

COOPERATION AND DEVELOPMENT AGREEMENT

THIS COOPERATION AND DEVELOPMENT (DEVELOPMENT (“Agreement”) is entered into as of _____, 2009, by and between the City of Milwaukee, Wisconsin, a Wisconsin municipal corporation (“City”) and the Redevelopment Authority of the City of Milwaukee (“RACM”).

WITNESSETH THAT:

WHEREAS, City and RACM have created Tax Incremental District No. 71 (Mitchell Street) ((“District”) with the adoption of their respective resolutions No. 071132 and No. _____. 9969. The District consists of 281 properties located along, and generally one block north and south of W. Mitchell Street between S. 5th Street and S. 16th Street, plus a commercial area south of W. Forest Home Ave. between S. 13th Street and S. 15th Street. The District contains nearly 2.3 million s.f. of land area, excluding public rights-of-way, and encompasses the Historic Mitchell Street commercial district, including immediately adjacent residential areas, and parking lots which serve the retail business on the Street; and

WHEREAS, funding provided by the Project Plan for the District totals \$3,118,000 for the purposes of upgrading pedestrian lighting, installing median irrigation, security cameras, and tree grates, along with funds for grants or loans to assist with catalytic private development opportunities in the District; and

WHEREAS, one of the catalytic projects proposed in the District is restoration and renovation of the former Goldman’s Department Store at 9th & Mitchell Streets, which closed in October of 2007; and

WHEREAS, the Goldman’s building was purchased by DK USA Property Management LLC (“Developer”) which plans to restore the exterior of the property substantially to its appearance in the 1920’s, and to renovate the interior for retail businesses. Developer has already performed extensive interior demolition and asbestos abatement on the property; and

WHEREAS, in order to assist Developer with its restoration and redevelopment plans for the former Goldman’s property, the City desires to provide funding, in the form of a loan, to fund up to \$500,000 of the \$4.4 million estimated total cost of the project; and

WHEREAS, the Common Council adopted Resolution File No. _____ and RACM adopted Resolution No. _____ authorizing the execution of this Cooperation Agreement and the funding of a Loan to Developer on terms set forth in the Term Sheet attached as **Exhibit “A”**; and

NOW, THEREFORE, The parties hereto mutually agree as follows:

1. Loan to Developer. City agrees to provide up to \$500,000 to RACM for the purposes of providing a Loan to the Developer on Terms set forth in Exhibit A, hereto.
2. Establishment of Fund Account. Funding for the Loan shall be provided from TID 71 Account No. TD07180002. The City Comptroller shall establish such funds and accounts in TID 71 as necessary to accomplish the transaction contemplated herein.
3. Administration of the Fund Account. The City Comptroller shall review and approve the accounting and financial reporting systems necessary to administer the Account.
4. Verification by Comptroller. The City Comptroller shall, from time to time as in the Comptroller's judgment is appropriate, review the receipts and expenditures of RACM, or of management operations in relation to the Loan. The Comptroller shall have full power to conduct an audit or to have such an audit conducted as is necessary in the Comptroller's judgment to provide a full accounting to the City. The results of such audit shall be reported to the Common Council.

IN WITNESS WHEREOF, The parties have executed this Agreement the day and year as hereinafter set forth.

CITY OF MILWAUKEE

REDEVELOPMENT AUTHORITY
OF THE CITY OF MILWAUKEE

Tom D. Barrett, Mayor

By: _____
Robert B. Rondini, Chair

Date: _____

Date: _____

City Clerk

By: _____
Rocky Marcoux, Exec. Dir.

Date: _____

Date: _____

COUNTERSIGNED:

City Comptroller

Date: _____

Approved as to form, execution, and
content this ____ day of _____, 2009.

