

AN ORDINANCE 99658

AUTHORIZING EXECUTION OF AN AMENDMENT TO THE CITY'S TAX PHASE-IN AGREEMENT WITH ROYAL OAK INDUSTRIES, INCORPORATED (APPROVED BY ORDINANCE NO. 96358 DATED SEPTEMBER 12, 2002) TO ADJUST THE EXISTING TEN (10) YEAR TERM OF THE AGREEMENT TO COMMENCE JANUARY 1, 2004; AMENDING THE JOB CREATION DEADLINE AND FACILITY COMPLETION DATE CORRESPONDING WITH THE ADJUSTED TERM OF THE AGREEMENT; REVISING THE DESCRIPTIONS OF REAL AND PERSONAL PROPERTY IMPROVEMENTS AND INVESTMENT LEVELS; AND ASSIGNING THE RIGHTS AND OBLIGATIONS OF THE AGREEMENT TO TEXAS MACHINING ENTERPRISES II, L.L.P., AN AFFILIATE ENTITY OF ROYAL OAK INDUSTRIES, INCORPORATED.

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WHEREAS, Royal Oak Industries, Incorporated ("Royal Oak") is a privately-owned company headquartered in Michigan employing over 400 personnel nationally with annual sales of approximately \$50 million and is a leading manufacturer of highly-engineered cylinder blocks, cylinder heads, engine covers, valves and other high-value components for the heavy truck industry and automotive after-market such as Caterpillar, Ford, Navistar, Mack Truck and Detroit Diesel; and

WHEREAS, in 2002 Royal Oak was awarded a long-term contract with a major automotive company to machine diesel engine blocks cast in Saltillo, Mexico and chose San Antonio over Seguin and Houston as its Texas site to construct a 130,000 square-foot manufacturing facility which is located in the Perrin Creek Business Park; and

WHEREAS, City Council previously approved a Tax Phase-In Agreement with Royal Oak on September 12, 2002 for a ten-year, 100% abatement for real and personal property improvements; and

WHEREAS, Royal Oak agreed to invest a minimum of \$5 million in real property improvements, \$40 million in personal property improvements and create 100 new full-time, non-temporary employees by the end of 2003; and

WHEREAS, although Royal Oak intended to commence operations at the new facility by January 1, 2003, unanticipated weather conditions caused a delay in construction and subsequent hiring efforts since Royal Oak could not occupy the facility until July 1, 2003; and

WHEREAS, Royal Oak has to date created 75 jobs, over 57% of which are economically disadvantaged, and will hire the additional 25 jobs required under the Agreement by December 31, 2004; and

WHEREAS, Royal Oak has exceeded the real and personal property investment required under the Agreement and now plans to invest a total of at least \$12,000,000 in real property improvements and \$70,000,000 in tangible personal property improvements; and

WHEREAS, pursuant to the Agreement provisions, Royal Oak has provided notice that they will assign their rights and obligations under the Agreement to Texas Machining Enterprises II, L.L.P. ("TME II, L.L.P."), an affiliate entity of Royal Oak; and

WHEREAS, with this prior notice and as an affiliated entity, TME II, L.L.P. is authorized under the Agreement to assume the assigned rights and obligations; and

WHEREAS, City Council finds that it is in the best interest of the City of San Antonio to amend the Agreement to adjust the commencement date of the term to January 1, 2004 due to unavoidable construction delays, correspondingly amend the job creation and facility completion deadlines to reflect the adjusted term, amend the real and personal property descriptions as well as the improvement investment levels and assign the rights and obligations of the Agreement to Royal Oak's affiliate entity, Texas Machining Enterprises II, L.L.P.; **NOW THEREFORE:**

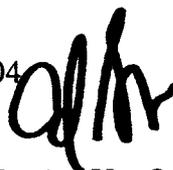
BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The City Council hereby authorizes amendments to the Tax Phase-In Agreement with Royal Oak Industries, Incorporated to: adjust the commencement date of the term to January 1, 2004; adjust the job creation deadline to December 31, 2004 and the facility completion deadline to April 1, 2005; amend the real and personal property descriptions and increase the improvement investment levels; and assign the rights and obligations of the Agreement to Royal Oak's affiliate entity, Texas Machining Enterprises II, L.L.P.; all as more particularly described in the *Amendment to Tax Phase-In Agreement* (the "Amendment"), a final copy of which is attached hereto and incorporated herein as Attachment I.

SECTION 2. The City Manager or a designated representative is authorized, for a forty-five (45) day period from the effective date of this ordinance, to execute the Amendment as approved in Section 1. The final Amendment shall be filed with this Ordinance upon execution.

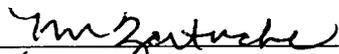
SECTION 3. This ordinance shall be effective on and after the tenth (10th) day after passage hereof.

PASSED AND APPROVED this 2nd day of September, 2004



M A Y O R
EDWARD D. GARZA

ATTEST: 
City Clerk

APPROVED AS TO FORM: 
for City Attorney