

TERM SHEET
Library Project at 7717 W. Good Hope Road

Parties:

City of Milwaukee (“City”)

Milwaukee Public Library (“MPL”)

Royal Capital LLC and Maures Development Group, LLC (together with its affiliates, “Developer”)

The Project:

Developer will acquire the city-owned property at 7717 W. Good Hope Road (the “Property”) and raze the existing building on the Property for the development of a new public library branch (the “Library Unit”) and approximately 65 mixed income apartments (the “Developer Unit”). The sale price of the Property will be \$78,000 and is contingent upon the Developer receiving financing as described below. The Library Unit will include a parking lot with approximately 60 spaces and the Developer Unit will include a parking lot with approximately 65 spaces. Developer will do all exterior work on the Property, including the parking lots, landscaping and construction of the shell of the Library Unit to a “gray box” condition in accordance with plans and specifications approved by the City of Milwaukee and MPL and including, at a minimum, a list of items to be attached as an exhibit to the Development Agreement (as defined below) having a value at least equal to \$2,350,000. The Property will be divided into two or more condominium units consisting, at a minimum, of the Library Unit and the Developer Unit.

The terms for the sale and development of the Property, which are to be memorialized in a Purchase, Sale, and Development Agreement (the “Development Agreement”), shall require the City to convey title to the Property by quit-claim deed on an “as is, where is” basis. The Property will be sold as taxable property. The Development Agreement will contain a payment in lieu of taxes (PILOT) agreement should the property become tax exempt in the future. However, the PILOT agreement shall not apply to any portion of the Property subsequently conveyed to MPL or the City for the library branch. The City agrees to cooperate with MPL and the Developer to facilitate closing on the sale of the Property by expediting the zoning and plan approval process, to the extent possible. Assuming that the Developer timely files the necessary paperwork with the City for plan approval and any zoning change request, and assuming MPL approves this Term Sheet by October 1, 2017, it is anticipated that an expedited zoning and plan approval process will conclude by November 30, 2017.

The Financing:

Developer is utilizing Federal Low-Income Housing Tax Credits (LIHTC) supplied by the Wisconsin Housing and Economic Development Authority (WHEDA) to finance the Project. As part of the project financing, Developer will secure a loan from MPL in the amount of \$2,350,000 (the “Loan”) to be funded upon the closing of the LIHTC financing conditioned upon the parties having a fully executed Development Agreement. The Loan has a term of 30 years, and a rate equal to the current Applicable Federal Rate, as established by the U.S. Internal Revenue Service (commonly known as “AFR”) as of the date of closing. Payment of principal and interest shall be deferred for the term of the Loan on a non-compounded basis and repayment

of the Loan is subject to available cash flow except that in the event Developer fails to complete and convey the Library Unit to the City or MPL, then the Loan shall be immediately repaid upon demand by MPL. The Developer will also secure additional long-term financing for the project, which is anticipated to be secured by December 31, 2017.

Details of the Library Unit:

1. The Library Unit will be located on the 1st floor of the building and will include a minimum of 17,000 square feet of library space plus additional space for the mechanical room for the Library Unit.
2. The Library Unit will include the parking lot located directly adjacent to the building with approximately 60 parking spaces for use by MPL staff and patrons.
3. The Library Unit will have a main entrance at the front of the building on Good Hope Road and another entrance on the east side of the building near the parking lot. The Developer Unit will have a separate entrance on Good Hope Road and in the rear of the building.
4. Upon substantial completion of the Library Unit shell, Developer shall convey ownership of the Library Unit to the City at no cost, via special warranty deed.
5. The Library Unit shall be subject to a condominium declaration and bylaws, including provisions for common area maintenance and allocation of financial responsibility for such costs between the units. All condominium documents shall be subject to approval by MPL. A condominium association shall be organized to manage the common operations of the Property. MPL shall hold one-half (1/2) of the voting rights of the condominium association.
6. Subject to MPL's extension discretion set forth below, Developer shall complete construction of the shell of the Library Unit by December 31, 2018, subject to force majeure, or face a liquidated damages penalty.
7. Subject to MPL's extension discretion set forth below, if Developer has not completed the shell of the Library Unit by June 1, 2019 MPL has the option to terminate the Development Agreement, subject to rights of lenders and the tax credit investor, and Developer shall immediately repay the Loan to MPL.

Details of the Developer Unit:

1. The Developer Unit will contain approximately 65 apartment units with a mix of 3, 2 and 1 bedroom units and 65 parking spaces.
2. The Developer Unit will be 4 stories tall with townhome style apartment units on the first floor and traditional apartments on floors 2 through 4.
3. The apartments will be mixed income with approximately 9 units being market-rate housing and the remainder being affordable to households at or below 60% of area median incomes.
4. Subject to MPL's extension discretion set forth below, construction of the Developer Unit shall be substantially complete by February 28, 2019 (i.e., within twelve (12) months from the date of closing).

Other Details of the Project:

1. Developer will comply with City's requirements for Small Business Enterprise and Resident Preference Programs, and other applicable requirements for community

- participation in development agreements pursuant to Ch. 355 of the Milwaukee Code of Ordinances for construction of the Library Unit shell as in effect on the date the Development Agreement is executed.
2. In the event the Project fails and Developer is unable to provide the Library Unit to MPL, Developer is required to repay the Loan and pay all of MPL's costs to date including costs of designing the interior build out of the Library Unit and any legal fees.
 3. In the event the Developer Unit includes any commercial use in addition to the contemplated residential use, the following uses are prohibited: tavern, adult retail or entertainment establishment, animal services or any use requiring a liquor license.
 4. Developer shall meet City's Buyer Policies per MCO 304-49-8.
 5. Nothing in this Term Sheet removes Developer's obligations to comply with City's standard plan approval and permit process.

Timing:

The Developer has received an Award from WHEDA for the LIHTC financing. Assuming MPL approves this Term Sheet by October 1, 2017, zoning and plan approvals for the Project are anticipated to be obtained by November 30, 2017, which will allow for closing on all financing and on the Property no later than February 28, 2018, subject to City's issuance of building permits. Consistent with the Site Control Report dated February 13, 2017 and the Purchase Terms and Conditions set forth therein, City, at its sole discretion, may extend the closing for up to one six-month (6-month) period upon Developer's presentation of a detailed written report to the City and MPL that the City and MPL deem demonstrates substantial progress on the development of the Project. If the closing date is extended, all dates and deadlines set forth in this Term Sheet shall be adjusted, accordingly. Construction of the Project shall commence within thirty (30) days following the date of closing, and Developer will achieve substantial completion of the Library Unit within nine (9) months following commencement of construction.

The City, MPL, and Developer agree to negotiate and substantially agree upon the terms of the Development Agreement prior to October 31, 2017, containing terms consistent with this Term Sheet and customary for such agreements. Within the same time period, City, MPL, and Developer shall substantially agree upon the terms of a Condominium Declaration, Bylaws, and other documents governing the condominium.

This Term Sheet is not a binding agreement but represents the basic understanding between the parties. The terms set forth herein and other provisions customary for a transaction of this sort shall be incorporated in one or more agreements among City, MPL and Developer. Resolutions approving this Term Sheet shall provide for the execution of all additional Project related documents and instruments necessary to implement the Project.