April 6, 2017

To: Urbana City Council

From: Laurel Prussing

Re: Summary of Revisions to Draft Hotel Agreement

The chart below summarizes the concerns and questions of Council members and others and revisions that have been made to the draft agreement or are in the process of being formulated.

Summary of Revisions to Draft Hotel Agreement

Concern	Revisions to Draft Agreement
"Hilton deal isn't firm."	Hotel must be a Tapestry Collection by Hilton Property in order to receive the loan.
"$9.5 million bond issue is too much city money. Twenty-year bond payback is too long."	Bond issue lowered to $7 million and payback cut to 15 years.
"Developer could flip the hotel quickly for a profit."	City approval required for sale or transfer of hotel otherwise loan becomes immediately due and payable.
"Developer isn't committed to a full-service restaurant."	A full-service destination restaurant is required, plus three meals a day and room service to guests.
"Deal won't pay for itself."	Loan forgiveness only occurs on a pro-rated basis based on tax receipts generated by the hotel itself (from hotel-motel, property, sales and food & beverage taxes.)
"Redevelopment agreement still needs outside vetting."	City has worked with consultant S.B. Friedman throughout process. City is requesting completion of a formal review by S.B. Friedman.
"Amount of private equity financing? What is equity investors' expected rate of return?"	Awaiting detailed information.
"Have any financial institutions provided a commitment to this project?"	Awaiting detailed information.
"Hotel purchase price of $5.1 million is too high."	Any changes will be by negotiation between the developer and the owner.

DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Economic Development Division

m e m o r a n d u m

TO: Laurel Lunt Prussing, Mayor

FROM: Elizabeth H. Tyler, FAICP, Director, Community Development Services

DATE: April 6, 2017

SUBJECT: **Update on Negotiations for a Redevelopment Agreement for the Urbana Landmark Hotel (210 S Race Street)**

Introduction

The City of Urbana has received a proposal from the hotel investment firm of Crimson Rock Capital for redevelopment assistance related to a complete renovation and major rebranding of the Urbana Landmark Hotel located at 210 South Race Street. The proposal would involve significant renovation and redesign of the 128-room historic property into a three- to four-star quality premier hotel, bringing it back to its former prominence as the leading hotel in the greater area. The developer's proposed renovation will fully reactivate all hotel rooms, potentially bringing the total to 130 rooms, as well as reopen the restaurant, bar, conference center and dining hall, while preserving the historic character of the building through the use of historic tax credits. The property is on track to be awarded the Hilton Tapestry Collection Brand upon its opening. It is anticipated that the property would be renamed and marketed so as to emphasize its historic connections to President Lincoln. The proposed renovation would be completed within 18 months of the real estate closing, pursuant to the execution of a development agreement with the City of Urbana.

The developer had requested city assistance in the amount of $9.5 million for the anticipated $25 million project. However, after considerable deliberation, city decision-makers have indicated that they cannot be supportive of an assistance level higher than $7.0 million at the current time, subject to certain conditions and further information requests. Accordingly, the attached development agreement has been structured to provide for city redevelopment assistance in the amount of a $7.0 million as a redevelopment loan. Under the proposed agreement, up to $200,000 of these funds may be reimbursed as expenses to the developer during construction. The remaining $6.8 million in reimbursements would become available post-construction. The maximum incentive would also be limited to 37% of the actual eligible receipts presented by the developer. While this level of incentive will not allow the project to go forward immediately, it will provide assurances to the Developer of substantial City support should the project costs be reduced sufficiently to allow the project to proceed.

In order to raise the funds required to meet this incentive, staff proposes the City issue bonds to be serviced exclusively from the new, project-generated taxes that are expected to accrue over time. The bonds would be repaid through a combination of projected property tax increment, food & beverage taxes, hotel-motel tax, and a special boutique hotel-motel tax, each originating only from the hotel property and operations. The proposed new boutique hotel-motel tax would require future action by the Mayor and City Council to establish. This new proposed tax would be in addition to Urbana's existing 7% hotel-motel tax and the State's 6% hotel-motel tax and is expected to only impact the Urbana Landmark Hotel property. The new tax is projected to be initiated at a rate between 4% and 7% in order to meet the bond repayment schedule with acceptable coverage. Staff has determined that the City can secure the lowest interest rate on this borrowing by issuing general obligation bonds backed by these anticipated revenue streams.

The project is not feasible without significant assistance from the City based on the extensive renovation required to properly transform the property into a leading hotel. The property, which is currently closed, has not had a complete renovation in several decades. Without substantial public investment, the developer will not purchase the property and the project will not be pursued.

Background on Project Team

Crimson Rock Capital is a private investment firm based in New York City and is represented by Managing Principal Dionis Rodriguez, a hotel investor with extensive experience in lifestyle and select service hotels. Bill Walsh of Walsh Associates of Port Chester, New York (http://walshworks.com/index.html) would provide project management for the renovation. Walsh Associates has extensive hotel construction and renovation experience throughout North America, including the renovation of the Hotel Monaco and Rosemont Hilton in Chicago. For this project, Crimson Rock and Walsh Associates will partner to collectively serve as the lead investors and developer for this project. For purposes of the agreement, the developers have established a Limited Liability Corporation known as Upsilon Lambda Heta, LLC, which has been licensed to operate in the State of Illinois.

The proposed hotel operator would be New Castle Hotels & Resorts (http://newcastlehotels.com/), a leading hotel management and development company based in Connecticut, with an inventory of over 3,000 rooms. New Castle has properties throughout the eastern parts of North America, with brands including Hilton, Marriott, Starwood, and Choice. Their portfolio includes a number of historic hotels that are recognized by Historic Hotels of America. Crimson Rock Capital, Walsh Associates and New Castle Hotels have a long history of working together. The project architect would be Campo Architects of New Orleans (http://www.jtcampo.com/hospitality/) who are experienced in the restoration of historic hotels and the use of historic tax credits. This proposed project team recently completed a major renovation and rebranding of the Fairfield Inn & Suites in New Orleans, which is housed in an historic building in the downtown area.

The project team has entered into a franchise agreement with the Hilton Tapestry Collection brand (http://tapestrycollection3.hilton.com/tc/). The Tapestry Collection by Hilton launched on January 23, 2017 as the 14th brand and second collection brand of Hilton, the world's fastest growing hospitality company. Eight locations were announced at the launch, with 35 more deals in the works, including Urbana's. The Tapestry Collection was created in response to customer demand for unique hotels that retain their independent spirit and appeal to a youthful customer base. A comparable example of a Tapestry Collection product is the Hotel Skyler Syracuse, a LEED Platinum historic adaptive reuse near the campus of Syracuse University (http://tapestrycollection3.hilton.com/tc/hotel-skyler/). The Urbana Landmark franchise agreement with Hilton has been executed in a preliminary form. The final version is expected to extend for a period of 20 years. As long as the development team fulfills the Property Improvement Plan required by Hilton, the brand will be awarded upon opening. The achievement of the Tapestry by Hilton brand for the property represents an essential component of the anticipated success of the proposed project by ensuring high standards for quality control, marketing, access, customer loyalty and operational success.

Property History

A group of prominent Urbana citizens formed a corporation in 1921 to build a new hotel in Downtown Urbana. In 1922, the northeast corner of Broadway Avenue and Green Street was chosen as the location and prominent local architect Joseph Royer designed a Tudor Revival hotel for the site. Construction began later that year and the new hotel, the Urbana-Lincoln Hotel, opened to the public in early 1924.

Extensive interior modifications were made in 1937-1938, and the hotel was bought by the Urbana-Lincoln Hotel Company in 1944. At this time, rooms were enlarged and private baths were installed. Some rooms also received new plumbing and tile work. In 1948 a tea garden patio was made in front of the hotel. In 1954 the Urbana-Lincoln Hotel Company was dissolved, and in 1965 the hotel was sold to Carson, Pirie, Scott, and Company. As part of the construction of Lincoln Square Mall in 1964, the original entrance, which faced southeast was incorporated into the Mall. As a result, the main entrance is now located on the west side of the hotel, on South Race Street.

In 1976, the hotel was bought from then owner Carson, Pirie, Scott and Company by James Jumer, president of Jumer's Castle Lodge of West Peoria. The hotel was renovated and re-opened by Jumer in 1977. In 1982, work commenced on a three-million dollar expansion on the north side of the original hotel. This addition, which opened in the spring of 1983, included 69 guest rooms, a ballroom, an indoor swimming pool, saunas, a whirlpool, a game room, executive suites, junior suites, and informal conference rooms. The City assisted in this redevelopment in 1981 by issuing $3.03 million (equal to $8.48 million in today's dollars) in 20-year Economic Revenue Bonds backed by UDAG reserves, which were paid off over time by the developer. Fifteen years later, in 1996, the City entered into a second agreement with Jumer's which resulted in the company paying off the bonds early in exchange for additional reimbursements, performance incentives, and parking guarantees. In 1982, the City also issued $2.30 million ($5.75 million in today's dollars) in General Obligation Tax Increment Bonds for construction of the parking deck and other public improvements to serve the hotel environs. This was also a 20-year bond issue, and was retired in 2002, following multiple reissuances for interest rate reductions. The bonded public investment related to the Jumer's project and associated parking equaled $14.23 million in 2017 dollars.

Following the reorganization of Jumers in 2001, the Hotel was operated as the Historic Lincoln by Jay Bhaghavan, Inc. The property fell into decline during the Great Recession and was ultimately foreclosed upon by Marine Bank which owned the hotel during the recession.

On September 8, 2006 the Urbana Lincoln Hotel and adjacent Lincoln Square Mall were listed on the National Register of Historic Places (NRHP). The Hotel was designated a local landmark by the City on December 20, 2010.

Pursuant to the local landmarking action and sale by Marine Bank, the City executed a Redevelopment Agreement with the current owner Xiao Jin Yuan in 2010 for the rehabilitation, reconstruction, and repair of the former Historic Lincoln Hotel property, to be operated as a boutique historic hotel and conference center. The agreement provided an initial redevelopment loan and an annual benefit in the form of eligible reimbursements to the developer. As per the terms of the agreement, Mr. Yuan was required to complete the planned improvements and to ready the hotel for occupancy and commercial utilization. In 2012, a First Amendment to the Redevelopment Agreement was executed, extending the project commencement date and adding further City protections in the form of a mortgage guarantee.

While Mr. Yuan made significant progress on the renovation, the terms of the Agreement were not met in full and in 2014 the City of Urbana provided the hotel owner with a notice of default for failure to comply with the developer's obligations in the agreement as amended. The City also filed a claim in local court. The complaint was resolved on April 8, 2015 by Mr. Yuan reimbursing the City for $1,095,415 in incentives paid out under the agreement, in addition to interest and fees.

Following the resolution of the complaint, Mr. Yuan continued to operate the hotel, but chose to relocate back to California in early 2015. Mr. Yuan also decided to seek a purchaser for the hotel and began to market it through the Amber Hotel Company of Agoura Hills, CA, one of the largest hotel real estate brokerages in the United States. A purchase agreement with the developer was originally entered into in March 2015. Following its initial expiration, the purchase agreement has been re-entered into and then extended numerous times, as the purchaser has pursued due diligence, including investigation of environmental concerns and negotiations with the City of Urbana for the proposed incentive package. A necessary step for the development agreement was the establishment of tax increment financing for the property which occurred as part of the Central Area TIF adopted in October 2016 and effective on January 1, 2017. Following the failure of a fire alarm system, which has since been repaired, the owner chose to close the hotel in April 2016, in anticipation of completion of the pending purchase agreement. The developer has negotiated a purchase price for the full hotel property in the amount of $5,120,000. This purchase price is in effect until the purchase agreement expires sometime in June 2017.

Project Proposal

The developer has prepared a comprehensive project proposal which has been presented individually to Council members, as well as in a public presentation to the Council on March 13, 2017. An updated version of this presentation is attached to this memorandum. The developer has proposed to completely renovate the property to fully reactivate all hotel rooms, as well as to reopen the restaurant, bar, conference center and dining hall, while preserving the historic character of the building. The property would be operated as a Hilton Tapestry Collection hotel, which features unique 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 Landmark Hotel in compliance with standards set by the Illinois State Historic Preservation Officer. The renovation will also meet any standards necessary to obtain the Tapestry Collection by Hilton brand. 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 a number of due diligence activities and have expended well in excess of $200,000 on the project, including costs for the purchase agreement and extensions; preparation of market, cost, and financial analyses; environmental studies; and production of conceptual renderings to be presented at the Council meeting. Of significant note, through their hard work, the development team has succeeded in landing a franchise agreement with the Hilton Tapestry Collection brand. This agreement will help to ensure the project's success.

In order to undertake the project, the Developer has requested $9.5 million in funds from the City of Urbana to help complete the hotel renovation. However, as noted above, City decision-makers have indicated that they are unlikely to support a public investment in the project of over $7.0 million at this time. While this level of support is insufficient to allow the project to proceed, the developer understands that it will provide them with assurances of significant public support in the event that they are able to reduce the project costs through a renegotiated purchase price or other means.

As detailed in the attached Development Agreement, with the exception of reimbursements for $200,000 in redevelopment costs, the Developer has agreed to access the remaining $6.8 million in City funds only upon the successful opening and operation of the hotel. The funds would be made available using a 15-year City-issued bond, with proceeds to be paid by new tax revenues generated by the project over time, including incremental TIF property taxes, City taxes on food and beverage sales, standard City hotel/motel taxes, and boutique City hotel/motel taxes arising from a newly created special tax. These incentives would assist with the current estimate of $25 million in total project costs, including acquisition, construction, and fit-out costs. As described below, the agreement will include operational safeguards to ensure that this assistance occurs only if the hotel is successful and operated to high industry standards.

Proposal Development

It has been clear for some time that the reactivation of the Landmark Hotel would likely require significant public investment in order to become financially feasible for a private developer. With this property (among others) in mind the City adopted the Urbana Central Tax Increment Finance District in Downtown Urbana as a tool to be used to attract developments, such as that proposed. The Central TIF, which will benefit multiple downtown redevelopment goals over the next 23 years, was adopted on October 17, 2016 and became effective on January 1, 2017.

Over the past several months, an interdepartmental team of City staff has conducted a robust analysis of the proposed redevelopment of the hotel, including review of comparable projects, projections of revenues, analysis of costs, and evaluation of financing approaches. Legal work was provided by Attorney Ken Beth, working in consultation with city legal and economic development staff.

Supplementing the staff work, the City has retained development advisors S.B. Friedman (http://www.sbfriedman.com/) to provide independent advice on the City's financial involvement in the project, to provide context for the evaluation of the proposal, and to advise the City on how to establish a strong public-private partnership. While S.B. Friedman has provided ongoing substantive advice to the City over the past several months, because the project has continued to evolve, S.B. Friedman has not yet been able to complete a full feasibility report for the City. The City has asked that this study be completed at this time, pursuant to the current project description and development agreement.

The City has also consulted with Patek Hospitality Consultants, Inc. to review the market feasibility of the proposal. Ms. Patek's report concludes that the financial and market projections, including occupancy and room rates, prepared by Crimson Rock appear to be reasonable and that the project would serve as a catalyst for further development. A summary copy of this analysis is included as an attachment to this memorandum. Also serving in a periodic advisory role has been Craig Rost, the Executive Director of the Economic Development Corporation of Champaign County. City of Champaign staff and staff from other downstate communities have assisted by providing information on comparable catalytic projects that have occurred in the City of Champaign and throughout the state.

The City staff team, along with its advisors, has been working over the past several months to develop a plan that would allow the City to assist the project by relying exclusively on the revenues to be generated by the project and with the least amount of risk to the City. Establishment of the Central TIF was a key initial step in providing an economic development tool to aggregate new property taxes and to apply them to the project. New hotel-motel tax revenues were identified as a significant generator of new tax revenue which could be enhanced through the establishment of a new “boutique hotel” tax. This proposed category would be defined by ordinance to have an additional hotel/motel tax rate, above the base of 13 percent that is currently collected (of this 6 percent goes to the state, while 7 percent goes to the City). A review of hotel tax and service fee rates in Urbana-Champaign market shows that the tax and service rates charged to visitors actually range from 13 to 29 percent, and are highly variable. These revenue projections and enhanced taxation tools would allow the project to pay for the full cost of a $7.0 million bond issuance over a period of 15 years. The City revenues for this project can be further supplemented in the future, if needed, by an additional food and beverage tax or property tax applied just to this property via the creation of a Business District or a Special Service Area, respectively.

Plans and Policies

The proposal for redevelopment of the Urbana Landmark Hotel property is highly responsive to the planning framework established by applicable City plans covering this area, including the goals and objectives outlined in the 2005 Comprehensive Plan, 2012 Downtown Urbana Plan, 2014-2017 Mayor and Council goals, and the 2016 Central Redevelopment Project Area Plan.

Relevant policies of the Comprehensive Plan include:

Goal 22.0 Increase the vitality of downtown Urbana as identified in the Downtown Strategic Plan and Annual Action Plan

22.2 Promote the rejuvenation of Lincoln Square.
22.4 Encourage public/private partnerships to foster new development in the downtown area.
22.5 Use tax increment financing to promote new development and redevelopment opportunities, mini-parks and plazas.

The 2012 Downtown Urbana Plan includes the following relevant policies:

A Strengthen economic activity in downtown Urbana
A6 Promote the continued rejuvenation of Lincoln Square and Urbana Landmark Hotel.
C. Increase downtown's vitality by attracting more residents and visitors.
F. Protect and enhance the character of downtown.
F1 Protect downtown's architecture and civic buildings through preservation tools.

The 2014-2017 Mayor and Council Goals state the following:

Goal 4. Vibrant Business Districts
The heart of a city is its downtown, and Urbana must continue to make downtown a vibrant, attractive place to live, work and shop while continuing to implement the Boneyard Creek Master Plan to transform it into a downtown amenity. The city will strive to retain existing businesses, to attract new businesses and to fill vacant buildings and sites across diverse business districts, while celebrating Urbana's unique historical heritage.

1. *The city will strive to retain existing businesses, attract new businesses and fill vacant buildings and sites across all business districts.*
    e. Downtown. Finish restoration of Urbana Landmark Hotel.

The 2016 Central Tax Increment Finance District Plan identifies the need to enhance the real estate tax base and to assist private investment in the redevelopment area. The Central TIF Plan also encourages renovations to existing buildings in the Downtown core. Objectives of the Redevelopment Plan include the reduction and prevention of blight and the encouragement and assistance for private investment through the provision of financial assistance.

The Urbana Landmark is highlighted as a Specific Project in the Plan, as follows:

> *Renovation of the Landmark Hotel and ancillary facilities into a high quality, boutique-style historic hotel and conference center.*

The anticipated project was one of the primary purposes for the City in undertaking the Central Tax Increment Finance District in 2016.

Proposed Redevelopment Agreement

The redevelopment agreement the City Council is considering will provide incentives for a major $19.1 million renovation of the hotel property to a standard sufficient for the Hilton Tapestry brand and meeting the State standards necessary for historic preservation tax credits. While the agreement would not allow the project to proceed at this time, it would provide the developer with assurance of significant public support should the $2.5 million funding gap be filled. At such time as the developer is able to proceed with purchase of the property, it is estimated by the developer that construction could commence within approximately four months and be completed approximately eight months later.

The proposed redevelopment agreement with Upsilon Lambda Heta, LLC was structured to offer multiple protections for the City, as identified by the City's development advisor, legal counsel, and interdepartmental staff. The agreement defines the completed hotel facility as having 128-rooms, a conference center and meeting space, full-service/three meal restaurant, bar/lounge as well as grounds and parking improvements. As part of the agreement, the hotel facility is required to be branded and operated as a part of the Tapestry Collection by Hilton.

The agreement provides for reimbursement of eligible TIF expenses at a rate of 37% up to a maximum of $7.0 million. Up to $200,000 in these reimbursements would be made available to the developer during the project, and the remaining $6.8 million would only be made available upon the issuance of a Certificate of Occupancy for the entire project. The City's commitments are also conditioned upon the developer providing evidence of its acquisition of the property, a detailed project budget, commercially satisfactory evidence of its ability to pay for the project, a detailed project schedule, and all applicable City approvals for the project. In order to allow time for the developer to complete their due diligence and fill the anticipated $2.5 million funding gap, the City would provide the developer with at least 24 months to commence the project, with provisions for mutual extension of this time period, if necessary. During this time period, the City would not enter into an agreement with any other prospective buyer or developer of the hotel property without the consent of Upsilon Lambda Heta, LLC. This would allow the developer to preserve the benefits associated with the agreement for their exclusive use during the extended due diligence time period.

All reimbursements would be provided as part of a redevelopment loan. The loan would be backed by a promissory note and a mortgage which would be recorded as a lien on the property in second position, behind a senior mortgage. The agreement also limits the loan-to-value ratio of these liens as compared to the value of the property. This limitation protects the city's second position to ensure that its lien can be paid in full in the event of a sale of the property.

The redevelopment loan can be forgiven in whole upon the City's receipt of sufficient property and sales and hotel/motel tax revenues to repay the debt service for a bond. If the hotel were to cease operations, lose its Tapestry Collection by Hilton branding, or fail to generate sufficient tax revenue to cover the City's bond debt service, then only partial forgiveness would be achieved. The loan forgiveness calculation is triggered by either a default event or the end of a 20-year period. The loan would then be forgiven on a percentage basis by dividing the total amount of taxes received by the City (as defined in the agreement) by the total debt service remaining on the City's bonds. This calculation ensures that the City only provides forgiveness commensurate to its actual progress in bond repayment.

It is anticipated that the city would provide funds for the project incentives using a General Obligation bond, backed by the TIF increment and project revenues, to be issued upon completion and full activation of the hotel. The exact instrument and amount of funds will be determined by interest rates and availability of financing products at the time of bond issuance.

The calculations used to establish the bond lending scenario assume that only 85% of both the sales and hotel/motel taxes are new to Urbana. As such, note forgiveness is predicated on the same discount. The tax revenue projections used for the bonds also anticipate a coverage ratio between 17 and 75 percent, depending on the interest rate of the bonds when issued and the assessed value of the property. This means that it is currently estimated that there would be between 17 and 75 percent more tax revenue than debt service on the bonds. More coverage equates to less risk for the City. The need to base these projections on general bond issuances rather than revenue bond issuances is due to the relative cost of borrowing money using these products at this time. The City has extensive experience with using both revenue and general obligation bonds, for a variety of public and private development projects, and has employed multiple bond re-issuances and principal payoffs, as necessary to achieve lower interest rates and overall costs.

As is customary in the City's Development Agreements, the City will require approval for any sale of the hotel or transfer of agreement benefits. Furthermore, the City's second-position mortgage would become due upon any sale of the property occurring without the City's prior consent.

Also included in the Development Agreement are provisions to promote the employment of minority and female-owned contractors and a diverse workforce during construction. It is the goal of the City to stimulate the economic growth of the City and all its residents by providing full and fair opportunities for all businesses, regardless of race, color, national origin or sex. To broaden the pool of qualified candidates for construction of the proposed project, the developer has agreed to establish goals for contracting with businesses owned by minorities and females, with a 15 to 20% target for contractors and workforce diversity. It should be noted that the developer is a minority-owned business.

Discussion

Due to the critical importance of the property to the downtown and to the City as a whole (which is amplified by its physical connection to the most significant downtown property of Lincoln Square), combined with the very substantial public investment requested, and the community's emotional connections that are felt with respect to the property, there are a variety of opinions as to the importance of the project and the role of the City in encouraging its redevelopment.

A straw poll conducted by Councilmember Dennis Roberts of 54 downtown business owners, managers and employees revealed that a very large majority (80%) favor the proposal and would like to see the hotel reopened and renovated to a high standard. An even larger majority (89%) wished to retain the current hotel building, rather than to tear it down and start over.

Other residents have asked about what the alternatives to the project might consist of, what the costs of not pursuing the project might involve, and the potential catalytic effects of the project on the downtown. Some have expressed concern about the lack of success of the previous redevelopment effort at this location and the justification of the current sale price of the property. Councilmembers have been especially concerned about the level of public investment and the ability to pay back the bonds over time. In order to assist in evaluating these concerns, information is provided here about other comparable projects, including their level of public investment and the consequent catalytic impacts, alternative scenarios to the proposed project, including a "do nothing" alternative, and the City's own history in undertaking projects which involved significant public assistance and/or debt issuance.

Project Impacts

It is anticipated that the remodeled Urbana Landmark Hotel would be the premier hotel 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.

Upon the completion of the project, the City will gain increased revenue directly from the project in the form of TIF property taxes resulting from the increased equalized assessed value (EAV) of the building, hotel-motel taxes from the hotel rooms, and food and beverage sales taxes from the re-opened bar, restaurant, and conference center. The City would also receive revenue through utility taxes and telecommunications taxes. In addition to direct revenue received, the hotel would attract additional visitors to stay, shop, and eat downtown. The City would capture additional revenue from money spent at these downtown businesses through retail and food and beverage taxes.

Among the anticipated benefits to the City of the hotel project are the following:

- Between $284,816 and $540,972 in anticipated increased yearly TIF increment.
- $543,561 in anticipated average yearly local Hotel/Motel Tax generated.
- $52,376 anticipated yearly local Food and Beverage Tax generated.
- Additional tax revenue for other food and beverage and retail providers downtown.
- Catalyst for additional downtown development and investment.
- Avoidance of a possible major liability should investment in the hotel not occur.

In addition to a $25+ million investment in a significant, historic property in the center of Urbana, the project will bring visitors and guests to the downtown on a continuous basis, as guests at the hotel, attendees at conferences, and as patrons eating and drinking at the hotel's restaurant and lounge. It will also result in direct new employment with an estimated 110 new permanent jobs generated and up to 60 temporary construction jobs at any one time during the construction period. Catalytic benefits will be felt most directly at the bars and restaurants in the downtown area, and at the adjoining Lincoln Square property. With a completely remodeled, higher-end user adjacent, Lincoln Square will experience an increase in value and a significant market incentive for improvements to its own facility. As in examples drawn from Champaign and Normal, Urbana would expect to see additional investment in the downtown from spin-off projects, including investments in existing buildings, as well as in new builds at the redevelopment sites located throughout the downtown. Due to its location near campus and as a "best in market" unique lodging and conference choice, greater connections with the University of Illinois to Downtown Urbana can also be expected.

