

**TERM SHEET**  
**Reed Street Yards Water Technology Business Park**

**Project Description:** The City of Milwaukee, Redevelopment Authority of the City of Milwaukee and Building 41 LLC, or its assignee ("Developer") intend to enter into a public/private partnership to create a water technology business park on an approximately 20-acre parcel of distressed land abutting the south bank of the Menomonee River, roughly between South Second Street and South Ninth Street (the "Project Area"). The eastern portion of the Project Area (located east of South Sixth Street and commonly referred to as the "Reed Street Yards") is comprised of vacant land capable of containing 320-630,000 SF of office space, depending on the amount of structured parking utilized. The western portion (located west of South Sixth Street) contains empty buildings, totaling approximately 280,000 SF that were once part of the Pfister and Vogel Tannery. The City intends to create a tax increment district (the "TID") encompassing the Project Area and adjacent lands. Subject to creation of the TID, the City will provide funds through the TID (the "City Investment") to pay for all or a portion of costs incurred for the installation of public and private infrastructure (initial Site Plan attached), environmental remediation, and grants or loans to defray construction cost premiums attributable to adverse site conditions and/or the technology requirements of the desired end users. The Developer will construct all private infrastructure, will market applicable portions of the site to water technology companies and will either develop or sell parcels for occupancy by the desired end users. The Developer will also dedicate right-of-way necessary for construction of public infrastructure, and, if requested by the City, construct the public infrastructure. It is anticipated that construction of public infrastructure will begin in 2010, creating marketable sites by late 2011 or early 2012.

**City Investment:** The project plan for the TID (the "Project Plan") will allocate the City Investment to the categories of expenditures likely to be required over the course of development of the Project, including the public and private infrastructure, which may include one or more parking decks, environmental remediation and grants to the Developer or end users. The City Investment will be applied to 100% of the cost of public streets, sidewalks, lighting, landscaping, sanitary sewers, stormwater systems, water and related improvements. The City Investment will be applied to 70% of eligible riverwalk costs and 50% of eligible dockwall costs subject to the maximum contribution permitted by Common Council Resolution File No. 060578. As provided herein, to the extent available, the City Investment will also be applied toward the cost of one or more parking structures. Funds will also be made available to the City for administrative costs.

**Initial City Investment:** Up to \$6,420,000 of the City Investment (the "Initial City Investment") will be disbursed by the City for public infrastructure and for cost relief for the initial building to be developed in the Project:

- Up to \$4,236,000 of the Initial City Investment will be available for the public infrastructure (the "Infrastructure Grant").
- Up to \$900,000 (\$15/SF for a 60,000 SF building) of the Initial City Investment will be available to the Developer for site remediation and other extraordinary site costs ("Initial Building Grant").
- Up to \$1,020,000 of the Initial City Investment will be available to establish a fund for grants or loans to water technology related businesses ("Initial Technology Fund"). Grants or loans from the Initial Technology Fund will be based on the following:
  - The City's Commissioner of City Development (the "Commissioner") shall have determined that the benefited business is a "water related technology business" as defined in Exhibit A.
  - The Commissioner shall determine the amount and terms of any grant or loan from the Initial Technology Fund to a water related technology business, based on factors such as need, amortization of the TID, job creation and overall security.
- \$264,000 will be made available to the City for administrative costs.

In the event that the Developer constructs the public infrastructure, the Infrastructure Grant shall be disbursed through construction draws to pay for the installation of the public infrastructure as work progresses. All public infrastructure must be completed within eighteen months following execution of the development agreement, subject to force majeure. The Initial Building Grant shall be a reimbursement of funds expended or incurred by the Developer for the construction of a new building on the Reed Street Yards and shall be disbursed upon completion of construction of the initial building. [It's possible that a portion of the final draw will be funded through the building grant.] No residential building is eligible for the Initial Building Grant.

Prior to disbursement of any portion of the Infrastructure Grant, the following requirements must be met:

- A. The Commissioner shall have approved the final scope of work and budget for the public infrastructure.
- B. The City's Commissioner of Public Works shall have approved the final design for the public infrastructure and shall have let or reviewed and

approved the construction contracts for the public works, which shall conform to the approved design, scope of work and budget.

- C. Payment requests shall be presented to the Commissioner by Developer no more frequently than once per month, on AIA Document G702 or equivalent. Funds shall be disbursed through a mutually acceptable title insurance company pursuant to a disbursement agreement. The Initial City Investment disbursed in each draw shall be in accordance with the percentages described in the City Investment section, above (e.g., 70% of eligible riverwalk costs, 100% of public street costs, etc.).
- D. The City and the Developer shall have agreed upon the form and substance of a Grant of Easement for the Riverwalk and the public right-of-way dedication shall have been initiated, subject to appropriate construction easements.

Prior to disbursement of the Initial Building Grant, the following requirements must be met:

- A. The Developer shall have completed construction of the initial building, as evidenced by the issuance of a certificate of occupancy.
- B. The Commissioner shall have determined that the physical dimensions of the initial building and the costs expended by the Developer in constructing the initial building are in general conformity with the underwriting criteria used in the feasibility study prepared by S.B. Friedman and Company. .
- C. The Commissioner shall have approved the final building plans, as well as the building's conformance with the zoning code.

