

TERM SHEET

NEW BUCKS ARENA

September 22, 2015

PROJECT:

Milwaukee Bucks LLC intends to construct a new arena in downtown Milwaukee to be used as the home arena of the Milwaukee Bucks NBA basketball team at a cost of \$500 million. Through negotiations with the State of Wisconsin, Milwaukee County and the City of Milwaukee, it was decided that half of the project would be funded with public dollars and that the City of Milwaukee would contribute \$47 million towards the overall Project. The Project includes, in addition to the new arena structure, a parking structure that will be owned by the City of Milwaukee, a public open-air plaza adjacent to the arena, a retail and entertainment facility to be known as the Live Block located to the east of the arena and a covered plaza to be located adjacent to the Live Block. The Bucks will design and construct the Project in accordance with the terms described in this Term Sheet.

PARTIES:

Milwaukee Bucks LLC and Head of the Herd LLC, including their Affiliates (collectively "Bucks"); Redevelopment Authority of City of Milwaukee ("RACM") and City of Milwaukee ("City")

EXHIBITS TO TERM SHEET:

- Exhibit 1: Map identifying the various blocks by number
- Exhibit 2: Map of the proposed TID boundary
- Exhibit 3: Definitions
- Exhibit 4: List of Preconditions

CITY OBLIGATIONS:

City agrees to contribute cash, infrastructure and land to the Greater Arena Project and related properties as follows:

- A. \$35 million cash towards the construction of the Parking Structure in accordance with statutory requirements.
- B. \$12 million in cash towards the construction of the Plaza and other components of the Greater Arena Project which can be funded with tax-exempt bond proceeds in accordance with statutory requirements.
- C. If the actual costs for construction of the Bucks Arena, the Plaza and the Parking Structure are under \$500 million, it is understood that City will be reimbursed for its proportionate share based on and controlled by legislation passed by the State of Wisconsin.

- D. Conveyance of the 4th & Highland Parcel and City's Park East Parcel to Bucks.
- E. Public infrastructure improvements as follows (with all deadlines subject to revision based upon the outcome of a coordinated meeting between City, Bucks and Bucks' contractor about the scheduling of the construction of the Greater Arena Project and the Training Facility):
 - 1. Initiate and consider an application to vacate N. 4th Street between W. Juneau Avenue and W. Highland Avenue and N. 5th St. and the public alleys in Block 1 and complete any utility work (water/sewer/comm) related to those vacations by the end of 2015. Such vacations will proceed through the City's standard process for street vacations..
 - 2. Rehab of sewer in Highland Avenue by the end of 2016 if deemed necessary by City's Dept. of Public Works.
 - 3. Resurface Juneau Avenue between 3rd and 6th Streets by the end of 2017.
 - 4. Resurface Highland Avenue between 3rd and 4th Streets and between 5th and 6th Streets by the end of 2017.
 - 5. Complete streetscaping on Juneau/Highland by the end of 2017.
 - 6. Rebuild 5th Street from Juneau to McKinley in coordination with the construction of the Parking Structure and from State to Highland if needed in coordination with the development of Blocks 2 and 3.
- F. Facilitate coordination between Bucks, Milwaukee County, the State of Wisconsin and MMSD to remove footings in the Park East Land and to relocate a sewer in the Park East Land to Juneau Avenue. The parties understand that the Wisconsin Department of Transportation will relocate the sewer located in the Park East Land. City will fully cooperate and coordinate with the State of Wisconsin and Milwaukee County to relocate the sewer and will pay for any city-related incremental costs arising from the upsizing of the state-owned sewer that is located on the Park East Land.