The proposed project presents Urbana with a rare opportunity to attract an experienced hotel developer and a high-end Hilton brand to transform an iconic building in the downtown back to a top-of-market hotel and conference center. It would help to capture a market trend for unique renovated hotels in center city locations that appeal to a younger demographic and would help to preserve an iconic historic landmark designed by Urbana's own Joseph W. Royer. The project would bring a new level of vitality and momentum to Downtown Urbana by complementing other recent revitalization efforts already showing fruit along Main Street and along the Boneyard Creek Crossing project.

Property Purchase Price

Concerns have been raised over the developer's negotiated property purchase price of $5.12 million. County records show that the hotel property was sold in 2001 for $2.7 million following Jumer's reorganization ($3.75 million in today's dollars). The property then became distressed and was sold (presumably to Marine Bank) for $1.3 million in 2008 during the Great Recession. The current owner, Xiao Jin Yuan, purchased the property during the down market from Marine Bank for just $600,000 in 2010. The current market value estimated by the County Assessor is $717,432 for the four properties which comprise the site.

The $5.12 million selling price reflects the value that the current owner places on the property and is the price that has been entered into contract with by the developer. The City is unable to exert direct pressure towards a price reduction as that would be improper interference in a current contract between private parties. For a large unique property such as the Urbana Landmark Hotel, the purchase price may not be a highly determinative factor in a complete renovation, as it represents a relatively small portion of the total investment (20% in this case). What attracted the purchaser to the property were its unique attributes as a boutique historic hotel and the fact that it is a Big 10 (large university) town. The Urbana Landmark Hotel represents one of very few properties of this type that are available in a market that has been favoring hotel investments over the past few years as has the Urbana-Champaign market.

It can help to break down the asking price further to better understand the seller's position. Below is a very rough estimate of costs the current owner has expended on the hotel facility:

Estimated Property Outlay:		
Purchase price (2010)	$ 600,000	($720,000 in today's dollars)
Renovation Hard Costs	$1,100,000	(documented direct costs)
Renovation Soft Costs	$ 500,000 est.	(estimated furnishing, fixtures and equipment)
Subtotal	$2,200,000	

Based on this estimate, the current sale price of $5.12 million would yield roughly a 120% return on the investment for the property owner before taking into consideration the losses he likely sustained during his operation of the hotel, six years of his and other family members' labor, as well as the opportunity costs associated with the investment. If there was a total operating loss of between $500,000 and $2,000,000 experienced while the hotel was operating, this would reduce the return on investment to between 30% and 100%. At this time, the owner owns the property free and clear and continues to pay taxes on it. Mr. Yuan's stated intent is to hold onto it for as long as it takes to realize his investment. He has also stated that he has extended the proposed developer's purchase contract primarily because the City has asked him to do so and he wishes to be cooperative with the City.

Questions have also been raised by some individuals over the City's ability to exert eminent domain over the property in order to facilitate a sale to a developer. Following the controversial Supreme Court decision under Kelo v. New London, CT in 2005, several states, including Illinois, enacted legislation making it very difficult to use the threat of eminent domain for private projects. In addition, the current condition of the hotel is such that it is considered by Building Safety staff to be stable and to meet all codes. As long as the hotel is maintained at its current level, the likelihood of exerting eminent domain due to blighting conditions in order to encourage a sale remains low. It should be noted, however, that maintenance of large vacant buildings can become onerous for property owners over time. The longer the hotel remains vacant, the more likely it will be to meet the blighting safety factors necessary to successfully exert eminent domain. Unfortunately, meeting these factors would also strongly decrease the likelihood that adaptive reuse of this historic property will remain financially feasible. Furthermore, pursuing condemnation under the City's limited eminent domain authority would likely necessitate lengthy and costly legal efforts. Lastly, exercising condemnation or simply taking no action are scenarios in which the potential negative impacts of blight, inactivity and attractive nuisances are expected to continue to compound at the expense of nearby properties and businesses, including the attached Lincoln Square Mall.

Comparable Project Examples

Staff has researched a number of other projects in relevant locations, where the public sector has stepped up to provide significant incentives in order to spur private investment and redevelopment to achieve major catalytic outcomes. Numerous communities have taken bold moves with similar catalytic projects and have reaped the rewards of spin-off development as a result. Local and nearby examples are detailed in the attached report and summarized as follows:

- I Hotel, Champaign. Developer Fox/Atkins received $11.6 million in incentives from the University of Illinois and $3.0 million from the City of Champaign (and the City of Urbana via our Metrozone agreement), for a $29.6 million construction of a 126-room hotel and conference center. The public (State and Local) contribution was 49% of the total project cost. The I Hotel is a key element of the University's research park and the closest local comparable product to the proposed hotel.
- Marriott Hotel, Normal. The Town of Normal provided $20 million in reimbursements and $3.5 million in land value for this $72-million, 228-room hotel and conference center. Similar to the Urbana Landmark proposal, the public contribution comprised 33% of this project. In addition

to this direct support, the Town installed substantial streetscape and traffic calming improvements around the site. The project has had a profound impact on Uptown Normal, spurring extensive commercial development as well as a second hotel.

- Pere Marquette, Peoria. This renovation and expansion of an historic 286-room hotel in downtown Peoria had a project cost of $92.8 million. Supplementing historic tax credits and redevelopment zone financing, the City provided $29 million in a grant funds and a $7 million loan, comprising 31% of the project total. The hotel was branded by Marriott and has a four-diamond AAA rating. The hotel recently went into foreclosure, but Peoria officials are confident that the property will retain its flag and sell to a new owner at an amount that will protect the City's investment.
- Hotel Blackhawk in Davenport, Iowa, received $7.03 million in city bonds, $8.5 million in historic tax credits, and $9.75 million in public loans for a $36 million renovation of a 130-room historic hotel, rated with four AAA diamonds. The total public incentive was about 43% of the $36 million dollar project (with 20% coming from the City). Numerous other projects have followed in the vicinity.
- M2, Champaign, Champaign. This mixed use development and adjacent parking deck is downtown Champaign's best catalytic example. Including construction of the $12 million adjacent parking deck - a portion of which is dedicated to the project - the City spent $17.55 million to incentivize this $42 million dollar project (42%). Incentives came in the form of bonds for parking deck construction, TIF reimbursements, land value, and sales tax abatements. Despite a slow start during the recession, this project has had a profound effect on downtown Champaign, spurring numerous other projects, including a Hyatt Place hotel directly south and a planned Best Western Vib hotel to the north.
- Burnham Hospital, Champaign. This project represents Champaign best Campustown/Midtown catalytic example. The City bonded for $7.8 million to ready the old Burnham Hospital site through purchase, demolition, and remediation. After a number of tries, the City was able to attract a developer for student housing and an attached grocery store, providing $1.2 million in public infrastructure, $715,000 in sales tax abatements, and $1.61 million in land value write-down. Ultimately, a total of $8.46 million in public funds was expended for this $50 million dollar project, equating to a favorable 17% proportion of the project. This project spurred other development in the area between Campustown and Midtown and is now considered to be a very desirable location for student living.

These examples show that neighboring and peer communities, such as Normal, Champaign, and Peoria, have extended significant funds in order to remove blight, offer key services, spur development, and protect historic resources. The resulting projects have been significantly beneficial in all examples evaluated. The portion of public versus private capital ranges from 17% to 49%, with the higher percentage generally found for historic restorations and parking deck construction. At 36%, Urbana's potential contribution fits well within this range. The amount of public funds expended for these projects ranged from $8.5 million to $29 million, with an average cost of $18.2 million in public funds for each catalytic project. At $7.0 million, the Urbana Landmark Hotel incentive as currently proposed would be just over a third (38%) of this average cost. It should be noted that the amounts referenced above represent the bonded amounts, rather than the actual cost of the bonds. The actual cost of bonding varies in time and by community dependent upon factors such as interest rates, term, and other conditions.

In terms of scale, the City's proposed level of borrowing for the Urbana Landmark renovation would be somewhat less than that which the City undertook in completing the Boneyard Creek Crossing/Race Street/Broadway Avenue project (which was $7.8 million of the $10± million project). While the Boneyard project does not involve any direct revenue-generating benefit, it does serve as a public amenity and development catalyst for the northern portion of the downtown. As described above, substantially higher levels of assistance were expended by the City of Champaign in assisting the M2 mixed use building and associated parking, by the Town of Normal in attracting the Marriott, and by the City of Peoria in renovating the historic Pere Marquette Hotel. Each example summarized above shows a major commitment by the government to assist a catalytic project within their downtown. The success of the investment in Normal and Champaign is clear – with both projects making a community-wide impact and spinning off substantial new investments and buildings in the nearby portions of their downtowns, including Hyatt Place hotels at each location.

Comparable Urbana Projects

The City of Urbana has a successful history of undertaking large projects of a significant nature which have involved substantial outlays and/or issuance of debt for a variety of public and public/private purposes. These projects are in addition to the more customary "pay as you go" development agreements for smaller renovation and new build projects. A listing of major bond issues is attached as an exhibit to this memorandum.

Among the relevant comparable or relevant projects are the following:

Jumer's Hotel

As discussed in the Background section above, the City assisted in the Jumer's expansion in 1981 by issuing $3.03 million (equal to $8.48 million in today's dollars) in 20-year Economic Revenue Bonds backed by UDAG reserves, which were paid off over time by the developer. Fifteen years later, in 1996, the City entered into a second agreement with Jumer's which resulted in the company paying off the bonds early in exchange for additional reimbursements, performance incentives, and parking guarantees. The Jumer's Hotel was considered top of the market for a number of years and enjoyed tremendous success until its reorganization and sale in 2001.

Downtown Parking Deck

In 1982, the City issued $2.3 million ($5.91 million in today's dollars) in General Obligation Tax Increment Bonds for construction of the parking deck and other public improvements, such as the initial streetscaping. This was a 20-year bond issue, and was retired in 2005, following reissuances in 1985 (a $2.82 million issue, or $6.46 million in today's dollars) and 1994 (a $1.99 million issue) for interest rate reductions.

Downtown Parking Improvements

In 1990, the City issued a total of $2.88 million ($5.5 million in today's dollars) in bonds for parking improvements, both within and outside the TIF area. The TIF portion of the bonds were paid off in 2013, following reissuance in 1994, 2003, and 2005. These parking improvements have benefitted downtown businesses, property owners, and visitors and have helped to keep the downtown vibrant by offering public parking opportunities.

Urbana Crossing/Schnuck's

In 1999, the City issued $1.3 million ($1.91 million in today's dollars) in a development note to help pay redevelopment costs pursuant to the City's agreement with Schnuck's. The note was repaid in 2001. The Urbana/Schnuck's project transformed a blighted area into a high-performing retail shopping center, including a full-service grocery store.

Urbana Free Library Expansion

In 2002, the City contributed $5.3 million ($7.26 million in today's dollars) in reserves to an $8.6 million dollar expansion and modernization of the Urbana Free Library, supplementing $2.5 million in funds donated by the public and $800,000 from the State. The award-winning Urbana Free Library is considered by many to be the gem of Urbana and continues to have extraordinary circulation and participation numbers. The expansion was constructed in a context sensitive style that is compatible with the Royer-designed historic structure. It is located directly west of the Royer-designed Urbana Landmark Hotel.

Philo Road Streetscape

In 2008, the City borrowed funds using conventional financing to pay for a $700,000 ($833,000 in today's dollars) streetscape improvement along Philo Road. The project was done in conjunction with a State funded resurfacing/road diet and helped to beautify and reinvigorate the area. The Streetscape was a key element of the 2005 Philo Road Action Plan and helped to encourage commercial reinvestment in the area. The prairie plantings have held up well and have helped to create a more attractive and pedestrian-friendly commercial area.

Boneyard Creek Crossing

In 2012, the City issued $7.8 million in General Obligation bonds to help pay for the $10 million Boneyard Creek Crossing/Race Street/Broadway Avenue project. This major public improvement has created a beautiful park and recreational amenity along the Boneyard Creek and has helped to spur redevelopment of the northern part of downtown. The bonds are scheduled to be repaid in 2022.

Windsor Road

In 2015, the City issued $2,8 million General Obligation Bonds to assist in the reconstruction of Windsor Road, a major east-west corridor along the southern portion of Urbana. Reconstruction was necessary due to concrete failure. The majority of this project was funded by the State of Illinois, using Federal highway funds.

Other major public expenditures entered into through development agreements or TIF expenditures, but not reflected in bond issuance listings include the following:

- Downtown streetscape, street lighting and public plaza/mini-park improvements
- Improvements necessary for the O'Brien's Auto Park (now Napleton's) relocation and Gateway Shoppes redevelopment
- Public improvements for Stone Creek subdivision
- Public improvements for Meijer's development

These examples illustrate that the City of Urbana has a long history of supporting significant public and private projects that have required issuance of debt on a par with or greater than that proposed. For all of the examples, the City has been able to efficiently and strategically retire the debt without negatively impacting the City's financial condition. For those bond issuances that have been backed by revenue sources, such as TIF and sales tax (as proposed for this project), the City has successfully achieved the project-related goals without any negative impact on general funds. After 36 years of experience working with tax increment financing in the downtown area, there is good reason to believe that a significant project such as that proposed can be accomplished in a manner that is beneficial to the City and to its tax payers. In fact, the accomplishment of key catalytic projects that result in the removal of blight and an increase of property values is the very purpose of establishing a tax increment district.

Alternative Scenarios

Multiple alternative redevelopment scenarios have been raised through community dialogue in response to the proposed redevelopment of the Urbana Landmark Hotel. Staff identified and analyzed several such scenarios. The section below details the economic impacts (independent of costs) of alternative scenarios, followed by a discussion of the feasibility of each development alternative. In short, the proposed restoration of the Hotel would have the greatest economic impact and is the most financially feasible project of all the alternatives discussed. The complete analysis is attached to this memorandum.

Alternative Scenario Economic Impacts

To evaluate the economic impacts of different scenarios, staff developed an Input-Output model using EMSI software. For this particular model, staff inputted revenue projections, delineated by industry classification. For each scenario the model predicts the number of jobs, earnings and taxes by using a proprietary combination of industry and metropolitan averages.

When compared to other potential uses, a hotel has the greatest economic impact for all three model outputs: jobs, earnings and local taxes. Using the developer's revenue projections, the model predicts the hotel scenario would create 110 jobs, $2,726,946 in earnings, and $300,308 in local taxes annually (local tax estimates use metropolitan level data and do not reflect actual tax rates). The next highest performing scenario, senior housing, is predicted to create 72 jobs, $1,896,781 in earnings and $88,965 in local taxes a year or about 66% of jobs and earning and 30% tax revenue compared to a hotel. Student housing would have even less of an economic impact, about one-quarter that of a hotel. In addition to having the greatest direct economic impact, the hotel scenario is also expected to have the greatest spin-off effects on the downtown economy as hotel guests are expected to have greater spending potential than senior or student residents. In summary, the model shows that a hotel would have the largest economic impact of the examined scenarios, generating significantly more jobs, tax revenue, and positive externalities and can be considered the highest and best use for the property.

Alternative Scenario Feasibility

New Construction Alternative

Members of the public have suggested that rather than renovate the existing hotel, the property be demolished and rebuilt as a new hotel that stands separate from the adjoining Lincoln Square Village. This alternative is also evaluated in the attached Input Output Analysis. Summary points include the following:

- The property is in private hands with a sale price of $5,120,000. Prior to coming to a contract with the Developer, the property was listed at $5,450,000. This asking price is unlikely to change for some time, due to the owners desire to recapture sunk costs and time.
- Demolition of the building would likely cost nearly $2.5 million, due to its size and environmental remediation costs.
- There would then be a need to reconstruct the wall where the hotel is attached to Lincoln Square Village, estimated to cost around $1.2 million.
- A hotel of similar size and quality as that proposed would cost in the neighborhood of $30 million for new construction, independent of the purchase price.
- Assuming that projected revenues for a new hotel and the proposed renovation are comparable, the nearly $10 million increase in development costs likely reflects an unsurmountable obstacle to new construction.
- If reimbursed at a similar rate as the proposed renovation, the new construction alternative could potentially receive $10.6 million in total incentives, $3.6 million more than the $7.0 million currently proposed.
- In summary, a new build would cost about $10 million more what the proposed project would cost and would involve just as much, if not more, public investment.
- In addition, an historic downtown building would be lost and Lincoln Square Village, a National Register property, would also be negatively impacted.

Partial Demolition Alternative

Members of the public have suggested that the newer portions of the hotel be demolished and that only the original Royer-designed hotel be retained and renovated, with the demolished area to be developed as open space. The developer has indicated that this would not be financially or practically feasible since a significant portion of the property’s revenue producing assets are located within the Jumer’s addition (69 rooms and the conference center). Successful renovation of the hotel is reliant upon the benefits of the areas provided in the addition. There would also be significant added costs due to demolition, reconstruction of prior building facades, and construction of the desired open space. The resulting project would have smaller returns as well as a smaller tax revenue benefit for the public.

Lower Cost Alternative

It has been suggested that the $143,112 "per key" costs of the renovation (including construction; furniture, fixtures & equipment; soft costs; and permits & fees) are too high and a lower cost project should be pursued at this location. The estimate of the costs has been prepared by Bill Walsh of Walsh and Associates, who is trained as a structural engineer and has been involved in over 150 hotel renovation projects throughout North America. Mr. Walsh has explained that the "per key" cost is reflective of the costs and difficulties associated with an older property that has not been fully remodeled for decades, along with the developer's desire to bring it to a three- to four-star major branded status to ensure its success.

The Urbana Landmark Hotel has not had a major renovation since the 1982 expansion and has not operated as a reliable quality hotel since at least 2001. A major renovation and rebranding with a high quality national franchise is necessary to bring the hotel back to its highest and best use and to ensure its continued success. The experiences of the past two ownerships have shown that simply operating the hotel with moderate improvements is not sufficient for the success of the property or to meet the community's expectations for this critical property.

Alternative Adaptive Reuses

It has been suggested that the hotel could be repurposed to another use at a reduced cost to the City. The hotel has limited potential for alternate reuses such as senior or student housing due to its relatively high purchase cost, current layout, and the renovation burden of an existing, historic structure. These additional costs and burdens are not adequately reflected in the Input Output model, as revenue projections were simply based off of 128 rooms. Repurposing the hotel to an alternative use would likely result in more costly renovation and a lower room count. With additional costs and lower economic intensity, these alternatives are unlikely to be feasible.

No Project Alternative

One of the strongest arguments for undertaking the proposed renovation is the significant and very visible liability and opportunity cost of having a vacant distressed hotel property in the center of downtown Urbana. If the Urbana Landmark were open and operating at even a two-or three-star level, the hotel would likely generate over $250,000 per year in hotel/motel tax for the City at today's tax rate and create an appreciable amount of economic activity in the downtown. However, without the project, Downtown Urbana would not only forgo this economic activity, but the vacant and blighted property would continue to detract from the vitality and success of Downtown Urbana and all of its business institutions. If the hotel building is allowed to continue in its vacant, distressed state for an appreciable time, it will continue to exert a depressing impact on surrounding properties and on the downtown as a whole. This liability is compounded by its physical attachment to Lincoln Square, another very significant and challenging property in its own right.

Should the hotel continue to remain vacant and to deteriorate, the City would have limited options for requiring restorative actions of the owner and would have virtually no ability to require that the hotel be opened for productive use. The hotel would likely sit in its current condition until a new buyer could be identified. Vacant buildings are also much more susceptible to catastrophic damage by malfunction, weather and fire, leaving open the possibility that hotel could become deteriorated beyond rehabilitation. The costs of condemnation, abandonment and demolition of the property would likely fall to the City in this worst case scenario. Such an outcome would also require a substantial investment by the owner of Lincoln Square with likely additional support from the City to repair the exterior wall that the mall shares with the hotel. The public cost for such an outcome could well exceed the current request for assistance, but without any of the community and economic benefits that a renovation of this historic property and activation of a downtown hotel would bring.

The impacts of the "do nothing" alternative are summarized as follows:

- Doing nothing will also have an impact on the downtown and the community as a whole.
- The City would go back to the drawing board, starting again to try to attract an investor to this challenging but unique property.
- The property would continue to be vacant and available for sale.
- Over time, the property would likely deteriorate and continue to present a blighted appearance.
- There would continue to be opportunity costs due to lost revenues and business activities from having a shuttered hotel in the downtown.
- With the failure of this proposal, it may be difficult to attract another developer
- The Hilton brand, which helps to ensure the financial viability and success of the hotel project, would no longer be at the table.
- Champaign will continue to build new hotels, furthering capturing the regional market.
- A local historic landmark will continue to deteriorate, and could become threatened if the property were to become unsafe.
- The lack of a viable hotel will continue to be drag on downtown businesses and on the revitalization prospects of Lincoln Square Village and its tenants.
- The City will have lost an opportunity to attract investment to the downtown at this site, as well as at others.

Fiscal Impacts

Crimson Rock Capital initially requested $9.5 million in city funds for the Landmark Hotel renovation to be completed. The attached negotiated agreement provides $200,000 in reimbursements during the construction phase, but only after the satisfaction of the conditions precedent. Upon opening of the branded hotel with a certificate of occupancy and the securement of the senior mortgage, the City would provide an additional $6.8 million in reimbursements. Taken together, the full $7 million in incentives would be structured as a redevelopment loan.

When confronted with the question of how to raise funds to meet the developer's needs, staff analyzed the identified bonding against the projected revenues from the project alone as the least risky scenario. In order to ensure that sufficient revenues could be generated to provide robust coverage of the City's debt service, staff also proposed the establishment of new boutique hotel-motel tax under the City's home rule authority to generate additional tax revenue. All hotel-motel and sales tax would be generated solely by patrons of the hotel, restaurant/bar and conference center. Incremental property taxes generated from the newly established Central TIF District would also be dedicated to the repayment of the City's debt service. Again, such property tax revenues would be limited to those generated solely from the hotel property. Under this approach, Urbana residents, other property owners, and patrons of other downtown businesses would not be any providing tax revenue, either directly or indirectly, to repay the bonds in the proposed scenario.

The table below shows a summary of the revenue projections in two scenarios, one in which the property is assessed at nearly $8 million ($2.6 million in EAV) and a second in which the property is assessed at roughly $15 million ($5 million in EAV). These two scenarios reflect a conservatively low valuation and the developer's actual expected value of the property after five years of operation, respectively. A conservative property tax rate of 9.6% was also used for these estimates. The hotel/motel and sales tax projections were based off of 85% of the proposed hotel operator's gross sales estimates for the first five years of operation as a Tapestry by Hilton product. These estimates were found to be within an acceptable range as compared to the performance of peer hotels in the local and regional markets by the City's hospitality consultant. The attached report from Patek Hospitality provides further detail. The projection only takes into consideration 85% of the gross revenues in the tax calculation in order to account for some revenue potentially not being "new" to the City. A more detailed look at the revenue projections is available among the exhibits to this memorandum.

	Baseline Property Value Assumption		Enhanced Property Value Assumption	
City Revenue Source	**Projection Assumptions**	**Projected New Revenue over 15 Years**	**Projection Assumptions**	**Projected New Revenue over 15 Years**
Property Taxes		**4,272,245**		**8,114,579**
Stabilized Incremental EAV	2,650,000		5,033,333	
Future City Composite Property Tax	9.6%	4,272,245	9.6%	8,114,579
Hotel/Motel Taxes		**8,153,424**		**8,153,424**
Stabilized Annual Hotel Room Revenue	5,059,000		5,059,000	
City Base Hotel/Motel Tax	7%	4,756,164	7%	4,756,164
New Boutique Hotel/Motel Tax	5%	3,397,260	5%	3,397,260
		8,153,424		8,153,424
Sales Tax		**785,640**		**785,640**
Stabilized Annual Sales Revenue	1,666,000		1,666,000	
City Composite Sales Tax Rate	3.5%	785,640	3.5%	785,640

The bond scenarios were created assuming that the City would require a high coverage ratio, which is a measure of how large the anticipated revenue stream is compared to the debt service cost of a bond. Generally a higher coverage ratio represents a lower risk because there is a higher margin for error when making payments over the life of the bond. The following table shows bond scenarios for interest rates ranging between 4 and 6 percent each over a term of 15 years. Note that the coverage is impacted by the interest rate. The bond scenarios are based on the previously discussed revenue projections and also include a conservative baseline and enhanced property value scenarios.

	Baseline Property Value Assumption			Enhanced Property Value Assumption	
$7.05MM G.O. Bond Issue	**Cost & Coverage of City Bond Issue over 15 years***			**Cost & Coverage of City Bond Issue over 15 years***	
at 4.0% interest		*9,714,198*			*9,744,939*
with a coverage ratio of	1.36			1.75	
at 5.0% interest		*10,485,167*			*10,462,358*
with a coverage ratio of	1.26			1.63	
at 6.0% interest		*11,291,718*			*11,293,804*
with a coverage ratio of	1.17			1.51	

After the period of bond repayment ends, which in these projections is assumed to be 15 years, the City would begin to receive all new revenues directly. Projecting into the future beyond the 15-year mark, the City would likely generate in excess of $1 million per year in new revenues from these sources in the low valuation scenario and in excess of $1.3 million in the higher property value scenario. If the City were to eliminate the boutique hotel/motel tax upon the repayment of the bonds, these tax proceeds would be expected to be reduced to approximately $750,000 and $1.50 million per year, respectively.

Under the terms of the current draft agreement, the City would provide only $200,000 in TIF funding during the construction phase of the project, with the remaining $6.8 million paid out post construction. The initial $200,000 outlay would be repaid to the Central TIF District at the time of the bond issuance. As such, the City's direct investment of existing assets would be kept to a minimum. The primary financial impact for the City would be the risk associated with the issuance of the bond.

