

TERM SHEET
FOR CONTRACT BETWEEN CITY OF NORTHFIELD ("CITY")
AND BIG TEN LLC OR RELATED ENTITY ("DEVELOPER")

1. Land Transactions

A. Developer must acquire Lots 4 and 6 from Northfield Lots LLC ("Northfield Lots"). City will consent to those acquisitions (as required under the former Supplemental Development Agreement). Closing must occur no later than July 12, 2016.

B. City will sell the so-called "Sliver Lot" (PID 2236479011) and Lot 5 (PID 223647909) to Developer, under these terms:

- Purchase price is \$11,500 for Sliver Lot and \$256,200 for Lot 5 (but because proceeds are returned as assistance, the technical price will be \$1.00; see below)
- Closing contingent on typical real estate contingencies, plus:
 - Developer having demonstrated that financing for hotel development is secure and funded, or reasonably committed to City's satisfaction.
 - Highland Bank consents to the sale (as required under the former Supplemental Agreement)
 - Satisfaction of city charter land sale requirements (public hearing, approval by 5 votes).
 - Closing occurs by December 1, 2016
- Both parcels subject to right of reverter in favor of City, which City may exercise (1) for Sliver Lot, if Developer fails to timely commence the hotel development; and (2) for Lot 5, if Developer fails to timely commence development of that lot.
- Lot 5 must remain unencumbered by debt until financing is put in place for development of that lot.

2. Improvements

A. On Lot 6 and the Sliver Lot: Developer must construct an approximately 80-unit hotel, with Fairfield Inn & Suites brand; must commence construction by December 1, 2016 and complete by December 31, 2017. Developer must execute an assessment agreement setting a minimum market value of \$3,760,000 for the hotel property upon completion, which remains in place through the life of the TIF District.

B. On Lot 5: must construct a commercial facility that meets current PUD requirements, and any other criteria negotiated by City and Developer. Must commence construction by December 31, 2018.

3. Business Subsidy

A. *Land sale proceeds:* City will write down the purchase price of the Sliver Lot and Lot 5, representing assistance in the aggregate amount of \$267,700 (see Section 1, above).

B. *TIF from Riverfront TIF District:* City will provide TIF assistance in the form of a “pay as you go” TIF Note in the principal amount equal to the purchase price paid by Developer for Lots 4 and 6. The TIF Note will be payable solely from 95% of the tax increments derived from Lots 4, 5 and 6, and will carry interest at the rate of 4.5%. Developer must acknowledge that increment from the hotel alone is not expected to be sufficient to pay full principal and interest on the note—future development on Lots 4 and 5 will be required to produced additional increment needed to pay the proposed TIF note.

Issuance of the TIF Note is contingent on:

- Developer having closed on acquisition of all parcels (4, 5 6 and Sliver Lot).
- City having determined that it meets the conditions for release of Lot 6 and the Sliver Lot from the pledge to the outstanding Series 2006 TIF Note.

C. *Additional TIF:* City will provide additional assistance in the maximum amount of \$300,000, from the City’s existing District No. 4. Funds will be disbursed for Developer costs related to the hotel that are eligible for TIF funding in accordance with law. Timing and other terms of disbursement to be negotiated.

D. *EDA Loan:* City will work with EDA to provide a low-interest loan in the maximum principal amount of \$200,000, to fund Developer costs related to the hotel that are eligible for such funding in accordance with law. Loan terms to be negotiated, contingent on approval by EDA. The most likely terms would be as follows: interest only (at 1%) for 5 years; then payments for five years, assuming a 20-year amortization with interest at Wall Street Journal prime rate, with a balloon payment in year 10.

E. *Subsidy Agreement.* Developer must agree to create at least 5 full-time equivalent jobs within two years after completion of the hotel, and all such jobs must be at the Rice County median wage for the hospitality industry, or the “living wage” (as defined in the city’s business subsidy policy), whichever is higher. Further specifics to be negotiated,

4. Future Assistance

If the legislature approves a pending special law extending the “5-year rule” for the Riverfront TIF District, the City will negotiate in good faith with Developer regarding additional TIF assistance from the Riverfront TIF District, in connection with future development of the lot across Second Street (the so-called “Byzantine Lot”). Any such assistance will be an additional business subsidy, requiring a subsidy hearing and additional job and wage goals.

5. Administrative Costs. Developer must pay the City’s out-of-pocket administrative costs, including attorney and financial advisor fees, in connection with the hotel development. (\$5,000 already deposited is credited against this obligation.)

6. Effect of this Term Sheet.

This term sheet is intended to outline possible terms of a future Contract for Private Redevelopment, but is not intended to create a contract between City and Developer or give rise to any rights or liabilities to either party.