

TERM SHEET
Reed Street Yards Water Technology Business Park

Project Description: The City of Milwaukee, Redevelopment Authority of the City of Milwaukee and Building 41 LLC, or its assignee ("Developer") intend to enter into a public/private partnership to create a water technology business park on an approximately 20-acre parcel of distressed land abutting the south bank of the Menomonee Canal, roughly between South Second Street and South Ninth Street (the "Project Area"). The eastern portion of the Project Area (located east of South Sixth Street and commonly referred to as the "Reed Street Yards") is comprised of vacant land capable of containing 320-630,000 SF of office space, depending on the amount of structured parking utilized. The western portion (located west of South Sixth Street) contains empty buildings, totaling approximately 280,000 SF that were once part of the Pfister and Vogel Tannery. The City has created a tax increment district (the "TID") encompassing the Project Area and adjacent lands. The City will provide funds through the TID (the "City Investment") to pay for all or a portion of costs incurred for the installation of public and private infrastructure (initial Site Plan attached as **Exhibit A**). In the future, the City will consider additional grants or loans to defray adverse environmental conditions and/or other construction cost premiums attributable to adverse site conditions and/or the technology requirements of the desired end users. The Developer will construct all private infrastructure, will market applicable portions of the site to water technology companies and will either develop or sell parcels for occupancy by the desired end users. The Developer will also dedicate right-of-way necessary for construction of public infrastructure, and, if requested by the City, construct the public infrastructure. It is anticipated that construction of public infrastructure will begin in 2012, creating marketable sites by late 2012 or early 2013.

City Investment: The project plan for the TID (the "Project Plan") will allocate the City Investment to the categories of expenditures likely to be required over the course of development of the Project, including public infrastructure, environmental remediation, future grants to the Developer or end users and potential future parking structures. The City Investment will be applied to 100% of the cost of public streets, sidewalks, lighting, landscaping, sanitary sewers, stormwater systems, water and related improvements. The City Investment will be applied to 70% of eligible riverwalk costs and 50% of eligible dockwall costs subject to the maximum contribution permitted by Common Council Resolution File No. 060578. As provided herein, to the extent deemed feasible by the City, the City Investment may also be applied toward a contribution to the cost of one or more structures for public parking. Funds will also be made available to the City or RACM for administrative costs. Phase 2 infrastructure costs will be subject to TID capacity available to repay TID by year twenty-four of the TID.

Initial City Investment: Up to \$3,582,370 of the City Investment (the "Initial City Investment") will be disbursed by the City to pay for Phase 1 of the public

and quasi-public infrastructure identified on **Exhibit B** attached hereto (the "Public Infrastructure") and \$264,000 of this amount will be made available to the City or RACM for administrative costs.

An additional \$354,000 loan will be made to a Business Improvement District ("BID") created to fund the developer's share of Riverwalk and Dockwall expenses, paid back through special assessments.

Up to an additional \$2,281,400 for Phase 2 infrastructure (stormwater management, site work and environmental remediation) identified in **Exhibit B**, will be made available when sufficient increment is projected to be generated so that the Phase 2 amount can be fully amortized and repaid by year twenty-four of the TID.

The total amount available for infrastructure, administration and BID loan shall not exceed \$6,217,770.

In the event that the Developer constructs the Public Infrastructure, the funds to pay for same shall be disbursed by the City or RACM through construction draws as work progresses. All Public Infrastructure must be completed within twenty-four months following execution of the development agreement, subject to force majeure. Prior to disbursement of any funds to pay for the Public Infrastructure, the following requirements must be met:

- A. The Commissioner of City Development ("Commissioner") shall have approved the final scope of work and budget for the Public Infrastructure.
- B. The City's Commissioner of Public Works shall have approved the final design for the Public Infrastructure and shall have let or reviewed and approved the construction contracts for the Public Infrastructure, which shall conform to the approved design, scope of work and budget.
- C. Payment requests shall be presented to the Commissioner by Developer no more frequently than once per month, on AIA Document G702 or equivalent. Funds may be disbursed through a mutually acceptable title insurance company pursuant to a disbursement agreement or in accordance with procedures approved by the Commissioner. The Initial City Investment disbursed in each draw shall be in accordance with the percentages described in the City Investment section, above (e.g., 70% of eligible riverwalk costs, 100% of public street costs, etc.).
- D. The City and the Developer shall have agreed upon the form and substance of a Grant of Easement for the Riverwalk and the public right-of-way dedication for all public streets shall have been initiated, subject to appropriate construction easements.

