



CITY OF MANKATO APPLICATION FOR FINANCIAL ASSISTANCE

A. APPLICANT INFORMATION

Name of Corporation/Partnership Hotel Mankato LLC

Address 931 Madison Ave, Mankato, MN 56001

Primary Contact Bryan Sowers, Vice President/Secretary

Address 23 Kelly Court, North Mankato, MN 56003

Phone 507.382.6607 Fax _____ Email bryan.sowers1@gmail.com

On a separate sheet, please provide the following:

- Brief description of the corporation/partnership's business, including history, principal product or service, etc. **Attach as Exhibit A.**
- Brief description of the proposed project. **Attach as Exhibit B.**
- Site plan, building plans, floor plans, etc. **Attach as Exhibit C.**
- List names of officers and shareholders/partners with more than five percent (5%) interest in the corporation/partnership. **Submit directly to Baker Tilly as Exhibit D.**
- Breakdown of sources/uses with and without financial assistance (sample on page 6). **Attach as Exhibit E.**
- Prospective Lessees. **Attach as Exhibit F.**

Attorney Name Fredrikson & Byron, P.A. - Abbie S. Olson

Address 111 South 2nd Street + Suite 400, Mankato, MN 56001

Phone 507.344.9006 Fax _____ Email aolson@fredlaw.com

Accountant Name Abdo Solutions - Jacob Ouradnik

Address 100 Warren Street, Suite 600, Mankato, MN 56001

Phone 507.304.6808 Fax _____ Email jacob.ouradnik@abdosolutions.com

Contractor Name Robert W. Carlstrom Co., Inc. - Danny Umhoefer

Address 1901 Excel Drive, Mankato, MN 56001

Phone 507.344.4903 Fax _____ Email danny@rwcarlstrom.com

Engineer Name ISG Inc - Nathan Hermer
Address 115 East Hickory Street + Suite 300, Mankato, MN 56001
Phone 507.387.6651 Fax _____ Email nathan.hermer@isginc.com

Architect Name ISG Inc - Jeremy Wiesen
Address 115 East Hickory Street + Suite 300, Mankato, MN 56001
Phone 507.387.6651 Fax _____ Email jeremy.wiesen@isginc.com

B. PROJECT INFORMATION

The project will be:

☐ Industrial Greenfield:	☐ New Construction	☐ Expansion
☒ Commercial Redevelopment:	☒ New Construction	☐ Rehabilitation
☐ Industrial Redevelopment:	☐ New Construction	☐ Rehabilitation
☐ Housing Redevelopment:	☐ New Construction	☐ Rehabilitation
☐ Mixed Use Redevelopment:	☐ New Construction	☐ Rehabilitation
☐ Other		

Please explain the basic components of the project proposed, i.e., amount of new commercial square footage, numbers of housing units (rental or owner occupied, breakdown of units by number of bedrooms and square footage of units, proposed rents), etc. Please see attached Exhibit B.

The project will be: X Owner Occupied Leased Space

If leased space, please attach a list of names and addresses of future lessees and indicate the status of commitments or lease agreements. **Attach as Exhibit F. If this information is to remain private, please submit directly to Baker Tilly.**

Project Address	118 S. 2nd Street Building A & Building E, Mankato, MN 56001 (Bldg. A - AC Hotel & Bldg. E - Element Hotel)
Legal Description	Please see attached legal description at the end of the submittal package.

Amount of Assistance requested for:

Building Demolition	\$ 1,731,000
Environmental Remediation	\$ 175,000
Public Improvements	\$ 2,657,000
Site Improvements	\$ 4,415,000
*Land Acquisition	\$ 7,856,000

**(Land Acquisition may be considered under certain circumstances when extraordinary in nature and shall not exceed 50% of total subsidy request)*

Total Subsidy Requested \$ 16,834,000

[illegible]

City of Mankato will provide assessment and tax information based on plans submitted

Current Assessed Value on Project Site: \$ _____
Current Real Estate Taxes on Project Site: City \$ _____
County \$ _____
School District \$ _____

Estimated Assessed Value upon Completion: Phase I \$ _____
Phase II \$ _____
Estimated Real Estate Taxes upon Completion: Phase I \$ _____
Phase II \$ _____

C. PUBLIC PURPOSE

It is the policy of the City of Mankato that the use of Financial Assistance should result in a benefit to the public.

Please indicate how this project will serve a public purpose.

- ☒ Job Creation: Number of existing jobs 0
Number of jobs created by project 344 (228 construction jobs & 116 full time hotel positions)
Average hourly wage of jobs created \$15 - \$60 average hourly wage based on job type
Benefits Provided Available
- ☒ Increase in tax base
- ☒ Enhancement or diversification of the city's economic base.
- ☒ New industrial development which will result in additional private investment in the area.
- ☒ The project contributes to the fulfillment of the City's development or redevelopment objectives.
- ☒ Removal of blight or the rehabilitation of a high profile or priority downtown site.
- ☐ Affordable housing
- ☐ Other: _____

D. SOURCES & USES

<u>SOURCES</u>	<u>NAME</u>	<u>AMOUNT</u>
Bank Loan	<u>Peachtree Financial (or other)</u>	\$ <u>\$60,000,000</u>
Other Private Funds	_____	\$ _____
Equity	_____	\$ <u>23,200,000</u>
Other Loans	<u>PACE Loan</u>	\$ <u>9,300,000</u>
ID Bonds	<u>Other Funds - DEED Env. Cleanup Grant</u>	\$ <u>175,000</u>
Financial Assistance Requested	_____	\$ _____ **
TOTAL		\$ <u>92,675,000</u>

****Note: if Tax Increment is to be considered, be advised it is not an upfront funding source and is provided only on a pay-as-you-go basis on an annual basis. Developer needs to identify funding sources to cover ALL costs up front, absent Tax Increment.**

<u>USES</u>	<u>AMOUNT</u>
Land Acquisition	\$ 7,856,000
Site Development	\$ 4,336,100
Construction	\$ 56,800,000
Machinery & Equipment	\$ 12,487,000 (FF&E)
Architectural & Engineering Fees	\$ 3,668,000
Legal Fees	\$ 180,000
Interest During Construction	\$ 3,200,000
Debt Service Reserve	\$ 1,000,000
Contingencies	\$ 3,175,000
Application Fee (nonrefundable)	\$ 4,400
Developer Capacity Review (if bonding/loans requested)	\$ 3,500
TOTAL	\$ 92,710,000

E. ADDITIONAL DOCUMENTATION

Applicants will also be required to provide the following documentation directly to Baker Tilly.

- X A) Written business plan, including a description of the business, ownership/management, date established, products and services, and future plans
- B) Financial Statements for Past Two Years
N/A Profit & Loss Statement
N/A Balance Sheet
- C) Current Financial Statements
N/A Profit & Loss Statement to Date
N/A Balance Sheet to Date
- X D) Two Year Financial Projections
- F) Personal Financial Statements of all Major Shareholders
X Profit & Loss
X Current Tax Return
- X G) Letter of Commitment from Applicant Pledging to Complete During the Proposed Project Duration
- X H) Letter of Commitment from the Other Sources of Financing, Stating Terms and Conditions of their Participation in Project
- X I) Non refundable application fee of \$4,400

*If establishing a tax increment financing district is authorized by the Mankato City Council, additional payment of \$4,400 will be required in order to create the district. This would be reimbursable with pay-as-you-go TIF provided the District is approved.

