

JDS — BLOCK 105 UPDATE
Finance Committee — July 26, 2021

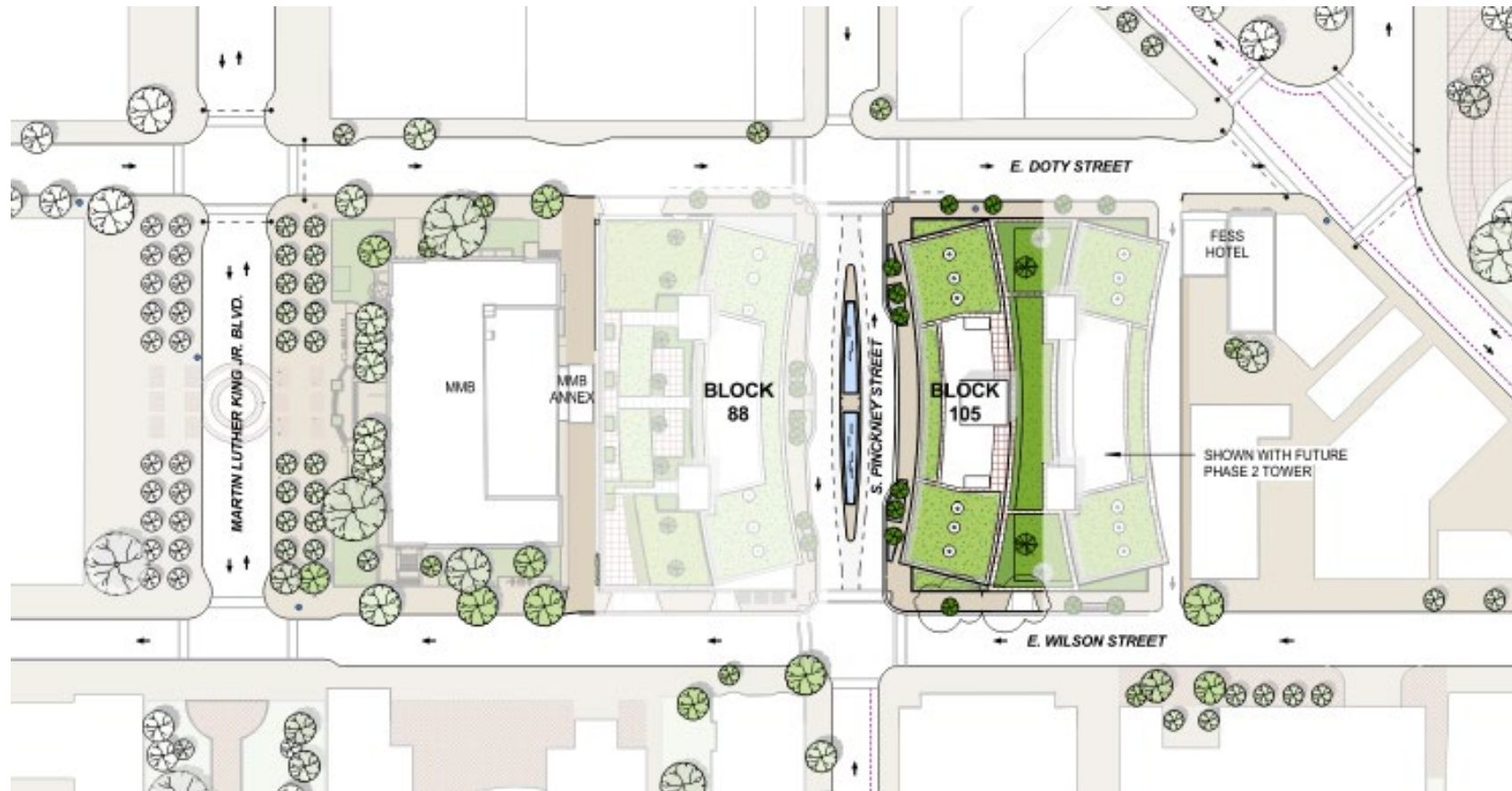


BLOCK 105 OVERVIEW

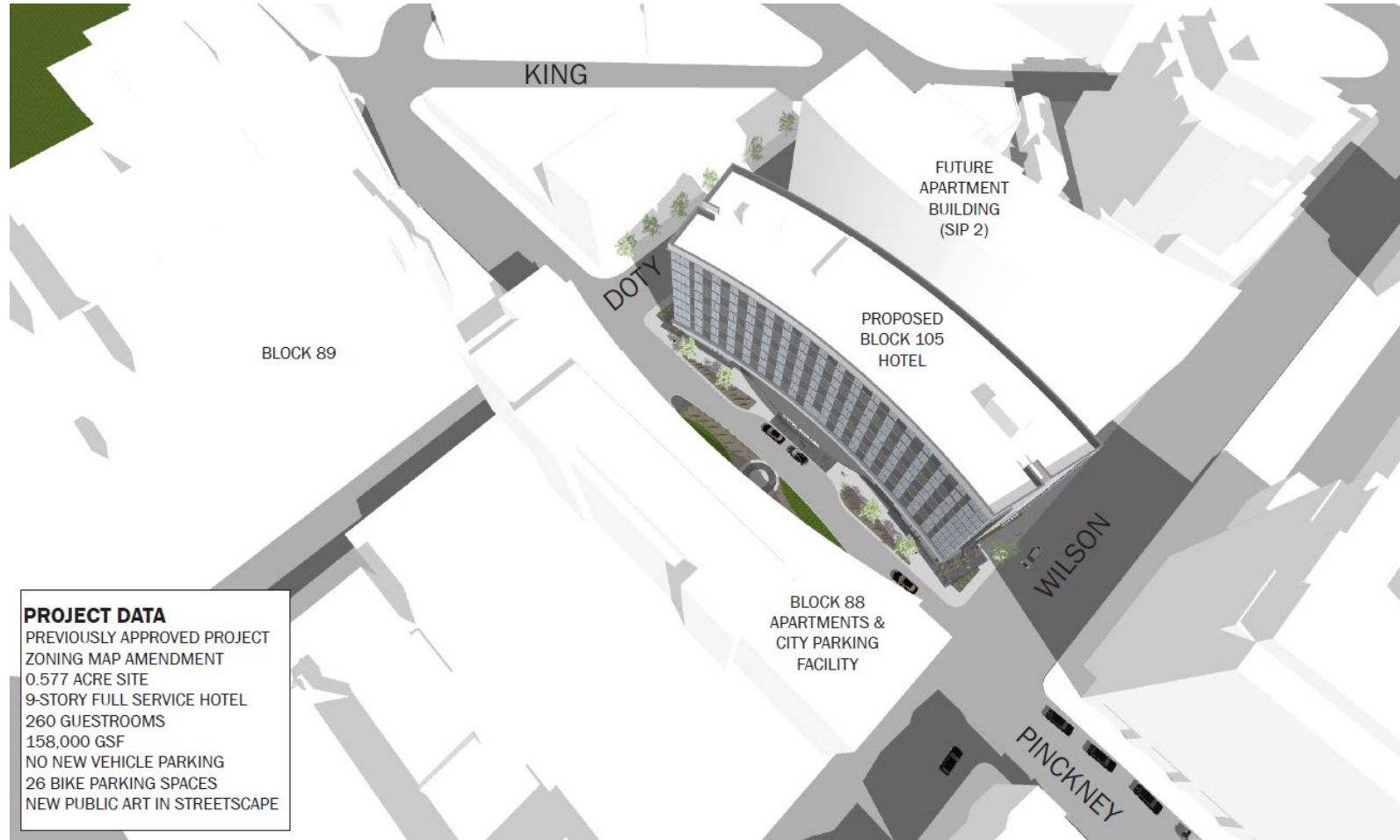
- Half of the Judge Doyle Square Project
- Block 88 – Wilson Street Garage with Stone House Development (NoVo) affordable housing project under construction above.
- Block 105 – Site of the former Government East Garage; Pinckney Street between Doty Street and Wilson Street



BLOCK 105 OVERVIEW



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- Beitler Real Estate has a Development Agreement with the City (executed in July of 2016) to develop a hotel along Pinckney Street (current development proposal before City), with likely apartments developed on the remaining portion of the parcel at a future date. Per the terms of the Development Agreement, hotel financing must close by December 2021, with the remaining apartment financing closing by December 2022.
- Beitler Real Estate is working with Mortenson Development to develop an Embassy Suites hotel on Block 105.
- The Common Council will be presented with a series of agreements for approval over the next month to finalize the sale of the hotel parcel to Mortenson and proceed with construction of the hotel.



PRIVATE DEVELOPMENT PARTNERS

- Beitler Real Estate – Master Developer for Block 105 – Will assign rights to Mortenson Development for hotel, retains balance of Block 105 for future development through December 2022.
- Mortenson Development – Developer, Builder (through affiliate) and Hotel Owner of the Embassy Suites.
- To Be Determined Hotel Operator – Long-term hotel operator retained by Hotel Owner to run the hotel. Must meet approval requirements of Hilton Worldwide.



BEITLER REAL ESTATE

About

- ❖ Established in 1981 (40 years)
- ❖ Developed over 10 million square feet
- ❖ Managed over 30 million square feet in 16 states
- ❖ Award winning projects

Since its founding in 1981, Beitler has been one of Chicago's most successful commercial real estate companies. Beitler has been responsible for a portfolio of over 30 million square feet in 16 states and was the first company to privatize the management of the largest public building in Chicago, the Richard J. Daley Center.

BEITLER

Beitler has developed over 10 million square feet including some of the largest and most architecturally distinguished projects with world renowned architects including: Helmut Jahn, Cesar Pelli, Stanley Tigerman and Margaret McCurry.

Today, Beitler is a family run company developing and investing in all types of real estate projects, including: office, retail, hospitality, residential and public/private ventures.



MORTENSON DEVELOPMENT



Beyond your typical builder...



Since building our first hotel in 1979, Mortenson has earned the reputation as one of the best and most respected hospitality developer-design builders in the Country.