BUCKS OBLIGATIONS:

Bucks agree to do all of the following:

- A. Enter into PILOT agreements with City to be recorded on title of all parcels owned by Bucks within the TID boundary, except Block 1, the Live Block Plaza and vacated 4th Street.
- B. Accommodate and agree to a transportation, utility and public access easement for the benefit of the City in vacated 4th Street. Such easement shall be executed by the City, the Wisconsin Center District and the Bucks prior to recording the resolution vacating 4th Street and shall include a reversionary clause that requires the re-designation of 4th Street as right-of-way at no cost to the City if the Bucks no longer use the Plaza or Bucks Arena and the City requests such re-dedication. City agrees to coordinate with Bucks on design and construction of any facilities placed within the easement area in order to accommodate any safety and operational concerns of the Bucks.
- C. Dedicate public right of way for N. 5th Street between Highland Avenue and State Street and from Juneau Avenue to McKinley Avenue.
- D. Complete construction of the Bucks Arena, the Plaza, the Live Block Plaza, the Parking Structure and the Live Block not later than 60 months following commencement of construction, subject to force majeure.

- E. Demolish the existing Bradley Center, at no cost to City, within 12 months following completion of construction of the Bucks Arena, subject to force majeure.
- F. Enter into a development agreement with City and RACM.
- G. Enter into a human resources agreement ("HRA") with City consistent with this Term Sheet.

BUCKS' COMMITMENT TO CITY PREREQUISITES:

Human Resources Requirements:

Bucks will take steps necessary to meet the following goals:

- A. On construction of the Bucks Arena, Plaza and Parking Structure:
 - 1. 25% of construction (labor and supplies) completed by Small Business Enterprises ("SBE"), as defined in Sec. 370-1-17 of the Milwaukee Code of Ordinances (subject to standard exclusions available under City's SBE program).
 - 2. 18% of Architectural/Engineering professional services completed by SBE (subject to standard exclusions available under City's SBE program).
- B. On the construction of the Bucks Arena, Plaza and Parking Structure:
 - 1. 40% of workers shall qualify under the City's Residential Preference Program ("RPP") as follows:
 - a. RPP-qualified workers shall be City residents that are unemployed or underemployed as defined in sec. 309-41-1-f of the Milwaukee Code of Ordinances or grandfathered unemployed or underemployed City residents who no longer meet the time requirements in sec. 309-41-1-f because of their work on other recent development projects in the City of Milwaukee.
 - b. In the event that the Bucks exhaust all eligible workers who meet the City's RPP ordinance as described in B.1.(a), as determined by the City's Office of Small Business Development in cooperation with the Milwaukee Area Workforce Investment Board, and have not met the 40% requirement, the Bucks may hire any City resident to fill that gap and reach the 40% requirement.
 - 2. For purposes of maximizing employment opportunities, targeting training programs and assessing compliance feasibility within specific components of the project subject to RPP, the HRA shall provide that City (through City's Department of City Development and Office of Small Business Development), Bucks and Bucks' project manager, in conjunction with the Milwaukee Area Workforce Investment Board in collaboration with the Milwaukee Building Trades and WRTP Big Step, shall develop a gap analysis of work force capabilities and capacities on a trade by trade basis. This analysis shall be performed both prior to commencement of construction and again following construction bidding.
 - 3. In an effort to increase workforce capacity in the City of Milwaukee, the Bucks and City agree to contribute a minimum of \$375,000 each during the next 4 years towards capacity building programs to be conducted in cooperation with MAWIB for the Greater Arena Project. The Bucks' portion may be paid directly by the Bucks, through an Affiliate or through the Bucks' foundation. The funding of the City portion is yet to be determined. The capacity building funds may be utilized to pay for the following:
 - a. Completing the gap analysis as described in B.2.

- b. A youth recruitment program.
- c. Worker recruitment events.
- d. Development of an end user worker recruitment project.
- e. Business development program in the architectural and other professional fields.
- f. Any other program that the City and Bucks mutually agree upon.

