

TAX INCREMENTAL DISTRICT NO. 54 [Draft of 03/10/04]

Term Sheet for Development Agreement Between:

RER Acquisitions LLC ("Developer")

City of Milwaukee ("City")

Redevelopment Authority of the City of Milwaukee ("RACM")

1. The Site. The site is approximately 17.6 acres (the "Site") as shown in the Project Plan for Tax Incremental District No. 54 ("TID-54"). The address of the Site is 1745 S. 38th Street; Tax Key No. 457-9972-111-6. The parties hereto will cooperate to divide the Site into two key numbers, one for the property which is the subject of a ground lease to Coakley 4000 West Burnham LLC, and the other for the balance of the Site (the "Development Site"). The parties hereto will further cooperate in the creation of a certified survey map in order to divide the Development Site into separate parcels to accommodate various phases of the Project (as defined below) and in the initiation of a rezoning of the Site to a light industrial classification to accommodate the Project.
2. Purchase Agreement. The Developer has executed a Purchase Agreement with the Seller/Owner of the Site dated December 1, 2003, which has a Due Diligence period through March 31, 2004.
3. Site Acquisition. The Developer will purchase the Site contingent on concluding a Development Agreement with the City and RACM, (the "Development Agreement"), which should include the terms outlined in this Term Sheet and contemplates approval of a Remedial Action Plan ("RAP") by the Wisconsin Department of Natural Resources ("WDNR"). The proposed closing date for acquisition of the Site is April 15, 2004. The Developer is acquiring the Site "as is". The City will not be in the chain of title.
4. Site Remediation. The Developer will undertake the remediation of the Site in accordance with an approved RAP. The Developer will use best efforts to have a RAP in place by April 1, 2004. The Developer will, subject to unavoidable delays, attempt to meet the requirements of the RAP within 180 days of closing.
5. Escrow Account Funding. An escrow account (the "Escrow Account") for qualified TID-54 project costs will be established and funded in an amount up to \$3,200,000. In lieu of a cash deposit in the Escrow Account, the escrow agreement may provide for periodic funding of draws by the parties. The Developer will contribute \$1,200,000 into the Escrow Account. The City shall have a limited and conditional Monetary Obligation, as that term is defined

below, to repay the Developer up to \$800,000 of the Developer's \$1,200,000 contribution. The City will contribute \$2,400,000 into the Escrow Account. The parties will cooperate in seeking grants or other funds for the Project in the amount of at least \$800,000 to offset the Monetary Obligation. The Escrow Account will be funded by the City and the Developer within five (5) days after the last of the following events has occurred: (i) execution of the Development Agreement, (ii) approval of the RAP by the WDNR, (iii) delivery of a financing commitment from a construction lender for approximately \$10,000,000 for construction of the Project (as defined below) and (iv) execution of all fixed price contracts required for remediation of the Site in accordance with the RAP at a total fixed price not to exceed [the net amount available from the Escrow Account for such remediation.] The Developer will then have the right to draw funds as required to implement the remediation and project work as approved by the WDNR, and as outlined in the budget for TID-54. Any eligible expenses advanced by the Developer prior to the funding of the Escrow Account shall be reimbursed after the Escrow Account, including \$250,000 consisting of a portion of the acquisition price of the Site, has been funded. The Developer will have the right to draw the final \$400,000 of the City's contribution to the Escrow Account only upon substantial completion of the remediation of the Site.

6. City Contribution. The City, in cooperation with RACM, shall provide all funding for the City's contribution to the Escrow Account, as set forth above pursuant to the Project Plan for TID-54. In addition, a portion of the City's contribution may consist of a limited and conditional Monetary Obligation to repay the Developer an amount equal to the maximum amount of \$800,000 plus interest at a rate equal to 4% per annum (the "Interest Rate"). Payments are to be made annually but only in an amount equal to the tax incremental revenue actually received by the City each year from TID No. 54 which is in excess of the tax incremental revenue paid based on the Minimum Market Valuation established pursuant to paragraph 15. Tax incremental revenue will not be pledged to payment of the Monetary Obligation, and the Monetary Obligation shall not constitute a general obligation of the City or count against its statutory debt limits.
7. Interest. The Interest Rate shall be applicable for all installments covering the Monetary Obligation. Interest on the Monetary Obligation shall accrue commencing upon disbursement of amounts in excess of \$400,000 from the Developer's \$1,200,000 deposit into the Escrow Account.
8. TID-54 Term. The City may not terminate TID No. 54 unless the Monetary Obligation is paid in full, or a Material Disturbance has occurred as provided below.

