

## TERM SHEET

### (The Northwestern Mutual Life Insurance Company Project – TID No. 78)

#### Project

The Northwestern Mutual Life Insurance Company (“NM”)\* has been headquartered in downtown Milwaukee for over 150 years and is a major employer in downtown Milwaukee, with a workforce of over 3,600 at its downtown campus. One of the buildings on the downtown campus, the East Building at 800 East Wisconsin Avenue, was built in 1978, is over 450,000 SF and houses a workforce of 1,100. However, the East Building has been found to require significant structural repairs, as well as significant renovations and upgrades to meet the needs of NM in the coming years. As a result, NM has determined that it would be more cost-effective for them to demolish the East Building and replace it with a new building, rather than make the necessary upgrades to the existing building.

NM has proposed replacing the East Building with a new building that would contain approximately 1,114,000 square feet of space at a cost of \$350-400 million (the “Office Project”). The construction of the Office Project will ensure that the 1,100 workers currently in the East Building will remain at the downtown campus. In addition, the Office Project will provide space for NM to grow in the future. Accordingly, NM projects that the total workforce located at the downtown Milwaukee campus will increase by 1,900 by 2030, with the majority of those positions paying a professional average salary of \$60,000, in 2013 dollars.

Constructing the Office Project in downtown Milwaukee, on NM’s downtown campus, presents several additional costs when compared to low rise construction on a vacant site. Campus-wide building systems must be temporarily relocated and foundations of existing buildings must be protected. Further, due to the high-rise nature of the Office Project, the foundation, structure and other building systems are more costly. The estimated additional costs, when compared to alternatives, for the Office Project are approximately \$50 million.

The Monetary Obligation will include up to \$4,000,000 representing amounts actually expended under an out-of-program agreement with City for public infrastructure and publicly-accessible amenities including streetscaping and improvements to Cass Street, Mason Street, Van Buren Street and Wisconsin Avenue which are supplemental to the Gateway Project. NM shall bear responsibility for maintenance of non-standard public infrastructure constructed pursuant to such out-of-program agreement.

In addition, City will fund a Workforce and Business Development Program and certain public improvements related to the Lakefront Gateway Project (the “Gateway Project”). The Gateway Project is expected to include:

---

\* Certain capitalized terms used in this Term Sheet are defined on Attachment 1.

- Repaving North Cass Street from East Wisconsin Avenue to East Michigan Street.
- Repaving East Michigan Street from North Van Buren Street to North Harbor Drive.
- Repaving and extending North Lincoln Memorial Drive to East Chicago Street.
- Repaving North Harbor Drive from East Clybourn Street to East Chicago Street.
- Reconstructing East Clybourn Street into a boulevard from North Van Buren Street to North Harbor Drive.
- Streetscaping, Traffic Signals, Street Lights, Street Trees, and Utility work associated with the street repaving and reconstruction projects.
- Pedestrian and Streetscape Amenities, including new pedestrian bridges from the current transit center site to O'Donnell Park and Urban Park, bikeshare stations, landscaping, pedestrian-level lighting, decorative pavement, widened sidewalks, signage, and street furniture such as trash containers, benches, etc.

**Development Schedule**

Construction of the Office Project shall commence by \_\_\_\_\_ and the Office Project shall be substantially completed within \_\_\_\_\_ months following commencement of construction. Construction of the Gateway Project shall commence by \_\_\_\_\_ and is expected to be completed by \_\_\_\_\_.

**Design Review**

Plans and specifications for the Office Project and Gateway Project shall be subject to the review and approval of City's Commissioner of City Development (the "Commissioner"). City and NM shall cooperate in the design of streetscape elements of the Gateway Project which are adjacent to the Office Project. The parties anticipate the preparation of a Certified Survey Map for the Office Project when plans, specifications and the designs are finalized.

**Parties**

City and The Northwestern Mutual Life Insurance Company.

**Tax Incremental District**

City intends to create a Tax Incremental District ("TID No. 78") to assist in funding certain additional costs of the Office Project as set forth in the Project Plan.

In addition, TID No. 78 will fund the Gateway Project, the Workforce and Business Development Program and administrative costs, all as set forth in the Project Plan.

## **Funding**

NM shall advance up to \$54 million of additional costs related to the Office Project and shall be repaid through the Monetary Obligation. City anticipates funding the Gateway Project, the Workforce and Business Development Program and administrative costs for TID No. 78 through the issuance of its general obligation bonds.

