

## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (“MOU”) is entered into on this the 29<sup>th</sup> day of March 2021, by and among the following parties (hereinafter, the “Parties”):

**City of Watertown (“City”)**  
23 Second St NE  
Watertown, SD 57201

**Watertown Development Company (“WDC”)**  
One East Kemp  
Watertown, SD 57201

**J & J Land Sales, LLC (“J & J”)**  
1002 South Madison Street  
Milbank, SD 57252

**Craig Development, LLC (“Craig”)**  
14105 1<sup>st</sup> Ave N  
Fargo, ND 58102

### BACKGROUND:

1. The City has determined a need exists for a two-sheet, multi-purpose ice facility in the City of Watertown.
2. The WDC is tasked with facilitating and promoting economic development opportunities in the City of Watertown.
3. J & J seeks to develop The Lakes at Willow Creek (the “Development”) by building-out the necessary public infrastructure to create marketable lots.
4. Craig seeks economically attractive opportunities for commercial development.
5. Various organizations have pledged to fundraise, provide sponsorship dollars, or make in-kind donations of products, materials, and services toward the construction of a new multipurpose ice facility totaling an *estimated* \$5 million.
6. The Parties seek to coordinate the construction of a new multi-purpose ice facility to be located in the Development (the “Facility”) and to occur concurrently with surrounding commercial development. To achieve this end, the Parties enter into this Memorandum of Understanding in good faith to acknowledge and memorialize the understanding of the parties as of the date set forth above. The Parties do not intend for this MOU to create legally enforceable obligations, but do intend for the MOU to provide the foundation and structure for any future binding agreements.

### THE PARTIES UNDERSTAND AND AGREE AS FOLLOWS:

#### Responsibilities of J & J

1. Prior to August 1, 2021, J & J will convey to WDC by Warranty Deed approximately the following described real estate as it will likely be known upon platting (the “Property”):

*Lot 1, Block 3 of The Lakes at Willow Creek Addition to the City of Watertown,  
Codington County, South Dakota.*

2. Prior to conveyance of the Property, J & J will cause to be conducted soil sampling and testing of the Property. J & J will subsequently perform any necessary soil corrections to ensure the Property is suitable for construction of the Facility. J & J will also provide to the City an opinion based on the soil testing report from a Licensed Structural Engineer that the Property is or will be conducive to construction of the Facility following any necessary soil corrections. If, in the sole and absolute discretion of the City, the Property is not conducive for construction of the Facility, J & J and the City shall agree upon a mutually acceptable alternative location in the Development. If J & J and the City fail to identify a mutually acceptable alternative location in the Development, the responsibilities of the Parties under this Memorandum of Understanding shall cease.
3. J & J will install (following all required governmental approvals) the necessary public infrastructure sufficient for the construction and operation of the Facility.

**Responsibilities of WDC**

1. WDC will purchase the Property from J & J for \$500,000. A portion of the sponsorship dollars will be used by WDC to complete the purchase.
2. WDC will obtain financing to complete construction of the Facility. A portion of the sponsorship dollars will be used to meet WDC's anticipated down payment requirement.
3. WDC will contract with Craig to construct the Facility.
4. WDC will prepare and propose for the City's approval a TIF District encompassing the area depicted in Exhibit A (TIF #17).
5. WDC will lease the Property to the City. Within the lease, WDC will give the City an option to purchase the Property at any time throughout the duration of the lease at pre-determined price points corresponding to the remaining years on the lease.
6. WDC will annually reimburse the City the portion of the City's lease payment attributable to debt-service coverage (see Exhibit B for anticipated reimbursements).

**Responsibilities of City**

1. City will engage a third-party professional Owner's Representative to monitor and inspect the construction of the Facility to ensure it will meet the City's needs.
2. City will form a "design committee" to provide input on the design of the Project. Members of such committee will likely include representatives of the user groups, City staff, the City Council, and the Park Board.

3. City will enter into a twenty-year, triple-net lease with WDC for the Property. The City commits to make lease payments up to an amount commensurate with \$14,000,000 of project costs, plus finance costs and debt-service coverage (see Exhibit B for anticipated lease payments). The lease will be executed prior to August 1, 2021 but will not be effective until the Facility receives a Certificate of Occupancy.
4. City will distribute to Craig the increment payments for the first ten years of TIF #17 less the amount attributable to the Property which shall be retained by the City. The City will distribute to WDC all increment payments for the second ten years of TIF #17 (see Exhibit B for projected increment revenues and distributions).
5. City will seek to contract with a private company to manage the operation and promotion of Facility.
6. City will enter into sponsorship agreements with naming rights sponsors and subordinate sponsors. Sponsorship opportunities may also be made available to the private management company or to the user groups of the Facility.

**Responsibilities of Craig**

1. Craig will contract with WDC to construct the Facility with an anticipated construction start date of September 15, 2021 and an anticipated completion date of October 1, 2022
2. Craig will work with the above-mentioned design committee to have a completed design by July 1, 2021.
3. Concurrently with the construction of the Project, Craig will construct a hotel directly adjacent to the Project.
4. Craig will continue to pursue various commercial development opportunities including, but not limited to, multi-family residential, retail, and food service.

