

JOHNSTON TOWN CENTER**DEVELOPMENT AGREEMENT
BETWEEN THE CITY OF JOHNSTON AND
HANSEN REAL ESTATE SERVICES****TERM SHEET**

The following sets forth the principal terms of the proposed Development Agreement (the “**Development Agreement**”) between the City of Johnston (“**City**”), and Hansen Real Estate Services, Inc. or an affiliate thereof (“**Developer**”) and related agreements relating to the development of Johnston Town Center as depicted on the preliminary site plan attached to this Term Sheet as Exhibit A (the “**Site Plan**”). This Term Sheet does not constitute a binding document or obligation with respect to any party (except for the obligation of City to reimburse certain costs as described in Section VII of this Term Sheet) and is subject to further negotiations between Developer and City and approval by their respective internal processes. The parties hereto agree to use their commercially reasonable efforts to negotiate and finalize the agreements described below. All capitalized terms not otherwise defined are used with the meanings set forth in Section VIII below.

I. LAND ASSEMBLY AND ACQUISITION**A. City Acquisition of Town Center Property**

City currently owns all portions of the Town Center Property as reflected on the Site Plan, excluding the Residential Parcels.

City will use reasonable efforts to acquire the Residential Parcels at or near appraised values. If City acquires any of the Residential Parcels, such parcels shall be added to the Town Center Property and Developer will have a first refusal right with respect to the development thereof on terms consistent with those applicable to the Private Development Parcels.

B. Property Due Diligence

City will provide Developer one or more title opinions and related surveys evidencing marketable title to the Town Center Property and an opportunity to review and make normal objections thereto. City will take all steps reasonably required to assure marketable title to the Town Center Property.

Developer shall be permitted to conduct such commercially reasonable due diligence of the Town Center Property as it reasonably deems necessary (e.g., title, environmental, soils).

II. PLANNING AND DESIGN

A. Platting/Subdivision

Developer will re-plate the Town Center Property and obtain all necessary approvals of a site plan and plat of the Town Center Property and subject to all City ordinances and procedures. Developer and City will reasonably cooperate in the site plan and platting process. This initial plat will result in separate parcels for the City Parcels, Common Area Parcels, and Private Development Parcels. City shall reimburse the Developer for the costs of this initial platting. The cost of any additional platting required by either party will be paid by such party.

B. City Hall and Lease Purchase Infrastructure

The plans and specifications for the City Hall and Lease Purchase Infrastructure and a construction schedule with respect thereto will be developed pursuant to the Development Agreement and the Lease Purchase Transaction. The Site Plan will be refined as part of the review and approval process for the plat and the Lease Purchase Property. City will provide construction and design input to Developer during the process of Site Plan approval and the construction drawing phases in a prompt fashion to allow the timely inclusion of plans for the Lease Purchase Property in the Site Plan process submissions and the construction drawings.

C. Private Improvements

Before commencing construction of the Private Improvements, Developer must submit construction plans for review by City for conformity with the Site Plan, the Development Agreement and City's normal construction permitting process. Pursuant to City's construction permitting process, it is anticipated that review and approval of the Site Plan will be completed within sixty (60) days. Pursuant to City's building plan permitting process, it is anticipated that review and approval of the building plans for permitting will be completed within thirty (30) days. City's review and approval will not be unreasonably delayed, denied or conditioned.

D. Development Agreement

City will satisfy all legally-required public notice, alternative development proposal, public hearing, and other approvals and requirements necessary for this transaction in connection with approval of the Development Agreement.

III. LEASE PURCHASE TRANSACTION

A. Scope

The Lease Purchase Transaction will include a full build-out of the Lease Purchase Property. The scope of the Lease Purchase Property will be agreed upon by City and

Developer pursuant to the Development Agreement, provided that the Lease Purchase Property in any event will include:

1. City Hall;
2. Plaza (with agreed upon amenities);
3. Parking sufficient to service the Lease Purchase Property and those Private Development Parcels as mutually agreed by the parties;
4. Stormwater quantity management system meeting stormwater quantity requirements for the Lease-Purchase Property and commercial buildings shown in the Master Plan;
5. Stormwater quality management systems sufficient to service the Lease Purchase Property and City Hall;
6. Internal Town Center road network that creates an access to NW 62nd Ave, Merle Hay Road and NW 63rd Pl; and
7. Additional components (including utility systems) as mutually agreed by City and Developer.

B. Ground Lease and Sublease

Pursuant to the Development Agreement, City will enter into a ground lease of the Lease Purchase Property with Bankers Trust Company (or other selected entity with trust powers) (the “**Trustee**”) for a term of 20 years. Prior to or in conjunction with the purchase agreement for the Lease Purchase Property the Trustee will enter into a sublease of the Lease Purchase Property with Developer for a term of at least 20 years.