Subsequent Advances of the City Investment: Development of buildings for the targeted users within the Project Area will be carried out over time in one or more phases, as end users are procured. The Developer and potential end users may request that the City provide financial assistance for future buildings the purposes identified in the Project Plan and the City will consider such requests. No residential buildings shall be eligible for grants. The Commissioner shall work with the Developer or an end user to underwrite the appropriate amount of any requested financial assistance, and shall submit a mutually agreed request for such assistance to the Common Council.

Additional TID funds generated from any and all developments within the TID (including funds generated by residential apartments or condominiums), may be made available for a contribution towards structured parking. If and when such increment is available and if warranted by absorption within the Project or the needs of a particular end user, the Developer may request expenditure of funds toward the cost of construction of one or more parking structures to serve the Project, to be constructed, owned and maintained by the Developer. In the alternative, City or RACM may independently construct one or more parking structures.

Notwithstanding the foregoing, the amount of any advances of the City Investment above and beyond the Initial Investment shall not exceed the amount that can be fully amortized and repaid by the TID by year twenty-four of the TID, including reasonable administrative costs incurred by the City.

The City and Developer may share in the parking revenue from any future parking structures, if necessary to keep the TID in balance.

Zoning and Use Restrictions: The Commissioner and the Developer shall initiate an application to rezone the Project Area to I-M with a development incentive zone overlay. Permitted uses within the new zoning classification shall include office, retail and residential. The City and the Developer shall enter into a development agreement that shall contain use restrictions encumbering the Reed Street Yards. The use restrictions shall include a restriction providing that for a period of 8 years following substantial completion of the Public Infrastructure, at least 70% of the square footage within the restricted area must be constructed for, and owned by or leased to, "water technology-related businesses", as such term is defined on **Exhibit C**, attached hereto (the "Limited Use Restriction"). The Commissioner shall have the right to waive this requirement at the Commissioner's discretion. The development agreement shall be recorded and the restrictions contained therein shall run with the land and be binding upon and enforceable against all those in the chain of title. If for any reason requested City funding for additional building grants, technology investments and/or structured parking that meet the criteria of the Project Plan or the development agreement are not approved by the Common Council, then the Limited Use Restriction shall terminate.

Human Resource Requirements: The Developer shall be responsible for compliance with all applicable Human Resource requirements imposed by the City with respect to construction of the Public Improvements (if performed by the Developer), see **Exhibit D**. In subsequent phases, the Developer (or an end user, if applicable) shall also comply with applicable Human Resource requirements for the construction of privately owned improvements within the Project Area as to which the City has provided funding through loans or grants.

PILOT Payments: The restrictions in the development agreement will require payments in lieu of taxes with respect to any parcel or building within the Project Area that subsequently becomes exempt from real property taxes during the life of the TID. This shall be a covenant running with the land for the duration of the TID.

Grants and Other Financial Assistance: The Developer and the City will undertake good faith efforts to secure brownfield and other grants and financial assistance from third parties for the Project. Any funds obtained and made available to the Project or a particular end user shall be applied as mutually agreed by the parties.

Exclusive Marketing: During the term of the Limited Use Restriction, the City and Developer shall market the Reed Street Yards as the exclusive site for "water technology-related businesses" that meet the new zoning classifications. The City and Developer shall further enlist the support of the Water Council in such marketing efforts. In the event that the City provides financial incentives to "water technology-related businesses" that would be permitted by the new zoning classification for the Reed Street Yards at sites other than the Reed Street Yards (unless the Reed Street Yards is not suitable for such businesses and has been eliminated from consideration by such businesses), then the Limited Use Restriction shall terminate. However, the Developer may still request Common Council approval of funding for future building grants, technology investments and/or structured parking.

Area Parking: The Public Infrastructure shall include temporary surface parking areas as shown in **Exhibit A**, to be owned by the Developer and to be made available through leases to the contemplated Water Council Project on East Pittsburgh, the Iron Horse Hotel and the 234 Florida Office building until such time that structured parking is constructed. Not less than 150 spaces shall be made available for the Water Council project and 150 spaces made available for the Iron Horse Hotel and 234 Florida Office building combined. Due to the temporary nature of such parking, the requested zoning will contain design standards applicable to the temporary lots. The Developer may charge \$60/month for 24/7 access to the surface parking spaces and adjust that rate annually based on the Consumer Price Index, as reported by the Bureau of Labor Statistics. If and when one or more parking structures are developed, parking for such properties shall also be made available within such structure(s), and the Developer or City may charge rates comparable to the average of the Third Ward parking structures

(130 North Water Street and 212 North Milwaukee Street, but also including any future public structures). The City shall install and maintain sidewalks, where reasonable and practical, to provide pedestrian access to and from the parking areas to and from the Iron Horse Hotel and 234 Florida Office building.

