

**TERM SHEET FOR GRAND AVENUE
MALL REDEVELOPMENT PROJECT**

PROJECT:

The redevelopment of various components of the Grand Avenue Mall shopping center bounded by Plankinton Avenue (to the east), the Boston Store Building (to the west), Wisconsin Avenue (to the north) and Michigan Avenue (to the south) in downtown Milwaukee. The project will include renovations to interior common areas, the parking structure, building exteriors, the Food Court and tenant spaces, the relocation of tenants, installation of new signage and additional related and complementary activities and certain agreed upon streetscape work. A secondary purpose of the Project is to simplify the existing complex ownership structure of the Mall by transferring title (and all maintenance, repair and other obligations of ownership) of the parking structure and various rights-of-way and common areas from public and quasi-public bodies to Developer or the owner of the retail components of the Mall for the purchase price set forth in this Term Sheet.

DEVELOPER:

New Arcade, LLC or an affiliated entity ("Developer").

**DEVELOPMENT
AND COOPERATION
AGREEMENT:**

The City, RACM and Developer will enter into a Development and Cooperation Agreement incorporating and authorizing the City/RACM/Developer relationships, terms, conditions and obligations set forth herein.

AUTHORIZATION:

Execution of the Development and Cooperation Agreement by the appropriate officials of the City and RACM is authorized by the passage of the City and RACM resolutions approving this Term Sheet.

**BACKGROUND TO
PROJECT AND
DEVELOPER'S
COMMITMENT:**

This Project is part of the comprehensive program committed to by the City, Developer, Wisconsin Energy Corporation and Saks Incorporated in June 2000 for the continued operation of the Boston Store department store at the west end of the Mall and the retention of Saks Incorporated corporate offices in the upper floors of the Boston Store Building. Pursuant to such program, Developer is obligated to complete significant portions of the Project no later than November 22, 2001, to coincide with the completion of renovation to the Boston Store retail space. In order to meet that deadline,

Developer has already commenced the planning and design work for renovations to the Grand Arcade portion of the Mall and will commence physical construction in July, 2001. Developer's financial commitment to this portion of the Project will be at least \$5.5 million by November 22, 2001 and ultimately at least \$12 million (with such additional sums expended as and when existing tenants are relocated to, and new tenants procured for, the Grand Arcade). The work in the Grand Arcade that will be performed by Developer both before and after November 22, 2001 is described on Exhibit A attached hereto (the "Grand Arcade Work"). The cost of the Grand Arcade Work is in addition to approximately \$13 million previously invested by Developer into the Grand Arcade and upon which Developer has received a very low rate of return.

**CITY
CONTRIBUTIONS
AND CONVEYANCES
TO RACM:**

To assist with RACM's redevelopment efforts and activities, the City will: (i) contribute \$750,000 to RACM; and (ii) convey to RACM all of the City's real property ownership interests in the Mall and in the parking structure located adjacent to the Mall (the property to be conveyed to RACM is identified on Exhibit C and collectively referred to as the "Public Amenities"). The \$750,000 will be funded through a new tax increment district to be created by the City, the boundaries of which are shown on Exhibit B attached hereto (the "TID").

RACM GRANT:

Upon approval of the plans and specifications for the Grand Arcade Work by the Commissioner of the Department of City Development (the "Commissioner"), RACM will contribute \$750,000 toward the costs of the Grand Arcade Work (the "Grant). The Grant will be disbursed to Developer to reimburse or pay directly costs incurred by Developer for the Grand Arcade Work in accordance with disbursement procedures acceptable to the Commissioner. Disbursements shall not be made more than once per month. The Grant will be disbursed on a ratio of 6 to 1 (i.e., RACM will disburse \$1 of the Grant for each \$6 expended by Developer for costs included within the budget set forth on Exhibit A). Notwithstanding the foregoing, no portion of the Grant will be paid to Developer until at least 90% (as measured by the cost of the work) of the Parking Structure Improvements (as hereafter defined) has been completed by Developer.

