

DRAFT – 12-16-08

Term Sheet Bishop’s Creek CDC Kaiser Tannery Redevelopment Project- Phase 1A

Project:

Bishop’s Creek CDC proposes to redevelop the site of the former Kaiser Tannery facility at the southwest corner of West Hampton Avenue and North 32nd Street along with a parcel at the northwest corner of West Hampton Avenue and North 32nd Street (“Site”). The overall development project is proposed in multiple phases:

- Phase 1A entails demolition and site remediation by Bishop’s Creek CDC (the “Developer”) and the development by Common Bond Communities of 55 units of affordable housing on a portion of the site (the “Common Bond Project”).
- Other anticipated components of Phase 1 include adaptive reuse of an existing structure as a 20-unit dormitory
- Phase 2 is anticipated to include additional adaptive reuse of structures on the site, including retail development
- Phase 3 is anticipated to include theater/arts/meeting/conference facilities, as well as new commercial development at the Northwest corner of 32nd and Hampton

While the City of Milwaukee generally intends to assist future taxable phases of the Project as needed and appropriate, This Term Sheet pertains solely to site improvement necessary to facilitate Phase 1A of the Project as defined above. Further, the City intends to simultaneously enter into a distinct Development Agreement with Common Bond Communities to assist with vertical development of Phase 1A.

Project Budget:

Estimated total costs for the Phase 1A Project excluding the portion to be developed by Common Bond are approximately **\$2,711,000**. Of this, approximately \$1.36 million remains to be spent (“Remaining Project Costs”).

Developer:

Bishop’s Creek Community Development Corporation

City Contribution:

The City shall provide a contribution for the Phase 1A Project in the amount **not to exceed \$485,000**. This contribution will be made in two stages. The first will be provided to the Department of Public Works (“DPW”) to fund an estimated \$150,000 in public sewer improvements

required to facilitate the Project. The second funding of \$335,000 will be funded to the Developer to assist with extraordinary site remediation costs and close a financial gap in the project. Site remediation costs shall be defined as demolition and abatement work.

Disbursements:

Disbursement of City funds will occur as follows:

Funding #1: Up to \$150,000 in City funds will cover the construction by the City of sewer improvements required to facilitate the Project on an “as needed” basis.

Funding #2: Up to \$335,000 of City Funds will be provided to the Developer in three pro rata stages after the following conditions are met:

- A. A final budget for the total costs of the site remediation shall have been provided in a form substantially satisfactory to the City’s Commissioner of City Development, (the “Commissioner”), as well as evidence of the proposed sources of funding for such work.
- B. The Developer shall have received all federal, state and local agency approvals that are necessary to undertake the site remediation work.
- C. The Commissioner shall have received and approved a signed EBE Agreement.
- D. The Developer shall provide evidence satisfactory to the City that \$1,351,082 has been spent on the Project.
- 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 costs have been fully substantiated by the Developer on appropriate AIA forms, such as AIA Document G702.
- F. The disbursement of TID funds shall be contingent upon all financing sources for Phase 1A being finalized.

The three draws of City Funds will occur on a pro rata basis with the Developer’s expenditure of the \$1.36 million in Remaining Project Costs necessary to complete the Project (beyond the \$1.35 million spent to date). City Funds shall be disbursed at a rate of no more than 24.6% of Remaining Project Costs.

1. Draw #1 of City Funds will occur after the Developer has incurred and evidenced the expenditure of \$453,000 in Remaining Project Costs.
2. Draw #2 of City Funds will occur after the Developer has incurred and evidenced the expenditure of \$907,000 in Remaining Project Costs.
3. Draw #3 of City Funds will occur after a) the Common Bond Phase 1A Project has been substantially completed, b) the full scope of Developer site remediation, demolition, and abatement work is complete, and c) the Developer has evidenced expenditure of the balance of the Remaining Project Costs. Substantial completion is to be defined as having received a Certificate of Occupancy from the City. If, upon submittal of request for Draw #3 the Developer has incurred less than the budgeted amount of \$1.36 million in Remaining Project Costs, the amount of Draw #3 shall be adjusted downward by 24.6% of the Developer's savings against the Remaining Project Costs budget.

Responsibilities:

The Developer will remediate the site, including demolition and abatement work. The City will pay a portion of the remediation and site work costs up to a maximum amount of \$335,000.

Development Agreement:

The City and the Developer 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 be collaterally assigned by Developer to a specified bank without the written consent of the City. All other collateral assignments shall be subject to the written approval of the Commissioner.

The Developer must show evidence of sufficient funds available during the Phase 1A development period to reach completion of all required demolition, abatement, and/or site preparation activities needed to allow Phase 1A to be completed in a manner consistent with its lender and/or equity investor requirements.

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 law.

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.

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.

Human Resource Requirements:

The Developer shall enter into an EBE agreement that places a mandatory 25% EBE requirement on the site remediation work.

Limits on Developer Action:

Until the Phase 1A Project has been completed and fully occupied, the Developer may not:

- Liquidate or consolidate the Site;
- Merge with another entity;
- Sell, lease or transfer the Site or any portion thereof other than to Common Bond Communities pursuant to the Phase 1A Project;
- 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.

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. Resolution 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.

