

Term Sheet

This Term Sheet is entered into as of this _____ day of _____, 2020 by and between **HORIZON DEVELOPMENT GROUP** ("Developer") and **CITY OF WAUKESHA** (the "City") regarding the development of vacant land on Delafield Street and known as tax parcels WAKC1305460, WAKC1306990 and WAKC1305461 (the "Property").

This Term Sheet sets forth the basic economic terms on which the parties might enter into an eventual agreement for the development of the Property, and does not set forth all matters that would be covered by a development agreement drafted by the parties' respective counsel. The parties acknowledge that this term sheet does not in any way create any legally binding obligation on the parties, and that negotiations may not result in a binding agreement.

I. Project. The project shall consist of a high-density residential community similar to the preliminary plan attached hereto as Exhibit A (the "Concept Plan").

II. City Contribution.

A. The City would provide funds (the "City Contribution") to Developer to offset the cost of constructing certain improvements, including, but not limited to infrastructure, site grading, drainage, utilities, floodplain mitigation, environmental remediation, enclosed parking, and apartment construction.

1. The City Contribution would be comprised of \$500,000 paid to Developer within 60 days of a certificate of occupancy being issued to the multi-family structure, but not earlier than April 1st, 2022 (Upfront Contribution); and a maximum of \$3,815,222 structured as a "pay-as-you-go" TIF (PAYGO Contribution). The City would make the PAYGO Contribution (subject to qualified TIF cost limitations) annually as it is earned through TIF increment revenue between the year of district creation and 2041 in the form of an annual payment representing the excess tax increment generated by the residential buildings consisting of approximately 78 senior apartments and 24 townhomes. The PAYGO Contribution would consist of the increment generated by the district minus (a) 5% of the gross increment generated each by this project, and (b) the City's cost of debt service and administration costs related to the tax incremental finance district. The City's obligation to pay the PAYGO Contribution would cease when a total of \$3,815,222 PAYGO Contribution is paid, or when the PAYGO Contribution payment for tax year 2041 is made, whichever occurs first.

2. The City shall transfer the land as is to the Developer at no cost. Parties agree to close on the land transfer no later than December 30, 2020.

B. The financial assistance described above would be contingent on the successful creation of a new Tax Incremental Finance District and approval of a development agreement by the Common Council.

C. There will be no obligation to provide additional financial assistance provided beyond what is outlined above if developer incurs additional or unexpected development costs.

III. Developer Obligations. In connection with the City Contribution, Developer would do the following:

A. Residential Building. Developer would complete construction of the senior apartments and townhomes on or before December 31, 2023.

B. Repayment. The Upfront Contribution would be repaid through tax increment as set forth in the TIF District Approval and the Development Agreement.

IV. Projected Valuations. Developer expects that the residential development would have a completed value not less than \$13,300,000 by January 1, 2024.

V. Further Conditions: The Development Agreement shall contain such additional provisions and assurances as are customarily contained in similar agreements with the City and customarily agreed to by Developer and its affiliates. The Developer will pay Ehlers Financial Advisors on behalf of the City to review the development proformas to verify the project meets the statutorily required "but-for" test. If this 3rd party review reveals the project does not meet the required "but-for" test then no development agreement will be executed by the parties. The parties will negotiate value guaranties and look back provisions as part of the final development agreement that may or may not include, and are not limited to, construction cost verification, income verification, IRR verification and certain guarantees of value beyond the life of the development agreement with a payment in lieu of taxes if the value is below that level. The agreement shall also contain provisions disallowing tax assessment challenges during the life of the TID and the developer agreement.

VI. Tax Exempt Status: The Development Agreement shall contain additional provisions restricting tax exempt status on this property without an agreed to payment in lieu of taxes.

VII. Successors and Assigns: The Development Agreement may be assigned to the successors and assigns of the Developer that are entirely or partially owned or created by the Developer or its principals or with City approval. Developer may sell the project/property after construction completion without City approval.

CITY OF WAUKESHA

HORIZON DEVELOPMENT GROUP

**By: HORIZON DEVELOPMENT GROUP
Its: Manager**

**By: _____
Print: Shawn Reilly
Title: Mayor**

**By: _____
Print:
Title: President**

Exhibit A - Preliminary Plan

Project Summary

The proposed project is a senior apartment and family townhome development that will consist of 78 senior apartments and 24 townhomes. The senior apartment building will be built above one level of underground parking. The Developer will offer the following amenities: controlled access entry, a community room and kitchen, a private courtyard and walking paths. This project will be developed as a rental community.

INSERT SITE PLAN