**Subsequent Advances of the City Investment:** Development of buildings for the targeted users within the Project Area will be carried out over time in one or more phases, as end users are procured. After the disbursement of the Initial Building Grant (or sooner if the Developer has procured one or more end users for additional buildings while the initial building or a successive building is under construction), the Developer may request authorization for funding additional building and water technology grants/loans in accordance with the Project Plan. No residential buildings are eligible for subsequent building grants. The Commissioner shall work with the Developer to underwrite the appropriate amount of each additional building grant, taking into account the experience of the prior building and the then current market conditions, and shall submit a mutually agreed request for each additional grant to the Common Council. Prior to disbursement of each subsequent building grant, the Developer shall have completed construction of the respective subsequent building, as evidenced by the issuance of a certificate of occupancy.

Tax increment generated from developments within the TID that have not utilized building grants (e.g., residential apartments or condominiums) may be made available to pay for structured parking. If and when such increment is available and if warranted by absorption within the Project or the needs of a particular end user, the Developer may request an amendment to the Project Plan to authorize the expenditure of funds toward the cost of construction of one or more parking structures to serve the Project, to be constructed, owned and maintained by the Developer. Any shortfall in the cost of constructing such parking deck(s) shall be funded by the Developer.

Notwithstanding the foregoing, the amount of any advances of the City Investment above and beyond the Initial Investment shall not exceed the amount that can be fully amortized and repaid by the TID by year twenty-four of the TID, less reasonable administrative costs incurred by the City. Amortization forecasts will be made each time the Developer seeks an additional advance in order to determine the financial feasibility of the request.

**Zoning and Use Restrictions:** Simultaneously with the creation of the TID, the Commissioner and the Developer shall initiate an application to rezone the Reed Street Yards to I-M with a development incentive zone overlay. Permitted uses within the new zoning classification shall include office, retail and residential. The City and the Developer shall enter into a development agreement that shall contain use restrictions encumbering the Reed Street Yards. The use restrictions shall include a restriction providing that for a period of 8 years following substantial completion of the public infrastructure, at least 70% of the square footage within the restricted area must be constructed for "water technology-related businesses", as such term is defined on Exhibit A, attached hereto (the "Limited Use Restriction"). The Commissioner shall have the right to waive this requirement at the Commissioner's discretion. The development agreement shall be recorded and the restrictions contained therein shall run with the land and be binding upon and enforceable against all those in the chain of title. If for any reason the City funding for additional building grants and/or technology grants/loans is not made available as contemplated by the Project Plan, then the Limited Use Restriction shall terminate; the other terms of the development agreement shall, at the option of the Developer, remain in effect. Irrespective of such termination, the Developer may request authorization for the expenditure of excess increment toward the cost of one or more parking structures.

**Human Resource Requirements:** The Developer shall be responsible for compliance with all applicable Human Resource requirements imposed by the City with respect to all work funded through the Infrastructure Grant. The Developer (or an end user, if applicable) shall also comply with applicable Human Resource requirements for the construction of privately owned improvements within the Project Area as to which the City has provided funding through building grants or technology loans or grants.

**PILOT Payments:** The restrictions in the development agreement will require payments in lieu of taxes with respect to any parcel or building within the Project Area that subsequently becomes exempt from real property taxes during the life of the TID. This shall be a covenant running with the land for the duration of the TID.

**Grants and Other Financial Assistance:** The Developer and the City will undertake good faith efforts to secure brownfield and other grants and financial assistance for the Project. Any funds obtained and made available to the Project or a particular end user shall be applied as mutually agreed by the parties; provided, however that unless the parties agree to the contrary, the City Investment shall be reduced by an amount equal to 20% of any such additional grant funds.

**Exclusive Marketing:** During the term of the Limited Use Restriction, the City shall market the Reed Street Yards as the City's exclusive site for "water technology-related businesses" that meet the new zoning classifications. The City shall further enlist the support of the Water Council in such marketing efforts. In the event that the City provides financial incentives to "water technology-related businesses" that would be permitted by the new zoning classification for the Reed Street Yards at sites other than the Reed Street Yards (unless the Reed Street Yards is not suitable for such businesses and has been eliminated from consideration by such businesses), then the Limited Use Restriction shall terminate; the other terms of the development agreement shall, at the option of the Developer, remain in effect.

**Area Parking:** The initial private infrastructure shall include temporary surface parking areas to be made available to the Iron Horse Hotel and the 234 Florida Office building. The Developer agrees to provide parking for such properties for such number of vehicles, in such location(s) and for such period of time as will not interfere with the development of the Project. Because of the temporary nature of such parking, the requested zoning will contain relaxed design standards applicable to the temporary lots. The Developer may charge for such parking at rates comparable to rates being charged for surface parking in the Third Ward. If and when one or more parking structures are developed, parking for such properties shall also be made available within such structure(s), at rates comparable to rates being charged for parking structures located in the Third Ward.

**General:** This Term Sheet does not constitute a binding agreement. The terms set forth herein and other provisions customary for a transaction of this type (e.g., Comptroller audit rights) shall be incorporated into the development agreement referenced above, which shall be executed by the City, the Developer and the Redevelopment Authority of the City of Milwaukee. Resolutions approving this Term Sheet may provide for the execution of additional documents and instruments necessary to carry out the provisions of the development agreement and implement the Project.