



Legislation Text

File #: 23-0731, Version: 1

TO: Mayor Richard C. Irvin
FROM: David Dibo, Economic Development Director
DATE: September 8, 2023

SUBJECT:
A Resolution Authorizing the Execution of Assignment and Assumption Agreement Regarding the Hotel Occupancy Tax Economic Incentive Agreement by and Between the City of Aurora, Illinois and Midwest Management II, Inc. (Holiday Inn Express - 111 North Broadway, Aurora, Illinois)

PURPOSE:
The owner of the Holiday Inn Express has informed the City per the original agreement referenced below, that they have received an offer that they has been conditionally accepted to sell the Hotel to an experienced hotel owner operator. This would require the assignment of the Redevelopment/Revenue Sharing Agreement.

BACKGROUND:
In 2014/2015 the old Comfort Inn was renovated into a new Holiday Inn Express (dba Midwest Management) with a total recapitalization of over \$6.0 million.
Part of the investment for renovation was a forgivable loan from the City for \$500,000.00 plus interest of 4.5% to be repaid from Hotel Taxes generated by the renovated Holiday Inn Express. In fact, the hotel has exceeded projections and this loan is projected to be paid back in approximately two (2) years compared to the approximate four (4) years remaining on the original mortgage. This is in spite of low occupancy that occurred during the Covid-19 pandemic. The current loan balance as of December 31, 2022, is \$205,063.02.

DISCUSSION:
Assignment provisions are a standard part of City redevelopment agreements due to the long-term nature of some of the incentives involved in said agreements. The original agreement requires the City to agree to this transfer as long as the new buyer/operator has proven experience in the hotel industry. The City and Developer want any project to be successful even if a developer changes during the term of the agreement.

The requested Assignment Agreement (Exhibit B) is a complete transfer of the Hotel Occupancy Economic Incentive Agreement approved by the City through Resolution R15-280 and R 14-321 (Exhibit A). As such, the Assignor (Midwest Management) is transferring all rights and responsibilities under the Agreement to the Assignee (Encore Hospitality, LLC). The Assignee is an LLC formed by the buyer, who operates three other hotels and has the experience and resources necessary to operate the Holiday Inn Express into the future and specifically until the note as described above is amortized.

IMPACT STATEMENT:

Approving this Resolution and the Assignment Agreement thereof will provide for continued professional management of the Holiday Inn Express and will benefit the downtown through the provision of a quality lodging establishment.

RECOMMENDATIONS:

That the attached resolution be approved.



CITY OF AURORA, ILLINOIS

RESOLUTION NO. _____
DATE OF PASSAGE _____

A Resolution Authorizing the Execution of Assignment and Assumption Agreement Regarding the Hotel Occupancy Tax Economic Incentive Agreement by and Between the City of Aurora, Illinois and Midwest Management II, Inc. (Holiday Inn Express - 111 North Broadway, Aurora, Illinois).
WHEREAS, the City of Aurora has a population of more than 25,000 persons and is, therefore, a home rule unit under subsection (a) of Section 6 of Article VII of the Illinois Constitution of 1970; and

WHEREAS, subject to said Section, a home rule unit may exercise any power and perform any function pertaining to its government and affairs for the protection of the public health, safety, morals, and welfare; and

WHEREAS, the City has the authority, pursuant to the laws of the State of Illinois, to promote the health, safety and welfare of the City and its inhabitants, to prevent the presence of blight, to encourage private development in order to enhance the local tax base and increase additional tax revenues realized by the City, to foster increased economic activity within the City, to increase employment opportunities within the City, and to enter into contractual agreements with third parties for the purpose of achieving the aforesaid purposes, and otherwise take action in the best interests of the City; and

WHEREAS, the Mayor and City Council ("Corporate Authorities") of the City have previously approved a Hotel Occupancy Tax Economic Incentive Agreement, dated September 18, 2015, by and between the City and Midwest Management II, Inc. ("Midwest") (the "Economic Incentive Agreement") related to the hotel located at 111 N. Broadway, Aurora, Illinois (the "Property"); and

WHEREAS, Encore Hospitality, LLC ("Encore"), an Illinois limited liability company experienced in the operation of hotels in Illinois, is the contract purchaser of the Property and the hotel business operating thereon; and

WHEREAS, Section 5.02 of the Economic Incentive Agreement provides that:
“This Agreement may be assigned by Midwest, and by any subsequent owner of the Hotel Property and Hotel, to a bonafide purchaser of the Hotel Property and Hotel, provided:

- (A) at least thirty (30) days prior written notice of such assignment is given to the City; and
- (B) that the assignee agrees, in a written document supplied by the City, to be bound by all of the terms, conditions and provisions of this Agreement, including, but not limited to, the City’s default remedies.

Upon compliance with the foregoing, Midwest, and any subsequent owner of the Hotel Property and Hotel, shall then be released from any and all liability under this Agreement, and the City agrees to timely execute an amendment to this Agreement to reflect such release and assignment.”

WHEREAS, Midwest and Encore have requested that the City authorize the assignment of the Economic Incentive Agreement by Midwest to Encore pursuant to the Assignment and Assumption Agreement Regarding the Hotel Occupancy Tax Economic Incentive Agreement By and Between the City of Aurora, Illinois and Midwest Management II, Inc. (the “Assignment Agreement”), a true and accurate copy of which is attached hereto as Exhibit 1, in connection with Encore’s purchase of the Property and the related hotel business from Midwest; and

WHEREAS, the Corporate Authorities of the City have determined that it is in the best interests of the residents of the City that the assignment pursuant to the Assignment Agreement is authorized, and finds that Encore is a bonafide purchaser of the Property and the hotel business thereon;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Aurora, Illinois, as follows:

SECTION 1: The Preambles hereto are hereby made a part of, and operative provisions of, this Resolution as fully as if completely repeated at length herein.

SECTION 2: That the Mayor and City Clerk of the City are hereby authorized to execute the Assignment Agreement, in substantially the form attached hereto as Exhibit 1.

SECTION 3: That this Resolution shall take effect from and after its adoption and approval as required by law.