From five-star luxury resorts to exclusive boutique properties, we've worked alongside the most trusted brands in Hospitality including Hilton, Hyatt, Intercontinental, Marriott and Omni. Together, we've delivered more than 100 hotel projects across the United States, providing the perfect getaway for those away from home.

133
hospitality projects
valued at
\$4.6B

\$1.2B
hotel projects
in progress

#5
hospitality
builder in the U.S.
(ENR)

Hospitality Expertise

Mortenson has completed 133 hotel projects with a combined total of \$4.6B. Currently, Mortenson has \$1.2B worth of hotel projects in development, design, and construction from coast-to-coast.

We Speak Your Language

As both a hospitality developer and a builder, we understand the entire process from concept through operations. This unique perspective allows us to provide our customers the knowledge to make informed decisions.



THE PRIMARY CITY TEAM

- Dave Schmiedicke – Finance Director
- Kevin Ramakrishna – Assistant City Attorney
- Matt Wachter – DPCED Director
- Connie Thompson – Executive Director, Monona Terrace
- Matt Mikolajewski – Economic Development Director
- Sabrina Tolley – Parking Utility Manager
- Kevin Firchow – Principal Planner
- Ellie Westman Chin – President & CEO, Destination Madison



EMBASSY SUITES

- 260 hotel suites
- 158,000 s.f. building
- 4,000 square feet of meeting space
- 9-story building
- Restaurant and fitness center
- Construction to begin following financial close which is scheduled for December 2021
- Much needed hotel rooms in close proximity to Monona Terrace



EMBASSY SUITES



COMMON COUNCIL APPROVALS NEEDED

- Development Agreement Amendment
- Purchase Agreement
- Parking Lease
- Room Block Agreement
- Temporary Construction Easement



DEVELOPMENT AGREEMENT AMENDMENT

- Original Development Agreement executed with Beitler Real Estate in 2016, amended in 2019.
- Assignment of development rights from Beitler Real Estate to Mortenson Development for the Embassy Suites.
- Shifting from a lease of Block 105 to a sale of Block 105 to Mortenson Development (see later slide for detail).
- Changing terms of Parking Agreement (see later slide for detail).



DEVELOPMENT AGREEMENT AMENDMENT

- Hotel Owner will have a franchise agreement to operate the hotel as an Embassy Suites (a Hilton brand), they will need to hire a hotel operator to run the day-to-day operations of the Embassy Suites, this amendment will allow the Hotel Owner to select an operator of their choosing, as long as the operator is approved by Hilton Worldwide.
- Adjusts a restriction related to the NoVo apartments on Block 88 that would allow a tenant to use a service such as Airbnb.



PURCHASE AGREEMENT

- Sale of property to Mortenson Development for \$4,020,000; consistent with City appraisal.
- Purchase price may be reduced at closing to compensate for further environmental remediation and fill removal costs (negotiation in progress).
- Funds available upon closing to assist Parking Utility with reimbursing Wilson Street Garage construction costs.
- Embassy Suites franchise agreement with Hotel Owner will be for a minimum 20-year term.



PARKING LEASE

- No parking included on Block 105 to support hotel development.
- Lease of up to 100 unassigned parking spaces in new Wilson Street Garage, with right to lease up to 200 parking spaces if hotel demand exists; hotel may also reduce number of leased spaces based on demand.
- Min of 40 spaces to be provided at Wilson Street Garage, but Parking Utility has right to relocate any additional spaces to alternative Parking Utility structures during peak demand times at the Wilson Street Garage.
- Monthly rate per stall will be the Parking Utility's monthly 24/7 rate per stall over time (currently \$270 per month per stall).
- Initial 40-year term with two (2) 10-year renewals.



ROOM BLOCK AGREEMENT

- To facilitate bookings of events at Monona Terrace, Hotel Owner will be required to “block” the availability of rooms for use by Monona Terrace and Destination Madison for specific events (“room block”).
- The number of rooms included in the room block and the length of time in advance of an event that the room block is held is still being negotiated.
- Rates set by Hotel Owner, with limitations precluding Hotel Owner from setting rates that are clearly meant to frustrate City’s rights under this agreement.
- Room block agreement will be in place for 20 years.



TEMPORARY CONSTRUCTION EASEMENT

- Mortenson Development will require the remaining, vacant portion of Block 105 to serve as a construction staging area for the Embassy Suites project.
- The Temporary Construction Easement will allow Mortenson Development to use this property for this purpose.



ADDITIONAL CITY APPROVALS NEEDED

- Urban Design Commission (UDC) “Final Approval” review of select facade, roof plan, and site plan details, as previously requested as part of UDC’s initial approval recommendation.
- Prior to issuance of permits, administrative sign-off of plans, including code compliance and consistency with approval conditions from the February 2021 approval.



FUTURE OF REMAINDER OF BLOCK 105

- Embassy Suites to utilize about half of Block 105.
- Beitler Real Estate will continue to retain development rights to the remainder of Block 105 through December 2022.
- No development plan before the City at this time.
- Will most likely be an apartment project.





QUESTIONS