# Minimum Requirements for Proposers

The property is proposed to be transferred to CAMT (or its designated affiliated entity), for the ACE Project without any direct expense to CAMT.

The ACE Project will involve the City of Loveland, CAMT or its affiliated entity, and a private developer. The Business Terms outline the roles of each of the parties. The relationship is designed to provide a continuing cash flow income to CAMT from the ACE Campus property; to motivate each of the parties to collaborate in the success of the project; to maximize benefits; and to provide a reasonable return on developer investment.

On February 10, 2011, the City of Loveland and Agilent Technologies executed a Letter of Intent for the City to purchase the Agilent Campus property for $5.5 million (a copy of the letter is included). A Purchase and Sale Contract is pending, and is anticipated prior to be entered into prior to March 15, 2011.

The City of Loveland will make the property available to CAMT for the ACE Project according to terms and conditions which are outlined in this section.

*The following terms provide the framework for additional negotiation, which may result in some modification.*

**Parties:** There are three principal parties to the ACE Project. A fourth party may be created specifically for the ownership of the Project.

1. The City of Loveland, a municipal corporation (“City”). The City is a home-rule municipality and is tax-exempt.
2. Colorado Association for Manufacturing and Technology (“CAMT”), or a designated affiliate created for the purpose of the ACE Project. CAMT is a tax-exempt not-for-profit corporation. To avoid generation of unrelated income which may jeopardize its tax exemption, it is expected that CAMT may form a related entity to receive ACE Project income. This will be accommodated in the City’s proposal.
3. A developer to be selected for the ACE project (“Developer”). Developer will be a well-qualified experienced private for-profit developer. As is usual and customary in real estate projects, the Developer may form and operate through an affiliated specific-purpose entity, such as a limited liability company (LLC).
4. A fourth entity may be formed for the ACE Project, incorporating interests of both CAMT and Developer, specific to the ACE Project. This entity is referred to as the “Development Entity”. The Entity would be capitalized and managed by the Developer. In what follows, “Development Entity” refers to either this Development Entity, or the Developer if no such Entity is formed.

**Developer Selection:** The City will collaborate with CAMT in final selection of the Developer. The City has already received interest from potential developers, and will receive developer proposals not later than February 28, 2011. The proposals will be screened on a preliminary basis by the City. Developers are required to submit specific financial information and terms of their proposals. With CAMT participation and consent, the Developer will be selected by March 22, 2011 under a Letter of Intent.

The Developer will be required to adhere to the terms of this Business Proposal in its Letter of Intent.

**Site:** The Agilent Campus property will be used for two purposes:

1. Open Lands Areas, to be retained by the City and excluded from the ACE Project. This is expected to total approximately 129 acres.
2. The ACE Campus, to be transferred to a new ownership entity created for the ACE project (the “Development Entity”). This is expected to total approximately 176 acres, including over 811,000 square feet in four existing buildings, together with parking and landscape areas and developable land for future buildings.

**Transaction and Price:** The 176-acre ACE Campus site will be transferred to the new Development Entity. Transfer shall occur at Closing with Agilent, which shall precede occupancy of the ACE Campus.

The Development Entity shall pay to the City a Price for the ACE Campus of not less than $4.0 million. Payment may be scheduled on terms to be negotiated, but at a minimum shall consist of $500,000 initial payment due at Closing, with the remaining balance (Principal and Interest) to be paid by the city over a ten-year period, with the repayment schedule to be negotiated. Interest shall be a fixed rate, based at the time of origination on the City’s investment portfolio returns for the previous year, plus 200 basis points. For purposes of illustration, currently this would be a rate of approximately four percent (4%).

**Security:** The City’s interest in the ACE Campus property shall be secured by a first Deed of Trust with a due on sale clause. City will consent to subrogate its lien for selected parcels as tenancy and development proceeds on those parcels, in order that the Development Entity may secure financing for tenant improvements and other expenses on these parcels.

