

11/8/21

AMENDED TERM SHEET

(Schuster’s Building – TID 102)

PROJECT

The Schuster’s Building project is a proposed redevelopment of the former Schuster’s department store and Gimbel’s warehouse, a 350,000 SF building at 2153 North Dr. Martin Luther King Jr. Drive and a 24,000 SF warehouse at 2212-2228 North Vel R. Phillips Avenue (the “**Project Site**”). The Project Site will be developed by Royal Capital Group, LLC (the “**Developer**”), or its approved successors and assigns.

The Developer plans to redevelop the Project Site into apr. 100,000 SF of office space, apr. 50,000 SF of early childhood education/community uses, apr. 89 apartment units (including apr.74 affordable units) and apr. 315 structured parking spaces (the “**Project**”). A portion of the Office Space will be occupied by the Medical College and a portion will be occupied by the Greater Milwaukee Foundation. The Project represents a total investment of apr. \$105m.

The City of Milwaukee (“**City**”) proposes to assist Developer via the creation of a new Tax Incremental District No. 102 (Schuster’s Building) (the “**TID**”) to fund a \$15,000,000 “**Monetary Obligation**” item described below and as set forth in the TID Project Plan.

PROJECT BUDGET

Total estimated costs for the Project are approximately \$105m. Estimated Project sources are:

Commercial Loans:	\$48,500,000
Historic Tax Credits:	\$22,500,000
Tax Incremental Financing:	\$12,600,000
Equity:	\$8,500,000
Low Income Housing Tax Credit:	\$9,400,000
Deferred Developer Fee	\$3,500,000
TOTAL	\$105,000,000

APPROXIMATE DEVELOPMENT SCHEDULE

Commence Construction of Project by February 28, 2022.
Substantial Completion of Project by June 30, 2023.

DESIGN REVIEW

Plans and specifications for the Project shall be subject to the reasonable review and approval of City's Commissioner of City Development (the "**DCD Commissioner**").

PARTIES

City, Redevelopment Authority of the City of Milwaukee and Developer.

PARTIES' OBLIGATIONS

In order to receive the financial assistance described above, Developer must fulfill the following obligations:

- A. Achieve "**Substantial Completion**" which shall mean that Developer shall develop the Project, including obtaining necessary building permits for the construction of the Project, except for the remaining build out of vacant office suites, and substantially complete construction of the Project and obtain Certificates of Occupancy for the spaces to be occupied by the Medical College, the Greater Milwaukee Foundation, and by apartment dwellers by June 30, 2023, subject to force majeure.
- B. Developer shall enter into a Human Resources Agreement with City that will require Developer to utilize certified Small Business Enterprises ("**SBE**") for 25% of construction and supply costs and 18% of professional services costs on the Project and utilize unemployed and underemployed residents, pursuant to City's Resident Preference Program ("**RPP**"), for no less than 40% of total "worker hours" expended on construction of the Project. City and Developer shall agree upon a schedule of anticipated SBE and RPP percentages over the life of the Project. If the Developer does not meet the required SBE and RPP percentages set forth in Milwaukee Code of Ordinance Chapters 355 and 370, then per MCO Section 355-19, the release of all or a portion of the Monetary Obligation may be withheld until the percentages are met or may be withheld completely if the percentages are never met.
- C. Developer shall enter into a standard payment in lieu of taxes ("**PILOT**") agreement with City agreeing to make PILOT payments to City for the full property tax rate in the event that the real property included in the Project, becomes exempt from the payment of real property taxes during the original term of the TID. PILOT payments shall be due until termination of the TID or through the year of the 2046 tax levy, payable in 2047; whichever shall first occur.
- D. Upon Substantial Completion of the Project, the Developer will provide the City with a façade easement to ensure that the façade of the Project and Project Site is maintained during the life of the TID.

- E. Maintain the affordable residential units in the Project for at least 25 years.
- F. Comply with the City's Anti-Displacement Neighborhood Preference Policy, and Common Council Resolution File No. 190401, and the policy regulations and requirements promulgated under that File No. 190401.

MONETARY OBLIGATION

Developer will advance and City will reimburse up to the capped amount of \$15,000,000 in project costs to assist with the façade restoration, affordable housing units and other extraordinary costs related to the Project (the "Monetary Obligation").

The Monetary Obligation consists of a limited and conditional obligation to repay Developer an amount up to the capped amount of \$15,000,000, plus interest on the outstanding balance of the Monetary Obligation at 5.5% per year for up to 25 years. Payments on the Monetary Obligation are to be made annually, less annual expenses of \$7,500. City may, at any time or from time to time, without notice, penalty, or fee, prepay all or any portion of the Monetary Obligation.

Interest on the Monetary Obligation shall not begin to accrue until Substantial Completion of the Project. Prior to Substantial Completion of the Project, City will deposit the incremental tax revenue actually received by City from the TID, less annual expenses of \$7,500 into a special fund established for the TID. Upon Substantial Completion of the Project, such amount shall be disbursed to Developer and applied to reduce the principal balance of the Monetary Obligation.

Subsequent to Substantial Completion of the Project, following the deduction of annual expenses, incremental tax revenue collected from the TID will be allocated to repay Developer for project costs incurred for the façade restoration, affordable housing units and other extraordinary costs related to the Project through payments on the Monetary Obligation.

Tax incremental revenue will not be pledged to the payment of the Monetary Obligation, and the Monetary Obligation shall not constitute a general obligation of City or count against its statutory debt limits. All disbursements of tax incremental revenue received by City from the TID shall be subject to annual appropriation. If not appropriated, City shall not expend such tax incremental revenue for any other TID project costs or for any other purpose. City agrees to negotiate, in good faith, terms and conditions within the definitive agreement which are reasonably acceptable to Developer's lender as it pertains to this paragraph.

Developer shall be obligated to sign a development agreement (Wis. Stat. 66.1105 (2)(f)2.d. which shall also indicate that the Monetary Obligation shall not be used to pay property taxes, *Voters with Facts v. City of Eau Claire*, 2018 WI 63).

Monetary Obligation Earned

Upon Substantial Completion of the Project, Developer shall submit a certification detailing project costs theretofore incurred (together with copies of records, invoices and/or AIA documentation evidencing such expenditures). The amount of the Monetary Obligation shall be deemed earned upon approval of such certification by the DCD Commissioner and interest will begin to accrue on the balance of the Monetary Obligation as of the date of Substantial Completion of the Project.

Term of Payments

City payments on the Monetary Obligation will terminate: **(i)** at the time the Monetary Obligation is fully paid; or **(ii)** with the payment derived from the 2046 tax levy, payable in 2047, whichever occurs first.

Cost Savings

If at completion, the Project costs submitted are less than the \$105m estimated in the Project Budget, the principal amount of the Monetary Obligation will be reduced by 50% of the cost savings.

OTHER ENTITLEMENTS OR APPROVALS

City will work with Developer regarding Developer's efforts to secure any zoning changes, right-of-way vacations, right-of-way dedications and any other approvals or entitlements required for 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 into a Cooperation, Contribution and Redevelopment Agreement (a Wis. Stat. 66.1105 (2)(f)2.d. development agreement), a Human Resources Agreement, a PILOT Agreement and any other documents, instruments or agreements necessary to accomplish the objectives described above. In recognition that there may be adjustments of the dates and descriptions herein as well as administrative approvals which will require the exercise of reasonable discretion on behalf of City, the DCD Commissioner will be authorized under these agreements to exercise such discretion and grant such approvals.