Recommendation

City staff believe that the proposal represents a momentous opportunity for the City of Urbana to encourage the development of a truly catalytic project, bringing back a key historic property to its former glory, and resulting in immediate positive economic impacts for businesses and property owners throughout downtown and beyond. The proposal will result in the ability of downtown to once-again host overnight visitors, conferences, and special events, in a manner that will support the local economy and bring better ties to the University of Illinois campus. The project will involve the restoration of a unique historic property which celebrates connections to President Lincoln and Urbana's own Joseph Royer. It will help to stabilize and improve Lincoln Square Village and prompt further investment in the downtown. Undertaking the project at this time will avoid a much riskier and potentially more costly alternative of allowing the project to remain vacant and deteriorating over time. It would also be directly responsive to the explicit policies outlined in the City's various plans and policies pertaining to the site, including the 2016 Central Area Redevelopment Plan.

While the public investment requested is significant, it is less than that required for other catalytic projects in comparable situations and with the City's past participation in the Jumer's Hotel development and in the more recent Boneyard Crossing project. The City's financial contributions to the project will be paid for by the project's own revenues generated over time. Extensive financial provisions have also been included to protect the City general finances.

Staff recommends that the City Council review the attached draft redevelopment agreement and direct the staff to continue to work diligently with the developer to negotiate a final agreement that will allow the project to proceed in a timely manner while also protecting the City's interests.

Exhibits:
- A: Draft Enabling Ordinance with Attached Agreement
- B: Developer's Presentation
- C. Patek Hospitality Consultants, Inc. Report
- D. Comparable Catalytic Projects
- E: Alternative Project Analysis (Input-Output Analysis)
- F. Previous bond issuances by the City of Urbana
- G. Tax Revenue Projections and City Bond Scenarios

EXHIBIT A

ORDINANCE NO.

AN ORDINANCE APPROVING A REDEVELOPMENT AGREEMENT WITH
UPSILON LAMBDA HETA, LLC
(URBANA LANDMARK HOTEL, 210 S RACE)

WHEREAS, the City of Urbana ("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, including the power to regulate for the protection of the public health, safety, and welfare; and

WHEREAS, on October 17, 2016, through Ordinance Number 2016-09-084, the City adopted and approved the Tax Increment Financing Redevelopment Plan, including the related redevelopment projects described therein for the Central Redevelopment Project Area under the Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1 et seq.) as supplemented and amended; and

WHEREAS, the Central Redevelopment Project Area Plan indicates the renovation of the Urbana Landmark Hotel as a high quality, boutique-style historic hotel and conference center as a priority project for the prevention of blight and provision of assistance of private investment in the redevelopment area; and

WHEREAS, after due and proper consideration, the City Council finds that entering into a Redevelopment Agreement with Upsilon Lambda Heta, LLC, as provided herein, will protect the health, safety, and welfare of the public.

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

Section 1. That a Redevelopment Agreement between the City of Urbana and Upsilon Lambda Heta, LLC, in substantially the form of the copy of said Agreement attached hereto, be and the same, is hereby approved.

Section 2. That the Mayor of the City of Urbana, Illinois, be and the same, is hereby authorized to execute and deliver 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.

PASSED by the City Council this _____ day of _____________, 2017.

AYES:

NAYS:

ABSTAINS:

____

Phyllis Clark, City Clerk

APPROVED by the Mayor this _____ day of _________________, 2017.

____

Laurel Lunt Prussing, Mayor

DRAFT OF APRIL 5, 2017

REDEVELOPMENT AGREEMENT

by and between the

CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS

and

UPSILON LAMBDA HETA, LLC

Dated as of May 1, 2017

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<u>EXHIBIT LIST</u>

REDEVELOPMENT AGREEMENT

THIS REDEVELOPMENT AGREEMENT (including any exhibits and attachments hereto, collectively, this **"Agreement"**) is dated for reference purposes only as of May 1, 2017, 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 **Upsilon Lambda Heta, LLC**, a Delaware 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, as contemplated by the Redevelopment Plan and the Redevelopment Projects, the Developer proposes to acquire the Real Property (as defined below) and to undertake (or cause to be undertaken) the Project (including related and appurtenant facilities as more fully defined below); and

WHEREAS, the Real 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, eighty-five percent (85%) of those taxes derived from the Hotel Facility as follows: (i) the Privilege Tax on Purchase of Prepared Food for Immediate Consumption and Certain Alcoholic Liquor as established by Article VII of Chapter 20 of the Urbana City Code; (ii) the Hotel/Motel Use Tax as established by Article V of Chapter 20 of the Urbana City Code and (iii) the Boutique Hotel/Motel Use Tax as or to be established by Article V of Chapter 20 of the Urbana City Code.

"Available Taxes" means, collectively, the Additional Taxes and the Incremental Property Taxes.

"Bonds" means any instrument evidencing the obligation to pay money authorized or issued in one or more series by the City under applicable law and having a principal amount of not more than $7,100,000 and a term of not more than 20 years.

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

"Debt Service on the Bonds" means the amount of principal, interest and premium, if any, when due either at stated maturity or mandatory redemption.

"Eligible Redevelopment Project Costs" means those costs paid and incurred in connection with the Project which are authorized to be reimbursed or paid by means of a loan 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 Real Property.

"Finance Director" means the Finance Director of the City, or his or her designee.

"Fund" means, collectively, 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 Real 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 Real Property over the equalized assessed value of each taxable lot, block, tract or parcel of real estate of the Real 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.

"Loan Advances" means, collectively, the amount of proceeds to be advanced by the City in connection with the Redevelopment Loan to or at the direction of the Developer under and pursuant to Section 4.1(a) of this Agreement.

"Loan Documents" means, collectively, the form of the Promissory Note attached hereto as Exhibit A (the **"Note"**) and the form of the Mortgage attached hereto as Exhibit B (the **"Mortgage"**), which Mortgage may be junior and subordinate to any financing of the Project by the Developer from a bank or other financial institution.

"Loan to Value Ratio" means, as of any date of determination, (a) the sum of (i) $7,000,000 (reduced by the current percentage of such amount derived by the Payoff Calculation) plus (ii) the outstanding principal amount of any other loan or financing secured by a lien on the Property, divided by (b) the Property Appraised Value.

"Payoff Calculation" means (a) the total amount of Available Taxes actually reserved by the City, divided by (b) the total Debt Service on the Bonds.

"Personal Property" means all equipment, fixtures, and other articles of personal property now or hereafter owned by Developer, and now or hereafter attached, affixed to or located upon the Real Property; together with all accessions, parts, and additions to, all replacements of, and all substitutions for, any of such personal property; and together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.

"Property" means, collectively, the Real Property and the Personal Property.

"Property Appraised Value" means an appraisal of the Property obtained by the Developer from time to time by an appraiser approved by the City.

"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, including related furniture, fixtures and equipment replacements, in a manner consistent with the standards established for the Tapestry Collection by Hilton Properties brand, 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.

“Project Commencement Date” means, as applicable, May 1, 2019, 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 9.5 of this Agreement, the date on which the Project is completed and the Hotel Facility is ready for occupancy, utilization and continuous commercial operation as evidenced by a certificate of occupancy for the entire Project issued by the Building Safety Manager of the City, but in no event shall such date be later than eighteen (18) months from and after the Project Commencement Date.

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

“Redevelopment Loan” means a loan to be provided by the City to the Developer in the not to exceed principal amount, at the interest rate and due and payable as specified in Section 4.1(a) of this Agreement.

“Requisition” means a request by the Developer for a payment or reimbursement by means of a Loan Advance of Eligible Redevelopment Project Costs pursuant to the procedures set forth in Article VI of this Agreement.

“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 Delaware, and duly authorized to transact business in the State of Illinois.

(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][member(s)]. 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 an Illinois limited liability company.

Section 2.3. Disclaimer of Warranties. 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 or sufficiency of the Available Taxes for the purposes of this Agreement. Nothing has come to the attention of the Developer to question the assumptions or conclusions or other terms and provisions of any projections of Available Taxes, and the Developer assumes all risks in connection with the practical realization of any such projections of Available Taxes.

Section 2.4. Developer Designation. At the Developer's request, the City hereby recognizes the Developer under the TIF Act to develop and redevelop the Real 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. The Developer is authorized to commence applicable activities upon execution of this Agreement.

Section 2.5. Incorporation of Exhibits. This Agreement and the Loan Documents shall be deemed and construed as a single agreement between the City and the Developer.

ARTICLE III
CONDITIONS PRECEDENT TO THE UNDERTAKINGS ON THE PART OF THE DEVELOPER AND THE CITY

Section 3.1. Conditions Precedent. The undertakings on the part of the City as set forth in this Agreement are expressly contingent upon each of the following:

(a) Title. The Developer shall have acquired fee simple title to the Real Property.

(b) Project Budget. The Developer shall have delivered to the City an itemized list of any and all estimated costs to complete the Project (the **"Project Budget"**) in accordance with such final development plans as may be approved by the City;

(c) **Ability to Pay**. 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;

(d) **Construction Schedule**. 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 Completion Date;

(e) **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; and

(f) **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 or any other land use regulations (collectively, the **"City Codes"**), including the issuance of all required permits, it being understood that the City in its capacity as a municipal corporation has the authority to approve the issuance of any such permits in accordance with any such applicable City Codes.

Section 3.2. <u>Reasonable Efforts and Notice of Termination</u>. The Developer shall use due diligence to timely satisfy the conditions set forth in Section 3.1 above on or before the Project Commencement 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
<u>CITY'S COVENANTS AND AGREEMENTS</u>

Section 4.1. <u>City's TIF Funded Financial Obligations</u>. 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. Upon the submission to the City by the Developer of a Requisition for Eligible Redevelopment Project Costs incurred and paid and the approval thereof by the City in accordance with Article VI of this Agreement, the City, subject to the terms, conditions and limitations set forth in this Section 4.1 immediately below, agrees to reimburse the Developer, or to pay as directed by the Developer, from the Fund the Loan Advances related to Project at the Property as follows:

(a) **Redevelopment Loan Financing**. Upon satisfaction by the Developer of all of the applicable conditions precedent for the Project as set forth in Section 3.1 of this Agreement, the execution and delivery by the Developer of the Loan Documents and the commencement of the Project on or before the Project Commencement Date, the City shall provide to the Developer a Loan Advance in the amount of $200,000.00 in connection with the Redevelopment Loan. 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 such that a Loan to Value Ratio of eighty percent (80%) will not be exceeded, the City shall provide to the Developer a Loan Advance in the amount of $6,800,000.00 in connection with the Redevelopment Loan. The Redevelopment Loan shall bear interest at a non-default rate of -0%- per annum, and the outstanding balance of the Redevelopment Loan shall be due and payable (i) as provided under any of the provisions of this Agreement or the Loan Documents; (ii) in the event the Hotel Facility ceases commercial operation and "goes dark"; or (iii) upon demand at any time from and after the day immediately following the date occurring twenty (20) years from and after the Bond Issue Date.

(b) **Total Loan Advance Limitation**. The City's obligation to provide the total amount of such Loan Advances as described in this Section 4.1(a) above is subject to the condition that such obligation shall not exceed thirty-seven percent (37%) of the Developer's total cost to complete the Project, including all costs required to be capitalized under generally accepted accounting procedures without regard as to whether such costs are Qualified Redevelopment Project Costs.

(c) **Bond Issue Date**. The City agrees to issue and deliver the Bonds and cause the Bond Issue Date to occur no later than sixty (60) days from and after the Project Occupancy Date.

Section 4.2. **<u>Loan Forgiveness</u>**. In the event that the Developer conducts productive hotel and related business operations at the Hotel Facility in the manner contemplated by the Project and if no default under this Agreement, the Note or the Mortgage has occurred and is continuing, the Redevelopment Loan shall be deemed fully paid and discharged to the extent of the percentage derived by the Payoff Calculation.

Section 4.3. **<u>Defense of Redevelopment Project Area</u>**. 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 Loan Advances 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
<u>DEVELOPER'S COVENANTS</u>

Section 5.1. **<u>Commitment to Undertake and Complete the Project</u>**. 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 5.2. <u>Compliance with Agreement and Laws During Construction</u>. 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 5.3. <u>Prevailing Wages</u>. 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. 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 5.4. <u>Continuing Compliance with Laws</u>. The Developer agrees that in the continued use, occupation, operation and maintenance of the Property, the Developer will comply with all applicable federal and state laws, rules, regulations and all applicable City Codes and other ordinances.

Section 5.5. <u>Tax and Related Payment Obligations</u>. 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 <u>et</u> <u>seq</u>.), 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, 2042, 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. Nothing contained within this Section 5.5 shall be construed, however, to prohibit the Developer from initiating and prosecuting at its own cost and expense any proceedings permitted by law for the purpose of contesting the validity or amount of taxes, assessments, charges or other impositions levied or imposed upon the Property or any part thereof, provided that the

Developer shall first have given to the City written notice of its intent to do so at least forty-five (45) days prior to initiating any such proceedings.

Section 5.6. <u>Contractors Owned by Minorities and Females</u>. 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) in connection with the Project. Toward this end, the Developer shall establish goals for contracting with businesses owned by minorities and females, with a target of 15% to 20% of the contractors to be owned by minorities and/or females and with 15% to 20% of the workforce on the Project to be minority and/or female. The Developer shall prepare a plan by which the Developer intends to meet these goals, and shall submit such plan to the City for review and approval.

Section 5.7. <u>Other Tax or Revenue Producing Impositions</u>. The Developer acknowledges that the City will be required to incur debt and issue the 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 that the City will be required to impose Additional Taxes or other revenue producing fees 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 in connection with the imposition of any such Additional Taxes or fees.

Section 5.8. <u>Loan to Value Ratio</u>. The Developer shall maintain at the end of each December 31 a Loan to Value Ratio less than or equal to eighty percent (80%). The Developer shall maintain at the time specified in Section 4.1(a) and at the end of each December 31 a Loan to Value Ratio less than or equal to eighty percent (80%). Within one hundred twenty (120) days after each December 31, the Developer shall compute the Loan to Value Ratio for such twelve (12) month period then ended and promptly furnish to the City a Compliance Certificate setting forth the results of such computation. The Developer covenants and agrees that if at the end of any such twelve (12) month period the Loan to Value Ratio shall exceed eighty percent (80%), it shall seek to update the Property Appraised Value and/or work with diligence to identify additional collateral that may be pledged to the City and shall pledge such collateral on terms mutually agreeable to the Developer and the City in order to lower the Loan to Value Ratio to at least eighty percent (80%). If the Developer complies in all material respects with the requirements set forth in this Section 5.8, the Developer shall be deemed to have complied with the covenant described in this Section 5.8 for such fiscal period notwithstanding that the Loan to Value Ratio was greater than eighty percent (80%). Notwithstanding anything set forth in this Section 5.1 to the contrary, a default shall exist hereunder if the Loan to Value Ratio is greater than eighty percent (80%) for two consecutive twelve (12) month periods.

Section 5.9. <u>Full-Service Restaurant Obligation</u>. The Developer agrees that it shall operate and maintain within the Hotel Facility a full-service restaurant which serves three meals per day and provides related room service to guests of the Hotel Facility and which also serves as a quality restaurant destination for non-hotel guests and customers.

ARTICLE VI
PAYMENT PROCEDURES FOR ELIGIBLE REDEVELOPMENT PROJECT COSTS

Section 6.1. Payment Procedures. The City and the Developer intend and agree that the Loan Advances shall be disbursed by the Finance Director for payment to the Developer in accordance with the procedures set forth in this Section 6.1 of this Agreement.

The City hereby designates the Economic Development Manager of the City (the **"Manager"**) as its representative to coordinate the authorization of disbursement of the Loan Advances for the Eligible Redevelopment Project Costs. Payments to the Developer of the Loan Advances for Eligible Redevelopment Project Costs shall be made upon request therefor, in form reasonably acceptable to the City (each being a **"Requisition"**) submitted by the Developer upon completion of the Eligible Redevelopment Project Costs which have been incurred and paid. Each such Requisition shall be accompanied by appropriately supporting documentation, including, as applicable, receipts for paid bills or statements of suppliers, contractors or professionals, together with required contractors' and materialmen's partial and final affidavits or lien waivers, as the case may be.

Section 6.2. Approval and Resubmission of Requisitions. The Manager shall give the Developer written notice disapproving any of the Requisitions within ten (10) days after receipt thereof. No such approval shall be denied except on the basis that **(i)** all or some part of the Requisition does not constitute Eligible Redevelopment Project Costs or has not otherwise been sufficiently documented as specified in Section 6.1 of this Agreement; **(ii)** the requirements of Section 4.1(b) have not been satisfied or **(iii)** a "Default" under Section 7.1 of this Agreement by the Developer has occurred and is continuing.. If a Requisition is disapproved by such Finance Director, the reasons for disallowance will be set forth in writing and the Developer may resubmit any such Requisition with such additional documentation or verification as may be required, if that is the basis for denial. The same procedures set forth herein applicable to disapproval shall apply to such resubmittals.

Section 6.3. Time of Payment. Provided that performance of this Agreement has not been suspended or terminated by the City under Article VII hereof, the City shall pay each of the Loan Advances which is approved by any one or more Requisitions under this Article to the Developer within twenty-one (21) calendar days after (i) the times specified in Section 4.1(a) of this Agreement and (ii) the approval of any such Requisition(s) applicable thereto, whichever in (i) and (ii) occurs last.

ARTICLE VII
DEFAULTS AND REMEDIES

Section 7.1. Events of Default. The occurrence of any one or more of the events specified in this Section 7.1 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;

<u>By the City</u>:

(1) The failure by the City to pay any of the Loan Advances which become 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 7.2. <u>Rights to Cure</u>. The party claiming a Default under Section 7.1 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 7.3. <u>Remedies</u>. 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 an 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 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 7.4. 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 VIII
RELEASE, DEFENSE AND INDEMNIFICATION OF CITY

Section 8.1. 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 8.1 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 8.2. 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 8.3. 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 8.4. 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 Loan Advances which may become due and payable under the terms of this Agreement.

Section 8.5. <u>City Not Liable for Developer Obligations</u>. 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 under this Agreement; provided that nothing in this Section 8.5 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 8.6. <u>Actions or Obligations of Developer</u>. 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 construction or installation 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 8.7. <u>Environmental Covenants</u>. 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 8.8. 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 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 IX
MISCELLANEOUS PROVISIONS

Section 9.1. Entire Agreement and Amendments. This Agreement (together with Exhibits A, B and C 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 9.2. 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 9.3. 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 9.4. 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 9.5. 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 9.6. **<u>Waiver</u>**. 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 9.7. **<u>Cooperation and Further Assurances</u>**. 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 9.8. **<u>Notices and Communications</u>**. 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:
Upsilon Lambda Heta, LLC
c/o Crimson Rock Capital
315 West 36th Street
New York, NY 10017
Attn: Dionis J. Rodriguez
Tel: (203) 451-6991
Email: ____________________

(ii) In the case of the City, to:
City of Urbana, Illinois
400 South Vine Street
Urbana, IL 61801
Attn: Community Development Director
Tel: (217) 384-2439
Email: ____________________

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 9.9. Assignment. The Developer agrees that it shall not sell, assign or otherwise transfer any of its rights and obligations under this Agreement without the prior express written consent of the City. Any assignment in whole or in part without such prior written consent 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 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 9.10. Successors in Interest. Subject to Section 9.9 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 9.11. 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 9.12. 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 Circuity, Champaign County, Illinois.

Section 9.13. 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 the Loan Documents and Section 5.5 and Article VIII of this Agreement shall be and remain in full force and effect in accordance with the express provisions thereof.

Section 9.14. 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:_________________________

UPSILON LAMBDA HETA, LLC
By: Crimson Rock Capital

By:_____________________________________
Dionis J. Rodriguez, 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

PROMISSORY NOTE

Borrower: **Upsilon Lambda Heta, LLC**
a Delaware limited liability company
c/o Crimson Rock Capital
315 West 36th Street
New York, NY 10017
Attn: Dionis J. Rodriguez

Lender: **City of Urbana, Champaign County, Illinois,**
an Illinois municipal corporation
400 S. Vine Street
Urbana, IL 61801
Attn: Finance Director

Principal Amount: up to $9,500,000.00 **Interest Rate:** -0-% **Date of Note:** _____________, 2017

PROMISE TO PAY. Upsilon Lambda Heta, LLC, a Delaware limited liability company (the **"Borrower"**) promises to pay to City of Urbana, Champaign County, Illinois (**"Lender"**), or order, in lawful money of the United States of America, the principal amount of up to Nine Million Five Hundred Thousand Dollars ($9,500,000.00), or so much as may be outstanding, together with interest at the rate of -0-% per annum on the unpaid principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of such advance.

PAYMENT. Borrower will pay this loan in accordance with the following payment schedule:

> Any and all principal and interest owing hereon is due and payable upon demand by the City in the event that any and all such principal and interest owing hereon is not deemed fully paid and discharged as provided in that certain Redevelopment Agreement between Lender and Borrower dated as of May 1, 2017 (the **"Redevelopment Agreement"**), the provisions of which are incorporated herein by this reference thereto.

The annual interest rate for this Note is computed on a 365/360 day basis; that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lenders address shown above or at such other place as Lender may designate in writing. Unless otherwise agreed or required by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any remaining amount to any unpaid collection costs and late charges.

PREPAYMENT. Borrower may pay all or a portion of the amount owed earlier than it is due without Lender's consent.

LATE CHARGE. If a payment is **10 days or more late,** Borrower will be charged **5.000% of the regularly scheduled payment.**

DEFAULT. Borrower will be in default if any of the following happens: (a) Borrower fails to make any payment when due; (b) Borrower breaks any promise Borrower has made to Lender, or Borrower fails to comply with or to perform when due any other term, obligation, covenant, or condition contained in this Note, any security for this Note, the related Redevelopment Agreement or any other agreement related to this Note, or in any other agreement or loan Borrower has with Lender; (c) any representation or statement made or furnished to Lender by Borrower or on Borrower's behalf is false or misleading in any material respect either now or at the time made or furnished; (d) Borrower does or becomes insolvent, a receiver is appointed for any part of Borrower's property, Borrower makes an assignment for the benefit of creditors, or any proceeding is commenced either by Borrower or against Borrower under any bankruptcy or insolvency laws; or (e) any creditor tries to take any of Borrower's property on or in which Lender has a lien or security interest.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance on this Note and all accrued unpaid interest immediately due, without notice, and then Borrower will pay that amount. Upon default, or if this Note is not paid or deemed paid at final maturity, Lender, at its option, may add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid, at the rate of 8% per annum. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower also will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law. **This Note has been delivered to Lender and accepted by Lender in the State of Illinois. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the**

jurisdiction of the courts of Champaign County, the State of Illinois. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other. This Note shall be governed by and construed in accordance with the laws of the State of Illinois.

CONFESSION OF JUDGMENT. Borrower hereby irrevocably authorizes and empowers any attorney-at-law to appear in any court of record and to confess judgment against Borrower for the unpaid amount of this Note as evidenced by an a affidavit signed by an officer of Lender setting forth the amount then due, plus attorney's fees as provided in this Note, plus costs of suit, and to release all errors, and waive all rights of appeal. If a copy of this Note, verified by an affidavit, shall have been filed in the proceeding, it will not be necessary to file the original as a warrant of attorney. Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect. No single exercise of the foregoing warrant and power to confess judgment will be deemed to exhaust the power, whether or not any such exercise shall be held by any court to be invalid, voidable, or void; but the power will continue undiminished and may be exercised from time to time as Lender may elect until all amounts owing on this Note have been paid in full.

COLLATERAL. This Note is secured by a Mortgage to Lender dated ____________________, 2017, on real property located in Champaign County, State of Illinois, all the terms and conditions of which are hereby incorporated within and made a part of this Note.

LINE OF CREDIT. This Note evidences a straight line of credit. Once the total amount of principal has been advanced, Borrower is not entitled to further loan advances. Advances under this Note may be requested by Borrower or by an authorized person in accordance with the Redevelopment Agreement. The following party or parties are authorized to request advances under the line of credit until Lender receives from Borrower at Lender's address shown above written notice of revocation of their authority: **Dionis J. Rodriguez**. Borrower agrees to be liable for all sums advanced in accordance with the instructions of an authorized person. The unpaid principal balance owing on this Note at any time shall be evidenced by endorsements on this Note. Lender will have no obligation to advance funds under this Note if: (a) Borrower is in default under the terms of this Note; or any agreement that Borrower has with Lender, including the Redevelopment Agreement made in connection with the signing of this Note; (b) Borrower ceases doing business or is insolvent; or (c) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender.

GENERAL PROVISIONS. Lender may delay or forego enforcing any of its rights or remedies under this Note without losing them. Borrower, and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waives presentment, demand for payment, protest and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan, or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made.

PRIOR TO SIGNING THIS NOTE, BORROWER HAS READ AND UNDERSTANDS ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE AND ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THE NOTE.

BORROWER:

UPSILON LAMBDA HETA, LLC

By:____
Dionis J. Rodriguez, Manager

ENDORSEMENTS

DATE OF TRANSACTION	PRINCIPAL ADVANCE	PRINCIPAL BALANCE

EXHIBIT B

Prepared by and
Recorder, please return to:

Brandon Boys
City of Urbana
400 South Vine Street
Urbana, IL 61801

MORTGAGE

THIS MORTGAGE IS DATED ____________, 2017, between UPSILON LAMBDA HETA, LLC, a Delaware limited liability company, whose address is c/o Crimson Rock Capital, 315 West 36th Street, New York, NY 10017 (referred to below as "Grantor"); and the CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS, whose address is 400 S. Vine Street, Urbana, IL 61801 Attn: City Comptroller (referred to below as "Lender").

GRANT OF MORTGAGE. For valuable consideration, Grantor mortgages, warrants, and conveys to Lender all of Grantor's right, title, and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights, watercourses and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar **matters, located in Champaign County, State of Illinois (the "Real Property"):**

(See attached legal description)

The Real Property or its address is commonly known as 210 S. Race Street, Urbana, Illinois. The Real Property tax identification numbers are 92-21-17-212-003; 92-21-17-212-001; 92-21-17-212-017 and 92-21-17-212-012.

