

**TERM SHEET**  
**Library Project at 906-910 W. Mitchell Street**

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**Parties:**

City of Milwaukee (“City”)

Milwaukee Public Library (“MPL”)

Gorman & Company, Inc. (together with its affiliates, “Developer”)

**The Project:**

Developer will acquire the property at 906-910 West Mitchell Street (the “Property”) for redevelopment and historic renovation for use as a new public library branch (the “Library Unit”) and approximately 60 market rate apartments and possibly some commercial space (the “Developer Unit”). Developer will also acquire from the City a portion of the City-owned parking lot located behind the Property (the portion conveyed is the “Parking Lot”) at a purchase price of \$210,000. Developer will do all exterior work on the Property, historic renovations and construction of the shell of the Library Unit in accordance with plans and specifications approved by City, MPL and Developer. The Property will be made into a condominium consisting of the Library Unit and the Developer Unit (which will be comprised of 2 separate condominium units). The Library Unit will include approximately 43 parking spaces in the Parking Lot and the remaining spaces in the Parking Lot will be part of the Developer Unit. At the closing of the Developer’s financing transaction (as further described below), Developer’s affiliate (“Landlord”) shall lease the Library Unit to MPL. Under the lease, the interior build-out of the Library Unit will be completed in accordance with plans and specifications approved by Developer and MPL with a contractor chosen by MPL and approved by Landlord.

**The Financing:**

Developer is utilizing New Markets Tax Credits (“NMTC”) and Historic Tax Credits (“HTC”) for the Project. As part of the NMTC financing, Developer will provide City with \$800,000 to be used towards the shell construction of the Library Unit. City will combine the \$800,000 received from Developer with \$4.5 million budgeted for the library branch construction and will make a leveraged loan of \$5.3 million to Developer. \$1 million from the City’s loan will be used to pay for the construction of the shell of the Library Unit by Developer. Following completion of the shell of the Library Unit, there will be available a construction escrow account containing \$4.3 million to be used solely to pay for the interior build-out of the Library Unit while MPL is leasing the Library Unit from Landlord. All renovations of the Property will be completed to maximize the amount of HTC available from the Project. During the initial 10-year lease term, MPL will make rent payments to Landlord. The rent will be paid annually and is expected to be approximately \$36,000 for 2017 and about \$54,000 per year thereafter until the City acquires ownership of the Library Unit. Those rent payments will be used by Landlord to pay (indirectly) interest on the loan made by City (in essence, any rent paid by MPL will be returned to the City). At the end of the 7-year compliance period for the NMTC, it is anticipated that City will acquire ownership of the Library Unit by unwinding the NMTC deal. It will do this by acquiring, at a cost not to exceed \$5,000, ownership of debt instruments secured by the Library Unit in the principal amount of about \$6,726,250. Although not legally required, it is likely that Landlord may then convey the Library Unit to the City by a deed in lieu of foreclosure on the indebtedness

secured by the Library Unit then held by the City in the principal amount of approximately \$6,726,250.

**Details of the Library Unit:**

1. The Library Unit will be located mainly on the 1<sup>st</sup> floor of the building with some mezzanine level and some basement space for a total of approximately 22,500 square feet of library space.
2. The Library Unit will include approximately 43 parking spaces located directly behind and adjacent to the building for use by MPL staff and patrons.
3. There will be a main entrance at the front of the building on Mitchell Street and another entrance in the rear of the building near the parking lot. The Developer Unit will have a separate entrance on South 9<sup>th</sup> Street.
4. The Library Unit will be a condominium unit within the building and MPL will have representatives on the condominium board during the lease term and after the City owns the Library Unit. The MPL representatives shall have half of the voting rights under the condominium declaration.
5. Developer shall complete construction of the shell of the Library Unit by December 31, 2016 or face a liquidated damages penalty.
6. If Developer has not completed the shell of the Library Unit by June 1, 2017, MPL has the option to terminate the Development Agreement and the Lease.

**Other Details of the Project:**

1. Developer will comply with City's requirements for Small Business Enterprise and Resident Preference Programs, prevailing wages and other applicable public construction requirements for construction of the Library Unit shell.
2. City has hired an attorney with expertise in NMTC to represent the City on this Project. That attorney's fees and costs will be paid by Developer (in an amount not to exceed \$75,000) out of the NMTC financing of the deal.
3. In the event the Project fails and Developer is unable to provide the Library Unit to MPL, Developer is required to pay all of MPL's costs to date including costs of designing the interior build out of the Library Unit and any legal fees.
4. In the event the Developer Unit includes any commercial use in addition to the contemplated residential use, the following uses are prohibited: tavern, adult retail or entertainment establishment, animal services or any use requiring a liquor license.
5. The \$210,000 purchase price for the parking lot directly behind the Property will cover the City's cost to repave the entire City-owned parking lot on the block, not just the portion being conveyed to the Developer.
6. There is currently a City controlled alley directly west of the Property that has been designated as a pedestrian mall. MPL can make use of this alley with the City's approval of MPL's plans and designs for that area. Developer does not control this alley and any approval for its use by MPL must come from the City.

**Timing:**

The Developer expects to close on the NMTC financing in mid-June, 2016. Developer will complete the shell of the Library Unit by December 31, 2016. MPL expects to take 7 to 9

months after completion of the shell to complete the interior build-out of the Library Unit. The new library branch is expected to open in the mid to late 2017.

*This Term Sheet is not 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 among City, MPL and Developer. Resolutions approving this Term Sheet shall provide for the execution of all additional Project related documents and instruments necessary to implement the Project.*

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