

**City of Watertown – Riverside Apartments Development
Developer Agreement Summary Term Sheet
Draft: April 18, 2024**

- A. Parties:** City of Watertown (the “City”)
Horizon Development Group, Inc. (the “Developer”)
- B. Property:** Developer has an option to purchase a 7^{+/-}-acre site (the “Property”) that is the northern portion of a larger 48.5-acre redevelopment site (the “Redevelopment Site”) generally located at 700 Hoffman Drive in the City of Watertown (Jefferson County Tax Identification Number 291-0815-0814-001). The balance of the property is being planned for the development of a residential subdivision, which will be the subject of a different development agreement and is not a part of this Project.
- C. Project Description:** The project (the “Project”) consists of 96 rental apartment units in four, 24-unit buildings to be constructed in a single phase as shown conceptually in Exhibit 1 (the “Concept Plans”). Each building will be two stories and contain approximately 24,000 square feet consisting of 10 one-bedroom/one-bathroom units, 8 two-bedroom/two-bathroom units, and 6 three-bedroom/two-bathroom units. Each unit will have a separate exterior entrance/exit with no interior hallways or indoor common areas. Parking will consist of surface spaces as required by the applicable zoning district. Other site improvements will consist of sidewalks and landscaping. Construction is anticipated to be started by May 1, 2025, and completed by July 2026.
1. Developer’s total investment will be approximately \$20.38 million. To construct the Project, Developer shall provide approximately \$4.8 million in equity.
- D. Purpose:** This term sheet (the “Term Sheet”) outlines the basic obligations and responsibilities of the Parties for developing the Property and completing the Project, which are to be incorporated into a formal development agreement (the “Development Agreement”) between the Parties for the Project. This Term Sheet is not binding on either party but, instead, represents their intentions with respect to the content of a binding Development Agreement.
- E. Conditions Precedent:**
1. Developer has secured a purchase option for the Property and has until May 1, 2025, to close on the sale.
 2. The Property currently is exempt from real property taxes and has an assessed value of \$0.00.
 3. In collaboration with the City, the Greater Watertown Community Health Foundation prepared the Watertown Southwest Side Conceptual Neighborhood Plan (the “Neighborhood Plan”) encompassing the Property and surrounding area.
 4. Developer has indicated interest in developing the Property consistent with the Neighborhood Plan and has provided the City with concepts plans and financial information for construction of the Project.
 5. The Property is classified as Riverside Mixed Use on the Future Land Use Map adopted as part of the Watertown Comprehensive Plan and is zoned PO (Planned Office & Institutional).
 6. To implement the Project, the Property will need to be rezoned to PD (Planned Development) (the “Rezoning”)
 7. Prior to the creation of a Tax Increment District (the “TID”) that would include the Property, the Property will need to be formally subdivided (the “Plat”) from the rest of the Redevelopment Site.

8. The processing, review, and action on the Rezoning and Plat are independent of this Term Sheet. In the event one or both of these are not approved, this Term Sheet shall have no force or effect.
9. City and Developer desire to develop the Property with quality housing at prices that are competitive in marketplace and to have the Property added to the tax rolls.