**PURCHASE OF
THE PUBLIC
AMENITIES:**

RACM shall convey to Developer, and Developer shall purchase from RACM, the Public Amenities. The purchase price for the Public Amenities shall be \$2,035,007 and the closing shall occur on or before November 1, 2001. At Developer's option, Developer shall pay the purchase price in cash or by executing a promissory note at closing. If the latter, such note shall require Developer to make payments to RACM in accordance with the payment schedule attached hereto as Exhibit F. Such payment schedule matches the City's payment obligations on the outstanding City indebtedness related to the parking structure in the Mall (including all outstanding principal and accrued interest). RACM shall convey title by warranty deed (subject to existing recorded easements) and shall provide title insurance in the amount of the purchase price. Developer shall accept the Public Amenities in "as is" condition, with no warranties or representations, other than warranty of title, and Developer shall assume liability for all deferred maintenance and capital repair obligations arising as of the date of the closing. After the conveyance to the Developer of the Public Amenities or prior thereto with the Commissioner's consent, Developer shall also perform the Parking Structure Improvements (as hereafter defined) to the parking structure that is being conveyed to Developer. Capital, maintenance and other reserve funds relating to the public Amenities and held by the manager/operator of the Public Amenities: (i) first, shall be used to pay any accrued liabilities with respect to the parking structure being conveyed to Developer (including any deferred management fees, but excluding the City indebtedness), and Developer shall separately account for all such accrued liabilities, (ii) next, shall be used by Developer, in aggregate amount up to \$1,235,000 without regard to line item allocation, to pay for certain repairs and upgrades to the parking structure that is being conveyed to Developer, such repairs and upgrades being identified in Exhibit G attached hereto and any work reasonably inferred or required in connection therewith if approved by the Commissioner (the "Parking Structure Improvements"), and the Developer shall separately account for all work identified in Exhibit G and additional work approved by the Commissioner, (iii) next, shall be transferred to Developer in the amount of \$1,255,873, and (iv) last, shall be paid over to RACM to the extent, if any, that capital, maintenance and other reserve funds relating to the Public Amenities are in excess of the sum of the liabilities described in (i) above, the \$1,235,000 described in (ii) above, and the \$1,285,000 described in (iii) above. At the

closing, the reserve funds shall be disbursed as set forth above based upon Developer's preliminary estimate of the funds available for each of the respective categories of disbursement. To the extent that all of the \$1,235,000 has not yet been expended for the Parking Structure Improvements, the undisbursed portion of such \$1,235,000 shall be retained in the reserve fund for payment of the remainder of such costs as they are incurred and the \$1,285,000 and any excess shall be disbursed to Developer and RACM, respectively. On or before June 30, 2002, Developer shall provide RACM with final audited financial statements, in form acceptable to the Commissioner, of the reserve fund account and the distributions therefrom. To the extent that the final audit indicates that the distribution of the reserve funds at closing was incorrect, any party receiving an overpayment shall repay to the other the amount of such overage. RACM shall remit to the City all proceeds from the sale of the Public Amenities and any reserve funds received from Developer. In addition to the foregoing conveyances, Developer, the City, RACM and The Grand Avenue Corporation ("GAC") will cause the Redevelopment Operating Entity Corporation ("ROEC") to transfer all of ROEC's interest in the Public Amenities to Developer and then cause ROEC to be dissolved. In consideration of the purchase price for the Public Amenities, the City and RACM (i) waive any and all rights to payments due from GAC or any other party under any agreements relating to the Mall arising prior to or subsequent to closing, including, without limitation, any present, past and future rights the City has or had or would otherwise have to receive payments from GAC under the Agreement for Redevelopment dated May 25, 1979 among the City, RACM and the Milwaukee Redevelopment Corporation ("MRC"), as supplemented or amended (GAC having succeeded to the interests of MRC thereunder), and (ii) agree to terminate all of their rights under all agreements regarding the Mall and the attached parking structures except only for the Agreement for Redevelopment, as modified in (i) above. Authorization for execution by the appropriate officials of the City and RACM of all documentation necessary to accomplish the foregoing is granted by the passage of the City and RACM resolutions approving this Term Sheet.