The City and Developer acknowledge that a logical location for a future parking structure might be at the southwest corner of the intersection of South Second Street and West Oregon Street. The City agrees to work with Developer and consider in good faith, a partial vacation of up to ten feet of the south side of West Oregon Street between South Second Street and South Third Street so as to accommodate the construction of a parking structure at this location.

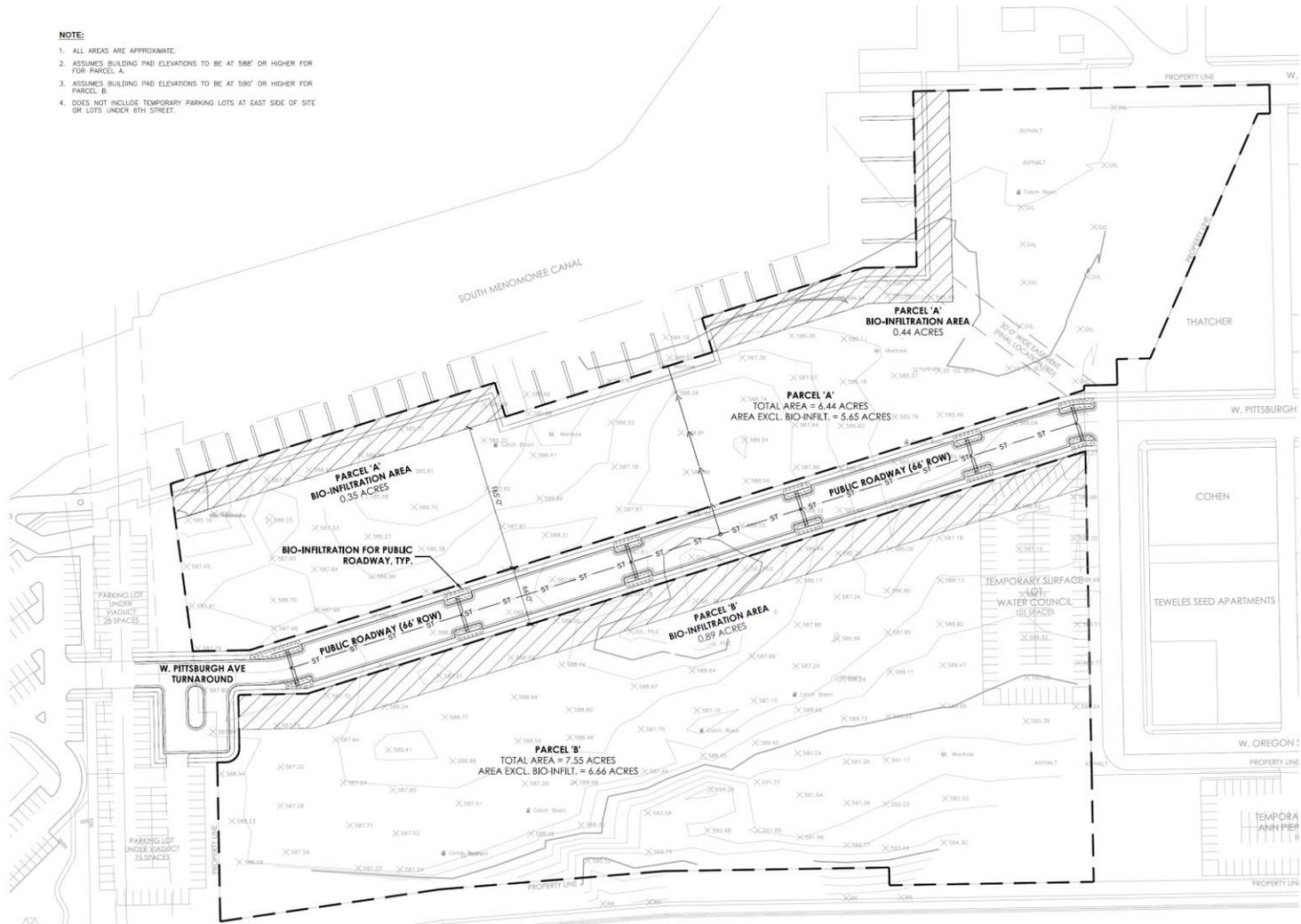
Water Council Project Contingency: If construction on the Water Council Project does not proceed on or before February 28, 2012 or on such other date that may be mutually agreed upon, then either the City or the Developer shall have the right to terminate the Agreement upon thirty days notice to the other party.

