

**TERM SHEET**  
**NEW AVENUE COMMERCE CENTER**  
**TAX INCREMENTAL DISTRICT (TID) NO. \_\_\_\_**

- **Project.** The “Project” consists of the development of a 44,000 s.f. grocery store and two “in-line” retail center buildings totaling approximately 30,800 s.f., all to be located on the two blocks bounded by W. North Ave., N. 25<sup>th</sup> St., W. Meinecke Ave., and N. 24<sup>th</sup> St. The grocery store will be operated by Lena’s Food Market, or an affiliate thereof.
- **Developer/Owner.** The “Developer” for the entire site will be North Ave. Commerce Center Phase III, LLC, a single-purpose limited liability company, to be formed, which will be owned by: Irgens Development Partners, LLC (IDP), Williams Development Corp. (WDC), and an affiliate of Lena’s.
- **Project Budget.** The estimated cost of the Project, including associated public improvements, utility relocations, street and alley vacations, and site remediation expenses, is \$9.5 million, as more particularly set forth in the Tax Increment District Project Plan (“TID \_\_\_\_ Project Plan,” or “Project Plan.”)
- **City Investment.** City investment in the Project is estimated as follows:
  - A. Public infrastructure and site preparation costs in the estimated amount of \$877,000, including construction of or improvements to streets, curbs, and sidewalks; relocation of public utilities, site remediation activities (removal of existing foundations and site fill), and project administration.
  - B. A grant to the project in the amount of \$1,100,000

The City will provide funds to the Redevelopment Authority of the City of Milwaukee (“RACM”) from Tax Incremental District Bond Account No. \_\_\_\_ for these project costs as more specifically outlined in the Project Plan. Funds are to be made available to RACM upon requisition by the Executive Director/Secretary of RACM.

[NOTE: The term "City" when used herein means the City of Milwaukee and/or the Redevelopment Authority of the City of Milwaukee, as those parties will likely allocate responsibilities and enter into appropriate cooperation agreements consistent with past transactions.]

- **RACM Responsibilities.** Funds granted by the City to RACM shall be utilized for purposes specified in the Project Plan and the Development Agreement for the New Avenue Commerce Center Project. Any revenues received by RACM from participation in cash flow, refinancing, or net sales proceeds of the Project shall be transferred to the City as Project Revenues, as defined in Sec. 66.1105(2)(f)1, Wis. Stats. until the termination of TID No. \_\_\_\_\_. RACM shall convey the Site to Master Developer in accordance with the Option

Terms attached as EXHIBIT "P" to the Development Agreement, North Avenue Commerce Center Project-Phase II, dated as of March 31, 1999, as amended.

- **Participation in Outlot Sales Revenue.** The site plan for the proposed Project includes the potential for two retail outlots to be developed and conveyed to third parties at an undefined point in the future. The City shall receive a 17% participation in the net revenue resulting from any sale of these parcels. Net sales revenue shall be defined as gross sales proceeds less any reasonable and necessary out-of-pocket closing costs paid to third-parties and non-affiliates (such as attorneys' fees, brokerage commissions, recording fees, real estate transfer taxes, title and survey costs, etc.). If the Developer is required as a condition of sale to make physical improvements to the outlot sites, the direct cost of these improvements will also be deducted from gross revenue for the purposes of calculating net sales revenue. If the Developer leases one or more outlot parcels, or develops the outlots for lease to tenants, the resulting cash flow shall be included in the Cash Flow participation provided for below.
- **Cash Flow Participation.** Distribution of cash flow from the Project and / or the sale of the Project, or a portion thereof, shall be distributed 25% to the City and 75% to the Developer, after the Developer realizes an 18% Internal Rate of Return (IRR). IRR shall be computed using Excel spread sheet software.
- **Disbursement of TID Funds.** Prior to disbursement of the City Investment, the following actions must occur:
  - A. A final budget for the total costs of the project (hard and soft costs) shall have been approved in writing by City's Commissioner of City Development ("Commissioner").
  - B. The Commissioner shall have received and approved a signed EBE Agreement.

Funds received by RACM shall be disbursed for public improvement, utility relocation, and site remediation as those costs of the Project are incurred. Payment requests shall be presented to the Commissioner by the Developer no more frequently than once a month, on A1A Document G702 or equivalent.

The grant to the project in the amount of \$950,000 shall be disbursed via a Disbursing Agreement with a mutually acceptable title insurance company, in proportion to the sum of the amount of debt and Developer's equity provided for the Project, as construction and related costs for the grocery store and "in-line" retail space are incurred and certified by the Developer, and general contractor for the Project. The remaining \$150,000 of grant funds shall be used to pay, when due, the first three years' payments on a loan of not less than \$500,000 for fixturing and equipping the grocery store, based on an amortization of fifteen years, and an interest rate of 5%. This payment will terminate when grocery store sales reach an annualized amount of \$300 / s.f. , determined by averaging the prior six months of sales. Lena's shall provide monthly financial statements for this store, certified by its chief financial officer.

- **Development Schedule.** The Developer will acquire the Project Site from RACM and proceed to construct the Project within twelve months of the adoption of the resolution approving the TID Project Plan, subject extension necessitated by *force majeure*. Should substantial construction of the Project not commence within twelve months of the adoption of the TID Project Plan, title shall revert to RACM and the option to purchase the Project Site as currently held by IDP and WDC, as members of North Avenue Commerce Center II, shall be terminated.
- **Human Resource Requirements.** Prior to disbursement of any City funds, the Developer, City, and RACM shall enter into a customary EBE Agreement providing for not less than 18% participation by Emerging Business Enterprises and a 21% Residents Preference commitment, both in forms consistent with similar transactions. The Developer will pay prevailing wages for that portion, if any, of the public infrastructure work built by the Developer in public rights-of-way.
- **PILOT Payments.** The Development Agreement will require payments in lieu of taxes with respect to any parcel or building within the Project that subsequently becomes exempt from real property taxes. This provision shall be incorporated into a covenant running with the Project site and buildings.
- **Limits on Developer Action.** Until the Project has been completed, the Developer may not, without the City's consent:
  - Liquidate or consolidate the Property;
  - Merge with another entity;
  - Sell, lease or transfer the Property other than to retailing entities purchasing individual outlots;
  - Enter into any transaction that would materially adversely affect the ability of the Developer to complete the Project or its obligations under the Development Agreement;
  - Assume or guarantee the obligations of any other person or entity that would materially adversely affect the ability of the Developer to complete the Project or fulfill its obligations under the Development Agreement; or
  - Enter into a transaction that would cause a material and detrimental change to the Developer's financial condition.
- **Other Provisions.** 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 into one or more agreements including the Development Agreement between the City, RACM, and the Developer.