

## Term Sheet

This Term Sheet is acknowledged as of this \_\_\_\_\_ day of \_\_\_\_\_, 2025 by Mandel Group Properties, LLC, referred to as the Developer; and the City of Waukesha, referred to as the City; regarding the development of vacant lands on 130 Delafield Street (WAKC1305459), 200 Delafield Street (WAKC1305460), 318 Delafield Street (WAKC1305461), and a Parcel fronting on Randall Street with no assigned address (WAKC1306990) containing approximately 4.92 acres, and approximately depicted on Exhibit "A" attached hereto, together referred to as 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 final development agreement drafted by the parties' respective counsel and approved and executed by the parties hereto, referred to as the Development Agreement. 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 an executed Development Agreement.

- 1. The Project.** The Project is proposed to be a multi-family residential community with 219 market-rate apartment units. The development includes two (2) buildings along with associated underground parking and other tenant amenities. The Plan Commission approved the Site and Architectural plans and the Planned Unit Development (PUD) at the October 23, 2024 meeting. The Common Council rezoned the property to Rm-3 (PUD), Multi-Family Residential Planned Unit Development at the November 19, 2024 meeting. The Project shall be substantially similar to the approved plans attached hereto as Exhibit B.
  
- 2. City Contribution.** The project is located within Tax Incremental District Number 29. This district was created on September 15, 2020. A boundary and project plan amendment was approved on August 6, 2024. The City would provide tax increment financing to Developer to offset the cost of constructing certain improvements, including, but not limited to, infrastructure, site grading, drainage, utilities, environmental remediation, enclosed parking, and building construction. The proposed city financial contribution would be structured as follow:
  - a. \$6,000,000 paid to Developer upon issuance of a certificate of occupancy by the City for the multi-family structures shown in Exhibit A. This payment is referred to as the Up-Front Payment.
  - b. Up to an additional \$5,359,220 in the form of a municipal revenue obligation, referred to as the MRO. The MRO would provide for an annual payment by the City equal to the tax increment generated by the District minus (a) 5% of that year's gross increment, and (b) the City's debt service and administration costs related to the District. The MRO payments would continue until \$5,359,220 (or such reduced amount as results from construction cost and IRR look-back reduction) has been paid to Developer, or the statutorily required closure of the

District, whichever is reached first, whereupon the MRO would expire. The terms and conditions of the MRO would be stated in the Development Agreement.

The Up-Front Payment and the MRO would be the only financing to be provided by the City, regardless of any changes in circumstances. The financing would be contingent on the approval by the City's Common Council of the Development Agreement.

- 3. Developer's Obligation to Build.** Developer would commence construction of the Project on or before June 1, 2026 and complete construction no later than June 1, 2028, subject to extension for circumstances reasonably beyond Developer's control. Developer expects that the Project would have an assessed value of no less than \$43,800,000 by January 1, 2029, subject to extension for circumstances reasonably beyond Developer's control.
- 4. Warranty of Value, Payments in Lieu of Taxes.** The Development Agreement would contain a provision by which the Developer warrants that the assessed value of the Project for real property tax purposes will be at least \$43,800,000 as of January 1, 2029, subject to extension for reasons outside of Developer's reasonable control, and on each succeeding January 1 until January 1 of the year after the District closes (The Warranty Period). In each year during the Warranty Period in which the Project does not have an assessed value of at least \$43,800,000 as of January 1, 2029, unless such reduced assessed value is the result of a casualty or condemnation, the Developer would make a payment in lieu of taxes, in addition to the real property taxes payable that year, equal to the property taxes that would have been paid on the difference in value between the actual assessed value and \$43,800,000.
- 5. Other Development Agreement Provisions.** The Development Agreement would contain provisions addressing the following matters, and such other terms and conditions as are agreed upon by the Developer and City:

  - a. The parties will negotiate look back provisions as part of the final development agreement that will be limited to construction cost verification and IRR verification:
  - b. The Project could not be conveyed to a tax-exempt entity, or any other action resulting the Project becoming exempt from property taxation, during the life of the District plus 10 years after the District closes, unless (i) the Property is subject to a PILOT Agreement requiring the owner thereof to pay an amount equivalent to the amount of the real estate taxes it would be required to pay on the Property if not exempt and (ii) the tax exempt entity transferee has been approved by the City, which approval shall not be unreasonably withheld, it being agreed that it would be reasonable for the City to withhold its approval if it reasonably determines that the tax exempt entity transferee is not sufficiently credit worthy to make the PILOT payments.

- c. During the term of the MRO, the Project would be insured against casualty loss at all times, and the owner of the Property will agree to use commercially reasonable efforts to rebuild or repair the Property to substantially the pre-loss value or higher in the event of casualty loss, and for all purposes hereof “commercially reasonable efforts” means that if the then mortgage lender allows sufficient insurance proceeds to be used for rebuilding and repairs and there are sufficient insurance proceeds, then the owner shall be required to so rebuild or repair.
- d. The assessed value of the Project could not be contested, to the extent that the assessed value would be reduced to less than \$43,800,000 at any time during the term of the MRO, unless the Assessor has failed to reflect any taking by the City through condemnation or any material casualty.
- e. Developer would pay the expenses of Ehlers, Inc., reviewing development proforma statements and preparing for the City a report stating whether the Project meets the “but-for” test, up to a maximum of \$20,000. If the but-for test is not met, no Development Agreement will be executed.
- f. The Project could be assigned to a third-party entity prior to completion, provided the entity is controlled by Developer, Mandel Group, Inc. or its principals or executives or the transfer is approved by the City. The Development Agreement could be pledged as collateral to a Project lender at any time. After Project completion, the Project will be freely transferable without the consent of the City.
- g. The Development Agreement would be recorded against the Project, and its executory terms would be binding on all successors and assignees of the Developer. Upon a conveyance permitted under this Term Sheet, the transferor will be fully released from any obligations under the Development Agreement arising after the date of the transfer.
- h. The City would execute an estoppel certificate in connection with the Development Agreement upon request by Developer.

## City of Waukesha

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By Shawn N. Reilly, Mayor

**Developer, Mandel Group Properties, LLC**

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By: Mandel Group, Inc., Manager

By Barry R. Mandel, CEO

