

Term Sheet

This Term Sheet is acknowledged as of this _____ day of _____, 2023 by **Cobblestone Hotel Development, LLC** (Developer) and the **City of Waukesha** (City) regarding the redevelopment of land known as 320 Wisconsin Avenue (City of Waukesha Parking Lot #7) and 704 N. Grand Avenue, Tax Key Numbers WAKC1308262 and WAKC1308263 (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 is proposed to be a 60 room hotel with a first floor restaurant space similar to the preliminary site plan attached hereto as Exhibit A.

II. City Contribution.

A. The City proposes to provide funds to Developer to offset the cost of constructing certain improvements, including, but not limited to demolition of the existing building, removal of existing surface parking lots and driveways, site grading, drainage, utilities, and the hotel building construction.

1. The City Contribution would be comprised of \$1,000,000 paid to Developer upon the issuance of a certificate of occupancy for the new hotel (Initial Contribution); and a maximum of \$400,000 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 generated by the property between the year the Development Agreement is signed and 12 years after the completion of the project in the form of an annual payment representing the excess tax increment generated by the 60-room hotel and restaurant building. The PAYGO Contribution would consist of the increment generated by the district minus 10% of the gross increment generated each year and (b) the City's debt service and administration costs related to the tax incremental district. The City's obligation to pay the PAYGO Contribution would cease when a total of \$400,000 PAYGO Contribution is paid, or when the PAYGO Contribution payment for tax year 2036 is made, whichever occurs first.

2. The City agrees to sell the adjacent City owned parcel, taxkey 1308262, to the Developer for an amount of \$200,000.

3. The City agrees to submit an application to WEDC for a CDI grant in the amount of \$250,000 to support this project.

B. The financial assistance described above would be contingent on the successful amendment of Tax Incremental Finance District Number 17 and approval of a development agreement by the Common Council.

C. There would 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. Hotel Building. Developer would commence construction of the hotel building consisting of approximately 60 guest rooms and a restaurant on or before December 31, 2023 and would be completed by December 31, 2024, subject to extension for reasons beyond Developer's control.
- 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 hotel development would have a completed value in excess of \$9,500,000 by January 1, 2025.
- 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 third-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 warranties 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

COBBLESTONE HOTEL DEVELOPMENT LLC

By:
Its:

By: _____
Print: Shawn Reilly
Title: Mayor

By: _____
Print:
Title:

Exhibit A - Concept Plan

Project Summary

The proposed project is a 60 room hotel and restaurant. The site will accommodate some on premise parking. The balance of the parking needs will be met by the City's parking ramp 1 block from the site.