F. Developer Obligations:

1. Prior to August 1, 2024, Developer shall cause the Property to be subdivided from the Redevelopment Site.
2. Concurrent with the City's process to create a TID that includes the Property, Developer shall negotiate in good faith with the City to complete a Development Agreement consistent with this Term Sheet such that final action by the City on both the creation of the TID and the Development Agreement can take place by the end of October 2024.
3. Prior to October 1, 2024, Developer shall submit a complete application to the City for the Rezoning.
4. Prior to March 1, 2025, Developer shall submit all plans, specifications and documents to the City and state of Wisconsin as necessary to receive a building permit to construct the Project (the "Building Permit").
5. By May 1, 2025, Developer shall commence construction on the Project and have 14 months to complete it.
6. Developer shall spend approximately \$20.38 million constructing the Project and provide approximately \$4.8 million of equity.
 - a. Developer shall seek \$2.5 million in Project financing assistance from the Thrive Economic Development Live Local Development Fund (the "LLDF") and agrees to maintain compliance with the requirements of the LLDF. In the event Developer is not provided assistance from the LLDF, this Term Sheet shall have no force or effect if Developer does not receive another non-city funding commitment.
7. Developer shall incorporate design and materials into the Project consistent with the Concept Plans contained in Exhibit 1.
8. Developer agrees not to contest an assessment of that is less than or equal to \$13 million.
9. Developer agrees to promptly pay all real property taxes levied against the Property when due for a thirty-year period following completion of the Project.
10. Prior to completion of the entire Project, Developer shall not transfer or assign its obligations and benefits as described herein to an entity other than one that also is controlled by the same principal individuals as Developer, and only then with approval of the City, which approval shall not be unreasonably withheld.
11. Following the completion of the Project, Developer may not transfer or assign its obligations and benefits as described herein to another entity without approval of the City, which approval shall not be unreasonably withheld. The City may condition its consent upon the transferee expressly assuming all of the obligations of Developer and providing evidence of its ability to do so.
12. Developer agrees not to seek to have the Property deemed to be tax exempt or to sell the Property to a tax-exempt entity for a thirty-year period following completion of the Project.
13. Developer agrees to promptly pay all utility bills issued to Developer by the City when due.

14. Developer agrees to maintain the Property in compliance with all local, state, and federal laws and regulations.
15. Developer agrees to work in good faith in assisting the City with preparing documents and financial projections as necessary for the City to prepare a project plan consistent with Wis. Stats. §66.1105 for the creation of a new TID that would include the Property and surrounding parcels, as well as with any applications for funds from state and federal agencies and private entities the City may seek to assist with development within the TID and the City's obligations as described in Section G.

G. City Obligations: The City will provide the following forms of assistance to Developer in completing the Project:

1. Prior to the execution of the Development Agreement, the City shall take all steps necessary to create a mixed-use TID consistent with Wis. Stats. §66.1105 that includes the Property and includes the Project assistance described herein as an eligible TID expense.
 - a. Developer acknowledges that the City's creation of a TID is predicated on the approval of same by the Watertown Joint Review Board (the "JRB"), an independent body.
 - i. In the event the JRB does not approve the proposed TID, this Term Sheet shall have no force or effect and City and Developer agree that any and all direct and indirect expenses incurred by either Party in pursuing the Project and the obligations of this Term Sheet shall be borne by each exclusively and neither Party shall seek reimbursement from the other for any such expenses or damages related thereto.
2. Upon completion of the entire Project, the City shall provide Developer with an executed Municipal Revenue Obligation (the "MRO") for \$2.43 million. The MRO shall be paid with a percentage of the annual tax increment generated by the Project as shown on Exhibit 2 (the "Payback Schedule").
 - a. The MRO annual interest rate shall be the lesser of 6.75% or the final interest rate secured by Developer for its first mortgage.
 - b. Payments shall be made **only** with tax increment from the Project and shall not constitute general obligation debt of the City. In the event the TID reaches the end of its statutory life and the full MRO has yet to be satisfied, the City shall have no further obligations to make any additional payments and the MRO shall be considered to be satisfied in whole.
 - c. The City reserves the right to pay off the MRO in full at any time or make accelerated payments.
 - d. City agrees not to voluntarily terminate the TID prior to full satisfaction of the MRO.
3. Terms of the Development Agreement shall include a "look back" provision that allows the City to re-evaluate the financial need for and amount of continued annual payments under the MRO in the event the project is sold to a third party during the MRO payback period.
4. All of the above shall be contingent upon full satisfaction of all of Developer's Obligations as described in Section F.

H. Need for Assistance: Developer is seeking assistance as necessary to make the Project financially feasible while addressing a critical need for quality market rate housing in the community. Developer has stated that but for assistance to be provided by the City, including the use of Tax Increment Financing, Developer would not be willing to move forward with the Project.