**HUMAN RESOURCE
REQUIREMENTS:**

In fulfilling its obligations for physical renovations and new construction under the Development Agreement, Developer will agree to perform the Residence Preference Program Provisions set forth on Exhibit D attached hereto and the Disadvantaged Business Enterprise Provisions set forth on Exhibit E attached hereto. Developer will also request that all new tenants of the Project enter into a First Source recruitment agreement with an appropriate agency.

**LABOR AND
RELOCATION
STANDARDS:**

In fulfilling its obligations under the Development Agreement, Developer will comply with all applicable labor standards. Developer will also comply with and be financially responsible for all applicable state and federal relocation requirements.

**CITY REVIEW
AND APPROVALS:**

The plans and specifications for the Project shall be subject to the review and approval of the Commissioner. The City and/or RACM shall provide such consents required to carry out the Project under existing covenants and agreements governing the Mall. The City and RACM shall also support any amendment to the redevelopment plan governing the Mall to the extent necessary to accommodate the approved renovations. The City shall in good faith process Developer's application to vacate the alley between the Plankinton Building and the adjacent parking structure in accordance with City ordinances.

**DEVELOPER
COVENANTS:**

Within 30 days after conveyance of the parking structures, Developer agrees to create and implement a Grand Arcade retail customer parking program in the parking structures acquired from RACM. The program will provide for discounted parking fees for all Grand Arcade retail patrons. Monthly parking in the parking structure will be limited so as to accommodate such program. The parking fee will be waived for all patrons parking two hours or less and presenting a store receipt, from a Grand Arcade retailer, to the parking garage attendant indicating a purchase amount of \$15.00 or more, as such time and amount may be adjusted from time to time by Developer. Developer's obligation to the Grand Arcade retail customer parking program as described herein will remain in force until the earliest to occur of the following: (i) the expiration of the Boston Store operating covenant, (ii) the closure and/or discontinuance of Boston Store's operation as a premier anchor department store, (iii) the reduction of Boston Store's merchandising floor to any amount less than 100,000 square feet, or (iv) November 1, 2011. Developer further agrees to permit public access through the Mall via

the existing skywalks at all times that the skywalks entering the Boston Store (from the north, inclusive of the Boston Store interior bypass) and the Plankinton Building (from the east) are required to be open under existing agreements. Developer shall execute recordable covenants confirming the retail parking program and the skywalk access in form acceptable to the Commissioner.

**CITY
STREETSCAPE
WORK:**

The City will carry out \$2 million of improvements (which includes up to \$25,000 of reimbursement for work to be done by the Developer) to the Wisconsin Avenue streetscape between the Milwaukee River and the downtown Hilton Hotel in accordance with the City's obligations set forth in the Development Agreement by and among the City, Wispark LLC and Bostco LLC, approved by the Common Council in November 11, 2000 by Resolution No. 00910.

**FUTURE
DEVELOPMENT:**

Developer will likely expand the scope of the Project to include other existing and future components of the Mall (including, but not limited to, portions of the Plankinton Building, the US Bank Building and the Woolworth Building). At the request of Developer, the City will review Developer's renovation plans and financial projections for subsequent stages of the Project and will consider appropriate financial or other forms of assistance (including the possible expansion of the TID and/or the creation of additional tax increment districts) if, in the discretion of the City, such assistance is warranted.