The undersigned certifies that all information provided in this application is true and correct to the best of the undersigned's knowledge. The undersigned authorizes the City of Mankato to check credit references and verify financial and other information. The undersigned also agrees to provide any additional information as may be requested by the City after the filing of this application.

Applicant Name Hotel Mankato LLC Date 06/12/2024

By Bryan Sowers *Bryan J. Sowers*

Its Vice President/Secretary

EXHIBIT B
Description of the proposed project

EXHIBIT B: PROJECT DESCRIPTION

The Landmark Center and the City Center Hotel properties located on E. Main Street were originally purchased several years ago by local developer Landmark Real Estate to independently develop a highest and best use project for each site, potentially including an apartment complex to add housing density in the City Center.

As various repurpose concepts were considered over time, it was concluded that the best use would be to integrate the two sites into one comprehensive project to best achieve the desired revitalization intent. As the vision progressed, it became evident the highest and best use was to address City Center hospitality demand linked to the Mayo Clinic Civic and Event Center, density, and regionalism in the Greater Mankato community.

Hotel Mankato, LLC is proposing a 4-story extended stay Element by Westin, located at the intersection of North Riverfront Drive and Main Street, and a 10-story AC by Marriott, located at the intersection of Second and Main Streets. The two hotels will be adjoined by a common lobby with a direct connection to the existing City skywalk, allowing guests to have a direct connection to the many events held at the Mayo Clinic Civic and Event Center along with many other amenities offered in the downtown area.

The hotels will share common guest amenities including a pool, fitness center, guest laundry, lounge spaces, business pods, and a small conference room along with shared back of house spaces. This development is also providing space for a future coffee shop at the main level and a third-party restaurant with rooftop patio space at the 10th story overlooking the Minnesota River Valley. A courtyard area located between the Element and common lobby will offer a combination of possibilities for guest grilling stations, firepit(s), and an outdoor social lounge area.

The motor court drive-up will feature a unique grand entrance to the shared lobby and will provide access to the parking garage, multiple entrances for guests and pedestrians to access the skywalk, and an outdoor patio for the AC bar & lounge area. The design for the outdoor plaza at the intersection of Main and Second Streets is intended to incorporate original limestone and brick features hailing back to the Landmark Building that has resided at the corner of 2nd and Main Streets for over a century.

The following information outlines key amenities proposed as part of this project:

- Element by Westin: A 4-story, upscale lifestyle, 126 all-suite extended stay hotel located at the intersection of North Riverfront Drive and Main Street.
- Marriott AC Hotel: An upscale European design with 156 contemporary rooms, appealing the business and leisure class, 10 stories located at Second Street and Main Street.
- Tenth story signature rooftop restaurant allowing for indoor and outdoor dining experiences while offering views of the Minnesota River and Downtown Mankato.
- A synergistic design with shared amenities: lobby, swimming pool, fitness center, and coffee area.
- Convenient access for both automobiles and pedestrians via the walkable Second Street corridor.
- Outdoor courtyard and civic space, facing the Mayo Civic Center mall area, connected by the enclosed skyway.
- 282 total hotel guest rooms.
- 250,000 square feet of space including a 168-stall underground parking garage and 9 surface stalls.
- The hotels will be staffed and operate twenty-four hours a day, seven days a week to ensure the ultimate guest experience during their stay in downtown Mankato.

Further details are available in the attached business plan.

BUSINESS AND MARKETING PLAN FOR: HOTEL MANKATO



**Two Upscale Marriott Hotel Brands, Signature
Rooftop Restaurant, and Ground Floor Lounge**

101-121 E. Main Street
Mankato, MN 56001

Hotel Proposed Plan

Project Overview

The Landmark Center and the City Center Hotel properties located on E. Main Street are in an Opportunity Zone in need of redevelopment. They were originally purchased years ago by local developer Landmark Real Estate to independently develop a highest and best use project for each site, including an apartment complex to add housing density in the City Center. As various repurpose concepts were considered over time, it was concluded the best use was to integrate the two sites into one project to achieve the desired intent. As the vision progressed, it became clearer the highest and best use was to address City Center hospitality demand linked to the Mayo Civic Center, density, and regionalism in the Greater Mankato community.

The size, scope and challenges for the proposed project resulted in both the desire and need to create an expanded, local developer team with deep experience and an expanded ownership group with an eye to the future of Greater Mankato. This resulted in the creation of Hotel Mankato, LLC (the Company) and the start of the proposed project.

The Company subsequently purchased the properties on June 30, 2023 to jointly construct two upscale Marriott hotel brands, including a signature rooftop restaurant, ground floor lounge and 281 guest rooms. The new developer team for the proposed \$92 million project includes a distinctive and seasoned group of development professionals including expert hotel owner/operator TPI Hospitality, former executive banker Bryan Sowers, Tailwind Group, Tony Frentz of Neubau Holdings, ISG principal Chad Surprenant and original site owner, Landmark Real Estate's Jon Kietzer. The company ownership group also includes Rob Else of Neubau Holdings and ISG Hotel Mankato (an investment affiliate of ISG, Inc.) further represented by Samantha Boeck.

It is quite unique for multiple independent, established developers to collaborate and cooperate on large projects. This partnership reflects such a collaboration with the intent to address significant challenges on two centrally located blighted properties, while achieving the highest and best use of the combined sites, without sacrificing the tenets and vision for Greater Mankato's resiliency and direction. While mutually beneficial for the long-term, it presents some increased risk of lower returns as the market transitions in the near term (reference Tax Increment Financing below).

The Company currently holds the Landmark Center property located at 121 E. Main Street, the City Center Hotel located at 101 E. Main Street and a surface parking lot located at 118 S. Second Street to develop, own, and manage a combined Marriott AC and Element by Westin, dual-brand hotel project. There are multiple parcels that encompass these three addresses currently, while the proposed design is planned to reduce the number of parcels down to two. The first parcel will consist of a contiguous parcel that includes all three property addresses at street level, while the second parcel will consist of the proposed below grade parking garage.

The Company is managed by a Board of Governors (the "Board") and represents Company shareholders. Strong and independent boards that exercise effective oversight of management are fundamental for value creation and is part of the integrated strategy for this business plan. The board commitment reflects the community vision and importance of this proposed project.

