

DRAFT - DEVELOPMENT AGREEMENT MEMORANDUM OF UNDERSTANDING

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SUBJECT TO APPROVAL BY NM SENIOR LEADERSHIP

Revised 8.12.19

This document is intended to serve as a basis for dialogue between Northwestern Medicine (NM) and the Village of Winfield (Village) regarding the development of Town Center. This is not designed or intended as a legal document, rather its purpose is to expedite agreements in principle on key terms and therefore serve as a basis for preparation of an actual Development Agreement. By definition, this document is not all-inclusive, but is intended to capture all of the major relationship points where agreement is necessary to proceed with an actual development agreement. All of the terms & conditions in this document are predicated on NM approval of strategic capital for the project. This document is void if the capital funding is not approved.

1. Definition of NM Town Center Projects

- a. NM intends to develop some portions of Town Center, as shown in the Town Center plan dated 10/26/2018. The portions NM intends to develop initially include the Parking Garage across from the hospital (Phase 1A); the buildings between Winfield Road, Church Street, High Lake Road, and Jewell Road (Phase 1B); and the buildings south of Jewell Road (Phase 1C).

2. Phase 1A Project Details

- a. The Parking Garage in Phase 1A would include approximately 800 parking spaces and approximately 25,000 sf of ground floor space (with approximately 20,000 sf proposed to be dedicated to childcare and the approximately 5,000 sf remaining for retail/restaurant). Phase 1A would also include a pedestrian bridge across Winfield Road, landscape improvements to the space west of the new parking garage intended to function as a part of the proposed Riverwalk, and portions of the parking lot that serves Phase 1B. The standard streetscape details would be followed on this project site, and a promenade walk from the Riverwalk to Winfield Road would be constructed on the south side of the property. All utilities will be buried underground.

3. Phase 1B Project Details

- a. The buildings in Phase 1B would generally conform to the Town Center Concept Plan, which includes (2) stand-alone retail/restaurant/commercial buildings and a 3-story mixed-use building with retail on the ground floor and medical/office space on the upper floors. The stand-alone buildings will vary in height from 1.5-2 stories; the taller buildings will be focused on Jewell Road. For further clarity, the parties agree that the intent of the additional half or full floor on the retail buildings is to achieve an aesthetic consistent with the Town Center Concept Plan and, absent a requirement from a prospective tenant for 2nd-floor space, the spaces above the ground floors will be faux facades. If a tenant wants 2nd-floor space in the future, accessibility requirements will have to be satisfied with stairwells and elevator shafts added to the exterior of the existing buildings. Final building design will be dependent on layout once a tenant is identified and is subject to approval by the Village Board, which shall not be unreasonably withheld, conditioned or delayed. Parking for these buildings is served by a surface lot on the site and a surface lot east of the project site. If NM develops future phases of Town Center, the surface lot east of Phase 1B would be

replaced with other parking solutions identified in the overall Town Center plans. The standard streetscape details would be followed on this project site, the public plazas shown on the plans in this phase would be constructed, and all utilities would be buried underground.

4. Phase 1C Project Details

- a. The buildings in Phase 1C would generally conform to the Town Center Concept Plan, which includes (2) stand-alone retail/restaurant/commercial buildings and a public plaza. Buildings will vary in height from 1.5-2 stories; the taller buildings will be focused on Jewell Road. For further clarity, the parties agree that the intent of the additional half or full floor on the retail buildings is to achieve an aesthetic consistent with the Town Center Concept Plan and, absent a requirement from a prospective tenant for 2nd-floor space, the spaces above the ground floors will be faux facades. If a tenant wants 2nd-floor space in the future, accessibility requirements will have to be satisfied with stairwells and elevator shafts added to the exterior of the existing buildings. Final building design will be dependent on layout once a tenant is identified and is subject to approval by the Village Board, which shall not be unreasonably withheld, conditioned or delayed. Parking for these buildings is served primarily by street parking. The standard streetscape details would be followed on this project site and all utilities would be buried underground.

5. Development Timing/Phasing

- a. NM will begin marketing Phase 1B to tenants once a development agreement has been executed. This will include visible marketing materials on the development site.
- b. Timing for the development is dependent on several factors, including NM internal approval of capital investment, NM and the Village of Winfield successfully completing a development agreement, and the time of year at which those items occur.
- c. Phase 1A design is nearly complete; construction duration for Phase 1A will last approximately 18 months. This includes 2 months to construct the parking lot (binder course only) on the Phase 1B site and 16 months to build the Parking Deck. This is subject to change due to unforeseen circumstances, weather conditions, delays in approvals, etc.
- d. Phase 1B design will not begin until NM has approved the project and a development agreement has been successfully reached with the Village of Winfield. The construction duration for Phase 1B would begin approximately 6 months after the beginning of Phase 1A and will last a total of 18 months. This is subject to change due to unforeseen circumstances, weather conditions, delays in approvals, etc.
- e. For either phase, if construction does not begin by October, the start of that phase will be delayed until the following spring to avoid building in the winter.
- f. Attached to this document is a draft timeline to illustrate an example of how the development may be phased if all approvals are obtained timely. This is not intended as an approved schedule because of uncertainty over various development agreement issues, weather conditions, etc.; rather, it is intended to illustrate how these projects may be developed together under ideal circumstances.
- g. The construction of the stand-alone retail buildings in Phase 1B will be contingent on having tenant leases in place for at least 50% of the leasable space in any given building, as well as any logistical issues beyond NM's control (such as relocation of tenants currently on the development site) having been addressed. Since the timing of

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the stand-alone buildings is market driven, the development timeline is undetermined and could be before or after the Parking Deck/MOB.