Prior to substantial completion of the Office Project, City will deposit an amount equal to 70% of the tax incremental revenue actually received by City from TID No. 78, less Annual Expenses and onetime consulting costs not to exceed \$50,000, into a special fund established for TID No. 78. Upon substantial completion of the Office Project such amount shall be disbursed to NM and applied to reduce the principal balance of the Monetary Obligation.

Subsequent to substantial completion of the Office Project, following the deduction of Annual Expenses, 70% of incremental tax revenue collected from TID No. 78 will be allocated to repay NM for costs incurred for the Office Project through payments on the Monetary Obligation. The remaining 30% of incremental tax revenue will be allocated to repayment of City costs incurred for Gateway Project, the Workforce and Business Development Program and TID No. 78 administration. For purposes of calculating tax incremental revenue from TID No. 78, the real estate component of the base value shall not be less than \$33 million. (In the event that the base value is established at less than \$33 million, excess increment generated by the difference between such lower base value and \$33 million shall be distributed back to the taxing bodies.)

All City payments of tax incremental revenue received by City from TID No. 78 shall be subject to annual appropriation. If not appropriated, City shall not expend such tax increments for any other TID No. 78 project costs.

## **Monetary Obligation**

The Monetary Obligation consists of a limited and conditional obligation to repay NM an amount up to \$54 million, plus interest on the outstanding balance of the Monetary Obligation at 4.5% per year. Payments on the Monetary Obligation are to be made annually following substantial completion of the Office Project but only in an amount equal to 70% of tax incremental revenue actually received by the City from TID No. 78, less Annual Expenses. Interest on the Monetary Obligation shall not begin to accrue until substantial completion of the Office Project. City may, at any time or from time to time, without notice, penalty, or fee, prepay all or any portion of the Monetary Obligation. In the event that City prepays a portion of the Monetary Obligation the 70% of tax incremental revenue allocated to payment of the Monetary Obligation shall be proportionately reduced to reflect such prepayment. Tax incremental revenue will not be pledged to the payment of the Monetary Obligation, and the Monetary Obligation shall not constitute a general obligation of City or count against its statutory debt limits.

## **Monetary Obligation Earned**

Upon substantial completion of the Office Project, NM shall submit a certification detailing Office Project costs theretofore incurred (together with copies of records, invoices and/or AIA documentation evidencing such expenditures). The amount of the Monetary Obligation shall be deemed earned upon approval of such certification by the Commissioner, and interest will begin to accrue on the balance of the Monetary Obligation as of the date of substantial completion of the Office Project.

## **Grants and Tax Credits**

City and NM will work together to secure all available grants and tax credits for the Office Project. If grants or tax credits are received and utilized for the Office Project, then such funds shall offset a corresponding amount of the Monetary Obligation.

## **Terms of Payments**

City payments on the Monetary Obligation will terminate: (i) at the time the Monetary Obligation is fully paid; or (ii) with the payment derived from the 2037 tax levy, payable in 2038, whichever occurs first.

## **Material Disturbance**

If the Office Project is not Substantially Completed within \_\_\_\_\_ months following commencement of construction; or, if following Substantial Completion of the Office Project, less than \_\_\_\_\_ square feet of the Office Project is used for corporate headquarters and related purposes by NM, or for any other purpose or operation reasonably acceptable to City, and such failure continues for any 12-month period during the life of TID No. 78 (unless caused in substantial part by an event of *Force Majeure*) (a “Material Disturbance”), then City shall have the right (but not the obligation) to terminate further payments on the Monetary Obligation, using the following procedure:

- (1) City shall give NM notice of its intention to terminate further payments on the Monetary Obligation, and NM shall have [180] days to eliminate the Material Disturbance, and
- (2) Thereafter, if NM has not timely eliminated the Material Disturbance and if City still intends to terminate payments on the Monetary Obligation, City’s Common Council shall adopt a resolution determining that the Material Disturbance prevents the substantial realization of the public benefits contemplated as a result of the Office Project and constitutes just cause for the termination of the Monetary Obligation. City shall thereafter file a certificate with NM (attaching the resolution of the Common Council) stating that City has elected to terminate payments on the Monetary Obligation. Upon City such filing of the certificate, the Monetary Obligation shall terminate.