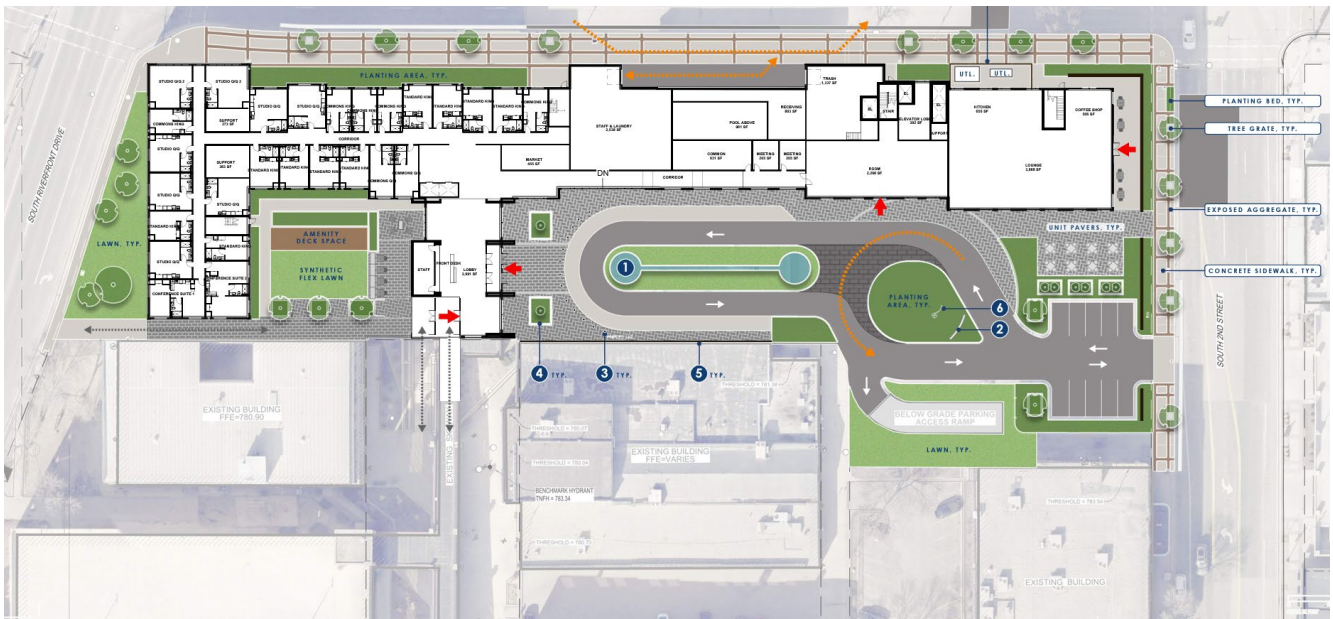
The project has been in due diligence and investment phases for over two years as a highest and best use plan to repurpose two blighted properties in the City Center district. A primary challenge has been to solve for highest and best use, while absorbing an extraordinary amount of non-revenue producing development costs (also referred to as eligible redevelopment costs for TIF financing) at over \$13.6 million to accomplish the project objectives identified later. The property will undergo a complete demolition of the blighted Landmark Center (roof and side walls collapsed) and City Center hotel buildings after thoroughly vetting various design and economic alternatives to generate a feasible project for the site.

Note: the new design for the outdoor plaza at the intersection of Main and Second Streets is intended to incorporate some of the original limestone and/or brick features of the Landmark building and may also include a reference to the building history to preserve its story.



The new dual brand Marriott hotels will consist of:

- Element by Westin, a 4-story upscale lifestyle, 122 all-suite extended stay hotel located adjacent to Riverfront Drive,
- Marriott AC hotel, an upscale European design with 159 contemporary rooms, appealing the business and leisure class, 10 stories adjacent to Second Street,
- Tenth story signature rooftop restaurant overlooking the Minnesota River Valley, indoor and outdoor venue,
- A synergistic design with shared amenities: lobby, swimming pool, fitness center, and coffee area,
- Convenient access for both automobiles and pedestrians via the walkable Second Street corridor,
- Outdoor courtyard and civic space, facing the Mayo Civic Center mall area, connected by skyway.



Stakeholders –

We are pleased to partner with local (and nationally recognized) architect ISG as an employee-owned organization: [Multi-Disciplinary Design and Engineering Firm | ISG Inc.](#) They will be performing and managing all facets of the architectural, engineering and landscaping components. ISG through an affiliate company is also an investor in the project. Samantha Boeck and Chad Surprenant from their leadership team will provide ongoing value. Additionally, ISG is partnering on the internal hotel design with international hotelier, The Gettys Group Companies: [Hotel Design and Development Firm | The Gettys Group Companies.](#) They have a wide range of expertise, providing specialized services across the spectrum of hospitality and real estate that reflects a commitment to excellence.

The City Center Hotel was closed on June 20, 2023 prior to purchase by the Company on June 30th. To enhance the execution for the project and site vision, the local development team integrated a highly seasoned expert hotelier in TPI Hospitality. As an owner/operator of approximately 36 hotels throughout MN and FL they bring industry depth in development, operations and experience with international brands by Marriott, Hilton, IHG and Margaritaville.

TPI Hospitality celebrated their 50th year in business in 2022. TPI Hospitality is a developer, owner, and operator of hotels, restaurants, and conference centers across Minnesota and Florida. All TPI locations are either newly constructed or recently renovated, with the care and attention that only a deeply committed owner provides. Visit www.tpihospitality.com for more information.

The General Contractor for the project is Robert W. Carlstrom Co., Inc: [Home \(rwcarlstrom.com\)](http://Home(rwcarlstrom.com)). We are also pleased to work with a long-time local company that is the premier commercial construction manager and general contractor in Southern Minnesota. Their high quality of craftsmanship and ability to create and retain business relationships is a strategic fit with the other stakeholders. Quality craftsmanship and satisfied owners have allowed Robert W. Carlstrom Co., Inc. to continue to be a successful company since 1945 as a recognized leader in the Greater Mankato region.

Tax Increment Financing (TIF) –

The proposed project cost is estimated at \$92 million with new construction costs of approximately \$60 million. Due to extraordinarily high TIF redevelopment costs the project is not feasible without financial assistance. It would take until year six to achieve a minimum debt coverage level for bank financing, combined with a valuation gap resulting in a lower IRR. With TIF assistance in a Pay-as-you-Go model, the debt coverage is projected to stabilize after year three.

To achieve the desired objectives, addressing a high amount of eligible TIF redevelopment costs in the project budget must be overcome. The cost of building acquisitions, demolition and various site preparation expenses is an estimated \$16.8 million. These high costs are the result of several factors that have led to both building sites becoming blighted over time including deferred maintenance, age, quality of construction and recent structural integrity damage to the Landmark Center from a roof and third floor building collapse, as well as site and soils preparation costs.

The proposed project is combining three separate sites with prior independent uses as a hotel, mixed-use property and a surface parking lot into a single, large site for two hotels by Marriott AC and Element by Westin. The multi-site approach results in higher redevelopment costs to address feasibility. Two recent projects that have received TIF financing in Mankato and North Mankato are examples of repurposing blighted properties and provide reference for TIF support:

<u>Comparative TIF Projects (000's)</u>			
	<u>Est. TIF</u>	<u>Project Size</u>	<u>TIF % of Project</u>
Mankato, Eide Bailly: 15-yr	\$3,200	\$23,000	13.9%
N. Mankato, Hotel: 26-yr	\$5,400	\$16,000	33.8%
Two Sites Combined	\$8,600	\$39,000	22.1%
Potential Hotel TIF: 26-yr	\$10,770	\$92,710	11.6%

Site Description and Redevelopment Costs –

To assist in creating a feasible project while removing two blighted buildings in an Opportunity Zone, the Company is pursuing tax increment financing (TIF) with a proposed Redevelopment District from the City of Mankato. **The project, consisting of three independent sites, all have separate redevelopment costs to prep them for a highest and best use project, which results in an extraordinary amount of combined costs for TIF eligibility consideration.** See Exhibit A Project Budget & Model for details.

TIF Economic Development and Job Creation –

This project has multiple new job sources including the two hotels and a third-party, full-service restaurant, resulting in an estimated 116 new FTE positions for the businesses and an additional 228 FTE construction jobs, totaling an estimated **344 FTE positions**, including:

- Element by Westin hotel – est. 16 FTEs
- Marriott AC hotel – est. 40 FTEs
- Rooftop Restaurant – est. 60 FTEs
- Construction FTE jobs are generated at 5700 per \$1 billion in spending (2021 Census Bureau data), which equates to an estimated 228 positions for a \$70 million project on an annualized basis.