Creation of Business Improvement District: Developer may petition the City to create a BID encompassing Reed Street Yards and adjoining properties for the purpose of creating a mechanism for centralized maintenance and control over common areas and amenities within Reed Street Yards (including future parking structures) as well as means of equitably allocating the costs for same. Developer may further request that Developer's share of the cost of the dockwall and riverwalk improvements (plus the City's cost of funds for the Developer's share) be funded or reimbursed by the City through a loan to the BID, to be repaid to the City through special assessments. The City agrees to cooperate with Developer in the creation of the BID and to consider Developer's request for loans to the BID.

General: This Term Sheet does not constitute a binding agreement. The terms set forth herein and other provisions customary for a transaction of this type (e.g., Comptroller audit rights) shall be incorporated into the development agreement referenced above, which shall be executed by the City, the Developer and the Redevelopment Authority of the City of Milwaukee. Resolutions approving this Term Sheet may provide for the execution of additional documents and instruments necessary to carry out the provisions of the development agreement and implement the Project.

EXHIBIT A: Site Plan

- NOTE:**
1. ALL AREAS ARE APPROXIMATE.
 2. ASSUMES BUILDING PAD ELEVATIONS TO BE AT 588' OR HIGHER FOR PARCEL A.
 3. ASSUMES BUILDING PAD ELEVATIONS TO BE AT 590' OR HIGHER FOR PARCEL B.
 4. DOES NOT INCLUDE TEMPORARY PARKING LOTS AT EAST SIDE OF SITE OR LOTS UNDER 6TH STREET.



PRELIMINARY

**REED STREET YARD
MILWAUKEE, WI**

CONCEPTUAL SITE PLAN

NO.	REVISION	DATE	BY

GRAPHIC SCALE
0 50 100'

DRAWING NO.	2602-C500-A.dwg
DRAWN BY:	JWR
DATE:	10-24-11
PROJECT NO:	2602
CHECKED BY:	ABH
APPROVED BY:	
SHEET NO.:	1

EXHIBIT B: Public Infrastructure Budget

<u>Infrastructure</u>	<u>TID Phase 1</u>	<u>TID Phase 2</u>	<u>Loan to BID</u>
Paving - Pittsburgh	\$440,000	\$0	\$0
Paving - River Trail	\$66,500	\$0	\$28,500
Dockwall	\$225,000	\$0	\$225,000
Parking (Paving/Construction)	\$135,000	\$0	\$0
Street Lighting	\$165,000	\$0	\$0
Landscaping	\$94,200	\$0	\$0
Bioretention Zones	\$305,000	\$0	\$150,000
Environmental Remediation	\$200,000	\$574,000	\$0
Stormwater and Site Work	\$500,000	\$1,500,000	\$0
Sanitary Sewer	\$636,000	\$0	\$0
Water Main	\$250,000	\$0	\$0
Total Infrastructure	\$3,016,700	\$2,074,000	
Contingency (10%)	\$301,670	\$207,400	
Administration	\$264,000	\$0	
TID Costs	\$3,582,370	\$2,281,400	\$354,000
TOTAL TID COSTS	\$5,863,770		
TID and BID Costs	\$6,217,770		

EXHIBIT C: Water Technology-Related Businesses

"Water technology-related businesses" shall mean companies engaged in the following categories of businesses, including, but not limited to, those 156 companies in the seven county Southeastern Wisconsin region identified by the Milwaukee Water Council as businesses engaged in water technology and any other companies similar thereto*:

1. Water/Wastewater Treatment Systems
 - Businesses that focus mainly on design & construction of complete treatment systems.
2. Industrial Water Process Systems
 - Manufacturers of systems for the movement of water, rather than treatment, such as irrigation systems, fluid process and liquid handling.
3. Water System Products: Non-mechanical
 - Tanks & boilers
 - Fabrication Services
4. Water System Products: Mechanical
 - Complete mechanical equipment, not parts, such as dehumidifiers, aerators, pumps and motors.
5. Water System Components
 - Manufacturers of individual parts, such as the following:
 - Controls, Meters or Sensors
 - Fittings & Valves
 - Filters
6. Chemical/Biological Treatment Producer
 - Chemical Manufacturers
 - Anaerobic Digestors
7. Engineering/Planning/Software Services
 - Non-manufacturing support services
 - Includes design, financing, surveying, laboratories, legal, etc.
8. Maintenance Equipment & Services
9. Distributor
10. Well Services & Products
 - All businesses with a major focus towards the water well industry

11. General Consumer Products

- Residential plumbing fixtures
- Consumer products, such as bottled water
- Recreational equipment, ie. marine and scuba equipment
- Aquaponics

12. Miscellaneous Product Manufacturers

- Products using water, not related to treatment, such as laundry or firefighting equipment

*A list of the above-referenced 156 companies is on file with the Commissioner of the Department of City Development.

EXHIBIT D: Human Resource Requirements