DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Economic Development Division

m e m o r a n d u m

TO: Mayor Diane Wolfe Marlin and City Council Members

FROM: Carol J. Mitten, City Administrator
John A. Schneider, MPA, Community Development Director
Brandon S. Boys, AICP, Economic Development Manager

DATE: June 21, 2019

SUBJECT: AN ORDINANCE APPROVING A REDEVELOPMENT AGREEMENT WITH MARKSONS AFFILIATES, LLC (Urbana Landmark Hotel - 2019)

Introduction

The Urbana City Council is requested to consider the attached Ordinance and incorporated Redevelopment Agreement (**Exhibit A: Draft Enabling Ordinance and Redevelopment Agreement**). The ordinance would authorize the Mayor to enter into the proposed Redevelopment Agreement with developer Marksons Affiliates, LLC for the renovation and activation of the Urbana Landmark Hotel as a Hilton Tapestry hotel. Marksons Affiliates has proposed to purchase and fully renovate the Urbana Landmark Hotel, located at 210 South Race Street, resulting in a 120+ room boutique hotel, full-service restaurant, bar and conference center with Hilton Tapestry Branding.

On May 20, 2019, the Urbana City Council approved Ordinance No. 2019-05-12R which authorized the Mayor to enter into an Interim Agreement with Sam Spiritos of Marksons Affiliates, LLC (**Exhibit B: Interim Agreement with Letter of Intent**) and the agreement was executed by both parties. In keeping with the Interim Agreement, the developer executed a purchase agreement for the hotel property for a price not greater than $1MM.

The developer has provided additional information on the proposed project including an updated project narrative, sources and uses table, development budget, pro forma and intended project partners (**Exhibit C: Developer's Proposal**). The developer intends to utilize federal historic tax credits as part of the project funding. Additional background information and case studies were also provided by the project leads, asset management, project management, architect and hotel management partners (**Exhibit D: Project Partners**).

The qualifications of the project team, the pro forma and pricing assumptions for a Hilton Tapestry property, and available hotel market data were each reviewed by Patek Hospitality Consulting. (**Exhibit E: Patek Hospitality Review**). Overall, the project team was found to be well qualified, the pro forma was found to be within industry standards, and the market assumptions were found to be reasonable, although new competition is expected in the market for this hotel product in the coming years.

The proposed Redevelopment Agreement, as recommended by City staff, incorporates several changes at the request of the developer including an increase of City support for the project. Staff proposes an increase from $5.2MM to $5.5MM based on analysis of the proposed project's tax revenue projections. The developer has not committed to move forward with the project at this level of support.

SB Friedman Development Advisors was retained by the City to conduct a preliminary financial review of the developer's proposal and the City's level of support. (**Exhibit F: SB Friedman Review**). SB Friedman found that City support at $5.5MM for the project would allow the project to generate "above market returns" while also acknowledging that a higher rate of return is not unreasonable given the limited recent development in downtown Urbana and Champaign-Urbana's status as a small metropolitan market.

Staff also updated a 2017 analysis of alternative scenarios for use of the hotel property (**Exhibit G: Alternative Scenarios Analysis**). The alternatives analysis confirms that a renovated, full-service hotel has the highest economic impact compared to renovation for student housing, senior living or community housing. The cost of clearing the site was estimated at $4MM, making new construction scenarios cost-ineffective.

Approval of the ordinance and draft agreement would allow the Mayor to enter into the final redevelopment agreement consistent with the terms of the Interim Agreement that would provide the developer with a $5.5MM reimbursement of construction costs after the project is both certified for occupancy by the City and approved as a Hilton Tapestry branded-hotel. Failure of the City to approve such a redevelopment agreement before the deadline would result in the City sharing in the developer's out-of-pocket earnest money and related expenses up to a maximum of $75,000.

Staff recommends that the City Council approve the attached draft ordinance and Redevelopment Agreement. Even with City approval of this agreement, the Developer may still elect to not purchase the property or proceed with the project.

Background

Over the last four years, Mayor Marlin and City staff have invested hundreds of hours engaging potential buyers and developers of the Urbana Landmark Hotel property. Despite the challenges of the existing property's deteriorated condition, there has been significant interest from both local and out-of-town investors given the building's unique historic character and its central, walkable location in the heart of Downtown Urbana. The City has been working over this time to identify a buyer and developer of the property that would bring the right mix of experience, tenacity, financial resources, and a proposal with a balanced level of risk for the City. Based on its extensive interactions with the developer and their prospective project partners, staff is convinced that Marksons Affiliates has the appropriate experience and resources to accomplish the proposed transformative project at the Urbana Landmark Hotel.

Prior analysis of redevelopment options of this site, both internally and by third-party consultants, has consistently shown that a boutique, full-service hotel with an active conference and events center would be the highest and best use for the property, would yield the greatest spin-off benefits for the downtown area, and would generate the most new revenues to offset the significant cost of achieving a transformative renovation of this historic building. The executed Interim Agreement represents the culmination of months of negotiation with the prospective developer.

The Interim Agreement obligated the developer to maintain the hotel under contract at a sale price not greater than $1MM and the agreement obligated the City to approve a final redevelopment agreement consistent with the terms set forth in the Letter of Intent on or before July 19, 2019. In the event the City fails to approve such a redevelopment agreement by the deadline, then the City would be obligated to reimburse the developer for up to $75,000 of their out-of-pocket earnest money and related expenses. If the City approves a redevelopment agreement prior to the deadline or if the developer defaults on any of its obligations in the Interim Agreement, then the City would not be obligated to make any reimbursements to the developer.

The City approval process is proceeding along the following schedule presented in May for the approval of the final redevelopment agreement:

Stage of Approval	Date
Approval of the LOI and Interim Agreement	Mon 05/20/2019
Approval of the Final Redevelopment Agreement	
Committee of the Whole Meeting	Mon 06/24/2019
City Council Meeting (final approval)	Mon 07/01/2019
Execution of RDA by Mayor or designee (not later than)	Mon 07/08/2019

Summary of the Redevelopment Agreement

The terms of the proposed redevelopment agreement (**Exhibit A**) are based on the Letter of Intent (LOI) that were incorporated into the Interim Agreement (**Exhibit B**) and were then adjusted based on negotiation with the developer. The redevelopment agreement would obligate the developer to complete a project that results in a complete renovation of the hotel and grounds, Hilton Tapestry branding and service standards, preservation of historic elements, as well as commercial activation of at least 120 hotel rooms, a full-service restaurant with catering and room service, bar, ballroom, conference center and meeting rooms. The project would be constructed at a minimum cost of $15.1MM, which excludes project contingency. The developer's project budget provides for additional contingency to allow for up to a $17.8MM project construction budget.

The proposed redevelopment agreement also obligate the developer to commit to a specific construction schedule, set aspirational goals for the hiring of minority- and women-owned businesses, commit a minimum of 19.6 percent equity at the onset of the project, and operate the hotel as a Hilton Tapestry branded hotel for a minimum of ten years.

The redevelopment agreement obligates the City to reimburse the developer $5.5MM of eligible project expenses. All construction expenses are anticipated to be considered eligible for reimbursements via Tax Increment Financing (TIF). The redevelopment agreement also acknowledges the City's ability and need to establish additional hotel/motel taxes on the resulting hotel property, by separate action under the City's home rule authority. The City would initiate such additional hotel/motel taxes for the purpose of ensuring sufficient new tax revenues from the project in order to offset the cost of City reimbursement of eligible project expenses. It is currently estimated that the City would need to establish a 4% boutique hotel/motel tax on the property by the time of its opening to maintain appropriate new revenues to cover the anticipated bond payments.

Fiscal Impact

If the City does not approve a final redevelopment agreement, consistent with the Interim Agreement, on or before July 19th, 2019, the City would be obligated to reimburse the developer's documented, eligible due diligence expenses from the Central TIF District Fund up to a maximum of $75,000.

If approved in a manner consistent with the Interim Agreement final redevelopment agreement, the developer would have the option of entering into the agreement, closing on the hotel, and completing the project to receive $5.5MM in reimbursements of the construction costs. Staff conducted an incentive analysis to determine the level of support the City could provide for the project with the specific goal of ensuring that the new tax revenues generated by the project paid for the cost of the incentive and any borrowing costs over a ten-year period.

Bond Value Analysis

Given the amount and timing of the developer's incentive request, staff anticipates that the City would need to issue a bond. Given the type and amount of debt considered being issued and the City's financial policies, a private placement bond with a maximum ten year term that is the most feasible option. The process required to issue a longer term bond through a public sale is infeasible given the City's financial policies and developer's timeframe.

The project would be expected to generate sufficient new tax revenue to the City to cover the cost of the bond over this ten-year period. These new tax revenues are expected to come from four sources: (1) TIF incremental property taxes, (2) food and beverage taxes based on food and beverage sales, (3) hotel/motel taxes based on room sales and, (4) additional boutique hotel taxes based on room sales (contingent on further action by the City). Staff sought to identify the amount of incentive these revenues could support and still break even over a ten-year period.

Staff utilized a debt service coverage ratio (DCR) to incorporate the inherent risk of lending into this analysis. A DCR is the net income expected divided by the cost of the debt service. A DCR of 1.0 means the income is equal to debt service. A DCR higher than 1.0 means that income will be higher than debt service. A higher DCR indicates a higher ability to pay off the debt and a lower risk of default. For this project a DCR of 1.2 is applied the projected revenue, meaning that 20% more income is expected than the cost of the debt service (**Table 1 – Bond Value Analysis**).

Table 1. Bond Value Analysis

	$5.5M Bond	$5.2M Bond
New Revenues		
10-Year Total TIF Increment	$2,965,840	$2,965,840
10-Year Total Food & Beverage Tax	$313,811	$313,811
10-Year Total Hotel/Motel Tax	$2,992,016	$2,992,016
10- Year Total Boutique Hotel Tax (*4% , 3% respectively*)	$2,011,439	$1,508,580
10-Year Total Tax Revenue	$8,283,107	$7,780,247
Debt Service Coverage Ratio (DCR)	*1.20*	*1.20*
Adjusted 10-Year Total Tax Revenue	**$6,902,589**	**$6,483,539**
Incentives Value		
Initial Bond Issuance	$5,500,000	$5,200,000
10-Year Interest Cost	$1,445,465	$1,380,955
Total Incentive Value	**$6,945,465**	**$6,580,955**
Revenues as Percent of Incentives	99.4%	98.5%
Annual New Revenue Following Bond Payback		
Annual TIF Increment	$388,000	$388,000
Annual Other Tax Revenue	$597,000	$538,000
Total New Annual Revenue	**$985,000**	**$926,000**

In the above Table 1, the one variable that can be independently changed by the City is the boutique hotel tax, which could be established prior to completion project at a rate between 0.0 and 6.0 percent. The maximum boutique tax staff believes is feasible without being detrimental to hotel performance is 6.0 percent.

Given the risks the City incurs by issuing debt, the maximum bond issuance the City calculates the project being able to support is $5.5MM. Table 1 highlights the new revenues and costs for both a $5.5MM and $5.2MM bond. The to-be-created Boutique Hotel Tax would be set at a rate for each scenario that balances revenues with the cost of incentives:

For a $5.2MM bond, the Boutique Hotel Tax would need to be set at 3.0 percent prior to the project opening.

For a $5.5MM bond, the Boutique Hotel Tax would need to be set at 4.0 percent prior to the project opening.

After the ten year period and if the hotel performance remains constant, staff projects that the City would accrue $388,000 to the TIF and $538,000 through other sources to the General Fund in new revenue each year thereafter.

Sensitivity Analysis

Anytime debt is issued, the lender incurs some level of risk. To help quantify the level of risk the City would incur upon issuing a bond for this project several possible scenarios were examined to determine the impact to project revenue (**Table 2 – Sensitivity Analysis**). Each independent scenario was selected as an event that has a reasonable chance to occur, both in effect and in magnitude. The four sensitivity scenarios examined in Table 2 below were:

1) The Carle court case is resolved in a manner that adds the property back to the tax rolls, increasing City-wide EAV and thereby decreasing City-wide tax rates below those forecasted.
2) A final property assessment that results in a property value lower than forecasted.
3) The hotel's average daily room rates (ADR) are less than forecasted.
4) The occupancy rate is less than is forecasted, such as if competing upscale projects are built in the future.

For each scenario, the decrease in revenue is compared to the excess revenue reserved by the debt service coverage ratio and the amount of new revenue that could be generated by increasing the boutique hotel tax to the maximum 6 percent. In any one scenario, the DCR is sufficient to cover the bond payments. For a $5.5MM bond, the combination of two scenarios results in a change to project revenue nearly equal to the amount reserved by the DCR. At $5.5MM, if each of these independent scenarios were to occur, the new tax revenues fall short of covering the total cost of the debt service over the ten year period by $250,000. In that scenario, the project would be expected to generate enough revenue to cover the cost of the debt service in the eleventh year of operation.

For any bond issuance greater than $5.5 million, the initial boutique hotel tax would increase at well. As the initial tax nears 6.0%, the ability to increase revenues by increasing the tax rate is progressively reduced to zero. With the DCR being the City's only safety net, the risk of revenues not supporting bond payments becomes likely with any two scenarios occurring. This substantially increases the risk to the City as these scenarios, while not currently predicted to occur, are still feasible without a dramatic change in assumptions or market conditions.

Table 2. Sensitivity Analysis
$5.2M Bond and 3.0% Boutique Hotel Tax to Start

	Sensitivity Scenarios	Change in Assumption	Change in Project Revenue	Excess Revenue from DCR	New Revenue from 6% Boutique	Net Balance/ (Shortfall)
1	Carle Case	*Reduce Rate by 2.0*	($603,133)	$1,296,708	$1,273,128	$1,966,703
2	Property Value	*Assessed at ~$8.0MM*	($795,043)	$1,296,708	$1,273,128	$1,774,793
3	Reduced ADR	*Less $15 ADR*	($421,741)	$1,296,708	$1,273,128	$2,148,095
4	Over Saturated	*56% Occupancy Rate*	($756,286)	$1,296,708	$1,273,128	$1,813,550
5	3 & 4	*Both Revenue Scenarios*	($1,112,473)	$1,296,708	$1,273,128	$1,457,363
6	1 & 2	*Both Property Scenarios*	($1,247,393)	$1,296,708	$1,273,128	$1,322,443
7	Combo All	*All Scenarios*	($2,359,865)	$1,296,708	$1,273,128	$209,971

$5.5 M & 4.0% Boutique to Start

	Sensitivity Scenarios	Change in Assumption	Change in Project Revenue	Excess Revenue from DCR	New Revenue from 6% Boutique	Net Balance/ (Shortfall)
1	Carle Case	*Reduce Rate by 2.0*	($603,133)	$1,380,518	$848,752	$1,626,137
2	Property Value	*Assessed at ~$8.0MM*	($795,043)	$1,380,518	$848,752	$1,434,227
3	Reduced ADR	*Less $15 ADR*	($468,863)	$1,380,518	$848,752	$1,760,407
4	Over Saturated	*56% Occupancy Rate*	($835,353)	$1,380,518	$848,752	$1,393,917
5	3 & 4	*Both Revenue Scenarios*	($1,231,337)	$1,380,518	$848,752	$997,933
6	1 & 2	*Both Property Scenarios*	($1,247,393)	$1,380,518	$848,752	$981,877
7	Combo All	*All Scenarios*	($2,478,729)	$1,380,518	$848,752	($249,460)

Alternatives Analysis

In addition to the direct incentive cost incurred by the City for the current proposal, there is an opportunity cost of the development, or a lack thereof. With regard to alternative development outcomes, a fully renovated upscale hotel and conference center is the highest and best use for the property. Similarly, for a hotel, a renovation into an upscale brand is the most feasible development outcome compared to any scenario involving demolition and new construction. Staff is not aware of any alternative development scenario that would have a comparable economic impact or proportionately smaller development gap. The eventual consequence of which may result in the demolition of the property. If this were to occur, the cost to demolish the property and repair the attached structure would likely exceed $4MM; such an outcome would not be anticipated to generate any new tax revenues. **Exhibit G** shows a more complete analysis of the discussed alternative developments outcomes and their feasibility.

Third-Party Review

The qualifications of the project team, the pro forma and pricing assumptions for a Hilton Tapestry property, and available hotel market data were each reviewed by Patek Hospitality Consulting. (**Exhibit E**). Overall, the project team was found to be well qualified, the pro forma was found to be within industry standards, and the market assumptions were found to be reasonable, although new competition is expected in the market for this hotel product in the coming years.

SB Friedman Development Advisors was retained by the City to conduct a preliminary financial review of the developer's proposal and the City's level of support. (**Exhibit F**). SB Friedman found that City support at $5.5MM for the project would allow the project to generate "above market returns" while also acknowledging that a higher rate of return is not unreasonable given the limited recent development in downtown Urbana and Champaign-Urbana's status as a small metropolitan market.

Options

1. Approve the draft ordinance and redevelopment agreement as presented.

2. Approve the draft ordinance and redevelopment agreement, subject to review for consistency with the Interim Agreement.

3. Deny the draft ordinance and redevelopment agreement.

Recommendation

The Redevelopment Agreement as proposed would fulfill the City's obligations of its Interim Agreement with Marksons Affiliates, LLC however, the developer could still elect to not proceed with the project. If pursued, the project would result in the most significant renovation this historic property has seen in over 35 years. The proposed project would return the property to its highest and best use, generate new tax revenues, bring visitors and commerce to the downtown area, and restore this iconic and historic building in the heart of Downtown Urbana.

Staff recommends that the City Council approve the attached draft ordinance and redevelopment agreement as presented.

Exhibits:	A:	Draft Enabling Ordinance and Redevelopment Agreement
	B:	Interim Agreement and Letter of Intent
	C:	Developer's Proposal
	D:	Project Partners
	E:	Patek Hospitality Review
	F:	SB Friedman Review
	G:	Alternative Scenarios Analysis

EXHIBIT A

ORDINANCE NO. 2019--06-036

AN ORDINANCE APPROVING A REDEVELOPMENT AGREEMENT WITH MARKSONS AFFILIATES, LLC

(Urbana Landmark Hotel - 2019)

WHEREAS, the City of Urbana, an Illinois municipal corporation, (hereinafter, the "City"), is a home rule unit of local government pursuant to Article 7, § 6 of the Illinois Constitution of 1970 and 65 ILCS 5/1-1-10; and

WHEREAS, Marksons Affiliates, LLC ("Developer"), a Maryland limited liability company, intends to renovate and operate the Urbana Landmark Hotel as a Tapestry Collection by Hilton Properties brand and is willing to undertake such development in accordance with the terms and conditions contained in the draft redevelopment agreement (hereinafter the "Agreement") appended to this Ordinance as an exhibit; and

WHEREAS, the City and Developer desire to enter into the Agreement in substantially the form of the exhibit appended hereto and made a part hereof;

WHEREAS, the City Council, after due consideration, finds that approval of the Agreement, as herein provided, are in the best interests of the residents of the City and is desirable for the welfare of the City's government and affairs.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1.

The Agreement shall be and hereby is approved in substantially the form appended to and incorporated into this Ordinance.

Section 2.

The Mayor of the City of Urbana, Illinois, shall be and is hereby authorized to execute and deliver the Agreement, in substantially the form of the exhibit attached hereto and hereby incorporated by reference, and the City Clerk of the City of Urbana, Illinois, be and the same is authorized to attest to said execution of said Agreement as so authorized and approved for and on behalf of the City of Urbana, Illinois.

Section 3.

This Ordinance shall be in full force and effect from and after its passage.

PASSED BY THE CITY COUNCIL this ___ day of ___________________, ______.

AYES:

NAYS:

ABSTENTIONS:

____
Charles A. Smyth, City Clerk

APPROVED BY THE MAYOR this ___ day of ___________________, ______.

____
Diane Wolfe Marlin, Mayor

REDEVELOPMENT AGREEMENT

by and between the

CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS

and

MARKSONS AFFILIATES, LLC

Dated as of June 1, 2019

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EXHIBIT LIST

REDEVELOPMENT AGREEMENT

THIS REDEVELOPMENT AGREEMENT (including any exhibits and attachments hereto, collectively, this **"Agreement"**) is dated for reference purposes only as of June 1, 2019, but actually executed by each of the parties on the dates set forth beneath their respective signatures below, by and between the **City of Urbana, Champaign County, Illinois**, an Illinois municipal corporation (the **"City"**), and **Marksons Affiliates, LLC**, a Maryland limited liability company (the **"Developer"**). This Agreement shall become effective upon the date of the last of the City and the Developer to execute and date this Agreement and deliver it to the other (the **"Effective Date"**).

RECITALS

WHEREAS, in accordance with and pursuant to the Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1 et seq.), as supplemented and amended (the **"TIF Act"**), including by the power and authority of the City as a home rule unit under Section 6 of Article VII of the Constitution of Illinois, the City Council of the City (the **"Corporate Authorities"**) adopted a series of ordinances (Ordinance Nos. 2016-09-084, 2016-09-085 and 2016-09-086 on October 17, 2016) including as supplemented and amended (collectively, the **"TIF Ordinances"**); and

WHEREAS, under and pursuant to the TIF Act and the TIF Ordinances, the City designated the Central Tax Increment Redevelopment Project Area (the **"Redevelopment Project Area")** and approved the related redevelopment plan, as supplemented and amended (the **"Redevelopment Plan"**), including the redevelopment projects described in the Redevelopment Plan (collectively, the **"Redevelopment Projects"**); and

WHEREAS, the Developer proposes to acquire the Property (as defined below) and to undertake (or cause to be undertaken) the Project (including related and appurtenant facilities as more fully defined below, the **"Project"**); and

WHEREAS, the Property is within the Redevelopment Project Area; and

WHEREAS, the Developer is unwilling to undertake the Project without certain tax increment finance and other financial incentives from the City, which the City is willing to provide; and

WHEREAS, the City has determined that it is desirable and in the City's best interests to assist the Developer in the manner set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City and the Developer hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. For purposes of this Agreement and unless the context clearly requires otherwise, the capitalized words, terms and phrases used in this Agreement shall have the meaning provided in the above Recitals and from place to place herein, including as follows:

“Additional Taxes” means, collectively, those taxes derived from the Hotel Facility as follows: (i) the Hotel/Motel Use Tax as established by Article V of Chapter 20 of the Urbana City Code and (ii) the Boutique Hotel/Motel Use Tax as or to be established by Article V of Chapter 20 of the Urbana City Code.

“Bonds” means, howsoever styled, Tax Increment Revenue Bonds or any other instrument evidencing the obligation to pay money which are authorized or issued in one or more series by the City under applicable law and have a term of not more than 20 years.

“Bond Issue Date” means the date on which the City issues and delivers the Bonds.

“Developer” means the Developer listed above, but the purchase agreement and this Agreement will be assigned to an entity to be created to purchase the Property and become the Developer under this Agreement.

“Eligible Redevelopment Project Costs” means those costs paid and incurred in connection with the Project which are authorized to be reimbursed or paid to the Developer from the Fund as provided in Section 5/11-74.4-3(q) (1), (2) and (3) of the TIF Act, including the rehabilitation, reconstruction, repair or remodeling of the Hotel Facility upon the Property. All costs shown under the heading Construction in the Project Budget are anticipated to qualify as Eligible Redevelopment Project Costs.

“Fund” means, the “Special Tax Allocation Fund” for the Redevelopment Project Area established under Section 5/11-74.4-8 of the TIF Act and the TIF Ordinances.

“Hotel Facility” means, collectively, the existing 128-room hotel facility, including the related conference center and meeting room space, bar/lounge, grounds and parking improvements located upon the Property.

“Incremental Property Taxes” means, net of all amounts required by operation of the TIF Act to be paid to other taxing districts, including as surplus, in each calendar year during the term of this Agreement, the portion of the ad valorem real estate taxes arising from levies upon the Property by taxing districts that is attributable to the increase in the equalized assessed value of each taxable lot, block, tract or parcel of real estate of the Property over the equalized assessed value of each taxable lot, block, tract or parcel of real estate of the Property within the Redevelopment Project Area which, pursuant to the TIF Ordinances and Section 5/11-74.4-8(b) of the TIF Act, will be allocated to and when collected shall be paid to the Finance Director for deposit by the Finance Director into the Fund established to reimburse or pay Eligible Redevelopment Project Costs and other redevelopment project costs as authorized under Section 5/11-74.4-3(q) of the TIF Act.

“Prevailing Wage Act” means the Prevailing Wage Act (820 ILCS 130/0.01 et seq.) of the State of Illinois, the material terms of which require all contractors and subcontractors to pay all laborers, workers and mechanics performing work on any “public works” (as therein defined) no less than the current “prevailing rate of wages” (hourly cash wages plus fringe benefits) applicable to the county where performed and to comply with certain notice, recordkeeping and filing duties.

“Project” means, collectively, the rehabilitation, reconstruction, repair or remodeling of the Hotel Facility upon the Property to include all guest rooms, conference center and meeting room space, restaurant, bar/lounge and common areas, exterior façade, grounds, parking lot, including related furniture, fixtures and equipment replacements, in a manner consistent with the standards established for the Tapestry Collection by Hilton brand ("Franchisor"), together with such renovations to the Hotel Facility as may be required by the City's landmark historic review standards and the Illinois State Historic Preservation Office, some details of which are more specifically described on Exhibit A attached hereto and made a part hereof.

"Project Commencement Date" means, as applicable, ____________ 1, 2020, the date on or before which construction of the Project is to commence.

"Project Occupancy Date" means, subject to "unavoidable delays" as described in Section 8.5 of this Agreement, the date on which the Project is completed and the Hotel Facility is ready for occupancy, utilization and commercial operation as evidenced by a certificate of occupancy for the entire Project issued by the Community Development Director of the City, but in no event shall such date be later than eighteen (18) months from and after the Project Commencement Date.

"Property" means, the real estate consisting of the parcels legally described on Exhibit B hereto, upon or within which the Project is to be undertaken and completed.

"TIF Financing" means financing arrangements to or for the benefit of a developer arising out of the TIF Act which pay or reimburse redevelopment project costs in whole or in part.

Section 1.2. Construction. This Agreement, except where the context by clear implication shall otherwise require, shall be construed and applied as follows:

(a) definitions include both singular and plural.

(b) pronouns include both singular and plural and cover all genders; and

(c) headings of sections herein are solely for convenience of reference and do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(d) all exhibits attached to this Agreement shall be and are operative provisions of this Agreement and shall be and are incorporated by reference in the context of use where mentioned and referenced in this Agreement.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the City. In order to induce the Developer to enter into this Agreement, the City hereby makes certain representations and warranties to the Developer, as follows:

(a) Organization and Standing. The City is a home rule municipality duly organized, validly existing and in good standing under the Constitution and laws of the State of Illinois.

(b) Power and Authority. The City has full power and authority to execute and deliver this Agreement and to perform all of its agreements, obligations and undertakings hereunder.

(c) Authorization and Enforceability. The execution, delivery and performance of this Agreement have been duly and validly authorized by all necessary action on the part of the City's Corporate Authorities. This Agreement is a legal, valid and binding obligation of the City, enforceable against the City in accordance with its terms, except that such enforceability may be further limited by laws, rulings and decisions affecting remedies, and by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforceability of debtors' or creditors' rights, and by equitable principles.

(d) No Violation. Neither the execution nor the delivery of this Agreement or the performance of the City's agreements, obligations and undertakings hereunder will conflict with, violate or result in a breach of any of the terms, conditions, or provisions of any agreement, rule, regulation, statute, ordinance, judgment, decree, or other law by which the City may be bound.

(e) Governmental Consents and Approvals. No consent or approval by any other governmental authority is required in connection with the execution and delivery by the City of this Agreement or the performance by the City of its obligations hereunder.

Section 2.2. Representations and Warranties of the Developer. In order to induce the City to enter into this Agreement, the Developer makes the following representations and warranties to the City:

(a) Organization. The Developer is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of Maryland. The Developer shall be duly authorized to transact business in the State of Illinois before taking title to the Property.

(b) Power and Authority. The Developer has full power and authority to execute and deliver this Agreement and to perform all of its agreements, obligations and undertakings hereunder.

(c) Authorization and Enforceability. The execution, delivery and performance of this Agreement have been duly and validly authorized by all necessary action on the part of the Developer's manager. This Agreement is a legal, valid and binding agreement, obligation and undertaking of the Developer, enforceable against the Developer in accordance with its terms, except to the extent that such enforceability may be limited by laws, rulings and decisions affecting remedies, and by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforceability of debtors' or creditors' rights, and by equitable principles.

(d) No Violation. Neither the execution nor the delivery or performance of this Agreement will conflict with, violate or result in a breach of any of the terms, conditions, or provisions of, or constitute a default under, or (with or without the giving of notice or the passage of time or both) entitle any party to terminate or declare a default under any contract, agreement, lease, license or instrument or any rule, regulation, statute, ordinance, judicial decision, judgment, decree or other law to which the Developer is a party or by which the Developer or any of its assets may be bound.

(e) Consents and Approvals. No consent or approval by any governmental authority or by any other person or entity is required in connection with the execution and delivery by the Developer of this Agreement or the performance by the Developer of its obligations hereunder.

(f) No Proceedings or Judgments. There is no claim, action or proceeding now pending, or to the best of its knowledge, threatened, before any court, administrative or regulatory body, or governmental agency (1) to which the Developer is a party and (2) which will, or could, prevent the Developer's performance of its obligations under this Agreement.

(g) Maintenance of Existence. During the term of this Agreement, the Developer shall do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a Delaware limited liability company.

Section 2.3. <u>Disclaimer of Warranties</u>. The City and the Developer acknowledge that neither has made any warranties to the other except as set forth in this Agreement. The City hereby disclaims any and all warranties with respect to the Property and the Project, express or implied, including, without limitation, any implied warranty of fitness for a particular purpose or merchantability.

Section 2.4. <u>Developer Designation</u>. At the Developer's request, the City hereby recognizes the Developer under the TIF Act to develop and redevelop the Property acquired by the Developer, and not otherwise, in connection with the Project on its part to be undertaken, rehabilitated, reconstructed, repaired and remodeled under this Agreement within the Redevelopment Project Area in accordance with **(i)** the TIF Act, **(ii)** the Redevelopment Plan, **(iii)** the Redevelopment Projects, and **(iv)** this Agreement. For a period of ten (10) years from and after the Project Occupancy Date, the City agrees that it will not enter into any development or redevelopment agreement to provide development incentives to any other hotel facility or project that would be in direct competition with the Hotel Facility and the Project. The Developer is authorized to commence applicable activities upon the Effective Date of this Agreement.

ARTICLE III
CONDITIONS PRECEDENT TO THE
<u>UNDERTAKINGS ON THE PART OF THE CITY</u>

Section 3.1. <u>Conditions Precedent</u>. The undertakings on the part of the City as set forth in Article IV of this Agreement are expressly contingent upon each of the following Sections of this Article III:

Section 3.2. <u>Title to Property</u>. The Developer shall have acquired fee simple title to the Property.

Section 3.3. <u>Project Budget</u>. The Developer has delivered to the City have mutually agreed upon an itemized list of the estimated costs to complete the Project (the **"Project Budget"**), a copy of which is attached hereto as <u>Exhibit C</u>.

Section 3.4. <u>Ability to Pay</u>. The Developer shall have provided evidence, in a commercially reasonable form satisfactory to the City, of its ability to pay for the costs of the Project, as itemized in the Project Budget. Such evidence shall include: (i) a table showing the sources and use of funds for the Project where the equity contribution of such sources is not less than 19.6%; and (ii) an estimated return on investment.

Section 3.5. <u>Construction Schedule</u>. The Developer shall have delivered to the City a detailed construction schedule for the commencement and completion of the Project which shall include the Project Commencement Date and the Project Occupancy Date.

Section 3.6. **Branding**. The Developer shall have entered into an applicable franchise agreement to have the Hotel Facility operated and maintained as a Tapestry Collection by Hilton Properties brand for a period of not less than ten (10) years from and after the Project Occupancy Date.

Section 3.7. **City Approvals**. The Developer shall have obtained approval of the Project in accordance with all applicable laws, codes, rules, regulations and ordinances of the City, including without limitation all applicable subdivision, zoning, environmental, building code, historic preservation or any other land use regulations (collectively, the **"City Codes"**).

Section 3.8. **Commitment to Undertake and Complete the Project**. The Developer covenants and agrees to commence the Project on or before the Project Commencement Date and to have the Project completed on or before the Project Occupancy Date. The Developer recognizes and agrees that the City has sole discretion with regard to all approvals and permits relating to the Project, including but not limited to approval of any required permits and any failure on the part of the City to grant or issue any such required permit shall not give rise to any claim against or liability of the City pursuant to this Agreement. The City agrees, however, that any such approvals shall be made in conformance with the applicable City Codes and shall not be unreasonably denied, withheld, conditioned or delayed.

Section 3.9. **Compliance with Agreement and Laws During Construction**. The Developer shall at all times undertake the Project, including any related activities in connection therewith, in conformance with this Agreement and all applicable federal and state laws, rules and regulations and all City Codes.

Section 3.10. **Prevailing Wages**. The Developer acknowledges that the Illinois Department of Labor currently takes the position as a matter of its enforcement policy that the TIF Financing of the Project under this Agreement does not subject the Project to the Prevailing Wage Act unless the Project also receives funding from another public source. Neither the Developer nor the City intend for the Prevailing Wage Act to apply to the Project. The City makes no representation as to any such application of the Prevailing Wage Act to the Project, and any failure by the Developer to comply with the Prevailing Wage Act, if and to the extent subsequently found to be applicable by any legal authority having jurisdiction, shall not be deemed a "Default" under this Agreement. Notwithstanding the foregoing sentence, the Developer agrees to assume all responsibility for any such compliance (or noncompliance) with the Prevailing Wage Act in connection with the Project under this Agreement in the event of any action by any party to enforce its provisions.