Assistant City Attorney

EXHIBIT A

Term Sheet for Loan for

Former Goldman's Dept. Store Redevelopment Project

- **Project.** The "Project" consists of the exterior renovation / restoration and interior remodeling of the approx. 36,000 s.f. former Goldman's Dept. Store at 930 W. Mitchell St., Milwaukee, WI., and its conversion to a multi-tenant retail and office facility with approximately 34,000 s.f. of leasable space.
- **Developer/Owner.** The "Developer" for the Project will be DK USA Property Management LLC, 1717 N. Kensington Blvd., Shorewood, WI 53211, or a single-purpose limited liability company, to be formed, which shall be owned or controlled by Dong T. (Don) Kim, Roy C. Kim, Wan H. Lee, James Jinhyun Song, and Han Jin Soo, or entities owned or controlled by such individuals.
- **Project Budget.** The estimated cost of the Project, is approx. \$4,450,000, including building acquisition costs.
- **City Funding.** The City will provide up to \$500,000 to the Redevelopment Authority of the City of Milwaukee ("RACM") from Tax Incremental District Bond Account No. TD07188001 for the purposes of providing a Loan to Project.
- **Loan Terms.** The Loan shall have an interest rate of zero, and be due as a single balloon payment, in fifteen years from the date of Loan origination or upon sale or refinancing of the Project. The final loan payment shall be reduced by the amount of incremental tax revenue generated by the Project beginning in 2009, through the year in which final payment is received, discounted at a rate of 5%. Security for the Loan will be a second mortgage encumbering the Project, the terms of which shall be commercially reasonable. In addition, RACM will execute a subordination agreement in form and content reasonably acceptable to Developer's first mortgage lender. The Loan may be prepaid at any time without penalty or fee. The Loan shall be personally guaranteed by the shareholders of the Developer, in proportion to each shareholder's ownership interest in the Developer.
- **Facade Easement.** As additional consideration for the Loan, Developer shall provide RACM with a Façade Easement substantially in the form attached hereto.
- **RACM Responsibilities.** Funds provided by the City to RACM shall be utilized for restoration and renovation costs of the Project and shall be disbursed by the Project's primary lender, prorata with its loan funds, pursuant to a disbursing agreement to be entered into with RACM and a mutually acceptable title insurance company, following the investment, by Developer, of not less than \$1,4102,000 in cash, in the Project. Any revenues received by RACM from participation in cash flow, or net sales proceeds of the Project shall be

transferred to the City as Project Revenues, as defined in Sec. 66.1105(2)(f)1, Wis. Stats. until the termination of TID No.71.

- **Additional Funding Sources:** To the extent Developer obtains New Markets Tax Credits, or state, local, or federal grants or other funding sources with which to finance or refinance the Project, the amount of the Loan shall be reduced by 75% of such additional sources and such amount will be immediately due and payable upon such event.

- **Disbursement of TID Funds.** Prior to disbursement of the Loan, the following actions must occur:
 - A. A final budget for the total costs of the Project (hard and soft costs) shall have been approved in writing by City’s Commissioner of City Development (“Commissioner”).
 - B. Final plans and specifications for the exterior restoration and interior renovation shall be approved by the Commissioner, the Milwaukee Historic Preservation Commission, and the Mitchell St. Business Improvement District.
 - C. The Commissioner shall have received and approved a signed EBE Agreement.
 - D. The Developer shall have closed on a construction loan for the Project, in an amount not less than \$ [2,900,000],2,600,000 and all conditions to the disbursement of such loan, as required by the lender, shall have been satisfied.
 - E. Developer’s equity contribution in the minimum amount of \$ [1,102,000]_____1,402,000 shall be disbursed to fund the costs of the Project, after which the Loan shall be disbursed prorata with funds disbursed from the construction loan.

- **Human Resource Requirements.** Prior to disbursement of any City funds, the Developer, City, and RACM shall enter into a customary EBE Agreement providing for not less than 18% participation by Emerging Business Enterprises and a 21% Residents Preference commitment, both in forms consistent with similar transactions.

- **PILOT Payments.** The Loan Agreement will require payments in lieu of taxes with respect to the Project or portion of the Project that subsequently becomes exempt from real property taxes.

- **Form of Leases, Tenants.** Leases shall be a form generally accepted in the commercial real estate industry for retail and office tenants, and shall be subject to approval as to form only by the Commissioner; Permitted first-floor tenants shall exclude employment agencies, check

cashing outlets, and non-profit businesses to the extent they exceed 10% of the street level retail leasable area of the Project.

- **Other Provisions.** 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 one or more agreements including the Development Agreement between the City, RACM, and the Developer.