Grantor presently assigns to Lender all of Grantor's right, title, and interest in and to all leases of the Property (as defined below) and all Rents (as defined below) from such Property. In addition, Grantor grants to Lender a Uniform Commercial Code security interest in the Personal Property (as defined below) and such Rents.

DEFINITIONS. The following words shall have the following meanings when used in this Mortgage. Terms not otherwise defined in this Mortgage shall have the meanings attributed to such terms in the

Uniform Commercial Code. All references to dollar amounts shall mean amounts in lawful money of the United States of America.

Borrower. The word “Borrower” means each and every person or entity signing the Note, including without limitation Upsilon Lambda Heta, LLC

Grantor. The word “Grantor” means any and all persons and entities executing this Mortgage, including without limitation, all Grantors named above. The Grantor is the mortgagor under this Mortgage.

Guarantor. The word “Guarantor” means and includes without limitation each and all of the guarantors, sureties, and accommodation parties in connection with the Indebtedness, if any.

Improvements. The word “Improvements” means and includes without limitation all existing and future improvements, buildings, structures, mobile homes affixed on the Real Property, facilities, additions, replacements and other construction on the Real Property.

Indebtedness. The word “Indebtedness” means all principal and interest payable under the Note and any amounts expended or advanced by Lender to discharge obligations of Grantor or expenses incurred by Lender to enforce obligations of Grantor under this Mortgage, together with interest on such amounts as provided in this Mortgage.

Lender. The word “Lender” means the City of Urbana, Champaign County, Illinois, its successors and assigns. The Lender is the mortgagee under this Mortgage.

Mortgage. The word “Mortgage” means this Mortgage between Grantor and Lender, and includes without limitation all assignments and security interest provisions relating to the Personal Property and Rents.

Note. The word “Note” means the promissory note or credit agreement dated ____________, 2017, in the original principal amount of up to $9,500,000.00, from Grantor to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement.

Personal Property. The words “Personal Property” mean all equipment, fixtures, and other articles of personal property now or hereafter owned by Grantor, and now or hereafter attached or affixed to the Real Property; together with all accessions, parts, and additions to, all replacements of, and all substitutions for, any of such personal property; and together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.

Property. The word “Property” means collectively the Real Property and the Personal Property.

Real Property. The words “Real Property” mean the property, interests and rights described above in the “Grant of Mortgage” section.

Redevelopment Agreement. The words “Redevelopment Agreement” mean the Redevelopment Agreement by and between Grantor and Lendor dated as of May 1, 2017 in connection with the redevelopment of the Property.

Rents. The word “Rents” means all present and future rents, revenues, income, issues, royalties, profits, and other benefits derived from the Property.

THIS MORTGAGE, INCLUDING THE ASSIGNMENT OF RENTS, IS GIVEN TO SECURE (1) PAYMENT OF THE INDEBTEDNESS AND (2) PERFORMANCE OF ALL OBLIGATIONS OF GRANTOR UNDER THIS MORTGAGE. THIS MORTGAGE IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

GRANTOR’S WAIVERS. Grantor waives all rights or defenses arising by reason of any “one action” or “anti-deficiency” law, or any other law which may prevent Lender from bringing any action against Grantor, including a claim for deficiency to the extent Lender is otherwise entitled to a claim for deficiency, before or after Lender’s commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale.

GRANTOR’S REPRESENTATIONS AND WARRANTIES. Grantor warrants that: (a) this Mortgage is executed at Borrower’s request and not at the request of Lender; (b) Grantor has the full power, right and authority to enter into this Mortgage and to hypothecate the Property; (c) the provisions of this Mortgage do not conflict with, or result in a default under any agreement or other instrument binding upon Grantor and do not result in a violation of any law, regulation, court decree or order applicable to Grantor; (d) Grantor has established adequate means of obtaining from Borrower on a continuing basis information about Borrower’s financial condition; and (e) Lender has made no representation to Grantor about Borrower (including without limitation the credit worthiness of Borrower).

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Mortgage, Grantor shall pay to Lender all Indebtedness secured by this Mortgage as it becomes due, and Borrower and Grantor shall strictly perform all their respective obligations under this Mortgage.

POSSESSION AND MAINTENANCE OF THE PROPERTY. Grantor and Borrower agree that Grantor's possession and use of the Property shall be governed by the following provisions:

Possession and Use. Until in default or until Lender exercises its right to collect Rents as provided for in the Assignment of Rents form executed by Grantor in connection with the Property, Grantor may remain in possession and control of and operate and manage the Property and collect the Rents from the Property.

Duty to Maintain. Grantor shall maintain the Property in tenantable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve its value.

Hazardous Substances. The terms “hazardous waste,” “hazardous substance,” “disposal,” “release,” and “threatened release, as used in this Mortgage, shall have the same meanings as set forth in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq. (“CERCLA”) the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 (“SARA”) the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or Federal laws, rules, or regulations adopted pursuant to any of the foregoing. The terms “hazardous waste” and “hazardous substance” shall also include, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos. Grantor represents and warrants to Lender that neither Grantor nor any tenant, contractor, agent or other authorized user of the Property shall use, generate, manufacture, store, treat, dispose of, or release any hazardous waste or substance on under, about or from the Property and (ii) any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations and ordinances, including without limitation those laws, regulations, and ordinances described above. Notwithstanding anything to the contrary contained herein, Grantor shall not be prohibited from using hazardous substances typically used in the activities carried out at the Property, provided such hazardous substances are used in quantities that are insignificant from an environmental, health and safety perspective and are used in compliance with applicable laws. Grantor authorizes Lender and its agents to enter upon the Property to make such inspections and tests, at Grantor's expense, as Lender may deem appropriate to determine compliance of the Property with this section of this Mortgage. Any inspections or tests made by Lender shall be for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Grantor or to any other person. Grantor hereby (a) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any such laws, and (b) agrees to indemnify and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of this Mortgage or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release of a hazardous waste or substance on the Property. The provisions of this section of this Mortgage, including the obligation to indemnify, shall survive the payment of the Indebtedness and the satisfaction and reconveyance of the lien of this Mortgage and shall not be affected by Lender's acquisition of any interest in the Property, whether by foreclosure or otherwise.

Nuisance, Waste. Grantor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the foregoing, Grantor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), soil, gravel or rock products without the prior written consent of Lender.

Removal of Improvements. Except as otherwise provided in the Redevelopment Agreement in connection with the Project, Grantor shall not demolish or remove any Improvements from the Real Property without the prior written consent of Lender.

Lender's Right to Enter. Lender and its agents and representatives may enter upon the Real Property at all reasonable times to attend to Lender's interests and to inspect the Property for purposes of Grantor's compliance with the terms and conditions of this Mortgage.

Compliance with Governmental Requirements. Grantor shall promptly comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property, including without limitation, the Americans With Disabilities Act. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender’s interests in the Property are not jeopardized. Lender may require Grantor to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Duty to Protect. Grantor agrees neither to abandon nor leave unattended the Property. Grantor shall do all other acts, in addition to those acts set forth above in this section, which from the character and use of the Property are reasonably necessary to protect and preserve the Property.

DUE ON SALE - CONSENT BY LENDER. Lender may, at its option, declare immediately due and payable all sums secured by this Mortgage upon the sale or transfer, without the Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A “sale or transfer” means the conveyance of Real Property or any right, title or interest therein; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of Real Property interest. If any Grantor is a corporation, partnership or limited liability company, transfer also includes any change in ownership of more than twenty-five percent (25%) of the voting stock, partnership interests or limited liability company interests, as the case may be, of Grantor. However, this option shall not be exercised by Lender if such exercise is prohibited by federal law or by Illinois law.

TAXES AND LIENS. The following provisions relating to the taxes and liens on the Property are a part of this Mortgage.

Payment. Grantor shall pay when due (and in all events prior to delinquency) all taxes, payroll taxes special taxes, assessments, water charges and sewer service charges levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of all liens having priority over or equal to the interest of Lender under this Mortgage, except for the lien of taxes and assessments not due, and except as otherwise provided in the following paragraph.

Right To Contest. Grantor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within fifteen (15) days after the lien arises or, if a lien is filed, within fifteen (15) days after Grantor has notice of the filing, secure the discharge of the lien, or if requested by Lender, deposit with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs and attorneys' fees or other charges that could accrue as a result of a foreclosure or sale under the lien. In any contest, Grantor shall defend itself and Lender and shall satisfy any adverse Judgment before enforcement against the Property. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

Evidence of Payment. Grantor shall upon demand furnish to Lender satisfactory evidence of payment of the taxes or assessments and shall authorize the appropriate governmental official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.

PROPERTY DAMAGE INSURANCE. The following provisions relating to insuring the Property are a part of this Mortgage.

Maintenance of Insurance. Grantor shall procure and maintain or cause any tenant to procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all Improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lender. Grantor shall also procure and maintain comprehensive general liability insurance in such coverage amounts as Lender may reasonably request with Lender being named as additional insureds in such liability policies. Policies shall be written by such insurance companies and in such amounts as may be reasonably acceptable to Lender.

Grantor's Report on Insurance. Upon request of Lender, however not more than once a year, Grantor shall furnish to Lender a report on each existing policy of insurance showing: (a) the name of the insurer; (b) the risks insured; (c) the amount of the policy; (d) the property insured and the then current replacement value of such property; and (e) the expiration of the policy.

EXPENDITURES BY LENDER. If Grantor fails to comply with any provision of this Mortgage, or if any action or proceeding is commenced that would materially affect Lender's interests in the Property, Lender on Grantor's behalf may, but shall not be required to, take any action that Lender deems appropriate. Any amount that Lender expends in so doing will bear interest at the rate provided for in the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses, at Lender's option, will

(a) be payable on demand, (b) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (i) the term of any applicable insurance policy or (ii) the remaining term of the Note, or (c) be treated as a balloon payment which will be due and payable at the Note's maturity. This Mortgage also will secure payment of these amounts. The rights provided for in this section shall be in addition to any other rights or any remedies to which Lender may be entitled on account of the default. Any such action by Lender shall not be construed as curing the default so as to bar Lender from any remedy that it otherwise would have had.

WARRANTY; DEFENSE OF TITLE. The following provisions relating to ownership of the Property are a part of this Mortgage.

Title. Grantor warrants that: (a) Grantor holds good and marketable title of record to the Property in fee simple, free and clear of all liens and encumbrances other than those set forth in the Real Property description or in any title insurance policy, title report, or final title opinion issued in favor of, and accepted by, Lender in connection with this Mortgage, and (b) Grantor has the full right, power, and authority to execute and deliver this Mortgage to Lender.

Defense of Title. Subject to the exception in the paragraph above, Grantor warrants and will forever defend the title to the Property against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Lender under this Mortgage, Grantor shall defend the action at Grantor's expense. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of Lender's own choice, and Grantor will deliver, or cause to be delivered, to Lender such instruments as Lender may request from time to time to permit such participation.

Compliance With Laws. Grantor warrants that the Property and Grantor's use of the Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

CONDEMNATION. The following provisions relating to condemnation of the Property are a part of this Mortgage.

Application of Net Proceeds. If all or any part of the Property is condemned by eminent domain proceedings or by any proceeding or purchase in lieu of condemnation, Lender may at its election require that all or any portion of the net proceeds of the award be applied to the Indebtedness or the repair or restoration *of* the Property. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses, and attorneys' fees incurred by Lender in connection with the condemnation.

Proceedings. If any proceeding in condemnation is filed, Grantor shall promptly notify Lender in writing, and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of its own choice, and Grantor will deliver or cause to be delivered to Lender such instruments as may be requested by it from time to time to permit such participation.

SECURITY AGREEMENT; FINANCING STATEMENTS. The following provisions relating to this Mortgage as a security agreement are a part of this Mortgage.

Security Agreement. This instrument shall constitute a security agreement to the extent any of the Property constitutes fixtures or other personal property, and Lender shall have all of the rights of a secured party under the Uniform Commercial Code as amended from time to time.

Security Interest. Upon request by Lender, Grantor shall execute financing statements and take whatever other action is requested by Lender to perfect and continue Lender's security interest in the Rents and Personal Property. In addition to recording this Mortgage in the real property records, Lender may, at any time and without further authorization from Grantor, file executed counterparts, copies or reproductions of this Mortgage as a financing statement. Grantor shall reimburse Lender for all expenses incurred in perfecting or continuing this security interest. Upon default, Grantor shall assemble the Personal Property in a manner and at a place reasonably convenient to Grantor and Lender and make it available to Lender within three (3) days after receipt of written demand from Lender.

Addresses. The mailing addresses of Grantor (debtor) and Lender (secured party), from which information concerning the security interest granted by this Mortgage may be obtained (each as required by the Uniform Commercial Code), are as stated on the first page of this Mortgage.

FULL PERFORMANCE. If Borrower pays all the Indebtedness when due, and otherwise performs all the obligations imposed upon Grantor under this Mortgage, Lender shall execute and deliver to Grantor a suitable satisfaction of this Mortgage. If, however, payment is made by Grantor, whether voluntarily or otherwise, or by guarantor or by any third party, on the Indebtedness and thereafter Lender is forced to remit the amount of that payment (a) to Grantor's trustee in bankruptcy or to any similar person under any federal or state bankruptcy law or law for the relief of debtors, (b) by reason of any judgment, decree or order of any court or administrative. body having jurisdiction over Lender or any of Lender's property, or (c) by reason of any settlement or compromise of any claim made by Lender with any claimant (including without limitation Grantor), the Indebtedness shall be considered unpaid for the purpose of enforcement of this Mortgage and this Mortgage shall continue to be effective or shall be reinstated, as the case may be, notwithstanding any cancellation of this Mortgage or of any note or other instrument or agreement evidencing the Indebtedness and the Property will continue to secure the amount repaid or recovered to the same extent as if that amount never had been originally received by Lender, and Grantor shall be bound by any judgment, decree, order, settlement or compromise relating to the Indebtedness or to this Mortgage.

DEFAULT. Each of the following, at the option of Lender, shall constitute an event of default ("Event of Default") under this Mortgage:

Default on Indebtedness. Failure of Borrower to make any payment when due on the Indebtedness.

Default on Other Payments. Failure of Grantor within the time required by this Mortgage to make any payment for taxes or insurance, or any other payment necessary to prevent filing of or to effect discharge of any lien.

Compliance Default. Failure of Borrower or Grantor to comply with any other term, obligation, covenant or condition contained in this Mortgage, the Note or the Redevelopment Agreement.

False Statements. Any representation or statement made or furnished to Lender by or on behalf of Borrower or Grantor under this Mortgage, the Note or the Redevelopment Agreement is false or misleading in any material respect, either now or at the time made or furnished.

Defective Collateralization. This Mortgage ceases to be in full force and effect at any time and for any reason.

Insolvency. The dissolution (regardless of whether election to continue is made) or any other termination of Grantor's existence as a going business; the insolvency of Borrower or Grantor, the appointment of a receiver for any part of Borrower's or Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

Foreclosure, Forfeiture, etc. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any of the Property. However, this paragraph shall not apply in the event of a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the foreclosure or forfeiture proceeding, provided that Grantor gives Lender written notice of such claim and furnishes reserves or a surety bond for the claim satisfactory to Lender.

Breach of Other Agreement. Any breach by Grantor under the terms of any other agreement between Grantor and Lender that is not remedied within any grace period provided therein, including without limitation the Redevelopment Agreement and any other agreement concerning any indebtedness or other obligation of Grantor to Lender, whether existing now or later.

RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of any Event of Default and at any time thereafter, Lender, at its option, may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

Accelerate Indebtedness. Lender shall have the right at its option without notice to Borrower to declare the entire Indebtedness immediately due and payable.

UCC Remedies. With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Uniform Commercial Code.

Collect Rents. Lender shall have the right, without notice to Grantor or Borrower, to take possession of the Property and collect the Rents, including amounts past due and unpaid and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender may require any tenant or other user of the Property to make payments of rent or use fees directly to Lender. If the Rents are collected by Lender, then Grantor irrevocably designates Lender as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this paragraph either in person, by agent, or through a receiver.

Mortgagee in Possession. Lender shall have the right to be placed as mortgagee in possession or to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The Mortgagee in possession or receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Judicial Foreclosure. Lender may obtain a judicial decree foreclosing Grantor's interest in all or any part of the Property.

Deficiency Judgment. If permitted by applicable law, Lender may obtain a judgment for any deficiency remaining in the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this section.

Other Remedies. Lender shall have all other rights and remedies provided in this Mortgage, the Note, the Redevelopment Agreement or available at law or in equity.

Sale of the Property. To the extent permitted by applicable law, Grantor hereby waives any and all right to have the Property marshaled. In exercising its rights and remedies, Lender shall be free to sell all or any part of the Property together or separately, in one sale or by separate sales. Lender shall be entitled to bid at any public sale on all or any portion of the Property.

Notice of Sale. Lender shall give Grantor reasonable notice of the time and place of any public sale of the Personal Property or of the time after which any private sale or other intended disposition of the Personal Property is to be made. Reasonable notice shall mean notice given at least ten (10) days before the time of the sale or disposition.

Waiver; Election of Remedies. A waiver by any party of a breach of a provision of this Mortgage shall not constitute a waiver of or prejudice the party's rights otherwise to demand strict compliance with that provision or any other provision. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or take action to perform an obligation of Grantor under this Mortgage after failure of Grantor to perform shall not affect Lender's right to declare a default and exercise its remedies under this Mortgage.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Mortgage, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and on any appeal. Whether or not any court action is involved, all reasonable expenses incurred by Lender that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest from the date of expenditure until repaid at the rate provided for in the Note. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including attorneys' fees for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees, and title insurance, to the extent permitted by applicable law. Grantor also will pay any court costs, in addition to all other sums provided by law.

NOTICES TO GRANTOR AND OTHER PARTIES. Any notice under this Mortgage, including without limitation any notice of default and any notice of sale to Grantor shall be in writing, may be sent by telefacsimile (unless otherwise required by law), and shall be effective when actually delivered, or when deposited with a nationally recognized overnight courier, or, if mailed, shall be deemed effective when deposited in the United States mail first class, certified or registered mail, postage prepaid, directed to the addresses shown near the beginning of this Mortgage. Any party may change its address for notices under this Mortgage by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. All copies of notices of foreclosure from the holder of any lien which has priority over this Mortgage shall be sent to Lender's address, as shown near the beginning of this Mortgage. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Mortgage:

Amendments. This Mortgage constitutes the entire understanding and agreement of the parties as to the matters set forth in this Mortgage. No alteration of or amendment to this Mortgage shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Applicable Law. This Mortgage has been delivered to Lender and accepted by Lender in the State of Illinois. This Mortgage shall be governed by and construed in accordance with the laws of the State of Illinois.

Caption Headings. Caption headings in this Mortgage are for convenience purposes only and are not to be used to interpret or define the provisions of this Mortgage.

Merger. There shall be no merger of the interest or estate created by this Mortgage with any other interest or estate in the Property at any time held by or for the benefit of Lender in any capacity, without the written consent of Lender.

Multiple Parties. All obligations of Borrower and Grantor under this Mortgage shall be joint and several, and all references to Borrower shall mean each and every Borrower, and all references to Grantor shall mean each and every Grantor. This means that each of the persons or entities signing below is responsible for all obligations in this Mortgage.

Severability. If a court of competent jurisdiction finds any provision of this Mortgage to be invalid or unenforceable as to any person or circumstance, such finding shall not render that provision invalid or unenforceable as to any other persons or circumstances. If feasible, any such offending provision shall be deemed to be modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Mortgage in all other respects shall remain valid and enforceable.

Successors and Assigns. Subject to the limitations stated in this Mortgage on transfer of Grantor's interest, this Mortgage shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Mortgage and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Mortgage or liability under the Indebtedness.

Time is of the Essence. Time is of the essence in the performance of this Mortgage.

Waiver of Right of Redemption. NOTWITHSTANDING ANY OF THE PROVISIONS TO THE CONTRARY CONTAINED IN THIS MORTGAGE, GRANTOR HEREBY WAIVES, TO THE EXTENT PERMITTED UNDER 735 ILCS 5/15-1601(b), AS NOW ENACTED OR AS MODIFIED, AMENDED OR REPLACED, OR ANY SIMILAR LAW EXISTING NOW OR AFTER THE DATE OF THIS MORTGAGE, ANY AND ALL RIGHTS OF REDEMPTION ON BEHALF OF GRANTOR AND ON BEHALF OF ANY OTHER PERSONS PERMITTED TO REDEEM THE PROPERTY.

Waivers and Consents. Lender shall not be deemed to have waived any rights under this Mortgage unless such waiver is in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by any party of a provision of this Mortgage shall not constitute a waiver of or prejudice the party’s right otherwise to demand strict compliance with that provision or any other provision. No prior waiver by Lender, nor any course of dealing between Lender and Borrower or Grantor, shall constitute a waiver of any of Lender's rights or any Grantor's obligations as to any future transactions. Whenever consent by Lender is required in this Mortgage, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS MORTGAGE, AND GRANTOR AGREES TO ITS TERMS.

GRANTOR:

UPSILON LAMBDA HETA, LLC,
a Delaware limited liability company
By: Crimson Rock Capital

By:_______________________________________
Its Manager

STATE OF NEW YORK)
) SS.
COUNTY OF _______________)

On this ______ day of _____________, 2017, ______________________________________, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that he signed and delivered the said instrument as an authorized __________ of the ________________ limited liability company and as his free and voluntary act, for the uses and purposes therein set forth.

____
Notary Public

Notary Public in and for the State of Illinois

My Commission expires ___________________________

(SEAL)

Legal Description of Real Property

EXHIBIT C

Description of Property

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 B

CRIMSON ROCK
CAPITAL

Urbana Landmark Hotel – Urbana, IL

Team Renovation Experience

Investment Overview
March 2017

Urbana Landmark Hotel Description

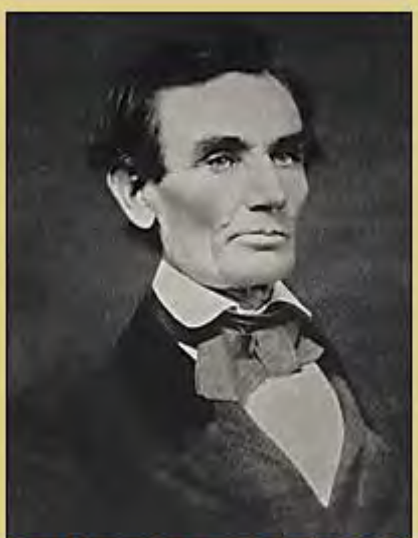
A Historic European Style Hotel

- Historic building located in the heart of downtown Urbana
- Built in 1924 by legendary architect Joseph Royer, the building was recently added to the National Register of Historic Places
- Irreplaceable historic asset with abundant character and appeal to create an iconic hotel property
- Adequate space to transform to a leading 3 - 4 star hotel with minimal changes to the structure (entry and approach in non-historic structure)

In Close proximity to:

- University of Illinois (44,000 students) and
- Campustown, Lincoln Square Village Mall (adjacent)
- City government offices
- Numerous retail/dining establishments
- Krannert Center for the Performing Arts
- Area corporations and businesses

History of the Urbana Lincoln Hotel



Abraham Lincoln in Urbana, Illinois, April 25, 1858

- Abraham Lincoln was a frequent guest on a hotel previously located on the same site As Urbana Lincoln Hotel.
- 100 local businessmen formed the Urbana Hotel Corp. in 1921, and sold stock to hundreds of local investors.
- Joseph Royer drafted plans for a somewhat "standard" hotel, which were rejected. Company leaders enthusiastically approved English Tudor style building as they wanted a “Landmark” for the downtown area.
- Completed just in time to accept guests for the University's homecoming game in November 1923.
- Listed on National Register of Historic Places.
- **Now**: Opportunity to Return to Iconic History via significant transformation.