The hard construction costs for the project are estimated to be \$60 million, with costs inflating 40.3% since 2020. The local stakeholder approach with selecting ISG for A&E services and R.W. Carlstrom Construction acting as the general contractor for the project will enhance the bidding process in an effort to retain local contractors to perform the work. While it cannot be assured that all local contractors will be selected due to the size, scope and construction timeline estimated at 18 months, every effort will be made to accommodate local economic development. In relation to the last reported 2022 construction investment in Greater Mankato at \$347 million annually, the proposed project (including soft costs, totals ~ \$70 million) would represent about 20.2% of the total annual construction market economics.

BUSINESS STRATEGY SUMMARY

Mission: partnering with the community in new ways to create a regional landmark destination in the heart of Mankato to stimulate vibrancy in the downtown hub to help achieve Greater Mankato’s fullest economic and social impact.

Vision: To curate a space and experiences that illuminate the culture of our “neighborhood” sharing its people, places and traditions.

Objectives: to recreate two substandard (blighted) city center properties located in an Opportunity Zone, focusing on their highest and best use to achieve functional, emotional and social components that have long-term value creation. These core components include:

1. A highest and best use for a vital city center site aligned with Regional Planning “pillars”, **utilizing a Differentiation vs. cost-leadership model.**
2. **Solving for much-needed capacity building now** to address city center hospitality demand, with support and sustainability of the Mayo Civic Center.
3. Address purpose, sustainability and resiliency through **innovative investment, community-oriented amenities and regional reputation.**



PROJECT HIGHLIGHTS

Certificate of Design Compliance Considerations:

The submission for Certificate of Design Compliance (CDC) will consist of two additional components. A request for a Conditional Use Permit for hospitality use and zoning on the Landmark Center property (121 E. Main Street); and a request to Vacate an Alley that is currently between the two properties located at 101 and 121 E. Main Street. The affected property owners next to the alley have signed the City Petition form and agreed to vacate the alley, resulting in a private alley with a proposed entry and exit from Walnut Street. Approval of these requests are required for the integrated site design to achieve the proposed plan.

The dual brand project will consist of a combined 282 hotel rooms with up to 243,000 sq/ft of space including an underground parking garage with 168 parking stalls and 12 surface stalls, totaling 180.

The CDC application will be submitted by the May 28, 2024 deadline for a June EDA review. The City has requested the TIF application be submitted in the first half of June to travel the approval process collectively.



MARRIOTT AC and ELEMENT by WESTIN HOTELS (dual-brand)

- AC - 159 rooms on eight floors over a ground floor common area, with breakfast on first floor,
- AC - 10th floor rooftop restaurant, operated by a third party,
- AC - design and compliance with code for buildings exceeding 75 feet in height,
- ELEMENT - 122 rooms on a four-floor design (rooms on first) with breakfast lounge on second floor,
- ELEMENT - addresses the extended stay market with mini-kitchens and related amenities,
- A common lobby accessed with a Second Street drive-up motor court, integrated with the existing Civic Center skywalk,
- A common two-story area between the hotels will house the fitness, pool and common areas accessible by guests in both hotels,
- Pedestrian and guest access will include multiple entry / exit points from Second Street for convenient access to the Civic Center skywalk and hotel restaurants,
- Shared parking with the Element in a heated 170-stall underground garage with 10 surface stalls, totaling 180 stalls,
- Additional parking in the 442-stall Civic Center parking ramp as part of the city parking district,
- Parking can be accessed from the motor court off Second Street or from Civic Center parking ramp through the integrated tunnel,
- All subsurface parking will exit through the Civic Center ramp to Riverfront Drive or Walnut Street,

As part of the project objectives to integrate local and regional culture with the lifestyle branding, there is design intent to subtly incorporate key community stakeholders, such as MSU, Mankato, Greater Mankato Growth, Children's Museum of Southern MN and Mankato Area Foundation.

Parking –

The proposed parking solution will utilize onsite stalls 180, combined with utilization of the City parking district as needed. The project and the parking solution are more efficient than the existing two sites and will result in a net decrease of 101 stalls relied upon from the parking district.

For a majority of nights throughout the year, stalls on the property will accommodate parking needs based on an average occupancy of 163 rooms with one corresponding stall allocated per room. Average hotel occupancy of 70% is projected (in line with the hospitality market) and is sustainable with high-occupancy event nights from conventions and/or entertainment in the Civic Center. These events are estimated at approximately 65 nights annually or 17.8% of the time, resulting in average occupancy for the balance of annual nights at about 58%.

The chart below reflects the proposed project stalls required under code and the probable usage of stalls for a typical day/night for non-event nights, in addition to a comparison of the existing parking stalls required on each project site.

High-occupancy nights are not projected to result in additional stalls used in the parking district for Civic Center events. The proposed 180 parking stalls for guests and community use provides substantial parking for users that may not be attending Civic Center events. It's predicted that the number of stalls in the City Center continues to accommodate maximum occupancy for Civic Center events according to the Walker Parking Study (as revised). In summary, the proposed impact to the parking district is quite favorable with lower usage than the existing uses for the Landmark and Hotel sites at an estimated improvement of 101 stalls (291 – 190 = 101).

It can also be concluded the 180 stalls provided by the project is generally adding to the net parking stalls needed for Civic Center event nights as occupancy in the new hotels will increase, compared to the last decade of occupancy under the substandard City Center Hotel w/those parking stalls remaining vacant. Additionally, there will be an informal agreement with the owners of the Eide Bailly property across the street to allow for a valet parking solution and additional parking on event nights when available.

<u>Parking Analysis</u>	<u>Dual Brand Marriott w/ Proposed Parking Garage</u>			<u>Old Hotel</u>	<u>Landmark Apartments</u>
Area Use:	Spaces Required	Adjusted Occ at 58%	Parking Location	Spaces Required	Spaces Required
Element Hotel	126	73	Onsite	151	
AC Hotel	156	90	Onsite		66
Operating Staff	20	15	Parking district	10	7
Event Space & Restaurant	<u>68</u>	39	Parking district	<u>155</u>	<u>59</u>
Total Stalls	370	218		316	132
Spaces Provided	<u>180</u>	<u>180</u>		<u>117</u>	<u>40</u>
City Code +/-	-190	-38		-199	-92
Parking Ratio to Code	0.49	0.83		0.37	0.30
Parking District Stalls Used	190			291	

Programming -

All design and amenities for the Project are identified in the Architect's design documents, with cost estimates provided by General Contractor, Robert W. Carlstrom Construction. A feasibility study was ordered and completed by international hospitality expert HVS. The study focused on adding density of hotel rooms to the Mankato City Center, and impact to conventions and usage of the Mayo civic center. The results were generally positive and reflected an average of 10.5% economic upside by adding the hotel room density to the city center.