- h. The construction of the stand-alone retail buildings in Phase 1C will be contingent on having tenant leases in place for at least 50% of the leasable space in any given building, as well as any logistical issues beyond NM's control (such as the Village developing/executing their plan to relocate Village Hall) having been addressed.

6. Winfield Riverwalk Plan

- a. The Village has been awarded an OSLAD grant to fund a portion of their Riverwalk Plan. As part of Phase 1A, NM intends to build a significant portion of the Riverwalk Plan that is adjacent to the project the Village is executing.
- b. NM's scope of work will generally comprise the northern portion of the Riverwalk plan and the Village's scope of work will generally comprise the southern portion of the Riverwalk plan. Minor variations to project boundaries may be necessary based on construction logistics between NM's Parking Deck project and the Village's Riverwalk project.
- c. The scope of both of those projects will be clearly delineated on a plan. NM intends to build the native landscaping, walking paths, and other basic features in their portion of the scope of work. This scope will be agreed upon by NM and the Village based on the overall plan for the Riverwalk Park and the cost projections provided by the Village's consultant, which show the estimated value to be approximately \$1 million.
- d. NM is willing to allow public use of the new Parking Garage in Phase 1A for patrons of the new Riverwalk Park during non-peak hours of hospital operations.
- e. In consideration of the significant contribution NM intends to make to the Riverwalk Plan, the Village will exempt NM Town Center projects from impact fees.

TIMING,
ALSO SUBJECT
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7. Public Improvements

- a. NM will bury underground utilities on projects as they are developed.
- b. The Village will design/build the plaza and maintain ownership of the property the plaza resides on only. The Village may proceed with this work at their own schedule. NM will provide a grant to the Village to design and build the plaza based on a mutually agreed-upon design/cost, which will be determined in the future and identified in the agreement. In the event that Village Hall relocates, the old structure will be promptly demolished by NM, assuming that the portion of the property that will be developed as retail has changed ownership to NM.
- c. The public plaza design will be finalized at the Village's discretion. However, it will generally conform to the following guidelines:
 - i. The plaza will be 8,000-12,000 sf in size (may vary based on design of plaza and adjacent buildings).
 - ii. The plaza will be built out of a mix of different materials, including pavers (permeable and semi-permeable), concrete, and landscaping. This design will have a focus on responsible management of storm water.
 - iii. The plaza will be maintained by the Village of Winfield.
 - iv. Site lighting will match Village of Winfield design standards.
 - v. The plaza will be designed with access to electricity to accommodate community events. It may also include a water feature, seating, and a pergola; however, it will not include stages or public toilets.

- d. NM grants the Village of Winfield the right to use the surface parking lot in Phase 1B on weekends for community events. In the event that the Phase 1B MOB has weekend or night hours, the Village can use the Parking Deck per Section 6.
 - e. Based on the results of a traffic study, NM will make necessary improvements to the Winfield Road/High Lake Road intersection as dictated by a licensed engineer. These improvements will be limited to the impact of the new development only.
8. **Tax Implications**
- a. NM will not receive any assistance or funding from the TIF. However, it will not object to prospective tenants using TIF funds to build out their leased space.
 - b. NM will develop these properties in a for-profit entity and will pay the appropriate property taxes levied by the assessor.
 - c. In the event NM moves these properties into a not-for-profit entity, it will work with the Village to mitigate the financial impact to their budget.
9. **Logistical Issues**
- a. NM does not own all of the parcels required to complete Phase 1B or Phase 1C at this time. Entering into a Development Agreement is contingent upon NM acquiring those parcels at fair market value, and the cooperation of any tenants that occupy space within those properties. NM will use commercially reasonable efforts to work with affected property owners who wish to maintain their business in an NM-owned property.
 - b. NM will work in good faith with businesses who operate in locations that could impact potential development projects to the best of their ability. NM and the Village will actively work together to prevent delay to development progress.
 - c. There are certain properties that the Village owns that NM will require for part of this redevelopment. There are also certain properties that NM owns that the Village requires for their future Village Hall site. These properties will transact at fair market value as determined by a 3rd-party appraiser that is agreed upon between the two parties. These transactions will be detailed in a purchase and sale agreement (PSA) to be executed at a later date. The parcels included in that agreement include:
 - i. PIN #0413107001 (Village Hall site)
 - ii. PIN #0413107005 (Village Hall site)
 - iii. PIN #0413107004 (Village Hall site)
 - iv. PIN #0413106007 (VOW Jewell/Church corner lot)
 - v. PIN #0413200003 (VOW Jewell/High Lake internal lot)
 - vi. PIN #0413200012 (Wurtz lot)
 - d. As part of the PSA, NM will grant the Village a Right of First Offer (ROFO) on PIN #0413106007 in the event it decides to sell that property.
 - e. During Phase 1A, NM will utilize the surface parking lot located in the Phase 1B area to temporarily offset the loss of parking spaces caused by construction activity on the Parking Garage.
 - f. The development agreement will include a section that clearly states the process for approval of future projects within Town Center and on the CDH campus in the form of a Planned Unit Development (PUD).
10. **Permitted & Prohibited Uses**
- a. All uses within Town Center shall conform to the requirements in the Planned Unit Development (PUD), including any restrictions on the overall percentage of service-

