Tenant assumes and agrees to pay Landlord pursuant to this Lease, including Taxes and Tenant's Share of Operating Expenses, shall be deemed Additional Rent, and, in the event of non-payment thereof, Landlord shall have all rights and remedies provided for in the case of non-payment of Base Rent. The term "Rent" shall refer to the Base Rent and the Additional Rent. Base Rent and Additional Rent attributable to Operating Expenses for any partial month shall be prorated based on the number of days in that month. Rent shall be paid to Landlord at Landlord's Address (as defined in Subsection (14)) of the Lease Schedule. All payments by Tenant shall be made in lawful money of the United States. The obligation to pay Additional Rent with respect to the Existing Building and New Office Area shall begin on the respective Commencement Date(s).

**4.7 Interest on Late Payments.** In the event that Tenant fails to pay Rent or any other sum due under any provisions of this Lease when due and such amount is not paid within ten (10) business days after written notice of such failure to pay as herein provided, then such

sum shall bear interest thereafter at the rate of ten percent (10%) per annum (the “**Default Rate**”).

**4.8 Base Rent Abatement and Adjustment.** Notwithstanding anything to the contrary herein, provided no Event of Default (as hereinafter defined) under this Lease has occurred and is continuing, Tenant's obligations to pay installments of Base Rent only shall be abated during the following periods (together, the “**Base Rent Abatement Period**”): (a) with respect to the Existing Building, the first six (6) months of the Term, beginning on the Existing Building Commencement Date, and (b) with respect to the New Office Area, the first four (4) months of the Term, beginning on the New Office Area Commencement Date. In addition, following Tenant's payment of any installment of Taxes, Tenant shall send Landlord an invoice for an amount calculated by multiplying the amount of the installment by the difference between 100% and Tenant's Share from time to time (the “**Adjustment Amount**”). In other words, if Tenant pays Taxes in the amount of \$100,000 and Tenant's Share is 66.03%, then Tenant shall send Landlord an invoice in the amount of  $[\$100,000 * (100\% - 66.03\%)] = \$33,970$ . Landlord shall pay Tenant the Adjustment Amount on or before fourteen (14) days after receiving the same, and in the event Landlord fails to pay such amount on or before the expiration of such fourteen-day period, Tenant shall be entitled to abate monthly Base Rent installments thereafter becoming due by the Adjustment Amount. If Tenant's Share changes during any period to which an installment of Taxes applies, then the Adjustment Amount shall be calculated taking into consideration such change. For example, and not in limitation of the foregoing, in the event that a \$100,000 installment of Taxes applies to a twelve month period during half of which Tenant's Share is 66.03% and during the remainder of which Tenant's Share is 62.42%, then the Adjustment Amount shall be calculated as follows:  $[\$50,000 * (100\% - 62.42\%)] + [\$50,000 * (100\% - 66.03\%)] = \$35,775$ .

2. Except as modified herein, all other terms, conditions, agreements, covenants, representations, warranties and indemnities of the Lease and of any previous modification thereof shall remain unchanged. This First Amendment and the Lease contain the entire agreement between Landlord and Tenant with respect to Tenant's leasing of the Premises. Except for the Lease and this First Amendment, no prior agreements or understandings with respect to the Premises shall be valid or of any force or effect.

3. This First Amendment and the Lease shall be deemed to be, for all purposes, one instrument. In the event of any conflict between the terms and provisions of this First Amendment and the terms and provisions of the Lease, the terms and provisions of this First Amendment shall, in all instances, control and prevail.

4. The provisions of this First Amendment shall bind and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors, and assigns.

5. This First Amendment shall be governed by the laws of the State of Michigan.

6. This First Amendment may be executed in counterparts, each of which shall constitute an original, and all of which, when taken together, shall constitute one and the same instrument.

