

SEIZE THE FUTURE

AURORA, ILLINOIS

To: Finance Committee
From: Dave Hulseberg, President/CEO
Date: 9/2/2015
Re: Hotel Occupancy Tax Economic Incentive Agreement – Midwest Management II, Inc. – 111 North Broadway

Project Background: Midwest Management II, Inc., which operates the Comfort Suites Hotel at 111 North Broadway Street, previously requested economic assistance, through a Hotel Occupancy Tax agreement, from the city for a \$2 million renovation project at the hotel that would include rebranding the hotel as a Holiday Inn. The original request included the city providing a reimbursement of the Hotel Occupancy Taxes for up to \$500,000 to Midwest to assist with the costs associated with this project. The structure of this assistance was to be as a “pay-as-you-go” type reimbursement

Since the time of the original request, the project is now estimated to be \$750,000 over budget as a result of unexpected costs. Midwest’s bank has agreed to refinance the project and Midwest has requested revising the structure of a reimbursement agreement to monetize the project up front.

Agreement: The Hotel Occupancy Tax Incentive Agreement will provide Midwest with \$250,000 up front on the condition that Midwest has obtained financing. The city will further provide Midwest with an additional \$250,000 with the condition that construction has begun and that Midwest is actively pursuing completion by the agreed upon date. As each above referenced payment is made, Midwest is required to execute a mortgage and promissory note and the city will record the mortgage against the property in the amount of the payment made to Midwest with an annual interest rate of 4.5%. Provided that Midwest is not in default under the agreement, Midwest shall not be required to pay principal or interest under the city mortgages to the city. The property will have a loan-to-value ratio of 75% after renovations. The city’s mortgages will sit in 2nd and 3rd position behind the bank.

Seize the Future Recommendation: The Seize the Future Board of Directors, at their regularly scheduled meeting on August 11th, made a favorable recommendation of the Hotel Occupancy Tax Economic Incentive Agreement between the City of Aurora and Midwest Management II, Inc. providing for a Hotel Occupancy Tax rebate.