Section 3.11. **Contractors Owned by Minorities and Females**. It is the policy of the Corporate Authorities of the City to promote and encourage the use by the Developer of contractors owned by "minorities" and/or "females" (as such terms are defined in the Business Enterprise for Minorities, Females and Persons with Disabilities Act, 30 ILCS 575/0.01 et seq.) in connection with the Project. Toward this end, the Developer shall establish goals for contracting with contractors owned by minorities and females in connection with the Project, including a plan by which the Developer intends to meet these goals, and shall submit such plan to the City for review and approval.

Section 3.12. Additional Taxes. The Developer acknowledges that the City will be required to incur debt and issue Bonds in order to provide the funds necessary to meet the City's financial obligations to the Developer under Section 4.1(a) of this Agreement and to pay costs of issuance. In order to pay debt service on the Bonds, the City may be required to impose Additional Taxes upon the guests and customers of the Hotel Facility. The Developer agrees to cooperate with the City in this connection and to not raise any objection or legal challenge to the imposition of any such Additional Taxes.

Section 3.13. Total Project Costs. The Developer shall have spent not less than the Project Sub-Total amount set forth in the Project Budget, which amount shall expressly exclude any amount shown for contingency.

Section 3.14. Reasonable Efforts and Notice of Termination. The Developer shall use due diligence to timely satisfy the conditions set forth in this Article III above on or before the Project Occupancy Date, but if such conditions are not so satisfied or waived by the City, then the City may terminate this Agreement by giving written notice thereof to the Developer. In the event of such termination, this Agreement shall be deemed null and void and of no force or effect and neither the City nor the Developer shall have any obligation or liability with respect thereto.

ARTICLE IV
CITY'S COVENANTS AND AGREEMENTS

Section 4.1. City's TIF Funded Financial Obligations. The City shall have the obligations set forth in this Section 4.1 relative to financing Eligible Redevelopment Project Costs in connection with the Project. Subject to the terms, conditions and limitations set forth in this Section 4.1 immediately below, the City agrees to reimburse the Developer, or to pay as directed by the Developer, the amount as follows:

(a) **Reimbursement Amount**. After the Project Occupancy Date and the Bond Issue Date and provided the Developer has (i) obtained final approval for the Hotel Facility to be operated and maintained as a Tapestry Collection by Hilton Properties brand and (ii) secured equity and/or permanent debt financing for the balance of the cost of the Project, the City shall provide to the Developer a cash payment or reimbursement in an amount equal to $5,500,000 (the **"Reimbursement Amount"**).

(b) **Reimbursement Amount Limitation**. The City's obligation to provide the total amount of such Reimbursement Amount as described in part (a) of this Section 4.1 above is subject to the condition that such obligation shall not exceed the amount of Eligible Redevelopment Project Costs submitted by the Developer to the Economic Development Manager of the City for those Eligible Redevelopment Project Costs which have been incurred and paid. Any such submittal shall be supported by appropriate documentation, including, as applicable, receipts for paid bills or statements of suppliers, contractors or professionals, together with required contractors' or material men's partial and final affidavits or lien waivers, as the case may be.

(c) **Bond Issue Date**. The City agrees to issue and deliver the Bonds and cause the Bond Issue Date to occur as soon as reasonably possible after the Project Occupancy Date but in any event no later than sixty calendar (60) days from and after the Project Occupancy Date and to pay the Reimbursement Amount to the Developer within ten (10) calendar days of the Bond Issue Date.

Section 4.2. Urbana Enterprise Zone. The City confirms that the Property is within the City of Urbana/Champaign County Enterprise Zone and that the Project qualifies for a state sales tax exemption for eligible building materials purchased in connection with the rehabilitation, reconstruction, repair and remodeling of the Hotel Facility.

Section 4.3. Defense of Redevelopment Project Area. In the event that any court or governmental agency having jurisdiction over enforcement of the TIF Act and the subject matter contemplated by this Agreement shall determine that this Agreement, including the payment of the Reimbursement Amount to be paid or reimbursed by the City, is contrary to law, or in the event that the legitimacy of the Redevelopment Project Area is otherwise challenged before a court or governmental agency having jurisdiction thereof, the City will defend the integrity of the Redevelopment Project Area and this Agreement.

ARTICLE V
OTHER DEVELOPER COVENANTS

Section 5.1. Continuing Compliance with Laws. The Developer agrees that in the continued use, occupation, operation and maintenance of the Hotel Facility and the Property, the Developer will comply with all applicable federal and state laws, rules, regulations and all applicable City Codes and other ordinances.

Section 5.2. Tax and Related Payment Obligations. The Developer agrees to pay and discharge, promptly and when the same shall become due, all general ad valorem real estate taxes and assessments, all applicable interest and penalties thereon, and all other charges and impositions of every kind and nature which may be levied, assessed, charged or imposed upon the Property or any part thereof that at any time shall become due and payable upon or with respect to, or which shall become liens upon, any part of the Property. The Developer, including any others claiming by or through it, also hereby covenants and agrees not to file any application for property tax exemption for any part of the Property or the Project or any part thereof under any applicable provisions of the Property Tax Code of the State of Illinois (35 ILCS 200/1-1 et seq.), as supplemented and amended, unless the City and the Developer shall otherwise have first entered into a mutually acceptable agreement under and by which the Developer shall have agreed to make a payment in lieu of taxes to the City, it being mutually acknowledged and understood by both the City and the Developer that any such payment of taxes (or payment in lieu thereof) by the Developer is a material part of the consideration under and by which the City has entered into this Agreement. This covenant of the Developer shall be a covenant that runs with the land being the Property upon which the Project is undertaken and shall be and remain in full force and effect during the term of this Agreement and following its expiration or termination, as the case may be, until December 31, 2044, upon which date this covenant shall terminate and be of no further force or effect (and shall cease as a covenant binding upon or running with the land) immediately, and without the necessity of any further action by City or Developer or any other party; provided, however, upon request of any party in title to the Property, the City shall execute and deliver to such party an instrument, in recordable form, confirming for the record that this covenant has terminated and is no longer in effect.

Section 5.3. Full-Service Restaurant Obligation. The Developer agrees that it shall operate and maintain within the Hotel Facility a full-service restaurant which serves meals and provides related room service to guests of the Hotel Facility as required by Franchisor and which also serves as a restaurant destination for non-hotel guests and customers for a period of not less than ten (10) years from and after the Project Occupancy Date.

Section 5.4. Branding Obligation. The Developer agrees that it shall continuously operate and maintain the Hotel Facility as a Tapestry Collection by Hilton Properties brand for a period of not less than ten (10) years from and after the Project Occupancy Date.

ARTICLE VI
DEFAULTS AND REMEDIES

Section 6.1. Events of Default. The occurrence of any one or more of the events specified in this Section 6.1 shall constitute a **"Default"** under this Agreement.

By the Developer:

(1) The furnishing or making by or on behalf of the Developer of any statement or representation in connection with or under this Agreement that is false or misleading in any material respect;

(2) The failure by the Developer to timely perform any term, obligation, covenant or condition contained in this Agreement and/or the Loan Documents;

By the City:

(1) The failure by the City to pay the Reimbursement Amount when it becomes due and payable in accordance with the provisions of this Agreement; and

(2) The failure by the City to timely perform any other term, obligation, covenant or condition contained in this Agreement.

Section 6.2. Rights to Cure. The party claiming a Default under Section 6.1 of this Agreement (the **"Non-Defaulting Party"**) shall give written notice of the alleged Default to the other party (the **"Defaulting Party"**) describing the nature of the Default complained of and the term or provision of this Agreement which the Non-Defaulting Party believes is in default. Except as required to protect against immediate, irreparable harm, the Non-Defaulting Party may not institute proceedings or otherwise exercise any right or remedy against the Defaulting Party until thirty (30) days after having given such notice, provided that in the event a Default is of such nature that it will take more than thirty (30) days to cure or remedy, such Defaulting Party shall have an additional period of time reasonably necessary to cure or remedy such Default provided that such Defaulting Party promptly commences and diligently pursues such cure or remedy. During any such period following the giving of notice, the Non-Defaulting Party may suspend performance under this Agreement until the Non-Defaulting Party receives written assurances from the Defaulting Party, deemed reasonably adequate by the Non-Defaulting Party, that the Defaulting Party will cure or remedy or has cured or remedied the Default and remain in compliance with its obligations under this Agreement. A Default not cured or remedied or otherwise commenced and diligently pursued within thirty (30) days as provided above shall constitute a **"Breach"** under this Agreement. Except as otherwise expressly provided in this Agreement, any failure or delay by either party in asserting any of its rights or remedies as to any Default or any Breach shall not operate as a waiver of any such Default, Breach or of any other rights or remedies it may have as a result of such Default or Breach.

Section 6.3. Remedies. Upon the occurrence of a Breach under this Agreement by the Developer, the City shall have the right to terminate this Agreement by giving written notice to the Developer of such termination and the date such termination is effective. Except for such right of termination by the City, the only other remedy available to either party upon the occurrence of a Breach under this Agreement by the Defaulting Party shall be to institute such proceedings as may be necessary or desirable in its opinion to cure or remedy such Breach, including but not limited to legal proceedings to compel any action for specific performance, or other appropriate equitable relief. Notwithstanding anything herein to the contrary, the sole remedy of the Developer upon the occurrence of a Breach by the City under any of the terms and provisions of this Agreement shall be to institute legal action against the City for specific performance or other appropriate equitable or legal relief and under no circumstances shall the City be liable to the Developer for any indirect, special, consequential or punitive damages, including without limitation, loss of profits or revenues, loss of business opportunity or production, cost of capital, claims by customers, fines or penalties, whether liability is based upon contract, warranty, negligence, strict liability or otherwise, under any of the provisions, terms and conditions of this Agreement.

Section 6.4. Costs, Expenses and Fees. Upon the occurrence of a Default or Breach which requires either party to undertake any action to enforce any provision of this Agreement, the Defaulting Party shall pay upon demand all of the Non-Defaulting Party's charges, costs and expenses, including the reasonable fees of attorneys, agents and others, as may be paid or incurred by such Non-Defaulting Party in enforcing any of the Defaulting Party's obligations under this Agreement or in any litigation, negotiation or transaction in connection with this Agreement in which the Defaulting Party causes the Non-Defaulting Party, without the Non-Defaulting Party's fault, to become involved or concerned.

ARTICLE VII
RELEASE, DEFENSE AND INDEMNIFICATION OF CITY

Section 7.1. Declaration of Invalidity. Notwithstanding anything herein to the contrary, the City, its Corporate Authorities, elected and appointed officials, agents, employees and independent contractors shall not be liable to the Developer for damages of any kind or nature whatsoever or otherwise in the event that all or any part of the TIF Act, or any of the TIF Ordinances or other ordinances of the City adopted in connection with either the TIF Act, this Agreement or the Redevelopment Plan, shall be declared invalid or unconstitutional in whole or in part by the final (as to which all rights of appeal have expired or have been exhausted) judgment of any court of competent jurisdiction, and by reason thereof either the City is prevented from performing any of the covenants and agreements herein or the Developer is prevented from enjoying the rights and privileges hereof; provided that nothing in this Section 7.1 shall limit otherwise permissible claims by the Developer against the Fund or actions by the Developer seeking specific performance of this Agreement or other relevant contracts, if any, in the event of a Breach of this Agreement by the City.

Section 7.2. **Damage, Injury or Death Resulting from Project**. The Developer releases from and covenants and agrees that the City and its Corporate Authorities, elected and appointed officials, agents, employees and independent contractors shall not be liable for, and agrees to indemnify, defend, and hold harmless the City, its Corporate Authorities, elected and appointed officials, agents, employees and independent contractors thereof against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from the Project, except as such may be caused by the intentional conduct, gross negligence, negligence or other acts or omissions of the City, its Corporate Authorities, officials, agents, employees or independent contractors that are contrary to the provisions of this Agreement.

Section 7.3. **Damage or Injury to Developer and Others**. The City and its Corporate Authorities, elected and appointed officials, agents, employees and independent contractors shall not be liable for any damage or injury to the persons or property of the Developer or any of its officers, agents, independent contractors or employees or of any other person who may be about the Property or the Project due to any act of negligence of any person, except as such may be caused by the intentional misconduct or gross negligence of the City, its Corporate Authorities, officials, agents, employees, or independent contractors that are contrary to the provisions of this Agreement.

Section 7.4. **No Personal Liability**. All covenants, stipulations, promises, agreements and obligations of the City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and not of any of its Corporate Authorities, officials, agents, employees or independent contractors in their individual capacities. No member of the Corporate Authorities, elected or appointed officials, agents, employees or independent contractors of the City shall be personally liable to the Developer **(i)** in the event of a Default or Breach by any party under this Agreement, or **(ii)** for the payment of any Reimbursement Amount which may become due and payable under the terms of this Agreement.

Section 7.5. **City Not Liable for Developer Obligations**. Notwithstanding anything herein to the contrary, the City shall not be liable to the Developer for damages of any kind or nature whatsoever arising in any way from this Agreement, from any other obligation or agreement made in connection therewith or from any Default or Breach by the Developer under this Agreement; provided that nothing in this Section 7.5 shall limit otherwise permissible claims by the Developer against the Fund or actions by the Developer seeking specific performance of this Agreement or other relevant contracts in the event of a Breach of this Agreement by the City.

Section 7.6. **Actions or Obligations of Developer**. The Developer agrees to indemnify, defend and hold harmless the City, its Corporate Authorities, elected and appointed officials, agents, employees and independent contractors, from and against any and all suits, claims and cost of attorneys' fees, resulting from, arising out of, or in any way connected with **(i)** any of the Developer's obligations under or in connection with this Agreement, **(ii)** the rehabilitation, reconstruction, repair or remodeling of the Project, **(iii)** the Developer's compliance with the Prevailing Wage Act if, as, and when applicable to the Project and **(iv)** the negligence or willful misconduct of the Developer, its officials, agents, employees or independent contractors in connection with the Project, except as such may be caused by the intentional conduct, gross negligence, negligence or breach of this Agreement by the City, its Corporate Authorities, officials, agents, employees or independent contractors.

Section 7.7. Environmental Covenants. To the extent permitted by law, the Developer agrees to indemnify, defend, and hold harmless the City, its Corporate Authorities, officials, agents, employees and independent contractors, from and against any and all claims, demands, costs, liabilities, damages or expenses, including attorneys' and consultants' fees, investigation and laboratory fees, court costs and litigation expenses, arising from: **(i)** any release or threat of a release, actual or alleged, of any hazardous substances, upon or about the Property or respecting any products or materials previously, now or thereafter located upon, delivered to or in transit to or from the Property regardless of whether such release or threat of release or alleged release or threat of release has occurred prior to the date hereof or hereafter occurs and regardless of whether such release occurs as a result of any act, omission, negligence or misconduct of the City or any third party or otherwise; **(ii)** (A) any violation now existing (actual or alleged) of, or any other liability under or in connection with, any environmental laws relating to or affecting the Property, or (B) any now existing or hereafter arising violation, actual or alleged, or any other liability, under or in connection with, any environmental laws relating to any products or materials previously, now or hereafter located upon, delivered to or in transit to or from the Property, regardless of whether such violation or alleged violation or other liability is asserted or has occurred or arisen prior to the date hereof or hereafter is asserted or occurs or arises and regardless of whether such violation or alleged violation or other liability occurs or arises, as the result of any act, omission, negligence or misconduct of the City or any third party or otherwise; **(iii)** any assertion by any third party of any claims or demands for any loss or injury arising out of, relating to or in connection with any hazardous substances on or about or allegedly on or about the Property; or **(iv)** any breach, falsity or failure of any of the representations, warranties, covenants and agreements of the like. For purposes of this paragraph, "hazardous materials" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. §§ 9601 et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. §§ 5101 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. §§ 6901 et seq.), and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, state or local environmental law, ordinance, rule, or regulation.

Section 7.8. Notification of Claims. Not later than thirty (30) days after the Developer becomes aware, by written or other overt communication, of any pending or threatened litigation, claim or assessment, the Developer will, if a claim in respect thereof is to be made against the Developer which affects the Property or any of the Developer's rights or obligations under this Agreement, notify the City of such pending or threatened litigation, claim or assessment, but any omission so to notify the City will not relieve the Developer from any liability which it may have to the City under this Agreement.

ARTICLE VIII
MISCELLANEOUS PROVISIONS

Section 8.1. Entire Agreement and Amendments. This Agreement (together with Exhibits A and B attached hereto) constitutes the entire agreement by and between the City and the Developer relating to the subject matter hereof. This Agreement supersedes all prior and contemporaneous negotiations, understandings and agreements, whether written or oral, and may not be modified or amended except by a written instrument executed by both the City and the Developer.

Section 8.2. Third Parties. Nothing in this Agreement, whether expressed or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any other persons other than the City and the Developer and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge any obligation or liability of any third persons to either the City or the Developer, nor shall any provision give any third parties any rights of subrogation or action over or against either the City or the Developer. This Agreement is not intended to and does not create any third party beneficiary rights whatsoever.

Section 8.3. Counterparts. Any number of counterparts of this Agreement may be executed and delivered and each shall be considered an original and together they shall constitute one agreement.

Section 8.4. Special and Limited Obligation. This Agreement shall constitute a special and limited obligation of the City according to the terms hereof. This Agreement shall never constitute a general obligation of the City to which its credit, resources or general taxing power are pledged.

Section 8.5. Time and Force Majeure. Time is of the essence of this Agreement; provided, however, neither the Developer nor the City shall be deemed in Default with respect to any performance obligations under this Agreement on their respective parts to be performed if any such failure to timely perform is due in whole or in part to the following (which also constitute "unavoidable delays"): any strike, lock-out or other labor disturbance (whether legal or illegal, with respect to which the Developer, the City and others shall have no obligations hereunder to settle other than in their sole discretion and business judgment), civil disorder, inability to procure materials, weather conditions, wet soil conditions, failure or interruption of power, restrictive governmental laws and regulations, condemnation, riots, insurrections, acts of terrorism, war, fuel shortages, accidents, casualties, acts of God or third parties, or any other cause beyond the reasonable control of the Developer or the City.

Section 8.6. Waiver. Any party to this Agreement may elect to waive any right or remedy it may enjoy hereunder, provided that no such waiver shall be deemed to exist unless such waiver is in writing and duly executed by the party giving such waiver. No such waiver shall obligate the waiver of any other right or remedy hereunder, or shall be deemed to constitute a waiver of other rights and remedies provided pursuant to this Agreement.

Section 8.7. Cooperation and Further Assurances. The City and the Developer covenant and agree that each will do, execute, acknowledge and deliver or cause to be done, executed and delivered, such agreements, instruments and documents supplemental hereto and such further acts, instruments, pledges and transfers as may be reasonably required for the better assuring, mortgaging, conveying, transferring, pledging, assigning and confirming unto the City or the Developer or other appropriate persons all and singular the rights, property and revenues covenanted, agreed, conveyed, assigned, transferred and pledged under or in respect of this Agreement.

Section 8.8. Notices and Communications. All notices under or in respect of this Agreement shall be in writing and shall be deemed to have been given when the same are (a) deposited in the United States mail in a properly addressed envelope and sent by registered or certified mail, postage prepaid, return receipt requested, (b) personally delivered, or (c) sent by a nationally recognized overnight courier, delivery charge prepaid. All requests, claims or other communications under or in respect of this Agreement shall be in writing and shall be deemed to have been given in the manner specified in clauses (a), (b) or (c) above or when the same are: (d) sent by email transmission confirmed by email reply or other writing as being actually received. In each case, all such notices, requests, claims or other communications shall be sent or delivered to the City and the Developer at their respective addresses (or at such other address as each may designate by notice to the other), as follows:

(i) In the case of the Developer, to:
Marksons Affiliates, LLC
2138 Rose Theatre Circle
Olney, MD 20832
Attn: Samuel M. Spiritos
Tel: (240) 997-6171
Email: sspiritos@srgpe.com

(ii) In the case of the City, to:
City of Urbana, Illinois
400 South Vine Street
Urbana, IL 61801
Attn: Economic Development Manager
Tel: (217) 328-8270
Email: bsboys@urbanaillinois.us

Whenever any party hereto is required to deliver notices, certificates, opinions, statements or other information hereunder, such party shall do so in such number of copies as shall be reasonably specified.

Section 8.9. Assignment. The Developer agrees that it shall not sell, assign or otherwise transfer the Hotel Facility or any of its rights and obligations under this Agreement without the prior express written consent of the City, except that: (i) any assignment of the Reimbursement Amount under this Agreement as collateral for financing the Project, (ii) any related sale, assignment or transfer of this Agreement in whole to a legal entity having common ownership with the Developer; or (iii) any sale, assignment or transfer of the Hotel Facility under circumstances where the Tapestry Collection by Hilton Properties brand will be maintained in accordance with this Agreement, may be made without the prior written consent of the City. Except as authorized in this Section above, any assignment in whole or in part shall be void and shall, at the option of the City, terminate this Agreement. No such sale, assignment or transfer as authorized in this Section, including any with or without the City's prior written consent, shall be effective or binding on the City, however, unless and until the Developer delivers to the City a duly authorized, executed and delivered instrument which contains any such sale, assignment or transfer and the assumption of all the applicable covenants, agreements, terms and provisions of this Agreement by the applicable parties thereto.

Section 8.10. Successors in Interest. Subject to Section 8.9 above, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respectively authorized successors, assigns and legal representatives (including successor Corporate Authorities).

Section 8.11. No Joint Venture, Agency, or Partnership Created. Nothing in this Agreement nor any actions of either of the City or the Developer shall be construed by either of the City, the Developer or any third party to create the relationship of a partnership, agency, or joint venture between or among the City and any party being the Developer.

Section 8.12. Illinois Law; Venue. This Agreement shall be construed and interpreted under the laws of the State of Illinois. If any action or proceeding is commenced by any party to enforce any of the provisions of this Agreement, the venue for any such action or proceeding shall be in Champaign County, Illinois, whether in the United States District Court for the Central District of Illinois or the Circuit Court for the Sixth Judicial Circuit, Champaign County, Illinois.

Section 8.13. Term. Unless earlier terminated pursuant to the terms hereof, this Agreement shall be and remain in full force and effect from and after the Effective Date and shall terminate no later than twenty (20) years after the Project Occupancy Date, provided, however, that anything to the contrary notwithstanding, the Developer's obligations under Section 5.2 and Article VII of this Agreement shall be and remain in full force and effect in accordance with the express provisions thereof.

Section 8.14. Construction of Agreement. This Agreement has been jointly negotiated by the parties and shall not be construed against a party because that party may have primarily assumed responsibility for preparation of this Agreement.

IN WITNESS WHEREOF, the City and the Developer have caused this Agreement to be executed by their duly authorized officers or manager(s) as of the date set forth below.

CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS

By:______________________________
Mayor

ATTEST:

By:______________________________
City Clerk

Date:______________________

MARKSONS AFFILIATES, LLC

By:______________________________
Samuel M. Spiritos, Manager

Date:______________________

[Exhibits A, B and C follow this page and are an integral part of this Agreement in the context of use.]

EXHIBIT A

<u>Additional Project Elements</u>

The **PROJECT** shall include or result in:

a. Complete renovation of the hotel and grounds located on the Property
b. Hilton Tapestry branding, facility standards and customer experience
c. Preservation of historic elements, as required
d. Commercial activation of at least 120 hotel rooms, a full-service restaurant with catering service, bar, ballroom, conference center, and meeting rooms
e. Renovation of common areas, lobby, elevators, and all guest/customer amenity spaces
f. Renovated and redesigned interior with new furniture, fixtures, and equipment
g. Renovated exterior, resurfaced parking lot, and landscaped grounds
h. Oversight of the design, preconstruction, bidding and construction phases of the Project
i. Payment of all costs associated with all site preparation of the Property

EXHIBIT B

<u>Description of Property</u>

Commonly known as 210 S Race Street, Urbana, Illinois.

PINs: 92-21-17-212-003; 92-21-17-212-001; 92-21-17-212-017 and 92-21-17-212-012

EXHIBIT C

Project Budget

Exhibit C	
Project Budget	
DESCRIPTION OF ITEM	**Budget**
Construction	
General Contractor (Total)	$ 9,734,587
General Conditions	*$ 209,050*
Exterior	*$ 1,685,000*
Public Areas	*$ 2,651,750*
Corridors	*$ 234,446*
Guestrooms	*$ 813,942*
Bathrooms	*$ 842,427*
Elevators	*$ 856,500*
Life Saftety	*$ 600,000*
Mechanical	*$ 325,000*
Plumbing	*$ 475,000*
Soft Costs, Freight, Insurance	*$ 490,458*
Contractor Fee	*$ 551,014*
Landscaping/Sidewalks/Parking	$ 100,000
Low Voltage	$ 75,000
Environmental abatement (allowance)	$ 200,000
Sub-Total: Construction	**$ 10,109,587**
Furniture, Fixtures and Equipment (FF&E)	
FFE (with tax and freight)	$ 2,560,000
Signage-Exterior	$ 75,000
Signage-interior	$ 30,000
Operations equipment (PMS/POS etc.)	$ 250,000
Kitchen Equipment	$ 300,000
OSE	$ 384,000
Phone system	$ 50,000
Sub-Total: FF&E	**$ 3,649,000**
Consultants, Permits & Inspection Fees	
Architect /Interior incl MEP	$ 365,000
Architect /Interior expenses	$ 35,000
Procurement of FF&E	$ 145,960
Procurement of FF&E expenses	$ 5,000
3rd PPM (H-CPM)	$ 343,965
3rd PPM (WL)	$ 206,379
3th PPM expenses	$ 35,000
Other Consultant (Due Diligenece)	$ 183,340
Other Consultant expenses during Construction	$ 45,000
Sub-Total: Consultants	**$ 1,364,643**
Project Sub-Total	**$ 15,123,230**
Contingency	$ 2,722,181
Sub-Total: Contingency	**$ 2,722,181**
PROJECT TOTAL	**$ 17,845,412**

RESOLUTION NO. 2019-05-012R

A RESOLUTION RATIFYING A LETTER OF INTENT FOR AND APPROVING AN INTERIM AGREEMENT FOR REDEVELOPMENT

(Redevelopment of the Urbana Landmark Hotel - 2019)

WHEREAS, the City of Urbana , Illinois (hereinafter, the "City") is a home rule unit of local government pursuant to Article VII, Section 6, of the Illinois Constitution, 1970, and may exercise any power and perform any function pertaining to its government and affairs, and the passage of this Resolution constitutes an exercise of the City's home rule powers and functions as granted in the Illinois Constitution, 1970; and

WHEREAS, the City seeks to foster and promote redevelopment within the City's general downtown business district; and

WHEREAS, the Urbana Landmark Hotel (hereinafter, the "Hotel"), located at 210 South Race Street, Urbana, Illinois, is located in the City's general downtown business district and has failed to operate as a fully-functioning hotel for many years despite the City's efforts to foster and promote redevelopment of the Hotel; and

WHEREAS, the City remains committed to fostering, facilitating, assisting, and promoting a successful redevelopment of the Hotel; and

WHEREAS, the City has a strong interest in entering into a redevelopment agreement with an appropriate, experienced and qualified redeveloper of failing and/or failed hotel properties on such terms and conditions as the City deems reasonable and appropriate; and

WHEREAS, Marksons Affiliates, LLC (hereinafter, the "Developer") is a business enterprise that acquires and redevelops older hotels to return such hotels into fully functioning and profitable businesses and, thereafter, does operate such redeveloped hotels; and

WHEREAS, for the past several months, the City and the Developer have been engaged in negotiations regarding the general terms and conditions acceptable to the City and the Developer pursuant to which the Developer will seek to acquire title and ownership interest in and to the Hotel and the City will provide certain financial assistance and incentives that promote and support the Developer's acquisition and redevelopment of the Hotel; and

WHEREAS, the City and the Developer have negotiated and have executed a non-binding Letter of Intent ("LOI") that summarizes the general terms and conditions that both parties agree should be incorporated into a final binding and enforceable redevelopment agreement along with such other terms and conditions as the City and the Developer mutually deem necessary and appropriate for the successful redevelopment of the Hotel; and

WHEREAS, a copy of the LOI is appended hereto and made a part hereof; and

WHEREAS, the City Council has determined that if the City is able to negotiate a final agreement concerning the redevelopment of the Hotel on the terms and conditions described in the non-binding LOI along with such other terms and conditions the City and the Developer mutually deem appropriate, the City's-offered incentives will serve the public purpose of enabling the Developer to proceed with redeveloping the Hotel; and

WHEREAS, the City Council is willing to commit a certain amount of financial resources to the Developer on such terms and conditions as generally described in the non-binding LOI and on such specific terms and conditions that the City Council deems appropriate as will be set forth in a final redevelopment agreement to be negotiated and, if such terms and conditions in such final redevelopment agreement are acceptable to the City Council and Marksons Affiliates, LLC or its affiliated entity, will be executed by the Mayor pursuant to authority granted to the Mayor by the City Council and by a duly authorized officer of Marksons Affiliates, LLC and/or its affiliated entity; and

WHEREAS, the City Council, after due consideration, has determined that the non-binding LOI and a redevelopment agreement on such terms and conditions as the City Council deems appropriate and desirable will foster economic development and enhance, promote, and serve the best interests and general welfare of the City and its residents; and

WHEREAS, the Mayor of the City of Urbana has executed the non-binding LOI and requests the City Council to ratify her execution of the same; and

WHEREAS, the City Council deems it necessary and appropriate for the City and Marksons Affiliates, LLC or its affiliate to enter into an interim agreement for the redevelopment of the Hotel that covers the period between when the non-binding LOI was executed and when a binding and enforceable redevelopment agreement, if any, will be executed in order to assure that the City and Marksons Affiliates, LLC continue their good faith negotiations with the intent of reaching and memorializing a final binding and enforceable redevelopment agreement; and

WHEREAS, a copy of the Interim Agreement for the Redevelopment is attached hereto and made a part hereof.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Urbana, Champaign County, Illinois, as follows:

Section 1.

The Letter of Intent, in substantially the form of the copy of such Letter of Intent appended hereto and made a part hereof, shall be and hereby is approved.

Section 2.

The City Council hereby recognizes that, in an effort to move forward with the City's efforts to see the Hotel redeveloped, the Mayor of the City of Urbana has executed the Letter of Intent in substantially the form of the copy of such Letter of Intent appended hereto and made a part hereof and, therefore the City Council shall and hereby ratifies the said Mayor's authority to execute and the said Mayor's execution of the Letter of Intent in substantially the form appended hereto.

Section 3.

The Interim Agreement for the Redevelopment of Certain Hotel Property, in substantially the form of the copy of the same appended hereto and made a part hereof, shall be and hereby is approved.

Section 4.

The City Council shall and hereby authorizes the Mayor of the City of Urbana to execute the Interim Agreement for the Redevelopment of Certain Hotel Property in substantially the form of the copy of such agreement appended hereto.

PASSED BY THE CITY COUNCIL this 20th day of May, 2019.

AYES: Brown, Hazen, Hursey, Jakobsson, Wu

NAYS:

ABSTENTIONS:

RECUSALS: Roberts

THE CITY OF URBANA ILL. CHARTERED 1855 UNDER GENERAL LAW

Charles A. Smyth, City Clerk

APPROVED BY THE MAYOR this 22nd day of May, 2019.

Diane Wolfe Marlin

Diane Wolfe Marlin, Mayor

As Authorized by City of Urbana Resolution No. 2019-05-012R

INTERIM AGREEMENT FOR THE
REDEVELOPMENT OF CERTAIN HOTEL PROPERTY

This Interim Agreement for the Redevelopment of Certain Hotel Property (hereinafter, the "Interim Agreement") is entered into this 21st Day of May, 2019 by and between the City of Urbana, Illinois (hereinafter, the "City") and Marksons Affiliates, LLC or one of its affiliates (hereinafter, "Developer") (collectively, the "Parties" and, individually and generically, a "Party").

WHEREAS, the City is a home rule unit of local government pursuant to Article VII, Section 6, of the Illinois Constitution, 1970, and may exercise any power and perform any function pertaining to its government and affairs, and the passage of this Resolution constitutes an exercise of the City's home rule powers and functions as granted in the Illinois Constitution, 1970; and

WHEREAS, the City seeks to promote and foster the redevelopment of the Urbana Landmark Hotel, located at 210 South Race Street, Urbana, Illinois and its associated real property (hereinafter, the "Hotel"); and

WHEREAS, Developer is in the business of acquiring title to and ownership of older hotels and, thereafter, redeveloping such older hotels into fully functioning and operating such hotel properties; and

WHEREAS, Developer, as part of its redevelopment of older hotel properties, has the knowledge, resources and ability to redevelop such hotel properties and to obtain recognizable high-level branding for such hotel redevelopment projects (e.g., Hilton Tapestry branding); and

WHEREAS, Developer has been in negotiations with the owner of the Hotel in an effort for Developer to acquire all rights, title and interest in and to the Hotel on such terms as Developer deems proper and reasonable so that Developer can, thereafter, commence, undertake and complete redevelopment and restoration of the Hotel; and

WHEREAS, Developer has, for the past several months, been in negotiations with the City regarding the City's provision of financial support to facilitate and promote Developer's acquisition of all rights, title and interest in and to the Hotel and for Developer to commence, undertake and complete redevelopment of the Hotel into a fully functioning, operational and financially profitable hotel property; and

WHEREAS, the City and Developer have arrived at general terms and conditions that they mutually believe are necessary and appropriate for the Developer to proceed with entering in to a real estate purchase contract whereby Developer, shortly following the execution of a redevelopment agreement with the City, will complete the process necessary for Developer to acquire all rights, title and interest in and to the Hotel from the Hotel's current owner; and

WHEREAS, the City and Developer have memorialized in a non-binding Letter of Intent (hereinafter, the "LOI") those general, necessary and appropriate terms and conditions which they agree should be incorporated into a wholly separate binding and enforceable redevelopment agreement along with such other terms as they may agree be incorporated into such a redevelopment agreement;

WHEREAS, a true and correct copy of the aforesaid LOI is appended hereto and made a part hereof; and

WHEREAS, the City and Developer enter into this Interim Agreement as a prelude to undertaking final negotiations to arrive at mutually acceptable binding and enforceable terms and conditions regarding the redevelopment of the Hotel and the City's provision of certain financial incentives to foster and facilitate the redevelopment of the Hotel.