BOSTICK ROCHESTER ROAD  
DEVELOPMENT LLC

By: *Denise Bostick*

Its: *Manager*  
*4-2870*

AXLETECH INTERNATIONAL, LLC

By: \_\_\_\_\_

Its: \_\_\_\_\_

**IN WITNESS WHEREOF**, the parties have executed this First Amendment as of the date first above written.

BOSTICK ROCHESTER ROAD  
DEVELOPMENT LLC

By: \_\_\_\_\_

Its: \_\_\_\_\_

AXLETECH INTERNATIONAL, LLC

By: Mary Petrosal

Its: General Manager

**City of Troy - Assessing Department  
Axle Tech International, LLC  
Estimate of Current Taxes and Tax Savings for Plant Rehabilitation Application**

Year	0	1	2	3	4	5	6	7	8	9	10	11	12
<b>Current Taxable</b>	2,123,540	2,123,540	2,123,540	2,123,540	2,123,540	2,123,540	2,123,540	2,123,540	2,123,540	2,123,540	2,123,540	2,123,540	2,123,540
<b>Rehab Taxable</b>	1,836,570	1,836,570	1,836,570	1,836,570	1,836,570	1,836,570	1,836,570	1,836,570	1,836,570	1,836,570	1,836,570	1,836,570	1,836,570

<b>2009 Millage Rate</b>	48.0533	48.0533	48.0533	48.0533	48.0533	48.0533	48.0533	48.0533	48.0533	48.0533	48.0533	48.0533	48.0533
<b>Frozen Taxes</b>		\$102,043	\$102,043	\$102,043	\$102,043	\$102,043	\$102,043	\$102,043	\$102,043	\$102,043	\$102,043	\$102,043	\$102,043
<b>Tax Savings on Rehab</b>		\$88,253	\$88,253	\$88,253	\$88,253	\$88,253	\$88,253	\$88,253	\$88,253	\$88,253	\$88,253	\$88,253	\$88,253

<b>2010 City Millage Rate</b>	9.4000	9.4000	9.4000	9.4000	9.4000	9.4000	9.4000	9.4000	9.4000	9.4000	9.4000	9.4000	9.4000
<b>Frozen City Taxes</b>		\$19,961	\$19,961	\$19,961	\$19,961	\$19,961	\$19,961	\$19,961	\$19,961	\$19,961	\$19,961	\$19,961	\$19,961
<b>City Tax Savings on Rehab</b>		\$17,264	\$17,264	\$17,264	\$17,264	\$17,264	\$17,264	\$17,264	\$17,264	\$17,264	\$17,264	\$17,264	\$17,264

<b>Total Frozen Taxes 12 Years</b>		<b>\$1,224,517</b>	<b>Total Tax Savings 12 Years</b>		<b>\$1,059,039</b>
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<b>Total Frozen City Taxes 12 Years</b>		<b>\$239,535</b>	<b>Total City Tax Savings 12 Years</b>		<b>\$207,165</b>
---	--	------------------	--	--	------------------

Applicant Name <b>Axle Tech International, LLC</b>
--

## Fiscal Statement (to be completed by local unit)

- |  | <u>YES</u>               | <u>NO</u>                |
|--|--------------------------|--------------------------|
| Is this project:   |                          |                          |
| Real Property?   | <input type="checkbox"/> | <input type="checkbox"/> |
| Personal Property?   | <input type="checkbox"/> | <input type="checkbox"/> |
| Both Real and Personal Property - New Facility?            | <input type="checkbox"/> | <input type="checkbox"/> |
| Both Real and Personal Property - Rehabilitation Facility? | <input type="checkbox"/> | <input type="checkbox"/> |
| Both New and Replacement Facility?                         | <input type="checkbox"/> | <input type="checkbox"/> |

Estimated Project Investment (not assessed value):

Real Property	Personal Property	Total
---------------	-------------------	-------

	<u>YES</u>	<u>NO</u>	<u>REMARKS</u>
1. A. Has the proper local authority reviewed the plan?	<input type="checkbox"/>	<input type="checkbox"/>	_____
B. Is the project located in a certified industrial park?	<input type="checkbox"/>	<input type="checkbox"/>	_____
C. Is this a renovation or expansion of an existing building?	<input type="checkbox"/>	<input type="checkbox"/>	_____
2. Will this project require improvement of your road service?	<input type="checkbox"/>	<input type="checkbox"/>	_____
3. Will this project require improvement of your sanitary sewer services?	<input type="checkbox"/>	<input type="checkbox"/>	_____
4. Will this project require improvement of your storm sewer services?	<input type="checkbox"/>	<input type="checkbox"/>	_____
5. Will this project require improvement of your water services?	<input type="checkbox"/>	<input type="checkbox"/>	_____
6. Will this project require additional police personnel, police equipment or a need for new police building expansion?	<input type="checkbox"/>	<input type="checkbox"/>	_____
7. Will this project require the need for additional fire personnel, additional or specialized fire equipment or the need for a new fire building?	<input type="checkbox"/>	<input type="checkbox"/>	_____
8. Will this project require other costs?	<input type="checkbox"/>	<input type="checkbox"/>	_____
9. Are costs of infrastructure elements to be provided through Local Development Finance Authority or Tax Increment Finance Authority Bonds?	<input type="checkbox"/>	<input type="checkbox"/>	_____