- **Rooms** - There will be an approximate 50/50 split of king rooms to double queen rooms across both hotels. The AC will feature a number of suites, while the Element will have 4-room pods at the end of the respective halls on each floor.
- **Courtyard** – a courtyard located between the Element and the common lobby presents a combination of possibilities for a grilling area, firepit social area and lounge/sunbathing area. The motor court drive-up will feature a grand entrance to the shared lobby, as well as access to the parking garage, multiple entrances for guests and pedestrians to access the skywalk as well as an outdoor patio for the AC restaurant / lounge area.
- **Food and Beverage** - The plan includes a full-service high-end restaurant on the 10th floor rooftop of the AC with 360-degree views of the MN river valley and downtown Mankato. Each hotel will have a separate breakfast area, and a coffee shop is planned in the common area accompanied by surface parking for convenient access to both visitors and guests alike.
- **Conference and Event Rooms** – There will be multiple technology business pods on the main floor of the AC, along with a board room integrated for convenient access with the surface parking. The design for typical conference and event space is strategically integrated to utilize existing public investments in the Civic Center and skywalk connectivity.
- **Rates** – The two hotels are complimentary to one another and will be similar in their higher end finishes and design. The Marriott AC will be marginally higher in price than the extended stay Element rooms. The Average Daily Rate blended for all rooms is anticipated to be in the range of \$179 to \$189 based on comparable properties in other upper Midwest regional markets.
- **Solar Energy** – The Plan includes solar power energy installed on the roof of the Element due to its superior flat roof to maximize square footage and efficiency of the proposed system. Discussions with Xcel Energy are in process to stay ahead of near-term climate change regulations, while addressing long-term value.
- **Cost and Sizing Breakdown** – Enclosed with this proposed plan is an estimated budget that breaks out rooms, common areas, the courtyard and restaurant spaces. The construction budget for the project is \$60 million, including tenant improvements for the rooftop restaurant space. General contractor Robert W. Carlstrom has provided a preliminary estimate to address project feasibility and continued next steps with the required City applications, pursuit of bank financing and capital partners. See Exhibit A – Project Budget & Model for more detail.

ADDITIONAL INFORMATION

Written correspondence should be mailed to Hotel Mankato, LLC, at 103 15th Avenue NW, Suite 200, Willmar, MN 56201, or hand delivered to Hotel Mankato, LLC, at the same address.

For questions and additional information investors and stakeholders are encouraged to contact Bryan Sowers at bryan.sowers1@gmail.com or Tony Frentz at tfrentz@neubauholdings.com or Chris Flagg at chris@tpihospitality.com or Chad Surprenant at chad.surprenant@isginc.com. The Company will be pleased to provide additional information to the extent it has such information or can obtain it without unreasonable effort or expense.

EXHIBIT C
Site plan, building plans, floor plans



CITY SUBMITTAL
5/28/2024

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PROJECT

HOTEL MANKATO

MANKATO MINNESOTA

REVISION SCHEDULE		
DATE	DESCRIPTION	BY

PROJECT NO.	24-30180
FILE NAME	
DRAWN BY	Author
DESIGNED BY	Designer
REVIEWED BY	Checker
ORIGINAL ISSUE DATE	5/28/24
CLIENT PROJECT NO.	