I. Development Agreement Effective Period:

1. Provided each Party fully satisfies its obligations, the Development Agreement shall remain in effect through the life of the TID; however, certain provisions as described herein and in the Development Agreement may have effective time periods that extend beyond the life of the TID.
2. The Development Agreement shall include provisions for force majeure, declaring and curing a breach, and for terminating the Agreement in the event a Party fails to satisfy its obligations.

J. Tentative Project Time Schedule: The following are tentative dates for the completion of key Project milestones to be finalized in the Development Agreement:

April 22, 2024	City Finance Committee reviews Term Sheet
May-October 2024	City prepares project plan and conducts all required meetings and hearings for TID creation <ul style="list-style-type: none">– City and Developer prepare Development Agreement
July 2024	Property Platted separately from Redevelopment Site
October/November 2024	City and JRB adopt the TID <ul style="list-style-type: none">– City and Developer execute Development Agreement
September 2024	Developer submits complete application for the Rezoning
October 2024	City takes final action on Rezoning
March 2025	Developer submits application for a Building Permit
April 2025	City and State issue Building Permit
May 2025	Developer begins construction
June 2026	Developer to complete construction and receive a certificate of occupancy for the entire Project <ul style="list-style-type: none">– City issues MRO for the Project
January 2027	Fully completed project added to tax roll
July 2028	First of year of property taxes due for the completed Project
September 2028	First MRO payment due for the Project
September 2043	Last MRO payment due for the Project

EXHIBIT 1

Concept Plans



- Multiple higher-value lots.
- One east/west street.
- No townhomes.

Multi-Family Development

- 96 units.
- Infrastructure thru developer financed TIF.
- 2025 anticipated construction start.



EXHIBIT 2

**Riverside Apartment Development
MRO Payback Schedule**

Est. Total Assessment	\$ 12,960,000	Inflation Rate	2.00%
Incentive Term	19	Base Tax Rate	0.018100
Developer Incentive Payment/Int. Rate	\$2,433,000 6.75%	Base Value	\$0