If you answered yes to any of questions 2 through 8, the appropriate sections of the Supplement to Fiscal Statement form must be completed and accompany the IFT application. Call (517) 373-3272 to obtain that form.

### LOCAL UNIT CERTIFICATION

This is to certify that the following has been provided as accurately as possible.

Signature	Name and Title of Local Governmental Unit Official
-----------	--

**City of Troy - Assessing Department  
Oakland County, Michigan  
Plant Rehabilitation Application**

**Affidavit of:**

**Statement of Total State Equalized Value (SEV) of District  
Assessor's Obsolescence Statement of Subject Property**

<b><u>Date:</u></b>	<b>05/20/10</b>
<b><u>Applicant Name:</u></b>	<b>Axle Tech International, LLC</b>
<b><u>Subject Property Address:</u></b>	<b>1400 Rochester, Troy, MI. 48083</b>
<b><u>Parcel Number(s)</u></b>	<b>88-20-34-226-048                      &amp;                      88-20-34-226-057</b>
<b><u>Total SEV of District:</u></b>	<b>\$2,128,660</b>
<b><u>Total SEV of Parcel Number(s):</u></b>	<b>\$2,128,660</b>
<b><u>Total Taxable Value (TV) of Parcel Number(s):</u></b>	<b>\$2,123,540</b>
<b><u>Reconstruction Cost New (RCN) of Subject Property:</u></b>	<b>\$12,940,437</b>
<b><u>Reconstruction Cost New Less Depreciation (RCNLD) of Subject:</u></b>	<b>\$2,060,079</b>
<b><u>Total Cost of Proposed Rehabilitation:</u></b>	<b>\$3,673,155</b>
<b><u>% of Rehabilitation Cost to RCNLD:</u></b>	<b>%                      178.30</b>

**The above information is true, to the best of my knowledge**

\_\_\_\_\_  
Leger A. (Nino) Licari CMAE IV, Cert # 6345  
Assessor, City of Troy

\_\_\_\_\_  
Date

Land Value Estimates for Land Table M-1.M-1

\* Factors \*

Description	Frontage	Depth	Front	Depth	Rate	%Adj.	Reason	Value
M-1 SQ FT	M-1 SQ FT	394	218	SqFt	4.50	100		1,773,981
9.05 Total Acres Total Est. Land Value =								1,773,981

< Land Improvement Cost Estimates >

Description	Rate	CountyMult.	Size	%Good	Cash Value
D/W/P: Asphalt Paving	1.61	1.47	207105	56	274,487
Total Estimated Land Improvements True Cash Value =					274,487

Cost Estimates for Commercial/Industrial Building/Section: 1 Built 1972  
Description of Occupancy: 0% V 08, 100% 03-04-05-06-07

Costs are taken from the Industrial, Light Manufacturing cost schedules.  
<<<<< Calculator Cost Computations >>>>>  
Class: S Quality: Average Percent Adj: +0

Base Rate for Upper Floors = 30.90

(10) Heating system: Package Heating & Cooling Cost/SqFt: 5.25 100%  
Adjusted Square Foot Cost for Upper Floors = 36.15

1 Stories Number of Stories Multiplier: 1.000  
Average Height per Story: 33 Height per Story Multiplier: 1.458  
Ave. Floor Area: 178,732 Perimeter: 2343 Perim. Multiplier: 0.873  
Refined Square Foot Cost for Upper Floors: 46.01

County Multiplier: 1.47, Final Square Foot Cost for Upper Floors = 67.639

Total Floor Area: 189,034 Base Cost New of Upper Floors = 12,786,077

56,455 Sq.Ft. of Sprinklers @ 1.86, County Mult.:1.47 Cost New = 154,359

Reproduction/Replacement Cost = 12,940,437  
Eff.Age:36 Phy.%Good/Abnr.Phy./Func./Econ./Overall %Good: 53 /100/30 /100/15.9  
Total Depreciated Cost = 2,057,529