C. Purchase Agreement

Pursuant to the Development Agreement, Developer and City (as agent for the Trustee) will enter into a purchase agreement (the “**Purchase Agreement**”) providing for the design and construction of the City Hall and the Lease Purchase Infrastructure, and requiring City to purchase Developer’s subleasehold interest in the Sublease and all improvements performed pursuant to the Purchase Agreement (including the City Hall and the Lease Purchase Infrastructure) upon substantial completion of the City Hall and the Lease Purchase Infrastructure. The purchase price will be payable in full at closing and will equal Developer’s costs of performing such work, plus a construction fee equal to 3% of total construction costs and a developer fee equal to 3% of total development costs. The closing on the purchase of the City Hall and the Lease Purchase Infrastructure is anticipated to occur within 60 days after the later of (a) the date that Developer substantially completes the City Hall and the Lease Purchase Infrastructure and satisfies the Developer’s obligations under the Purchase Agreement, and (b) the date that a final determination is made on the amount of the purchase price to be paid pursuant to the Purchase Agreement.

D. Lease Purchase Agreement

Pursuant to the Development Agreement, City and Trustee will enter into a Lease Purchase Agreement pursuant to which they will agree to finance the construction and acquisition costs payable under the Purchase Agreement.

E. Lease Purchase Construction

Developer will in a timely fashion provide all costs and contracts related to construction of the City Hall and the Lease Purchase Infrastructure upon City request. Developer shall solicit bids for all construction components over \$100,000.00 for the City Hall and the Lease Purchase Infrastructure and use good-faith efforts to receive bids from no fewer than three sub-contractors for all such components.

IV. PRIVATE DEVELOPMENT PARCELS

A. Phase I

Pursuant to the Development Agreement, within 30 days after Developer's request, City will use its best efforts to convey to Developer good and marketable title to the Private Development Parcels included in Phase I. The purchase price for such Private Developer Parcels shall be \$15 per square foot of land area. The closing of the Phase I acquisition will occur not later than December 31, 2022 or such earlier date requested by Developer, subject to satisfaction of the conditions precedent described below. Such date shall be extended on a day-for-day basis for any delay in the completion of the work described in Section VI or any delay of the closing under the Purchase Agreement.

Developer shall purchase a minimum of 12,000 sq. ft. of land by March 1, 2020 and construct minimum improvements of 10,000 sq. ft. of commercial space meeting the Town Center design guidelines no later than December 31, 2020, so long as City remains on schedule to substantially complete the Intersection Work by December 31, 2020 and has not defaulted under the Purchase Agreement. Any delay in the substantial completion of the Intersection Work or default under the Purchase Agreement shall extend the above deadlines. Developer shall purchase an additional minimum of 10,000 sq. ft. of land and commence construction thereon no later than December 31, 2022. Unless otherwise agreed in writing by both parties extending purchase and or construction timelines, failure to meet purchase or development timelines shall result in termination of Developer's future land options on Private Development Parcels set forth in Section B immediately below.

Developer's obligation to purchase the Private Developer Parcels shall be subject to the terms of the Development Agreement, including the provisions thereof applicable to TIF incentives.

B. Subsequent Phases

Pursuant to the Development Agreement, so long as Developer is not in default as to the acquisition and construction timelines, then within 30 days after Developer's written request from time to time, City will use its best efforts to convey to Developer good and marketable title to one or more of the other Private Development Parcels as requested by Developer. Developer will acquire at least an additional 22,000 square feet of the Private Development Parcels by December 31, 2024, and at least another 16,500 square feet of the Private Development Parcels by December 31, 2031. The purchase price for the Private Developer Parcels shall be \$12 per square foot of land area in the applicable Private Development Parcel(s) for take-downs exercised by Developer on or before December 31, 2025, with an annual positive or negative value adjustment (not to exceed 2.5% per annum) thereafter to be negotiated by City and Developer in connection with the Development Agreement.

Developer's right to acquire the Private Development Parcels will expire on the earlier of (a) failure to purchase the Private Development Parcels as set forth herein or in the Development Agreement, and develop such Private Development Parcels as set forth in the Development Agreement or other related agreement for the development of the Private Development Parcels, and (b) December 31, 2031. All such dates, including those as to Phase I, shall be extended on a day-for-day basis for any delay in the completion of the work described in Section VI or in the occurrence of the closing under the Purchase Agreement for the Lease Purchase Transaction.

C. Conditions Precedent to Each Conveyance of Private Development Parcels

City's conveyance of each Private Development Parcel to Developer will be subject to the satisfaction or waiver of certain conditions precedent typically required in a redevelopment of this nature including Developer's securing of financing sufficient to construct the applicable Private Improvements and Developer's securing of Site Plan approval and all other governmental approvals necessary to permit the construction of the applicable Private Improvements. All construction by Developer shall be consistent with the City-approved site plan.

