

JDS — BLOCK 105 UPDATE

Monona Terrace Community and Convention Center Board
September 15, 2021

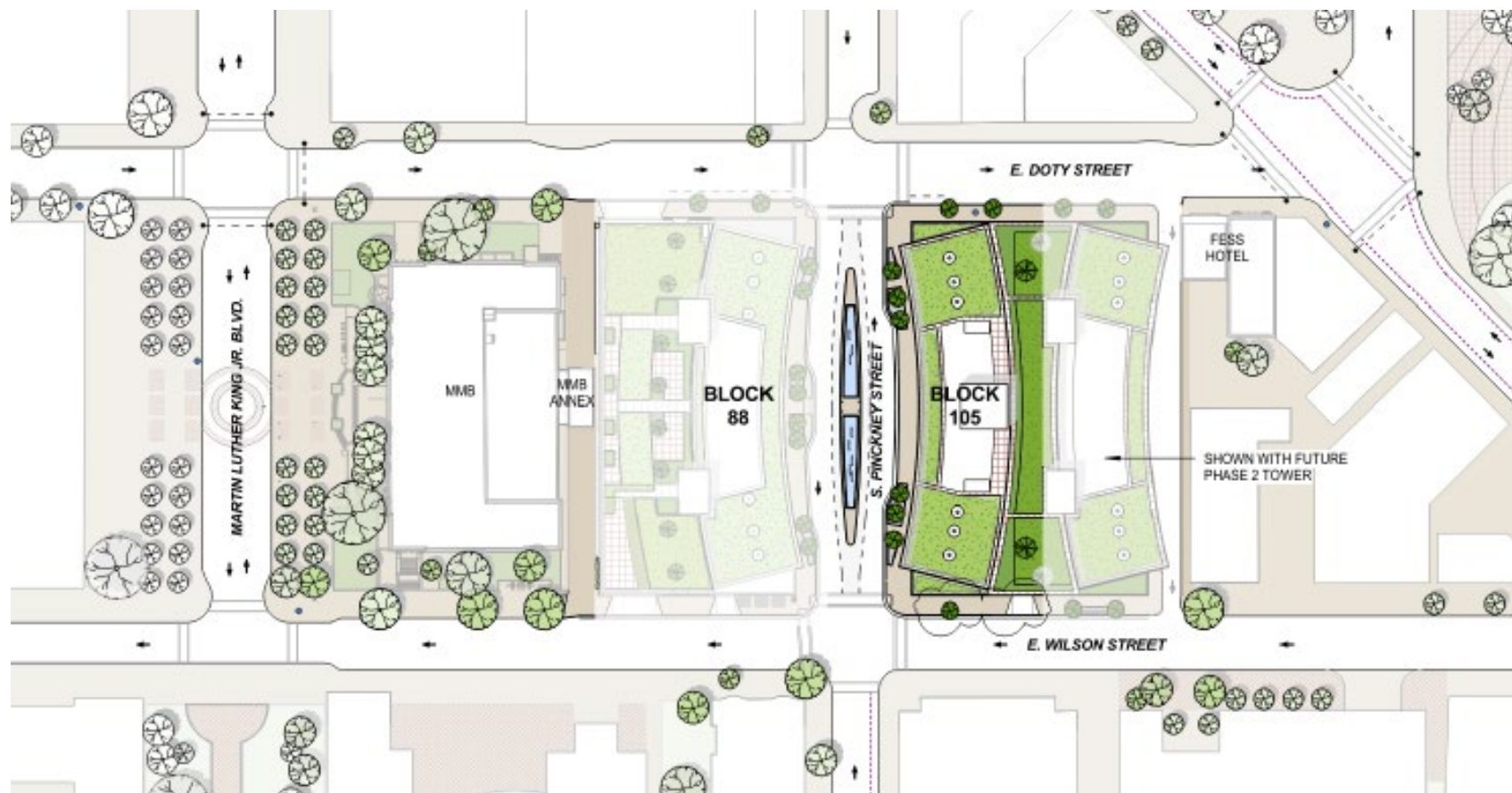


BLOCK 105 OVERVIEW

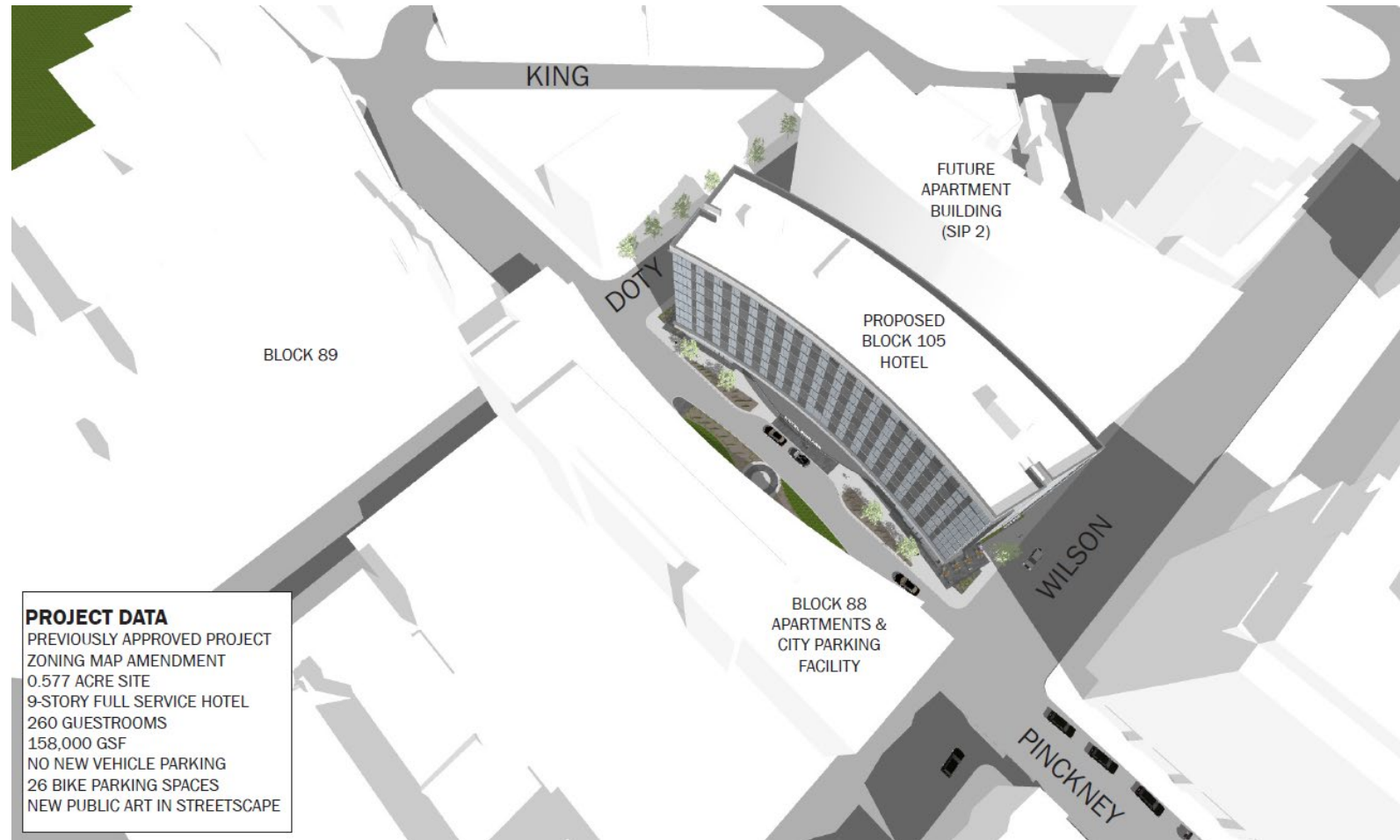
- Half of the Judge Doyle Square Project
- Block 88 – Wilson Street Garage with Stone House Development (NoVo) affordable housing project under construction above
- Block 105 – Site of the former Government East Garage; Pinckney Street between Doty Street and Wilson Street



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 asked to take action on a series of agreements to move forward with this transaction at their October 5, 2021 meeting.



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.



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



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”).
- Generally, bookings greater than 24 months in advance enables a block of 185 rooms; bookings between 18-24 months in advance enables a block of 150 rooms.
- 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.



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.



OPPORTUNITY COST OF NOT PROCEEDING

- Expanded business for Monona Terrace
- Property, sales, and room tax
- Parking Utility revenue
- Employment
- City staff time
 - More than 1000 hours of staff time has already been spent on the Judge Doyle Square project; relatively few additional hours are needed to secure this hotel
 - Moving forward with this transaction allows the City to achieve one of the primary goals of the Judge Doyle Square project and enables staff to move onto other City initiatives rather than leading another RFP/negotiation for this block



EMBASSY SUITES HOTEL

- Developer Background
- Hotel Information
- Economic Benefits





QUESTIONS