Local Cost Items	Rate	Quantity/Area	%Good	Depr.Cost
CRANEWAY DBL RAIL LF	429.46	1622	16	110,757
DOCK LEVELOR	6560.17	9	16	9,388

ECF (INDUSTRIAL LM) 0.946 => TCV of Bldg: 1 = 2,060,079  
Replacement Cost/Floor Area= 69.09 Est. TCV/Floor Area= 10.90

Total Estimated True Cash Value of Commercial/Industrial Buildings = 2,060,079

2010 Est. T.C.V. 88-20-34-226-048 = 4,108,547  
 Est. TCV/Total Floor Area = 21.73, Most recent sale 03/31/2005 for 4,029,444

2009 Assessed	MBOR	S.E.V.	Base for Cap	C.P.I.	
2,536,620	2,536,620	2,536,620	2,192,800	-0.30	
2010 New Eq. Adjustment	Loss	Additions	Tax Adjustment	Losses	
-482,350			-138,530		
2010 Assessed	MBOR	S.E.V.	Capped	->Taxable<-	PRE/MBT
2,054,270	2,054,270	2,054,270	2,186,220	2,054,270	

88-20-34-226-057  
Property Class: 302  
Map #: 88-20-34-226-057

2010 Est. T.C.V.  
Printed 05/20/2010  
CITY OF TROY

BOSTICK ROCHESTER ROAD DEVELOPMENT

Land Value Estimates for Land Table M-1.M-1

\* Factors \*

Description	Frontage	Depth	Front	Depth	Rate	%Adj.	Reason	Value
M-1 SQ FT	M-1 SQ FT		33060 SqFt		4.50	100		148,770
M-1 SQ FT	M-1 1/2 SQ FT		0 SqFt		2.00	100		
0.76 Total Acres Total Est. Land Value =								148,770

2010 Est. T.C.V. 88-20-34-226-057 = 148,770

Est. TCV/Total Floor Area = 0.00, Most recent sale 03/21/2005 for 55,556

2009 Assessed	MBOR	S.E.V.	Base for Cap	C.P.I.			
95,050	95,050	95,050	69,480	-0.30			
2010 New Eq. Adjustment		Loss	Additions	Tax Adjustment	Losses		
	-20,660			-210			
2010 Assessed	MBOR	S.E.V.	Capped	->Taxable<-	PRE/MBT		
74,390	74,390	74,390	69,270	69,270			





**Legal Descriptions for IDD and PRD at 1400 Rochester Rd, Troy MI.48083**

**88-20-34-226-048**

**T2N, R11E, SEC 34  
PART OF NE 1/4  
BEG AT PT DIST  
S 00-01-00 E 420 FT & W 900 FT  
FROM NE SEC COR,  
TH S 00-01-00 E 570 FT,  
TH W 194.14 FT,  
TH S 00-25-30 E 168.73 FT TO CEN LINE SPENCER DRAIN,  
TH N 73-57-18 W 69.28 FT,  
TH N 66-31-20 W 242.88 FT,  
TH N 61-37-44 W 76.01 FT,  
TH N 36-42-46 W 23.02 FT,  
TH N 89-43-35 W 75.73 FT,  
TH N 12-06-00 E 582.87 FT,  
TH E 516.84 FT  
TO BEG 9.05A ALSO  
S 100 FT OF LOT 12 &  
THAT PART OF LOT 13  
LYING NWLY OF CEN LINE SPENCER DRAIN  
OF 'TROY INDUSTRIAL SUB'**

**88-20-34-226-057**

**T2N, R11E, SEC 34 TROY INDUSTRIAL SUB  
PART OF LOT 12 BEG AT PT DIST  
S 00-06-30 E 271.00 FT FROM NE LOT COR,  
TH S 00-06-30 E 129.00 FT ALG  
W LINE OF SOUTER BLVD  
TH W 240.00 FT,  
TH N 00-06-30 W 234.00 FT,  
TH E 20.00 FT,  
TH S 00-06-30 E 105.00 FT,  
TH E 220.00 FT  
TO BEG**

