

## LEASE REPORT

### LEASE OF PART OF 3533 NORTH 27<sup>TH</sup> STREET AND PART OF 3424 NORTH 27<sup>TH</sup> STREET REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE

#### DATE

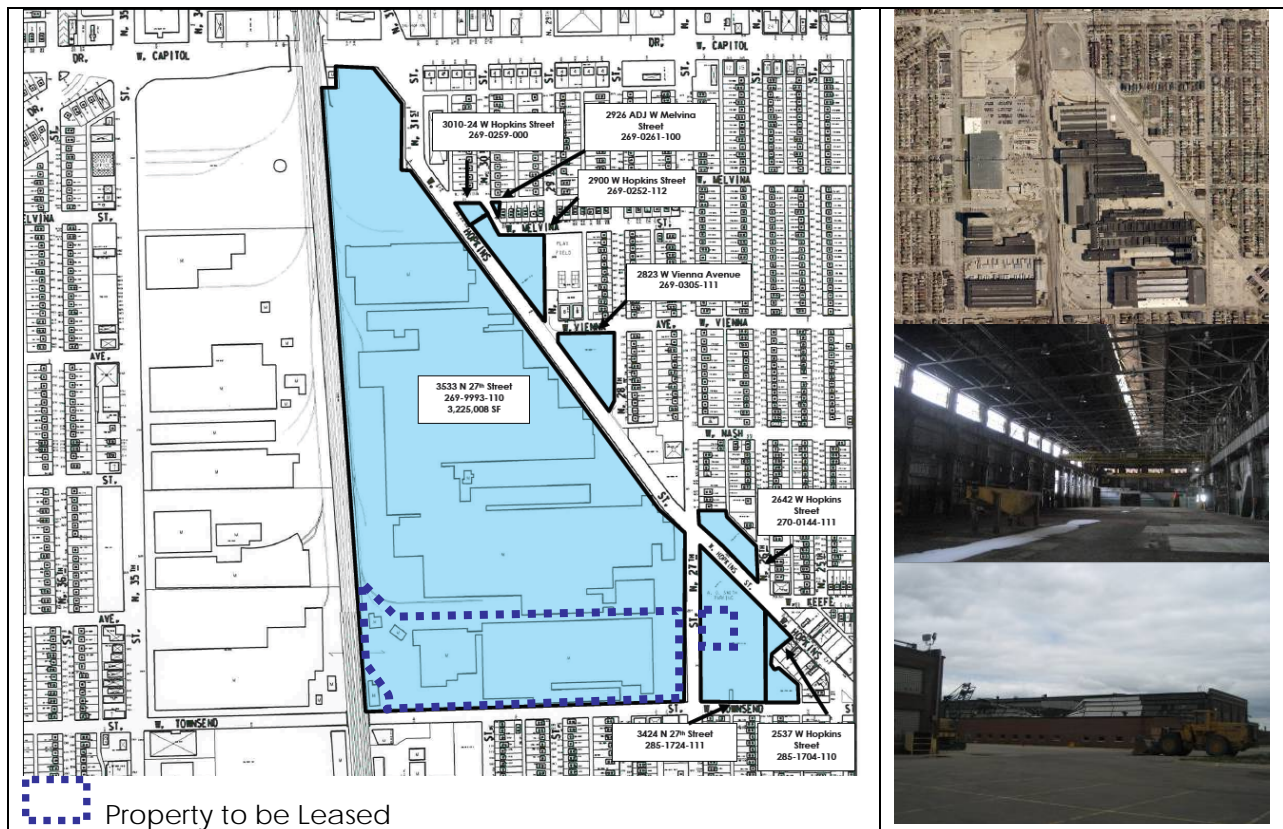
March 18, 2010

#### RESPONSIBLE STAFF

Benji Timm (414-286-5756)

#### PROPERTY HISTORY AND LOCATION

3533 North 27<sup>th</sup> Street and 3424 North 27<sup>th</sup> Street: two component parcels of the 84-acre Century City site that RACM acquired on December 15, 2009 from Milwaukee Industrial Trade Center, LLC, which site was the former Tower Automotive Site, and before that the former A.O. Smith Site. The Site has a long history of industrial use in the City. Unfortunately, the Site in recent times fell into disrepair, underutilization, and blight.



The Site is within the Century City Redevelopment Plan, dated June 14, 2005, and TID 74 approved September 1, 2009.

#### LESSEE

Talgo, Inc. ("Talgo"), an assembler of high-speed, articulated trainsets, has a contract with the State of Wisconsin Department of Transportation ("DOT"), and Talgo wishes to use a part of 3533 North 27<sup>th</sup> Street and a part of 3424 North 27<sup>th</sup> Street (the "Covered Area") for its operations producing and assembling trainsets, including those it will assemble and sell to DOT.

**COVERED AREA**

The Covered Area is comprised of roughly 14.8 acres at 3533 North 27<sup>th</sup> Street and roughly 2 acres at 3424 North 27<sup>th</sup> Street as depicted above. The area at the 3424 North 27<sup>th</sup> Street parcel will be used for vehicular parking. The area at the 3533 North 27<sup>th</sup> Street parcel will include Talgo's use of Building 36 as well as exterior space for Talgo's trainset assembly and maintenance operations, and will include rail-spur access.

**LEASE TERMS AND CONDITIONS**

The lease terms and conditions will follow, in material manner, the provisions of the March 2, 2010 Letter of Intent ("LOI") between RACM and Talgo, which will require Talgo to pay rent at \$2.59 per year per square foot for about 133,000 SF of Building 36 interior space, with Talgo having the right, as spelled out in the LOI, to use other areas of Building 36 (including flex space primarily for storage and warehousing not for work stations or maintenance services). Talgo will also have a right of first refusal to rent other space in Building 36 along with the right to expand the roughly 133,000 SF area which expansion, or add-on square footage, Talgo would also have to pay rent on.

The initial term of the lease will be 2 to 4 years, depending on whether Talgo is able to obtain binding purchase agreements (with parties other than the Wisconsin DOT) for assembly of at least 18 trainsets at the site by September 30, 2011. In any event, Talgo will have 2 options of 5 years each to extend the lease term, with rent adjustment in any extended term being adjusted upward based on the CPI.

The LOI requires RACM to build-out improvements to the Covered Area by July 1, 2010, with the exception that exterior rail improvements by RACM may be completed by August 1, 2010. RACM must complete the improvements on time or face risk of liability to Talgo as spelled out in the LOI.

In addition, RACM is responsible for environmental remediation of pre-existing conditions at the site.

Talgo will also have an option to purchase the Covered Area during the term of the lease at fair market value, to be determined by appraisal to be performed by an appraiser jointly selected by RACM and Talgo, with the cost of appraisal being split between Talgo and RACM.

**FUTURE ACTIONS**

RACM is arranging for undertaking and completion of remediation and improvements as required by the LOI, and RACM, in consultation with the City Attorney's Office, is preparing a lease based upon the LOI terms and conditions. Upon approval of this Report and transaction by RACM, approval by the Common Council will be sought.