Parking Structure

With regard to the Parking Structure, the following terms are agreed to by the Parties:

- A. Bucks shall obtain title to Block 7 from Milwaukee County and cause the Parking Structure, not including any of the ancillary development attached to the Parking Structure, to be conveyed as a separate tax key parcel to City (free of all financial encumbrances). Ancillary development attached to the Parking Structure includes development abutting the sides of the Parking Structure and/or on the roof. Any development on the roof will be coordinated and subject to discussions with City in relation to City's rights under paragraph F, below.
- B. City shall pay \$35 million for construction of a minimum of 1243 parking spaces.
- C. City has approval rights over the architect and design selected for the Parking Structure, which approval cannot be unreasonably withheld. The Parking Structure may be developed on a design/build basis.
- D. Bucks shall be guaranteed use of 1,243 parking spaces for events at the Bucks Arena (843 in the Parking Structure with City's option to provide up to 400 at another, mutually agreeable location within a mutually agreeable distance from the New Arena Parcel). The offsite revenues from such relocated spaces shall be included as revenue from the Parking Structure.
- E. Bucks shall construct the Parking Structure subject to City's standard public works requirements as required by law.
- F. City has the option, at its expense, to increase the number of spaces above 1,243 at the time of construction or at anytime in the future.
- G. City's \$35 million shall not cover costs related to construction of any skywalk, but City agrees to allow a skywalk to be connected to the Parking Structure if Bucks can obtain necessary approvals for the skywalk.
- H. City and Bucks shall enter into a master lease that leases the Parking Structure to Bucks and obligates Bucks to be responsible for operation and maintenance of the Parking Structure. It is understood that a third party professional parking operator will likely be engaged to manage day to day operations of the Parking Structure. City and Bucks shall work together to establish rates at the Parking Structure for monthly/daily parking and parking during events at the Bucks Arena. Under the lease, City shall retain sole rights to arrange for leases, at market rates determined in accordance with the preceding sentence, for any parking spaces above the 1,243 (or 843) spaces reserved for events at the Bucks Arena. The location of such leased spaces shall be subject to Bucks' approval.
- I. When not being used for events at the Bucks Arena, the 1,243 parking spaces in the Parking Structure shall be made available for daily/monthly public parking.
- J. Bucks and City shall split all parking revenues from the Parking Structure on a 50/50 basis after costs of operation and maintenance, including capital repairs, of the Parking Structure are deducted.

- K. City may sell, and Bucks shall market, naming rights or corporate sponsorship signage for the Parking Structure. City and Bucks shall each receive 50 percent of any revenue associated with such naming or sponsorship. City anticipates that its share of such revenue will be dedicated to the MKE Plays initiative. Any associated signage for the naming rights or sponsorship is subject to City's standard approval requirements, which shall not be unreasonably withheld.
- L. The Parking Structure needs to accommodate the Journal-Sentinel parking lease from 4th & Highland Parcel at market rates.

Developer-Backed TID

City will create a \$20 million tax increment district ("TID") with a boundary as shown on Exhibit 2.

- A. City will finance its \$12 million contribution to the Plaza through the TID.
- B. Bucks will finance \$8 million towards the TID by purchasing tax-exempt revenue bonds from RACM that represent Bucks' \$8 million developer contribution to the TID.
- C. Tax increments actually received by City through the TID shall be used to first repay City for its \$12 million contribution plus cost of borrowing.
- D. Upon City being fully repaid for its \$12 million contribution and borrowing costs, Bucks will be repaid its \$8 million contribution plus 4.5% compounded interest through tax increments actually received by City through the TID.
- E. City shall not enter into any other development agreements in the TID that make another developer superior to Bucks' repayment rights or extend the length of time of Bucks' repayment.
- F. The TID shall last no more than 25 years from its effective date.

Local Retailer Participation – Live Block

- A. Bucks intends to develop retail and entertainment on the Live Block.
- B. Bucks will include 25% of Milwaukee-based retailers as tenants in the Live Block, subject to the tenant availability and ability to pay prevailing market rent rates. Local providers may include Bucks, but portions of the Live Block where Bucks sublease to non-local franchises shall not be counted towards the 25%.

Surface Parking

- A. It is contemplated that Blocks 5 and 6 will be used for temporary surface parking while the Bucks Arena is being constructed as replacement for the current surface parking located on the western half of Block 1 for up to 24 months following completion of the construction staging for the Greater Arena Project and ancillary development on the Park East Land.
- B. City's and Bucks' interests are aligned in developing the Park East Land in an expedient and thoughtful manner.

PERMITTING & ZONING:

- A. City agrees to provide designated contact persons to handle permitting and zoning issues related to the construction of the Bucks Arena, Plaza, Parking Structure and Training Facility.