May 6, 2002 adopted amendment by Resolution #2002-05-273  
September 11, 2000

**Plant Rehabilitation**

**F-4**

RESOLUTION #2000-412  
Moved by Pallotta  
Seconded by Kaszubski

WHEREAS, the City of Troy has the economic objective of (a) increasing employment opportunities, (b) reducing economic obsolescence of the Industrial base, (c) encouraging industrial expansion, (d) encouraging attractive, viable industrial sites, (e) encouraging the redevelopment of obsolete industrial buildings, and (f) maintaining a modern, efficient industrial building inventory; and

WHEREAS, The Plant Rehabilitation and Industrial Development Districts Act, being Public Act 198 of 1974 (PA 198), as amended, empowers cities to establish Plant Rehabilitation Districts (PRD) and to grant tax abatements for certain properties which meet certain criteria established by PA 198; and

WHEREAS, the City Council of the City of Troy has determined that additional criteria should be established for the creation of such districts and abatements;

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Troy, that the following criteria are to be met, applied, or measured by the City Manager, or his designees in the review of areas and locations to be considered for the designation as Plant Rehabilitation Districts (PRD) by the City Council:

- 1.) The property must be included in the (M-1) Light Industrial zoning classification.
- 2.) If the district is to be established for a Replacement Facility, as defined in PA 198, it will include the site of the obsolete building, as defined by PA 198, and vacant land contiguous to the site, not separated by a dedicated public right of way.

BE IT FURTHER RESOLVED, that in addition to the criteria established by The Plant Rehabilitation and Industrial Development Districts Act, being Public Act 198 of 1974, the following criteria are established as guidelines to be met, passed, measured and ascertained by the City Manager, or his designees, as minimum standards before submitting requests or petitions for the consideration and possible approval of Plant Rehabilitation type Industrial Facilities Exemption Certificates, by the City Council of the City of Troy:

- 1.) For Rehabilitation or Replacement Facilities applications, Personal Property shall not be included as part of an abatement request.
- 2.) For Rehabilitation or Replacement Facilities applications, the minimum amount of Taxable Value generated by the renovation or replacement, shall be at least 50% of the existing Taxable Value of the obsolete building.
- 3.) For Rehabilitation or Replacement Facility applications, the maximum amount of Taxable Value generated by the renovation or replacement, shall not be more than ~~100% of the existing Taxable Value of the obsolete building.~~ 50% of the Reproduction/Replacement Cost of the existing building, as shown on the Assessing Department's current year Valuation Statement.
- 4.) For Replacement Facilities applications, the existing obsolete structures shall be demolished.
- 5.) For Replacement Facilities applications, the Replacement shall be constructed on the site of the demolished obsolete building, and on contiguous vacant land not separated by a dedicated public right of way.

Yes: Stine, Kaszubski, Pallotta, Schilling, Stevens  
No: Howrylak  
Absent: Allemon

September 11, 2000: Original Resolution Passes  
May 6, 2002 Amendments moved by Beltramini, support Pallotta,  
Yes: Broomfield, Eisenbacher, Lambert, Pallotta, Pryor, Beltramini  
No: Howrylak

**CITY OF TROY  
INDUSTRIAL FACILITIES EXEMPTION  
CERTIFICATE LETTER OF AGREEMENT  
FOR PLANT REHABILITATION**

This agreement between **Axle Tech International, LLC**, (“Company”) and the **City of Troy**, is for the purpose of fulfilling the requirements of Public Act 198, as amended in Public Act 334, Section 22.

In consideration of approval of an Industrial Facilities Exemption Certificate (IFEC), **Axle Tech International, LLC**, understands that through its investment of \$3,673,155 ~~and its qualification for Michigan Economic Growth Authority incentives~~, and the **City of Troy**, by its investment of the Industrial Facilities Exemption Certificate, are mutually investing in and benefiting from this economic development project, and furthermore, agree to the following:

- 1.) The length of time for which the abatement is approved is **12** years after either completion of construction of the facilities, or December 31, 2024, whichever is sooner.
- 2.) At the end of two (2) years or no later than December 31, 2012, **Axle Tech International, LLC**, will report to the Assessing Department of the City of Troy the actual cost of this project and indicate any differences and the reason for any differences in the cost or scope of the project as compared to the IFEC application submitted by the Company.
- 3.) **Axle Tech International, LLC**, agrees to remain within the City of Troy for the period of the Industrial Facilities Tax (IFT) abatement in order to retain the benefits of the IFT, unless permission for relocation is granted by the **City Council of the City of Troy**.