**MINIMUM
INVESTMENT FOR
GRAND ARCADE
WORK:**

Developer commits that it will have expended at least \$12 million for the Grand Arcade Work no later than 36 months following the effective date of the Development and Cooperation Agreement (the "Performance Date"). If Developer fails to make such expenditures by the Performance Date, Developer shall pay to the City an amount of money equal to one half of the difference between \$12 million and the actual sums expended by Developer for the Grand Arcade Work by the Performance Date.

SCHEDULE OF EXHIBITS

EXHIBIT A	GRAND ARCADE WORK AND BUDGET
EXHIBIT B	BOUNDARIES OF NEW TAX INCREMENT DISTRICT
EXHIBIT C	PUBLIC AMENITIES
EXHIBIT D	RESIDENCE PREFERENCE PROGRAM
EXHIBIT E	DISADVANTAGED BUSINESS ENTERPRISE AGREEMENT
EXHIBIT F	PROMISSORY NOTE PAYMENT SCHEDULE
EXHIBIT G	PARKING STRUCTURE IMPROVEMENTS

EXHIBIT A

GRAND ARCADE WORK BUDGET

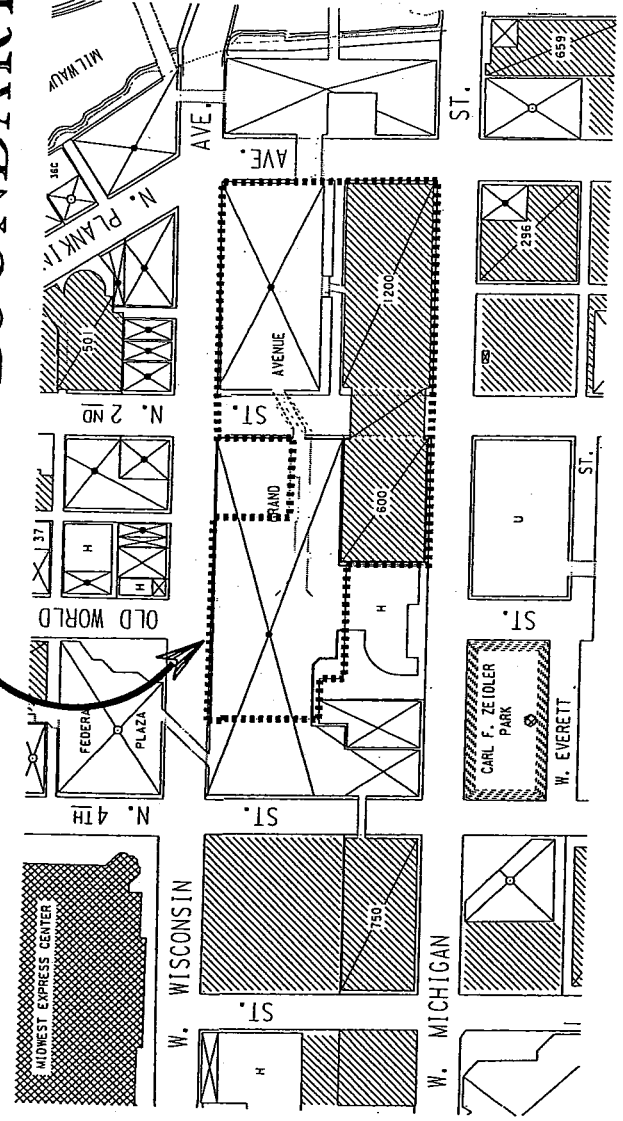
I.	Hard Construction Costs	\$5,300,000
II.	Architectural and Engineering Costs	821,224
III.	Tenant Improvement Costs	5,472,393
IV.	Indirect Project Costs (marketing, legal, bonds, brokerage commissions, development fees, tenant concessions)	3,113,173
V.	Furniture, Furnishings and Equipment	250,000
VI.	Site Acquisition*	2,560,000
VII.	Contingency and Reimbursables	<u>1,148,908</u>
	TOTAL	\$18,665,698

* This expenditure will be excluded from the costs qualifying for reimbursement from the Grant.