- B. Detailed Plan Development zoning shall be used for all development within the TID.
- C. Bucks shall be responsible for paying a maximum of \$1 million in costs for permit fees and on-site expedited applications, reviews, inspections and approvals for the Bucks Arena, Plaza, Parking Structure and the Training Facility.

CITY LAND CONTRIBUTIONS:

- A. City shall convey City's Park East Parcel to Bucks by quit claim deed within 30 days after Milwaukee County conveys the Park East Land to Head of the Herd, LLC.
- B. City shall convey the 4th & Highland Parcel to Bucks by quit claim deed.
- C. Both parcels shall be subject to a deed restriction that requires them to be subject to a PILOT agreement.
- D. Bucks shall demolish the parking structure at the 4th & Highland Parcel in accordance with the timeframe established in the construction contract for the Bucks Arena.
- E. Bucks shall exercise good faith efforts to complete construction of the Live Block by the time the Bucks Arena opens.
- F. The timing of paragraphs B, D and E shall be subject to revision based upon coordinated efforts between Bucks and City's Dept. of Public Works as the Greater Arena Project progresses. In addition, City will cooperate with Bucks in land conveyances to minimize income tax and transfer tax consequences.

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 among City, RACM and Bucks. Resolutions approving this Term Sheet shall provide for the execution of all additional project documents and instruments necessary to implement the Project.

