



HAWTHORN & STONE

DEVELOPMENT, INC.

February 25, 2013

Mo Hansen
Clerk/Treasurer
City of Waterloo
136 North Monroe Street
Waterloo, WI 53594

RE: LETTER OF INTENT -- PROPOSED REDEVELOPMENT AND REUSE OF THE LISTED PROPERTIES:

<u>Parcel Number</u>	<u>Site Address</u>
<u>290-0813-0643-049</u>	565 W MADISON ST
<u>290-0813-0644-026</u>	217 N MONROE ST
<u>290-0813-0644-065</u>	333 W MADISON ST
<u>290-0813-0711-040</u>	207 S JACKSON ST
<u>290-0813-0711-043</u>	No Street Address
<u>290-0813-0711-053</u>	200 S JACKSON ST

This letter of intent shall confirm our discussions with respect to the following:

Hawthorn & Stone Development Inc. ("HSD") and the City of Waterloo ("City") wish to formalize their relationship with respect to the reuse and redevelopment of the parcels listed above, and to set out the terms and conditions for drafting a development agreement and associated documents.

● OBJECTIVES

Phase 1 – HSD seeks to take title to clean redevelopment sites for the purpose of constructing an assisted living facility on the current corporate office location and a multi-family residential structure on a portion of the manufacturing facility parcel in 2014.

Phase 2 – HSD seeks to construct a multi-family residential structure in 2017 on a portion of the manufacturing facility.

Phase 3 – HSD seeks to build-out additional structures as the real estate market demands on the current manufacturing facility site.

HSD seeks to aid and assist the City to bring about the productive reuse of the remaining parcels. HSD is offering to take title to properties at such time as a real estate management role is necessary to ensure a suitable reuse for the three warehouses on South Jackson Street and the current parking lot location at 207 N Monroe Street.

● PROJECT SCOPE

Phase 1 is to create in excess of \$5,038,000 in taxable assessed value and property value beginning with construction in 2014 with the minimum values identified by the January 1, 2015 municipal assessment. Phase 2 is to create in excess of \$2,565,000 in taxable assessed property value and personal property beginning with construction in 2017 and the minimum values identified by the January 1, 2018 municipal assessment.

● ROLE OF CITY

HSD seeks to partner with the City to ensure that the parcels making up the redevelopment acreage (565 W Madison Street, 333 West Madison Street and 200 South Jackson Street) are suitable for construction in a timely manner.

● ROLE OF HSD

The role of the developer is to benefit the community by bringing new residential housing and a care facility to Waterloo in a manner that increases the net tax base over the life of the project.

● USE OF TAX INCREMENTAL FINANCING

To finance a portion of the private development, HSD seeks to enter into a development agreement containing provisions allowing for HSD to secure private financing using a portion of the future increment generated over a fifteen year period.

This funding strategy puts the burden on HSD to successfully complete the project phases, thus generating the tax increment. It also frees the City from undesirable up front borrowing and the associated risks.

It is anticipated that after the redevelopment sites are sufficiently razed and the sites are suitable for redevelopment, that the boundaries of Tax Incremental District #2 would be amended to include the parcels listed above, which are not already in District #2.

Tax Incremental District #2 has a statutory life of 24 years. It can remain open until 2037. The development assumptions of the approved project plan call for municipal expenditures in 2013 and beyond. We seek to demonstrate through submittal of a Pro Forma spreadsheet and other documentation, that sufficient tax increment will be generated over a 15 to 17 year period to make the City whole for upfront expense, and to pay-off a loan secured by the tax increment.

● SOURCES OF PHASE 1 & 2 PROJECT FUNDING

Total sources of funds for phases 1 and 2 are anticipated to total to \$10,135,800.

HSD and its investors intend to invest:	\$1,520,370 (Investor Equity)
HSD intends to seek private financing of:	\$5,750,755 (Loan 1)
HSD seeks private financing secured by equal TID increment, over 15 years	\$2,364,674 (Loan 2)
HSD seeks City participation for initial funding (above demolition expense)	\$500,000
TOTAL -- SOURCES OF FUNDS	\$10,135,800

● OWNERSHIP OF PROPERTY

Contingent upon City receiving title of the properties in the immediate near term, HSD seeks to take title to the parcels currently containing the corporate office and the manufacturing facility as soon as they are suitable for construction.

● PREPARATION OF REDEVELOPMENT SITES

In advance of the transfer of title from the City to HSD, HSD offers to make available its staff to coordinate and carryout the necessary site demolition. Additionally, we recognize that quickly spinning-off the reuse sites can only be a plus for the community.

● PUBLIC INFRASTRUCTURE REQUIREMENTS

Until such time as preliminary engineering can be completed the necessary public improvements are not known. At this time it is assumed that the infrastructure needs of corporate building are minimal to none. Based upon comments from the City Engineer we have an initial understanding that the sizing of available utilities (sanitary sewer connection, water pressure, electrical service, etc) are suitable at the manufacturing facility site.

We acknowledge that in 2017 a reconstruction of West Madison Street will occur. We seek to work with the City as they develop detailed plans to both create the optimal access points to the redevelopment and to minimize municipal expense in the process.

● REUSE OF CERTAIN PARCELS

For the North Monroe Street parking lot and the warehouses, HSD offers to take ownership of the parcels at such time as an owner is needed to lease retro-fit and make ready the parcels for reuse for a known third party.

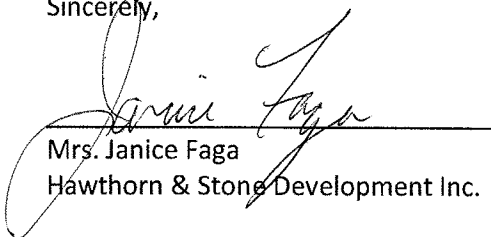
● STORM WATER MANAGEMENT IMPROVEMENTS

The Maunasha River is a major asset for this project. HSD intends to partner with the City to redevelop the lands adjacent to the river under HSD ownership in a way that enhance storm water quality and flood fringe capacity along the river. By removing over 300,000 square feet of impervious surface next to the river, the Maunasha River will have a greater capacity to withstand flooding events benefitting the whole community.

● SURETY

Hawthorn and Stone Development will establish a line of Credit, Bond, or similar instrument of guarantee that will ensure the security of any upfront dollars provided by the City of Waterloo.

Sincerely,


Mrs. Janice Faga
Hawthorn & Stone Development Inc.


Mr. Aaron Otto
Hawthorn & Stone Development Inc.