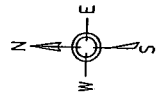
EXHIBIT B

391	392
398	397

TID BOUNDARY



.....	PROJECT BOUNDARY
T	CHURCH
H	HOTEL / MOTEL
R	ROOMING HOUSE
P	POLICE STATION
F	FIRE STATION
⚕	HOSPITAL
C	CONDOMINIUM
U	UTILITY COMPANY
T	STORAGE TANK
	PARK
P.S.	PUBLIC SCHOOL
P.G.	PLAYGROUND
	PARKING LOT
	PARKING STRUCTURE
	SINGLE OR DUPLEX RESIDENTIAL
	MULTI-FAMILY RESIDENTIAL
	MIXED COMMERCIAL / RESIDENTIAL
	COMMERCIAL OR LOCAL BUSINESS
	OFFICE / PROFESSIONAL SERVICES
	MIXED COMMERCIAL
	SKILLED CARE FACILITY
	VACANT PARCEL
	NON - PUBLIC EDUCATION
	PUBLIC BUILDING
	MANUFACTURING AND WAREHOUSING
	ACCESSORY BUILDING
	CEMETERY
	TENNIS COURT
	BASKETBALL COURT
	DORMITORY



MAP NO. **1**

TID - 46

BOUNDARY AND EXISTING LAND USE

DATE

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**EXHIBIT C
PUBLIC AMENITIES**

All of the real property interests of the City, ROEC and RACM in the Mall, the attached skywalks and parking structure, including, without limitation, all of the interest interests of the City, ROEC and RACM in:

(a) the Public Concourses as described in that certain Restated Prime Concourses Lease and Maintenance Agreement between the City, Milwaukee Redevelopment Corporation (MRC), ROEC, RACM dated July 1, 1982, as supplemented or amended,

(b) the airspace described in the two Leases, one for air space over North Second Street and one for air space over North Plankinton, both between the City and MRC and both dated April 28, 1982,

(c) the Parking Garage as described in that certain Restated Parking Garage lease and Management Agreement by and among the City, ROEC and RACM, as amended (including, without limitation, as amended by that certain Revised First Amendment to Both Agreement and Prime Agreement dated as of December 1, 1990, pursuant to which the definition of Parking Garage was supplemented by the addition of the Expansion Levels), and

(d) the Deed and Declaration by and among th acity, MRC, RACM, ROEC, Rouse-Milwaukee, Inc., Rouse-Milwaukee Garage Maintenance, Inc., Enterprise Realty Co., MRCWW Condominium Onwer's Association, Inc., and Majestic Building Condominium Owner's Condominium association dated July 1, 1982, as amended..

Exhibit D

DEPARTMENT OF CITY DEVELOPMENT RESIDENTS PREFERENCE PROGRAM PROVISIONS

I. General

- A. The Developer is required to show that a minimum 21% of worker hours will be performed by unemployed residents of the CDBG area.
- B. The Developer shall prepare or cause to be prepared and submit or cause to be submitted accurate and timely resident utilization forms and reports as hereinafter set forth.
- C. During the performance of this contract, the City reserves the right to conduct compliance reviews. If the Developer or its contractor is not in compliance with the specifications, the City will notify the Developer or its contractor in writing of the corrective action that will bring the Developer or its contractor into compliance. If the Developer or its contractor fails or refuses to take correction action as directed, or if the Developer or its contractor, prime or sub, submits any documents which contain any false, misleading or fraudulent information, or if the Developer or its contractor or subcontractor fail to comply with this exhibit, the City may take one or more of the actions listed below:
 - 1. Withhold payments on this Agreement.
 - 2. Terminate or cancel this Agreement, in whole or in part.
 - 3. Any other remedy available to the City at law or in equity.
- D. The penalty for any person, firm or corporation knowingly engaging in fraud, misrepresentation, or in any attempt directly or indirectly, to evade the provisions of this ordinance by providing false, misleading or fraudulent information shall, upon conviction, forfeit not less than \$1,000 or more than \$5,000 together with the costs of prosecution and, upon default of payment, shall be imprisoned in the county jail or house of correction not to exceed 90 days, or until the forfeiture costs are paid.