Exhibit 1
Map identifying the various blocks by number

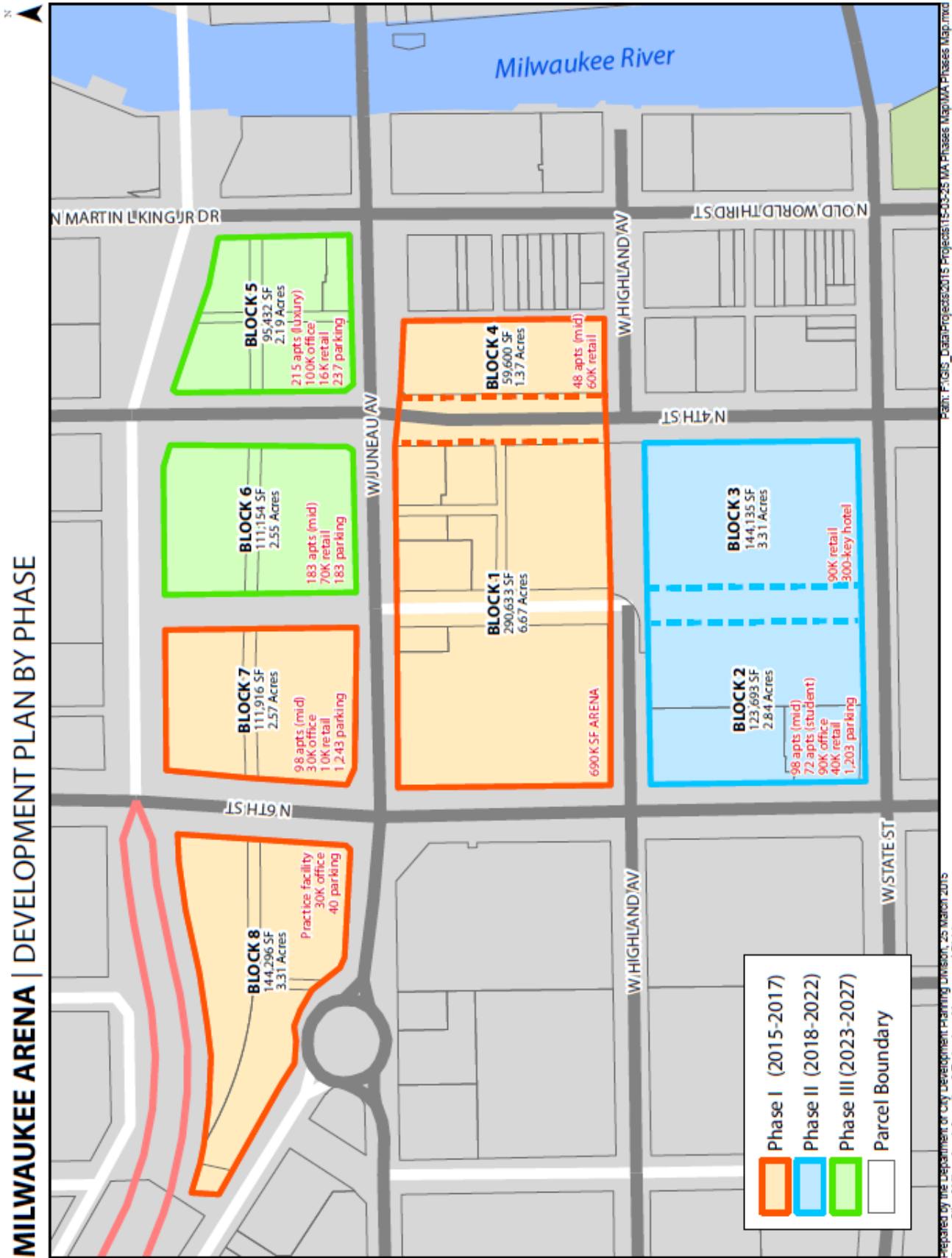
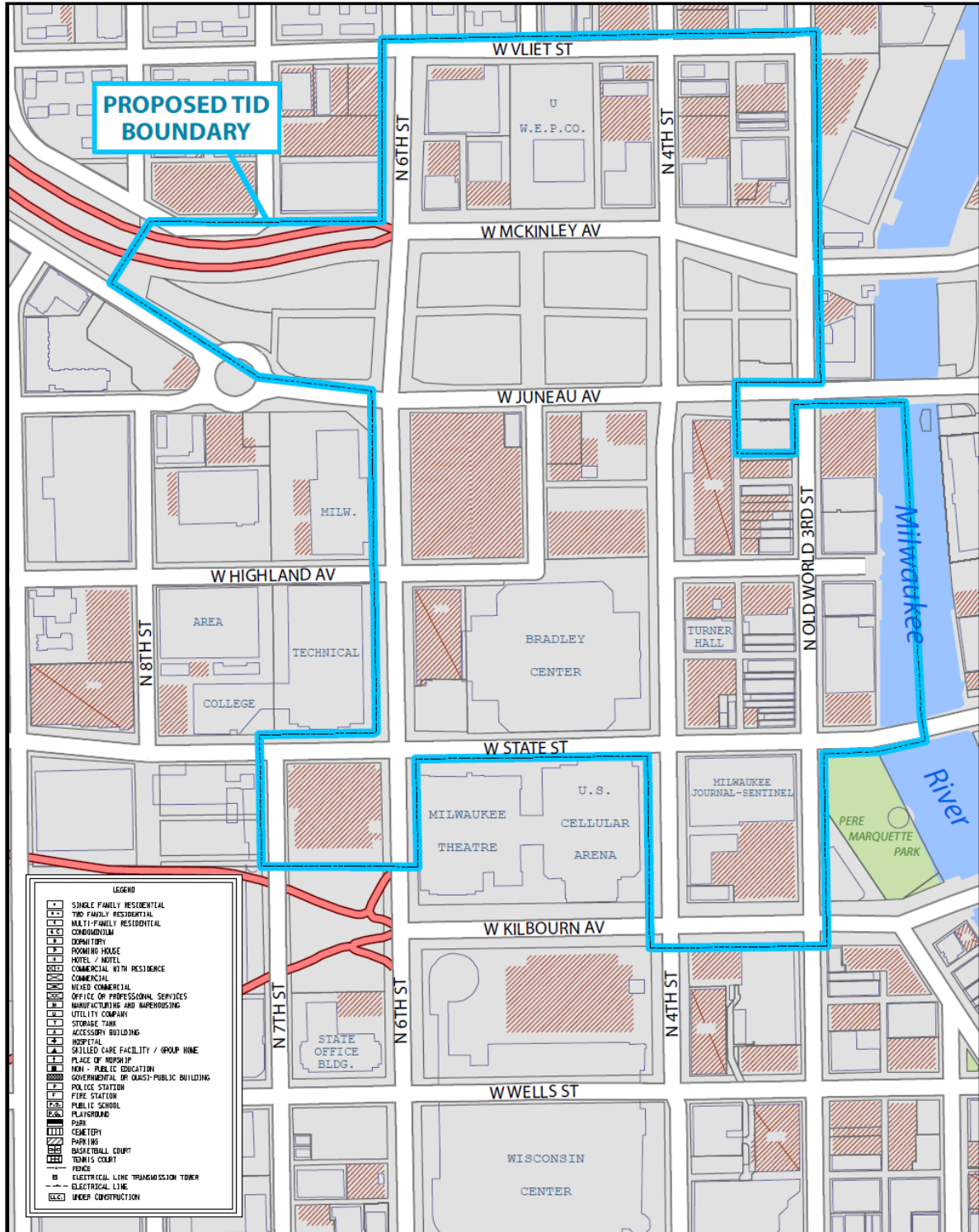
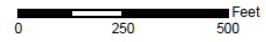