Hotel Exterior

Past and Present

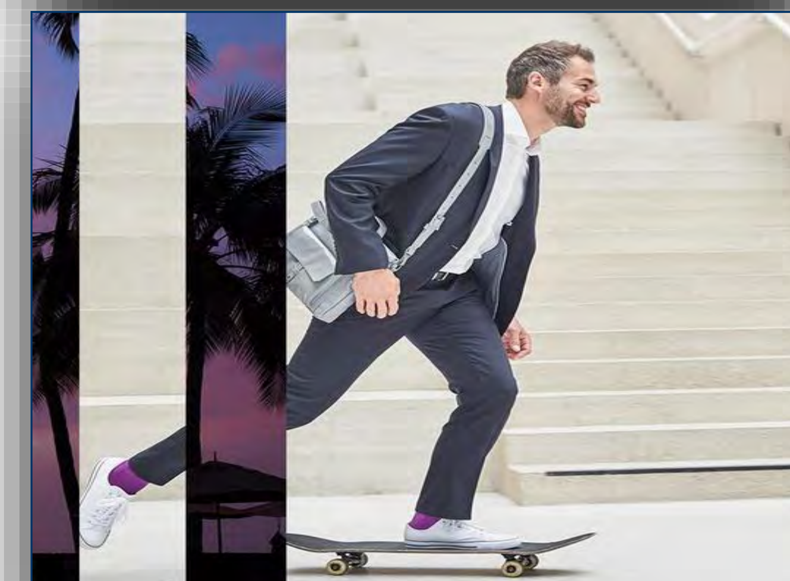
Interior

Past and Present

Expected Post Renovation Brand

Tapestry Collection by Hilton

TAPESTRY
COLLECTION
BY HILTON™



- Industry leading Hilton loyalty program
- Little design requirements, operational flexibility for Tapestry Brand
- Targeting historic and unique properties
- Allows hotel to showcase its historical features, independence, and uniqueness

Expected Post Renovation Theme

Abraham Lincoln

A Lincoln-esque Hotel designed, repositioned and operated to espouse

CHARACTER, UNIQUENESS, INTEGRITY, STATURE AND ICONIC HISTORY

New Hotel Design Will Reflect Charm of Lincoln Era with Modern Feel

Before:

Guestroom Bathroom

Guestroom

Library (Restaurant / Lounge)

Potential Post Renovation Design:

The Urbana Landmark Hotel to be Completely Redesigned and Renovated

Renovation Summary:

- Complete hotel redesign
- Replacement of all FF&E (lobby, guestrooms, meeting space, F&B, public areas, etc.)
- Installation of a four-pipe HVAC system
- Complete renovation of guest bathrooms (including converting bathtubs to walk-in showers)
- Modernization of the façade / exterior
- Installation of makeup air in the corridors
- Complete renovation of lobby, meeting space, lobby, restaurant/kitchen and bar/lounge

Preliminary Construction Budget Summary

Item	Amount	Per Key	(%) of Total
Legal, Insurance & Related Costs	$ 52,500	$ 404	0.3%
Construction Costs	11,233,911	86,415	59%
FF&E	4,306,500	33,127	23%
Soft Costs	1,223,373	9,411	6%
Permits, Fees, etc.	2,183,716	16,798	11%
Total	**$ 19,000,000**	**$ 146,154**	**100%**

Preliminary
Renovation Timeline

- Planning: 12± Months
- Renovation: 12± Months
- **Total: 24± Months**

Crimson Rock Capital

Team

Project Team

High Performing Team with Focused and Deep Hotel Experience

- **General Partner**: Crimson Rock Capital & Walsh Associates
- **Project Manager**: Walsh Associates
- **Architect**: Campo Architects
- **Hotel Manager**: New Castle Hotels & Resorts (or similar)

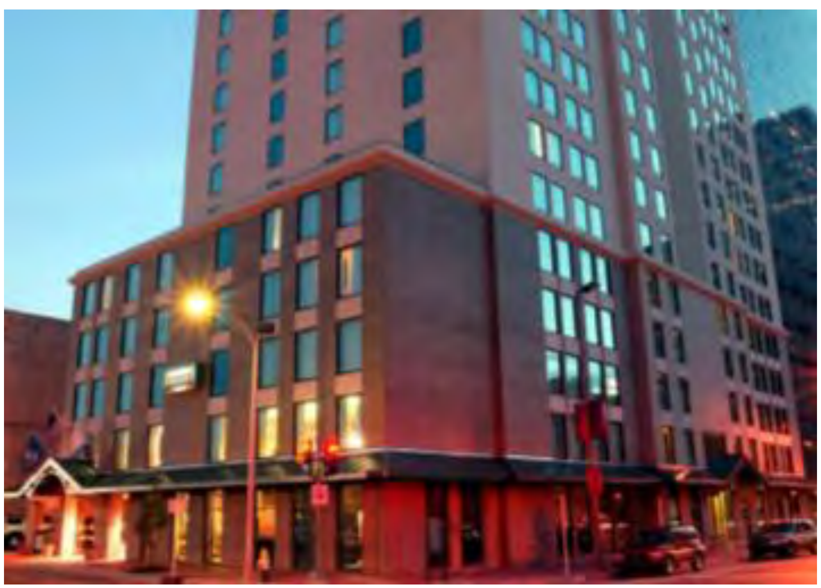
Walsh Associates Inc.

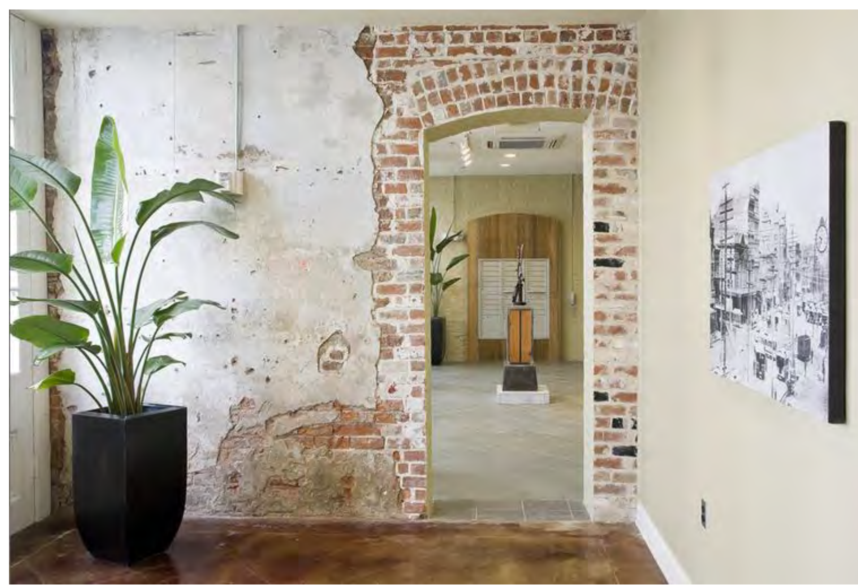
Project Team

Overview of Crimson Rock Capital

- Founded in 2014
- Portfolio includes Hotels and a hotel technology firm (The Guestbook).
- Investing in turnaround and opportunistic lifestyle and select service hotels in key U.S. locations.
- Extensive relationships with institutional investors.
- Robust deal pipeline including two historic hotels, among others.

315 West 36th Street
New York, NY 10018
Direct: 917-719-2569
Fax: 917-832-1560





Project Team

Overview of Walsh & Associates

- 30+ years of hotel construction experience with an emphasis on renovations and historic projects
- 20+ year relationship with Crimson Rock Capital & New Castle Hotels
- Experience throughout the US and Canada
- Project manager for leading institutions such as Cornerstone Real Estate (MassMutual), HEI Hotels, Rockbridge Capital, Donohoe and others

Urbana Landmark Hotel Transformation

Overview of New Castle Hotels & Resorts

NEW CASTLE HOTELS & RESORTS

- Privately owned, founded in 1980 on New Castle Island, NH by David Buffam and headquartered in Shelton, CT
- Portfolio of 20 properties including 1 under development with 6 located in Canada
- Successful track record of over 70 managed properties including over 25 developments and conversions
- Over $60 million of equity invested in hotel assets
- Sole or majority investments in one third of the portfolio, minority investments in one third and one third management-only

Urbana Landmark Hotel Transformation

Overview of John T Campo & Associates

- 30+ years of experience with an emphasis on hotels and historic projects
- Has successfully managed a wide range of complex design and construction projects
- Provides a full range of architectural, planning, and interior design services for both new construction and renovation projects
- Licensed in 21 states, including Illinois

Crimson Rock Capital

Team Renovation Experience

Recent Renovation & Repositioning Experience

Crimson Rock Capital, New Castle Hotels, Walsh Associates, Campo Architects

Rooms: 103

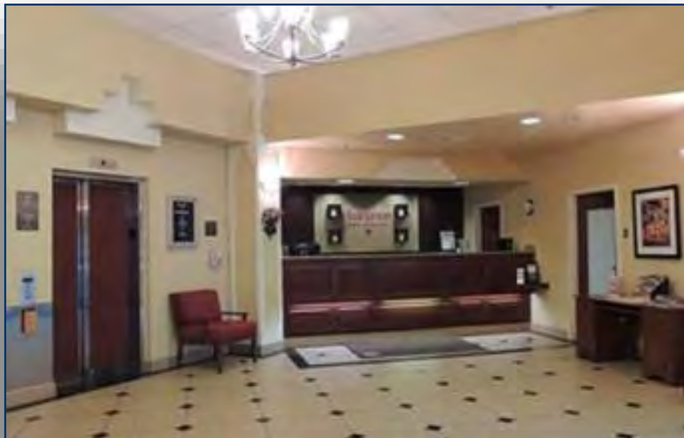
- Built in 1904
- Sourced by Crimson Rock Capital
- Managed New Castle Hotels & Resorts
- Renovation and Conversion by Walsh Associates
- Conversion from Comfort Inn to Fairfield Inn & Suites August 2016

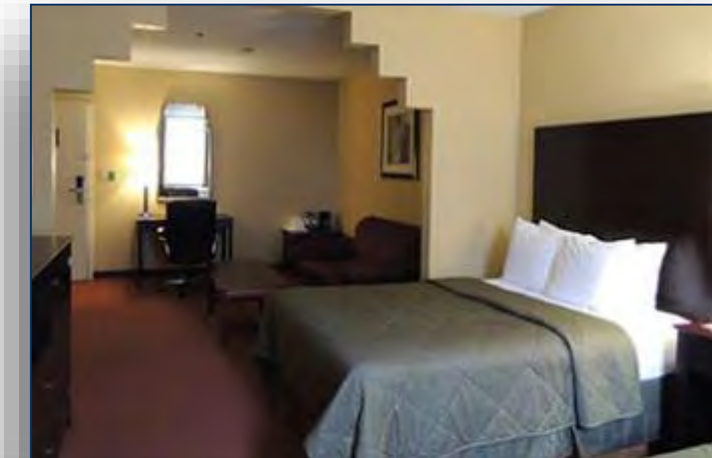
**Fairfield Inn & Suites
New Orleans, LA**

Recent Renovation & Repositioning Experience

Crimson Rock Capital, New Castle Hotels, Walsh Associates, Campo Architects

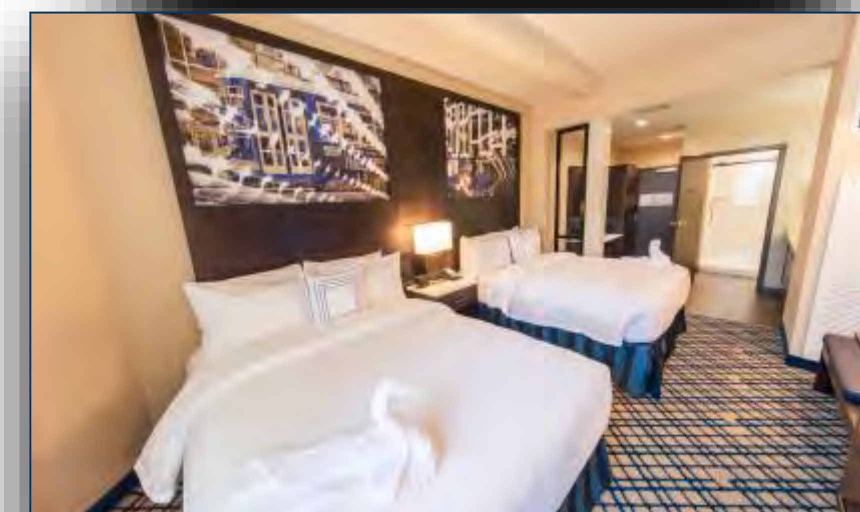
Fairfield Inn & Suites, New Orleans, LA





Before

After



Recent Renovation & Repositioning Experience

Crimson Rock Capital

Rooms: 182

- Built in 2004
- Crimson Rock Capital sourced deal, created business plan and high performing execution team and remains Co-General Partner.
- $2.5M Renovation and Repositioning
- Replaced Management and aligned incentives
- Excellent, CBD location in walking distance to major demand generators.

Staybridge Suites
New Orleans, LA

Recent Renovation & Repositioning Experience

Crimson Rock Capital

Rooms: 129

- Built in 1999
- Crimson Rock Capital sourced deal, created business plan and high performing execution team and remains Co-General Partner.
- $7.0 M renovation and conversion from independent hotel (O'Keefe Plaza) to Holiday Inn Express
- Brought professional management and aligned incentives
- Strong Location that is transforming rapidly based on numerous catalytic renovations and developments.

Holiday Inn Express
New Orleans, LA

Recent Renovation & Repositioning Experience

Crimson Rock Capital

Apartments/Rooms: 26
Parking Spaces: 60

- Built in 1800s
- Crimson Rock Capital sourced deal, created business plan and high performing execution team and remains Co-General Partner.
- Renovation and conversion to increased apartments from 24 to 26 and to satisfy IHG P.I.P.
- Brought professional management and aligned incentives
- Property is now part of and franchised under the Staybridge Suites Hotel New Orleans

521 Tchoupitoulas
New Orleans, LA

Recent Renovation & Repositioning Experience

New Castle Hotels, Dionis Rodriguez (worked at New Castle at this time), Walsh Associates

Rooms: 161

- Built in 1990
- Acquisition of old Ramada Hotel, renovation and conversion to Courtyard by Marriott
- Managed New Castle Hotels & Resorts
- Renovation and Conversion by Walsh Associates

Courtyard by Marriott
Shelton, CT

Recent Renovation & Repositioning Experience

New Castle Hotels, Dionis Rodriguez (worked at New Castle in 2002) , Walsh & Associates

Westin Nova Scotian
Halifax, NS

Rooms: 310

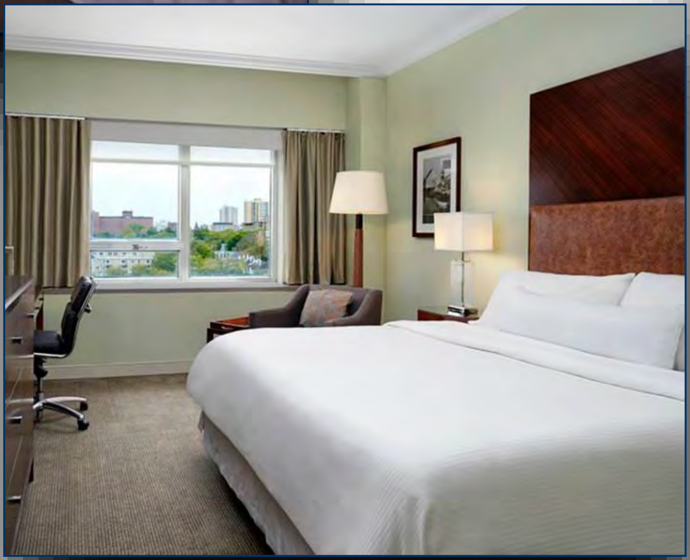
- Opened in 1930 as a Canadian National Railway hotel
- The first franchised Westin hotel
- Acquired and converted to a Westin in April 1996
- $10 Million renovation from 2002-2008

Recent Renovation & Repositioning Experience

New Castle Hotels, Dionis Rodriguez (worked at New Castle in 2002) , Walsh & Associates

Westin Nova Scotian, Halifax, NS

Before



After

Recent Renovation & Repositioning Experience

Dionis Rodriguez (As EVP, GB Lodging)

The Old No. 77 Hotel and Chandlery
New Orleans, LA

Rooms: 165

- $11M+ million historic renovation.
- Renovation and conversion of historic building into leading hotel
- Hotel consisted of several warehouses built in mid 1800s.
- The Hotel is home to Chef Nina Compton's Compère Lapin Restaurant

Recent Renovation & Repositioning Experience

Dionis Rodriguez (As EVP, GB Lodging)

The Beekman, A Thompson Hotel & Residence
New York, NY

Hotel Rooms: 287
Residences: 68

- $350M+ total project cost.
- Renovation and conversion of historic office building built in 1883 that was closed for over 3 decades and conversion to leading hotel
- Construction of new 52 story residential tower.
- The Hotel is home to two Michelin rated chefs, Tom Colichio at Fowler + Wells restaurant and Keith McNally at Augustine Restaurant.
- Highly catalytic investment

Recent Renovation & Repositioning Experience

Walsh & Associates

Algonquin Hotel Times Square
New York, NY

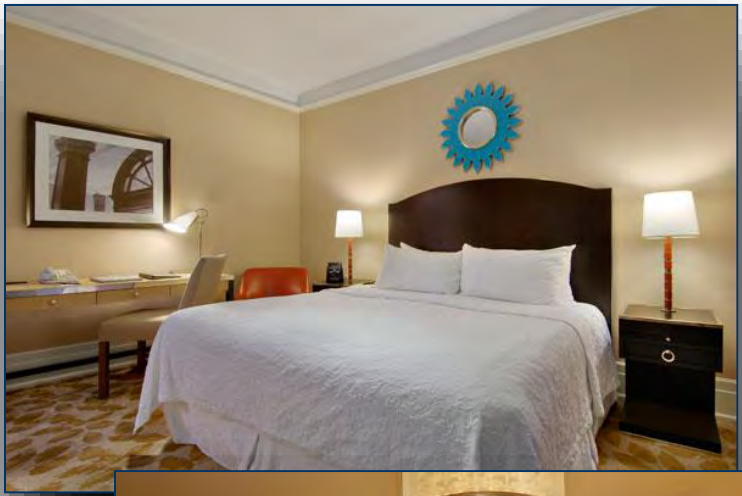
Rooms: 181

- $15 million renovation with short 4-month turnaround in 2012
- Project included gut renovation of guest bathrooms and general renovations throughout
- Provided design, permitting and all construction management services

Recent Renovation & Repositioning Experience

Walsh & Associates

Algonquin Hotel Times Square, New York, NY



Before

After

Recent Renovation & Repositioning Experience

Walsh & Associates

The Greenbrier Hotel
White Sulphur Springs, West VA

Rooms: 710

- $10 million renovation
- Difficult project focused primary on transforming traditional restaurant into modern venue

Recent Renovation & Repositioning Experience

Walsh & Associates

The Greenbrier Hotel
White Sulphur Springs, West VA

Before

After

Recent Renovation & Repositioning Experience

Walsh & Associates

Hilton Rosemont
Chicago, IL

Rooms: 300

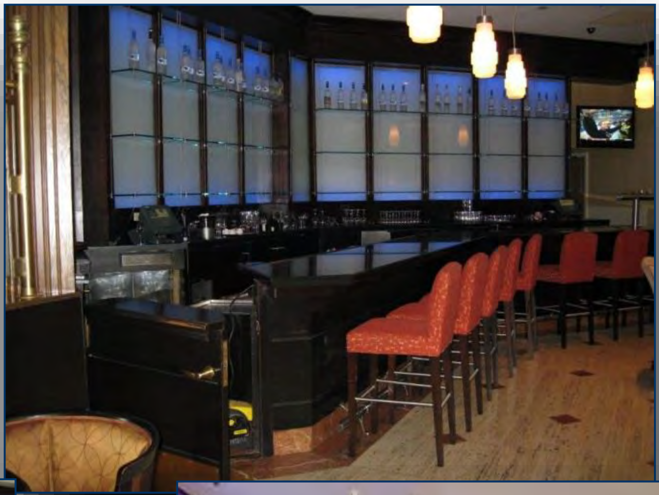
- $15 million renovation in 2010
- Conversion from Sofitel to Hilton
- Multi-phase renovation of all spaces
- Provided design, permitting and all construction management services

Recent Renovation & Repositioning Experience

Walsh & Associates

Hilton Rosemont, Chicago, IL

Before

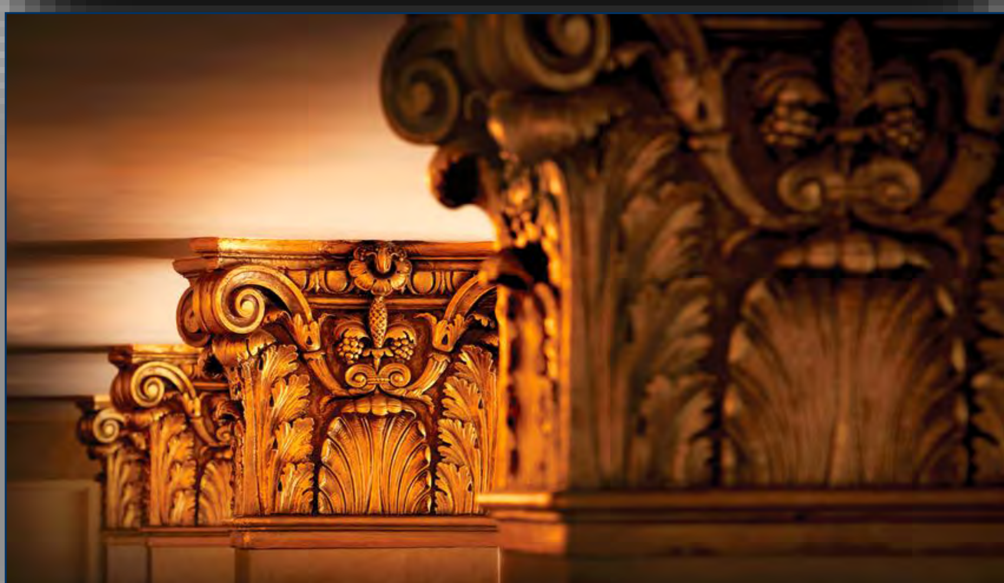


After

Recent Renovation & Repositioning Experience

Walsh & Associates

Historic Hotel Bethlehem
Bethlehem, PA



Rooms: 128

- $10 Million Historic Renovation
- Built in 1922
- Built by Charles M. Schwab to cater to clients of Bethlehem Steel Company
- Member of Historic Hotels of America

Recent Renovation & Repositioning Experience

Walsh & Associates

Hotel Sofitel
San Francisco, CA

Rooms: 421

- $15 Million addition managed by Walsh Associates including FF&E purchasing and construction supervision
- Managed design, approvals, permitting, and all contract administration and construction activities

Recent Renovation & Repositioning Experience

New Castle Hotels

The Algonquin Resort
St. Andrews, NB

Rooms: 234

- 50% / 50% Co-investment with Southwest Properties
- Opened in 1889, re-built in 1904 by architect Goldwin Starrett
- $50 million historic renovation
- Acquired in April 2012 as a Fairmont
- Conversion to Autograph Collection by Marriott in 2014
- Winner; Marriott Full-Service Renovation of the Year

Recent Renovation & Repositioning Experience

New Castle Hotels

The Algonquin Resort, St. Andrews, NB

Before

After

Recent Renovation & Repositioning Experience

New Castle Hotels

Westin Portland Harborview
Portland, ME

Rooms: 289

- Renovation and repositioning of the historic Eastland Park Hotel
- Co-development with Rockbridge Capital
- $60 million historic renovation project
- Provided technical services, design review, brand relations, F&B concept
- Acquired February 2011
- Converted to Westin December 2013

Recent Renovation & Repositioning Experience

New Castle Hotels

Westin Harborview, Portland, ME

Before

After

Crimson Rock Capital

Appendix 1 – New Castle Hotels & Resorts

Team Overview

New Castle Hotels & Resorts

- Three decades of experience and leadership in all aspects of hotel operations
- Proven institutional-quality manager representing investors like Cornerstone/MassMutual, Rockbridge Capital, BayNorth Capital and others
- Clients have direct access to New Castle senior leaders that are highly regarded in the hotel industry and currently serve on numerous brand advisory boards
- Long-standing lending relationships
- Experience with complex development, turnaround and conversion strategies
- Strong results in RevPar index, operating margins, and guest and employee satisfaction

New Castle Operational Excellence

- Preferred Operator for Starwood Hotels & Resorts
- Four hotels and over 900 rooms under management
- New Castle executives serve on five Starwood advisory boards

- Preferred Operator for Hilton Hotels
- Six hotels and over 1,000 rooms under management
- 2009 Hampton Hotels Deal of the Year – Hampton Inn Dartmouth

- Preferred Operator for Marriott Hotels
- Five hotels and over 700 rooms under management
- New Castle executives serve on three Marriott advisory boards
- 2014 award for best full-service renovation – Algonquin Resort

New Castle Awards and Rankings

New Castle Awards and Rankings

tripadvisor
2015 Winner
Certificate of Excellence

2015
TRAVELERS' CHOICE
tripadvisor

United States

Lexington, KY – Hilton
Portland, ME – Hilton Garden Inn
Shelton, CT – Hampton Inn
Virginia Beach, VA – Homewood Suites
Jekyll Island, GA – Hampton Inn & Suites

Canada

Dartmouth, NS – Hampton Inn & Suites
Moncton, NB – Residence Inn
Digby, NS – Pines Golf Resort & Spa
Liscombe, NS – Liscombe Lodge

New Castle Awards and Rankings

Condé Nast Traveler
TRUTH IN TRAVEL

The Algonquin Resort, Top 10 Best Resorts, Canada

Marriott
HOTELS & RESORTS

Winner of the Marriott Full Service Renovation of the Year

Hilton

Dartmouth Hampton Winner, 2009 Hilton Deal of the Year

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

April 5, 2017

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 for this project can be found in our proposal dated March 28, 2017.

Our research and analysis included discussions with you and review information that was forwarded to us by SB Friedman including a five-year pro-forma prepared by New Castle Hotels & Resorts (management company) and an updated project budget and timeline prepared by Walsh & Associates. We also reviewed information that you forwarded to us about the Tapestry Collection concept, as it is a new concept announced by Hilton in January 2017. We ordered a STR report that included Hilton, Marriott, and Hyatt properties located in the market area. The STR report presents performance data for a period of time (in this case July 2015-February 2017) and presents it as an aggregate for the identified competitive hotels. STR never reveals individual property data. 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.

Background Information

It is our understanding that the Urbana Landmark Hotel is closed and the team of Crimson Rock Capital, Walsh Associates, Campo Architects, and New Castle Hotels & Resorts has plans to convert it to the Tapestry Collection by Hilton, a concept announced by Hilton International in January 2017. We understand from information forwarded to us that the Tapestry Collection will include a unique blend of hotels that will retain 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 be a part of the extensive Hilton network that includes distribution services, Hilton HHonors loyalty program, training, and PMS.

Our research considered the parties involved in the purchase, redevelopment, and operation of the hotel. Based on the power point presentation and our own Internet research, these companies have significant experience in the redevelopment and management of historic hotels.

New Castle Hotels & Resorts, according to our research, is based in Shelton, Connecticut and has been in existence since 1980. The company has consistently ranked among the top hotel management companies in North America with properties in both the United States and Canada. A January 2017 article indicated the independent, third-party hotel manager, owner, and developer currently has 23 hotels and resorts and nearly 3,500 rooms under contract or in development listed in its portfolio that stretches over 10 states and two Canadian provinces. The properties in Canada include several of the country's historic landmark resorts. New Castle is a preferred operator for brands within the Hilton, Marriott, and Starwood hotel companies. We have not conducted any consulting work with New Castle Hotels & Resorts nor have we had personal experience with the company.

Competitive Hotel Supply

Smith Travel Research is a leading resource of hotel industry trends. The company, based in Hendersonville, Tennessee began collecting data in the 1980s and today over 30,000 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 set is similar to the comp set that was defined by Crimson Rock Capital in a February 2015 STR report that was provided to us prior to our January 2016 letter to 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. The following table shows relevant information about the competitive hotel supply.

