

12/08/06

TERM SHEET
The North End Public Infrastructure/Riverwalk
Development Agreement
TID-48

Project Description: USL Land LLC proposes to build an approximately \$175 million mixed use development including apartments, condominiums and retail space on the site of the former Pfister and Vogel and US Leather Tannery (the "Project"). An estimated 483 residential units and approximately 25,000 square feet of retail space will be developed in four phases of construction. USL Land LLC purchased the 8 acre site in October 2001.

Approximately 38% of the entire site will be available for public use. All of the streets perpendicular to the Milwaukee River (Broadway, Milwaukee, and Kewaunee Streets) will be dedicated to the City and become public roadway. Riverwalk Way will remain private roadway, but a public highway easement will be provided to the City. In effect, Riverwalk Way will be perceived and function as a public street (only remaining private to provide the direct legal connection between the site and the river for boat dock/slip purposes).

In compliance with the City's Site Plan Overlay District, a riverwalk and associated dockwall will be built by the Developer along the entire river frontage of the site, approximately 1330 linear feet. The riverwalk will be an outdoor space for enjoyment of residents and the general public. Riverwalk Way will be integrated into the riverwalk design, creating both pedestrian and vehicular activity along the river and Milwaukee, Broadway and Kewaunee Street Stub Ends will provide public access to the River.

Lively public plazas which will provide year round, public activity spaces will be constructed by the Developer on both sides of the intersection of Water and Pleasant Streets and next to the new Kewaunee Street Stub End. The public squares will feature gathering and socializing spaces, outdoor dining, and other public amenities such as a fire pit and free outdoor movies. The plaza/squares will be subject to public access easements and open to the general public.

Developer: The Developer is USL Land LLC, a Wisconsin Limited Liability Company.

City Investment: City Investment relative to the Project will be a maximum of \$7.7 million for public infrastructure prep work, including demolition and environmental cleanup of Right-of-way and public access areas, a portion of riverwalk and dockwall costs, construction costs for new public streets and plazas and construction costs for sanitary sewers, storm sewers and water utilities (the "TID Funded Improvements"). An additional \$500,000 will be made available for a job training program to be administered by the City and an additional \$300,000 will be made available for TID-48 administrative expenses. The Developer shall construct all of the TID Funded Improvements except the sanitary sewers, storm sewers, and water utilities. The City Investment allocable to the TID Funded Improvements to be constructed by the Developer will consist of the following components:

- A. 70% of all eligible riverwalk costs (including the slab, landscaping, pedestrian amenities, and lights);
- B. 50% of dockwall costs (new construction and repairs);
- C. 100% of new public street including Riverwalk Way, Broadway, Milwaukee, and Kewaunee Street extensions, including dockwall costs at these street ends;
- D. 100% of the new Public Plazas; and
- E. 100% of public infrastructure prep work, including demolition and environmental cleanup of property within the Right-of-way and public access easement areas (estimated to be 34% of the overall demolition and environmental cleanup costs).

The Developer will maintain the riverwalk, Public Plazas, Street Stub ends that are located within the riverwalk and Riverwalk Way (except that DPW will plow Riverwalk Way as needed).

Disbursement of Funds: Prior to disbursement of the City Investment, the following actions must occur:

- A. A final budget for the total costs of the public infrastructure for which funds are to be disbursed (hard and soft costs) shall have been approved in writing by City's Commissioner of City Development ("Commissioner").
- B. The Developer shall have received all federal, state and local agency approvals which are necessary to undertake the construction of the public infrastructure for which funds are to be disbursed.
- C. The Commissioner, in consultation with the Commissioner of Public Works, shall have approved the final plans and specifications for the public infrastructure for which funds are to be disbursed.
- D. The Commissioner shall have approved all the contracts entered into by the Developer to undertake the construction of the public infrastructure for which funds are to be disbursed.
- E. The Commissioner shall have approved the types and amounts of insurance coverage for the riverwalk.
- F. Prior to the City's funding a draw request, the Project 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 infrastructure costs have been fully substantiated by the Developer on appropriate AIA forms, such as AIA Document G702.

- G. The Commissioner shall have received and approved a signed EBE Agreement.
- H. The City and the Developer shall have agreed upon the form and substance of a Grant of Easement for the riverwalk, Riverwalk Way, as well as public plazas and the public right-of-way dedication shall have been initiated, subject to appropriate construction easements.

Payment requests shall be presented to the Commissioner by Developer no more frequently than once a month, on AIA Document G702 or equivalent. Funds shall be disbursed through a mutually acceptable title insurance company pursuant to a Disbursement Agreement. The amount of City funds requested shall be in accordance with the percentages described in City Investment above (i.e., 70% of eligible riverwalk costs, 50% of dockwall costs, etc.).