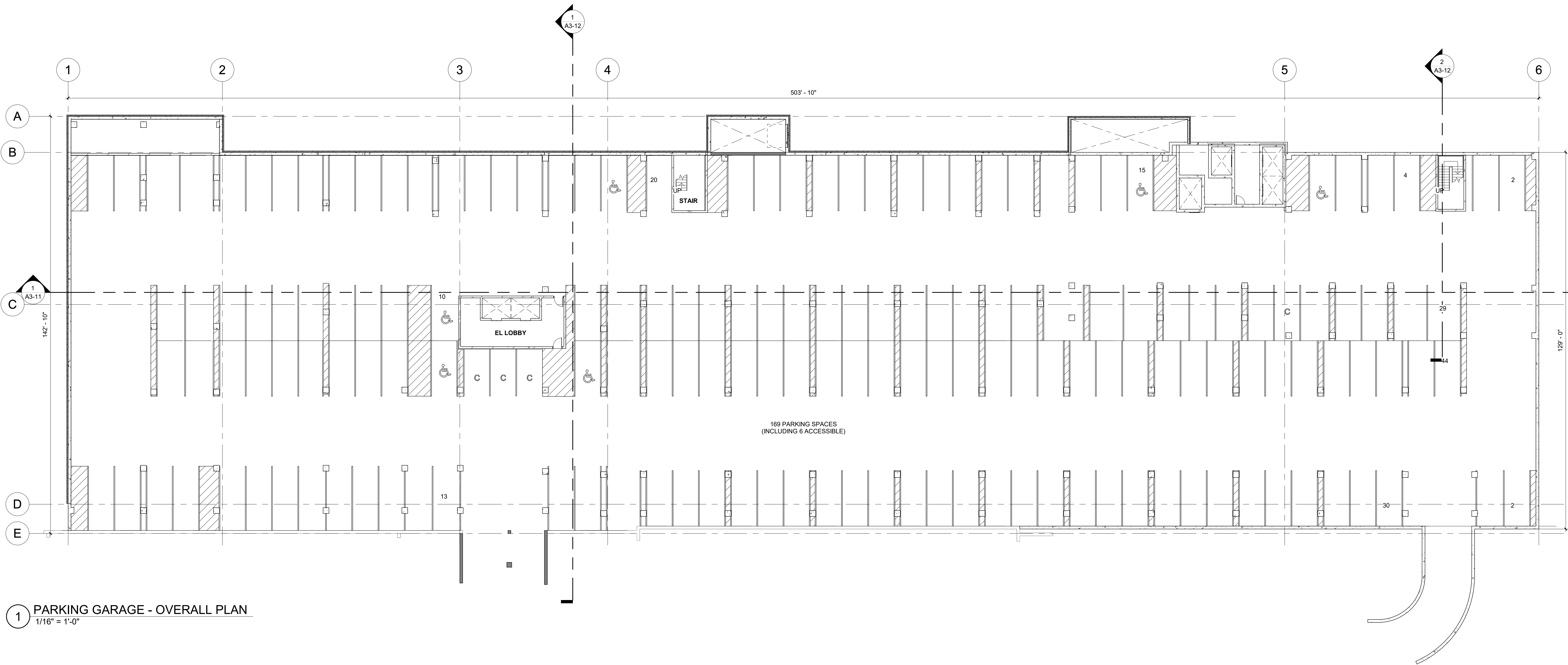
TITLE

**PARKING
GARAGE FLOOR
PLAN - OVERALL**

SHEET

A1-200

PRELIMINARY NOT FOR CONSTRUCTION



1 PARKING GARAGE - OVERALL PLAN
1/16" = 1'-0"





CITY SUBMITTAL
5/28/2024

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PROJECT

HOTEL MANKATO

MANKATO MINNESOTA

REVISION SCHEDULE		
DATE	DESCRIPTION	BY

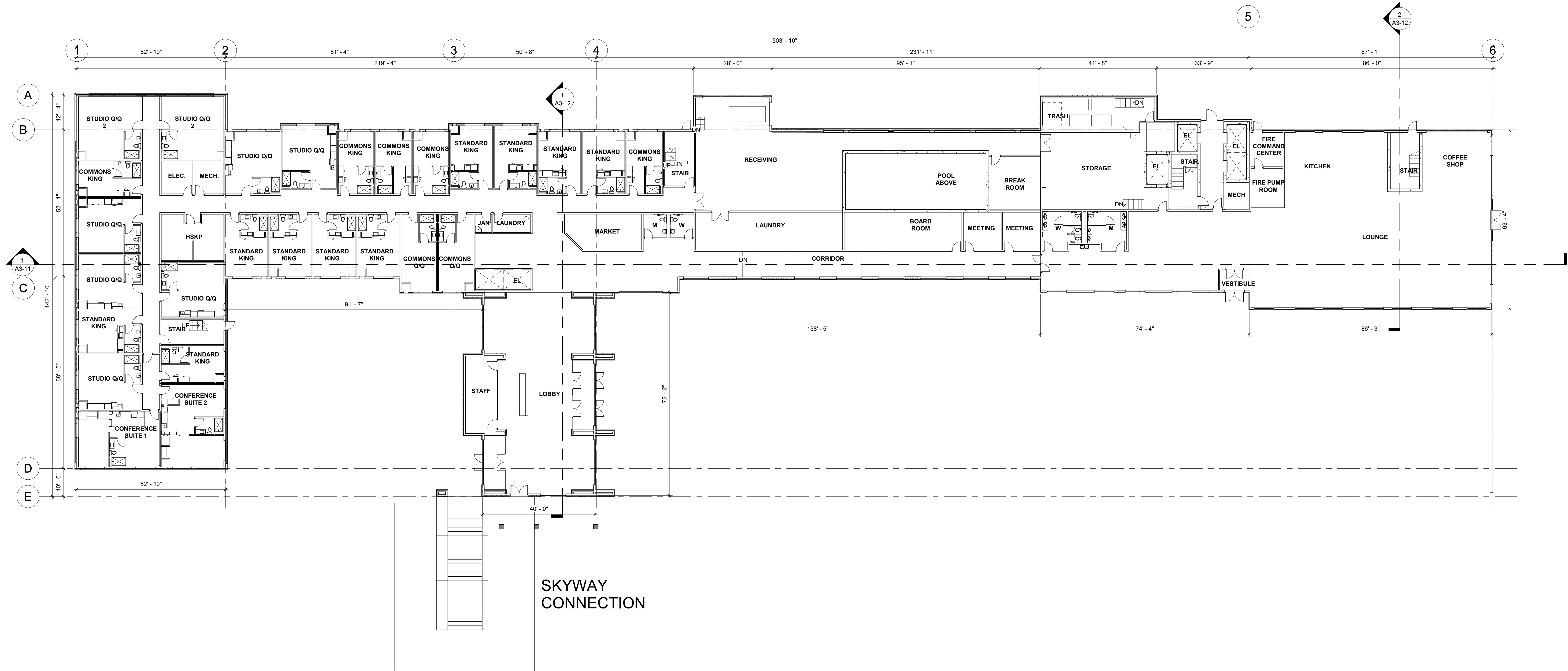
PROJECT NO.	24-30180
FILE NAME	
DRAWN BY	Author
DESIGNED BY	Designer
REVIEWED BY	Checker
ORIGINAL ISSUE DATE	5/28/24
CLIENT PROJECT NO.	

TITLE

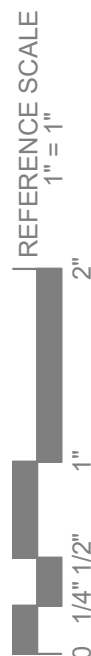
FIRST FLOOR
PLAN - OVERALL

SHEET

A1-201



1 FIRST FLOOR PLAN - OVERALL
1/16" = 1'-0"





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5/28/2024

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PROJECT

HOTEL MANKATO

MANKATO

MINNESOTA

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PROJECT NO. 24-30180

FILE NAME

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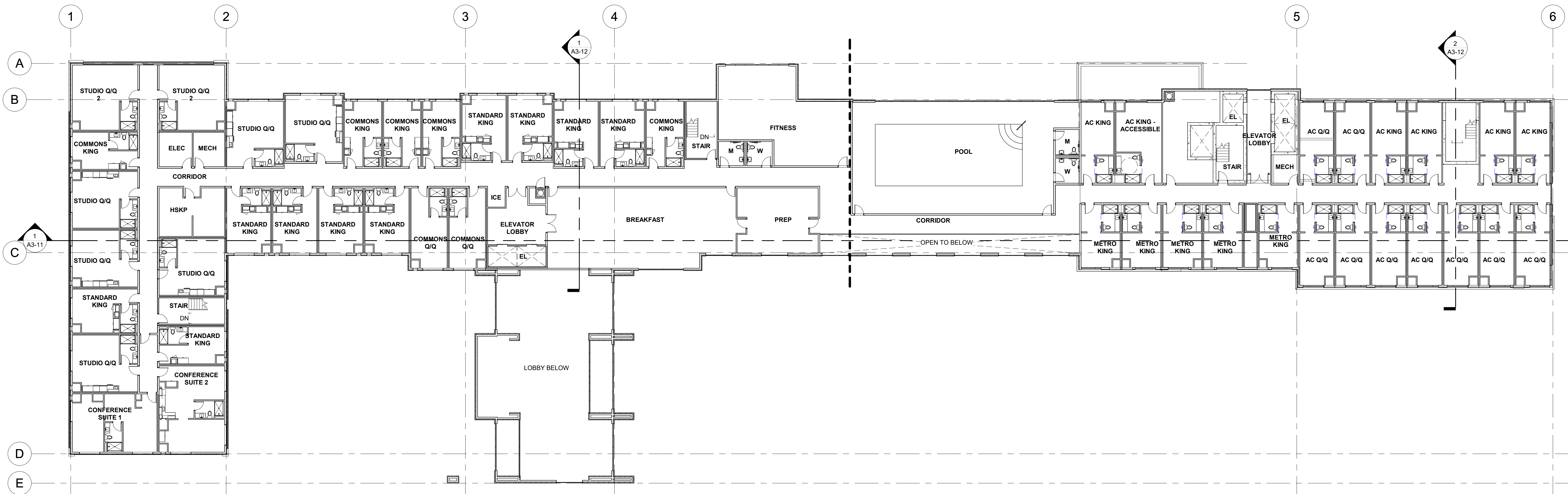
TITLE

**SECOND FLOOR
PLAN - OVERALL**

SHEET

A1-202

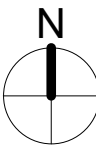
PRELIMINARY NOT FOR CONSTRUCTION



1 SECOND FLOOR PLAN - OVERALL
1/16" = 1'-0"

REFERENCE SCALE
1" = 1'
0 1/4" 1/2" 1" 2"