NOW for good, valuable and mutual consideration together with the mutually acceptable terms and conditions set forth herein, the Parties agree as follows:

A. <u>OBLIGATIONS OF DEVELOPER:</u>

1. <u>Acquisition of Hotel:</u> Developer shall complete its negotiations with the owner of the Hotel such that said negotiations shall arrive at a binding and enforceable real estate purchase and sale contract that provides for the purchase of the Hotel by Developer from the owner of the Hotel and the sale of the Hotel by the owner of the Hotel to Developer (hereinafter, "Purchase/Sale Contract"). Said Purchase/Sale Contract shall, at a minimum, –

a. obligate Developer to purchase the Hotel from the owner of the Hotel and the owner of the Hotel sell to Developer the Hotel for a gross purchase price of no greater than One Million and No/Hundredths Dollars U.S. ($1,000,000.00U.S.);

b. provide for a closing on the said Purchase/Sale Contract on a date sometime after July 19, 2019; and

c. provide that Developer's acquisition of the Hotel at the time of closing shall be free and clear of any liens, mortgages and all other encumbrances other than those which have been or may be incurred, created, or allowed to exist by Developer in connection with its pre-purchase due diligence costs and expenses and/or acquisition and/or construction/renovation financing, if any.

2. <u>Provision of Copy of Purchase/Sale Contract to the City:</u> Within three (3) business days of the last date of the Hotel owner's and Developer's execution of the Purchase/Sale Contract, Developer shall forward to the City's City Administrator (Carol Mitten) a copy of the fully executed Purchase/Sale Contract along with any exhibits appended thereto and/or referenced therein.

3. **Developer's Execution of LOI:** If not previously done, Developer shall execute the LOI in the form appended hereto and made a part hereof at the same time Developer executes this Interim Agreement.

4. **Developer's Continued Good Faith Negotiations with the City:** Developer shall continue good faith negotiations with the City for the purpose of arriving at mutually acceptable terms and conditions concerning Developer's redevelopment of the Hotel and the City's provision of certain financial assistance to facilitate Developer's redevelopment of the Hotel. The said redevelopment agreement shall contain, albeit in more precise form, the terms and conditions outlined in the LOI and such other terms and conditions as the Parties mutually deem necessary and appropriate for inclusion in such redevelopment agreement.

5. **Documentation of Developer's Out-of-Pocket Expenses:** In the event that the City fails or refuses to approve a redevelopment on or before July 19, 2019 that contains the terms and conditions provided for in the LOI, albeit in more precise form, Developer shall provide to the City a written itemized statement of the out-of-pocket costs and expenses Developer incurred in undertaking its due diligence review of the Hotel and related property and funds (earnest money), if any (hereinafter, collectively, the "Reimbursable Expenses").

B. OBLIGATIONS OF THE CITY:

1. **City's Execution of LOI:** If not previously done, the City shall execute the LOI in the form appended hereto and made a part hereof at the same time it executes this Interim Agreement.

2. **City's Continued Good Faith Negotiations with Developer:** The City shall continue good faith negotiations with Developer for the purpose of arriving at mutually acceptable terms and conditions concerning Developer's redevelopment of the Hotel and the City's provision of certain financial assistance to facilitate Developer's redevelopment of the Hotel. The said

redevelopment agreement shall contain, albeit in more precise form, the terms and conditions outlined in the LOI and such other terms and conditions as the Parties mutually deem necessary and appropriate for inclusion in such redevelopment agreement.

3. **Reimbursement of Developer Expenses:** In the event that the City fails or refuses to approve on or before July 19, 2019 a redevelopment agreement with Developer that contains, in addition to such other terms and conditions as the Parties deem necessary and appropriate, the terms and conditions in the LOI, albeit in more precise form, the City shall reimburse Developer one-half (1/2) Developer's Reimbursable Expenses but, in no event shall such reimbursement be greater than Seventy-Five Thousand and No/Hundredths Dollars U.S. ($75,000.00U.S.) (hereinafter, collectively, the "Reimbursable Amount"). Notwithstanding the immediate foregoing, in the event that the City has approved a redevelopment agreement on such terms and conditions outlined in the LOI, albeit in more precise form, on or before July 19, 2019, or if Developer elects not to close on its Purchase/Sale Contract with the owner of the Hotel for any reason other than the City's failure to approve such redevelopment agreement containing said terms and conditions, the City shall be fully and completely relieved of any obligation to pay to Developer the Reimbursable Amount herein provided.

C. GENERAL TERMS AND CONDITIONS:

1. **LOI Non-Binding:** Nothing in this Interim Agreement or the LOI shall be deemed, construed or interpreted as creating a binding and/or an enforceable agreement between the Parties regarding Developer's obligation to commence, undertake and complete the redevelopment of the Hotel and the City's obligation to provide financial assistance to Developer to facilitate such redevelopment. The Parties in this Interim Agreement and LOI expressly agree that in order for Developer to become obligated to actually commence, undertake and complete the redevelopment

of the Hotel and the City's obligation to actually provide financial assistance to Developer to facilitate such redevelopment, the Parties must enter into and execute a wholly separate written redevelopment agreement on such terms and conditions as the Parties agree.

2. **Default, Cure, Dispute Resolution:** In the event either Party defaults on any one or more of its obligations under this Interim Agreement (hereinafter, the "Defaulting Party"), the other Party (hereinafter, the "Non-Defaulting Party"), shall send a written Notice of Default to the Defaulting Party that sets forth (i) the nature of the default; (ii) the section of this Agreement believed to be in default; and (iii) a reasonable date by which the Defaulting Party shall cure such default. Within five (5) business days of receipt of such Notice of Default, the Defaulting Party shall provide a written response to the Non-Defaulting Party that states that (i) the default has been cured; (ii) the date by which the Non-Defaulting Party requests the default to be cured is unreasonable and which includes a reasonable date by which the Defaulting Party will cure the default, or (iii) provides verifiable evidence that no default has in fact occurred. In the event that the Parties are unable to resolve the matter involving the default, the Parties shall be free to pursue such other remedy as each may have against the other.

3. **Notice:** To the extent any notice is required to be given pursuant to this Interim Agreement, such notice shall be deemed valid and effective as hereinafter provided:

a. If notice is provided by certified or registered First Class U.S. Mail, return receipt requested, such notice shall be deemed effective on the day following receipt of such notice as evidenced by the return receipt if the notice has been placed in an envelope bearing the intended recipient's proper address and bearing proper postage.

b. If notice is provided by facsimile, such notice shall be deemed effective on the day following receipt so long as the sender's fax machine prints out a receipt evidencing that that notice was properly transmitted to and received by the recipient's fax machine.

c. If notice is sent by overnight courier service, such notice shall be deemed effective on the day following delivery of such notice.

4. **Governing Law:** The laws of the State of Illinois shall govern the interpretation and enforcement of this Interim Agreement and any action to interpret, construe, enforce, or for breach of this Interim Agreement shall be filed and maintained in the Circuit Court for the Sixth Judicial Circuit, Champaign County, Illinois or the United States District Court for the Central District, Illinois.

5. **Representations and Warranties:** The Parties represent and warrant the individual executing this Interim Agreement on behalf of the respective Party has the authority to do so on behalf of that Party.

6. **Term and Termination:** This Interim Agreement shall remain binding and enforceable until 11:59 p.m. on July 19, 2019 or until such time as the City approves a redevelopment agreement as contemplated in this Interim Agreement. Should this Interim Agreement terminate without the Parties having entered into a redevelopment agreement as contemplated in this Interim Agreement and the LOI, Section B.3. shall survive said termination.

7. **No Agency Relationship:** Nothing in this Interim Agreement shall be deemed or construed to create any form of agency relationship or grant to either Party authority to bind the other Party except as provided herein.

8. **Counterparts:** This Interim Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Signatures may be faxed or e-mailed.

[END OF INTERIM AGREEMENT; SIGNATURES FOLLOW.]

FOR THE CITY OF URBANA:

Diane Wolfe Marlin

Diane Wolfe Marlin, Mayor

Date: 22 May 2019

ATTEST:

Charles A. Smyth, City Clerk

Date: 5/22/2019

FOR MARKSONS AFFILIATES, LLC

A duly authorized officer.

Date: 5.21.19

CITY OF URBANA

Office of the Mayor
Diane Wolfe Matlin

400 S Vine St • Urbana IL 61801 • (217) 384-2457 • dwmatlin@urbanaillinois.us

May 16th, 2019

VIA EMAIL
Sam Spiritos
Marksons Affiliates, LLC
2138 Rose Theatre Circle
Olney, MD 20832
sspiritos@srgpe.com

RE: Letter of Intent to enter into a Redevelopment Agreement

Dear Mr. Spiritos,

On behalf of the **City of Urbana, IL** ("City"), this Letter of Intent outlines some of the terms and conditions under which Marksons Affiliates, LLC or affiliate ("Developer") would enter into negotiations for the execution of a Redevelopment Agreement ("Agreement") for the proposed redevelopment of the Urbana Landmark Hotel Project (the "Project", defined below) located at 210 South Race Street in Urbana, Illinois ("Property").

1. The **PROJECT** shall result in:
    a. Complete renovation of the hotel and grounds located on the Property
    b. Hilton Tapestry branding, facility standards and customer experience
    c. Preservation of historic elements wherever feasible
    d. Commercial activation of 120 hotel rooms, a full-service restaurant with catering service, bar, ballroom, conference center, and meeting rooms
    e. Reactivation of common areas, lobby, elevators, and all guest/customer amenity spaces
    f. Renovated and redesigned interior with new furniture, fixtures, and equipment
    g. Reconditioned exterior, resurfaced parking lot, and landscaped grounds
    h. Minimum cost of $16.8MM, inclusive of construction, FF&E, financing and land acquisition ("Project Cost")
    i. Maximum land acquisition price of $1,000,000

2. The **CITY** shall:
    a. Work in good faith with the Developer to finalize the Agreement
    b. Establish an additional hotel motel tax classification for the Project
    c. Offer incentives as part of the Agreement upon approval by the City subject to the following terms:
        i. Upon issuance of a final certificate of occupancy for the Project and satisfaction of Hilton Tapestry branding, reimbursement of TIF-eligible

expenses shall be issued to the Developer in an amount no less than $5.2MM, with the potential to increase subject to underwriting.

d. Provide, separate and apart from the Agreement, all eligible Enterprise Zone incentives for which the Project qualifies including Sales Tax Exemption Certificates for new construction materials.

e. Commit to not incentivize any directly competing hotel projects as part of the Agreement

3. The **DEVELOPER** shall:

   a. Work in good faith with the City to finalize the Agreement
   b. Serve as primary developer of the Project and assume ownership of the Property
   c. Provide a detailed Project proposal to the City and present revisions as requested by the City
   d. Upon request by the City, share preliminary and confidential financial planning information with the City in Excel spreadsheet format with live formulas including but not limited to:
      i. Project pro forma
      ii. Detailed Project construction budget
      iii. Project sources and uses of funds
      iv. Estimated return on investment to each source
   e. Commit to the private funding levels defined in the Agreement
   f. Commit to the construction schedule as part of the Agreement
   g. Comply with all relevant local code and ordinances
   h. Commit to setting aspirational goals for the hiring of minority- and women-owned businesses as part of the Project in the Agreement
   i. Oversee the design, preconstruction, bidding and construction of the Project
   j. Pay all required municipal fees related to the Project including but not limited to fees pertaining to zoning approvals, building permits, right-of-way permits/agreements, Enterprise Zone incentives, fire prevention and occupancy certification
   k. Pay all costs associated with all Project site preparation including but not limited to utility relocation, environmental cleanup and any adjacent public right-of-way improvements
   l. Commit a minimum of 20% equity as a percent of the Project Cost
   m. Continuously operate and ensure professional management and service provision for the Project as a Hilton Tapestry branded hotel for a period of ten years from the issuance of a final Certificate of Occupancy
   n. Consent to City review and approval of any sale of the Property that does not result in the continuous operation of the Project as a Hilton Tapestry branded hotel

4. **PROPOSED TIMING**

   a. May 16, 2019 - Execution of this Letter of Intent
   b. July 19, 2019 – Outside date for execution of Agreement

5. **ACKNOWLEDGEMENT**

a. City and Developer acknowledge the mutual intent to negotiate and enter into an Agreement not later than July 19, 2019

b. City and Developer acknowledge that the proposed Project may change and agree to work together to solve any issues that arise throughout the negotiation of the Agreement

c. City and Developer each acknowledge and avow that this Letter of Intent is intended solely for the purposes of identifying essential contractual terms to be negotiated by and between the parties hereto regarding the subject matter of this Letter of Intent and to provide for confidentiality of information exchanged between them

d. This Letter of Intent shall not be deemed, construed or interpreted as being binding on or enforceable against either party hereto

e. No contract of or between the parties shall become binding and/or enforceable against either party unless and until it is reduced to a writing wholly separate from this Letter of Intent, which separate writing is executed by the parties' respective duly authorized officers

If the provisions of this Letter of Intent are acceptable to the Developer, please have this Letter of Intent signed and dated and returned to City.

[Remainder of page intentionally left blank, signature page to follow.]

On behalf of:
CITY

City of Urbana, IL

By: Diane Wolfe Marlin

Dated: 16 May 2019

Mayor Diane Wolfe Marlin

City of Urbana
400 S Vine St
Urbana, IL 61801
dwmarlin@urbanaillinois.us

On behalf of:
DEVELOPER

Marksons Affiliates, LLC

By: SS, Manager

Dated: May 16, 2019

Samuel M. Spiritos

Marksons Affiliates, LLC
2138 Rose Theatre Circle
Onley, MD 20832
sspiritos@srgpe.com

42828020_1.docx

Marksons Affiliates, LLC
2138 Rose Theatre Circle
Olney, MD 20832

To: The City of Urbana, Illinois

From: Sam Spiritos

Date: June 3, 2019

Re: Redevelopment of the Landmark Hotel in Urbana, Illinois

Summary:

Sam Spiritos has entered into a Purchase and Sale Agreement ("PSA") to acquire the 128-room Landmark Hotel. The contract will be assigned to an entity controlled by Sam Spiritos at close. The venture will invest a significant amount in capital expenditures ("capex"), as explained below.

Estimated CapEx (Construction and FF&E Only)	$13.76 million or $107,500 per guest room
Guest Rooms after Renovation	128
Scope of Work	Completely renovate the property to fully reactivate the hotel guest rooms, as well as to deliver a restaurant, conference center and great hall, while preserving the historic character of the building.

Overview:

We have proposed to completely renovate the hotel and return the property to its former prominence in the City of Urbana. The property would be operated within the Tapestry Collection by Hilton, which is a "soft-brand" designation from the Hilton brand of hotels. Tapestry Collection by Hilton destinations feature unique, boutique properties with an independent flavor appealing to today's customers.

The proposed renovation will involve extensive interior and necessary exterior improvements, while preserving the historic character of the historic portions of the Landmark Hotel in compliance with standards set by the Illinois State Historic Preservation Office. The renovation will also meet any standards necessary to obtain the Tapestry Collection by Hilton affiliation. Exterior improvements will require Certificates of Appropriateness from the City's Historic Preservation Commission, pursuant to the City's Zoning Ordinance. The development team has been working diligently over the past several months on due diligence activities and to define the scope of renovations and suggested improvements.

It is anticipated that the remodeled Urbana Landmark Hotel would be one of the premier hotels in the Champaign-Urbana area, attracting both national and international visitors to Downtown Urbana. The renovation would dramatically improve the physical appearance of the hotel, and the increased visitors and foot traffic would significantly advance the reactivation that has been underway over the last several years in the downtown area. These improvements are further expected to serve as a catalyst for additional investment, commerce, and development in Downtown Urbana.

Renovation Detail:

Since the hotel has been closed and not operating for many years, substantial work needs to be done to put the hotel back in service. Every inch of the property will need to be touched, tested, repaired and restored to an upscale boutique hotel with two restaurants, convention space and amenities.

Renovation Summary:

- Complete hotel renovation
- Roof repair/replacement, including flat roof
- Repair/paint exterior
- Enclose or remove exterior stairwell
- Full renovation of lobby – all new or refurbished furniture, fixtures and equipment
- Full renovation of Great Hall, Library, Ballroom and Gym
- 100% guestroom and guest bathroom reimaging – all new furniture, fixtures and equipment
- Modernize elevators
- Fire alarm and sprinkler upgrades
- Replace boilers and repair/replace all pumps
- New infrastructure – technology, operating equipment

Project Partners:

- Sam Spiritos – Project Co-Lead
- Michael Orloff / Stroud Group – Project Co-Lead and Procurement
- Woodmont Lodging – Asset Management
- H-CPM – Project Management
- K2M Design – Architect
- Kinseth Hospitality Companies – Hotel Management

Marksons Affiliates Sources and Uses Tables

Uses	Total	% of Total	Per Key
Purchase Price	$ 1,000,000	5%	$ 7,813
Construction Cost	$ 17,845,412.00	88%	$ 139,417
Hard Costs	*$ 10,109,587*	*50%*	*$ 78,981*
Soft Costs	*$ 1,364,643*	*7%*	*$ 10,661*
FF&E	*$ 3,649,000*	*18%*	*$ 28,508*
Contingency	*$ 2,722,181*	*13%*	*$ 21,267*
Reserves	$ 531,588.00	3%	$ 4,153
Closing Costs	$ 993,000.00	5%	$ 7,758
Total	**$ 20,370,000**	**100%**	**$ 159,141**

Sources	Total	% of Total	Per Key
1st Mortgage	$ 9,000,000	44.2%	$ 70,313
GO Bond	$ 5,500,000	27.0%	$ 42,969
HTC	$ 1,870,000	9.2%	$ 14,609
Equity	$ 4,000,000	19.6%	$ 31,250
Total	**$ 20,370,000**	**100%**	**$ 159,141**

Marksons Affiliates Tapestery Hotel Development Budget

DESCRIPTION OF ITEM		Budget	Per Key	Percent of Total	Notes
Construction			*128*		
General Contractor (Total)	$	9,734,587	$ 76,051	54.5%	
General Conditions	*$*	*209,050*	*$ 1,633*	*1.2%*	
Exterior	*$*	*1,685,000*	*$ 13,164*	*9.4%*	
Public Areas	*$*	*2,651,750*	*$ 20,717*	*14.9%*	
Corridors	*$*	*234,446*	*$ 1,832*	*1.3%*	
Guestrooms	*$*	*813,942*	*$ 6,359*	*4.6%*	
Bathrooms	*$*	*842,427*	*$ 6,581*	*4.7%*	
Elevators	*$*	*856,500*	*$ 6,691*	*4.8%*	
Life Saftety	*$*	*600,000*	*$ 4,688*	*3.4%*	
Mechanical	*$*	*325,000*	*$ 2,539*	*1.8%*	
Plumbing	*$*	*475,000*	*$ 3,711*	*2.7%*	
Soft Costs, Freight, Insurance	*$*	*490,458*	*$ 3,832*	*2.7%*	
Contractor Fee	*$*	*551,014*	*$ 4,305*	*3.1%*	
Landscaping/Sidewalks/Parking	$	100,000	$ 781	0.6%	
Low Voltage	$	75,000	$ 586	0.4%	
Environmental abatement (allowance)	$	200,000	$ 1,563	1.1%	
Sub-Total: Construction	**$**	**10,109,587**	**$ 78,981**	**56.7%**	
FF&E					
FFE (with tax and freight)	$	2,560,000	$ 20,000	14.3%	
Signage-Exterior	$	75,000	$ 586	0.4%	
Signage-interior	$	30,000	$ 234	0.2%	
Operations equipment (PMS/POS etc.)	$	250,000	$ 1,953	1.4%	
Kitchen Equipment	$	300,000	$ 2,344	1.7%	
OSE	$	384,000	$ 3,000	2.2%	
Phone system	$	50,000	$ 391	0.3%	
Sub-Total: FF&E	**$**	**3,649,000**	**$ 28,508**	**20.4%**	
Consultants, Permits & Inspection Fees					
Architect /Interior incl MEP	$	365,000	$ 2,852	2.0%	
Architect /Interior expenses	$	35,000	$ 273	0.2%	
Procurement of FF&E	$	145,960	$ 1,140	0.8%	
Procurement of FF&E expenses	$	5,000	$ 39	0.0%	
3rd PPM (H-CPM)	$	343,965	$ 2,687	1.9%	
3rd PPM (WL)	$	206,379	$ 1,612	1.2%	
3th PPM expenses	$	35,000	$ 273	0.2%	
Other Consultant (Due Diligenece)	$	183,340	$ 1,432	1.0%	
Other Consultant expenses during Construction	$	45,000	$ 352	0.3%	
Sub-Total: Consultants	**$**	**1,364,643**	**$ 10,661**	**7.6%**	
Contingency	$	2,722,181	$ 21,267	15.3%	**18% of Sub Total**
Sub-Total: Contingency	**$**	**2,722,181**	**$ 21,267**	**15.3%**	
PROJECT TOTAL	**$**	**17,845,412**	**$ 139,417**	**100.0%**	
Due Diligence Spend	$	(183,340)	$ (1,432)	-1.0%	
PROJECT TOTAL LESS DD	$	17,662,072	$ 137,985	99.0%	

		Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
7	**# of DAYS/YEAR**	365	366	365	365	365	366	365
8	ROOMS AVAILABLE	128	128	128	128	128	128	128
9	AVAILABLE	46,720	46,848	46,720	46,720	46,720	46,848	46,720
10	RENTED	0	24,361	28,966	31,770	31,770	31,857	31,770
11	OCCUPANCY	0.00	52.0%	62.0%	68.0%	68.0%	68.0%	68.0%
12	AVG. DAILY RATE	0.00	145.00	149.00	153.00	157.00	161.00	166.00
13				2.8%	2.7%	2.6%	2.5%	3.0%
14	**REVENUES:**							
15	HOTEL	0	3,532,339	4,315,994	4,860,749	4,987,827	5,128,919	5,273,754
16	FOOD & BEVERAGE	0	730,829	868,992	953,088	953,088	955,699	953,088
17	OTHER	0	70,647	86,320	97,215	99,757	102,578	105,475
18	**TOTAL REVENUE**	**0**	**4,333,815**	**5,271,305**	**5,911,052**	**6,040,672**	**6,187,197**	**6,332,317**
19								
20	**DEPARTMENTAL EXPENSES:**							
21	HOTEL	0	1,059,702	1,208,478	1,215,187	1,246,957	1,282,230	1,318,438
22	FOOD & BEVERAGE	0	657,746	695,194	714,816	714,816	716,774	714,816
23	OTHER	0	141,294	172,640	194,430	199,513	205,157	210,950
24	**TOTAL DEPARTMENTAL EXPENSES**	**0**	**1,858,741**	**2,076,312**	**2,124,433**	**2,161,286**	**2,204,161**	**2,244,205**
25								
26	**DEPARTMENTAL GROSS PROFIT**	**0**	**2,475,074**	**3,194,994**	**3,786,619**	**3,879,386**	**3,983,036**	**4,088,112**
27		0.0%	57.1%	60.6%	64.1%	64.2%	64.4%	64.6%
28								
29	**UNDISTRIBUTED EXPENSES:**							
30	ADMINISTRATIVE EXPENSE	0	325,036	368,991	413,774	422,847	433,104	443,262
32	MARKETING DEPARTMENT	0	195,022	231,937	236,442	241,627	247,488	253,293
34	PROPERTY OPERATION/ MAINTENANCE	0	281,698	316,278	354,663	362,440	371,232	379,939
35	UTILITIES	0	130,000	133,900	137,917	142,055	146,316	150,706
36	**TOTAL UNDISTRIBUTED EXPENSES**	**0**	**1,284,990**	**1,482,707**	**1,628,871**	**1,667,751**	**1,711,031**	**1,754,575**
37								
38	**OPERATING PROFIT**	**0**	**1,190,084**	**1,712,287**	**2,157,748**	**2,211,634**	**2,272,004**	**2,333,537**
39		0.0%	27.5%	32.5%	36.5%	36.6%	36.7%	36.9%
40								
41	MANAGEMENT FEE	0	130,014	158,139	177,332	181,220	185,616	189,970
42	**INCOME BEFORE FIXED CHARGES**	**0**	**1,060,069**	**1,554,148**	**1,980,416**	**2,030,414**	**2,086,388**	**2,143,568**
43								
44	FIXED EXPENSES							
45	PROPERTY TAX	0	180,000	360,000	369,000	378,225	387,681	397,373
46	INSURANCE	0	43,338	52,713	59,111	60,407	61,872	63,323
48	**TOTAL FIXED EXPENSES**	**0**	**223,338**	**412,713**	**428,111**	**438,632**	**449,553**	**460,696**
49								
50	REPLACEMENT RESERVE	0	86,676	158,139	236,442	241,627	247,488	253,293
51	**CASH FLOW BEFORE DEBT SERVICE**	**0**	**750,055**	**983,296**	**1,315,864**	**1,350,156**	**1,389,348**	**1,429,579**
52		0.0%	17.3%	18.7%	22.3%	22.4%	22.5%	22.6%

SHULMAN ROGERS

Samuel M. Spiritos

Shareholder

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Sam Spiritos' clients recognize him as a sophisticated transactional attorney, trusted business advisor and an effective negotiator who truly understands their business needs. Over the course of his twenty-five-plus year career of successful deal-making, Sam has developed not only a masterful legal ability, but also strong relationships with many of the key players in the DC, Maryland and Northern Virginia real estate markets.

He draws upon this experience (which includes training at a "big law" firm), along with his education credentials, to provide efficient legal services and trusted business advice that enables his clients to succeed and grow.

In addition to being Managing Shareholder of Shulman Rogers, Sam actively practices and advises clients in commercial real estate transactions involving all asset classes. In this role, he serves many of the preeminent players in some of the largest and most complex acquisition and development projects in the DC Metro Area. Sam's legal acumen in the Real Estate arena has led to him previously serving as Chair of both the Shulman Rogers Real Estate Department and the Commercial Real Estate Transactions Practice Group.

Clients attest to the value Sam provides them through his unique skill set. Not only do they recognize him as one of the top real estate and transaction attorneys in the mid-Atlantic region, they also realize value from his knowledge of their business, his ability to provide pragmatic and on-point legal advice, and the meaningful connections to deals, investors, lenders and other opportunities that he generates for his clients.

"I trust and value his judgment as a lawyer and a business advisor. He's also the best at thinking ahead in terms of who I need to meet."

– Charles Gravely, Zuckerman Gravely

"We call him when we need a high degree of sophistication, knowledge of and relationships within the greater D.C. real estate market. He's one of the most connected people in the field, and his willingness to make introductions to other players along with his skills, have always benefited me. He takes my business so seriously, one might think it was his own."

– Steve Cumbie, NVCommercial, Inc.

"Sam is always looking to introduce us to development or acquisition opportunities, and we have capitalized on Sam's relationships."

– Cameron Pratt, Foulger-Pratt Companies

Sam's practice also includes a financing component. In this capacity, he represents both lenders and borrowers on commercial loan transactions, particularly acquisitions and development financings, asset based lending, health care financings, construction and permanent loans, retail, office and hotel development and financing, and workouts.

Sam also serves as the Chair of the firm's Hospitality Practice where he focuses on deal structuring, purchase and sale contracts, franchise agreements, management agreements, financings (representing creditors and owners), joint ventures, construction and development.

As a nationally-recognized authority on hospitality related issues, Sam is frequently invited to speak at various industry events including the ALIS Hotel Conference (Negotiating Hotel Acquisition Agreements) and The Lodging Conference (Negotiating Franchise Agreements).

Professional & Community Affiliations

- Best Buddies Maryland, D.C. Metro Advisory Board Chair
- Montgomery College Foundation, Board of Directors
- American Bar Association, Member, Hospitality Committee

Practice Areas

- Commercial Lending
- Commercial Real Estate Transactions
- Condominium and Mixed-Use Development
- Construction Contracts
- Distressed Assets
- Financing
- Hospitality Law
- Real Estate

Industries

- Construction
- Hospitality
- Real Estate

Results

Acquisitions, Financing and Leasing

Square 85 Assemblage
1900, 1920, L Street and 1020 19th St., N.W.
311,062 sq/ft buildings
Prime Class A redevelopment site

Acquisition, Financing and Leasing
1400 Eye Street, N.W.
175,000 sq/ft office building subject to
WMATA ground lease

Acquisition, Financing and Leasing
1625 K Street, N.W.
121,000 sq/ft office building

Hotel Joint Venture and Mixed Use Development
City Market at O
880 P Street, N.W.
182 room hotel in 1,000,000 sq/ft

Acquisition, Financing, and Development
"The Swift" in Petworth, Washington, D.C.
62,400 sq/ft grocery store
220 multi-family units

Acquisition, Financing, Leasing and Disposition
1350 Eye Street, N.W.
381,000 sq/ft office building

Acquisition, Financing and Development
Tysons Central - Silver Line
Rt. 7 and Rt. 123
1,500,000 sq/ft mixed use project
Apartments, office, hotel and retail

Acquisition, Financing and Development
Rutherford Crossing
151 Market Street, Winchester
400,000 + sq/ft shopping center

Acquisition and Financing
493 units - Fairfield Crossing Apts.
7703 Lee Highway, Falls Church

Hotel Development and Financing

Homewood Suites
Dulles International Airport
2185 Fox Mill Road, Herndon

Acquisition and Financing
BJ's Wholesale Club
6607 Wilson Blvd., Falls Church

Acquisition and Financing
Gaithersburg Hilton
620 Perry Parkway, Gaithersburg

Lord Baltimore Hotel
20 W Baltimore St.
Baltimore

Acquisition, Financing and Development
Luxury Condominium Building
4990 Fairmont, Bethesda

Recognition

- The Best Lawyers in America

Seminars & Speaking Engagements

- Negotiating Hotel Acquisition Agreements, ALIS Hotel Conference
- The Lodging Conference, Negotiating Franchise Agreements

Publications

- A Look Inside Shulman Rogers' Hospitality Practice

News

- Best Lawyers in America® recognizes 10 Shulman Rogers attorneys for 2019
- Best Lawyers in America® recognizes 9 Shulman Rogers attorneys for 2018
- Shulman Rogers assists Capital One in $100M+ syndicated credit facility
- Shulman Rogers represents The Cordish Companies in the acquisition of Homewood Suites and Hilton Garden Inn Properties
- Shulman Rogers Serves as Lead Pro Bono Counsel for Montgomery College Foundation
- Shulman Rogers attorneys honored by inclusion on 2017 Best Lawyers listing
- Sam Spiritos elected Chairman of Best Buddies Maryland
- Sam Spiritos and Alexis Peters quoted in Law 360: Market Map: 4 Trends In Washington, DC, Property Deals

- As seen in The Daily Record, Sam Spiritos discusses first-year associate hiring
- Shulman Rogers attorneys honored by inclusion on 2016 Best Lawyers listing
- Shulman Rogers attorneys honored by inclusion on 2015 Best Lawyers listing

Education

- State University of New York at Buffalo, M.B.A, 1988
- University at Buffalo School of Law, J.D., 1987, *cum laude*, Buffalo Law Review, Senior Editor, 1986 - 1987
- The Wharton School of Management of the University of Pennsylvania, B.S., 1984

The Stroud Group | SERVICES | PROJECTS | WHY CHOOSE STROUD | ABOUT | CONTACT | CLIENT RESOURCES

EXECUTIVE TEAM | *Full Service With Entrepreneurial Energy.*

MEET MARJI

President Marjorie Waldman is known for solving problems and making things happen. Over the years, our range of procurement services expanded along with the client base to include hotels, casinos, resorts and 4 and 5 star properties throughout the world. Marji's dedication hasn't gone unnoticed – she was named "Female Entrepreneur of the Year" by Entrepreneur Magazine.

MEET MICHAEL

As Executive Vice-President, Michael Orloff spends his days looking out for our clients' best interests and staying on top of vendors. Michael is a liaison between the client and project team, and handles all negotiations. He oversees the procurement team to ensure budget and completion goals. Michael enjoys working with people and traveling the globe.

Contact

Thank you for visiting.

5950 Symphony Woods Road, Suite 150,
Columbia, MD 21044

contact@stroudgroup.com

Call us at: 410.964.2222 | Fax 410.964.2224

Connect with us.

We should talk.

First Name

Last Name

Organization

Email

Phone

Message

Woodmont Lodging, LLC

Core Company Principles

- Woodmont is focused on producing superior investment returns through the acquisition and aggressive asset management of premium select-service hotels
  - Generate superior returns by:
  - Acquiring branded, select-service hotels in secondary markets wherein cap rates are higher than primary markets
  - Investing in hotels that generate a vast majority of their revenues from guestroom rentals, a higher margin revenue stream
- Manage risk by:
  - Targeting markets with multiple demand generators
  - Practicing focused asset management to ensure stringent expense control

Core Company Principles

- **Committed to creating a high-quality and scalable platform →** Prudently invest in human capital, infrastructure and properties that will advance growth goals
- **Strategic partnership with hotel management companies →** Identify the best operating partner for each asset and align the goals of the parties
- **Transparent corporate controls →** High-quality, easily accessible, and easily understood strategic, operational and financial information
- **Investor alignment →** The objectives and actions of the Principals will always be aligned with the investors

Principal: Elliott Estes

- Elliott S. Estes founded Woodmont Lodging, a hospitality investment firm, in 2015. Mr. Estes has responsibility for all company operations, with a focus on corporate strategy, corporate and deal-related financing, and deal execution.