It is understood that the Project will be undertaken in phases, and the above disbursement provisions shall apply to the entire City Investment.

Initial City Investment Funding: Up to \$2,434,909 of City funds will be provided for public infrastructure prep work, including demolition and environmental clean up of property within the public right-of-way and public access easement areas, (estimated to be approximately 34% of the overall costs for demolition and environmental cleanup), and the design and construction of sanitary sewers, storm sewers and water utilities by the City. An amount not to exceed \$1,456,335 in initial funding may be disbursed to Developer to be applied to public infrastructure prep work. The balance of the \$2,434,909 in initial funding shall be available for City expenditures to design and construct sewers and water utilities, for TID administration and for job training. The Development Agreement shall set forth a schedule or procedure for construction of the Project and the design and construction of sewers and water utilities to assure coordination of completion dates.

Certain preconditions to funding set forth in the Disbursement of Funds paragraph above may be waived by the Commissioner to the extent that they are not applicable to work set forth in this paragraph.

Subsequent City Investment Funding: Subsequent provision of City funds will be subject to future authorization by resolution of the City and will be subject to the provision of firm/binding redevelopment commitments from the Developer for portions of the Project. The evidence required to demonstrate such a firm /binding commitment will consist of the following:

- A. Design for the Project or portion thereof shall be substantially consistent with the preliminary plan for the North End Project, be consistent with the Redevelopment Plan for the Park East Corridor, and be approved by the Commissioner for the phase of the Project to be completed;
- B. Evidence of financing;

- C. Executed construction contracts; and
- D. Developer's Completion Guarantee.

The amount of each disbursement of subsequent City funding will not exceed the amount that can be added to the TID while maintaining full projected amortization of the overall TID funding for the Project by the end of the 17th year of the TID, 2019; i.e. the North End Project must amortize the Subsequent TID Funding by 2019. Amortization forecasts will be made on an annual basis to determine the maximum disbursement amount for the calendar year in question. These forecasts will be based on the City Assessor's projections of stabilized incremental real property taxable value attributable to each new firm/binding redevelopment commitment. As actual stabilized assessment data becomes available for new development within the site, it will be used to replace projected values in the amortization forecasts. In any year, if replacement of projected values with actual assessed values results in a finding that previously disbursed assistance will not amortize by the 17th year of the TID, disbursement of subsequent City funding may not occur or will be proportionately reduced by the shortfall until the assessed value of the TID once again reaches a level at which it is able to amortize all previously disbursed assistance amounts by the end of the 17th year of the TID.

Provision of subsequent City funding may only occur after firm binding commitments that will generate \$15.9 million in incremental taxable real property value have been approved.

Disclosure: The preceding formula has been structured to balance the TID #48 and assumes that only the Project and the Flatiron will be developed during the life of TID #48. This formula may be revised and Development Agreement amended if, and at such time, as other projects within TID #48 commenced construction.

Notwithstanding the foregoing, subsequent provision of City funds for expenditures related to job training, TID administration and the design and construction of publicly accessible improvements may occur at any time with the written approval of the Commissioner.

Grants: Developer and City will undertake good faith efforts to secure brownfield and other grant funding to assist the Project. The City Investment will be reduced by a percentage of the net proceeds available for Project costs equal to the percentage in which the City contributed funding for that type of improvement. Net proceeds will be defined as the amount of grant funds that may be applied to Project costs, less the direct costs of securing such grant funds.

Competitive Bidding: Contracts for TID Funded Improvements must be bid out and the bidder chosen as approved by the Commissioner.

Prevailing Wages: The Developer and Developer's contractors shall pay prevailing wages for new public infrastructure costs associated with the construction of the riverwalk, dockwall, Milwaukee, Broadway and Kewaunee Streets, as well as Riverwalk Way and located within the public right-of-way and shall provide any necessary reports on forms 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 by Developer to unrelated third parties without the written consent of the City, which shall not be unreasonably withheld.

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. PILOT payments will be due during the entire life of TID-48. This provision shall be incorporated into a covenant running with the land.

Financial Statements: Developer shall provide annual, internally generated financial statements for the Project, certified as to accuracy by a person satisfactory to the Commissioner. At its discretion and expense, the City may request independently audited financial statements to be provided within ninety days of the close of any fiscal year.

Design Review: The Commissioner shall have the right to approve all plans for the Project.

Human Resource Requirements: The Developer will enter into an EBE agreement that places a mandatory 18% EBE requirement and a 21% Residents Preference requirement on the Public Infrastructure work and a best efforts EBE requirement on the remainder of the Project. The Developer will hire an EBE coordinator/monitor to oversee the EBE component of the Project.

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, Commissioner review and approval of project budget and design, etc.) will also be included in the Development Agreement.