5/28/2024 1:41:52 PM





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PROJECT

HOTEL MANKATO

MANKATO MINNESOTA

REVISION SCHEDULE		
DATE	DESCRIPTION	BY

PROJECT NO. 24-30180

FILE NAME

DRAWN BY Author

DESIGNED BY Designer

REVIEWED BY Checker

ORIGINAL ISSUE DATE 5/28/24

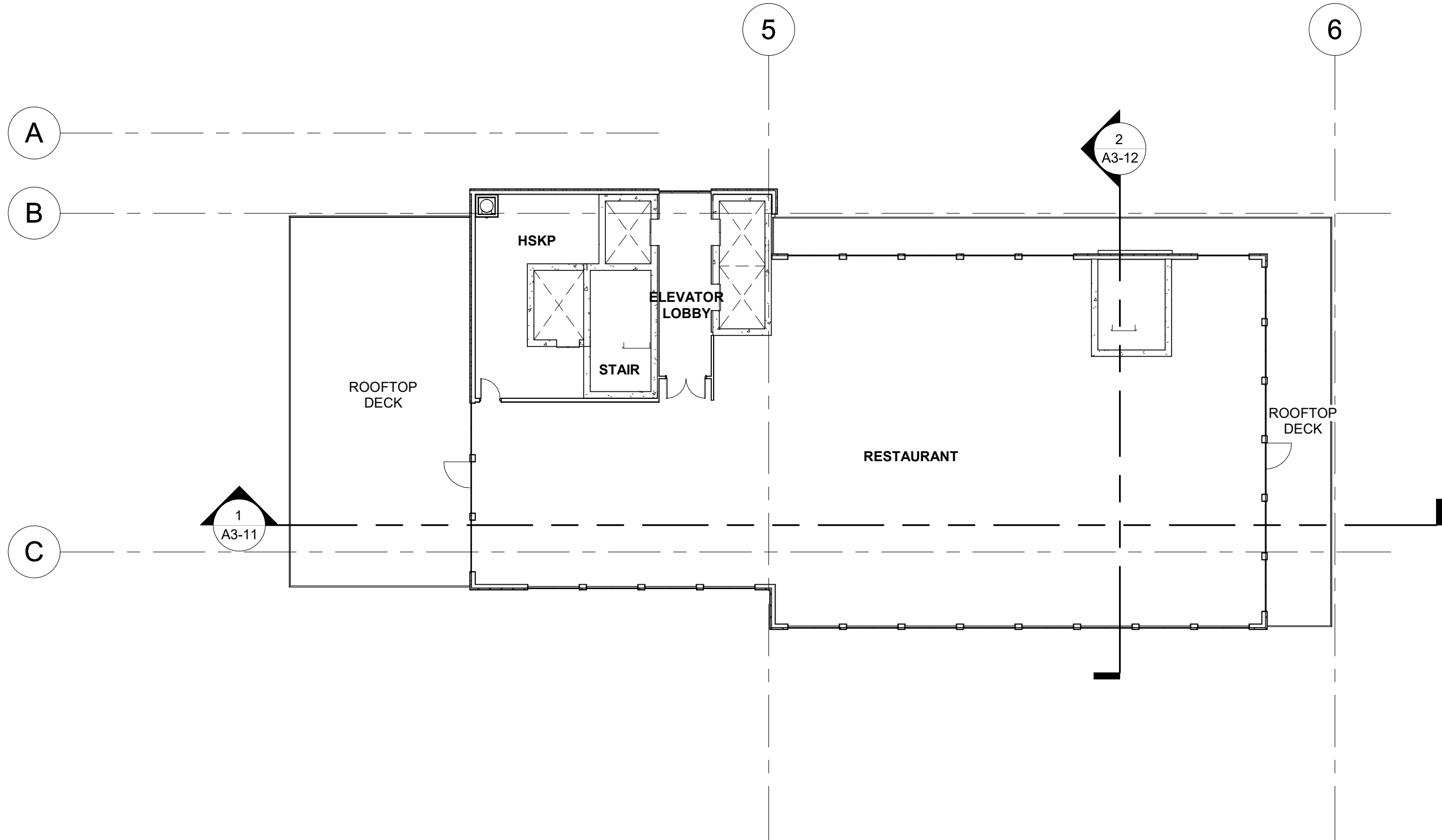
CLIENT PROJECT NO.

TITLE

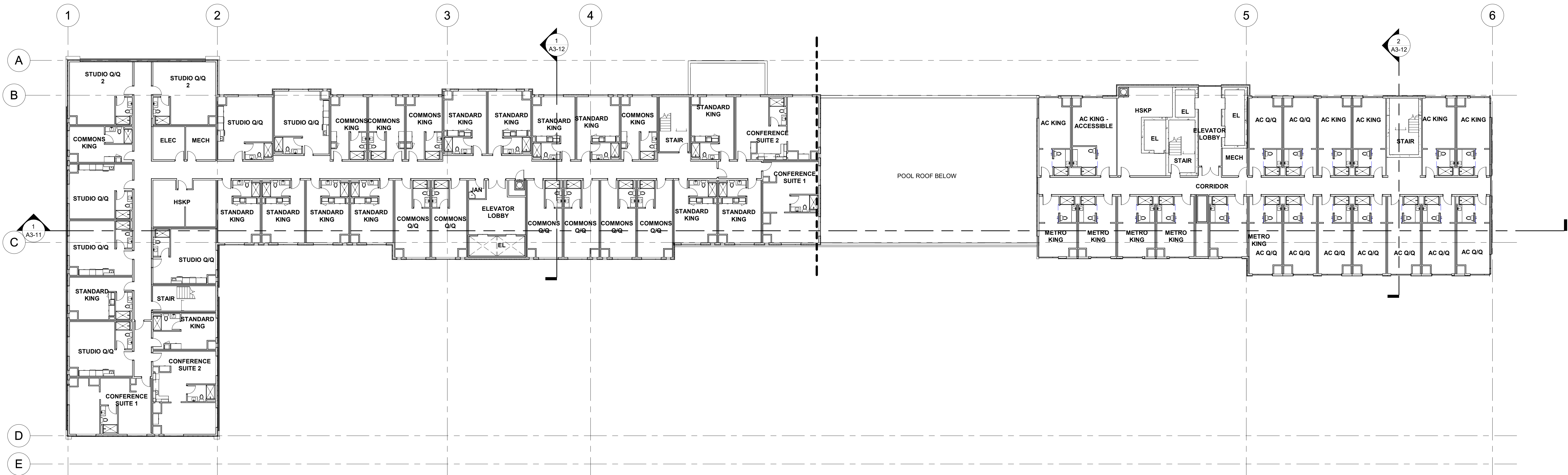
**UPPER FLOOR
PLANS - OVERALL**

SHEET

A1-203



2 TENTH FLOOR PLAN - OVERALL
1/16" = 1'-0"



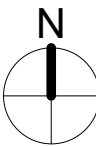
ELEMENT HOTEL: 3RD & 4TH FLOORS SIMILAR

AC HOTEL: 3RD - 9TH FLOORS SIMILAR

1 THIRD FLOOR PLAN - OVERALL
1/16" = 1'-0"



5/28/2024 1:41:58 PM



PRELIMINARY NOT FOR CONSTRUCTION



RENDERING



Architecture + Engineering + Environmental + Planning

HOTEL MANKATO
Mankato, MN - 05/28/2024
ISG PROJECT NO. 23-30180

ISGinc.com



RENDERING



Architecture + Engineering + Environmental + Planning

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ISG PROJECT NO. 23-30180

ISGinc.com



RENDERING



Architecture + Engineering + Environmental + Planning

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RENDERING



Architecture + Engineering + Environmental + Planning

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Mankato, MN - 05/28/2024
ISG PROJECT NO. 23-30180

ISGinc.com

EXHIBIT D

Names of officers and shareholders/partners with more than five percent (5%) interest in the corporation/partnership.

****SUPPLY DIRECTLY TO BAKER TILLY****

Please see Shareholder Info
Exhibit (provided under separate
cover to Baker Tilly).