**J & J LAND SALES, LLC**

**WATERTOWN DEVELOPMENT COMPANY**

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Jamie Andrews  
Managing Member

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Chris Schilken  
Executive Director

**CITY OF WATERTOWN**

**CRAIG DEVELOPMENT, LLC**

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Sarah Caron, PE, CFM  
Mayor

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Jesse Craig  
Managing Member

**ATTEST:**

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Kristen Bobzien  
Finance Officer

# EXHIBIT B

| Project Cost     | Lease Rate    | WDC Refund      | Donations       | Anticipated TIF Revenue | TIF Revenue to Developers | TIF Revenue to WDC | Net Lease Payment from City |
|------------------|---------------|-----------------|-----------------|-------------------------|---------------------------|--------------------|-----------------------------|
| \$ 14,000,000.00 |               |                 |                 |                         |                           |                    |                             |
| \$               | 1,287,681.00  | \$ 257,537.00   | \$ 500,000.00   | \$ -                    | \$ -                      | \$ -               | \$ 530,144.00               |
| \$               | 1,287,681.00  | \$ 257,537.00   | \$ 500,000.00   | \$ 50,211.03            | \$ 50,211.03              |                    | \$ 530,144.00               |
| \$               | 1,287,681.00  | \$ 257,537.00   | \$ 500,000.00   | \$ 177,174.50           | \$ 177,174.50             |                    | \$ 530,144.00               |
| \$               | 1,287,681.00  | \$ 257,537.00   | \$ 500,000.00   | \$ 267,863.00           | \$ 267,863.00             |                    | \$ 530,144.00               |
| \$               | 1,287,681.00  | \$ 257,537.00   | \$ 500,000.00   | \$ 270,583.50           | \$ 270,583.50             |                    | \$ 530,144.00               |
| \$               | 1,287,681.00  | \$ 257,537.00   | \$ 500,000.00   | \$ 273,331.50           | \$ 273,331.50             |                    | \$ 530,144.00               |
| \$               | 1,287,681.00  | \$ 257,537.00   | \$ 500,000.00   | \$ 276,106.50           | \$ 276,106.50             |                    | \$ 530,144.00               |
| \$               | 1,287,681.00  | \$ 257,537.00   | \$ 500,000.00   | \$ 278,910.00           | \$ 278,910.00             |                    | \$ 530,144.00               |
| \$               | 1,287,681.00  | \$ 257,537.00   | \$ 500,000.00   | \$ 281,741.00           | \$ 281,741.00             |                    | \$ 530,144.00               |
| \$               | 1,287,681.00  | \$ 257,537.00   | \$ 500,000.00   | \$ 284,600.50           | \$ 284,600.50             |                    | \$ 530,144.00               |
| \$               | 1,287,681.00  | \$ 257,537.00   |                 | \$ 287,498.64           |                           | \$ 287,498.64      | \$ 742,645.36               |
| \$               | 1,287,681.00  | \$ 257,537.00   |                 | \$ 290,405.50           |                           | \$ 290,405.50      | \$ 739,738.50               |
| \$               | 1,287,681.00  | \$ 257,537.00   |                 | \$ 293,351.50           |                           | \$ 293,351.50      | \$ 736,792.50               |
| \$               | 1,287,681.00  | \$ 257,537.00   |                 | \$ 296,327.00           |                           | \$ 296,327.00      | \$ 733,817.00               |
| \$               | 1,287,681.00  | \$ 257,537.00   |                 | \$ 299,332.00           |                           | \$ 299,332.00      | \$ 730,812.00               |
| \$               | 1,287,681.00  | \$ 257,537.00   |                 | \$ 302,367.50           |                           | \$ 302,367.50      | \$ 727,776.50               |
| \$               | 1,287,681.00  | \$ 257,537.00   |                 | \$ 305,433.00           |                           | \$ 305,433.00      | \$ 724,711.00               |
| \$               | 1,287,681.00  | \$ 257,537.00   |                 | \$ 308,529.50           |                           | \$ 308,529.50      | \$ 721,614.50               |
| \$               | 1,287,681.00  | \$ 257,537.00   |                 | \$ 311,657.00           |                           | \$ 311,657.00      | \$ 718,487.00               |
| \$               | 1,287,681.00  | \$ 257,537.00   |                 | \$ 314,815.50           |                           | \$ 314,815.50      | \$ 715,328.50               |
| \$               | 25,753,620.00 | \$ 5,150,740.00 | \$ 5,000,000.00 | \$ 5,170,238.67         | \$ 2,160,521.53           | \$ 3,009,717.14    | \$ 12,593,162.86            |

## Key Assumptions

4.0% Interest Rate

20 year Lease

\$5M Donations from Various Entities

\$5.8M Cash on Hand to Pay Lease Pmts