TIF Year	Calendar Year	Annual Value Added (Assess. Year)	Cumulative Value Added	Total Value	Inflation Factor	Total Inflated Value	Value Increment	Total Taxes	Projected Tax Increment	Percent to PAYGO	Available Developer PAYGO Payment	Interest	Principal	MRO Principal Balance	Total PAYGO Payment	Annual Balance to TID	Cumulative Balance to TID
0	2024	\$0	\$0	\$0	1.000	\$0	\$0	\$0	\$0							\$0	\$0
0	2025	\$0	\$0	\$0	1.000	\$0	\$0	\$0	\$0							\$0	\$0
1	2026	\$0	\$0	\$0	1.000	\$0	\$0	\$0	\$0							\$0	\$0
2	2027	\$12,960,000	\$12,960,000	\$12,960,000	1.020	\$13,219,200	\$13,219,200	\$0	\$0					\$2,433,000	\$0	\$0	\$0
3	2028	\$12,960,000	\$13,219,200	\$13,483,584	1.020	\$13,483,584	\$13,483,584	\$239,268	\$239,268	95%	\$227,304	\$164,228	\$63,077	\$2,369,923	\$227,304	\$11,963	\$11,963
4	2029	\$12,960,000	\$13,483,584	\$13,753,256	1.020	\$13,753,256	\$13,753,256	\$244,053	\$244,053	95%	\$231,850	\$159,970	\$71,880	\$2,298,043	\$231,850	\$12,203	\$24,166
5	2030	\$12,960,000	\$13,753,256	\$14,028,321	1.020	\$14,028,321	\$14,028,321	\$248,934	\$248,934	90%	\$224,041	\$155,118	\$68,923	\$2,229,120	\$224,041	\$24,893	\$49,059
6	2031	\$12,960,000	\$14,028,321	\$14,308,887	1.020	\$14,308,887	\$14,308,887	\$253,913	\$253,913	90%	\$228,521	\$150,466	\$78,056	\$2,151,065	\$228,521	\$25,391	\$74,451
7	2032	\$12,960,000	\$14,308,887	\$14,595,065	1.020	\$14,595,065	\$14,595,065	\$258,991	\$258,991	90%	\$233,092	\$145,197	\$87,895	\$2,063,170	\$233,092	\$25,899	\$100,350
8	2033	\$12,960,000	\$14,595,065	\$14,886,966	1.020	\$14,886,966	\$14,886,966	\$264,171	\$264,171	90%	\$237,754	\$139,264	\$98,490	\$1,964,680	\$237,754	\$26,417	\$126,767
9	2034	\$12,960,000	\$14,886,966	\$15,184,706	1.020	\$15,184,706	\$15,184,706	\$269,454	\$269,454	90%	\$242,509	\$132,616	\$109,893	\$1,854,787	\$242,509	\$26,945	\$153,712
10	2035	\$12,960,000	\$15,184,706	\$15,488,400	1.020	\$15,488,400	\$15,488,400	\$274,843	\$274,843	90%	\$247,359	\$125,198	\$122,161	\$1,732,627	\$247,359	\$27,484	\$181,197
11	2036	\$12,960,000	\$15,488,400	\$15,798,168	1.020	\$15,798,168	\$15,798,168	\$280,340	\$280,340	90%	\$252,306	\$116,952	\$135,354	\$1,597,273	\$252,306	\$28,034	\$209,231
12	2037	\$12,960,000	\$15,798,168	\$16,114,131	1.020	\$16,114,131	\$16,114,131	\$285,947	\$285,947	90%	\$257,352	\$107,816	\$149,536	\$1,447,737	\$257,352	\$28,595	\$237,825
13	2038	\$12,960,000	\$16,114,131	\$16,436,414	1.020	\$16,436,414	\$16,436,414	\$291,666	\$291,666	90%	\$262,499	\$97,722	\$164,777	\$1,282,960	\$262,499	\$29,167	\$266,992
14	2039	\$12,960,000	\$16,436,414	\$16,765,142	1.020	\$16,765,142	\$16,765,142	\$297,499	\$297,499	90%	\$267,749	\$86,600	\$181,149	\$1,101,810	\$267,749	\$29,750	\$296,742
15	2040	\$12,960,000	\$16,765,142	\$17,100,445	1.020	\$17,100,445	\$17,100,445	\$303,449	\$303,449	90%	\$273,104	\$74,372	\$198,732	\$903,078	\$273,104	\$30,345	\$327,087
16	2041	\$12,960,000	\$17,100,445	\$17,442,454	1.020	\$17,442,454	\$17,442,454	\$309,518	\$309,518	90%	\$278,566	\$60,958	\$217,608	\$685,470	\$278,566	\$30,952	\$358,038
17	2042	\$12,960,000	\$17,442,454	\$17,791,303	1.020	\$17,791,303	\$17,791,303	\$315,708	\$315,708	90%	\$284,138	\$46,269	\$237,868	\$447,601	\$284,138	\$31,571	\$389,609
18	2043	\$12,960,000	\$17,791,303	\$18,147,129	1.020	\$18,147,129	\$18,147,129	\$322,023	\$322,023	90%	\$289,820	\$30,213	\$259,607	\$187,994	\$289,820	\$32,202	\$421,812
19	2044	\$12,960,000	\$18,147,129	\$18,510,071	1.020	\$18,510,071	\$18,510,071	\$328,463	\$328,463	90%	\$295,617	\$12,690	\$187,994	\$0	\$200,684	\$127,779	\$549,591
20	2045	\$12,960,000	\$18,510,071	\$18,880,273	1.020	\$18,880,273	\$18,880,273	\$335,032	\$335,032							\$335,032	\$884,623
21	2046	\$12,960,000	\$18,880,273	\$19,257,878	1.020	\$19,257,878	\$19,257,878	\$341,733	\$341,733							\$341,733	\$1,226,356
TOTAL		\$12,960,000						\$7,663,810	\$7,663,810			\$1,805,648	\$2,433,000		\$4,238,648	\$1,226,356	
															Percent Use of TIF 55.31%		

4/18/2024

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