EXHIBIT E
SOURCES AND USES WITH/WITHOUT FINANCIAL ASSISTANCE

Sources & Uses – With/Without TIF:

With TIF = 14.2% IRR

Uses	\$000/Key	\$000
Acquisition	\$ 29	\$ 8,081
Construction	205	57,825
FF&E	44	12,487
Soft Costs	33	9,405
Contingency & Other	17	4,912
Total	\$ 329	\$ 92,710
Sources	%	\$000
Senior Debt	65.0%	\$ 60,262
PACE	10.0%	9,271
Subtotal Debt	75.0%	69,533
Development Fee	4.4%	4,100
Founders Equity	5.3%	4,900
PPM Equity	15.3%	14,177
Subtotal Equity	25.0%	23,178
Total	100.0%	\$ 92,710

Without TIF = 11.0% IRR

Uses	\$000/Key	\$000
Acquisition	\$ 29	\$ 8,081
Construction	205	57,850
FF&E	44	12,487
Soft Costs	33	9,405
Contingency & Other	17	4,913
Total	\$ 329	\$ 92,737
Sources	%	\$000
Senior Debt	60.0%	\$ 55,642
PACE	10.0%	9,274
Subtotal Debt	70.0%	64,916
Development Fee	4.4%	4,100
Founders Equity	5.3%	4,900
PPM Equity	20.3%	18,821
Subtotal Equity	30.0%	27,821
Total	100.0%	\$ 92,737

EXHIBIT F
Prospective Lessees

****SUPPLY DIRECTLY TO BAKER TILLY IF PRIVATE INFORMATION****

N/A

Lot 1, Block 1, Key City Renewal Fifth Addition, Blue Earth County, State of Minnesota.

AND

All that part of the north - south running alley dedicated in Block 14, Map of Mankato, according to the recorded plat thereof, lying north of the Westerly extension of the north line of Lot 7, Block 14, Map of Mankato, according to the recorded plat thereof, City of Mankato, Blue Earth County, Minnesota, EXCEPT the west half of said alley adjacent to Lots 3 and 4, Block 14, Map of Mankato.

AND

The Easterly 102.5 feet of the Northerly 23 feet of Lot 9 and the Easterly 102.5 feet of Lot 10, Block 14, City of Mankato, County of Blue Earth, State of Minnesota.

AND

The Westerly 55 feet of the Northerly 99 feet of Lots 9 and 10, Block 14, Map of Mankato.

AND

Commencing at the Southwest Corner of Lot 9, Block 14, Map of Mankato, on the east line of the alley running on the west side of said Lot 9, running thence in a southeasterly direction and at right angles with said alley 55 feet, thence in a northeasterly direction and at right angles with said last mentioned line 33 feet; thence in a northwesterly direction and at right angles with last described line 55 feet and thence in a southwesterly direction and at right angles with said last described line 33 feet to the place of beginning.

AND

Lot 8, Block 14, Map of Mankato, except the Southerly 6 feet of the Easterly 60 feet.

AND

The Southerly 43 feet of the Easterly 102 1/2 feet of Lot 9, Block 14, Map of Mankato.

AND

Beginning at the Southwesterly corner of Lot 8, Block 14, MAP OF MANKATO, according to the recorded plat thereof; thence easterly 66.00 feet along the southerly line of said Lot 8 to a point on the northerly extension of the westerly line of Lot 4, SPENCER'S SUBDIVISION OF LOTS 6 AND 7 IN BLOCK 14 MANKATO, according to the recorded plat thereof; thence southerly along said northerly extension 12.00 feet to the northwesterly corner of said Lot 4; thence westerly along the westerly extension of the northerly line of said Lot 4 to the westerly line of said Block 14; thence northerly along the westerly line of said Block 14 to the point of beginning.

AND

All that part of the 12.00 foot alley dedicated per the SPENCER'S SUBDIVISION OF LOTS 6 AND 7 IN BLOCK 14 MANKATO, according the recorded plat (alley being now vacated per recorded document 600CR931) described as follows:

Being bound on the west by the northerly extension of the west line of Lot 4 of said SPENCER'S SUBDIVISION;

and

Being bound on the east by a line being 60.00 feet west of the northerly extension of the easterly line of said SPENCER'S SUBDIVISION.

HOTEL MANKATO, LLC

931 Madison Avenue, Mankato, MN 56001

June 12, 2024

Courtney Kramlinger, AICP
Economic Development Coordinator
City of Mankato
10 Civic Center Plaza
Mankato, MN 56001
ckramlinger@mankatomn.gov

RE: TIF Application – Letter of Commitment

Hotel Mankato, LLC is proposing to redevelop an existing blighted property bounded by E. Main Street, S. 2nd Street, E. Walnut Street, and S. Riverfront Drive, more specifically addresses known as 101 E. Main Street, 121 E. Main Street, and 118 S. Second Street (and associated vacated alleyway) situated in Downtown Mankato.

This proposal involves a 4-story extended stay Element by Westin, located at the intersection of North Riverfront Drive and Main Street, and a 10-story AC by Marriott, located at the intersection of Second and Main Streets. The two hotels will be adjoined by a common lobby with a direct connection to the existing City skywalk, allowing guests to have a direct connection to the many events held at the Mayo Clinic Civic and Event Center along with many other amenities offered in the downtown area.

The hotels will share common guest amenities including a pool, fitness center, guest laundry, lounge spaces, business pods, and a small conference room along with shared back of house spaces. This development is also providing space for a future coffee shop at the main level and a third-party restaurant with rooftop patio space at the 10th story overlooking the Minnesota River Valley. A courtyard area located between the Element and common lobby will offer a combination of possibilities for guest grilling stations, firepit(s), and an outdoor social lounge area.

The motor court drive-up will feature a unique grand entrance to the shared lobby and will provide access to the parking garage, multiple entrances for guests and pedestrians to access the skywalk, and an outdoor patio for the AC bar & lounge area. The design for the outdoor plaza at the intersection of Main and Second Streets is intended to incorporate original limestone and brick features hailing back to the Landmark Building that has resided at the corner of 2nd and Main Streets for over a century.

With consideration of approved TIF funding and various committed funding sources outlined on the attached TIF application, Hotel Mankato, LLC and its members currently have the capability and availability to fund the construction cost associated with the proposed project including total project costs of up to \$93,000,000.

Anticipating creation of the required TIF District and associated TIF funding approval, Hotel Mankato, LLC commits to constructing the proposed project on the described redevelopment property in substantial conformance with the construction plans, Certificate of Design Compliance, and related approvals to be issued by the City.

Hotel Mankato, LLC will obtain, in a timely manner, all required permits, licenses, and approvals, and will meet, in a timely manner, all requirements of all applicable local, State, and federal laws and regulations which must be obtained or met before the Project may be lawfully constructed.

Further, Hotel Mankato, LLC will construct, operate and maintain, or cause to be operated and maintained, the Project substantially in accordance with applicable City approvals and agreements, and all local, State, and federal laws and regulations including, but not limited to zoning, building code, public health laws and regulations, except for approved variances that may be necessary to construct the project contemplated in the construction plans approved by the City.

Subject to the terms and conditions of the proposed TIF Agreement and to unavoidable delays, Hotel Mankato, LLC intends to commence construction of the project in approximately November of 2024 and substantially complete the project consistent with the proposed development district, Tax Increment Plan, and approved construction plans in approximately October 2026.

On behalf of Hotel Mankato, LLC, thank you for your support of this project. We look forward to a continued partnership revitalizing the core downtown district with uses dedicated to encouraging activity and vibrancy.

Respectfully,

A handwritten signature in black ink that reads "Bryan G. Sowers". The signature is written in a cursive, flowing style.

Bryan G. Sowers, GRCP
Vice President/Secretary
Hotel Mankato, LLC