II. Definitions

- A. **RESIDENT** – A person who maintains his or her place of permanent abode in the CDBG area within the City of Milwaukee. Domiciliary intent is required to establish that a person is maintaining his or her place of permanent abode in the CDBG area. Mere ownership of property is not sufficient to establish domiciliary

intent. Evidence of domiciliary intent includes, without limitations, the location where a person votes, pays personal income taxes or obtains a driver's license.

- B. **COMMUNITY DEVELOPMENT BLOCK GRANT AREA OR CDBG AREA** – That portion of the City of Milwaukee designated as such by the Common Council which is identified by census tracts on maps maintained at the offices of the City Clerk and the Commissioner of City Development (map attached).
- C. **UNEMPLOYED** – A resident that has worked less than 1,200 hours in the preceding 12 months or has not worked in the preceding 30 days or has qualified since the inception of the Residence Preference Program. An individual will continue to qualify as a CDBG resident and as unemployed for at least three (3) years from the date he or she first participates in a contract entered into under the Development Agreement for the redevelopment of 101 West Wisconsin Avenue.

III. Residency Utilization Requirements

- A. The Developer or its contractor shall utilize unemployed residents of the CDBG area in a minimum amount equal to the percentage of the worker hours stated in paragraph I.A. above. Worker hours, as specified herein, shall include work performed by persons filling apprenticeship and on-the-job training programs.
- B. The contractor must submit with their bid the Proposed CDBG Resident Utilization Report (Form A). This report itemizes by job classification the proposed total worker hours, proposed number of CDBG resident worker hours and proposed number of non-CDBG worker hours the contractor plans to utilize to complete the contract.
- C. An affidavit of compliance (Form B) must be submitted by the contractor with the bid which certifies that the contractor understands the provisions of the residents Preference Program described in this Exhibit.
- D. The Developer or its contractor must submit an Employee Affidavit (Form C) prior to commencing work. The Employee Affidavit certifies that the employee utilized to meet the residency requirements is both unemployed and a resident of the CDBG area, as defined in Section II.A. and C.
- E. The Developer or its contractor must submit biweekly the CDBG Resident Utilization Report (Form D). This report lists the name, address, race, gender, job classification and hours worked of all employees utilized on the contract.
- F. The Developer or its contractor shall maintain personnel records listing the names, addresses, race and gender of its employees utilized for this contract and any records demonstrating that the employees utilized by the contractor in meeting the residency requirements are actual residents of the CDBG area. These records shall be maintained for three (3) years after the Developer or its contractor

has received final payment under the contract and shall be made available to the Commissioner of City Development upon reasonable notice.

- G. Modifications or waivers of the residents preference program requirement set forth herein shall only be effective if agreed to by the City's Equal Opportunities—Disadvantaged Business Enterprise Program Manager and the Developer in writing. Any modifications or waiver shall only be made on the basis of verified information that existing, qualified and available, unemployed residents of the CDBG area are insufficient to achieve the required participation.