- Prior to launching Woodmont Lodging, Mr. Estes was an executive at RLJ Lodging Trust (NYSE: RLJ), where he had finance, transaction and portfolio management responsibilities. Most recently, Mr. Estes served as Director of Finance and managed the execution of all asset and corporate level transactions.

- During his tenure, Mr. Estes closed acquisitions totaling over $2.1 billion (24 transactions involving 47 properties), dispositions totaling over $525 million (12 transactions involving 46 properties) and debt transactions totaling over $3.0 billion. In May 2011, while working closely with and under the direction of the CFO, he successfully managed the roll-up and merger of RLJ Development, with its two affiliated private equity funds, and the subsequent $568.7 million initial public offering of RLJ. Mr. Estes also managed the execution of two subsequent follow-on offerings totaling $586.1 million.

Principal: Elliott Estes (continued)

- Before joining RLJ in 2007, Mr. Estes was an investment banker at Wachovia Securities (now Wells Fargo Securities), underwriting principal investments (sale-leasebacks), senior and mezzanine debt positions, as well as joint venture equity investments.

- Mr. Estes earned a B.S. degree at the University of South Carolina from the College of Hospitality, Retail and Sport Management, where he was a University Scholar. Mr. Estes earned his MBA from Wake Forest University, where he was a Wachovia Scholar and Babcock Awardee.

Principal: Michael Blank

- Michael L. Blank is a Principal at Woodmont Lodging. Mr. Blank leads the firm's investment analysis and portfolio management functions.

- Prior to co-founding Woodmont Lodging in 2015, Mr. Blank was an executive at RLJ Lodging Trust (NYSE: RLJ) where he had portfolio analysis, transaction, and corporate finance responsibilities. Most recently, Mr. Blank managed the company's Business Intelligence function, which was responsible for portfolio data analysis.

- During his tenure at RLJ, Mr. Blank formalized and expanded RLJ's business analytic function, enhancing the data collection and reporting processes of over 125 hotels and 16 different management companies. Mr. Blank also held positions in Asset Management with oversight of a portfolio of focused-service Marriott and Hilton branded hotels and in Investment and Portfolio Analysis underwriting over $2.4 billion in potential lodging transactions. Additionally, he managed the successful closing of multiple acquisitions and dispositions.

Principal: Michael Blank (continued)

- Prior to joining RLJ in 2010, Mr. Blank worked in acquisitions and dispositions at Host Hotels & Resorts (NYSE: HST) and in equity research at FBR Capital Markets covering publicly-traded lodging REITs. Mr. Blank also had roles at PKF Consulting and at the Willard Inter-Continental Hotel.

- Mr. Blank earned his undergraduate degree from the School of Hotel Administration at Cornell University and earned his MBA from the McDonough School of Business at Georgetown University. Mr. Blank has served as a guest lecturer at both Georgetown University and American University.

Case Study: $2.2 Million Branded Renovation

Before	After
Purchase Date	July 2016.
Acquisition Capital Expenditures	$2.2 million, or $25,900 per room.
Investment Strategy	Woodmont Lodging with its JV partner acquired the Holiday Inn Express & Suites Bentonville, a select-service property in a strong secondary market. Strategy was to pair brand-required property improvement plan and additional functional enhancements with institutional asset and property management to yield improved asset performance.
Renovation Scope	Building Exterior ($300,000), Guestrooms ($1,400,000), ADA and Fire/Life Safety Improvements ($110,000), Public Spaces ($160,000) and Other.

Case Study: $1.7 Million Boutique Restoration

Before	After
Purchase Date	November 2017.
Acquisition Capital Expenditures	$1.7 million.
Investment Strategy	A luxury country inn, The Clifton's prior ownership mismanaged the property for a number of years. While it maintained its reputation, its appearance had grown tired and lost its luster. In addition to the renovation, improvements in operations and corporate sales were implemented to enhance performance.
Renovation Scope	Built in 1799, new ownership addressed significant deferred maintenance and the interiors were modernized by Blackberry Farm Design.

Case Study: $25.8 Million Portfolio Acquisition

Home2 Suites by Hilton Winston-Salem Hanes Mall	SpringHill Suites by Marriott Winston-Salem Hanes Mall
Purchase Date	September 2018.
Acquisition Price (Purchase Price + CapEx)	$25,800,000, or $138,710 per room.
Investment Strategy	Woodmont Lodging with its JV partner acquired two well-branded select-service properties in the consistent Winston-Salem, NC market. Market is led by Wake Forest University, Winston-Salem State University and two regional hospital systems, as well as significant leisure demand. Strategy is to ramp up the newly opened Home2 Suites (February 2018) and implement institutional asset and property management to improve portfolio NOI.

Woodmont Lodging, LLC

7315 Wisconsin Avenue, Suite 400 West
Bethesda, Maryland 20814

June 3, 2019

Re: Complete renovation of Wilmington, North Carolina, property

To whom it may concern,

Due to Hurricane Florence (September 2018), Woodmont Lodging is undertaking a complete renovation of its Days Inn by Wyndham property in Wilmington, North Carolina, including new roofing, walls, ceilings, floors, bathrooms, guest vanity areas and all room contents. As this property is currently 75% complete and we estimate the total renovation to cost approximately $5,000,000 — $3,000,000 for construction, $1,500,000 for contents, and $500,000 for code improvements.

We used the opportunity to value-engineer (implement within the cost/scope of the rebuild) certain improvements that will make the property more attractive within our competitive set. For example, we are adding an exercise room and four meeting rooms to attract group and meeting business that was difficult to obtain without those amenities. Additionally, we plan to improve the freestanding restaurant/lobby building in order to maximize potential revenues from a restaurant lessee. Our GM has already reached out to the owner of a popular multi-location restaurateur to gauge interest in leasing the space.

In summary, the renovation will provide us with a modern, retro-chic boutique, 2019-built hotel on a solid 1970s foundation. We will ensure that the brand affiliation (Days Inn or possibly other) complements our finished product. Despite the short-term opportunity costs suffered from the loss post-storm business, we believe that the renovation result will be net-positive as we emerge with a product physically, aesthetically and economically superior to what we originally purchased.

This project is being completed with Stephen Siegel of H-CPM (Hospitality Construction Project Management), as the project manager, and The Stroud Group, as the procurement agent.

The following pictures show the renovation process.

Questions or comments should be directed to Elliott Estes at elliott@woodmontlodging.com.

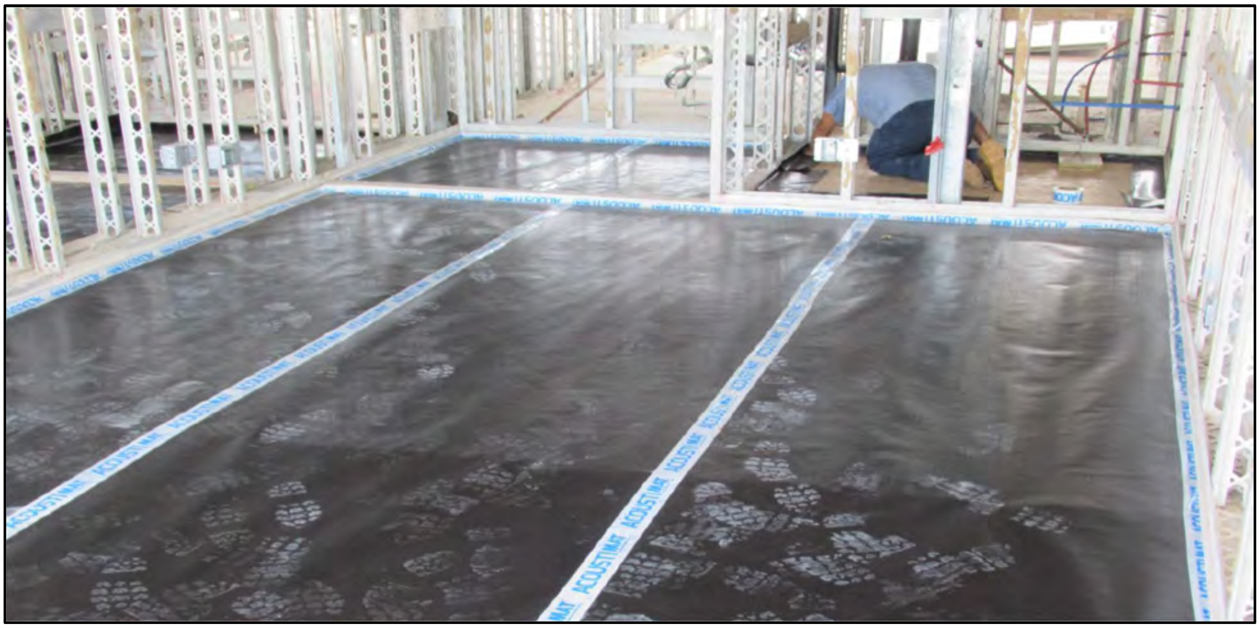
Roof Removal

Newly Installed Roof

Complete Hotel Renovation

100% Bathroom Renovation

Floors Reinforced and Resurfaced



Materials Stored Safely and In an Orderly Fashion

Façade Improvements and New Window Installation

H-CPM
HOSPITALITY CONSTRUCTION PROJECT MANAGEMENT

Defining

Project Management and Owner's Representation

Why H-CPM:

We do what it takes to get the job done – right. Our clients retain our services time and time again because they know we represent them as if we are a branch of their company. At H-CPM, working within budget and time constraints is our number one priority. There is no project too large, too small or too complicated. Our project managers average over 15 years' experience in construction and owner representation. Our track record and numerous awards speak for itself. We have a clear and concise understanding and detailed knowledge of each brand and how they operate. **We are leaders in our field.**

Commitment:

Honesty, integrity, tenacity and accountability are the actions we live by. We meet or exceed expectations and our team understands that we work each assignment as if it is our own asset. We believe working as a team hand in hand with our clients will produce the best possible results. H-CPM is committed to offering the highest level of service to our valued clients.

We consistently deliver outstanding owner representation and project management services to our clients, striving to perform flawlessly and exceed our business partners' expectations. We stay ahead of the competition by offering competent and reliable service.

Expertise:

Our success is measured by our clientele's belief in our ability, our knowledge of the industry and expertise in our field. We provide our clients with a comfort level by meeting or exceeding their expectations of service, virtue and commitment.

H-CPM team members average 15-20 years of experience and have managed over $1.5B of hotel capital projects.

Our talented professionals are recognized for completing projects in a timely manner, within budgeted costs and providing an efficient transition to the hotel operating team.

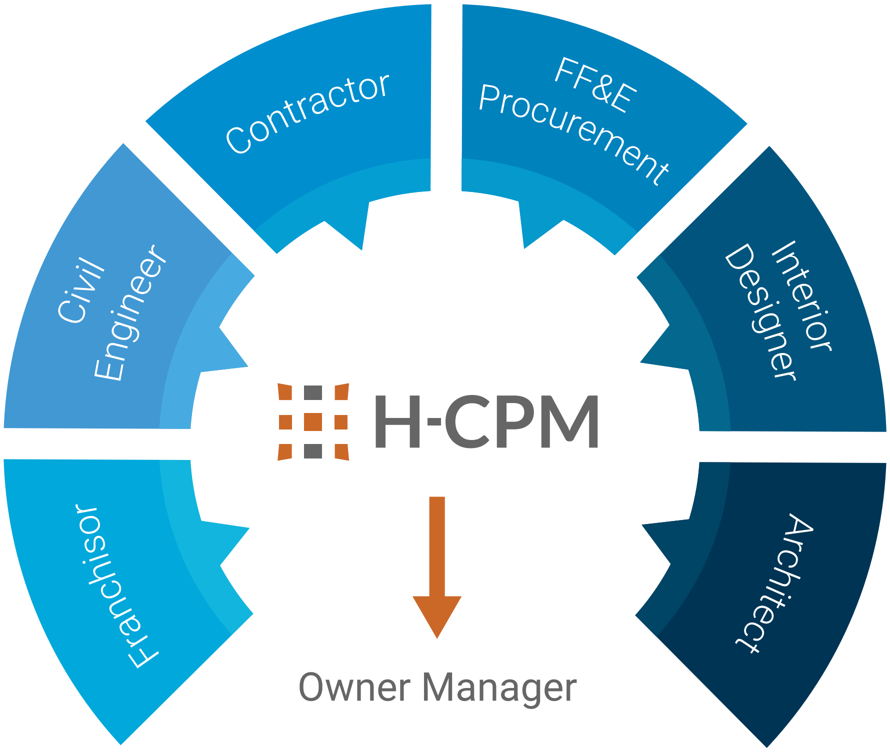
We manage projects ranging in size from $500K to over $100M and our services are customized to meet client needs.

HOTEL

Experienced with all major lodging brands, H-CPM provides ownership with total representation, overseeing the complexities of hospitality capital improvements.

Your partner for success:

H-CPM manages all aspects of a project from planning and due diligence through design, permitting, construction or any assignment in between. From the initial release to final completion, we understand the need to work in conjunction with the operations team throughout the course of the project. We believe that open and straight forward communication ensures a seamless working relationship. Our success provides investors and owners the ability to increase asset values.



"H-CPM has done a great job managing our projects and continue to be an asset to our team."

— Ted K.
Interserv Hospitality

Stephen Siegel

H-CPM (Hospitality CPM)
Construction Project Management/Owners Representative

Stephen G. Siegel, president of H-CPM has over 25 years' experience and success in construction project management of existing hotels, new development projects and due diligence prospects. During his career he has managed over one billion dollars in new hotel construction, renovations, PIP and capital improvement projects. He has extensive industry expertise at both public and private corporate levels. His experience includes working on all major hotel brands including Hilton, Marriott, IHG, Starwood and Hyatt. Mr. Siegel has represented owners on multiple portfolios of hotels as well as single asset opportunities. He is also credited with winning awards from franchisors for the renovation/conversion projects he managed. He is considered an expert in the field of hospitality construction project management.

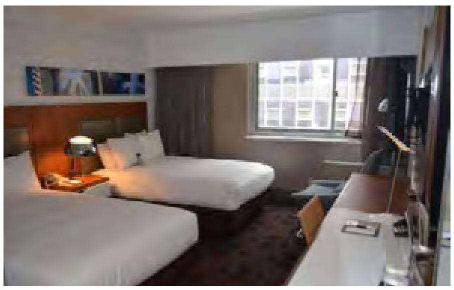
Mr. Siegel has held seats on various boards of non-profit organizations, a trustee for a low income senior living facility, a past member of the Board of Adjustment in Parkland, Florida and holds a Certified General Contractor license in the State of Florida.

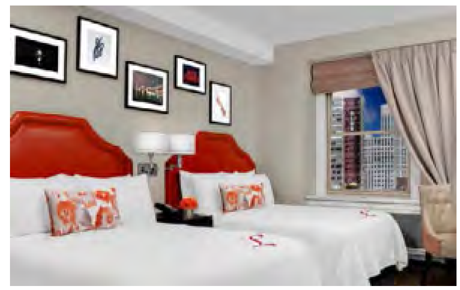
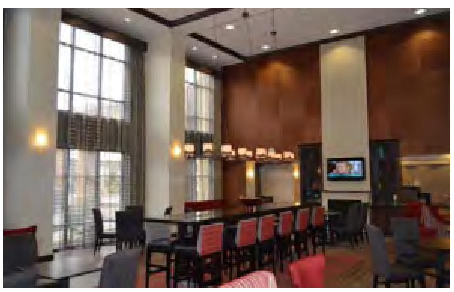
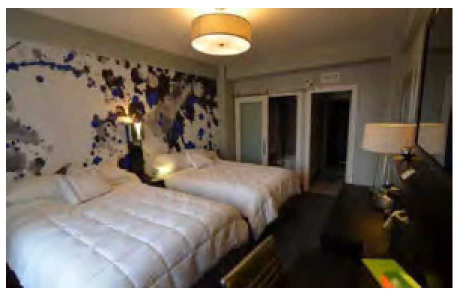
His occupational experience includes holding a Senior Vice President position at Paramount Hotel Group, a privately held hotel management/development group and Vice President Construction for Prime Hospitality Corp, a publicly traded hotel company.

Mr. Siegel received his Bachelor's Degree and Master's Degree in Construction Management from the University of Florida, graduating with high honors.

Recent Accomplishments





Brands we've worked with:

Autograph Collection • Renaissance • Courtyard • Residence Inn
Fairfield Inn • SpringHill Suites • TownePlace Suites • Crowne Plaza
Embassy Suites • DoubleTree • Hilton Garden Inn • Hampton Inn
Hilton • Radisson • Aloft • Element • Sheraton • Holiday Inn Express

> "As an active purchaser of hotels and a very satisfied client of H-CPM, I can attest to the tremendous value they provide to both our acquisition program and annual Cap-Ex plans. Producing a reliable cost estimate on a brand PIP is an integral component of a successful hotel investment."
>
> — Marc Dober, Vice President, Asset Management
> Lightstone Group

Our Services

Due Diligence
Performing acquisition/pre-construction due diligence prior to purchasing an asset is critical to assess potential risks and protect your interests.

QA/QC
Hotel capital projects can be a complex undertaking and requires oversight in preserving budgets, maintaining schedule, and monitoring construction activities.

Owners Representation
Protecting our client's interests and objectively coordinateing all facets of the project team to ensure the team is working towards a common goal.

Brand Compliance
During an acquisition or a brand refresh cycle meeting brand expectations is an important aspect of the franchise agreement.

Project Management
Understanding everyday a hotel is being renovated leads to reduced revenues, diminishes QA scores and causes guest disruptions.

ADA Compliance
Failure to comply with these federal regulations can result in lost revenue from potential guests and invite needless, costly lawsuits.

Renovations
To remain competitive in today's marketplace, and stay within brand requirements, it is important for hotels to stay current on their appearance.

Procurement
Sourcing new opportunities and creating accurate budgets of FF&E and OS&E provides ownerships with products that withstand time and brand requirement.

New Construction
A project's success begins with preconstruction coordination and continues with proper budgeting and the construction monitoring process.

Cap-Ex
H-CPM has assisted lodging owners in the oversight of capital improvement projects.

Due Diligence/Acquisitions

MARRIOTT

Courtyard

Physical plant review, preliminary project budget, pre-construction planning, inspection/consultant coordination for conversion opportunity and review with designers

- Seattle, WA
- Willoughby, OH
- Houston, TX
- San Francisco, CA
- Durham, NC
- Warwick, RI

Residence Inn

Physical plant review, PIP review, preliminary project budget, quality control review

- Houston, TX
- Bethesda, MD

Springhill Suites

PIP review, preliminary budget review, physical plant review

- Houston, TX
- Newark, NJ
- Green Bay, WI

Fairfield Inn

Physical plant review, PIP review, preliminary project budget, ADA compliance and review with designers

- Austin, TX

HYATT

Hyatt Place

Physical Plant review, Preliminary project budgeting, Inspections/consultant coordination, PIP review, ADA compliance review with designers

- Salt Lake City, UT

Hyatt House

Physical Plant review, Preliminary project budgeting, Inspections/consultant coordination, PIP review, ADA compliance review with designers

- San Diego, CA

HILTON

Embassy Suites

PIP review, physical plant review, Quality Control review, Inspections/Consultant Coordination

- Ft Worth, TX
- Waltham, MA
- Columbus, OH

Hampton Inn

Quality Control review, PIP review, Physical Asset plant review, preliminary project budgeting

- Fort Meyers, FL

Home2 Suites

Quality Control review, PIP review, Physical Asset plant review, preliminary project budgeting

- Seattle, WA
- Salt Lake City, UT

Hilton (Full Service)

Preliminary project budgeting, physical plant review, PIP review

- Miami, FL

INTERCONTINENTAL

MainStay

Physical plant review, PIP review, preliminary project budget, ADA compliance and review with designers

- Austin, TX

"H-CPM has delivered excellent project management results on numerous complex projects at one of our premier assets. H-CPM leads with a strong fundamental approach in terms of scope, budget and schedule; and ensures all phases of the project are collaborative and communicative. Their track record and reliability are enabling us to expand our relationship and deploy H-CPM to other important capital projects in the future."
— Shawn Smith, Vice President,
Asset Management DiamondRock Hospitality

Renovation/New Construction

MARRIOTT

Autograph
Conversion of a 748 room Radisson hotel to an Autograph by Marriott. Renovations included all guestrooms, meeting facilities, public areas and building exterior
- New York, NY

Renaissance
Implementing a custom design package to all guestrooms, concierge lounge, public spaces, and public restrooms
- Pittsburgh, PA
- Plantation, FL

Courtyard
Renovations include Cynergy and/or Transformation guestroom package, Twilights package in public space, corridors, pool and exercise room. ADA upgrades, “Refreshing Business” business center concept and lobby, and Change of Ownership PIP
- New York, NY
- Willoughby, OH
- Houston, TX (Convention Center)
- San Francisco, CA
- New Haven, CT
- Boston, MA (Logan Airport)
- Portland, OR
- Cranberry, NJ
- Edison, NJ
- Indianapolis, IN

Residence Inn
Change of Ownership PIP, renovated public space implementing Gatehouse package and renovated kitchen and guestrooms, lobby, public space and fitness center to incorporate “Possibilities” brand package
- Plantation, FL
- West Windsor, NJ
- Bethesda, MD
- Baton Rouge, LA
- Houston, TX (Galleria)
- Houston, TX (Convention Center)
- Miramar, FL

Fairfield Inn
12-18 year refresh including implementing “Perspectives” décor package to lobby and guestrooms, guestroom ADA compliance, breakfast area and exterior upgrades
- East Rutherford, NJ
- Des Moines, IA
- Jonesboro, AR
- Key West, FL

Springhill Suites
Implemented A.I.R. package in public space and guestrooms. General upgrades to exterior and breakfast area. Urban Apartment into a Springhill Suites
- Des Moines, IA
- Houston, TX

Towneplace Suites
6 year refresh/Change of Ownership PIP which includes the market/lobby package, renovation, guestroom upgrades and ADA compliance
- Little Rock, AR
- Fayetteville, AR

HILTON

Embassy Suites
Provided services for renovation of Atrium, guestrooms, including project cost budgeting and design and brand coordination implementing Brand Moments package standards, Exterior, guestroom renovations. Converting nightclub to additional ballroom space. Guestroom ADA compliance
- Waltham, MA
- Downey, CA
- Columbus, OH
- West Palm Beach, FL

Hampton Inn
Implemented Perfect Mix lobby, Jump Start Fitness center, general upgrades to corridors, kitchen, exterior, guestroom renovations. Provided new construction services for a six story, 120 rooms, urban market hotel
- Ft. Walton Beach, FL
- Garden City, NY
- Concord, NH
- Des Moines, IA
- Tallahassee, FL

Homewood Suites
Change of Ownership PIP including renovations of public areas, including upgrades to lobby, breakfast area, guestrooms, corridors, and patio areas and entrances
- Charleston, SC

Renovation/New Construction (cont)

Hilton Garden Inn
Conversion opportunity, team coordination, PIP review and implementation, physical plant review, project budgeting, ADA compliance review. Renovations included implementing Stay Connected HSIA Solution, implemented Project Grow program to lobby signage, pavilion, restaurant and guestrooms implemented Project Grow requirement, project budgeting, review with designers
- Emeryville, CA
- New York, NY
- West Palm Beach, FL
- Pittsburgh, PA
- Akron, OH
- Durham, NC

Doubletree
Implemented a custom design package to lobby, restaurant, meeting rooms, guestrooms, guestroom ADA compliance, and exterior upgrades. Overseeing CAP-EX initiative of the hotel and waterpark (Danvers)
- Key West, FL
- New York, NY
- Danvers, MA

Hilton
Change of Ownership PIP including renovations of public areas, including fitness center, upgrades to lobby bar area, executive lounge and patio areas to reflect elements of natural surrounding outdoor areas
- Burlington, VT
- Boston, MA

STARWOOD

Sheraton
Renovation includes redevelopment of lounge and modification of lobby
- Oklahoma City, OK

Four Points
Change of Ownership PIP, upgraded guestrooms and bathrooms, public space and meeting rooms
- Philadelphia, PA (Airport)

Element
Upgraded guestrooms, bathrooms, and public space
- Lexington, MA

Aloft
Upgraded guestrooms, bathrooms, corridors, public space, meeting rooms and parking lot
- Lexington, MA
- Bentonville, AR
- Philadelphia, PA (Airport)

HYATT

Hyatt House
Upgraded guestrooms, bathrooms, corridors, public space, meeting rooms and exterior
- Santa Clara, CA
- Emeryville, CA
- San Ramon, CA
- Austin, TX

Hyatt Place
Upgraded guestrooms, bathrooms, public space, meeting rooms and parking lot
- Fremont, CA

CARLSON

Radisson
Conversion and renovations of guestrooms, meeting space, pool, corridors, lobby, and exterior
- Jacksonville, FL

INTERCONTINENTAL

Crowne Plaza
12 year refresh including implementing a custom design package to meeting rooms, guestrooms
- Englewood, NJ

Holiday Inn Express
18 year refresh, new lobby/market package, breakfast area, meeting room, guestroom and ADA upgrades
- Auburn, AL (2015 renovation of the year)

IHG Staybridge
4 year refresh Change of Ownership PIP including team coordination, renovations to guestrooms, public spaces, ADA upgrades and corridors
- Austin, TX

Quality Assurance/Quality Control

HILTON

Doubletree

Site observation, weekly calls with ownership, Project Management monthly report status review, monthly draw review

• Manhattan, NY

MARRIOTT

Towneplace Suites

Provided the following services for all listed properties as part of a portfolio acquisition: Budget review, project schedule maintenance, draw reviews, team supervision, project management reports review, mediate challenges, design, contractor and procurement recommending, site observation

• Cleveland, OH
• Columbus, OH
• Worthington, OH
• Gahanna, OH
• Cincinnati Northeast, OH
• Cincinnati Blue Ash, OH
• Findlay, OH

Springhill Suites

Provided the following services for both listed properties as part of a portfolio acquisition: Budget review, project schedule maintenance, draw reviews, team supervision, project management reports review, mediate challenges, design, contractor and procurement recommending, site observation

• Gahanna, OH
• Cincinnati Northeast, OH

Renaissance

Provide observation, weekly calls with ownership, Project Management monthly report status review, monthly draw review

• Pittsburgh, PA

Courtyard

Provided the following services for all listed properties as part of a portfolio acquisition: Budget review, project schedule maintenance, draw reviews, team supervision, project management reports review, mediate challenges, design, contractor and procurement recommending, site observation

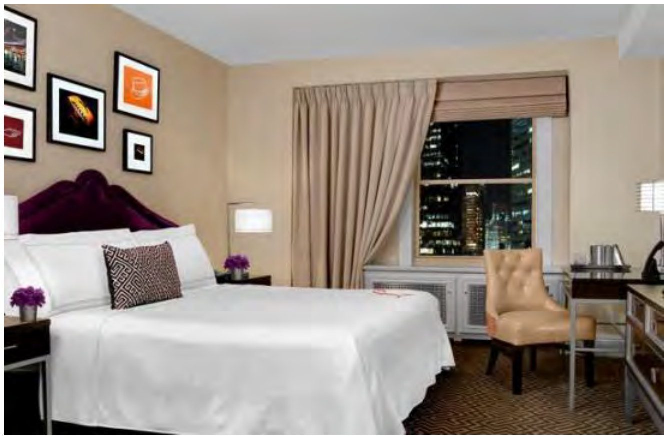
• Independence, OH
• Westlake, OH
• Cleveland, OH (Airport South)
• Cleveland, OH (Airport North)
• Covington, OH
• Maumee, OH
• Rossford, OH

Residence Inn

Provided the following services for all listed properties as part of a portfolio acquisition: Budget review, project schedule maintenance, draw reviews, team supervision, project management reports review, mediate challenges, design, contractor and procurement recommending, site observation

• Worthington, OH

Case Study – Autograph Collection – NYC, NY


Guestroom After


Lobby After

The Opportunity

Brought in to complete the project after the first PM failed to keep up with their responsibility in getting the project completed timely and within budget. Project manage a change of ownership PIP of the 712 room, 28 story Radisson Hotel, that included increasing the room count by 12 keys, undertaking multiple environment challenges associated with a 1920's era building and dealing with landmark approvals. Scope included complete upgrades to all guestrooms, guest bathrooms, corridors, al public spaces, new fire life safety systems, ADA upgrades, environmental abatement and mechanical system challenges. Hotel remained opened with a schedule of eight months for completion. Additional challenges included overcoming an electrical fire (caused by the city) that shut the hotel down for 10 days and compensating for city wide labor shortages.

The Results

Rooms were taken out of service, rolling four floors at a given time. Rooms were stripped to plaster walls including the removal of lead base paint. All public spaces were redeveloped to accommodate the Autograph Collection brand requirements. Rooms were added on multiple floors to increase revenue and add value to the asset. The lobby was redeveloped to include a larger lounge area. A restaurant was converted into a prefunction area with multiple meeting spaces. A complete new fire sprinkler system was ins and included the replacement of a 1950's era DC powered fire pump and fire alarm system.

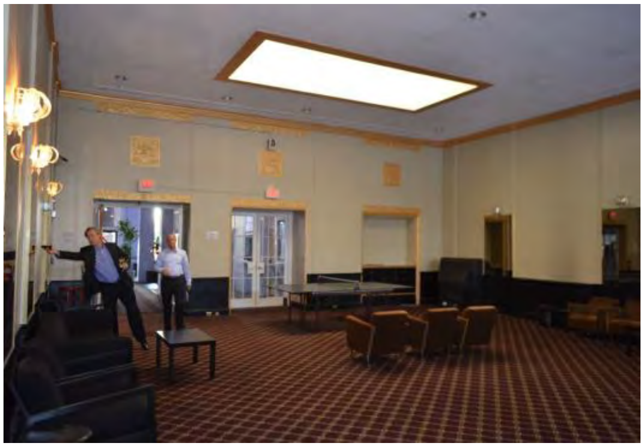
Case Study – Courtyard – San Francisco, CA

Before

After

Before

After



Before

After

Opportunity

Convert a 17 story 1928 historical landmark building from student housing into an upscale select service hotel that met brand requirements, strict fire life safety needs of the municipality and increase room count to maximize ROI.

The property is located within an up and coming market. The building consisted of smaller outdated rooms and bathrooms, environmental issues, electrical and plumbing systems past their useful life, no cooling in the building, limited fire exits, an antiquated elevator system and a structure that did not meet current seismic requirements. The exterior façade of the building could not be modified due to the historical nature of the building.

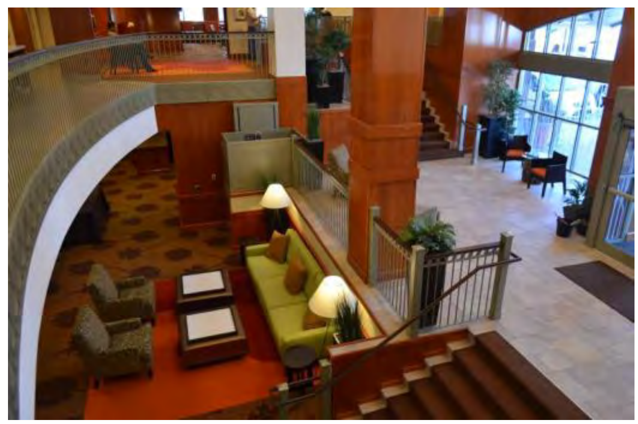
The Results

150 guestrooms were stripped to plaster walls which included the removal of all exposed piping which had been installed over the course of the building's history. All public spaces and antiquated systems were removed. Sixteen additional rooms were added on the first floor and basement level. Light wells were created by removing sections of flooring to help meet city requirements for egress and light exposure. A four pipe system installed to supply cooling and heating requirements to all guestrooms and public areas, including supporting a new chiller at the roof level. A stairwell was constructed inside the building from the roof level to the lobby level replacing a fire escape. In addition, a smoke evacuation system as well as a new fire alarm and fire suppression system was installed to meet brand standards.

Rooms were fully renovated including remediation of lead base paint and asbestos material. A local design team was hired to create a boutique ambiance to complement the character of the building and also satisfy the brand requirement.

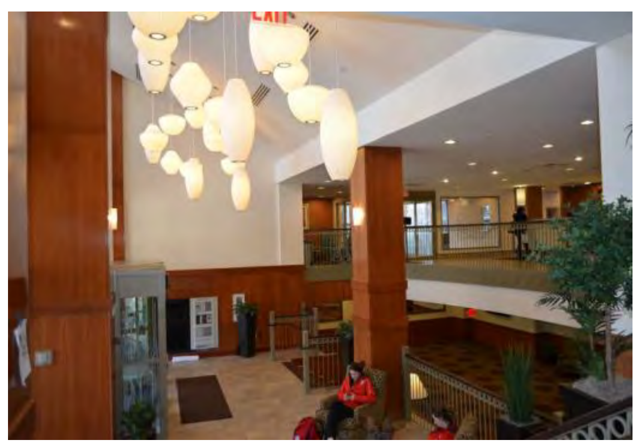
Case Study – Hilton Garden Inn – Pittsburgh, PA

Before



After

Before



After

Before

After

The Opportunity

Converted a 12 story Wyndham into a Hilton Garden Inn to meet brand requirements, current mechanical, fire life safety and ADA codes. The assignment included reconfiguring the count to add four additional keys, to maximize ROI and add asset value.