**Axle Tech International, LLC**, further understands that if it chooses to leave the City of Troy without permission for relocation prior to the end of the term of the IFT, the **City Council of the City of Troy** has the right to recapture from the Company the total amount of taxes abated by the IFT.

- 4.) **Axle Tech International, LLC**, understands that the City of Troy may reduce the term of the IFEC, revoke the IFEC and/or recover from the Company, the amount of taxes which were abated if the project has not been completed, expenditures made, as represented by the Company, in Section 12’C of its application, by sending a copy of this Agreement along with a copy of the City Council Resolution authorizing such action to the State Tax Commission.

- 5.) **Axle Tech International, LLC**, agrees that it will operate the Project in accordance with all applicable Federal, State and Local laws or regulations, including but not limited to zoning, outside storage, industrial waste disposal, air and water quality, noise control, other environmental regulations, and all of the terms and conditions of any Consent Judgment governing the parcel.
- 6.) By execution of the Agreement, it is understood that the Company's investment in the Project, and the City of Troy's investment in the granting of the IFEC is to encourage economic growth within the City of Troy.

The City of Troy acknowledges that in some instances economic conditions may prevent the Company from complying fully with this Agreement, and the terms of the Application. The City of Troy will give the Company an opportunity to explain the reasons for any variations from the representations contained in the Application and will evaluate the Company's situation prior to taking any action authorized by Paragraph 4 and 5 of this Letter of Agreement.

- 7.) This Agreement constitutes the entire Agreement between the parties and there are no other remedies for breach of this Agreement other than as specified in this Agreement or as provided for in Public Act 198.

This agreement may only be altered upon mutual consent of both parties.

**CITY OF TROY  
INDUSTRIAL FACILITIES EXEMPTION  
CERTIFICATE LETTER OF AGREEMENT  
FOR PLANT REHABILITATION  
(Signature page)**

Signed: \_\_\_\_\_ (date) \_\_\_\_\_

Name:

Title:

Signed: \_\_\_\_\_ (date) \_\_\_\_\_  
Louise E. Schilling , Mayor  
City of Troy  
500 W Big Beaver  
Troy, MI 48084-5285

Signed: \_\_\_\_\_ (date) \_\_\_\_\_  
Tonni L. Bartholomew  
City Clerk

**CITY OF TROY**  
**PUBLIC HEARING**

A Public Hearing will be held by and before the City Council of the City of Troy at City Hall, 500 W. Big Beaver, Troy, Michigan on Monday, July 12, 2010 at 7:30 P.M. to consider the request from Axle Tech International, LLC, for the granting of a Plant Rehabilitation Exemption at the following location:

88-20-34-226-048 & 88-20-34-226-057 1400 Rochester, Troy, MI. 48083-2854  
T2N, R11E, Section 34 Part of North East 1/4

You may express your comments regarding this matter by writing to this office, or by attending the Public Hearing.

---

Tonni Bartholomew, MMC  
City Clerk

**NOTICE:** *People with disabilities needing accommodations for effective participation in this meeting should contact the City Clerk by e-mail at [clerk@ci.troy.mi.us](mailto:clerk@ci.troy.mi.us) or by calling (248) 524-3317 at least two working days in advance of the meeting. An attempt will be made to make reasonable accommodations.*

**TROY SCHOOL DISTRICT  
MICHAEL ADAMCZYK  
4400 LIVERNOIS  
TROY MI 48098-4799**

**OAKLAND COMMUNITY COLLEGE  
CLARENCE E BRANTLEY  
2480 OPDYKE  
BLOOMFIELD HILLS MI 48304-2266**

**OAKLAND INTERMEDIATE SCHOOLS  
2111 PONTIAC LAKE  
WATERFORD MI 48328**

**OAKLAND COUNTY PTA  
1200 N TELEGRAPH Dept 479  
PONTIAC MI 48341-0479**

**OAKLAND COUNTY EQUALIZATION  
DAVID HIEBER  
250 ELIZABETH LAKE RD 1000 W  
PONTIAC MI 48341**

**BOSTICK ROCHESTER DEV LLC  
DENNIS BOSTICK  
1819 E BIG BEAVER  
TROY MI 48083**

**AXLETECH INTERNATIONAL LLC  
WILLIAM MILLER  
3001 W BIG BEAVER STE 400  
TROY MI 48084-3105**