D. City Reacquisition Rights and Obligations

City will have the right to reacquire any Private Development Parcel with respect to which Developer or successor parcel owner fails to commence construction the minimum building improvements within 18 months after Developer's acquisition thereof or fails to complete construction of the minimum building improvements within 42 months after the Developer's acquisition thereof. City may exercise such right after the expiration of such 18-month period or 42-month period, as the case may be. The reacquisition price will be the lesser of (i) the price paid by Developer for the applicable Private Development Parcel together with the costs of improvements, or (ii) the then market value of the applicable Private Development Parcel (determined by an appraisal).

If City does not substantially complete the Intersection Work by December 31, 2020, or if the City defaults under the Lease Purchase Agreement, then Developer will have the option to require City to reacquire all Private Development Parcels previously acquired by

Developer from City at a price equal to the price paid by Developer for the applicable Private Development Parcel together with the costs of Private Improvements thereon.

E. Tax Increment Assistance

City has created a tax increment financing (TIF) district that includes the Town Center Property and established a TIF Policy outlining prospective incentives, and City will consider the TIF Policy for any TIF incentives granted to Developer. The TIF Policy provides that City may reimburse up to 75% of the tax increment received by City that is generated by qualified improvements on the Private Development Parcels for up to 10 years. Permitted uses for which TIF will be available shall be at the City Council’s discretion and may include office, retail, restaurant, entertainment and residential. Office, boutique hotels, entertainment attractions or projects that create a regional draw will receive the highest consideration from City Council for the full 10-year 75% TIF incentivization. Additional projects incorporating green roofs, structured parking, high quality housing and/or other unique features will also receive favorable consideration for TIF incentivization.

City agrees that the Development Agreement will provide a mechanism by which Developer, and/or Developer’s successor(s) in interest, may be granted the full 10-year 75% TIF incentivization to Developer for each qualified office project, subject to standard requirements for such TIF incentives, including project completion and employment requirements (a minimum of 10 full-time equivalent jobs that pay at least 100% median Polk County income during the term of the TIF incentives), all of which shall be negotiated by City and Developer in connection with the Development Agreement. Furthermore, the Development Agreement will provide that City will, in good faith, consider applications by Developer, and/or Developer’s successor(s) in interest, for TIF incentives relative to alternative permitted uses of the Town Center Property under the TIF Policy. All such considerations will be subject to the ordinary political discretion of the then-current City Council and the authorizing procedures of the Chapter 403 of the Iowa Code.

V. COMMON AREAS, INFRASTRUCTURE, AND GREENSPACE

A. Town Center Association

The parties intend to establish an Iowa nonprofit corporation to act as the Town Center Association (the “**Association**”). The parties intend that the Association will be responsible for maintaining the common area amenities and infrastructure and take primary responsibility for coordinating the activities and events occurring within the Plaza.

B. Lease of Common Area Parcels

After City’s acquisition of the Lease Purchase Property from Developer, City will use its best efforts to sublease the Common Area Parcels to the Association (the “**Association Parcels**”).

C. City Parcels

The parties intend that the City will own, maintain and operate the City Parcels.

D. Governance

The parties intend that the Association will be governed by a seven-member board. City will have the right to appoint up to two members and the park board may appoint one additional member. All other board members will be appointed by the owner(s) of the Private Development Parcels in accordance to the Association's Bylaws, with Developer exercising such rights subject to City approval until it transfers those rights to a subsequent land owner or owners.

E. Future Infrastructure Improvements

The Association, Developer, or City may construct additional Town Center infrastructure beyond that constructed as part of the Lease Purchase Agreement so long as any party that would be responsible for costs related to the construction, operation and maintenance of such additional infrastructure approves such additional infrastructure.

F. Maintenance

City shall be solely responsible at its sole cost for operating and maintaining all City-Owned Parcels, including trails, City Hall, and trailhead areas. The Association shall provide for the ongoing necessary maintenance and replacement of all other portions of the Common Area Parcels and all improvements located thereon (including the Plaza, the road/driveway network, parking, greenspaces, landscaping and stormwater management system). All maintenance will be in accordance with first class standards and will be comprehensively addressed in one or more reciprocal easement agreements mutually acceptable to City and Developer.

G. Common Area Maintenance Reimbursement

The Association will be supported by the property owner(s) and City through a contribution formula based upon the gross building area on each owner's property from time to time. Those Association costs incurred with respect to "standard" common area amenities (e.g. parking, sidewalks, stormwater detention, Association-sponsored events) will be paid pro rata by all property owners. City will pay 100% of all costs incurred with respect to amenities on City Parcels (e.g. City Hall, trails, and trailhead) as agreed upon by the parties in connection with the Development Agreement. The cost-sharing arrangement between the Association and City for the Plaza and other public/private portions of the Town Center Property will be agreed upon by City and Developer in connection with the Development Agreement.