Competitive Hotel Supply
Urbana Champaign, Illinois

Hotel	Number of Rooms	Year Built	Property Classification	Weekday Rack Rates*
Hampton Inn	130	1995	Upper Midscale	$129.00
Hyatt Place	145	2014	Upscale	$129.00
TownePlace Suites	95	2015	Upper Midscale	$129.00
Homewood Suites	98	2007	Upscale	$129.00
Courtyard	78	1995	Upscale	$129.00
Hilton Garden Inn	99	2006	Upscale	$161.00
Residence Inn	112	2013	Upscale	$139.00
Total	757			

Source: STR, Inc., Hotel websites for rack rates.
**Rack rates are rates that hotels post on their website for a particular date and we used Tuesday, April 4, 2017, a weekday night that is typically busier for corporate travelers. The rack rate is not an achieved rate for the hotels as achieved rates would include negotiated rates and discounted rates.*

The following table provides the performance of these seven hotels based on data from STR. The data covers two time periods, July 2015-February 2016 and the trailing twelve-month period March 2016-February 2017.

	July 2015-February 2016	March 2016-February 2017
Occupancy	64.6%	67.1%
ADR	$119.72	$118.48
RevPAR	$77.28	$79.54
Supply (available)	183,951 rooms	276,305 rooms
Demand (occupied)	118,742 room nights	185,503 room nights
Revenue	$14,215,224	$21,977,480

The reason we could not get more historical data is because in our January 2016 letter to the City of Urbana, we referenced the STR report that included the Fairfield Inn & Suites. On March 28, 2017, Brandon and I discussed the potential competitive set and decided not to include the Fairfield Inn & Suites because of its location along the highway. STR has rules about changing out one property from a previous STR report and rather than include another hotel in the market that more than likely wouldn't compete with the proposed hotel, we chose to go with a competitive set that best represents the competition for the proposed Tapestry Collection for reasons stated previously.

The competitive hotel performance was up in occupancy and down slightly in ADR resulting in RevPAR (revenue per available room) increasing $2.26 or 2.9 percent. Based on the hotels in the comp set, it is our assumption that the TownePlace Suites, an upper midscale extended-stay hotel that opened in July 2015 would have a positive impact on occupancy because of the long-term stays however, it is likely priced slightly below the other competitors and that could have had a negative impact on ADR. We do not believe the TownePlace Suites would be a direct competitor of the proposed Tapestry Collection Landmark Hotel in Urbana however it was included because of its proximity to Campustown and the University of Illinois and its Marriott affiliation.

The decline in ADR could also be attributed to other factors occurring in the market but because we did not conduct market research, we are unable to comment on those market dynamics that might have an impact on market performance.

We are aware that a Best Western Vīb has been approved for downtown Champaign and this addition could further impact the overall Urbana Champaign hotel market. Since we did not conduct research in the market and relied on secondary information, the exact impact of the Best Western on the overall market has not been analyzed.

Estimated Performance and Pro Forma

The performance estimates are based on the proposed hotel operating as a branded hotel with a unique and independent identity within the Tapestry Collection by Hilton.

The estimated occupancy and average daily rate (ADR) for the Urbana Landmark Hotel within the Tapestry Collection by Hilton, provided by New Castle Hotels & Resorts, appears to be reasonable in our opinion. Based on the pro forma provided to us by SB Friedman, the hotel will offer 128 guest rooms. On the conceptual project schedule by Walsh Associates, it appears the hotel will begin general construction in December 2017 and be open third quarter 2018. The five-year pro forma shows a fiscal year ending December 31 from 2019-2023.

The estimated occupancy, ADR and RevPAR are shown in the following table. Using the FY1 ADR in the pro forma of $135.37 and dividing it by 3.0 percent inflation for two years would give an ADR of $127.60 in 2017 dollars and we did this for comparison purposes to the current ADR presented in the STR report. The ADR is slightly higher than the competitive set ADR in the STR report by about $9.00-$10.00 yet it appears to be a reasonable ADR for an Upscale hotel concept by Hilton. The Tapestry Collection, according to information provided to us, shows the concept to fall in the Upscale segment of hotels for Hilton and would be the second "collection" of properties for Hilton after Curio, A Collection by Hilton that falls into the Upper Upscale segment. The other Upscale hotel properties within Hilton include Doubletree by Hilton and Embassy Suites by Hilton. The average daily rate for these two Upscale brands at year-end 2016 was $135.60 and $161.12, respectively, placing the ADR for the proposed Urbana hotel well within the range of Hilton's Upscale brands.

Estimated Performance - Urbana Landmark Hotel
Tapestry Collection by Hilton
Urbana, Illinois

Year	Occupancy	ADR	RevPAR
FY1	66.0%	$135.37	$89.35
FY2	68.0	140.59	95.60
FY3	70.0	145.96	102.17
FY4	71.0	149.53	106.17
FY5	71.0	152.53	108.29

Source: New Castle Hotels & Resorts

We reviewed the five-year pro forma prepared by New Castle Hotels & Resorts for the proposed hotel. We compared it to Smith Travel Research's 2016 HOST Almanac (2015 data) as a check for reasonableness. In addition, we reviewed actual financial operating statements in our files and due to the confidential nature of this information we are unable to present that information for this analysis.

The HOST Almanac collects financial data from over 5,400 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 Excel spreadsheet with the range of data is attached)*.

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

Comparison of the New Castle Hotels & Resorts Pro Forma To the HOST Almanac

Line Item	New Castle Pro Forma (1)	HOST Almanac (2)
Revenue		
Rooms	$149.53 POR	$139.00-$188.55 POR
Total Food & Beverage	$49.13 POR	$26.17-$88.31 POR
Rentals & Other Income	$3.23 POR	$2.26-$8.98 POR
Departmental Expenses		
Rooms	22.1% ratio to sales	23.6%-27.9% ratio to sales
Food & Beverage	70.5% ratio to sales	68.8%-76.7% ratio to sales
Rentals & Other Income	$2.42 POR	$2.04-$15.80 POR
Undistributed Expenses		
Administrative & General	$4,047 PAR	$3,827-$6,056 PAR
Information & Telecommunication Systems	$672 PAR	$357-$873 PAR
Marketing	$4,945 PAR	$2,995-$5,671 PAR
Franchise Fees	$7.48 POR	$3.16-$5.68 POR
Utilities	$1,820 PAR	$1,696-$2,555 PAR
Repairs & Maintenance	$2,023 PAR	$1,974-$3,258 PAR
Fixed & Other Charges		
Management Fee	3.0% ratio to sales	2.7%-3.3% ratio to sales
Insurance	$719 PAR	$419-$787 PAR
Property Taxes	$1,836 PAR	NA
Reserve for Replacement	4.0% ratio to sales	1.7%-2.3% ratio to sales
Net Cash Flow Available for Debt Service	23.8% ratio to sales	19.3%-30.4% ratio to sales

Source: New Castle Hotels & Resorts and STR, Inc. HOST Almanac 2016
(1) We utilized the stabilized year that occurs in FY 4 – 2022
(2) Shows the range for the categories described above
Definitions – POR – per occupied room; PAR – per available room; Ratio – ratio to sales
NA – Not Applicable – this information is specific to a market and we did not research property taxes in Urbana

On a line-by-line basis, the figures estimated by New Castle Hotels & Resorts fall within the range of figures for the various categories in the HOST Almanac. Rooms Expense for the proposed hotel was just slightly lower than the HOST range yet it falls within a comfortable range for this type of hotel based on our experience. Franchise Fees were higher than the HOST range however these fees are very specific to the brands. Reserve for Replacement at four percent for the proposed hotel is in line with what we use when preparing pro forma statements for new hotels and is an industry standard. The planned renovation of the Urbana Landmark Hotel will be like a brand new hotel and it is important to provide a reserve that will assure the community that the hotel will be well maintained in the future.

As mentioned in previous paragraphs, we have included two attachments to this letter including the HOST Almanac range by category for full-service hotels and a summary of the STR report data.

It is our opinion that 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.

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 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. 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.

7. 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.

8. 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.

9. 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

HOST Almanac - Range of Data for Select Categories

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	58.2%	66.6%	64.9%	81.3%	$35,174	$43,140	$43,092	$51,085	$139.00	$166.05	$165.73	$188.55
Food	10.3%	16.9%	17.6%	20.4%	$4,666	$11,414	$12,360	$14,687	$17.67	$44.26	$51.06	$54.31
Beverage	2.8%	4.7%	5.0%	5.8%	$1,248	$3,198	$3,477	$4,020	$4.73	$12.40	$14.41	$15.28
Other Food & Beverage	2.2%	5.2%	6.1%	7.1%	$996	$3,631	$4,683	$5,097	$3.77	$13.91	$17.62	$18.72
Other Operated Departments	2.0%	4.1%	3.7%	7.9%	$920	$2,750	$2,868	$4,799	$3.48	$10.90	$10.53	$21.09
Miscellaneous Income	1.3%	2.3%	2.5%	3.4%	$597	$1,596	$1,996	$2,258	$2.26	$6.21	$7.37	$8.98
Total Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**$45,116**	**$65,728**	**$65,869**	**$78,702**	**$170.91**	**$253.73**	**$265.66**	**$290.49**
DEPARTMENTAL EXPENSES												
Rooms	23.6%	25.9%	25.8%	27.9%	$8,669	$11,207	$12,028	$13,152	$41.23	$70.80	$47.04	$48.54
Food & Beverage	68.8%	72.7%	71.2%	76.7%	$5,297	$13,109	$13,978	$16,314	$20.07	$50.83	$59.45	$61.42
Other Operated Departments & Rentals	58.5%	67.0%	67.7%	74.9%	$538	$1,902	$1,845	$3,595	$2.04	$7.58	$6.78	$15.80
Total Departmental Expenses	**39.6%**	**41.5%**	**41.0%**	**44.6%**	**$14,504**	**$26,219**	**$27,384**	**$31,285**	**$54.95**	**$101.59**	**$113.74**	**$118.45**
Total Departmental Profit	**55.4%**	**58.5%**	**59.0%**	**60.4%**	**$30,612**	**$39,510**	**$38,485**	**$47,531**	**$115.96**	**$152.15**	**$148.00**	**$175.02**
UNDISTRIBUTED OPERATING EXPENSES												
Administrative & General	7.5%	8.1%	7.8%	8.8%	$3,827	$5,250	$5,349	$6,056	$14.50	$20.34	$21.56	$23.50
Information & Telecommunication Systems	0.8%	1.0%	1.1%	1.2%	$357	$685	$766	$873	$1.35	$2.63	$2.95	$3.22
Marketing	6.6%	7.0%	7.0%	7.4%	$2,995	$4,632	$4,856	$5,671	$11.35	$17.86	$18.68	$20.83
Franchise Fees	1.1%	1.8%	1.5%	3.3%	$861	$1,112	$996	$1,499	$3.16	$4.33	$3.83	$5.68
Utility Costs	3.0%	3.5%	3.3%	4.2%	$1,696	$2,260	$2,508	$2,555	$6.43	$8.79	$9.26	$11.17
Property Operations & Maintenance	4.1%	4.5%	4.4%	5.3%	$1,974	$2,933	$3,179	$3,258	$7.48	$11.39	$11.97	$13.97
Total Undistributed Operating Expenses	**24.0%**	**27.7%**	**28.0%**	**30.7%**	**$12,348**	**$16,872**	**$16,944**	**$19,212**	**$46.79**	**$65.35**	**$70.10**	**$74.44**
GROSS OPERATING PROFIT	**27.4%**	**30.9%**	**29.9%**	**35.8%**	**$16,559**	**$22,638**	**$21,712**	**$28,448**	**$69.17**	**$86.80**	**$83.48**	**$104.45**
Management Fees	2.7%	3.0%	3.0%	3.3%	$1,500	$1,975	$2,040	$2,397	$5.68	$7.60	$7.84	$8.85
INCOME BEFORE FIXED CHARGES	24.7%	27.9%	26.6%	32.8%	$14,910	$20,663	$19,672	$26,161	$63.49	$79.20	$75.64	$96.05
Selected Fixed Charges												
Property Taxes	2.1%	3.2%	3.3%	4.0%	$1,272	$2,131	$2,556	$2,629	$5.59	$8.15	$9.39	$10.10
Insurance	0.7%	1.0%	1.0%	1.2%	$419	$635	$701	$787	$1.59	$2.46	$2.89	$3.08
EBITDA	21.4%	27.4%	28.5%	32.7%	$12,937	$17,897	$16,560	$22,818	$55.94	$68.58	$63.67	$83.77
Reserve for Replacement	1.7%	2.0%	2.1%	2.3%	$1,072	$1,329	$1,252	$1,658	$4.06	$5.13	$5.50	$6.12
Amount Available for Debt Service & Other Fixed Charges	**19.3%**	**25.3%**	**26.4%**	**30.4%**	**$11,685**	**$16,568**	**$15,411**	**$21,306**	**$51.36**	**$63.45**	**$59.25**	**$78.22**

Source: 2016 HOST Almanac, Year-End Report for the Year 2015
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.
7/15-2/16								
Occup.	40.0%	62.6%	74.1%	74.0%	64.7%	66.9%	69.9%	**64.6%**
ADR	$105.14	$116.16	$119.05	$117.88	$117.05	$128.15	$128.28	**$119.72**
RevPAR	$42.03	$72.66	$88.26	$87.25	$76.75	$85.68	$89.63	**$77.28**
3/16-2/17								
Occup.	41.8%	63.2%	73.9%	74.3%	67.6%	73.3%	75.7%	**67.1%**
ADR	$104.57	$109.15	$112.03	$113.16	$114.01	$134.90	$133.64	**$118.48**
RevPAR	$43.73	$68.98	$82.78	$84.05	$77.09	$98.90	$101.20	**$79.54**
Average								
Occup.	**41.1%**	**62.9%**	**74.0%**	**74.2%**	**66.5%**	**70.7%**	**73.4%**	**66.1%**
ADR	**$104.79**	**$111.94**	**$114.77**	**$115.05**	**$115.20**	**$132.34**	**$131.59**	**$118.96**
RevPAR	**$43.05**	**$70.45**	**$84.91**	**$85.33**	**$76.55**	**$93.59**	**$96.56**	**$78.64**

Source: STR, Inc.

Performance Data By Month
Select Competitive Set
Urbana Champaign, Illinois

Period	Occupancy	% Change	ADR	% Change	RevPAR	% Change
Jul 15	65.2%		$106.14		$69.15	
Aug 15	78.5		121.35		95.24	
Sep 15	78.4		130.87		102.63	
Oct 15	75.3		137.45		103.48	
Nov 15	56.7		129.54		73.46	
Dec 15	48.7		99.73		48.60	
Jan 16	47.5		100.32		47.69	
Feb 16	66.5		118.56		78.81	
Mar 16	62.8		105.96		66.57	
Apr 16	72.6		133.68		97.03	
May 16	65.0		133.55		86.78	
Jun 16	70.7		108.62		76.80	
Jul 16	64.7	-0.7	103.01	-3.0	66.65	-3.6
Aug 16	75.3	-4.0	114.27	-5.8	86.08	-9.6
Sep 16	79.5	1.3	129.53	-1.0	102.92	0.3
Oct 16	76.3	1.4	129.29	-5.9	98.69	-4.6
Nov 16	67.0	18.2	132.66	2.4	88.94	21.1
Dec 16	47.9	-1.6	99.52	-0.2	47.70	-1.9
Jan 17	55.4	16.5	104.23	3.9	57.74	21.1
Feb 17	69.3	4.2	115.81	-2.3	80.20	1.8

Source: STR, Inc.

Project	Location	Type	Rooms	Project Cost (In Millions)	City Incentives (In Millions)	Other Incentives (In Millions)	Public Investment Percent of Total
Hotel Blackhawk	Davenport, IA	Hotel Renovation	130	$36.00	$18.06	$8.50	50.9%
Burnham Hospital	Champaign, IL	New Student Housing	-	$56.25	$8.40	-	14.9%
Ihotel	Champaign, IL	New Hotel	126	$29.60	$3.00	$11.60	49.3%
Hyatt	Champaign, IL	New Hotel	145	$26.00	$3.00	-	11.5%
Marriott	Normal, IL	New Hotel	230	$75.50	$23.50	-	31.1%
Pere Marquette	Peoria, IL	Hotel Renovation/New	284	$92.80	$26.00	$10.00	38.8%
Prairie Street Brew House	Rockford, IL	Historic Renovation	-	$12.00	$1.80	-	15.0%
M2	Champaign, IL	New Mixed-Use	-	$42.70	$17.50	-	41.0%

EXHIBIT D - CATALYTIC PROJECTS

All research contained within this
document compiled by City of Urbana.

HOTEL BLACKHAWK

Davenport, IA

BEFORE

AFTER

In 2006 the City desired to redevelop a deteriorating former hotel located in downtown Davenport adjacent to a convention center[1]. The historical building had operated as a hotel starting in 1915, and underwent over four sales and renovations. The property struggled to be financially successful, and in 2006 after years of deterioration the building caught fire due to a meth operation.

The former owner sold the property for $1 to Restoration St. Louis, and the City entered into a development agreement in 2008 for the redevelopment of the building.[2] The project was the first project in Iowa for the developer.

The City provided multiple incentives to the developer for the $36MM[3] project. First, the City provided the developer with a bridge loan of $8.25MM, to enable the developer to gain Historic Tax Credits, which was repaid within three years. Second, the City provided a $1.5MM promissory note, which the developer extended payment on due to other projects in the City, and is expected to pay off this year. Third, the City reimbursed Hotel/Motel Tax from the hotel to the developer at 90% for years 1-10, 75% for years 11-13, and 50% for years 16-20.[4] Lastly, the City issued approximately $8.31MM in GO bonds[5] upfront, to be paid back through property taxes. In addition to the Redevelopment Agreement, the developer signed an agreement, agreeing to a minimum assessed value or $14MM for the project.[6] The project also received $8.5MM in Historic Tax Credits.[7]

Initially, the City jointly owned the Gold Room in the hotel, however the City did not find this arrangement beneficial, and amended the agreement to transfer full ownership to the developer.[8] The project resulted in a 130 room hotel[9], bowling alley, retail, and 14[x] luxury residences.[10]

HOTEL RENOVATION

130	ROOMS
$36MM	PROJECT COST
$18.06MM+	CITY INCENTIVES
$8.5	OTHER INCENTIVES
50.9%+	PUBLIC INVESTMENT

The project spurred significant investment into the downtown,[11] and since the redevelopment numerous new projects have been completed downtown including multi-family and commercial development.[12] The developer has completed multiple additional projects in the City.[13]

The hotel has also received numerous awards including the 2011 Preservation Success Story Award - Honorable Mention from the Historic Hotels of America[14], and was named the Best Hotel in Iowa by Business Insider in 2015. As of 2015, the hotel was one of only three in Iowa to earn a Four Diamond Rating.[15]

The Hotel Blackhawk is now a 4-star successful hotel, part of the Marriott Autograph collection. The assessable value is currently $17.9MM and has been consistently above the minimum stipulated in the agreement.[16]

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1. SB Friedman Fact Sheet
2. http://qctimes.com/article_9fe20914-07b8-11e0-944e-001cc4c03286.html
3. http://qctimes.com/news/local/davenport-oks-sale-of-bonds-for-blackhawk-hotel-restoration/article_df7c5bbe-19ae-11de-b918-001cc4c03286.html
4. Brandon Wright, City of Davenport Finance Director 3/28/2017
5. Brandon Wright, City of Davenport Finance Director 3/28/2017
6. Conversation with Sarah Ott Davenport Staff 3/15/2017
7. http://qctimes.com/news/local/as-hotel-blackhawk-turns-owners-want-to-expand-brand/article_b9f2af02-49d1-56dd-abaf-d1150d3a7a9e.html
8. Brandon Wright, City of Davenport Finance Director 3/28/2017
9. Expedia.com
10. http://www.cityofdavenportiowa.com/eGov/apps/document/center.egov?view=item;id=3200
11. Brandon Wright, City of Davenport Finance Director 3/28/2017
12. http://qctimes.com/news/local/as-hotel-blackhawk-turns-owners-want-to-expand-brand/article_b9f2af02-49d1-56dd-abaf-d1150d3a7a9e.html
13. Brandon Wright, City of Davenport Finance Director 3/28/2017
14. SB Friedman Fact Sheet
15. http://qctimes.com/news/local/as-hotel-blackhawk-turns-owners-want-to-expand-brand/article_b9f2af02-49d1-56dd-abaf-d1150d3a7a9e.html
16. Brandon Wright, City of Davenport Finance Director 3/28/2017

CITY OF URBANA

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BURNHAM HOSPITAL

Champaign, IL

The former Burnham hospital had been vacant for 10 years in 2001[1] when the City began actively trying to develop the 2.44 acre[2] underutilized site. The redevelopment process for the site would take around 10 years.

The City had seen prior interest in the site, but two potential developers had backed out largely due to the high costs associated with environmental remediation.[3] In 2004, the City bonded for $2.915MM for the purchase and $4.9MM for demolition, and remediation of the site for a total of $7.8MM.[4] At the time the City bonded, there was not a planned project.

The City created a plan for the site, and issued an RFP for redevelopment. The developer was chosen as a result of the returns expected from the project.[5]

In addition to the $7.8MM bonds, the City created a TIF District to provide for $1.2M in public infrastructure costs.[6] An additional $715,000 for the County Market Development was committed[7], which is paid for through sales and food and beverage tax. The City sold the land to the developer for $1.3M.[8]

The project completed in 2009 and resulted in an 18-story student housing complex with an attached grocery store and parking.[9]

The project now has an EAV of around $8MM, and generates around $680,000 annually in property taxes.[10] Champaign continues to pay off the bonds at around $603,000 annually,[11] with 20 year Debt service through 2022/23.

The project was the first of its size in the Midtown area. Since its construction at least four new large scale student housing projects have been completed. The project was catalytic in revitalizing the Midtown area

NEW STUDENT HOUSING

$56.3MM	PROJECT COST
$8.4MM	CITY INCENTIVES
14.9%	PUBLIC INVESTMENT

1. http://www.news-gazette.com/news/local/2003-02-21/burnham-developer-pulls-out.html
2. ccgisc
3. http://www.news-gazette.com/news/local/2003-12-17/burnham-demolition-talks-approved.html
4. Elizabeth Hannan
5. Rob Kowalski
6. http://www.news-gazette.com/news/local/2006-12-04/council-poised-ok-burnham-work.html
7. http://champaignil.gov/2014/01/27/burnham-county-market-development-agreement-concluded/
8. http://www.news-gazette.com/news/local/2006-12-04/council-poised-ok-burnham-work.html
9. http://www.news-gazette.com/news/business/2006-06-22/burnham-project-wont-start-06.html
10. Assessment and Treasury records - ccgisc
11. City of Champaign Report to City Council, Budget Memo 2016/2017 Economic Development Programs - Information Only. May 3, 2016

CITY OF URBANA

All research contained within this document compiled by City of Urbana.

IHOTEL

Champaign, IL

The City of Champaign constructed a new construction hotel and conference center near the University of Illinois Campus and Research Park. The project resulted in a 126 room, 38,000 square feet, 3-star hotel.[1]

The project had a total cost of $29.6MM, $3MM[2] was provided by the City in property tax incentives to be reimbursed over a 13 year period from property tax revenue. The University of Illinois provided the hotel with $11.6MM.[3]

The University holds a 50 year land lease, and will obtain ownership of the hotel in 2056. Additionally, the University receives hotel profits over 12 percent, and all conference center profits.[4]

AFTER

NEW HOTEL

126	ROOMS
$29.6MM	PROJECT COST
$3MM	CITY INCENTIVES
$11.6MM	OTHER INCENTIVES
49.3%	PUBLIC INVESTMENT

HYATT

Champaign, IL

The City of Champaign provided $3MM in incentives towards a $26MM new construction hotel project, to be reimbursed through property taxes over a 10 year period.[5] The project resulted in 145 rooms, 3,200 square feet meeting space, 3 Star hotel.[6]

NEW HOTEL

145	ROOMS
$26MM	PROJECT COST
$3MM	CITY INCENTIVES
11.5%	PUBLIC INVESTMENT

AFTER

CITY OF URBANA

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MARRIOTT HOTEL

Normal, IL

In 2009, the Town of Normal aquired land through eminent domain for a new 230-room construction hotel and apartment complex with city-owned conference center and parking deck. The project cost around $72MM, $50MM for hotel, $14MM for conference center, $8.3MM for parking deck.

The Town provided around $20 MM up front over a two-year period through general obligation bonds: $2.5MM for hotel, $10MM town-owned conference center, $8.3MM town-owned parking deck. City contributed land to developers, which cost the Town around $3.5MM to acquire.[7] The City is being repaid through sales tax, food and beverage taxes, hotel/motel taxes, and TIF financing.

The Town has seen new businesses and visitors as a result of the project, and the project is an anchor in the downtown.[8] An additional $25MM Hyatt downtown hotel opened six years later.