EXHIBIT E
DISADVANTAGED BUSINESS ENTERPRISE AGREEMENT

- A. The Developer shall utilize, or cause to be utilized, Disadvantaged Business Enterprises (“DBEs”), as defined in Chapter 360, Milwaukee Code of Ordinances, for a minimum of 18% of the total dollars necessary for the construction of the Project.
- B. The Developer agrees to report to the City’s Equal Opportunities—Disadvantaged Business Enterprise Program Manager (“Manager”) on the Developer’s utilization of DBEs in its contracting activities of the Project, pursuant to Chapter 360 of the Milwaukee Code of Ordinances. In order to monitor the Project’s DBE participation, the City requests, and the Developer agrees to take the following steps:
1. Provide a list of all categories of work on the above-described Project with budget allowances, for which bids will be solicited and highlight those categories, based upon the Developer’s knowledge and experience, which are conducive to DBE participation prior to any bids being solicited or awarded. (Example 1.)
 2. Provide the Manager with documentation supporting efforts extended to solicit bids from DBEs. Upon request, the Developer shall make information related to DBE bids available to the Manager.
 3. Submit a DBE Monthly Report to the Manager on the form attached as Attachment 1.
- C. Only DBE(s) that have been DBE City certified by the Equal Opportunity Enterprise Program may be listed on the DBE Participation Form and counted towards the percentage requirements on this project. A listing of the current CITY certified DBE firms is maintained at:
- Equal Opportunity Enterprise Program
City Hall, Room 601
200 East Wells Street
Milwaukee, Wisconsin 53202
- D. Modifications or waivers of the DBE participation requirement set forth herein shall only be effective if agreed to by the Manager and the Developer in writing. Any such modification or waiver shall be made only on the basis of verified information that the existing, available, certified DBEs in any particular trade area or tier level are insufficient to achieve the required participation.
- E. This Agreement shall be deemed a City contract for purposes of empowering the City to impose any or all of the sanctions set forth in sec. 360-08, Milwaukee Code of Ordinances. In addition, as liquidated damages, the Developer may be liable to the City of that percentage of the total dollars necessary for the construction of the Project which

represents the difference between the 18% DBE participation required hereunder and the actual DBE participation attained.

EXHIBIT F

PROMISSORY NOTE PAYMENT SCHEDULE

November 15, 2002	\$398,073
May 15, 2002	\$58,111
November 15, 2002	\$386,418
May 15, 2003	\$46,456
November 15, 2003	\$374,763
May 15, 2004	\$34,801
November 15, 2004	\$363,108
May 15, 2005	\$23,146
November 15, 2005	\$351,453
May 15, 2006	\$11,491
November 15, 2006	\$335,179

EXHIBIT G

EXHIBIT G PARKING STRUCTURE IMPROVEMENTS

<u>Item Scope</u>	<u>Estimated Budget</u>
1.1 Plankinton Street Garage Entry	
a. New graphic elements	\$75,000.00
Exterior sign	
Bridge signage element	
New exterior lighting	
Highway identifier	
1.2 Second Street Garage Entry	
a. New graphic elements	\$75,000.00
Exterior sign	
Bridge signage element	
New exterior lighting	
1.3. New Arcade Mall Entries	
a. Architectural Elements	\$90,000.00
New flooring and ceiling	
New general lighting	
Add and/or replace decorative lighting	
b. Graphic elements	\$20,000.00
New signage	
1.4 Plankinton Building Mall Entries	
a. Architectural elements	\$180,000.00
New flooring and ceiling	
New general lighting	
b. Graphic elements	
Clarifying identification of garage levels	
1.5 Garage interior	
a. Paint all ceilings, doors and frames	\$275,000.00
b. New general lighting fixtures	\$195,000.00
c. Graphic elements	\$150,000.00
Clarify identification of garage levels	
Provide new directional signage	

1.6	Traffic Control and Deck Repair	
a.	Barriers, control and striping	\$50,000.00
b.	Deck repair	\$50,000.00
1.7	Doors and Hardware	
a.	Repair and replace as needed	\$35,000.00
1.8	Electrical System	
a.	Existing service increased in size to accommodate new lighting and graphics	\$25,000.00
1.9	Miscellaneous	\$15,000.00
	TOTAL	\$1,235,000.00

Note: The allocation of the budget among the various categories of work is an estimate. Funds may be reallocated among categories as necessary to complete the work without regard to the estimated budget allocation. In no event, however, shall the total budget for the Parking Structure Improvements exceed \$1,235,000.