

**Amendment No. 1 to Term Sheet
735 N Water
Development Agreement**

Project: The “Project” consists of substantial renovations/retrofits to the existing 731 and 735 North Water Street buildings. The improvements to 735 North Water Street include installation of fire suppression systems, a connection to the Milwaukee Skywalk system, façade renovations, the preservation of the building’s cornice and the creation of a new restaurant space. The program for 731 North Water Street includes asbestos removal and abatement, construction of a Gold’s Gym on Floors 2 through 5 and the construction of improvements to Floors 1, 6, & 7 to convert them into retail, office and “gray box” condo spaces.

This Tax Incremental District (“the District”) will fund the repair of a Riverwalk of approximately 480 feet in length. The design will be consistent with the Riverlink Design Guidelines and may include railings, harp lights and medallions in the walking surface. The estimated cost for this repair is approximately \$1.55 million.

In addition, the District will provide gap financing for the office component of the Project in the amount of \$1.5 million. The entire Project will be constructed by the Developer.

Project Budget: Total estimated project costs for the Project, excluding financing, are approximately \$19,106,919.

Developer: Compass Properties

City Contribution: The City shall provide a contribution from the Tax Incremental District in the amount not to exceed \$3,054,000, excluding financing costs and City administration and inspection costs. Of this total:

- \$1.5 million will be financed by the Developer, and repaid by the City from incremental property taxes generated annually by the Project, with an interest rate of 4%, subject to the repayment of the City’s Riverwalk contribution, as provided below.
- Up to \$1,554,000 will be funded by the City from bond proceeds, and made available to the Developer to reimburse actual costs, incurred pursuant to the proposed Riverwalk repairs.
- The incremental revenue will first be applied to amortizing the Riverwalk costs over a period of 15 years. Any excess incremental revenue will be applied to the remaining \$1.5 million related to the developer financed portion of the TID contribution.

Disbursements: Prior to disbursement of City funds to the Developer, the following actions must occur.

- A. A final budget for the Project, including total costs of the Riverwalk and the proposed improvements to 731 and 735 N Water Street (hard and soft costs) shall have been approved in writing by the City's Commissioner of City Development, (the "Commissioner").
- B. The Developer shall have received all federal, state and local agency approvals that are necessary to undertake the construction of the project.
- C. The Commissioner shall have approved the final plans and specifications for the Project.
- D. The Commissioner shall have approved all the contracts to be entered into by the Developer to undertake the construction of the Riverwalk and the office redevelopment.
- E. The architect or engineer shall have certified in writing to the Commissioner that the work that is subject to the draw request has been completed in accordance with the Commissioner-approved plans and specifications and the Riverwalk and the office redevelopment costs have been fully substantiated by the Developer on appropriate AIA forms, such as AIA Document G702.
- F. The Commissioner shall have received and approved a signed EBE Agreement for the entire Project.
- G. The City shall have received all necessary Grants of Easements, in the approved form for the Riverwalk.
- H. The Developer shall have completed the Project and certified developer's contribution under the Cooperation, Contribution and Development Agreement.
- I. Payment requests shall be presented to the Commissioner by Developer no more frequently than once a month and City Contribution shall be disbursed pursuant to procedures approved by the Commissioner.

Responsibilities:

Developer will construct the Project, pay its portion of construction costs, own, operate and maintain those portions of the Riverwalk located on its property, including the public Riverwalk, dock wall and handicap accessible facilities either through BID #15 allocation or on its own.

Developer will deliver and the City will accept a permanent, public access easement for the Riverwalk.

Competitive Bidding:

Contracts for work funded by the City shall be bid out by the Developer and the bidder chosen by the Developer must be reasonably approved by the Commissioner.

Prevailing Wage:

The Developer and Developer's contractors shall pay prevailing wages for construction of the Riverwalk and agree to provide reports specified by the Commissioner.

Development Agreement:

The City, Developer and RACM shall enter into a development agreement ("Development Agreement") containing terms consistent with this Term Sheet and customary for such development agreements. The Development Agreement may not be collaterally assigned to a third party without the written consent of the Commissioner. A clause shall be included that allows the City to recapture a portion of the Historic Tax Credit proceeds (if they are ever claimed) to recoup the City's "gap-financing" grant to the project.

PILOT Payments:

The Development Agreement will require payments in lieu of taxes with respect to any parcel or building within the District that subsequently becomes exempt from real property taxes. This provision shall be incorporated into a covenant running with the land.

Financial Statements:

Developer shall provide internally generated financial statements for the Project, certified as to accuracy. At its discretion, the City may request independently audited financial statements to be provided within ninety days of the close of any fiscal year. The City shall pledge to hold such records confidential to the greatest extent permitted by the law.

Design Review:

The Commissioner shall have the right to approve all plans and specifications for all work funded in whole or in part by the City in addition to final plans for the exterior renovations on Water Street and the Milwaukee River.

Human Resources Requirements:

The Developer shall enter into an EBE agreement that places a mandatory 18% EBE requirement and a 21% Residents Preference requirement on the Project. This requirement fulfills the human resource requirements which were in place at the time TID No. 70 was created. Notwithstanding the foregoing in completing the Riverwalk the human resource requirements applicable to City projects undertaken by the Department of Public Works shall be fulfilled.

Developer

Financing:

City, RACM and Developer shall structure the City contribution based on the parameters described in “City Contribution” above. The Development Agreement shall be structured as a Cooperation Contribution and Redevelopment Agreement in a form customary for a transaction involving a Developer Financed TID component, and shall provide for the payment of interest on the Developer-financed component at the City’s cost of funds as determined by the City Comptroller at the time of execution of the Development Agreement.

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 the Development Agreement mentioned above, among the City, RACM, and Developer. Resolutions approving the Term Sheet will also provide for the execution of all additional documents and instruments necessary to implement the Project.

All other customary provisions (Comptroller audit rights, DCD Commissioner review and approval of project budget and design, etc.) will also be included in the Development Agreement.

AR 3/12/10