The ownership found an undervalued asset in an up and coming urban market where redevelopment and growth was occurring. The building consisted of outdated public spaces, guestrooms, bathrooms, as well as mechanical and electrical systems. The exterior façade required both horizontal and vertical enhancements.

The Results

198 guestrooms were stripped to the drywall. Bathrooms were gutted to the stud walls. All public spaces were redeveloped including enclosing an underutilized 20-foot high ceiling. The front desk was relocated to coincide with the new point of arrival. Rooms were upgraded to the current brand scheme which included additional electrical support power requirements. Mechanical systems upgrade included installing a new fresh air system in the guestroom corridors. Meeting rooms and the fitness area were created from unused office space and storage rooms. Sound attenuation material and new windows were installed to mitigate street noise. The restaurant was reconfigured to include a lounge that overlooks the lobby area. All fire life safety systems were upgraded to meet current state and local codes. The hotel was awarded best Hilton Garden Inn Conversion of the Year by the Brand.

In addition, a smoke evacuation system as well as a new fire alarm and fire suppression system was installed to meet brand standards. Rooms were fully renovated including remediation of lead base paint and asbestos material. A local design team was hired to create a boutique ambiance to complement the character of the building and also satisfy the brand requirement.

ABOUT US

We are a dynamic, high-growth Architecture, Engineering, and Interior Design firm with a multi-discipline Facility Assessment division. We are living out our mission of Building Relationships Based on Trust and Results.

Empowered individual leadership and creativity embody the strengths of our design teams. We are a dynamic, high-growth **Architecture**, **Engineering**, and **Interior Design** firm with a multi-discipline **Facility Assessment** division. Our established regional teams are strengthened by the depth of our experience and are united by an ambitious spirit and proven ability to manage projects.

THE POWER OF 2 — BUILDING RELATIONSHIPS BASED ON TRUST AND RESULTS

The People of K2M are our most valuable resource and your Project is their passion. That is the drive behind our design services. Our professionals are invested in nurturing long-term relationships and the ongoing success of your projects. We are living out our mission of Building Relationships Based on Trust and Results.

K2M is proud to be servicing clients in various markets, including: Hospitality, Senior Living, Government, Corrections, Commercial Office, Retail, Residential, and Education.

Our Services

K2M provides a One-Stop Shop with a full menu of professional services. We work closely with our clients to understand contextual requirements, project needs, budgetary goals, and project site conditions, offering a variety of services to execute your project effectively.

We know that our talented and passionate team is what truly sets us apart from the competition. We strive to build relationships based on trust and results and our strength is in our ability to listen, understand, and communicate throughout the design and construction process. We are committed to being your partner from day one to day done!

Award Winning

AWARD WINNER

Over the years our firm has been recognized for our design excellence and our business. Many of our team members have been honored for their professionalism and incredible skills. We are extremely proud of these honors as they validate our firm as being a leader in the industry and exemplifies our team's talents, creativity and innovation.

GSA Schedule

K2M Design is a GSA Schedule Contract Holder on the Federal Supply Schedule for Facilities Maintenance and Management (03FAC) Solutions for Real Property.

GET TO KNOW K2M

COMPANY NEWS

Cleveland Marriott Downtown wins Hospitality Interior Design of the Year

K2M Design Receives Multiple Award Schedule through the GSA

K2M Design® Indianapolis Office Continues to Grow

OUR EMPLOYEES SAY...

"When I think about K2M I think about the word "challenge". Everyday we have the ability to work on projects, with people, all over the US and abroad. There are so many types of construction, codes and personalities to learn that everyday contains a chance to

KINSETH
HOSPITALITY COMPANIES

KEY ATTRIBUTES

Key Attributes for Kinseth Hospitality Companies (KHC) Management of the Tapestry Hotel by Hilton - Urbana, Illinois

We believe Kinseth Hospitality Companies (KHC) is uniquely qualified to be selected as the Management Company for the operations and sales/marketing functions of the Tapestry Hotel by Hilton - Urbana.

- KHC is a 3rd generation, family owned and operated hotel management and development company, that has a vast amount of operations, marketing/sales, and brand/hotel repositioning experience with properties very similar to the Tapestry by Hilton.
- During the last recession, KHC has operated a number of distressed hotel assets as a Receiver for the Court, and also managed a number of hotels for financial institutions. This experience has given us exposure to many difficult operating situations that these hotels have encountered in a variety of locations and markets. We understand the need for financial controls and the reinvigoration of sales and marketing initiatives for repositioning hotel assets.
- KHC is an operator of high volume, chain affiliated restaurants, and we have multiple hotels that feature the same size meeting space of the subject property. We know the sales aspects of the catering business and food service operations of hotels.
- As a franchisee of multiple hotel companies, and as a developer, we know how to cost effectively manage the renovation of hotels and we understand the PIP process involved with these organizations. Within our portfolio we have converted brands and completed major renovations to a number of hotels.

KHC would be described as a hands-on management company. We utilize a Director of Operations that oversees the General Managers for each of our properties that would be overseeing the hotel. KHC as has Corporate Sales and Marketing and E-Commerce Management from our home office in North Liberty, Iowa that would direct the sales and marketing effort of the property level staff.

ABOUT KINSETH

Kinseth Hospitality Companies

Kinseth Hospitality Companies is a Midwest hospitality management and development company with a large and diverse portfolio. Headquartered in North Liberty, Iowa, Kinseth Hospitality offers an approachable, hands-on style of management. As a hospitality management company, we commit to providing many proven operational systems in all facets of the hospitality business, from hotel development to daily hotel management services.

Staffed in all areas of hotel management and development, Kinseth Hospitality has assembled an experienced team of hospitality professionals who continually support property level managers in order to benchmark performance against major competitors, maximize quality, market share, and profitability. Our extensive background, coupled with a seasoned executive team, fosters a culture that is oriented toward success!

Our Mission

The mission of Kinseth Hospitality Companies is to continue to grow as one of the most competitive, hard-working, and performance driven hotel management companies in the country. We do this by upholding a commitment to hire, train and develop the most talented associates in the industry, to take exceptional care of our guests, and deliver result driven financial success to our business owners, investors, and developers.

KINSETH VALUES

Values & Culture

At Kinseth Hospitality we pride ourselves on our solid values and strong moral compass. Treating our guests, employees, and owners with a respectful and honest approach has been the foundation of our company and culture. We exemplify these values in everything we do.

World-Class Hospitality, Every Guest, Every Time

Kinseth Hospitality has a diverse portfolio of hospitality businesses. We believe that World-Class Service is achieved through our employees and associates, through their commitment to serve each guest with a smile. As a team, we strive to treat each guest as our number one priority, worthy of our upmost attention and gratitude.

Commitment To Excellence

We are dedicated to fostering a World-Class Service culture with all of our guests, employees, owners and vendors. We do this by practicing positive engagement, responsiveness to needs, and a passion to serve others.

Candid Leadership

We believe in an open, honest and engaging leadership approach at all levels, that builds accountability, trust and respect for all. We focus on equitable fair business practices and developing people through focused training.

Kinseth Hospitality Companies

OPERATIONS

Hotel Operations Management

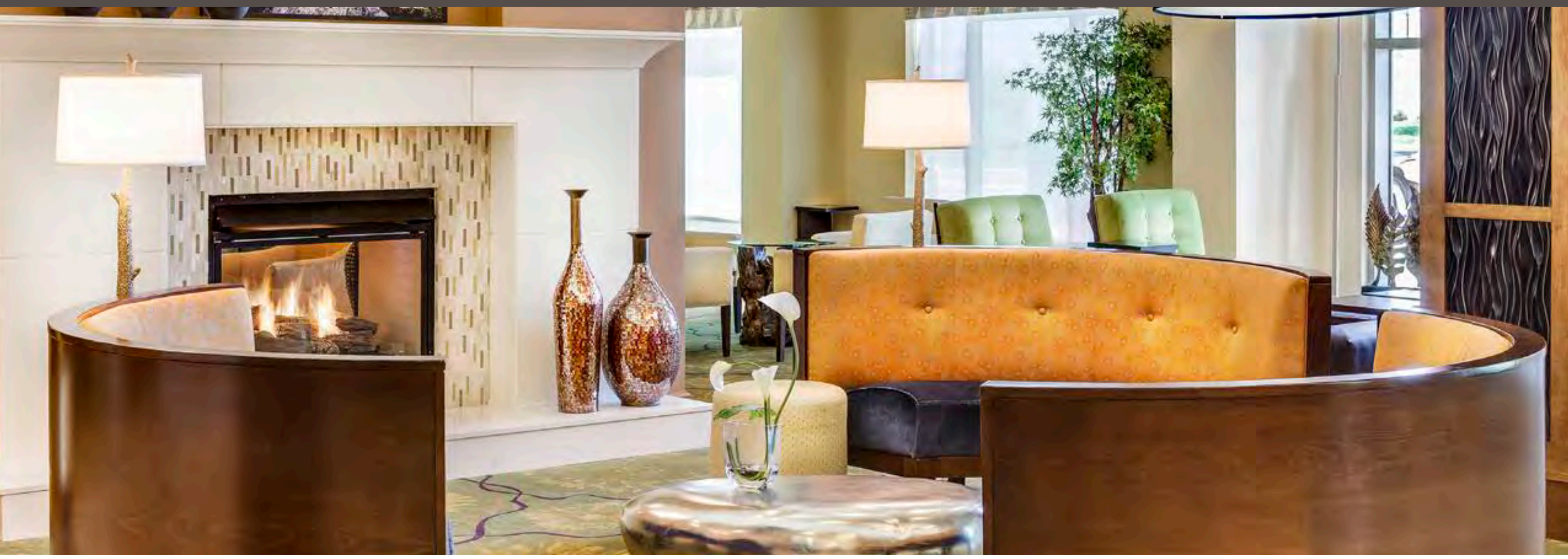
Kinseth Hospitality Companies' hands-on management style is best exemplified through the active involvement of our Directors of Operations with each of the assets they supervise. Every property is intently managed and receives continuous involvement from our senior level executives and corporate staff. This includes ongoing operational reviews conducted with the property management staff using industry benchmarks, Kinseth Hospitality's in-depth hotel industry experience, and hospitality brand standards as our guides.

Kinseth Hospitality's daily hotel operational expertise centers on providing high quality products and superior customer service to all our hotel guests. It is our ongoing goal to drive high standards of service and offer guests at our hotels superior quality and value. Our operational services include:

- Turnkey Project Management
- Preventative Maintenance Programs
- Internal Audit Functions
- Guest and Employee Safety Programs
- Franchise Compliance Security
- Proven Housekeeping Systems
- Property, Corporate and Franchise Training
- Property Inspections
- Cost Containment Programs

KINSETH
HOSPITALITY COMPANIES

SALES & MARKETING



Hotel Sales & Marketing Management

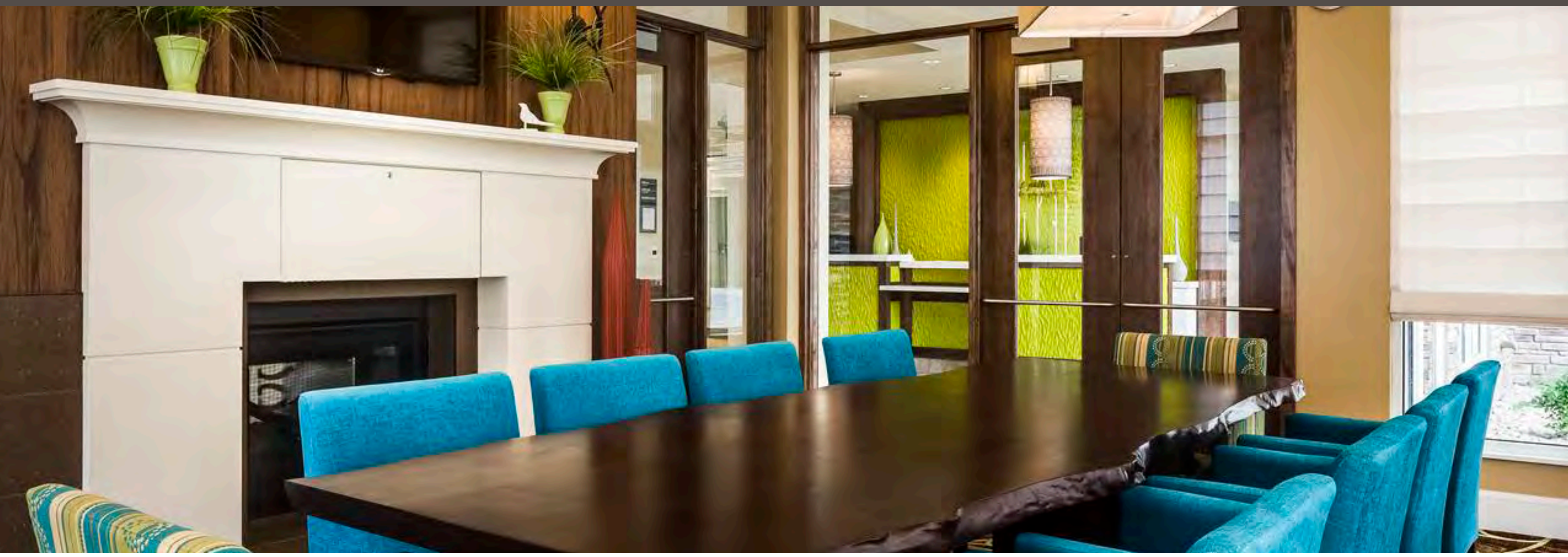
In the highly competitive hospitality environment, marketing takes on the most important role in the success of a hotel or restaurant.

Our hotels and restaurants are supported by a highly motivated corporate sales and marketing team. This seasoned team of hospitality professionals work with General Managers and Directors of Sales to create a sales focused culture within each business unit.

All of our sales and marketing initiatives are evaluated from a return on investment perspective. We use technology to track the return for our most important investment, our sales department. Through regular property visits, our corporate sales professionals provide training and education to maximize inside and outside hospitality sales department bookings. Our hospitality sales & marketing services include:

- Professional Creative Design Team
- Targeted Promotion and Advertising
- E-commerce, Social & Internet Marketing
- Social Review Monitoring and Management
- Sales Office Management and Audits
- Professional Revenue Management
- Competitive Positioning
- Pre-opening Marketing
- Niche Marketing
- Hotel Banquet & Catering Sales and Promotion
- Maximization of Franchise Programs

FINANCIAL MANAGEMENT



Hotel Financial Management

Kinseth Hospitality believes successful hospitality management begins with a strong financial plan. Our approach to financial management is to provide you with useful and timely information that allows us to maximize sales growth and monitor expenditures. By implementing our systems and proven procedures, we can help each property reach its financial goals and increase the return on investment. We offer:

- Centralized Accounting and Cash Management
- Detailed Financial Reports
- Annual Budgeting
- Payroll Services
- Internal Audit
- Daily & Weekly Reporting Systems
- Centralized Purchasing
- Comprehensive Insurance Administration
- Dedicated IT

Kinseth Hospitality has pre-negotiated many national contracts for the purchase of supplies and also maintains an ongoing, strong purchasing program through a purchase order system. These systems are designed to control expenditures at the property level and geared toward maximizing all dollars by ensuring that all expenditures go through an authorization and approval system. Additionally, our affiliation with many hotel brands allows us to leverage national contracts to the greatest benefit and find the lowest prices available.

KINSETH
HOSPITALITY COMPANIES

FOOD & BEVERAGE

Hotel Food & Beverage Management

Kinseth Hospitality Companies' extensive food and beverage management experience includes high volume branded restaurants, catering, and convention services. We work to maximize the entire hospitality investment by managing all facets of the hospitality business in order to increase profit. Our food and beverage services include:

- Cost & Inventory Control
- Menu Planning & Design
- Negotiated National Purchasing
- Restaurant Promotion & Advertising
- Hospitality Service & Quality Initiatives
- Banquet & Catering Concept Development
- Sanitation Health & Safety Education

Regardless of the size of the facility, Kinseth Hospitality will provide the best solution for food and beverage needs. We believe every segment of a business should contribute to bottom line success.

Kinseth Hospitality Companies operates branded and independent restaurants as well as catering services in multiple locations which assist our banquet operations.

Construction Office: 808 Hwy 18 East | Clear Lake, IA 50428 | (641) 357-4550 | info@kinseth.com | www.kinseth.com

Management Office: 2 Quail Creek Circle | North Liberty, IA 52317 | (319) 626-5600 | info@kinseth.com | www.kinseth.com

Les Kinseth

Les Kinseth has served as President of Kinseth Hospitality since its inception in 1981. Along with fellow members of the Kinseth Hospitality Board of Directors, he oversees and is involved in all operative facets of the company.

His position requires involvement in all hospitality acquisitions, new developments, new construction, major repositioning, and renovations. He has participated in all developments for Kinseth Hospitality and is involved in negotiation with management contract partners, franchise organizations, third party vendors (including contract execution with architects and general contractors), and equity investors.

In addition to his duties as President, Mr. Kinseth serves as head of Development/Construction Services and Facilities Management. His duties there include supervision of all capital improvement planning, asset management, and construction/renovation procurement for the company. In this role, Les also serves to oversee the architect and general contractor for new construction projects and for the re-development and re-concepting of existing hotels. He sets the direction for the entire Kinseth Hospitality portfolio, including construction planning and renovation.

As President of the company, Mr. Kinseth uses his extensive hotel experience to maximize the performance of the entire corporate organization of each hotel. Mr. Kinseth's career path demonstrates tremendous entrepreneurial spirit and vision for future growth. He carries an intense dedication to motivating associates with an uncompromising work ethic. He is highly competent in all facets of the hospitality industry, driving the company's success by utilizing his hospitality experience for the benefit of guests, owners, and employees.

Mr. Kinseth started in the hospitality business in 1980 after he received his BBS from the University of Iowa. Mr. Kinseth also grew up in the hospitality business, working for his father in all areas of hospitality operations.

Les was instrumental in moving Kinseth Hospitality into the role of General Contractor on a number of recent new hotel developments including the construction of the Marriott Courtyard – Ankeny, Iowa; Residence Inn – Lincoln, Nebraska; and the Hilton Garden Inn – Council Bluffs, Iowa.

EXECUTIVE BIOS

Bruce Kinseth

As Executive Vice President of Kinseth Hospitality, Bruce Kinseth and the rest of the Kinseth team have seen the company grow from a portfolio of three hotels, with $5,000,000 in revenue and 150 employees, to that of a fully integrated hospitality company, with the operation of over 65 hotels, 6 branded restaurants under multiple franchise brands, and the employment of more than 3,000 employees.

Mr. Kinseth has overseen the development of each functional department within Kinseth Hospitality. He has been actively involved in all facets of operations, including finance and accounting, sales and marketing, human resources, operations, asset management, franchise communications, franchise relations, construction, renovation, and development. From sales and marketing, to the negotiation and implementation of labor contracts with the unionized hotels, Mr. Kinseth is involved with every facet of operations on a daily front. He is instrumental in maintaining strategic and operational plans for Kinseth Hospitality.

Mr. Kinseth has experience with virtually all sizes and types of operations, from small-town, limited-service hotels, to large, full-service hotels featuring banquet and convention services and high volume, casual-themed, nationally-branded restaurants. He has participated in the acquisition of all of the hotels for the Kinseth Hospitality portfolio, including those from direct acquisitions and third party hotel management contracts. Mr. Kinseth has been named a Receiver by the Court for various banks and institutions, and has also administered private equity investments for hotel investors.

Bruce grew up within the hospitality industry, gaining knowledge and experience while working for his father, Ken Kinseth, who owned and operated the Cliff House in Decorah, Iowa. His education from the University of Iowa culminated when he graduated with a BBS in Business in 1981. Upon completion of his degree, Mr. Kinseth immediately started his career in the hospitality industry, operating in all functional areas of hotel management.

Bruce has been invited as a guest speaker and panelist at many hotel conferences, including conferences regarding distressed real estate assets, given the multiple Receivership actions where Kinseth Hospitality is safe guarding assets for the Court.

KINSETH
HOSPITALITY COMPANIES

MEETING SPACE & EVENT CENTERS

Full Service Hotels & Event Space

Kinseth Hotel Companies currently operates the following hotels featuring full service meeting space.

Best Western	Clear Lake, IA	144	7,200 sq. ft.
Courtyard by Marriott	Ankeny, IA	119	6,000 sq. ft.
Courtyard by Marriott	Bellevue, NE	122	25,000 sq. ft.
Courtyard by Marriott	Columbia, MO	134	6,000 sq. ft.
Hilton Garden Inn	Bettendorf, IA	115	2,600 sq. ft.
Hilton Garden Inn	Iowa City, IA	143	2,700 sq. ft.
Hilton Garden Inn at Horseshoe Casino	Council Bluffs, IA	153	5,500 sq. ft.
Hilton Garden Inn	Omaha, NE	123	2,200 sq. ft.
Holiday Inn	Dubuque, IA	193	9,500 sq. ft.
Holiday Inn	Wichita, KS	260	10,300 sq. ft.
Holiday Inn Hotel & Conference Center	Rock Island, IL	175	9,000 sq. ft.
Holiday Inn Hotel & Suites	Council Bluffs, IA	187	5,670 sq. ft.
Holiday Inn Hotel & Suites	Des Moines, IA	199	15,000 sq. ft.
Holiday Inn Hotel & Suites	Overland Park, KS	190	11,000 sq. ft.
Marriott	West Des Moines, IA	219	14,000 sq. ft.
Radisson Hotel & Convention Center	Coralville, IA	96	6,500 sq. ft.
Sheraton	Minneapolis, MN	136	2,300 sq. ft.
Courtyard & Convention Center *(Opening in 2019)*	Sioux City, IA	150	54,000 sq. ft.

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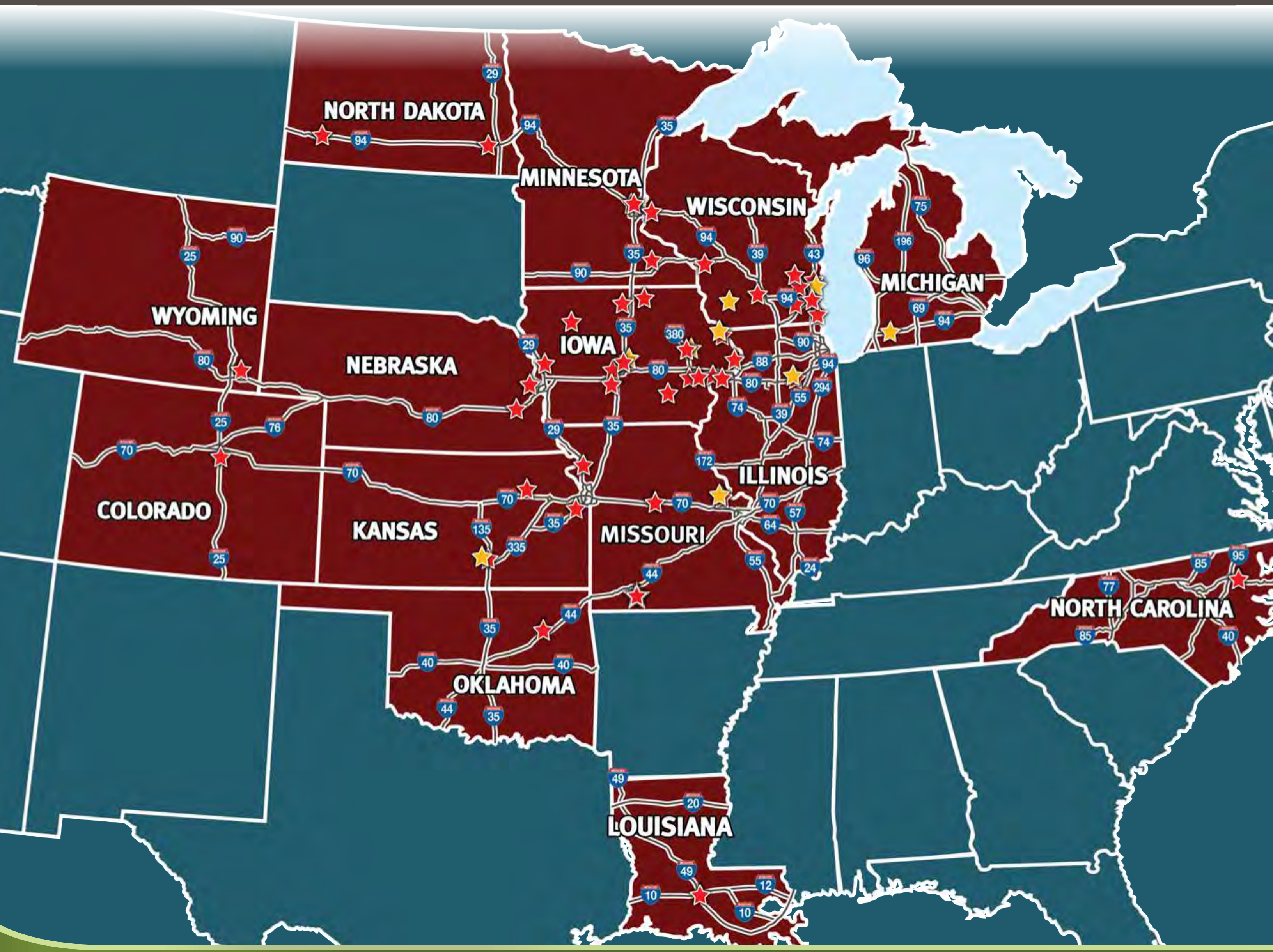
KINSETH
Hospitality Companies

FULL & SELECT SERVICE PORTFOLIO



As a leader in the hospitality field and Iowa's largest hotel operator, Kinseth Hospitality Companies (KHC) owns and/or operates over 80 hotels and 5 chain-affiliated restaurants in 14 states. Our extensive background coupled with a seasoned executive team fosters a culture that is oriented toward success. KHC's ongoing mission is to build value for our guests, associates and investors.

Holiday Inn AN IHG HOTEL | HOME2 SUITES BY HILTON | MARRIOTT | Hilton Garden Inn | TOWNEPLACE SUITES BY MARRIOTT

Construction Office: 808 Hwy 18 East | Clear Lake, IA 50428 | (641) 357-4550 | info@kinseth.com | www.kinseth.com

Management Office: 2 Quail Creek Circle | North Liberty, IA 52317 | (319) 626-5600 | info@kinseth.com | www.kinseth.com

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ILLINOIS

Freeport
Hampton Inn
109 S. Galena Avenue
(815) 232-7100

Minooka
Hampton Inn & Suites
621 Bob Blair Road
(815) 828-6450

TownePlace Suites
630 Bob Blair Road
(815) 828-4900

Rock Island
Holiday Inn Hotel
& Conference Center*
226 17th Street, Suite 1
(309) 794-1212

IOWA

Ankeny
Courtyard by Marriott
2405 SE Creekview Drive
(515) 422-5555

Homewood Suites
2455 SE Creekview Drive
(515) 963-0006

Ramada***
133 SE Delaware Avenue
(515) 964-1717

Bettendorf
Hilton Garden Inn
959 Middle Road
(563) 265-2121

Cedar Rapids
Country Inn & Suites
9100 Atlantic Drive SW
(319) 363-3789

Tru by Hilton
3900 Westdale Parkway SW
(319) 238-7300

Clear Lake
Best Western - Holiday Lodge*
2023 7th Avenue North
(641) 357-5253

Clinton
Holiday Inn Express & Suites
2800 S. 25th Street
(563) 242-9300

Coralville
Holiday Inn Express & Suites
970 25th Avenue
(319) 625-5000

Radisson Hotel
& Conference Center***
1220 1st Avenue
(319) 351-5049

Hampton Inn
1200 1st Avenue
(319) 351-6600

Council Bluffs
Hilton Garden Inn
2702 Mid America Drive
(712) 309-9000

Holiday Inn & Suites
at Ameristar Casino
2202 River Road
(712) 322-5050

Hampton Inn
2204 River Road
(712) 328-2500

Creston
Rodeway Inn
804 West Taylor
(641) 782-6541

Davenport
Comfort Inn & Suites
8300 Northwest Boulevard
(563) 324-8300

Des Moines
Holiday Inn & Suites -
Des Moines Northwest*
4800 Merle Hay Road
(515) 278-4755

Econo Lodge Inn & Suites
410 East 30th Street
(515) 218-2525

Dubuque
Holiday Inn***
450 Main Street
(563) 556-2000

Hampton Inn
3434 Dodge Street
(563) 690-2005

TownePlace Suites
1151 Washington Street
(563) 258-4500

Fairfield
Best Western
Fairfield Inn***
2200 West Burlington Avenue
(641) 472-2200

Iowa City
Hilton Garden Inn***
328 S. Clinton Street
(319) 248-6100

Mason City
Hampton Inn & Suites
2111 4th Street SW
(641) 435-7500

Sioux City
Sioux City Convention Center
801 4th Street
(712) 279-4800

West Des Moines
Homewood Suites
6220 Stagecoach Drive
(515) 218-7500

Hampton Inn & Suites
6160 Mills Civic Parkway
(515) 218-1110

West Des Moines Marriott
1250 Jordan Creek Parkway
(515) 267-1500

Holiday Inn Express
240 Jordan Creek Parkway
(515) 223-4050

KANSAS

Manhattan
Fairfield Inn
300 Colorado Street
(785) 539-2400

Overland Park
Holiday Inn & Suites**
8787 Reeder Road
(913) 888-8440

Wichita
Holiday Inn**
549 South Rock Road
(316) 686-7131

LOUISIANA

Lafayette
Courtyard by Marriott
214 E. Kaliste Saloom Road
(337) 232-5005

MICHIGAN

Niles
Holiday Inn Express
1000 Moore Drive
(269) 684-0300

MINNESOTA

Minneapolis
Sheraton Minneapolis Midtown
2901 Chicago Avenue S
(612) 821-7600

Rochester
Residence Inn Rochester
Mayo Clinic Area
441 W Center Street
(507) 292-1400

Marriott Rochester
Mayo Clinic Area
101 1st Avenue SW
(507) 280-6000

Kahler Inn & Suites
9 3rd Avenue NW
(507) 285-9200

Kahler Grand Hotel
20 2nd Avenue SW
(507) 280-6200

St. Paul
DoubleTree by Hilton
2201 Burns Avenue
(651) 731-2220

MISSOURI

Columbia
Courtyard by Marriott
3301 LeMone Industrial Blvd
(573) 443-8000

St. Charles
Country Inn & Suites
1190 South Main Street
(636) 724-5555

Tru by Hilton
333 Camelback Road
(636) 669-2500

NEBRASKA

Bellevue
Courtyard by Marriott
3730 Raynor Parkway
(402) 287-7300

Lincoln
Residence Inn by Marriott
5865 Boboli Lane
(402) 423-1555

Hampton Inn & Suites
7343 Husker Circle
(402) 435-4600

Omaha
Element by Westin
3253 Dodge Street
(402) 614-8080

Hilton Garden Inn
17879 Chicago Street
(402) 289-9696

Home2 Suites by Hilton
17889 Chicago Street
(402) 289-9886

NORTH CAROLINA

Rocky Mount
Country Inn & Suites
672 English Road
(252) 442-0500

NORTH DAKOTA

Stanton
Coal Country Inn
312 Harmon Avenue
(701) 745-3000

OKLAHOMA

Tulsa
Courtyard by Marriott
3340 S 79th E Avenue
(918) 660-0646

Fairfield Inn by Marriott
3214 S 79th E Avenue
(918) 663-0000

Residence Inn by Marriott
11025 E 73rd Street
(918) 250-4850

SpringHill Suites by Marriott
11015 E 73rd Street
(918) 254-1777

WISCONSIN

Brookfield
Home2 Suites by Hilton
650 Larry Court
(262) 342-1500

Dodgeville
AmericInn
3637 Wisconsin Highway 23

Grafton
Hampton Inn & Suites
2633 Washington Street
(262) 474-1000

TownePlace Suites
1601 Gateway Drive
(262) 618-8100

Hudson
Hampton Inn & Suites
2610 Pearson Drive
(715) 952-9959

Kenosha
Candlewood Suites
10200 74th Street
(262) 842-5000

Hampton Inn & Suites
7300 125th Avenue
(262) 358-9800

LaCrosse
Candlewood Suites
56 Copeland Avenue
(608) 785-1110

Menomonee Falls
Home2 Suites by Hilton
N91 W15851 Falls Parkway
(262) 737-7100

Menomonie
Super 8
1622 North Broadway
(715) 235-8889

Middleton
Country Inn & Suites
2212 Deming Way
(608) 831-6970

Milwaukee
Homewood Suites
500 North Water Street
(414) 563-1090

Sleep Inn & Suites - Airport
4600 South 6th Street
(414) 831-2000

West Bend
Hampton Inn & Suites
1975 South 18th Avenue
(262) 438-1500

WYOMING

Cheyenne
SpringHill Suites by Marriott
416 West Fox Farm Road
(307) 635-0006

Tru by Hilton
423 West Fox Farm Road
307-222-3600

COMING SOON

Tru by Hilton
Brookfield, WI
Peru, IL

TownePlace Suites
Marion, IA
Janesville, WI

Residence Inn
Ankeny, IA

Avid by IHG
Monona, WI
Roseville, MN

Courtyard by Marriott
Sioux City, IA

Element
Iowa City, IA

Homewood Suites
Dillon, CO

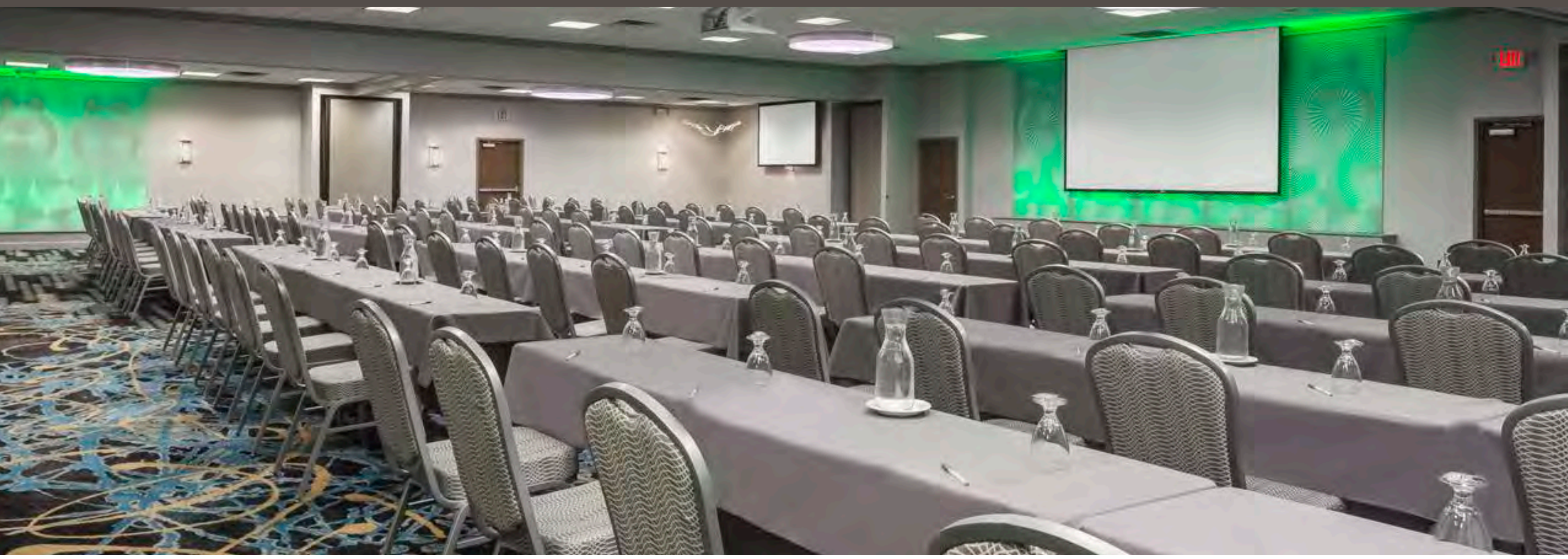
Holiday Inn Express & Suites
Beaver Dam, WI

SpringHill Suites by Marriott
Ames, IA

Staybridge Suites
Coralville, IA

* Bennigan's on-site
** Green Mill on-site
*** Independent Restaurant On-site

SIMILAR EXPERIENCE

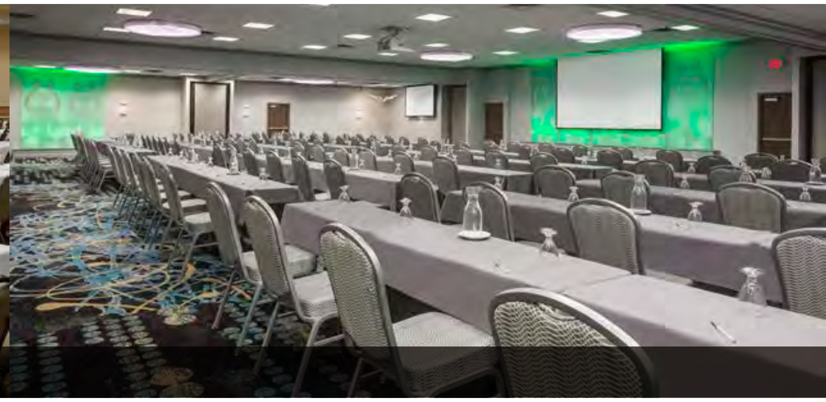


Coralville, Iowa – Hampton Inn and Radisson Hotel and Convention Center

This property opened in June of 1974 as an independent hotel, and was purchased by Kinseth Hospitality in July of 2001 and converted to a Holiday Inn. The hotel features 96 rooms and about 6,500 square feet of meeting space. The property was converted to a Radisson Hotel in December of 2015, and received a major interior and exterior renovation. Photos of the meeting space and restaurant/bar renovation are included in this report.

