

06/29/15

**TERM SHEET**

**(Rexnord/Zurn Project – TID 75)**

**PROJECT**

Rexnord Corporation (“Rexnord”) is a leading worldwide industrial company comprised of two strategic platforms: Process & Motion Control and Water Management. Their Water Management platform delivers high quality engineered product solutions to the people that impact the global water and wastewater markets. Rexnord has offices throughout the world. In 2014, it moved its headquarters to the Global Water Center adjacent to the Reed Street Yards in the City of Milwaukee.

In 2007, Rexnord acquired Zurn Industries, LLC (“Zurn”), currently headquartered in Pennsylvania, and a global leader in water products such as commercial and residential plumbing fixtures, drains, tubing, valves and other water control devices.

Rexnord is considering building an approximately 52,000 SF building in the City of Milwaukee at the Reed Street Yards for the headquarters of Zurn and other Rexnord employees (the “Headquarters”). The building would initially contain 35 full-time employees and would grow to 120 full-time employees by March 31, 2021, as shown below:

	3/31/17	3/31/18	3/31/19	3/31/20	3/31/21	Total
Employees Added	35	25	20	20	20	120

As an incentive to move Zurn’s headquarters to the Reed Street Yards, the City of Milwaukee proposes to assist Rexnord with a \$1,000,000 grant for extraordinary site costs and a \$900,000 forgivable loan with an interest rate of 4.5% to partially offset its relocation, hiring and other costs necessary to relocate Zurn’s headquarters.

**PARTIES**

City of Milwaukee (“City”), Redevelopment Authority of the City of Milwaukee (“RACM”), Rexnord Corporation (“Rexnord”), Klein Development, Inc. and C.D. Smith Construction, Inc. (Klein Development, Inc. and C.D. Smith Construction, Inc. together the “Development Partners”).

**PARTIES’ OBLIGATIONS**

In order to receive financial assistance from RACM, Rexnord and/or the Development Partners must fulfill the following obligations:

- A. Development Partners shall acquire the Project site in the Reed Street Yards and obtain building permits for the construction of an approximately 52,000 SF building at the Reed Street Yards. Development Partner will sell the building to Rexnord Industries, LLC, an affiliate of Rexnord Corporation, for the purpose of relocating and maintaining Zurn's world headquarters at this location.
- B. Development Partners shall enter into a Human Resources Agreement with the City that will require Development Partners to utilize certified Small Business Enterprises for 25% of construction and supply costs and 18% of professional services costs on the project and utilize unemployed and underemployed residents, pursuant to the City's Resident Preference Program, for no less than 40% of total "worker hours" expended on construction of the project.
- C. Rexnord shall repay the forgivable loan in accordance with the terms of a Loan Agreement between Rexnord and RACM. Under the terms of the Loan Agreement, annual payments of principal and accrued interest on the loan will be completely forgiven so long as the employment projections shown above are met and maintained.
- D. Rexnord shall enter into a payment in lieu of taxes ("PILOT") agreement with the City agreeing to make PILOT payments to the City in the event that the Property ever becomes exempt from the payment of real property taxes.

### **PAYMENT OF THE GRANT AND LOAN**

The City shall use funds approved as part of Amendment No. 2 to Tax Incremental District No. 75, which created a Public/Private Venture Fund and a Wisconsin Economic Development Corporation ("WEDC") Idle Sites Grant, to provide funding to Rexnord, on a cost reimbursement basis, for a grant up to \$1,000,000 to be used for extraordinary site costs and a forgivable loan up to \$900,000 to be used for relocation expenses necessary to relocate the Zurn headquarters to the Headquarters. The relocation expenses may include, but not be limited to, furniture, fixtures and equipment, office build-out and such other relocation costs approved by the Commissioner of City Development that are actually expended by Rexnord for the Headquarters location. The grant and loan shall be funded by the City and paid to Rexnord by RACM. The grant shall be paid on a reimbursement basis and the loan shall be paid on the loan closing date to be determined by the parties.

Rexnord shall provide City such reasonable documentation and certifications to substantiate its number of full-time jobs at the Headquarters annually on June 1 for the previous fiscal year as of March 31st. The first such annual reporting shall be for the fiscal year ending March 31, 2017.

In the event the annual jobs report as of March 31, 2021 shows that the number of full-time jobs at the Headquarters is less than 120 and such 'shortfall' continues for a period

of two years, the City may require Rexnord to refund the Grant for the 'shortfall' in employment at the rate of up to \$8,333 per job (\$1,000,000/120, approx.). If less than \$1,000,000 of the Grant has been paid to Rexnord at the time of the shortfall, the refund amount shall be calculated using the actual amount of the Grant disbursed at that time.

The term "full-time job" means any regular full-time position where an employee is required, as a condition of employment, to work at least 30 hours per week and at least 1560 hours per year, including paid leave and holidays, and for which the employee receives pay that is equal to at least 150% of the federal minimum wage.

## **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 into a development agreement, a human resources agreement, a loan agreement and any other documents or agreements necessary to accomplish the objectives described above. 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 RACM or the City, the Commissioner of City Development and Executive Director of RACM will be authorized under these agreements to exercise such discretion and grant such approvals.