related commercial (e.g. banks) allowed in Town Center. In the event Town Center or PUD zoning or limits on service-related retail significantly impede NM's efforts to lease space within Town Center, the Village agrees to work with NM in an effort to reduce those barriers.

- b. Tenants selling any type of tobacco products, including e-cigarettes, will be prohibited from occupying retail space in the parking garage or MOB. This will apply to any tenant engaged in the legal sale of cannabis products (if applicable).
- c. NM will not lease to tenants that are identified as Prohibited Tenants or who would damage the reputation or public image of NM.
- d. The Village of Winfield guidelines state a project in Town Center cannot have more than 25% of ground floor uses be non-retail (i.e. service).
 - i. The Parking Deck will be exempt from this requirement; if NM is unable to lease the 5,000 sf ground floor space within 18 months after Phase 1A construction completion, the Village will review potential projects on a case-by-case basis and shall not unreasonably condition, withhold, or delay approval of prospective tenants due solely to their business classification.
 - ii. Phases 1B and 1C will be reviewed in aggregate as a single project. As it relates to the Phase 1B MOB, the maximum amount of service use shall be 50%. If NM is unable to lease space for a period of greater than 18 months after Phase 1B construction completion due to this requirement, the Village will review potential projects on a case-by-case basis and shall not unreasonably condition, withhold, or delay approval of prospective tenants due solely to their business classification.
- e. As a guiding principle, Jewell Road will be emphasized as the preferred location for retail tenants. However, the Village shall not unreasonably withhold approval of a project due solely to this requirement.

11. Town Center PUD/Zoning/Design Guidelines

- a. All aspects of Phase 1 (A, B, & C) shall be approved as a single Planned Unit Development (PUD). As phases are executed, they will be treated as an update to the PUD and shall not require the full public process for zoning approval.
- b. The Village shall grant zoning approval to all reasonable aspects of the NM projects within Phase 1 of Town Center.
- c. Town Center projects will generally conform to the architectural guidelines of the Village, which suggests varying design elements and approaches consistent with an overall craftsman/prairie architectural theme. The Village will work with NM and all prospective tenants to maintain the overall design theme while remaining flexible in the specific solutions applied to each building/tenant.

12. General Maintenance

- a. NM will be responsible for the maintenance of the properties it develops, including public improvements immediately adjacent to the Phase 1B MOB. Tenants in the stand-alone retail pads will be responsible for the maintenance on those properties.
- b. Issues pertaining to property lines, public ROWs, and liability still need to be determined and will be addressed in the full agreement by the respective attorneys.
- c. The Village will be responsible for the maintenance of public utilities and other public areas (including roads, the Riverwalk, and the public plaza).

13. Responsibilities

- a. An advisory group will be formed to work thru Town Center development and leasing issues as they arise. The structure of this group will be determined at a later date.
- b. NM is responsible for developing the properties set forth in the development agreement and actively leasing available space to prospective tenants. NM shall not unreasonably withhold leasing space to prospective tenants.
- c. NM plans to charge market-competitive rents to tenants in Town Center. Those market rents were shared with the Village of Winfield on 8/14/2018. Given that they are market rents, they are subject to change at any time. NM will work with their consultants to attract tenants within commercially reasonable business efforts to the best of their ability.
- d. NM will market the stand-alone buildings as capable of supporting a 2nd floor if a tenant desires. However, NM makes no commitments whatsoever on guaranteeing 2nd floor space in those buildings at any time and the Village of Winfield shall not reject any projects solely on the basis of not having 2nd floor space.
- e. NM will provide monthly updates to the Village on leasing activity. The Village shall treat this information as confidential. NM will also provide the Village with the Marketing Plan for the development from the broker.
- f. The Village is responsible for approving and permitting the Town Center projects, which shall not be unreasonably withheld or delayed as long as there is no significant deviation from the Town Center plans dated 10/26/2018.
- g. The Village is responsible for planning, developing, and executing the relocation of Village Hall.

14. Financial

- a. NM shall be responsible for financing the development of Phases 1A, 1B, and 1C and will pay all normal permit, professional, and connection fees within reason associated with the project.
- b. NM and its consultants will be responsible for leasing all of the retail space within Phases 1A, 1B, & 1C.
- c. The Village shall be responsible for financing the relocation of Village Hall (both interim and permanent, if applicable).