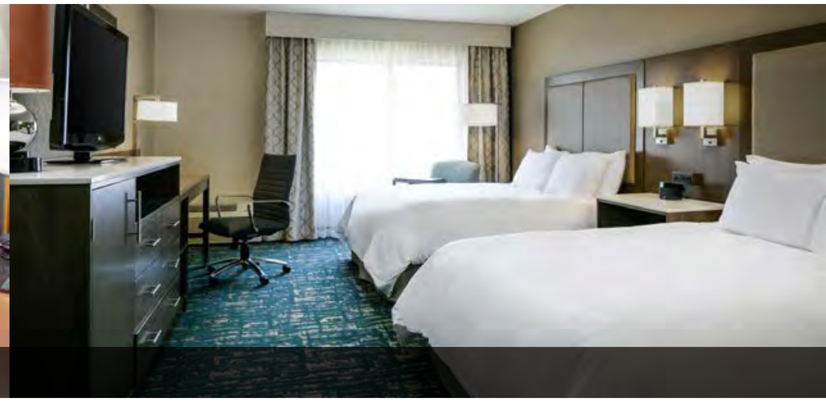
RADISSON | CORALVILLE, IA
BEFORE AND AFTER RENOVATION


LOBBY & FRONT DESK

BALLROOM & EVENT SPACE


PRE-FUNCTION SPACE

GUEST ROOM

KINSETH
HOSPITALITY COMPANIES

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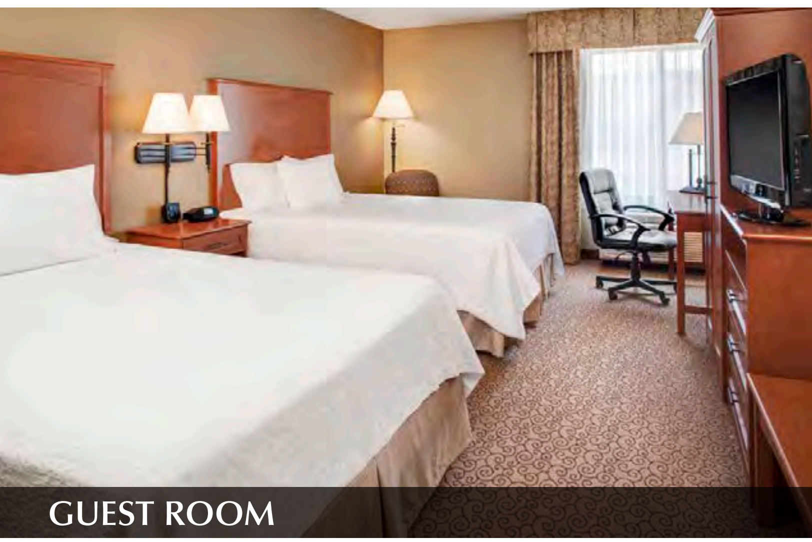
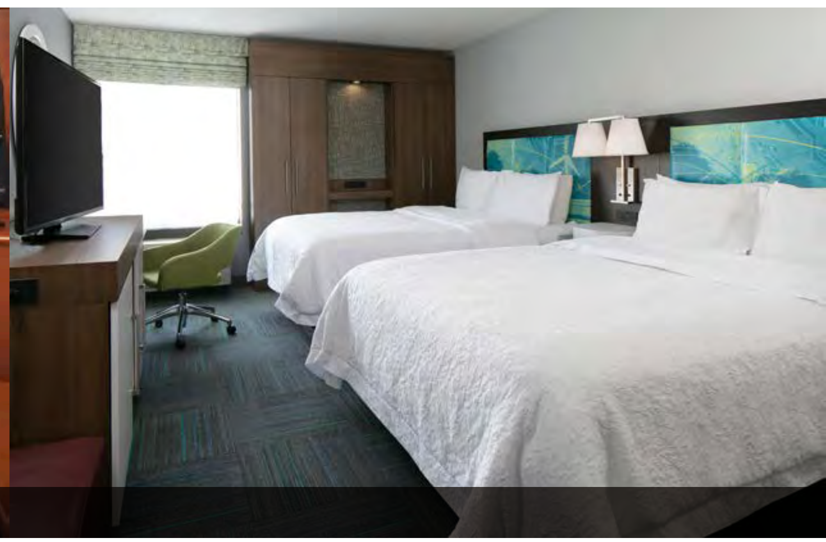
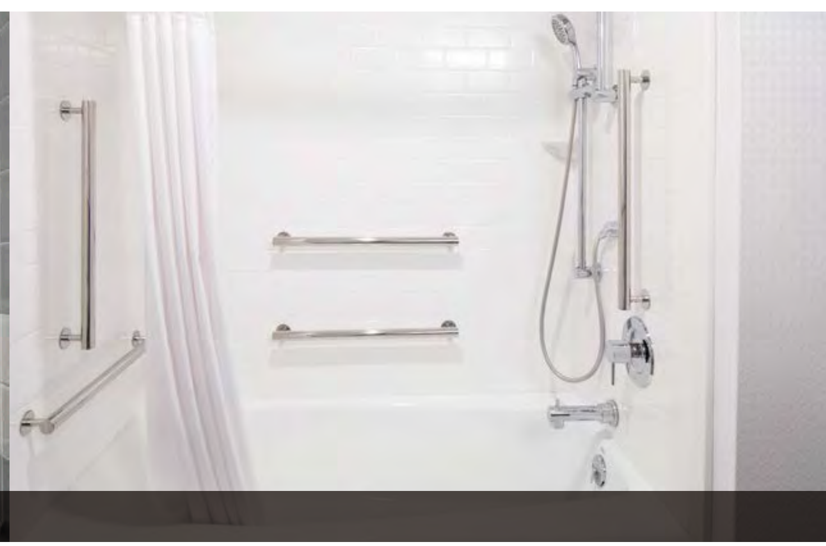
HAMPTON INN | CORALVILLE, IA
BEFORE AND AFTER RENOVATION


EXTERIOR

GUEST ROOM

ADA GUEST BATHROOMS

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SIMILAR EXPERIENCE

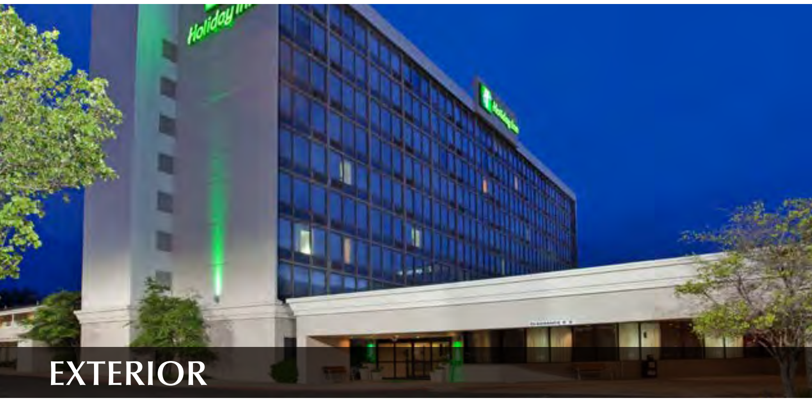
Wichita, Kansas – Holiday Inn – East I-35

This property opened in 1976 and features 199 guest rooms, and approximately 10,300 square feet of meeting space. The hotel entered the Kinseth portfolio in January of 2001 as it was purchased by a joint venture headed up by Kinseth Hospitality Companies. The property was operating as a Four Points by Sheraton, in 2001 when Kinseth Hospitality successfully converted the property to a full-service Holiday Inn.

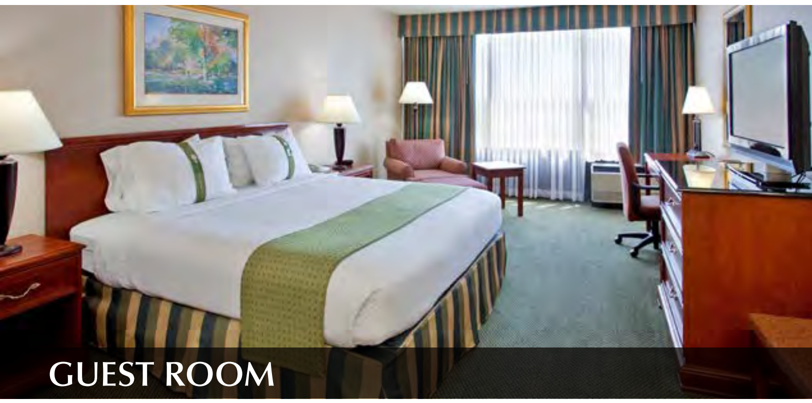
The hotel completed a renovation during 2015 (photos are attached). This renovation encompassed both the interior and exterior of the building, as the old 'window wall' system was removed.

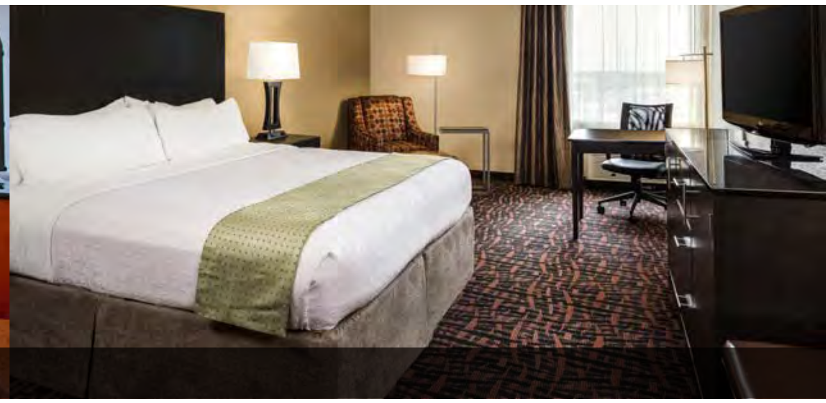
HOLIDAY INN | WICHITA, KS

BEFORE AND AFTER RENOVATION

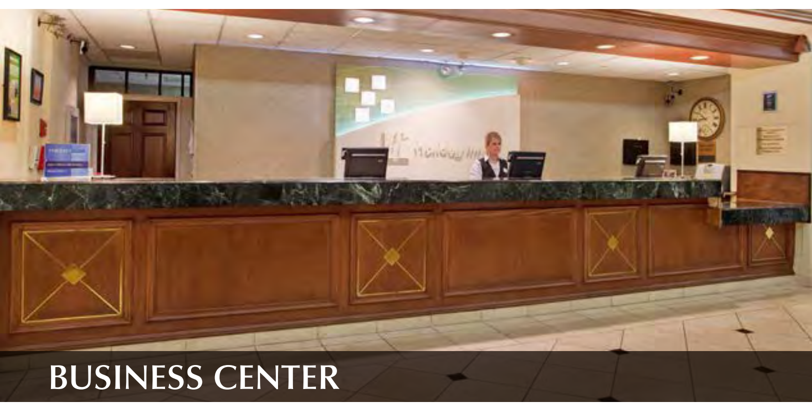


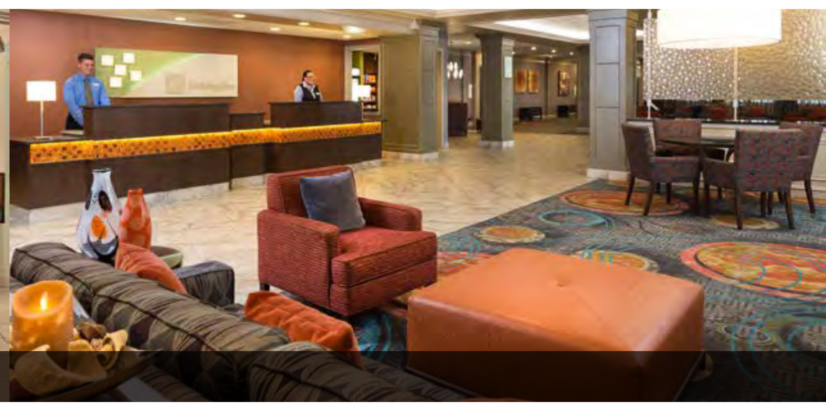
EXTERIOR





GUEST ROOM





BUSINESS CENTER

GREEN MILL RESTAURANT

KINSETH
HOSPITALITY COMPANIES

Construction Office:
808 Hwy 18 East, Clear Lake, IA 50428
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www.kinseth.com

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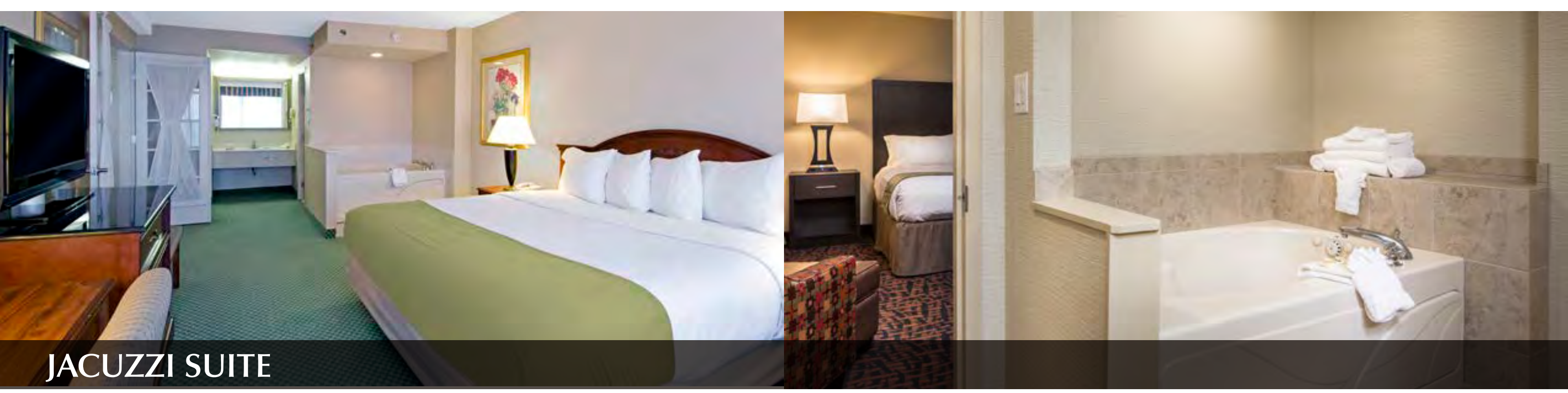
(319) 626-5600 • info@kinseth.com
www.kinseth.com

HOLIDAY INN | WICHITA, KS
BEFORE AND AFTER RENOVATION


MEETING ROOM


BOARDROOM


BALLROOM


JACUZZI SUITE

KINSETH
Hospitality Companies

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www.kinseth.com

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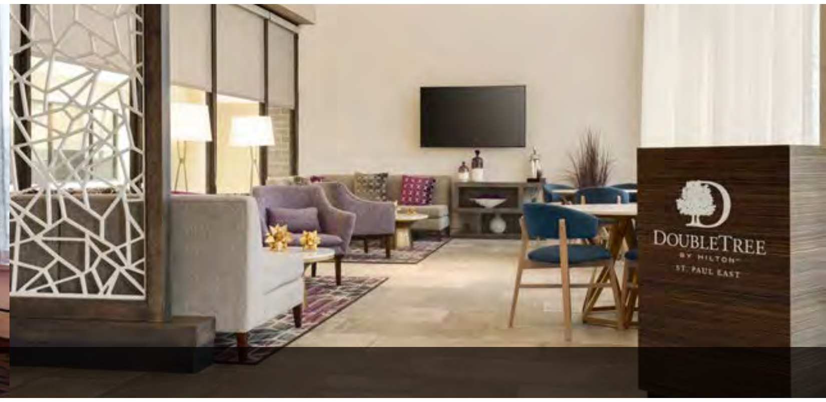
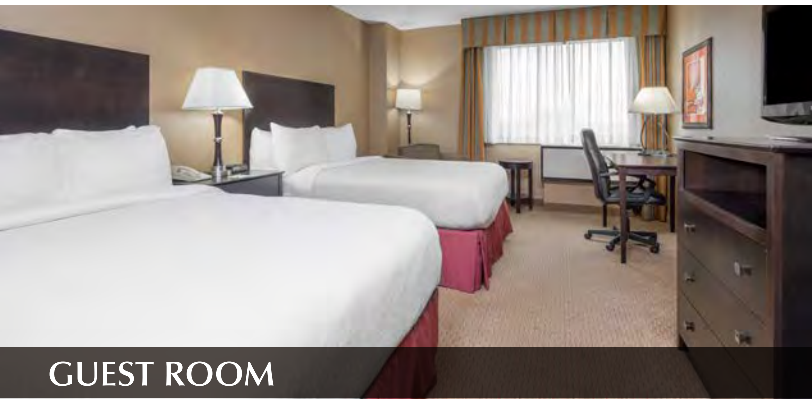
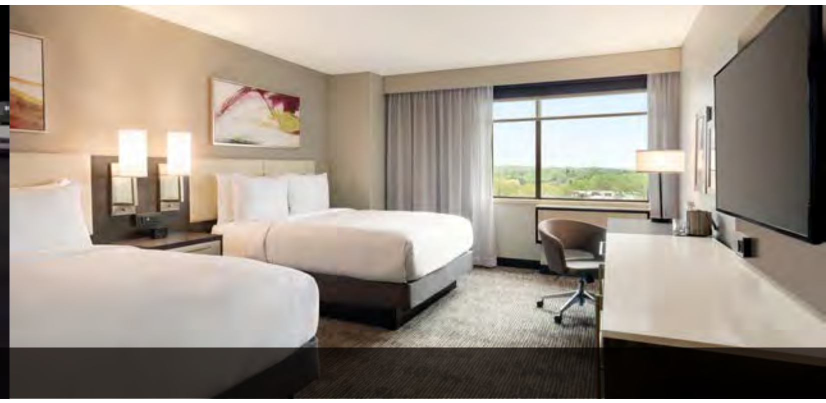
St. Paul, Minnesota – DoubleTree by Hilton

This property features 193 guest rooms, and approximately 10,000 square feet of meeting space. The hotel entered the Kinseth portfolio in 2016 and was operating as a Holiday Inn. The hotel completed a renovation of the hotel and on-site restaurant, McKnight's Kitchen & Tap, during 2018 and was rebranded to a DoubleTree by Hilton hotel.

DOUBLETREE | ST. PAUL, MN
BEFORE AND AFTER RENOVATION

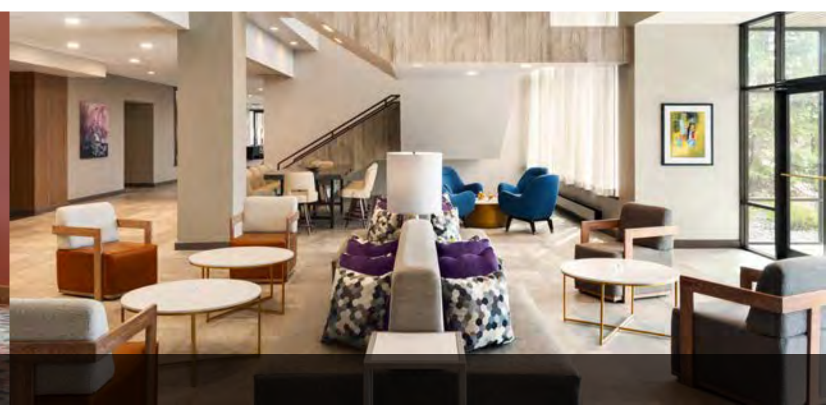



LOBBY SEATING AREA

GUEST ROOM


FRONT DESK

RESTAURANT LOBBY SEATING AREA

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www.kinseth.com

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www.kinseth.com

Patek Hospitality Consultants, Inc.
N57 W27841 Walnut Grove Court
Sussex, Wisconsin 53089
(262) 538-0445

June 18, 2019

Mr. Brandon Boys, AICP
Economic Development Manager
City of Urbana
400 South Vine Street
Urbana, Illinois 61801

Dear Mr. Boys:

We are pleased to provide you with our findings and recommendations regarding the proposed conversion of the Urbana Landmark Hotel to a Tapestry Collection by Hilton hotel. It should be noted that we did not conduct fieldwork and we did not prepare a Market Feasibility Study for this project. Our scope of services was to review information provided by the proposed developer including any due diligence documents about the Urbana-Champaign market, estimates of occupancy and average daily rate, and a five-year pro forma provided by the proposed management company for the Tapestry Collection by Hilton hotel.

Our research and analysis included discussions with you and review information that was forwarded to us by Woodmont Lodging including a five-year pro-forma prepared by Kinseth Hospitality Companies (proposed management company). We reviewed a publicly available Market Study for a proposed hotel conference center for downtown Champaign that was completed in February 2019 by Hotel Appraisers & Advisors, LLC (HA&A). We did not receive any additional market due diligence conducted for or by the potential buyer.

We ordered a Smith Travel Research (STR) report that included Hilton, Marriott, and Hyatt properties located in the market area. The STR report presents performance data for the period February 2016 to April 2019 and presents it as an aggregate for the identified competitive hotels. It should be noted that the I-Hotel & Conference Center does not participate in the STR report, therefore their performance data is not included in the aggregate information. We did review information about the I-Hotel that was included in the HA&A study for Champaign.

Background Information

It is our understanding that the Urbana Landmark Hotel has been closed since April 2016. In 2017, a proposal to redevelop the hotel by a New Jersey-based firm fell through due to the offer not being acceptable to the City of Urbana and the cost to the taxpayers. In December 2018, the current owner, Xiao Jin Yuan put the hotel up for auction and when that deal didn't come to fruition, the hotel was placed on a second auction.

A letter of intent to buy the property has been signed with Marksons Affiliates LLC, a Maryland-based firm run by real estate lawyer, Samuel M. Spiritos. A letter of intent has also been signed with the City of Urbana to redevelop the Urbana Landmark Hotel. We understand the development team is to include Woodmont Lodging, H-CPM construction project management, and the proposed hotel management company, Kinseth Hospitality Companies, although there is no agreement in place with the management company as of this writing.

Woodmont Lodging is a Maryland-based hospitality investment firm founded in 2015 by Elliott Estes and Michael Blank. Both principals have extensive experience in finance, transaction, and portfolio management in the hospitality industry. H-CPM is a New Jersey-based construction project management and owner representation firm specializing in managing hotel renovations, conversions, repositioning, and new construction projects. The firm's principal, Stephen Siegel, has over 25 years of experience in the industry. The proposed management company is Kinseth Hospitality Companies of North Liberty, Iowa. The company began in the 1960s and today offers full-service hotel management and development services for projects throughout the country. Their portfolio has over 75 hotels with all of the major brands including Hilton, Marriott, IHG, Best Western, Choice, Radisson, and others.

Tapestry Collection is Hilton's 14th brand and second collection brand that was launched in 2017. According to the Tapestry Collection website, there are 25 hotels in existence with 17 properties located in the eastern third of the country, six in the central U.S. and two in the western third. The Tapestry Collection includes a unique blend of hotels that retains an independent identity in an upscale hotel product and will include food and beverage service, meeting space, fitness center, and other facilities and amenities typical of an upscale full-service hotel. The Tapestry Collection hotels will provide flexibility to owners yet to be part of the extensive Hilton network that includes distribution services, Hilton Honors loyalty program, training, and property management system (PMS).

Information provided by Woodmont Lodging shows the hotel will have the following facilities and amenities. We understand the project is still a work in process and will be further defined once an architect is selected.

- 128 guest rooms
- Food & Beverage facilities – nearly all of the food and beverage will be serviced out of the kitchen and will service the ballroom, library, full-service restaurant dining area or something similar, and other lobby bar. The pub will likely be converted to additional meeting space or gallery with a prep area.
- Meeting Space – the Great Hall will be restored, the ballroom to be refurbished as well as other meeting rooms.
- Ancillary Services – the pool will be closed and the fitness room will likely be located in the basement and accessible from the lobby.
- Offices and back-of-the-house operations will be moved to the basement and will be accessible to the lobby.

Competitive Hotel Supply

Smith Travel Research (STR) is a leading resource of hotel industry trends. The company, based in Hendersonville, Tennessee began collecting data in the 1980s and today over 60,000 hotels submit monthly data to the STR program. STR reports can be specific to a market and in Urbana a defined competitive set was selected. This competitive ("comp") set is the same as the comp set that was used in our April 5, 2017 assignment with the City of Urbana.

The STR report included seven hotels with the Hilton brands of Hampton Inn, Homewood Suites, and Hilton Garden Inn. Marriott brands included the Residence Inn, Courtyard, and the TownePlace Suites. The Hyatt Place was also included. As mentioned previously, the I-Hotel & Conference Center does not participate in the STR report. The hotels were selected based on their brand affiliation with Hilton, Marriott, and Hyatt, top hotel companies with brands that are popular with and appeal to corporate and leisure travelers in the Urbana-Champaign market as well as around the country. Location was also considered for five of the hotels based on their proximity to the University of Illinois campus and include the Hyatt Place, Hampton Inn, Hilton Garden Inn, Homewood Suites, and TownePlace Suites. The Residence Inn and Courtyard are located along I-74. The age of the hotels and rack rates were also taken into account when selecting the competitive set. Rack rates are rates that hotels post on their website for a particular date and type of guest room.

The Hampton Inn is located in Urbana and the rest of the comp set is located in Champaign. The following table shows relevant information about the competitive hotel supply.

Competitive Hotel Supply
Urbana-Champaign, Illinois

Hotel	Parent Company	Number of Rooms	Year Built	Property Class	Weekday Rack Rates*
Hampton Inn	Hilton	130	1995	Upper Midscale	$124.00
Hyatt Place	Hyatt	145	2014	Upscale	$139.00
TownePlace Suites	Marriott	95	2015	Upper Midscale	$144.00
Homewood Suites	Hilton	98	2007	Upscale	$129.00
Courtyard	Marriott	78	1995	Upscale	$119.00
Hilton Garden Inn	Hilton	99	2006	Upscale	$125.00
Residence Inn	Marriott	112	2013	Upscale	$124.00
Total		757			
I-Hotel & Conf. Ctr.	Independent	126	2008	Independent	$129.00

Source: STR, Hotel websites for rack rates.

**Rack rates are rates that hotels post on their website for a particular date and type of guest room. We used two queen beds for Tuesday, June 18, 2019, a weekday night that is typically busier for corporate travelers. The rack rate is not an achieved average daily rate (ADR) for the hotels as the hotel's ADR would also include negotiated rates and discounted rates.*

We are aware of two potential hotel additions to downtown Champaign. We were made aware of both of these projects in November 2017 and the same two projects were mentioned in the HA&A study in February 2019. HA&A completed a market demand study for a proposed 180-room Autograph Collection by Marriott to be located at the southeast corner of Logan and Walnut streets in downtown Champaign. The hotel is to include 20,000 square feet of meeting and banquet space and full-service amenities including a restaurant, bar, and café, an indoor pool and pool lounge, fitness center, business center, and small retail store/gift shop. The proposed hotel is part of a larger project to be located on 10.9 acres that could include a multi-purpose indoor sports arena, an office tower, residential units, retail space, and a structured parking facility. The HA&A study estimated the hotel could open in September 2021.

A second hotel is proposed for another site in downtown Champaign. A 130-room Aloft Hotel is planned for 401 Neil Street. According to the HA&A study, the hotel was to have broken ground in spring 2019 and be complete in September 2020. The Aloft Hotel is a select-service brand, similar to Hilton Garden Inn and Courtyard and is part of the Marriott reservation system.

These two hotels could potentially add over 300 Marriott branded rooms to the market over the next 27 months and together with the 128-room Tapestry Collection by Hilton hotel in Urbana, there could be close to 440 new hotel rooms serving the Urbana-Champaign market. All three of these hotel brands/concepts are in the Upscale to Upper Upscale class of hotels. Because we did not conduct a market feasibility study, we are not able to estimate the impact these three hotels could have on the existing hotel supply although we believe there would be some impact on the overall hotel market if all three hotels open in the time period estimated.

Area Demand

Demand for hotel rooms in any given area is measured by occupancy percentages and average daily rates (ADR). Although these statistics vary between properties because of age, location, condition, marketing efforts and seasonality, area averages are useful in analyzing historical trends and projecting future conditions as they relate to the market potential of a proposed project. Smith Travel Research (STR) tracks room supply and demand characteristics in markets across the country, maintains an up-to-date inventory of all hotels and receives actual operating statistics from a large sample in each market. The STR report for the Urbana-Champaign select competitive set follows:

Standard Historical Trend
Select Competitive Set
Urbana-Champaign, Illinois

Year	Room Supply	% Change	Room Demand	% Change	Occupancy	ADR[1]	RevPAR[2]
2016#	276,305	---%	184,679	---%	66.8%	$118.82	$79.37
2017	276,305	0.0	195,857	6.1	70.9	120.17	85.18
2018	276,305	0.0	196,104	0.1	71.0	121.73	86.40
2018*	90,840	--	62,288	--	68.6	118.93	81.55
2019*	90,840	0.0	60,337	(3.1)	66.4	122.37	81.28

[1] Average Daily Rate
[2] RevPAR (Revenue Per Available Room) = occupancy x average daily rate
**Through April*
Source: STR

#The STR report began in February 2016. In order to estimate a full year performance in 2016 (since the report was shy by just one month), we averaged the January 2016 figure based on the subsequent three years of January data (2017-2019). We were unable to get a full six years of data because STR does not allow one property change. In November 2017, we ordered a STR report for another consulting assignment we were conducting and we omitted one property for reasons relevant to that project. We couldn't just add that one property back in so we either had to add a second hotel or settle for a shorter reporting period and we chose the shorter reporting period that we believe still portrays a representative market performance.