H. Use Restrictions

The Common Area Parcels, Private Development Parcels and City Hall Parcel will be subject to use restrictions to be set forth in one or more reciprocal easement agreements mutually acceptable to City and Developer. The uses of the various Private Development Parcels shall be determined by Developer, subject to one or more reciprocal easement agreements.

I. Plaza

The Plaza will be subject to use and operational restrictions and limitations to be set forth in one or more easement agreements or the lease agreement. The Association will be responsible for programming and event coordination for the Plaza.

VI. CITY OFFSITE IMPROVEMENTS

City will cause the modification and improvement of the intersection of NW 62nd Avenue and Merle Hay Road (the “**Intersection Work**”) to be substantially completed at its sole cost by December 31, 2020, as provided in the Development Agreement.

VII. COST REIMBURSEMENT

City shall promptly reimburse Developer for all reasonable out-of-pocket costs and expenses incurred in connection with the Town Center Property (including all diligence, legal, permitting, design, engineering and construction expenses) (the “Reimbursement Amount”) if prior to August 31, 2019 (a) City does not give or obtain all necessary consents or approvals for this Term Sheet and the Development Agreement, or (b) City and Developer fail to reach agreement on the terms and conditions of the Development Agreement or the documents for the Lease Purchase Transaction. Developer will periodically and upon City’s reasonable request provide updates regarding the Reimbursement Amount, and Developer shall provide invoices and other evidence to substantiate the Reimbursement Amount. Upon payment of the Reimbursement Amount, Developer shall deliver to City all such documents, including without limitation, designs, plans, renderings, construction documents and any related documents (the “**Preliminary Documents**”), which were reimbursed or paid with the Reimbursement Amount, together with any necessary releases of ownership or use to the City, and such Preliminary Documents shall be the property of the City.

VIII. DEFINITIONS

The following definitions are used for purposes of this Term Sheet, and the parties acknowledge that such defined terms may be modified in the Development Agreement.

“**Association Parcels**” the portion of the Common Area Parcels intended to be leased to the Association.

“**City Hall**” means a new City hall building to be built on the City Hall Parcel pursuant to the Development Agreement.

“**City Hall Parcel**” means the portion of the Town Center Property upon which the City Hall will be built.

“**City Parcels**” means that portions of the Town Center Property which will be owned and operated by City, including the City Hall, trail, trailhead, and such other items and areas as shall be agreed upon by Developer and City in the Development Agreement.

“**Common Area Parcels**” means the portions of the Town Center Property, which are intended to be used for roads, sidewalks, green space, utilities and other similar uses serving the other parcels within the Town Center Property, including the Plaza Parcel.

“**Hotel Parcel**” means the parcel so designated on the Site Plan. The Hotel Parcel is a Private Development Parcel.

“**Intersection Work**” has the meaning set forth in Section VI of this Term Sheet.

“**Lease Purchase Agreement**” means the agreement described in Section III of this Term Sheet.

“**Lease Purchase Infrastructure**” means the infrastructure to be built by Developer on the Common Area Parcels pursuant to the Lease Purchase Agreement.

“**Lease Purchase Property**” means the City Hall Parcel and the Common Area Parcels.

“**Lease Purchase Transaction**” means the lease purchase transaction described in Section III of this Term Sheet.

“**Phase I**” means the Private Development Parcels designated as being included in Phase I on the site plan in the Development Agreement.

“**Plaza**” means the outdoor public plaza to be constructed on the Plaza Parcel.

“**Plaza Parcel**” means the portion of the Town Center Property depicted as such on the site plan in the Development Agreement, upon which the Plaza will be built.

“**Private Development Parcels**” means the parcels of land depicted on the site plan in the Development Agreement, which Developer may acquire pursuant to the Development Agreement, including the Hotel Parcel.

“**Private Improvements**” means any improvements constructed by Developer on the Private Development Parcels.

“Residential Parcels” means the residential parcels located along NW 63rd Place and the one residential parcel located along NW 62nd Avenue, all as depicted on the Site Plan.

“Town Center Property” means the property depicted on the Site Plan, consisting of the City Hall Parcel, the Common Area Parcels and the Private Development Parcels, but excluding the Residential Parcels unless and until City shall acquire the same.

EXHIBIT A

Site Plan

Exhibit A: Site Plan
 Johnston Town Center
 Johnston, Iowa



CONFLUENCE
 February 27, 2019

Note: Residential parcels are those areas whited out in the above site-plan.