NEW HOTEL

230	ROOMS
$75.5MM	PROJECT COST
$23.5MM	TOWN INCENTIVES
31.1%	PUBLIC INVESTMENT

1. Expedia.com
2. http://www.news-gazette.com/news/local/2009-11-22/conference-center-doing-well-i-hotel-still-red.html
3. Rob Kowalski
4. http://www.news-gazette.com/news/local/2009-11-22/conference-center-doing-well-i-hotel-still-red.html
5. http://www.news-gazette.com/news/local/2012-07-24/construction-comes-downtown-champaign.html
6. Expedia.com
7. http://www.pantagraph.com/news/local/government-and-politics/normal-paid-upfront-to-make-uptown-hotels-happen/article_b18cc76c-7af7-585c-9847-412c7c12581c.html
8. http://www.pantagraph.com/news/local/government-and-politics/normal-paid-upfront-to-make-uptown-hotels-happen/article_b18cc76c-7af7-585c-9847-412c7c12581c.html

CITY OF URBANA

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PERE MARQUETTE

Peoria, IL

In 2008 the City of Peoria desired to construct additional hotels to support its active convention center. The Pere Marquette at the time was considered a high quality hotel but had never been flagged and was not physically connected to the convention center.[1] The building was an 89 year old hotel, constructed in 1927.[2]

The hotel was renovated in 2011, resulting in a 284-room renovated hotel next to a 116-room new construction building[3] Marriott flag connected to the convention center.[4] A new great room, lobby, bar area, restaurant, and concierge lounge were added along with the renovation of rooms.[5] The resulting project had 500 parking spaces[6], 18,840 square feet of event space, and first floor retail.[7]

The total project cost for both buildings was $92.8 MM,[8] the renovation of the Pere Marquette project cost was $44MM.[9] The total property cost was $20 MM.[10] The developer committed $30 MM in private equity.[11]

The project received $10MM in Historic Tax Credits, approximately 45% of the total

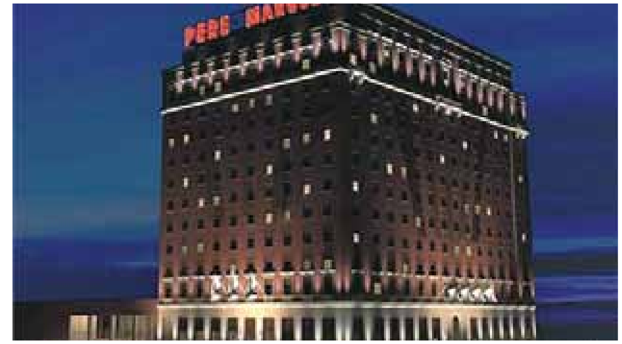
BEFORE

AFTER

project cost.[12] The project also received sales tax exemption for building materials through the River Edge Redevelopment Zone financing, a Illinois State program that provides incentives to properties within designated zones adjacent to rivers.[13]

The City provided a $7MM loan, to be paid back through TIF, and a $29MM grant to the developer. The City borrowed for the $29 MM grant through general obligation bonds.[14] The City is currently providing payments for the bond from TIF revenue and increases in Hotel/Motel tax.[15]

The development agreement included a provision that any change of operator would need to be approved by the City. The Hotel



HOTEL RENOVATION/NEW

284	ROOMS
$92.8MM	PROJECT COST
$26MM	CITY INCENTIVES
$10MM	OTHER INCENTIVES
38.8%	PUBLIC INVESTMENT

opened with Marriott as the operator, but this was later changed with City approval.[16]

The project was very challenging as the City relocated multiple long standing businesses to complete the project. Retail space remains unoccupied[17], and the hotel went into a $39MM foreclosure in 2017.[18]

The City currently has a $7MM mortgage on the property. However, the City remains optimistic that the hotel will sell to a new owner for $40-$50MM, and the hotel will continue to make payments. At present, the hotel will retain its Marriott flag, as well as the current operator.[19]

Peoria officials believe it is too soon to identify the full economic impact of the hotel on the City, as conventions book over two years ahead, making the hotel too new to determine outcomes.[20] Campo Architects completed the interior design and architecture for the remodel.

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1. Conversations with Kimberly Smith, Senior Urban Planner and Chris Setti Assistant City Manager
2. http://www.pjstar.com/article/20111202/news/312029903
3. http://www.pjstar.com/x394188888/City-Council-approves-Marriott-project
4. Conversations with Kimberly Smith, Senior Urban Planner and Chris Setti Assistant City Manager
5. http://www.pjstar.com/x208440872/Spectacular-Pere-Marquette-reopens-after-wholesale-renovation
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7. http://www.marriott.com/hotels/travel/piamc-peoria-marriott-pere-marquette/
8. http://www.pjstar.com/x394188888/City-Council-approves-Marriott-project
9. http://www.pjstar.com/x208440872/Spectacular-Pere-Marquette-reopens-after-wholesale-renovation
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11. http://www.hotel-online.com/News/PR2011_3rd/Sep11_MarriottEastPeoria.html
12. Conversations with Kimberly Smith, Senior Urban Planner and Chris Setti Assistant City Manager
13. Conversations with Kimberly Smith, Senior Urban Planner and Chris Setti Assistant City Manager
14. Conversations with Kimberly Smith, Senior Urban Planner and Chris Setti Assistant City Manager
15. Conversations with Kimberly Smith, Senior Urban Planner and Chris Setti Assistant City Manager
16. Conversations with Kimberly Smith, Senior Urban Planner and Chris Setti Assistant City Manager
17. Conversations with Kimberly Smith, Senior Urban Planner and Chris Setti Assistant City Manager
18. http://www.pjstar.com/news/20170313/lender-files-foreclosure-on-marriott-pere-marquette
19. Conversations with Kimberly Smith, Senior Urban Planner and Chris Setti Assistant City Manager
20. Conversations with Kimberly Smith, Senior Urban Planner and Chris Setti Assistant City Manager

CITY OF URBANA

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PRAIRIE STREET BREW HOUSE

Rockford, IL

The City provided high levels of incentives with low levels of property tax return from this adaptive reuse project. The property on the waterway in Rockford Illinois was an historic brew-house which had been vacant for over 50 years and was listed on the national registry.[1]

The $12MM project created a new brewery, event space, apartments, office, and commercial space.[2]

The City committed 19 years of 100% TIF property tax reimbursements, for a total of around $1.8-$2.5MM.[3] The project was one of the first projects to use Illinois State Historic Tax Credits ($4.2MM), and also used Federal Historic Tax Credits ($3.36MM).[4]

The project is estimated to have created 140 direct, 175 indirect, and 235 temporary jobs. The brewery and event space generate approximately $400,000 per year in sales tax. The project sees a 14% return on investment.[5] The project was the first of many renovation projects along the riverfront in Rockford. [6]

BEFORE

AFTER

HISTORIC RENOVATION

$12MM	PROJECT COST
$1.8-2.5MM	CITY INCENTIVES
15-20.8%	PUBLIC INVESTMENT

1. http://www.rockfordreminisce.com/Rockford_Brewing_Company.html
2. Economic Impact of the River Edge Redevelopment Zone State Historic Tax Credit in Rockford, Illinois. April 2015
3. http://www.journalstandard.com/x1898605331/Prairie-Street-Brewhouse-about-to-be-a-lot-busier
4. Economic Impact of the River Edge Redevelopment Zone State Historic Tax Credit in Rockford, Illinois. April 2015
5. Economic Impact of the River Edge Redevelopment Zone State Historic Tax Credit in Rockford, Illinois. April 2015
6. Recent, Existing, Emerging and Available Projects Downtown. October, 22, 2014.

CITY OF URBANA

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M2

Champaign, IL

At the time of construction, the project was the largest development to be constructed in Champaign.

The Project is a nine-story mixed use development with retail, office, and 50 condominiums, with a total construction cost of $30MM. In addition, the City built a 500 car garage at a cost of $12.7MM to accompany the project[1].

The City provided an estimated value of around $17,550,000 in incentives ($12MM[2] for the construction of the parking deck, $3.7MM in TIF reimbursements, $1M in land value, $850,000 in sales tax abatements[3]). The City bonded for $12.7MM in December 2007 and January 2008.[4]

Due to the recession, the project did not initially perform as well as expected, but the City remained able to pay for the bond through the parking fund[5].

For 2015 payable in 2016, the property generated $74,977 in property taxes and had an EAV $883,660[6]. Since the development of M2, many downtown large scale developments have been completed along with numerous smaller building renovations.

BEFORE

AFTER

NEW MIXED-USE

$42.7MM	PROJECT COST
$17.5MM	CITY INCENTIVES
41%	PUBLIC INVESTMENT

1. http://www.news-gazette.com/news/local/2007-02-21/champaign-city-council-backs-m2-project.html
2. Elizabeth Hannan
3. http://www.news-gazette.com/news/local/2007-02-21/champaign-city-council-backs-m2-project.html
4. Elizabeth Hannan
5. Elizabeth Hannan
6. Assessment and Tax Records

CITY OF URBANA

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BRG SPORTS

Rantoul, IL

In 2012, The Village contained a vacant site located along I-57 which they desired to redevelop.[1] The City created a TIF and issued $9.75MM in TIF revenue bonds to enable a new BRG Sports distribution facility.

The project resulted in a 815,000 square foot, $12MM[2] facility. In 2014 the company integrated their New York facility into the Rantoul facility, adding 30 new jobs.[3] In 2016 Vista Outdoor Inc acquired most of the BRG product lines.[4]

The project is successfully paying off the revenue bonds, which will retire in 2033.[5]

FORMER WALMART

Sterling, IL

The City of Sterling received a proposal for the redevelopment of a vacant Walmart into multi-tenant retail in 2010. The building cost was $3.2MM[6], and the City issued $6.1MM in Recovery Zone Facility Bonds for the full site, to be repaid by sales taxes and rents from the two anchor tenants. These sources produced 1.25 times the debt service amount required by the issuance of Alternate Revenue bonds under Illinois law.[7]

1. Ken Beth Fact Sheet
2. Conversation with Rantoul Building Department
3. http://www.rantoulpress.com/news/other/2016-03-08/changes-way-vista-outdoor-buys-action-sports-business-brg-sports.html
4. Scot Brandon, City of Rantoul Comptroller 3/3/2017
5. SB Friedman Fact Sheets
6. Conversation with Sterling Code Division
7. SB Friedman Fact Sheets

CITY OF URBANA

All research contained within this document compiled by City of Urbana.

DEVELOPER WORK EXPERIENCE

All research contained within this
document compiled by City of Urbana.

FAIRFIELD INN & SUITES

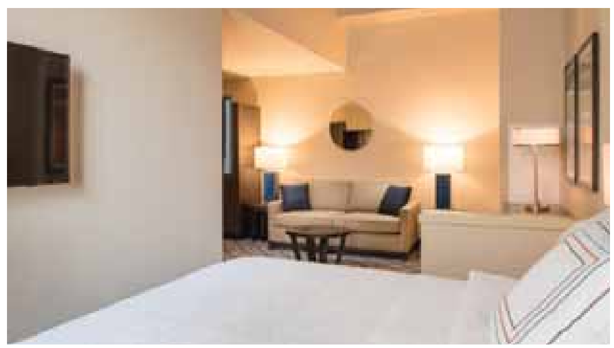
New Orleans, LA

Crimson Rock Capital, New Castle Hotels, Walsh Associates, and Campo Architects completed a recent renovation of the Fairfield Inn & Suites. The hotel was built in 1904 and renovated in 2016 from a Comfort Inn into a Marriott property. The project cost was $10MM.[1]

The updated rooms feature brick walls and 13-food ceilings, with art focusing on the New Orleans jazz culture.[2] The Hotel has received positive reviews after initial few months in operation.

Average room rates for the hotel are around $250[3], higher than the average $172.67 room rate in New Orleans.[4] The hotel was purchased in 2015, from 2014 through 2016 the assessment of the building increased by $3.79MM and the land by $151,100[6].

AFTER



HIGHER AVERAGE ROOM RATES THAN AVERAGE IN NEW ORLEANS

All research contained within this
document compiled by City of Urbana.

HISTORIC HOTEL BETHLEHEM

Bethlehem, PA

Built in 1922, the Historic Hotel Bethlehem, located in Bethlehem, PA underwent a room-by-room renovation in 2015. The hotel is now a member of Historic Hotels of America. Walsch Associates completed this project.

AFTER

1. https://www.cpexecutive.com/post/fairfield-inn-suites-opens-in-downtown-new-orleans/
2. http://nola.curbed.com/2016/9/26/13063358/fairfield-inn-suites-new-orleans-downtown-hotel
3. Calculations based on 7 sample dates from http://www.marriott.com/reservation/rateListMenu.mi
4. http://www.nola.com/business/index.ssf/2015/06/new_orleans_hotel_tax_hits_hig.html
5. http://qpublic9.qpublic.net/la_orleans_display.php?KEY=346-BARONNEST

CITY OF URBANA

All research contained within this document compiled by City of Urbana.

EXHIBIT E

DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Economic Development Division

Input Output Analysis and Renovation, Demo & New Cost Comparison

April 4th, 2017

Prepared by William Kolschowsky, Economic Development Specialist

Introduction

This report evaluates some possible alternative scenarios in comparison to the current proposal for a fully reactivated Landmark Hotel. An Economic Impact Model was used as the basis for this analysis. It should be noted that the model used only produces a limited field of outputs and is dependent on the accuracy of inputs. These models are speculative by nature and the numbers produced should not be interpreted as actual estimates; the results are best interpreted in general and relative to each other. Please see the footnotes at the end for further explanation of model construction and assumptions.

Input Output Model

An Input-Output (I-O) Model was run to evaluate the economic impact of a full reactivation of the Landmark Hotel. Models were also created for three reasonable alternative scenarios to evaluate their impacts in comparison with a full reactivation of the hotel. Models were created using EMSI I-O software. EMSI I-O models generate single year estimates of Earnings, Jobs, and Taxes based on inputs of 1) Sector by 6 digit NAICS classification and 2) a change in the economy inputted as either*:* Jobs, Sales or Earnings.

The I-O model does not take into account the costs of remodeling and development, or the margins on predicted revenue. Therefore, these models do not provide insight to the financial feasibility of development for each scenario. EMSI I-O models also do not take into account the indirect effects of the guests/residents who would reside at the Hotel site.

Models & Key Assumptions

Hotel: Hotel sale estimates were taken from the developer's projections. Based on their pro-forma inputs, new sales estimates were added for the NAICS sectors of: Hotels & Motels, Full Service Restaurant, Limited Service Restaurant, and Convention and Trade Show Organizers[1].

Assisted Living: Assisted Living was chosen as a plausible alternative as the Hotel has small rooms, which could be converted as well as excess lobby and banquet space that could be used for supportive services. Estimate sales figures were generated from staff assumptions and preliminary market research. Sales Estimates were added for the NAICS sector Assisted Living for the Elderly[2].

Student Housing: Student Housing was determined to be plausible as students often live in studio apartments and the excess space of the Hotel provides the ability to add amenities that would make a potential development competitive in the market place. Estimated sales were generated from staff assumptions and preliminary market research[3]. Sales estimates were added in the sectors of Rooming and Boarding Houses and Limited Service Restaurant, reflecting a potential coffee shop, bar and/or takeout food component.

Community Use: Community use was chosen as a scenario as it is a fairly common suggestion from members of the community at large. Estimates were generated by staff assumptions. Sales Estimates were added for Temporary Housing as well as for Catering to reflect utilization of the kitchen[4].

Model Results

Table 1 Model Outputs

Model	New Jobs	Stabilized Earnings	Earnings over 30 Years	Local 'Production' Taxes Only - 30 Years[5]	Spending Potential of Guest/Residents[6]
Hotel	110	$ 2,726,946	$ 105,994,110	$ 11,670,363	High
Assisted Living	72	$ 1,896,781	$ 76,948,762	$ 3,609,139	Low
Student Housing	23	$ 621,768	$ 25,223,933	$ 3,086,135	Medium
Community Use	25	$ 679,386	$ 27,561,385	$ 308,885	Very low

Given the assumptions made, the I-O model shows that the Hotel scenario has the highest economic impact for all categories: Jobs, Earnings, Taxes, and Spending Potential. The Assisted Living scenario creates about three-quarters of the Jobs and Earnings as the Hotel, but generates significantly less local tax revenue and has less spillover potential from the residents. Student Housing creates a dramatically lower economic impact as the hotel, with the only caveat being that the students have a moderate spending potential. The Community Use scenario also generated little economic impacts and produces almost no local tax revenue with very little positive economic externalities.

New Construction Scenario

In addition to the I-O models, staff has attempted to create a back-of-the-envelope estimation of the cost differential between renovation, demolition with new construction, demolition only. Based on the preliminary calculations below, the cost of new construction for a similar hotel product is estimated to be significantly more expensive than cost of renovation. The cost for the City to prep the site for future development amounts to over $4 million and does not include the cost of acquisition.

Table 2 Cost Comparison Renovation vs New Construction vs Site Preparation

Costs	Proposed Renovation[7]	New Construction[8]	Site Prep (Parking Lot)[9]
Building Square Footage	111,000	150,000	82,000
Building Demolition Cost[10]	$0	$2,200,000	$2,200,000
Lincoln Square Façade Restoration[10]	$0	$1,200,000	$1,200,000
Remediation Costs[11]	$0	$250,000	$250,000
Construction Costs (Hard, Soft, FFE)	$18,776,800	$24,786,000	$400,000
Total Cost	$18,776,800	$28,436,000	$4,050,000
Total Cost per Square Foot	$169.16	$189.57	$49.39

Summary

Input-Outputs Models predict that a Hotel has the highest economic impact out of the scenarios examined. Preliminary calculations also show that the cost of hotel renovation to be significantly less than for demo & new construction. All figures are rough estimates and rely on assumptions that were estimated as time allowed. While sufficient for comparison purposes, actual figures are likely to change with further research and model refinement.

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[1] In the Developer's 10/06/2016 pro-forma, revenue was listed from hotel room sales, a restaurant, bar, and banquet center.

[2] For this model it was assumed that there would be 128 studio apartments. $2000 monthly rent was chosen as a not unreasonable estimate. Inman Place in Champaign's minimum rent of $2300 was used as a starting point which was then decreased to reflect that the hotel rooms are smaller than studio apartments. In lieu of estimating

the room conversion rate, the price was simply discounted. Assisted Living complexes offer multi-faceted services, including food, so an additional retail/food component was not added to this scenario. Unaccounted for is that IDPH and other code requirements would likely elevate the costs.

[3] For this model it was assumed that there would be 128 studio apartments. $800 monthly rent was chosen as a not unreasonable estimate based on a preliminary survey of studio rent prices in the area. Comparable sales figures for the limited food sales component as in the Hotel were used.

[4] Research for reliable sales estimates was difficult to obtain. Temporary Housing was used as the Sector for the model as it is a community use and most likely reflects a non-profit use. Rooms were kept at 128 and $400 was used as monthly rent. The basis for this assumption is that a non-profit will either be subsidized in some way or offer below market housing. Catering was added to this scenario as the kitchen space could still potentially be utilized, but the social service component or a community may limit the desirability to a traditional restaurant.

[5] Local tax figures from EMSI software are created by an EMSI model and incorporates Bureau of Economic Analysis data. "Local" represents metropolitan level aggregates and should be used for comparison between models and do not reflect actual anticipated city revenue for each alternative.

[6] As mentioned above, EMSI I-O model does not estimate the effect of the inhabitants of the space. This is intuitive as for an industry, if steel is being produced, there is no intrinsic value added from the steel. However, for these scenarios, the output of guests/residents would clearly have a demonstrable spin-off effect separate from the operation of the proposed use. Qualitative impact of the guests are estimated based off of common preconceptions. Hotel guests would include many middle professionals with disposable incomes. Students also tend to have a reasonable amount of disposable income. Assisted living residents are more likely to be on a fixed income, and assisted living offers more services in house, tempering their externality effect. The Community use alternative is likely to attract low-income individuals with low disposable income.

[7] Renovation cost figures are from the most recent developer estimates.

[8] New Hotel construction costs are based off a Hilton estimator sheet found online.

[9] Site prep assumes the building is demolished and the property is left as a parking lot parking lot construction estimates are from Public Works.

[10] Demo Costs are based off preliminary estimates from Building Department staff

[11] Remediation estimate is based off projected asbestos remediation costs associated with demolition.

EXHIBIT F - City of Urbana Bond Issuances

PROJECT	YEAR ISSUED	YEAR PAID OFF / RETIRED	DURATION	ISSUE AMOUNT (IN MILLIONS)	TODAY'S DOLLARS (IN MILLIONS)
Jumer's Hotel	1981	1996	15	$3.03	$8.48
Downtown Parking Deck	1982	2005	23	$2.30	$5.91
Downtown Parking Improvements	1990	2013	23	$2.88	$5.50
Urbana Crossing/Schnuck's	1999	2001	2	$1.30	$1.91
Urbana Free Library Expansion	2002	-	-	$5.30	$7.26
Philo Road Streetscape	2008	-	-	$0.70	$0.83
Boneyard Creek Crossing	2012	2022	10	$7.80	-
Windsor Road	2015	-	-	$2.80	-

Urbana Landmark Hotel - Draft Revenue Projections
4/5/2017

EXHIBIT G

City Revenue Source	Baseline Property Value Assumption: Projection Assumptions	Baseline Property Value Assumption: Projected New Revenue over 15 Years	Enhanced Property Value Assumption: Projection Assumptions	Enhanced Property Value Assumption: Projected New Revenue over 15 Years
Property Taxes		**4,272,245**		**8,114,579**
Stabilized Incremental EAV	2,650,000		5,033,333	
Future City Composite Property Tax	9.6%	4,272,245	9.6%	8,114,579
Hotel/Motel Taxes		**8,153,424**		**8,153,424**
Stabilized Annual Hotel Room Revenue	5,059,000		5,059,000	
City Base Hotel/Motel Tax	7%	4,756,164	7%	4,756,164
New Boutique Hotel/Motel Tax	5%	3,397,260	5%	3,397,260
		8,153,424		8,153,424
Sales Tax		**785,640**		**785,640**
Stabilized Annual Sales Revenue	1,666,000		1,666,000	
City Composite Sales Tax Rate	3.5%	785,640	3.5%	785,640
Total New City Revenue Over 15 Years		**13,211,310**		**17,053,644**

$7.05MM G.O. Bond Issue	**Cost & Coverage of City Bond Issue over 15 years***		**Cost & Coverage of City Bond Issue over 15 years***	
at 4.0% interest		*9,714,198*		*9,744,939*
with a coverage ratio of	1.36		1.75	
at 5.0% interest		*10,485,167*		*10,462,358*
with a coverage ratio of	1.26		1.63	
at 6.0% interest		*11,291,718*		*11,293,804*
with a coverage ratio of	1.17		1.51	

**Estimates of a private placement bond issue. Additional details including specific financing terms, interest rate, amortization schedule and coverage ratios will be required to estimate the cost of borrowing with greater accuracy.*

Prepared by: Brandon S. Boys, AICP, City of Urbana

Level Debt Payments, 15 Years, $7.05 M w/ Baseline Property Value Assumption

rate is 4% coverage is 1.36

	Payment	Principal	Interest	End of Period Balance
Year 0				7,050,000
Year 1	437,817	155,817	282,000	6,894,183
Year 2	558,563	282,795	275,767	6,611,388
Year 3	587,163	322,707	264,456	6,288,681
Year 4	606,165	354,617	251,547	5,934,063
Year 5	618,347	380,985	237,363	5,553,078
Year 6	630,714	408,591	222,123	5,144,487
Year 7	643,328	437,549	205,779	4,706,938
Year 8	656,195	467,917	188,278	4,239,021
Year 9	669,319	499,758	169,561	3,739,263
Year 10	682,705	533,135	149,571	3,206,128
Year 11	696,359	568,114	128,245	2,638,014
Year 12	710,287	604,766	105,521	2,033,248
Year 13	724,492	643,162	81,330	1,390,085
Year 14	738,982	683,379	55,603	706,707
Year 15	753,762	725,494	28,268	(18,787)
	9,714,198	7,068,787	2,645,411	

At 4%, we can pay debt service with 136% coverage.
Principal payments are backloaded to match revenue stream.

rate is 5% coverage is 1.26

	Payment	Principal	Interest	End of Period Balance
Year 0				7,050,000
Year 1	472,564	120,064	352,500	6,929,936
Year 2	602,893	256,396	346,497	6,673,540
Year 3	633,763	300,086	333,677	6,373,454
Year 4	654,273	335,600	318,673	6,037,853
Year 5	667,422	365,530	301,893	5,672,324
Year 6	680,771	397,155	283,616	5,275,169
Year 7	694,386	430,628	263,758	4,844,541
Year 8	708,274	466,047	242,227	4,378,494
Year 9	722,439	503,515	218,925	3,874,979
Year 10	736,888	543,139	193,749	3,331,840
Year 11	751,626	585,034	166,592	2,746,806
Year 12	766,659	629,318	137,340	2,117,488
Year 13	781,992	676,117	105,874	1,441,370
Year 14	797,632	725,563	72,069	715,807
Year 15	813,584	777,794	35,790	(61,987)
	10,485,167	7,111,987	3,373,180	

At 5%, we can pay debt service with 126% coverage.
Principal payments are backloaded to match revenue stream.

rate is 6% coverage is 1.17

	Payment	Principal	Interest	End of Period Balance
Year 0				7,050,000
Year 1	508,915	85,915	423,000	6,964,085
Year 2	649,269	231,424	417,845	6,732,660
Year 3	682,514	278,554	403,960	6,454,106
Year 4	704,602	317,355	387,246	6,136,751
Year 5	718,763	350,558	368,205	5,786,193
Year 6	733,138	385,966	347,172	5,400,227
Year 7	747,801	423,787	324,014	4,976,440
Year 8	762,757	464,170	298,586	4,512,270
Year 9	778,012	507,276	270,736	4,004,994
Year 10	793,572	553,272	240,300	3,451,722
Year 11	809,443	602,340	207,103	2,849,382
Year 12	825,632	654,669	170,963	2,194,712
Year 13	842,145	710,462	131,683	1,484,250
Year 14	858,988	769,933	89,055	714,317
Year 15	876,168	833,309	42,859	(118,991)
	11,291,718	7,168,991	4,122,727	

At 6%, we can pay debt service with 117% coverage.
Principal payments are backloaded to match revenue stream.