The competitive hotel performance has been stable and showed some growth over the past three years. Based on the hotels in the comp set, it is our assumption that the TownePlace Suites, an upper midscale extended-stay hotel and Homewood Suites and

Residence Inn, both upscale extended-stay hotels positively impact the occupancy in this comp set based on their market segmentation with stays of five nights or longer.

The HA&A February 12, 2019 Market Demand Study estimated the I-Hotel & Conference Center achieved occupancy of 55%-60% and an ADR of $100-$105 in 2018. It should be noted we did not attempt to verify these figures with either HA&A or the I-Hotel.

Estimated Performance

The performance estimates are based on the proposed hotel operating as a Tapestry Collection by Hilton and offering a unique and independent identity. According to Woodmont Lodging, construction is estimated to start first quarter 2020 with construction completed 27 weeks later to mid-June 2020. The grand opening is estimated to be July 2020.

The estimated occupancy and average daily rate (ADR) for the Urbana Landmark Hotel as a Tapestry Collection by Hilton, prepared by Kinseth Hospitality Companies (KHC) appears to be reasonable in our opinion based on the performance of the comp set and the hotel brands within that set.

The estimated occupancy, ADR and RevPAR are shown in the table below. Using the FY1 (2020) ADR in the pro forma of $145.00 and dividing it by 3.0 percent inflation for two years would give an ADR of $136.68 in 2018 dollars and we did this for comparison purposes to the 2018 ADR presented in the STR report ($121.73). The ADR is higher than the competitive set ADR in the STR report by about $15.00 yet it appears to be a reasonable ADR for an upscale hotel concept by Hilton.

Estimated Performance
Tapestry Collection by Hilton
Urbana, Illinois

Year	Occupancy	ADR	ADR Increase	RevPAR
FY1	52.0%	$145.00	---%	$75.40
FY2	62.0	149.00	2.75	92.38
FY3	68.0	153.00	2.68	104.04
FY4	68.0	157.00	2.61	106.76
FY5	68.0	161.00	2.55	109.48
FY6	68.0	166.00	3.11	112.88

Source: Kinseth Hospitality Companies (KHC)

The Tapestry Collection being a newer upscale product for Hilton is not broken out on the operating statistics that Hilton Worldwide Holdings Inc. publishes on a quarterly basis. We can however, provide statistics for other upscale and upper upscale brands that Hilton offers. For year-end 2018, the upper upscale and upscale brands of Hilton achieved the following average daily rates:

Curio Collection	$211.81	(upper upscale)
Embassy Suites	$161.84	(upper upscale)
Homewood Suites	$140.27	(upscale)
Doubletree	$134.97	(upscale)
Hilton Garden Inn	$133.53	(upscale)

Source: Hilton Worldwide Holdings LLC for year-end 2018

Based on this information regarding average daily rates for higher-end properties for Hilton, it is our opinion the ADR estimated for the proposed hotel is within the range of Hilton's upscale brands. In addition, we believe the affiliation with Hilton and the Hilton Honors loyalty program, a completely renovated hotel, a management company with experience in comparable markets, and a development team with significant experience in this type of redevelopment further supports the performance estimates.

Estimated Pro Forma

We reviewed the five-year pro forma prepared by Kinseth Hospitality Companies for the proposed hotel. We compared it to STR's 2018 HOST Almanac (2017 data) and CBRE's Trends USA 2018 (2017 data) as a check for reasonableness.

The HOST Almanac collects financial data from over 5,200 hotels across the country and breaks it down into various categories including chain affiliated versus independent, region of the country, location within a market, and rate. The categories we believe are relevant to the proposed full-service Tapestry Collection hotel are Chain Affiliated Hotels, East North Central region of the U.S., Small Metro/Town Location, Upper Upscale Price, and Upscale Price. The CBRE Trends collects financial statements from 7,500 properties and the categories we used include All Full-Service Hotels, North Central Region, Under 150 Rooms, and Price Category $125-$150. *(The Excel spreadsheets with the range of data are attached in the Addendum of this letter).*

Based on our review of the pro forma provided to us, it is our opinion the projections appear to be reasonable for the renovated Urbana Landmark Hotel as a Tapestry Collection by Hilton. The following table provides a line-by-line analysis comparing the Kinseth Hospitality Companies pro forma figures to those in the STR HOST Almanac and CBRE Trends.

Comparison of the Kinseth Hospitality Companies Pro Forma To the STR HOST Almanac and CBRE Trends

Line Item	Kinseth Hospitality Co. (1)	HOST Almanac	CBRE Trends
Revenue			
Rooms (POR)	$153.00	$141.48-$191.89	$143.78-$185.67
Total Food & Beverage (POR)	$30.00	$27.16-$94.78	$24.72-$64.29
Other Operated Dept. (POR)	NA	$3.99-$21.24	$3.49-$7.83
Misc. Income (POR)	$3.05	$2.80-$10.70	$1.78-$3.66
Departmental Expenses			
Rooms (ratio to sales)	25%	23.9%-27.9%	23.5%-26.1%
Food & Beverage (ratio)	75%	68.3%-76.0%	67.9%-78.0%
Other Operated Dept. (ratio)	NA	58.1%-88.0%	47.9%-65.9%
Misc. Income (ratio)	200%	NA	NA
Undistributed Expenses			
Administrative & General (PAR) [2]	$3,233	$4,064-$5,974	$4,134-$5,712
Information & Telecommunication Systems (PAR) [3]	NA	$540-$1,323	$668-$1,131
Marketing (PAR) [4]	$1,847	$3,277-$5,676	$4,603-$6,353
Franchise Fee (ratio) [5]	10%	1.5%-3.9%	NA
Utilities (PAR) [6]	$1,077	$1,650-$2,441	$1,555-$2,124
Repairs & Maintenance (PAR)	$2,771	$1,958-$3,328	$1,939-$2,910
Fixed & Other Charges			
Management Fee (ratio)	3.0%	3.1%-3.5%	3.5%-3.8%
Property Tax (PAR)	$2,882	$1,542-$2,794	$1,554-$2,625
Insurance (PAR)	$462	$395-$885	$337-$530
Reserve for Replacement (ratio) [7]	4.0%	1.9%-2.3%	0%
EBITDA (After Reserve)	22.3%	21.3%-29.1%	25.2%-32.9%

Source: Kinseth Hospitality Companies, STR HOST Almanac 2018 and CBRE Trends 2018

(1) We utilized the stabilized year of occupancy that occurs in FY 3 – 2022
Definitions – POR – per occupied room; PAR – per available room; Ratio – ratio to sales
EBITDA – Earnings before deductions for interest, income taxes, depreciation, and amortization
NA – Not Available or Not Applicable

NOTES: Definitions of the footnoted categories (#2-7) according to either STR or CBRE follows. In these particular categories, we provide our assessment of the KHC pro forma as compared to STR and CBRE.

[2]**Administrative & General (A&G) –** "Included in this category are the payroll and related expenses for the general manager, human resources and training, security, clerical staff, controller and accounting staff. Other A&G expenses include office

supplies, computer services, accounting and legal fees, cash overages and shortages, bad debt expenses, travel insurance, credit card commissions, transportation (non-guest), and travel and entertainment". *This figure was somewhat low on the KHC pro forma as compared to STR and CBRE.*

[3]**Information & Telecommunication Systems – "**Expenditures for the maintenance of information and telecommunications systems throughout the property. Examples of expenditures include labor costs for telecommunication and information systems personnel, the cost of administrative phone and Internet service, the cost of complimentary phone and Internet service, and computer system expenses, and software costs". *The KHC pro forma does not break this out and it was not shown where these expenses were included. Prior to this being shown as a separate line item by STR and CBRE, telephone expense was typically included in Other Operated Departments.*

[4]**Marketing –** Marketing expenses are defined differently in the STR HOST and CBRE Trends. *STR HOST* – "Marketing expenses include payroll and related expenses for the sales and marketing staff, direct sales expenses, advertising and promotion, travel expenses for the sales staff and civic and community projects". *CBRE* – "Expenditures to sell and promote the hotel's services and enhance its image to the general public. These include labor costs, media advertising, agency fees, website, outside sales representation, outdoor advertising, trade shows, catering sales, revenue management, and public relations. Also included in this expense category are payments made to franchisors and referral agencies for franchise royalties, marketing assessments, and guest loyalty programs. Does not include payments made for reservation services and/or systems".

[5]**Franchise Fee –** STR defines Franchise Fee to "include the royalty and advertising assessments charged by franchise companies". CBRE does not break out this line item, as it is included in Marketing as defined above. *As the KHC pro forma shows, the Marketing line item is considerably lower than STR and CBRE however KHC shows a 10% franchise fee as compared to a minimal amount to none in the STR and CBRE categories. In the stabilized year, KHC's franchise fee equates to $3,797 per available room and when added to their Marketing expense of $1,847 per available room, the total between these two line items is $5,644, which brings it much more in line with the STR and CBRE figures shown as either Marketing, Franchise Fee or combined.*

[6]**Utilities –** this category is self-explanatory. *This figure was slightly lower on the KHC pro forma as compared to the STR and CBRE numbers.*

[7]**Reserve for Replacement – "**Amount set aside for replacement of furniture, fixtures and equipment (as may be required by loan, franchise or management agreement)". *The KHC pro forma shows a 4% reserve, which is in line with industry averages. STR's reserve is quite a bit lower and CBRE does not show a reserve for replacement. Because CBRE does not show a reserve, the EBITDA is going to be higher than the KHC and STR figures.*

The line items that were not footnoted are within industry guidelines. It is our opinion that the bottom line (EBITDA) is in line with industry standards and the overall pro forma is reasonable.

Attached in the Addendum of this letter is the HOST Almanac 2018 for full-service hotels, the CBRE Trends 2018 for full-service hotels, and a two-page summary of the STR report data.

It is our opinion based on the information provided to us, the team that has been assembled to take on this project is very experienced with this type of re-development of historic hotels and the Urbana-Champaign metropolitan area would be well served with this team's involvement and with a completely renovated hotel. For the hotel to be part of the Tapestry Collection by Hilton is very important as it will help the hotel to identify with one of the largest and most well respected hotel companies in the world. The hotel's affiliation with Hilton and its support system is one of the key components for the future success of this hotel and equally as important is the renovation process and the operation of the property.

Thank you for the opportunity to be of service to the City of Urbana on this project. We would be pleased to discuss our findings and recommendations with you as you move forward with this due diligence process regarding the renovation and future market position of the Urbana Landmark Hotel.

Sincerely,

Patek Hospitality Consultants, Inc.

ASSUMPTIONS AND LIMITING CONDITIONS

1. This document is to be used in whole and not in part.

2. Our conclusions are explicitly based upon the assumption that the subject hotel will be re-developed as described to us, constructed to competitive standards, operated in a manner typical of a high-quality hotel, and include the facilities and amenities described. It is expressly understood that the conclusions of our analysis could change upon any deviation from this assumption. Furthermore, the changes that might arise could be material. For the purposes of this engagement we have relied on information forwarded to us that states the subject 128-room hotel will be completely renovated and become part of the Tapestry Collection by Hilton and be operated by competent management. We have no obligation to update our findings regarding changes to the scope of the proposed re-development.

3. Estimated results are based on an evaluation of the present general economy of the area and do not take into account, or make provisions for, the effect of any sharp rise or decline in local or general economic conditions, which may occur. There usually will be differences between the estimated and actual results, because events and circumstances frequently do not occur as expected. Such differences may be material.

4. We have no obligation to update our findings regarding changes to the scope of the proposed re-development or changes in market conditions subsequent to the completion of our analysis. The information gathered during the course of our research and used in this analysis is assumed to be accurate, although we cannot guarantee its accuracy. We did not conduct our own market research or prepare a Market Feasibility Study for this project; we relied on information provided to us as stated on page one of this letter.

5. Neither all nor part of the contents of this report shall be disseminated to the public through advertising media, news media, sales media, or any public means of communication without the prior written consent and approval of Patek Hospitality Consultants, Inc.

6. The Client (City of Urbana, Illinois) has disclosed to Patek Hospitality Consultants, Inc. (PHC) all relevant information, conditions, data, and other information that Client deems relevant to PHC's production of this Letter. Unless specifically brought to the attention of PHC, PHC will assume that there are no hidden or unexpected conditions or information that would adversely or otherwise affect our research and analysis leading to the Letter. PHC expresses no opinion and gives no advice concerning matters that require legal or specialized expertise, investigation or knowledge such as, without limitation, engineering, tax, accounting, zoning, signage, hazardous substance/waste, wetlands, franchise or other technical or developmental matters. Consulting

assignments involve the interpretation of evolving events and the research and review of highly confidential information, the accuracy of which cannot be assured. The risk of unknown or unanticipated events or conditions is an additional variable for which there is no remedy. Client understands these limitations and interprets all research, analysis, and material accordingly.

7. No liability is assumed for matters legal in nature. Patek Hospitality Consultants, Inc. cannot be held liable in any cause of action concerning this assignment for any compensatory dollar amount over and above the total fees collected from this engagement.

8. Any and all legal expenses incurred in the defense or representation of Patek Hospitality Consultants, Inc., its principals, and its employees will be the responsibility of the client.

9. We are not required to give testimony or attendance in court by reason of this assignment, with reference to the property in question, unless prior arrangements have been made and agreed to in writing.

10. Patek Hospitality Consultants, Inc. is not obligated, or qualified, to predict future political, economic or social trends that may or may not occur as a result. Additionally, Patek Hospitality Consultants, Inc. reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available outside of the scope of this initial engagement.

ADDENDUM

STR HOST Almanac 2018
CBRE Trends in the Hotel Industry USA Edition 2018

Summary of STR Report data

	HOST Almanac Average of All Categories for Full-Service Hotels (Current Value Dollars)											
	Ratio				Per Available Room				Per Occupied Room			
Occupancy of Sample Average Size of Property (Rooms) Average Daily Rate	Min.	Avg.	Med.	Max.	Min.	Avg.	Med.	Max.	Min.	Avg.	Med.	Max.
REVENUE												
Rooms	58.0%	66.8%	65.1%	80.6%	$38,000	$44,603	$41,892	$52,046	$141.48	$170.54	$167.95	$191.89
Food	10.2%	16.5%	17.1%	19.7%	$4,803	$11,473	$13,569	$14,731	$17.88	$44.15	$50.38	$56.87
Beverage	2.9%	5.0%	5.1%	6.6%	$1,367	$3,479	$4,107	$4,563	$5.09	$13.43	$15.14	$19.12
Other Food & Beverage	2.4%	5.3%	5.8%	7.0%	$1,126	$3,692	$4,369	$5,116	$4.19	$14.13	$17.05	$18.79
Other Operated Departments	2.1%	3.8%	3.4%	7.3%	$1,071	$2,675	$2,742	$5,068	$3.99	$10.43	$10.07	$21.24
Miscellaneous Income	1.6%	2.7%	3.0%	3.7%	$751	$1,879	$2,385	$2,606	$2.80	$7.24	$8.79	$10.70
Total Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**$47,118**	**$67,801**	**$69,048**	**$80,322**	**$175.43**	**$259.92**	**$289.38**	**$295.02**
DEPARTMENTAL EXPENSES												
Rooms	23.9%	25.8%	26.0%	27.9%	$9,069	$11,540	$11,686	$13,552	$42.17	$44.13	$48.96	$49.97
Food & Beverage	68.3%	71.7%	71.3%	76.0%	$5,547	$13,231	$15,516	$16,366	$20.65	$50.93	$58.87	$65.03
Other Operated Departments & Rentals	58.1%	77.1%	78.9%	88.0%	$623	$2,137	$2,046	$4,348	$2.32	$8.37	$7.51	$18.22
Total Departmental Expenses	**32.3%**	**39.2%**	**40.0%**	**43.3%**	**$15,239**	**$26,908**	**$29,925**	**$32,008**	**$56.74**	**$103.42**	**$116.58**	**$125.42**
Total Departmental Profit	**56.7%**	**60.8%**	**60.0%**	**67.7%**	**$31,879**	**$40,894**	**$39,123**	**$48,580**	**$118.69**	**$156.50**	**$163.96**	**$178.44**
UNDISTRIBUTED OPERATING EXPENSES												
Administrative & General	7.2%	7.9%	7.8%	8.6%	$4,064	$5,320	$5,795	$5,974	$15.13	$20.45	$21.29	$24.63
Information & Telecommunication Systems	1.0%	1.4%	1.6%	1.7%	$540	$1,026	$1,066	$1,323	$2.01	$3.93	$4.17	$4.86
Marketing	6.5%	7.0%	7.0%	7.4%	$3,277	$4,726	$4,631	$5,676	$12.20	$18.10	$18.92	$20.85
Franchise Fees	1.5%	2.3%	2.1%	3.9%	$1,174	$1,443	$1,338	$1,826	$4.31	$5.55	$5.24	$6.80
Utility Costs	3.0%	3.2%	3.0%	3.5%	$1,650	$2,144	$2,345	$2,441	$6.14	$8.23	$8.85	$9.83
Property Operations & Maintenance	4.1%	4.4%	4.2%	4.8%	$1,958	$2,952	$3,285	$3,328	$7.29	$11.36	$12.11	$13.84
Total Undistributed Operating Expenses	**24.6%**	**26.2%**	**26.7%**	**28.3%**	**$13,315**	**$17,611**	**$18,551**	**$19,751**	**$49.57**	**$67.61**	**$72.50**	**$77.76**
GROSS OPERATING PROFIT	**29.8%**	**34.5%**	**35.3%**	**39.4%**	**$18,564**	**$23,283**	**$20,572**	**$28,843**	**$69.12**	**$88.89**	**$86.20**	**$105.94**
Management Fees	3.1%	3.3%	3.4%	3.5%	$1,618	$2,285	$2,125	$2,832	$6.02	$8.73	$8.90	$10.44
INCOME BEFORE FIXED CHARGES	26.7%	31.2%	31.8%	36.0%	$16,946	$20,998	$18,447	$26,014	$63.10	$80.16	$77.30	$95.55
Selected Fixed Charges												
Property Taxes	2.2%	3.5%	3.5%	4.5%	$1,542	$2,308	$2,695	$2,794	$6.44	$8.80	$9.90	$10.94
Insurance	0.6%	0.9%	0.9%	1.3%	$395	$624	$684	$885	$1.55	$2.41	$2.51	$3.71
EBITDA	23.2%	28.2%	27.4%	34.7%	$14,764	$18,066	$16,020	$22,635	$54.98	$68.95	$67.13	$83.14
Reserve for Replacement	1.9%	2.1%	2.2%	2.3%	$1,071	$1,402	$1,337	$1,795	$3.99	$5.36	$5.60	$6.62
Amount Available for Debt Service & Other Fixed Charges	**21.3%**	**24.7%**	**25.1%**	**29.1%**	**$13,693**	**$16,664**	**$14,683**	**$21,017**	**$50.99**	**$63.59**	**$61.53**	**$77.20**

Source: 2018 HOST Almanac, Year-End Report for the Year 2017
Figures may not total due to rounding
Compiled by Patek Hospitality Consultants, Inc.

	CBRE TRENDS Average of All Categories for Full-Service Hotels (Current Value Dollars)										
	Ratio				Per Available Room				Per Occupied Room		
Occupancy of Sample											
Average Size of Property (Rooms)											
Average Daily Rate	**Min.**	**Avg.**	**Med.**	**Max.**	**Min.**	**Avg.**	**Med.**	**Max.**	**Min.**	**Avg.**	**Med.**
REVENUE											
Rooms	67.8%	58.6%	71.0%	82.7%	$38,919	$44,365	$43,515	$51,510	$143.78	$163.40	$162.07
Food	0.0%	0.0%	0.0%	0.0%	$0	$0	$0	$0	$0.00	$0.00	$0.00
Beverage	0.0%	0.0%	0.0%	0.0%	$0	$0	$0	$0	$0.00	$0.00	$0.00
Total Food & Beverage	14.2%	22.9%	24.5%	28.4%	$6,698	$14,292	$16,318	$17,835	$24.72	$52.79	$61.07
Other Operated Departments	2.0%	2.6%	2.8%	3.0%	$946	$1,635	$1,711	$2,173	$3.49	$6.02	$6.39
Miscellaneous Income	1.0%	1.2%	1.2%	1.4%	$483	$759	$769	$1,017	$1.78	$2.79	$2.85
Total Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**$47,075**	**$61,051**	**$62,298**	**$72,535**	**$173.77**	**$224.99**	**$232.38**
DEPARTMENTAL EXPENSES											
Rooms	23.5%	24.8%	24.7%	26.1%	$9,145	$10,986	$10,825	$13,148	$33.76	$40.49	$40.41
Food & Beverage	67.9%	72.2%	71.5%	78.0%	$5,221	$10,188	$11,271	$12,989	$19.27	$37.63	$42.22
Other Operated Departments & Rentals	47.9%	57.6%	58.3%	65.9%	$623	$921	$925	$1,211	$2.30	$3.40	$3.47
Total Departmental Expenses	**31.8%**	**35.9%**	**36.3%**	**39.4%**	**$14,989**	**$22,095**	**$23,021**	**$27,348**	**$55.33**	**$81.52**	**$86.09**
Total Departmental Profit	**60.6%**	**64.1%**	**63.7%**	**68.2%**	**$32,086**	**$38,957**	**$39,277**	**$45,187**	**$118.44**	**$143.47**	**$146.29**
UNDISTRIBUTED OPERATING EXPENSES											
Administrative & General	7.7%	8.2%	8.1%	8.8%	$4,134	$4,956	$4,989	$5,712	$15.26	$18.28	$18.64
Information & Telecommunication Systems	1.4%	1.6%	1.6%	1.7%	$668	$948	$996	$1,131	$2.47	$3.50	$3.73
Marketing	8.8%	9.4%	9.5%	9.8%	$4,603	$5,670	$5,862	$6,353	$16.99	$20.92	$21.89
Franchise Fees	0.0%	0.0%	0.0%	0.0%	$0	$0	$0	$0	$0.00	$0.00	$0.00
Utility Costs	2.9%	3.1%	3.2%	3.3%	$1,555	$1,899	$1,958	$2,124	$5.74	$7.01	$7.32
Property Operations & Maintenance	3.9%	4.1%	4.1%	4.4%	$1,939	$2,505	$2,585	$2,910	$7.16	$9.25	$9.68
Total Undistributed Operating Expenses	**25.1%**	**26.3%**	**26.4%**	**27.5%**	**$12,899**	**$15,977**	**$16,390**	**$18,230**	**$47.62**	**$58.96**	**$61.25**
GROSS OPERATING PROFIT	**33.2%**	**37.7%**	**38.5%**	**40.8%**	**$19,051**	**$22,980**	**$22,955**	**$26,957**	**$70.82**	**$84.51**	**$85.04**
Management Fees	3.5%	3.7%	3.7%	3.8%	$1,806	$2,233	$2,258	$2,612	$6.67	$8.23	$8.41
INCOME BEFORE FIXED CHARGES	29.7%	34.0%	34.8%	37.0%	$17,069	$20,746	$20,786	$24,345	$64.15	$76.29	$76.63
Selected Fixed Charges											
Property Taxes	3.3%	3.6%	3.5%	4.0%	$1,554	$2,168	$2,246	$2,625	$5.74	$8.01	$8.42
Insurance	0.6%	0.7%	0.7%	0.8%	$337	$425	$417	$530	$1.32	$1.56	$1.51
EBITDA	25.1%	30.7%	31.1%	35.8%	$14,446	$18,154	$18,328	$21,513	$56.39	$66.72	$66.73
Reserve for Replacement	0.0%	0.0%	0.0%	0.0%	$0	$0	$0	$0	$0.00	$0.00	$0.00
Amount Available for Debt Service & Other Fixed Charges	**25.2%**	**29.8%**	**30.6%**	**32.9%**	**$14,446**	**$18,154**	**$18,328**	**$21,513**	**$56.39**	**$66.72**	**$66.73**

Source: 2018 CBRE Trends 2018, Year-End Report for the Year 2017
Figures may not total due to rounding
Compiled by Patek Hospitality Consultants, Inc.

Day of Week Analysis
Select Competitive Set
Urbana-Champaign, Illinois

Period	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Avg.
5/16-4/17								
Occupancy	42.7%	64.2%	75.6%	76.2%	68.6%	74.1%	77.1%	**68.3%**
ADR	$104.87	$109.21	$112.07	$113.28	$114.39	$135.28	$133.98	**$118.67**
RevPAR	$44.80	$70.14	$84.76	$86.27	$78.50	$100.23	$103.25	**$81.04**
5/17-4/18								
Occupancy	46.6%	68.9%	80.1%	79.6%	70.8%	74.8%	76.0%	**71.0%**
ADR	$106.05	$113.38	$117.02	$115.76	$114.64	$138.04	$135.60	**$120.94**
RevPAR	$49.37	$78.07	$93.71	$92.20	$81.12	$103.28	$103.08	**$85.81**
5/18-4/19								
Occupancy	44.4%	68.0%	77.8%	77.9%	71.9%	75.4%	76.3%	**70.3%**
ADR	$106.68	$113.43	$117.54	$117.95	$118.39	$139.88	$138.43	**$122.83**
RevPAR	$47.35	$77.15	$91.40	$91.91	$85.16	$105.42	$105.68	**$86.31**
3-yr Avg.								
Occupancy	**44.5%**	**67.0%**	**77.8%**	**77.9%**	**70.4%**	**74.8%**	**76.5%**	**69.8%**
ADR	**$105.88**	**$112.07**	**$115.60**	**$115.68**	**$115.84**	**$137.74**	**$135.99**	**$120.83**
RevPAR	**$47.16**	**$75.14**	**$89.97**	**$90.12**	**$81.60**	**$102.98**	**$104.00**	**$84.39**

Source: STR

Performance Data By Month
Select Competitive Set
Urbana-Champaign, Illinois

Period	Occupancy	% Change	ADR	% Change	RevPAR	% Change
Feb 2016	66.5%	---%	$118.56	---%	$78.81	---%
Mar 2016	62.8		105.96		66.57	
Apr 2016	72.6		133.68		97.03	
May 2016	65.0		133.55		86.78	
Jun 2016	70.7		108.62		76.80	
Jul 2016	64.7		103.01		66.65	
Aug 2016	75.3		114.27		86.08	
Sep 2016	79.5		129.53		102.92	
Oct 2016	76.3		129.29		98.69	
Nov 2016	67.0		132.66		88.94	
Dec 2016	47.9		99.52		47.70	
Jan 2017	55.4		104.23		57.74	
Feb 2017	69.3	4.2	115.81	(2.3)	80.20	1.8
Mar 2017	71.6	13.9	109.56	3.4	78.43	17.8
Apr 2017	77.5	6.8	132.78	(0.7)	102.96	6.1
May 2017	74.8	15.2	131.68	(1.4)	98.57	13.6
Jun 2017	74.7	5.7	110.78	2.0	82.80	7.8
Jul 2017	74.0	14.4	106.47	3.4	78.81	18.2
Aug 2017	83.5	10.8	124.56	9.0	104.00	20.8
Sep 2017	77.9	(1.9)	134.24	3.6	104.60	1.6
Oct 2017	77.8	2.0	133.16	3.0	103.65	5.0
Nov 2017	65.1	(2.8)	127.40	(4.0)	82.99	(6.7)
Dec 2017	49.1	2.3	97.87	(1.7)	48.01	0.7
Jan 2018	55.4	0.1	101.62	(2.5)	56.33	(2.4)
Feb 2018	73.8	6.6	121.18	4.6	89.42	11.5
Mar 2018	70.8	(1.1)	110.84	1.2	78.45	0.0
Apr 2018	75.0	(3.3)	137.98	3.9	103.47	0.5
May 2018	77.5	3.5	137.23	4.2	106.31	7.9
Jun 2018	77.8	4.1	111.34	0.5	86.59	4.6
Jul 2018	66.5	(10.2)	105.84	(0.6)	70.34	(10.7)
Aug 2018	81.0	(2.9)	117.98	(5.3)	95.61	(8.1)
Sep 2018	80.9	3.8	134.77	0.4	109.05	4.3
Oct 2018	79.2	1.8	131.59	(1.2)	104.27	0.6
Nov 2018	63.6	(2.4)	134.77	5.8	85.72	3.3
Dec 2018	50.9	3.8	103.71	6.0	52.80	10.0
Jan 2019	52.4	(5.5)	112.02	10.2	58.66	4.1
Feb 2019	68.3	(7.4)	124.16	2.5	84.84	(5.1)
Mar 2019	70.5	(0.4)	110.24	(0.5)	77.70	(0.9)
Apr 2019	75.0	(0.0)	140.10	1.5	105.02	1.5

Source: STR

SBFRIEDMAN

MEMO

To: Brandon Boys, City of Urbana, Illinois
From: Geoff Dickinson, SB Friedman Development Advisors
312.384.2404, gdickinson@sbfriedman.com
Date: June 21, 2019

RE: Preliminary Financial Review – Redevelopment of the Landmark Hotel

SB Friedman Development Advisors (SB Friedman) was engaged by the City of Urbana (the "City") to conduct a preliminary financial review of the proposed Landmark Hotel renovation (the "Project"). The Project is located at 210 South Race Street adjacent to the Lincoln Square Mall at the southeast corner of Main and Race Streets (the "Site").

The Project will be developed by the Maryland-based Marksons Affiliates, LLC (the "Developer"). The Developer currently has a purchase and sale agreement for the Site contingent upon approval of City financial assistance. The Developer indicated Project financial feasibility is challenged by the risk associated with such a large redevelopment in the City and, therefore, is attracting equity for the Project. The Developer is requesting $5.5 million in assistance to be provided upon issuance of a Certificate of Occupancy for the Project. The City intends to issue a General Obligation bond and to pay off that bond using the following City sources:

- Incremental property taxes generated by the Project;
- City of Urbana Food & Beverage Sales Tax;
- Hotel/Motel Use Tax; and
- A to-be-established City Boutique Hotel/Motel Use Tax.

In addition, the Project is in the Urbana/Champaign County Enterprise Zone; thus, eligible for a sales tax exemption for eligible building materials purchased in connection with the rehabilitation, reconstruction, repair and remodeling of the Project.

This memorandum includes a review of the following:

- Project characteristics;
- Development budget;
- Proposed sources of financing;
- Proforma assumptions and 10-year cash flow; and
- Need for requested financial assistance.

Our analysis indicates that the requested financial assistance will allow for the Project to generate above market returns. Benchmarking throughout this memo is based on data available from "standard" hotel transactions either previously reviewed by SB Friedman or available from industry reports. Given the limited recent development in the City, the Project appears to be higher risk than standard hotel transactions in core and secondary markets. As a result, the higher rate of return does not appear unreasonable. Our recommendations are provided in more detail in the **Conclusions and Recommendations** section of the memo.

Project Characteristics

The Developer has the Site, including the existing hotel structure and surface parking lots, under contract to acquire as of June 2019. An aerial of the Site is presented in **Figure 1**. The 128-key hotel is currently vacant. The Developer is proposing a $20.4 million renovation that will retain much of the original structure, with only necessary exterior but extensive interior improvements. The Developer intends to redevelop the hotel to meet the standards necessary to obtain a Tapestry Collection by Hilton affiliation. Exterior improvements will require Certificates of Appropriateness from the City Historic Preservation Commission to ensure conformity with the City's Zoning Ordinance and historic preservation requirements.

Figure 1: Project Site Plan

Source: Google Earth, SB Friedman

In addition to guestrooms and common space, the Project is anticipated to include rehabilitation of two full-service restaurants and a full renovation of the Great Hall, library, ballroom, and gym.

The Developer intends for the remodeled Urbana Landmark Hotel to be one of the premier hotels in the Urbana-Champaign market. The Project is meant to build on reactivation occurring recently in the downtown and increase foot traffic around the Site.

The Developer has executed a third-party operating agreement with Kinseth Hospitality Companies (KHC) to operate the facility upon completion. KHC is based in Iowa and has experience across the spectrum of hotel operations, from development to daily hotel management services.

PROJECT SCHEDULE

Per the Developer, renovation will begin in the first quarter of 2020. The hotel is expected to open in July 2020 and reach stabilization in 2023. The Developer indicated their intent is to hold the project over the near-term, but the City requires the Hilton Tapestry brand remain irrespective of owner over the 10-year Redevelopment Agreement period.

Developer Pro Forma Assumptions

SB Friedman reviewed the materials submitted by the Developer, communications between the Developer and the City and updated information to best understand underlying Project assumptions. The Developer provided the following documents for review:

- A Project narrative, provided by the Developer dated June 3, 2019;
- 10-year pro forma, including development budget, funding sources, cash flow (income and expenses) and other Project assumptions dated June 4, 2019;
- A purchase and sale agreement with amendments for the Site dated November 19, 2018;
- Woodmont Lodging renovation case study documentation;
- A Product Improvement Plan prepared for the Developer by Hilton Worldwide on March 29, 2019;
- Preliminary construction cost estimates from Hospitality Construction Project Management, in addition to case study documentation on previous projects;
- An overview of the Kinseth Hospitality Companies key attributes, the selected hotel operator;
- Documentation of due diligence costs as of June 10, 2019; and
- Other supporting documentation.

PROJECT BUDGET

Figure 2 presents total development costs (TDC) from the Developer's latest Project pro forma and key metrics for evaluation. SB Friedman evaluated the Developer's budget line items on a per-key basis and as a percentage of total costs using benchmarks from comparable hotel projects, industry data and SB Friedman's experience.

An explanation of key line items from the Developer's budget is provided below. Detailed development costs are presented in **Table 1B** in **Appendix B**.