Exhibit 2 TID Boundary

ARENA TID

Prepared by the Department of City Development Planning Division, 26 May 2015
Source: City of Milwaukee Information & Technology Management Division

MAP 1: BOUNDARY AND EXISTING LAND USE



Path: F:\GIS_Data\Projects\2015\Projects\15-05-26 Arena TID Maps\Map 1 - Boundary & Existing Land Use (Arena).mxd

Exhibit 3

Definitions

4th & Highland Parcel means the City-owned parcel of land and parking structure located at 324 West Highland Avenue.

Affiliate means a person, persons or entities directly or indirectly under the same control, ownership or management as the Milwaukee Bucks LLC or Head of the Herd LLC or a person, persons or entities controlling or managing the Milwaukee Bucks LLC or Head of the Herd LLC.

Bradley Center Land means Blocks 2 and 3.

Bucks means Milwaukee Bucks LLC; Head of the Herd LLC; and any Affiliate(s).

Bucks Arena means the basketball arena to be constructed by Bucks on Block 1.

City's Park East Parcel means the City-owned 8,246 sq. ft. parcel of land located on the southeast corner of Block 5 at the intersection of N. 3rd Street and W. Juneau Avenue.

Greater Arena Project means the design and construction of the Bucks Arena and all related facilities including the Plaza, the Live Block, the Live Block Plaza and the Parking Structure.

Live Block means a retail and entertainment facility to be constructed by Bucks on a portion of Block 4 on a separate tax key parcel to be created by a certified survey map of the 4th & Highland Parcel.

Live Block Plaza means a covered pedestrian plaza area adjacent to the Live Block to be constructed by Bucks on a portion of Block 4 on a separate tax key parcel to be created by a certified survey map of the 4th & Highland Parcel.

New Arena Parcel means Block 1.

Park East Land means the County-owned land in Blocks 5, 6, 7 and 8.

Plaza means the open-air, public plaza just east of the proposed Bucks Arena located on vacated 4th Street and the easternmost portion of the New Arena Parcel.

Parking Structure means a new parking structure having a minimum of 1243 parking spaces to be constructed by Bucks on Block 7 and to be owned by City.

Training Facility means the team training facility to be constructed by Bucks on Block 8.

Exhibit 4

List of Preconditions for Project

- A. Passage of State legislation in a form that is satisfactory to the parties
- B. Formation of new WCD Board
- C. Transfer Agreement between Bradley Center and WCD and conveyance of Block 1 to WCD
- D. Negotiation and execution of master arena lease, management and operations agreement between Bucks and WCD approved by NBA
- E. Negotiation and execution of master development / construction oversight agreement between Bucks and WCD, approved by NBA
- F. Engagement of A/E and Contractor by Bucks on terms consistent with WCD and NBA requirements
- G. Park East Land optioned to Head of Herd LLC
- H. Detailed planned development zoning approval for Blocks 1 and 4
- I. WCD passes resolutions to issue necessary debt
- J. City approves TID and development agreement with Bucks