Level Debt Payments, 15 Years, $7.05 M w/ Enhanced Property Value Assumption

rate is 4% coverage is 1.75

	Payment	Principal	Interest	End of Period Balance
Year 0				7,050,000
Year 1	405,618	123,618	282,000	6,926,382
Year 2	567,441	290,385	277,055	6,635,997
Year 3	592,334	326,894	265,440	6,309,103
Year 4	609,822	357,458	252,364	5,951,645
Year 5	622,064	383,999	238,066	5,567,646
Year 6	634,506	411,800	222,706	5,155,846
Year 7	647,196	440,962	206,234	4,714,884
Year 8	660,140	471,544	188,595	4,243,340
Year 9	673,343	503,609	169,734	3,739,731
Year 10	686,809	537,220	149,589	3,202,511
Year 11	700,546	572,445	128,100	2,630,066
Year 12	714,556	609,354	105,203	2,020,712
Year 13	728,848	648,019	80,828	1,372,693
Year 14	743,425	688,517	54,908	684,176
Year 15	758,293	730,926	27,367	(46,750)
	9,744,939	7,096,750	2,648,189	

At 4%, we can pay debt service with 175% coverage.
Principal payments are backloaded to match revenue stream.

rate is 5% coverage is 1.63

	Payment	Principal	Interest	End of Period Balance
Year 0				7,050,000
Year 1	435,479	82,979	352,500	6,967,021
Year 2	609,215	260,864	348,351	6,706,157
Year 3	635,942	300,634	335,308	6,405,523
Year 4	654,717	334,441	320,276	6,071,082
Year 5	667,861	364,306	303,554	5,706,776
Year 6	681,218	395,879	285,339	5,310,897
Year 7	694,842	429,297	265,545	4,881,599
Year 8	708,739	464,659	244,080	4,416,940
Year 9	722,914	502,067	220,847	3,914,874
Year 10	737,372	541,628	195,744	3,373,245
Year 11	752,119	583,457	168,662	2,789,788
Year 12	767,162	627,672	139,489	2,162,116
Year 13	782,505	674,399	108,106	1,487,716
Year 14	798,155	723,769	74,386	763,947
Year 15	814,118	775,921	38,197	(11,974)
	10,462,358	7,061,974	3,400,384	

At 5%, we can pay debt service with 163% coverage.
Principal payments are backloaded to match revenue stream.

rate is 6% coverage is 1.51

	Payment	Principal	Interest	End of Period Balance
Year 0				7,050,000
Year 1	470,087	47,087	423,000	7,002,913
Year 2	657,630	237,455	420,175	6,765,458
Year 3	686,480	280,553	405,927	6,484,906
Year 4	706,747	317,653	389,094	6,167,253
Year 5	720,936	350,900	370,035	5,816,352
Year 6	735,354	386,373	348,981	5,429,979
Year 7	750,061	424,263	325,799	5,005,717
Year 8	765,063	464,720	300,343	4,540,997
Year 9	780,364	507,904	272,460	4,033,093
Year 10	795,971	553,986	241,986	3,479,107
Year 11	811,891	603,144	208,746	2,875,963
Year 12	828,128	655,571	172,558	2,220,393
Year 13	844,691	711,467	133,224	1,508,925
Year 14	861,585	771,049	90,536	737,876
Year 15	878,816	834,544	44,273	(96,668)
	11,293,804	7,146,668	4,147,136	

At 6%, we can pay debt service with 151% coverage.
Principal payments are backloaded to match revenue stream.

City Tax Revenue Projections over 15 years w/ Baseline Property Value Assumption

Annual Growth*	Assumed "New"	City Base H/M Rate	Boutique H/M Rate	Annual Growth*	Assumed "New"	City F&B Rate	Annual Growth	TIF Property Tax Rate
2%	85%	7%	5%	2%	85%	3.5%	2%	9.6%

Bond Year	CY	Room Sales	"New" Room Sales	City Base H/M Tax	Boutique H/M Tax	Total H/M Tax	F&B Sales	"New" F&B Sales	City F&B Sales Tax	Incremental EAV*	New Property Tax	Total Tax Revenue
1	2019	4,174,000	3,547,900	248,353	177,395	425,748	1,428,000	1,213,800	42,483	1,325,000	127,200	595,431
2	2020	4,466,000	3,796,100	265,727	189,805	455,532	1,500,000	1,275,000	44,625	2,703,000	259,488	759,645
3	2021	4,774,000	4,057,900	284,053	202,895	486,948	1,577,000	1,340,450	46,916	2,757,060	264,678	798,542
4	2022	4,960,000	4,216,000	295,120	210,800	505,920	1,630,000	1,385,500	48,493	2,812,201	269,971	824,384
5	2023	5,059,000	4,300,150	301,011	215,008	516,018	1,666,000	1,416,100	49,564	2,868,445	275,371	840,952
6	2024	5,160,180	4,386,153	307,031	219,308	526,338	1,699,320	1,444,422	50,555	2,925,814	280,878	857,771
7	2025	5,263,384	4,473,876	313,171	223,694	536,865	1,733,306	1,473,310	51,566	2,984,330	286,496	874,927
8	2026	5,368,651	4,563,354	319,435	228,168	547,602	1,767,973	1,502,777	52,597	3,044,017	292,226	892,425
9	2027	5,476,024	4,654,621	325,823	232,731	558,554	1,803,332	1,532,832	53,649	3,104,897	298,070	910,274
10	2028	5,585,545	4,747,713	332,340	237,386	569,726	1,839,399	1,563,489	54,722	3,166,995	304,032	928,479
11	2029	5,697,256	4,842,667	338,987	242,133	581,120	1,876,187	1,594,759	55,817	3,230,335	310,112	947,049
12	2030	5,811,201	4,939,521	345,766	246,976	592,742	1,913,710	1,626,654	56,933	3,294,942	316,314	965,990
13	2031	5,927,425	5,038,311	352,682	251,916	604,597	1,951,985	1,659,187	58,072	3,360,841	322,641	985,310
14	2032	6,045,973	5,139,077	359,735	256,954	616,689	1,991,024	1,692,371	59,233	3,428,058	329,094	1,005,016
15	2033	6,166,893	5,241,859	366,930	262,093	629,023	2,030,845	1,726,218	60,418	3,496,619	335,675	1,025,116
		79,935,531	67,945,202	4,756,164	3,397,260	**8,153,424**	26,408,080	22,446,868	**785,640**	44,502,555	**4,272,245**	**13,211,310**

*after year 5

*after year 5

*50% assessment assumed in the first year

City Tax Revenue Projections over 15 years w/ Enhanced Property Value Assumption

Annual Growth*	Assumed "New"	City Base H/M Rate	Boutique H/M Rate	Annual Growth*	Assumed "New"	City F&B Rate	Annual Growth	TIF Property Tax Rate
2%	85%	7%	5%	2%	85%	3.5%	2%	9.6%

Bond Year	CY	Room Sales	"New" Room Sales	City Base H/M Tax	Boutique H/M Tax	Total H/M Tax	F&B Sales	"New" F&B Sales	City F&B Sales Tax	Incremental EAV*	New Property Tax	Total Tax Revenue
1	2019	4,174,000	3,547,900	248,353	177,395	425,748	1,428,000	1,213,800	42,483	2,516,667	241,600	709,831
2	2020	4,466,000	3,796,100	265,727	189,805	455,532	1,500,000	1,275,000	44,625	5,134,000	492,864	993,021
3	2021	4,774,000	4,057,900	284,053	202,895	486,948	1,577,000	1,340,450	46,916	5,236,680	502,721	1,036,585
4	2022	4,960,000	4,216,000	295,120	210,800	505,920	1,630,000	1,385,500	48,493	5,341,414	512,776	1,067,188
5	2023	5,059,000	4,300,150	301,011	215,008	516,018	1,666,000	1,416,100	49,564	5,448,242	523,031	1,088,613
6	2024	5,160,180	4,386,153	307,031	219,308	526,338	1,699,320	1,444,422	50,555	5,557,207	533,492	1,110,385
7	2025	5,263,384	4,473,876	313,171	223,694	536,865	1,733,306	1,473,310	51,566	5,668,351	544,162	1,132,593
8	2026	5,368,651	4,563,354	319,435	228,168	547,602	1,767,973	1,502,777	52,597	5,781,718	555,045	1,155,245
9	2027	5,476,024	4,654,621	325,823	232,731	558,554	1,803,332	1,532,832	53,649	5,897,352	566,146	1,178,349
10	2028	5,585,545	4,747,713	332,340	237,386	569,726	1,839,399	1,563,489	54,722	6,015,299	577,469	1,201,916
11	2029	5,697,256	4,842,667	338,987	242,133	581,120	1,876,187	1,594,759	55,817	6,135,605	589,018	1,225,955
12	2030	5,811,201	4,939,521	345,766	246,976	592,742	1,913,710	1,626,654	56,933	6,258,317	600,798	1,250,474
13	2031	5,927,425	5,038,311	352,682	251,916	604,597	1,951,985	1,659,187	58,072	6,383,484	612,814	1,275,483
14	2032	6,045,973	5,139,077	359,735	256,954	616,689	1,991,024	1,692,371	59,233	6,511,153	625,071	1,300,993
15	2033	6,166,893	5,241,859	366,930	262,093	629,023	2,030,845	1,726,218	60,418	6,641,376	637,572	1,327,013
		79,935,531	67,945,202	4,756,164	3,397,260	**8,153,424**	26,408,080	22,446,868	**785,640**	84,526,865	**8,114,579**	**17,053,644**

*after year 5

*after year 5

*50% assessment assumed in the first year

First five year sales projections provided by Crimson Rock Capital & New Castle Hotels

Anticipated sale value provided by Crimson Rock Capital

Downtown Business Survey
Urbana Landmark Hotel - Proposed Renovations as Hilton "Tapestry" Brand
Conducted March 25-27, 2017

The following statements were compiled during a straw pole survey of local businesses concerning the proposed renovation of the downtown hotel and the affect if might have for their business.

South Side of Main Street – 100–200 Block

"Need to have something there. Scale project to community needs."

\- - -

"No strong opinion."

\- - -

"Should probably wait for better offer."

\- - -

"Unlikely to get better offer than a Hilton."

\- - -

(email sent to Council:) " . . . The hotel would be a great start in revitalizing the Downtown area, not only for itself but all the surrounding businesses and attracting new ones as well. This would be a great launching point for future development. No deal is ever going to be perfect and if you wait around for one, nothing will ever get done. . . . Urbana has been stagnant for far too long and if we want it to grow, we need to step up to the plate and make something happen. I highly doubt that an opportunity like this will come along again, so please do not squander it. I strongly urge you to vote YES on the hotel redevelopment. "

\- - -

"Yes, if it works financially."

\- - -

"Hotel could be a closer version of Allerton Park retreat house. Would draw university conferences, events. Definitely worth investing in. Not to become a parking lot."

\- - -

"Something should happen there. Would hate to see building gone."

\- - -

"Open a classic hotel once more."

\- - -

"It would encourage more business to open in Urbana. If it stays vacant it helps no one."

\- - -

"Would bring an influx of people into downtown, esp. during U of I weekends.
Would mean more revenue for city. We already have tons of condos and apartments already, the hotel is something different."

\- - -

"The hotel could make a difference to the survival of some stores downtown. Why not save it? What could it hurt? It is close to the U of I and Champaign to draw overnight stays during campus events."

\- - -

"Great idea - I "get" it. I can't imagine something better (than Hilton) for the hotel. Cannot see anything better coming soon. Would be a big draw for Urbana and Urbana needs a big draw. A good management company would make big difference."

North Side of Main Street – 100-200 Block

"You can't get something for nothing. Hilton must believe in the project to sign on to the development. $9 million doesn't seem like a lot for the city to get a complete renovation.
I have [renovated] stores along Main Street. I put $3/4 million into the last remodel – the building was in terrible shape, but I like old buildings. . . . My employees love to work in these old buildings. I refused to . . . remodel to some trendy design standard. You are either moving forward or are moving backward. The hotel is in a prime location downtown. Move forward! Take a chance.

- - -
There is enough business now in downtown Champaign. Champaign is getting developed out. Urbana will be the new development area, it will be less expensive to start up in Urbana. We need more foot traffic in downtown. I have good memories of the Hotel and Lincoln Square Mall. It used to be a magnet when I was younger but today does not build foot traffic. People come to this store as a destination. Now the hotel is a liability. Make it a destination, an asset once again."
- - -
"Yes, it is very important to the downtown. Having the hotel dark for so long is when the downtown began to languish.

- •The developer bringing the hotel up to the level of a Hilton brand hotel is everything, to even have Hilton interested. —We will never get this opportunity again.
- •The hotel will make money and generate revenue for all businesses around us.
- •Having the restaurant open is major, It will draw in people and initiate revenue.
- •If the hotel is renewed it will bring more people into downtown. Many of the best sales in my [shop] are to people from out of state.
- •If it is not put back on the property tax roles it will be a loss to the whole community.
- •A hotel central to downtown meets all the requirements of a meeting and conference planner. This is not true for a hotel distant from the downtown – such as iHotel, or even the Hilton Garden Inn Kirby and S. Neil St. in Champaign – where you need a car to go into the downtown.
- • The historic significance of the building needs to be preserved. We cannot tear down this very important building. Tell he Council the downtown community supports it. I am getting businesses to send letters to their council representatives.
- •Do they know the tax credits they can receive because the building is listed on the National Register of Historic Places? Local Landmark benefits?"

- - -
"Great idea. Will bring more business downtown. I would like to see it become what it used to be again. It is exciting. Refurbish it and don't destroy its history–I really like that part of the hotel."
- - -
"Yes, do the renovation! It is part of the renovation of our downtown. Would be a good potential for business growth downtown to have this hotel. The older hotel is suitable for our downtown – it is a part of it. Modern hotels are more suitable for Champaign. But it needs to be a destination hotel."
- - -
"Would love to see something happen. . . .Question of viability. A Risk—but also a Risk if we do not do something. Financing is a big issue. Could building could possibly have another use, become a senior home?"
- - -
"Yes, I support the renovation of the hotel. I am also choosing to retain the historic character of the building I am renovating. It is important in creating a unique, inviting space. The hotel will create more vitality downtown."
- - -
"Keeping the hotel adds class to the area. Beautiful piece of architecture. Redevelopment will probably take a big investment. Previous owner did it cheap. Reason it doesn't work is because person didn't put enough investment into it. Urbana should make this project work—Champaign does it all the time."
- - -
"It's a nice building, a landmark, and fits in with the downtown architecture. Cool looking.
Do research to see if the project is viable. It is near the court house. Ought to keep it if the city will put money into it."
- - -
"Yes, absolutely! This need to happen for the downtown. To bring back the downtown and the community. Currently the hub of action is Champaign. Bring some of that energy back to Urbana. This is not too risky!"

West Main and Springfield at the "Y"

"Enough, no. People like a hotel by the highway. But if it was open it would help business. It should have a good restaurant."

- - -

"I am for anything that brings more people to downtown Urbana. I am all for it. I am just now expanding my store in Urbana."

- - -

"Yes, I am in favor. The alternative to rebuilding is a tear-down and rebuild. That seems like a long shot. May be even more expensive. There are hidden costs in demolition: labor, toxic materials, transportation to a landfill, rebuilding, stabilizing hotel's connection to the mall. Who covers that expense? I favor adaptive reuse.

- Building has so much history. It is a local landmark. Having it empty is not sustainable.
- I agree with the developer that it would be an economic catalyst in Urbana. Could be a plum. When Jumer's first opened the city was jumping. Excellent restaurant made real difference for those who came to hotel.
- Redevelopment would increase property values generally, help Lincoln Sq. Mall, and bring critical mass of people to downtown.
- There is no such thing as a risk free endeavor. Especially since the hotel is a key to downtown. If you let it deteriorate to get a bigger problem that you have now. An empty lot, a hole in the ground, a parking lot. Nothing that helps the city financially.
- Developer has a strong track record. The work this group did in New Orleans–phenomenal–people will pay to stay in such a place.
- The Pere Marquette in Peoria had a large investment. The city would be wise to get approval rights on any subsequent buyer of the hotel.
- There is a trend now to open unique hotels in college towns. Urbana has that hotel—Champaign does not. The iHotel is new and clean–that's about all. It is far removed from Champaign's downtown, it is out in a corn field. The Landmark is 1 block from all the restaurants and points of interest in Urbana.

I see a lot of promise in Urbana. Urbana is in a promising position for growth downtown now. It is very interesting to see an outside developer being so interested in Urbana—they see a potential. I am cautiously optimistic."

- - -

"If keeping the hotel brings more people into Urbana it would be good for the economy. From my experience it needs real work. Last two owners took over the hotel but did not renovate it. Rooms have old smell."

- - -

"I would like to save the building! Better to do good remodel than a mediocre remodel. Should become a destination hotel.

(letter to Council:) . . . "I have a lot of people who see my store as a "destination" store; they come from all over the world and they need a place to stay. For me personally and for my store it would be great to have the Lincoln Hotel renovated. . . Yes, it will cost some money. Yes, it needs to be done right, and yes it should also make some money. And it will!! You put something of quality out there and people will appreciate it."

- - -

"We need activity downtown. This may be the best we can hope for. A national brand that has good marketing. Good booking and marketing is very important."

Broadway Street

"Yes! I would like to see it happen! Could see a lot of positive results. Hilton has a reputable name. I think it would help businesses downtown, especially the restaurants.

- - -

Would like to see it open so family could stay there when they visit, right downtown. Otherwise they will stay in Champaign or out by the expressway — which doesn't help downtown."

- - -

"Would bring more business to this side of town. We have seen some business loss since we opened up in Champaign.
Hard to see what good the hotel is doing empty."

<u>Race Street</u>

"Renovate hotel if deal is good. Not sure these are the right people- did not see long list of projects completed by Crimson Rock on web site. Need more info on this developer. If developer is legit, then Yes. Need to bring a lot more revenue to downtown. Jumers was very important. [Would like to see] hotel offer discount for rooms needed after 10 p.m."

- - -

"Did not know hotel had as many as 128 rooms, it seems necessary to keep them to create income to make a hotel restoration financially possible. If you were to tear down the large Jumer's 1970 addition, and if it left only 28 rooms, I doubt if Hilton would be interested. I do see challenges. If financial risk was reasonable, if city financing was protected, it would be good. Don't out-price local users of hotel facilities. Cooperate with local groups."

- - -

"I am very supportive of the redevelopment

- It would be a huge mistake not to move forward just because we had a poor project in the past. This company looks like a great opportunity to move past that bad experience.
- The hotel is the heart-throb of the downtown and we need to return it to what it used to be – vital center of the city. University professors, students, their parents, visitors would want to stay there.
- This company will put a lot into it, they have a committed management team. Anyone who buys it after the improvements will also be willing to pay for a greatly more valuable property located in the center of town.
- What is the alternative? Demolition, crumbling. Move the hotel out of the "dark ages." The Hilton brand would make a big difference."

- - -

"It will probably help. With the right downtown people will come this way also. Champaign downtown has much activity, we need that. Now is difficult for business. Will bring more students, make Urbana more beautiful."

<u>Lincoln Square Mall Businesses</u>

"Would bring more foot traffic into Mall. We conduct weekend workshops and annual Women's Gathering. Out of town visitors would use the hotel for convenient overnight stays. Our program held in rented space in the Mall. We would like a group rate at the hotel."

- - -

"Would like to see it open a Hyatt or similar. Would increase foot traffic."

- - -

"Yes, Hotel restored if it can actually be restored, if it is solid and not falling apart. It has sentimental value in community. We are excited to be so close to hotel. We have [regional events] in our business. Customers come from out of state. Visitors could stay at hotel, It would be very convenient for them and for us."

- - -

"Hilton? My God, who are you waiting for to come to downtown?"
"Super important to have it functioning. More people in downtown is more people visiting businesses. We have plenty of parking and empty retail space."

- - -

“We are moving out of Mall to new location. Would rather spend money to help County Nursing Home. Don’t want to pay more, my property taxes are high enough.”

- - -

“Expect people at hotel to wander the mall, head downtown.”

- - -

“Making a pre-development agreement is fine. 20 year commitment by Hilton is good time commitment. What happens when it is done? Perhaps $9 million is not so much to spend for a 20-50 year investment return. Talk them down to $7 or $8 million? It would be better if the price was a little lower.”

- - -

“Hotel renovation would mean a lot. Mall traffic is down, when Health Alliance goes, mall will be dead. Hotel will increase business and encourage other retail to come into mall. People who stay at hotel will walk in mall and into downtown. A restaurant and bar open will bring in money. Most people may eat some meals in the hotel but will also want to try other restaurants downtown. A lot of people come here from out of town to shop in my store.”

- - -

“When people stay for sport events our tours, people come into our shop. When my husband was interviewed for the job [in town] we stayed in the hotel. I wandered the mall while he was out being interviewed.”

- - -

“If you don’t do this, what will happen next? Yet another badly managed hotel? If it is a Hilton, what could be better?”

- - -

“We don’t have much say with corporate management. Some out of town people come in to work out, but most are regulars. Might help rest of mall some. May not affect our business much. We get occasional walk-ins but rely on local customers.”

- - -

“We are all for it! Would be good thing for the mall. We can only hope it would stimulate growth in the mall; mall is a niche business experience. Can’t see a modern hotel being built at this location, should be close to the highway. Need to fix the Landmark addition. This company knows how to get something done –unlike [past] owners. Will cost a lot to take down the building. Demolishing is expensive, will leave a gaping hole in Urbana, we already have those. Fixing something is better than having nothing. If torn down, what will go there?”

- - -

“I would like to stay at a unique place like the Landmark. Certainly draw people coming into downtown. A business like Hilton is experienced. They wouldn’t venture into it if it wasn’t a good idea. Current owner put a lot of his time and money into hotel, built new entrance. He should get something out of it. Just got in over his head.”

- - -

“I am against it. They want too much money. There is no business for so large a hotel. If it remained closed it would make no difference to me. Downtown couldn’t be worse than it already is.”

- - -

“Our business has been 17 yrs. in Lincoln Square Mall. We used to be located across from food court. People would come back during the football games and came specifically to our store. Wives used to stay at the hotel and shop while their husbands were at the game.”

- - -

“We are strongly in favor! Would bring more traffic to mall, help [our business]. Brings in a different clientele, university parents, business travelers.

- •Now the appearance of hotel looks unsuccessful, makes mall look dead. . . Says: “You can’t do something successful in Urbana.” But we Have potential! Increased utilization brings in $ downtown.
- •We do not need a “cookie cutter” hotel downtown.
- •I LOVE the outside—looks historic, sets it apart. A unique experience. I do not like a modern, all glass hotel—not unique. Hotel needs to be more historic and unique. There are other opportunities

downtown for modern construction. When I go someplace I want to something unique, see something different than what I see at home. Even being attached to the mall is unusual, different.
•When it was open, 2 yrs. ago, used to go to the hotel's bar after work, attend EDM Electronic music events in lower level under Great Hall. Was fun – it is a useable space.
•If somebody is willing to pay the asking price of $5 million for the hotel, they should be allowed. They believe the investment is financially viable, that is there initiative. Plus it will generate profit for all local businesses and will incentivize the downtown. The new income will be from customers from OUTSIDE Urbana—a new source of money.
•Millennials would be drawn to a unique hotel. There are lot of Hipsters, students knowledgeable, interested in hotel that are not chains. Interested in B&Bs, air B&Bs. Like to participate in things that are not chains. Want experience, not just dollar value.
•Any business venture requires an investment up front. Does the long term investment outweigh the initial investment? In this case, it would.
•[We came to] Urbana because it believed it had long term viability.
•Champaign is not afraid of development. I encourage the city to be able to compete but to also differentiate. Urbana should highlight its historic nature—it differentiates Urbana from Champaign and can be unique in the . . . community.

- - -

We are a non-profit resale shop. We have limited hours, don't have evening hours. Most stores close at 5 or 6 p.m. Hotel visitors will not be around when we are open. Hotel needs to be fixed to bring more foot traffic, but not likely to affect us.Mall needs to attract more people. Mall just turning into office space, not retail. Mall management needs to be more attentive."

SUMMARY OF SURVEY RESULTS

This business opinion survey was conducted in the downtown between March 23-27, 2017. There were 54 responders. Business owners, managers, and their employees were interviewed. Total of 28 business in Urbana's Downtown (37 individuals), 11 business at Lincoln Square Mall (17 individuals).

This survey provides the only real, hard information that has been collected on the opinions of the downtown business community regarding the revitalization of the Urbana Landmark Hotel, its impact on the downtown, and the effect it could have on their individual business. Comments by those who have not talked to our downtown businesses is mere speculation.

The overwhelming majority taking the survey indicated the hotel should be renovated. It should not be torn down to be replaced by something modern.

The Questions:

1.) Did they live in Urbana? (Many who said "No" *used* to live in Urbana for some period.)

2.) Are you familiar with the hotel restoration question? (Many had followed *The News-Gazette* articles.) For those less familiar, a brief synopsis of the proposal was given.

3.) Would restoration of the hotel would help the downtown? or, specifically, their business?

4.) Where they aware that the city's share was going to be $9 million and the total restoration estimated to be $20 million,—and the city's funds to be covered by a 20 year bond, issued once the restoration was completed, the building open, and was operating? (Several people thought the city was going to pay money *up front*, as it did with the current owner, and were worried we would be left again with a half finished project.)

I gave people additional information when they asked for it — about Hilton's agreement the developers on condition the quality of restoration met Hilton's standards — What income was expected to use cover the bonds, etc..

I was as honest about it as possible.

The vast majority of the responders wanted *Something* to be done to reopen the hotel.

Main Data

Resident of Urbana?

YES–28 [52%] NO–16* [30%] Did Not Ask–10 [18%] *No's who *used* to live in Urbana–5 [50%]

Save Hotel & Restore?

YES–43 [80%] NO–9 [16%] Not Sure–2 [4%]

Tear Down and Start Over?

YES–1 [2%] **NO–48 [89%]** Not Sure–5 [9%]

Mentioned Comments

Renovated hotel would be important catalyst for the downtown – 17 times

Renovated hotel would bring needed foot traffic to downtown (or Lincoln Square Mall) – 21 times

Renovated hotel would bring students from U of I campus to downtown – 5 times

Hilton is important as the quality brand – 11 times

Support renovation with some type of new hotel brand – 10 times

Similar opportunity unlikely to come again – 2 times

Hotel's historic character and historic significance should be preserved – 10 times

Current offer is too expensive – 2 times

No strong opinions – 4 times

These comments were given freely by the participants. Many were *glad* to be asked their opinion on this important matter, which many feel will have significant impact for the continued viability of their own downtown business. Many business want to see increased foot traffic in the Mall or downtown.

I have tried to record their comments accurately, albeit my transcription did not always keep up with the pace of their outflow.

It is important to see the range of comments offered by business owners, managers, and employees, and to note their strong concern for the reopening of the downtown hotel.

These comments do not identify sources, to respect the participants' confidentiality—as is often done in city planning documents regarding community feedback surveys.

Dennis Roberts
Ward 5 Alderman, representing the downtown