Figure 2. Project Budget Summary and Benchmarks

	Developer	SBF Adjusted Budget			Benchmark	Key Line
Uses/Development Costs [1]	**Budget**	**$**	**$ per Key**	**% of TDC**	**or Notes [4]**	**Item**
Acquisition Costs	$1,000,000	$1,000,000	$7,800	4.9%	10-20%	☒
Site Preparation Costs	$300,000	$300,000	$2,300	1.5%	50-70%	
Hard Costs	$11,629,313	$11,629,313	$90,900	57.1%		☒
FF&E Costs	$4,305,820	$4,305,820	$33,600	21.1%	$30,000-$45,000	
Soft Costs	$1,610,279	$1,610,279	$12,600	12.8%	10-15%	
Financing Costs	$993,000	$993,000	$7,800			
Developer Fees	$0	$0	$0	0.0%	4% [3]	☒
Reserves and Other Costs	$531,588	$531,588	$4,200	2.6%	[2]	
TOTAL DEVELOPMENT COSTS	**$20,370,000**	**$20,370,000**	**$159,200**	**100.0%**		

[1] Costs reflect budget provided by Developer on June 10, 2019
[2] Within benchmark range
[3] 4% of TDC, less Acquisition
[4] Based on data from HVS, Real Capital Analytics, CoStar and/or comparable project budgets
Source: Marksons Affiliates, LLC and SB Friedman

Key findings from our review of the Project budget include the following:

- **Land Acquisition.** The Developer provided a Purchase and Sale Agreement (PSA) that was most recently executed on November 20, 2018. The PSA states the Developer will purchase the Site for $1.0 million.

  SB Friedman evaluated the $1.0 million purchase price against comparable land sales for full-service hotel projects in the market using Real Capital Analytics and information from comparable projects recently reviewed. The acquisition costs only account for 4% of total development costs ("TDC"). According to the 2017-18 HVS Hotel Development Cost Survey (HVS Survey), acquisition costs for hotel developments range from 10-20% of TDC depending upon the level of investment required. The benchmark suggest the acquisition price for the Site is low relative to existing hotel transactions, however, reasonable given the substantial interior investment required.

- **Hard Construction and Site Preparation Costs.** The Developer provided a budget prepared by Hospitality-Construction Project Management ("H-CPM"). The combined Site preparation and hard costs account for 58.6% of TDC. The HVS Survey indicates that hard costs typically account for 55% of TDC. Hard costs and site preparation of comparable hotel rehabilitation projects reviewed by SB Friedman have ranged from 55-70% of TDC. While standard on a percentage basis, costs appear low on a per-key basis. The HVS Cost Survey indicates redevelopment of a full-service hotel requires approximately $166,600 per key. Projects reviewed by SB Friedman have ranged from $180,000-190,000 per key versus the $90,000 required at the Project. Rehabilitation costs vary widely depending upon differing states of building deterioration, ultimate level of finish and demolition required. Given the construction costs were prepared by a third-party construction cost estimator and align with percentage benchmarks, the costs appear reasonable.

  - **Sales Tax Exemption on Construction Materials.** The Site is located within the Urbana/Champaign County Enterprise Zone. Thus, the Project is expected to receive a sales tax exemption on construction materials. In our analysis, both the with-assistance and without-assistance scenarios include the exemption on construction material sales taxes.

- **Furniture, Fixtures and Equipment (FF&E).** The Developer estimates FF&E costs to be approximately $4.3 million, or approximately $33,600 per key. SB Friedman evaluated the FF&E costs against comparable hotel projects and the HVS Survey. The results of that analysis indicate that the FF&E estimate appears to be in the observed range for comparable full-service hotel projects.

- **Developer Fees.** The Developer's budget did not include a Developer Fee. The 'Urbana Capex Summary' workbook provided referenced a $2.6 million deferred development fee; however, no fees were included within budgets elsewhere or more recent information provided. Developers typically include a fee equivalent to 4% of total development costs, net of acquisition, to account for the cost of their services. SB Friedman did not add a Developer Fee to the budget, as the Developer did not include the fee independently and therefore likely expects returns that will offset the lack of an upfront fee. However, the impact of including a Developer Fee within the Project budget will be discussed in the **Conclusions & Recommendations** section.

- **Soft Costs and Financing Fees**. The Developer's budget includes approximately $2.6 million in soft costs and financing fees. The costs account for approximately 12.8% of TDC. Soft costs and financing fees typically range between 10-15% of TDC. The costs are at the midpoint of the range on a percentage basis, and therefore appear reasonable.

- **Reserves and Other Costs.** The Developer is assuming reserves of approximately $532,000, or approximately $4,200/key. SB Friedman evaluated the estimate against the HVS Survey, which identified an average pre-opening and working capital cost for redevelopment projects of $9,500 per key. SB Friedman also benchmarked the Developer's estimate against comparable hotel projects, which ranged from $3,000-10,000 per key for the application fee, training fees and expenses, pre-opening and marketing expenses, miscellaneous opening costs and additional funds for start-up expenses. Based on this analysis, it appears the Developer's estimate for operating reserves is within market range.

FINANCING

Figure 3 presents preliminary financing sources for the Project, which the Developer anticipates will include a mix of conventional debt, cash equity, historic tax credits and upfront City assistance. Equity sources are assumed to be a combination of investor equity and historic tax credit equity. Term sheets from potential lenders were not available to validate financing assumptions, although a letter of intent from a prior iteration of the redevelopment was available with limited term details.

Figure 3: Preliminary Financing Sources

Sources/Development Financing [1]	Developer Sources	SBF Adjusted Sources $	SBF Adjusted Sources % of TDC	Benchmark or Notes [2]
Conventional Debt	$9,000,000	$9,000,000	44.2%	45-65%
Cash Equity	$4,000,000	$4,000,000	19.6%	20-30%
City Grant	$5,500,000	$5,500,000	27.0%	
Historic Tax Credit Equity	$1,870,000	$1,870,000	9.2%	15-25%
TOTAL SOURCES	**$20,370,000**	**$20,370,000**	**100.0%**	

[1] Costs reflect budget provided by Developer on 06/10/2019

[2] Based on industry data, data from comparable projects and SB Friedman project experience

Source: Marksons Affiliates, LLC and SB Friedman

SB Friedman reviewed the financing assumptions, particularly in terms of the maximization of debt, the presence of a reasonable amount of equity, and adherence to market terms, using market data and information from recent comparable hotel projects. Key findings from our review of the Project sources include the following:

- **Conventional Debt.** The Developer is assuming 44.2% loan-to-cost (LTC) in permanent financing. Based on materials provided by the Developer, SB Friedman assumes the loan will have a 25-year amortization period with a 9.0% interest rate. At stabilization, the Project debt coverage ratio (DCR) is projected to be 1.5. The Developer's LTC ratio is on the low end of comparable HTC projects reviewed by SB Friedman. The loan will inherently have a lower LTC than standard hotel transactions due to the historic tax credit equity availability. Both the interest rate and debt coverage ratio are also on the higher end of rates experienced in standard hotel transactions. The Realty Rates 2019 Second Quarter Investor Survey indicates the average interest rate for full-service hotels is 6.8%, with a DCR of 1.3. The Developer provided a previous letter of intent from Access Point Financial that states a loan would require a 9% minimum interest rate, 1.25x DCR and maximum of 80% LTC. While the letter validates the Developer's 9% interest rate assumption, the rate remains relatively high for standard hotel transactions and indicates there is likely lender uncertainty in the market.

- **Cash Equity.** The Developer will be contributing 19.6% of TDC in equity to the Project. It is anticipated that Project equity will be provided by the Developer through investor equity. Projects involving historic tax credit equity typically require less developer equity, resulting in an equity contribution lower than standard hotel transactions.

- **City Grant.** The Developer has requested $5.5 million in City assistance. It is our understanding that the Developer will use mezzanine debt to bridge the time period from construction financing closing to receipt of the City grant. Once received, the City assistance will reduce the amount of equity invested in the Project, accounting for 27.0% of TDC.

- **Historic Tax Credit Equity.** The Developer will generate the remaining 9.2% of TDC from the sale of historic tax credits. The historic tax credit equity is expected to be received in four installments: at closing, placed-in-service, following placed-in-service and at stabilization. The Developer included the first three installments as a source of funding for the Project. SB Friedman added the fourth installment paid at stabilization to the cash flow as an additional equity distribution. The allocation is generated from $15.6 million in eligible project costs, a 20% credit rate and the Developer's assumption that these tax credits can be sold at $0.80 per dollar of tax credit.

CASH FLOW ASSUMPTIONS

SB Friedman analyzed cash flow assumptions in the Developer's pro forma against comparable hotel projects and industry data sources. Key assumptions from the Developer's pro forma are outlined below.

- **Average Daily Rate (ADR).** The proforma provided by the Developer projects an ADR of $145 in Year 1. From Year 1 to Year 5 the Developer uses an annual escalation rate ranging between 2.6% and 2.8%. From Year 6 onward, the Developer assumes ADR will increase at 3% annually. Vacancy decreases from 8% to 32% during the early years of operation, stabilizing at 68% occupancy in Year 3. According to Smith Travel Research data, the average occupancy for new hotels in the Urbana-Champaign market is 70%. The projected ADR is also in line with other top-of-the-market new construction hotel projects recently reviewed by SB Friedman. **Figure 4** includes a summary of market comparable data.

Figure 4: Market Comparables

Project Name	Average ADR	% Vacant	F&B % of Room Revenue
Landmark Hotel	**$145**	**32%**	**17%**
SB Friedman Comparable Projects	$140-160	25-30%	20%
CBRE - Under 150 Rooms - Full Service	$142	26%	16%

Source: Marksons Affiliates, LLC, STR, SB Friedman, CBRE

- **Food and Beverage Revenues.** The Developer assumes revenue from hotel food and beverage will account for approximately 17% of total revenues. Food and beverage revenues are based on a flat $30 per occupied room night assumption, without escalation over time. The Developer's assumption aligns with comparable projects on a percentage of revenue basis. However, it is atypical to assume no escalation in revenues over the life of the Project.

- **Operating Expenses.** At stabilization, projected operating expenses represent 70.3% of projected revenues, net of property taxes. This assumption falls within the SB Friedman benchmark range of 62-72%. The SB Friedman benchmark range is based on STR and CBRE data along with SB Friedman project experience. Given expenses as a percentage fall within the range, albeit on the higher end, the expenses appear reasonable.

  The Developer assumes departmental, undistributed and non-operating expenses escalate at the same rate as their associated revenue source. Operating expense inflation rates were found to be within the range presented in Situs Real Estate Research Corporation industry reports, which vary from 2.0-3.0% annually.

- **Real Estate Tax Payments.** The Developer's assumed property tax payments reflect real estate tax payments of approximately $2,800 per key at stabilization and an assessed value of approximately $26,000 per key. In a review of comparable hotel assessed value per key in the Urbana-Champaign market, benchmarks range between $22,000 and $33,000 per key. Thus, these projections appear reasonable.

Need for Financial Assistance

SB Friedman analyzed the Project's need for financial assistance under the following scenarios:

1. **Without Assistance**. This scenario assumes the Project will not receive any City assistance aside from the exemption on paying sales taxes on construction materials.

2. **With Full Requested Assistance**. This scenario assumes the Project receives the requested sales tax exemption and City grant.

SB Friedman typically evaluates a project's need for financial assistance using one or more of the following return metrics:

1. **Unleveraged Internal Rate of Return (IRR)**. This is the rate of return or discount rate for a project, accounting for initial expenditures to construct the Project (total project costs) and ongoing cash inflows (annual net operating income [NOI] before debt service), as well as a hypothetical sale of the Project at the end of the analysis period.

2. **Stabilized Yield on Cost**. This metric is calculated by dividing NOI before debt service in the first year of stabilized operations by total project costs, and is an indicator of the annual overall return on investment for the Project's financing structure.

3. **Leveraged Internal Rate of Return**. This is the annualized rate of return the Project's equity investors would be projected to realize over their full investment period, including an assumed hypothetical sale of the Project at the end of the analysis period.

4. **Stabilized Cash on Cash Return**. This metric indicates the annual cash return to equity investors once the Project reaches stabilization, and is calculated by dividing net cash flow (after debt service) in the first year of stabilized operations by the total initial equity investment.

SB Friedman evaluated the Project's need for assistance using unleveraged metrics, including stabilized yield on cost and unleveraged IRR. These metrics evaluate overall Project feasibility rather than returns to specific investors. Small changes in financing can have a substantial impact on leveraged returns; therefore, leveraged returns do not provide an accurate picture of the Project's need for assistance when financing assumptions are preliminary, as they are with this Project. We primarily evaluated yield on cost due to the Developer's intent to hold the Project upon stabilization until market factors and other development variables are favorable to sale.

As presented in **Figure 5** and in further detail in **Appendix Tables 2B-3B**, SB Friedman estimates the Project, without assistance, would generate below market returns, with a stabilized yield on cost of 7.4% and an unleveraged IRR of 7.6%. Typically, projects of this type would expect to achieve a yield on cost above 8.0%, with projects in established and core markets achieving close to 8.0% and riskier projects (based on program, location or other factors) requiring a higher rate of return. With the full requested assistance, the Project, as presented, would achieve a yield on cost of 10.7%, which is above the return thresholds seen in other markets. However, returns required to attract debt and equity for this project in this location at this time may be higher than "typical" projects.

Conclusions and Recommendations

As presented and described above, with the full requested assistance, the Project achieves a rate of return in excess of the rate expected for typical hotel transactions. SB Friedman recognizes the Project is a higher-risk investment in a property that has deferred maintenance in a market that has seen little substantial redevelopment. Without assistance, the below-market returns impact the Project's ability to attract capital from investors who will likely expect a higher than typical rate of return due to the perceived risk associated with the market. The limited market growth may warrant returns above those expected from otherwise comparable projects developed in stronger investment markets.

As shown in **Figure 5**, the Project is projected to achieve returns above the industry base return threshold with the following assistance:

- Sales tax exemption on construction materials; and
- $5.5 million in grant assistance from the City.

The full requested level of assistance brings the Project yield on cost to 10.7%, which is above the base market rate of return for standard hotel transactions. The value of total assistance is approximately $5.7 million, including the sales tax exemption, or approximately 28% of TDC. While the base yield on cost for standard hotel transactions in the Urbana-Champaign market is 8.0%, the limited investment in the core of Urbana for many years appears to indicate the Project will need to generate higher than typical returns to attract capital. As a result, the City may elect to incentivize the Project to reach a higher rate of return to attract otherwise unwilling investors.

Figure 5. Projected Developer Financial Returns

Key Metrics	Without Assistance	With Assistance	Base Return Benchmark
Total Assistance	**$0**	**$5,500,000**	
Stabilized Yield on Cost	7.4%	10.7%	+8.0%
Unleveraged IRR	7.6%	12.9%	+9.0%
Debt Coverage Ratio	1.5	1.5	1.3-1.6

Source: Marksons Affiliates, LLC, SB Friedman

At the request of the City, SB Friedman analyzed a scenario in which a 4% Developer Fee (net of acquisition) is added to the Project budget. After adding the $753,000 Developer Fee to the Project budget, the TDC increases to approximately $21.1 million. The scenario results in a yield on cost of 10.1% with the proposed level of assistance and an unleveraged IRR of 12.0%.

Appendix A

LIMITATIONS OF OUR ENGAGEMENT

Our deliverable is based on estimates, assumptions and other information developed from research of the market, knowledge of the industry, and meetings/teleconferences with the City of Urbana and the Developer during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the deliverable. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our deliverable, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise analyses or the deliverable to reflect events or conditions that occur subsequent to the date of the deliverable. These events or conditions include, without limitation, economic growth trends, governmental actions, changes in state statute, additional competitive developments, interest rates, and other market factors. However, we will be available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our deliverable is intended solely for your information, for purposes of reviewing a request for financial assistance, and is not a recommendation to issue bonds or other securities. The deliverable should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the deliverable nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or document intended for use in obtaining funds from individual investors without our prior written consent.

We acknowledge that upon submission to the City of Urbana, the deliverable may become a public document within the meaning of the Freedom of Information Act. Nothing in these limitations is intended to block the disclosure of the documents under such Act.

Appendix B

Figure 1B. Detailed Development Costs

	Developer	SBF Adjusted Budget			
Uses/Development Costs	Budget	$	% of TDC	$/GSF	$/Land SF
Acquisition Costs					
Purchase Price	$1,000,000	$1,000,000			
Total Acquisition Costs	**$1,000,000**	**$1,000,000**	**4.9%**		**$9**
Site Preparation Costs					
Landscaping/Sidewalks/Parking	$100,000	$100,000			
Environemental Abatement	$200,000	$200,000			
Total Site Preparation Costs	**$300,000**	**$300,000**	**1.5%**		**$3**
Hard Costs					
General Contractor	$9,734,587	$9,734,587			
Low Voltage	$75,000	$75,000			
Contingency	$1,819,726	$1,819,726			
Total Construction Costs	**$11,629,313**	**$11,629,313**	**57.1%**	**$120**	
FF&E					
FF&E (with Tax & Freight)	$2,560,000	$2,560,000			
Signage-Exterior	$75,000	$75,000			
Signage-Interior	$30,000	$30,000			
Operations Equipment (PMS/POS etc.)	$250,000	$250,000			
Kitchen Equipment	$300,000	$300,000			
OSE	$384,000	$384,000			
Phone System	$50,000	$50,000			
Contingency	$656,820	$656,820			
Total FF&E Costs	**$4,305,820**	**$4,305,820**	**21.1%**	**$44**	
Total Hard Costs	**$15,935,133**	**$15,935,133**	**78.2%**	**$164**	
Soft Costs					
Architect/Interior incl MEP	$365,000	$365,000			
Architect/Interior expenses	$35,000	$35,000			
Procurement of FF&E	$145,960	$145,960			
Procurement of FF&E expenses	$5,000	$5,000			
3rd PPM (H-CPM)	$343,965	$343,965			
3rd PPM (WL)	$206,379	$206,379			
3th PPM (H-CPM) expenses	$35,000	$35,000			
Other Consultant (Due Diligence)	$183,340	$183,340			
Other Consultant expenses	$45,000	$45,000			
Contingency	$245,635	$245,635			
Total Soft Costs	**$1,610,279**	**$1,610,279**	**7.9%**	**$17**	
Financing Costs					
Closing Costs	$993,000	$993,000			
Total Financing Costs	**$993,000**	**$993,000**	**4.9%**	**$10**	
Developer Fees					
Developer Fees					
Total Developer Fees	**$0**	**$0**	**0.0%**	**$0**	
Reserves and Other Costs					
Reserves (Oper. And Int.)	$531,588	$531,588			
Total Reserves and Other Costs	**$531,588**	**$531,588**	**2.6%**	**$5**	
TOTAL DEVELOPMENT COSTS	**$20,370,000**	**$20,370,000**	**100.0%**	**$210**	

Source: Marksons Affiliates, LLC, SB Friedman

Figure 2B. Cash Flow Pro Forma: No Assistance

				STABILIZATION							
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
NO ASSISTANCE	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Development Sources											
Conventional Debt	-$9,000,000										
Historic Tax Credit Equity	-$1,870,000										
Cash Equity	-$9,500,000	$622,653									
Upfront Grants	$0										
Net Operating Income		$743,411	$988,249	$1,325,156	$1,441,108	$1,469,100	$1,510,318	$1,558,600	$1,608,403	$1,659,775	$1,712,764
Reversion Proceeds (Year 10)											$18,046,295
TOTAL		**$1,366,064**	**$988,249**	**$1,325,156**	**$1,441,108**	**$1,469,100**	**$1,510,318**	**$1,558,600**	**$1,608,403**	**$1,659,775**	**$19,759,059**
Development Uses											
Debt Service		$906,332	$906,332	$906,332	$906,332	$906,332	$906,332	$906,332	$906,332	$906,332	$906,332
Debt Repayment (Year 10)											$7,446,531
Equity Distribution		$459,732	$81,917	$418,824	$534,776	$562,768	$603,986	$652,268	$702,071	$753,443	$11,406,196
TOTAL		**$1,366,064**	**$988,249**	**$1,325,156**	**$1,441,108**	**$1,469,100**	**$1,510,318**	**$1,558,600**	**$1,608,403**	**$1,659,775**	**$19,759,059**
Debt Coverage Ratio		0.82	1.09	1.46	1.59	1.62	1.67	1.72	1.77	1.83	1.89
Unleveraged Cash Flow - No Assistance											
Total Project Costs	-$20,370,000										
Less HTC Equity or Upfront Assistance	$1,870,000	$622,653									
Net Operating Income		$743,411	$988,249	$1,325,156	$1,441,108	$1,469,100	$1,510,318	$1,558,600	$1,608,403	$1,659,775	$1,712,764
Reversion Proceeds (Year 10)											$18,046,295
TOTAL	**-$18,500,000**	**$1,366,064**	**$988,249**	**$1,325,156**	**$1,441,108**	**$1,469,100**	**$1,510,318**	**$1,558,600**	**$1,608,403**	**$1,659,775**	**$19,759,059**
Annual Yield on Cost		4.2%	5.5%	7.4%	8.1%	8.2%	8.4%	8.7%	9.0%	9.3%	9.6%
Unleveraged IRR	7.6%										
Leveraged Cash Flow - No Assistance											
Equity Contribution	-$9,500,000	$622,653									
Equity Distribution		-$162,921	$81,917	$418,824	$534,776	$562,768	$603,986	$652,268	$702,071	$753,443	$11,406,196
TOTAL	**-$9,500,000**	**$459,732**	**$81,917**	**$418,824**	**$534,776**	**$562,768**	**$603,986**	**$652,268**	**$702,071**	**$753,443**	**$11,406,196**
Annual Cash-on-Cash Return		-1.8%	0.9%	4.7%	6.0%	6.3%	6.8%	7.3%	7.9%	8.5%	9.1%
Leveraged IRR	6.4%										

Source: Marksons Affiliates, LLC, SB Friedman

Figure 3B. Cash Flow Pro Forma: Full Assistance

	2019	2020	2021	STABILIZATION 2022	2023	2024	2025	2026	2027	2028	2029
FULL ASSISTANCE	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Development Sources											
Conventional Debt	-$9,000,000										
Historic Tax Credit Equity	-$1,870,000										
Cash Equity	-$4,000,000	$622,653									
Upfront Grants	-$5,500,000										
STECM											
Net Operating Income		$743,411	$988,249	$1,325,156	$1,441,108	$1,469,100	$1,510,318	$1,558,600	$1,608,403	$1,659,775	$1,712,764
Payout of Capital Reserves		$0	$0								
Reversion Proceeds (Year 10)											$18,046,295
TOTAL		**$1,366,064**	**$988,249**	**$1,325,156**	**$1,441,108**	**$1,469,100**	**$1,510,318**	**$1,558,600**	**$1,608,403**	**$1,659,775**	**$19,759,059**
Development Uses											
Debt Service		$906,332	$906,332	$906,332	$906,332	$906,332	$906,332	$906,332	$906,332	$906,332	$906,332
Debt Repayment (Year 10)											$7,446,531
Equity Distribution		$459,732	$81,917	$418,824	$534,776	$562,768	$603,986	$652,268	$702,071	$753,443	$11,406,196
TOTAL		**$1,366,064**	**$988,249**	**$1,325,156**	**$1,441,108**	**$1,469,100**	**$1,510,318**	**$1,558,600**	**$1,608,403**	**$1,659,775**	**$19,759,059**
Debt Coverage Ratio		0.82	1.09	1.46	1.59	1.62	1.67	1.72	1.77	1.83	1.89
Unleveraged Cash Flow - Full Assistance											
Total Project Costs	-$20,370,000										
Less HTC Equity or Upfront Assistance	$7,370,000	$622,653									
STECM											
Net Operating Income		$743,411	$988,249	$1,325,156	$1,441,108	$1,469,100	$1,510,318	$1,558,600	$1,608,403	$1,659,775	$1,712,764
Reversion Proceeds (Year 10)											$18,046,295
TOTAL	**-$13,000,000**	**$1,366,064**	**$988,249**	**$1,325,156**	**$1,441,108**	**$1,469,100**	**$1,510,318**	**$1,558,600**	**$1,608,403**	**$1,659,775**	**$19,759,059**
Annual Yield on Cost		**6.0%**	**8.0%**	**10.7%**	**11.6%**	**11.9%**	**12.2%**	**12.6%**	**13.0%**	**13.4%**	**13.8%**
Unleveraged IRR	**12.9%**										
Leveraged Cash Flow - Full Assistance											
Equity Contribution	-$4,000,000	$622,653									
STECM	$0										
Equity Distribution		-$162,921	$81,917	$418,824	$534,776	$562,768	$603,986	$652,268	$702,071	$753,443	$11,406,196
TOTAL	**-$4,000,000**	**$459,732**	**$81,917**	**$418,824**	**$534,776**	**$562,768**	**$603,986**	**$652,268**	**$702,071**	**$753,443**	**$11,406,196**
Annual Cash-on-Cash Return		**-4.8%**	**2.4%**	**12.4%**	**15.8%**	**16.7%**	**17.9%**	**19.3%**	**20.8%**	**22.3%**	**23.9%**
Leveraged IRR	**18.7%**										

Source: Marksons Affiliates, LLC, SB Friedman

DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Landmark Hotel Alterative Scenario Feasibility Analysis
June 19th, 2019

Introduction
The purpose of this analysis is to provide context for the opportunity costs of the current proposal by Marksons Affiliates, LLC to renovate the Urbana Landmark Hotel into a 128 room full service, upscale hotel, with a Hilton *Tapestry Collection* brand. This analysis examines the economic outcomes of four alternative redevelopment scenarios: the current proposal for a renovated hotel, senior housing, student housing, and community housing. This analysis also looks at development feasibility of the site by comparing the current proposal with the costs of a comparable new construction hotel as well as for a demolition scenario. While much of the analysis below is based on either modeling software with limited detail or estimates based on market averages, the results show that the current proposal to redevelop the site into a Hilton Tapestry has the highest economic impact and is the most feasible development outcome.

Alternative Development Scenarios
To evaluate the economic impact for a renovation of the Landmark hotel an input-output (I-O) model was run for four different scenarios: for the current hotel proposal, and for hypothetical developments into: senior living, student oriented studio apartments, and community housing serving impoverished individuals. Each of the hypothetical alternative developments were chosen based of their potential ability adapt the space without altering the building layout in a way that would dramatically increase the costs of redevelopment.

The scenarios were created using EMSI I-O software with the help of the Champaign County Economic Development Corporation. EMSI I-O models generate single year estimates of earnings, jobs, and taxes based on inputs reflecting a change in either: jobs, sales or earnings, delineated by industry sector[1]. Based on the inputs, the I-O model produces the change in local earnings, jobs, and taxes. The output figures are inclusive of initial, direct, indirect, and induced effects[2].

The I-O model does not take into account the costs of remodeling and development. However, it is anticipated that any reuse of the hotel will involve significant and costly improvements, related to code compliance, functionality, and aesthetics. Similarly, the models do not speak to the margins or profits of a scenario; the models are limited to evaluating the economic impacts after a development in completed.

Model Parameters for Each Alternative Development Scenario

Renovated Hotel: Hotel sale estimates were taken from the developer's stabilized revenue projections. Based on their pro-forma, new sales estimates were added for the sectors of: Hotels & Motels, Full Service Restaurant, Caterers, and Novelty Stores[3].

Senior Living: Senior Living was chosen as a plausible alternative as the hotel has small rooms, which could be converted into studios as well as excess lobby and banquet space that could be adapted for supportive services. Estimated sales were inputted for the sector of Continuing Care Retirement Communities[4].

Student Oriented Studios: Student Housing was determined to be plausible as students often live in studio apartments and the lobby and other space of the hotel provides the ability to add amenities that would make a potential development attractive to students. Sales estimates derived from rent were added in the sector of Lessors of Residential Building and Dwellings[5]. Sales reflecting student oriented activation of the kitchen and other space were added to the sectors of Caterers and Limited Services Restaurants.

Community Housing: Community housing was chosen as a scenario as it is a potential development scenario that may be feasible with reduced development costs. Sales estimates were added for Other Community Housing Services sector[6].

Model Results

Table 1 EMSI Model Annual Outputs

Scenarios	New Jobs	Earnings	"Local Taxes"[7]
Renovated Hotel	111	$ 3,129,552	$ 383,343
Senior Living	70	$ 2,263,264	$ 87,113
Student Oriented Studios	38	$ 1,120,941	$ 80,405
Community Housing	14	$ 504,080	$ 7,413

Given the assumptions made, the I-O model shows that the Renovated Hotel scenario has the highest economic impact for all output categories and by a significant margin. Furthermore, hotel guests have considerable spending power, spending up to $2.21 off site for every $1.00 spent on lodging[8], adding to the impact of the development. By year three of operation the current hotel proposal predicts nearly $5 million in annual room revenue, resulting in up to $10 million in additional spending at local businesses.

Notwithstanding the construction costs or development feasibility of renovating the hotel in each scenario, the I-O model clearly suggests that a hotel generates the highest economic impact and is the highest and best use for the site.

Development Feasibility

Based on the economic impact model showing a hotel as the highest revenue generating scenario, a brief analysis of the development costs and feasibility of alternative hotel developments on the site was conducted. Three options where examined: the current proposal, a new construction hotel of a comparable standard and demolishing and clearing the site to wait for a change in market conditions. Not analyzed was redevelopment with a lower brand hotel product. While a lower end product may be able to reduce construction costs, new revenue would also be lower, likely resulting in a proportionally greater development feasibility gap.

Table 2 Cost of Development Scenarios

	Proposed Renovation	New Construction[9]	Site Prep[10]
Rooms	128	128	0
Building Square Footage	111,000	111,000	82,000
Total Development Costs[11]	$ 20,370,000	$ 23,912,064	$ 1,400,000
Demolition & Façade Reconstruction	$ -	$ 4,000,000	$ 4,000,000
Remediation Costs		$ 250,000	$ 250,000
Total Costs	$ 20,370,000	$ 28,162,064	$ 5,650,000
Total Costs Per Room	$ 159,141	$ 220,016	N/A
Total Costs Per Sq. Ft.	$ 184	$ 254	$ 57
Annual New Taxes	$ 800,000	$ 800,000	$ 0

Based on the calculations above, the cost of new construction for a similar hotel product is estimated to be significantly more expensive than the cost of renovation. Including the cost of demolition, a new hotel on the site would be 38% more costly, yet would generate comparable revenues to that of a renovated product, making new construction substantially less feasible on the site. For demolition alone, the estimated cost for the City to prep the site for future development amounts to over $5.6 million and assumes that the City would acquire the site at the current purchase price of $1 million. While this scenario would make the development of a new construction hotel more feasible, it would require the City to spend over $4 million out-of-pocket, with no new revenues to offset the cost. Even if the City were to incur the acquisition and demolition costs, the new construction scenario exclusive of demolition is 17% more expensive than renovation making development less likely to occur than pre-demolition[12].

Summary

The Input-Outputs scenarios predict that a hotel has the highest economic impact out of the scenarios examined. Preliminary calculations show that the cost of a hotel renovation to be the least expensive option and most feasible development outcome. This analysis also shows that demolition decreases the feasibility of any development outcome on the site. While the figures above are based off preliminary information and research, the degree to which the current proposal for a renovated hotel is shown to be the highest and best use and most developmentally feasible option for the site suggests a high level of confidence in these results.

Prepared by:

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William Kolschowsky, Management Analyst

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[1] Sectors delineated by six-digit North American Industry Classification System (NAICS) codes that best represented the respect sectors.

[2] Initial Effects represents the initial changes in earnings as inputted by the uses. Direct and Indirect effects measure the effect of the initial change as it ripples through the supply chain. Induced effects are created as a secondary effect from the initial, direct and indirect changes as employees, business, and governments spend the new earnings generated.

[3] Stabilized Earnings are year 3 of operation. Room revenue was inputted under Hotel and Motels NAICS code (72110), food and beverage revenue was split between Caterers (722320) and Full Services Restaurants (722511) and other revenue was classified as Gift, Novelty and Souvenir Stores (453220).

[4] Revenue (Sales) estimates were generated using preliminary market research for congregate care rent ($2,470 in Urbana), a 10% reduction in rooms estimated as potentially necessary for accessibility, and 10% vacancy based of publically available CBRE data. NAICS code of Continuing Care Retirement Community (623311) reflects communities that have varying levels of care.

[5] Rent estimates were taken from a 2016 HUD Champaign-Urbana market study and adjusted for inflation. The same study provided average vacancy rates ($821/mo. per unit and 10% vacancy). Total food and beverage sales from the developer pro-forma were used as an estimate for the revenue potential of the space and divided equally between Catering (722320) and Limited Service Restaurants (722513).

[6] The NAICS sector of Other Community Housing Services (624229) includes traditional low-income housing as well as other housing assistance agencies. For a minimalist renovation that might result in this type of housing, room count was kept at 128, vacancy at 10% (assumption transferred from other scenario) and HUD guidelines for affordable monthly rent for extremely low income individuals ($417) was used to generate sales estimates.

[7] Tax estimates from the EMSI I-O model are based off general metropolitan wide averages and should not be viewed as estimates, but should be used to compare the general magnitude between scenarios.

[8] Oxford Economics, 2016, pp.41 Link to Study

[9] New Hotel Construction Estimates are based off available market research by Cushman and Wakefield for average construction costs

[10] Demolition Scenario costs were generated by City Building Safety and Public Works staff based off of historical knowledge and professional estimates. It was estimated that demolition would cost ~$2.5 Million and ~$1.5Million to restore the façade to Lincoln Square.

[11] Total Development Costs are inclusive of Acquisition, Hard, Soft, and FF&E costs

[12] Demolition also removes the basis for Federal and State Historic Tax Credits which provide considerable up-front resources towards redevelopment when used.