9. Material Disturbance. If remediation of the Site is not substantially completed by that date which is twelve (12) months following the first disbursement from the Escrow Account then the Common Council of the City may adopt a resolution terminating any future payments on the Monetary Obligation.
10. Grants. The City and the Developer will work together to secure all available grants for the remediation of the Site (the “Grants”). If Grants are received for remediation of the Site, then grant funds will be used first, before disbursement of Escrow Account funds and shall offset the Monetary Obligation.
11. Project Cost Overruns. In the event that Project costs exceed the amount deposited in the Escrow Account and the Grants, the Developer and the City will cooperate to seek additional funding sources.
12. Security. As security for repayment of the City’s contribution to the Escrow Account and for payments, if any, required of the Developer under paragraph 12 of this Term Sheet, the Developer shall execute a Note secured by a mortgage on the Site as well as Escrow Account. The City’s mortgage on the Development Site shall be subordinate to the construction loan originated to finance the Project and permanent financing in an amount not to exceed the amount of the construction loan . The City shall execute a subordination agreement, in a form reasonably acceptable to RACM’s Executive Director. The City shall release its mortgage for each phase of the Project upon completion of such phase and issuance of an occupancy permit. The City’s mortgage shall terminate upon repayment of all project costs in connection with TID-54 or termination of TID-54. In the event the Developer fails to complete the remediation of the Development Site, the escrow agreement shall provide that the City may conclude the remediation with any funds remaining in the Escrow Account. The Developer shall collaterally assign all remediation contracts to the City. The Developer shall also have the right to collaterally assign the Development Agreement to the construction lender or lenders for the Project.
13. Developer Guarantee. The Developer shall provide the City and RACM with a guarantee of completion of the Project (the “Developer Guarantee”). The Developer Guarantee shall be a recourse obligation secured by the City’s mortgage.
14. Improvements. The Developer shall construct or cause to be constructed on the Development Site an industrial development of approximately 200,000 square feet. The development may be constructed in several buildings and in up to four phases in accordance with building plans approved by the City (the”Project”). The Development Agreement shall describe each phase of the Project.

15. Minimum Market Valuation: The Developer shall represent to the City that the minimum market valuation for the imposition of real estate taxes for the land and buildings on the Development Site shall be not less than the amount set forth below, or such higher amount as may be agreed by the parties, on January 1 of the following years:

2006: \$ 3,322,000
2007: \$ 4,444,000
2008: \$ 5,588,000
2009: \$ 7,900,000
2010 & Thereafter: \$9,050,000

If the City contribution of \$2,400,000 is reduced, the Development Agreement shall provide that the minimum market valuation shall be reduced to an amount such that the projected amortization period for TID-54 remains the same. The Market Valuation Agreement shall (i) terminate upon repayment of all project costs in connection with TID-54 or upon termination of TID-54, whichever occurs first and (ii) provide that in the event the City Assessor does not determine that the land and buildings on the Development Site shall have a minimum market valuation as described above, then the Developer shall pay annually to the City any tax deficiency resulting from an annual assessment less than the agreed minimum market valuation set forth above.

The Developer's obligation to make such payments shall be a recourse obligation secured by the City's mortgage.

16. Expenses Eligible For Reimbursement. The out-of-pocket expenses payable to third parties, other than the Developer, eligible for reimbursement to be paid out of the Escrow Account shall include the following to the extent included in the budget for TID-54:

Preparation of the RAP; all environmental testing and studies; all geotechnical studies; all costs associated with remediating the Development Site and meeting the requirements of the RAP so as to receive the appropriate closure documentation from the WDNR; all costs associated with environmental liability protection, environmental insurance, expenses identified in the attached budget and capitalized interest costs for the eligible expenses and any legal expenses for the preparation of agreements with the City.

To the extent there are funds remaining in the Escrow Account at the completion of the Project and after the offset of the Monetary Obligation provided for in paragraph 10 then the remaining funds will be distributed as follows: (i) 80% to the Developer until it has received \$50,000.00 and 20% of any funds thereafter; (ii) the City shall receive the balance.

17. Recourse. The only recourse against the City shall be the amount of its investment in the Development Site as outlined by this Agreement. The only recourse against the Developer shall be its investment in the Development Site, the Developer Guarantee and its payment obligation under paragraph 12 above, in addition to the Development Site itself, all as outlined in this Term Sheet.
18. Timing. Subject to Unavoidable Delays, the construction of the Project improvements shall begin within 120 days of closing on the Site and each of the four phases shall be completed within five (5) years of such date.
19. Developer. The Developer will be RER Acquisitions LLC, a Minnesota limited liability company or a limited liability company to be established by the principals of Real Estate Recycling, LLC.
20. Human Resource Requirement: Developer shall enter into an Emerging Business Enterprise Agreement to utilize EBE's, as defined in Chapter 360, Milwaukee Code of Ordinances, for not less than 18% of the cost of the Project. Developer shall use best efforts to utilize unemployed residents of the Community Development Block Grant area for up to 21% of the total project hours deemed eligible pursuant to Residents Preference Program guidelines.

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