## **Employment**

If NM does not continuously occupy the Office Project (subject to *Force Majeure*) and meet the total workforce projections shown for each required period on the Schedule of Projected NM Workforce attached hereto as Attachment 2, then, subject to prior written notice from City and no less than a 12-month opportunity to cure, future payments on the Monetary Obligation shall be adjusted for the duration of the deficiency. The adjustment will result in a proportionate reduction in City's payment on the Monetary Obligation during each year of the deficiency calculated based upon the percentage by which "actual" NM Workforce falls below the "projected" NM Workforce; provided, however, that such reduction shall not exceed \$20,000 for each such deficient position.

## **Zoning and Other Approvals**

The parties will cooperate and use best efforts to apply for, initiate, and attempt to obtain all TID, zoning, and other governmental and third-party approvals and permits necessary or desirable for the construction of the Office Project and the Gateway Project.

## **Environmental Considerations**

The Office Project and the Gateway Project will each be developed and constructed in an environmentally conscious manner in compliance with all federal, state and local laws.

## **Human Resources:**

NM and City will enter into a Human Resources Agreement in a form customary for projects subject to Ch. 355 of the Milwaukee Code of Ordinances. The Human Resources Agreement will provide for utilization of certified Small Business Enterprises for 25% of Office Project construction costs and 25% of amounts expended for the purchase of services, professional services and supplies for the Office Project deemed eligible pursuant to SBE Guidelines, utilization of unemployed and underemployed residents for no less than 40% of the total "worker hours" expended on "construction" of the Office Project, compliance with applicable state and municipal labor standards, payment of prevailing wages, utilization of apprentices and/or on-the-job trainees and participation in City's First-Source Employment Program.

## **Report of Costs**

Upon substantial completion of the Office Project, NM shall provide City with an accounting of the costs incurred for the Office Project. Such accounting shall be in a form reasonably acceptable to City's Comptroller.

## **General**

This Term Sheet does not constitute a binding agreement. The terms set forth herein and other provisions customary for a transaction of this sort, shall be incorporated in one or more agreements, including a Cooperation and Development Agreement for TID No. 78, a human resources agreement and an out of program agreement and easement amendments to accommodate infrastructure improvements, each between City and NM. In recognition that there may be adjustments of the dates and descriptions herein as well as administrative approvals which will require the exercise of reasonable discretion on behalf of City, the Commissioner will be authorized under these agreements to exercise such discretion and grant such approvals.

1050-2012-943

## **Attachment 1**

### DEFINITIONS

“Annual Expenses” means \$10,000.

"NM Workforce" means all individuals actively working at NM's downtown campus as recorded on NM's facility management database.

“Force Majeure” means circumstances under which any party is delayed or prevented from the performance of any act required by an agreement by reason of fire, earthquake, war, flood, riot, strikes, labor disputes, judicial orders, public emergency or regulations, or other causes beyond the reasonable control of the party obligated to perform, then performance of such act shall be excused for the period of such delay, and the time for the performance of any such act shall be extended for a period commensurate with the nature of such delay.

“Gateway Project” means the construction and reconstruction of streets, and associated utility work, pedestrian improvements and streetscaping more explicitly described in Section II.A of the Project Plan.

“Monetary Obligation” means a limited and conditional obligation to repay NM an amount up to \$54 million, plus interest on the outstanding balance at 4.5% per year.

“Office Project” means replacement of the East Building, located on NM’s downtown campus, with a new building containing not less than 1,114,000 SF at a cost of \$350-400 million.

“Project Plan” means the Plan for Tax Incremental District No. 78 (The Northwestern Mutual Life Insurance Company).

“Workforce and Business Development Program” means the Workforce and Business Development Program referenced in the Project Plan.

Attachment 2

Year	Cumulative Minimum New FTEs	
1	2013	
2	2014	
3	2015	
4	2016	
5	2017	
6	2018	502
7	2019	
8	2020	664
9	2021	
10	2022	835
11	2023	
12	2024	1015
13	2025	
14	2026	1204
15	2027	
16	2028	1403
17	2029	
18	2030	1730

Cumulative New FTE's, as above, means new FTE's located in the City, in addition to the 3645 FTEs now located in the City.

Full-Time Equivalent Employee, or "FTE" shall mean an employee of NM, an affiliate, contract employee, or consultant who is employed in a permanent position at least 37.5 hours per week, in the City.

Part-time employees, consultants, or contract employees hours shall be converted to FTE's by dividing their combined hours for a given year, by 1950 hours per FTE.