**Cash flow to CAMT:** The transaction and agreements shall be structured to generate a cash flow stream from the Development Entity (if formed) as the property owner, to CAMT or its designated affiliate. Cash flow sharing shall be based upon the use and occupancy of the ACE Campus, which will be measured by percentage of available revenue received by the Development Entity (not less than 10% of gross rents or other income received), or by other measure of occupancy. City will cooperate with CAMT to assure significant cash flows to CAMT. It is reasonable to expect at full occupancy that this may equal or exceed $500,000 annually to CAMT.

**Residual Receipts to City:** The Development Entity shall agree to share a portion of “Residual Receipts” with City. “Residual Receipts” are defined as the net income of the ACE Campus following payment of all debt service, operating and maintenance expenses (net after payments identified in “City Lease” below), payment of Cash Flow to CAMT, and a preferred return to Development Entity. The preferred return will not exceed 15% on invested capital, which is the actual cash investment by the Developer. City’s share of residual receipts shall be negotiated. This obligation shall be extinguished after twenty-five (25) years.

In addition, upon sale of the ACE Campus property or portion thereof to any party other than the Development Entity, City shall receive 10% of the gross sales price.

**Audit:** The Development Entity shall obtain audited financial statements annually and shall provide these to the City.

**Water:**  The City shall provide water to the ACE Campus for existing and future development, based upon existing taps, meters, and utility credits appurtenant to the property. The ACE Campus property will be permitted to use existing irrigation systems, which draw water from a pond located in the area to be transferred to ACE. The City shall annually lease raw water for irrigation to ACE at the market rate, which is approximately $2,000 annually. The ACE Campus will not be required to provide any additional water rights except as may be required for development of the undeveloped land.

The City shall retain all other water rights sold by Agilent to the City in the transaction from Agilent to the City.

**Management Responsibilities:** Responsibility for real estate development and decisions will primarily be the responsibility of the Developer, acting through the “Development Entity”. City shall provide a *Site Activation Coordinator* as the principal point of contact for ACE Campus development, at City expense.

**City Lease:** City shall lease back from the Development Entity (or Developer, if no Development Entity is established) any unoccupied space within the existing buildings on the ACE Campus, but not new buildings which may be constructed. City shall pay to Development Entity a share of operational costs for unoccupied space, not to exceed the lesser of $0.25 per square foot annually; $150,000 annually; or $1.5 million over the initial ten-year period of occupancy. The City’s lease obligation, and payments therefor, shall be extinguished after the initial ten-year period.

**Other City Assistance:** The City agrees to facilitate and consider appropriate actions in support of:

1. Formation of an Urban Renewal Area (URA) to incorporate legally eligible portions of the ACE Campus property.
2. Formation of a Metropolitan District, as appropriate to provide financing for necessary and appropriate public improvements.
3. Acting as a conduit for issuance of industrial development bonds for financing of investments in the ACE Campus, with no provision of credit enhancement by the City, with bond issuance at Development Entity expense.
4. Cooperation as appropriate for issuance of New Market Tax Credits, or other appropriate financial instruments to aid in ACE Campus development, without direct financial contribution or credit enhancement by the City.
5. Expedited permit processing for ACE Campus projects and improvements. The City is prepared to guarantee a ten business day approval process for any permitting required for tenant improvements to facilitate entry into the building. A high level City staff member will be assigned as the *Site Activation Coordinator*. The coordinator will be provided at the City’s expense to facilitate leasing of space, tenant improvement, permitting and any future Greenfield development planning and review processes.

The Developer Proposal should clearly outline the parties to the transaction. If no “Development Entity” is to be created incorporating both the Develop and CAMT, the Proposal should clearly explain how CAMT is to receive a cash flow stream without direct expense to CAMT.

If CAMT does not select this site for ACE, the Developer Proposal may eliminate considerations related to CAMT, but explain the resulting structure and parties to the transaction.