



BLOOMINGTON'S HOME FOR INNOVATION.

Bloomington Redevelopment Commission

May 20, 2024

Trades District Garage

Commercial space lease proposal

- Bloomington Redevelopment Commission approved the ~ \$11m Trades District garage project in October 2018
- Garage plans included approximately 6000 square feet of commercial / office space
- Trades District Garage opened April 2021
- City engaged Colliers in 2018 to market the Trades District and amended brokerage agreement in 2019 to include the commercial space in the garage.

Commercial lease proposal

Market context

- **Market recovery:** The Bloomington commercial real estate market has been recovering from the pandemic's impact, though at a slower pace than the national average [NAR Commercial Real Estate Metro Market Report | 2022.Q1 Bloomington, IN - National Association of REALTORS®].
- **Sector variations:** Recovery is uneven across sectors. Industrial and retail spaces are seeing a stronger rebound than office spaces, which continue to have higher vacancy rates [NAR Commercial Real Estate Metro Market Report | 2021.Q2 Bloomington, IN - National Association of REALTORS®].
- **Tenant Market:** Give state of real estate market, tenants benefiting and landlords responding with competitive lease terms.

Commercial space condition



UC Lawrence Berkeley National Laboratory Lease Proposal

- Rented space will be 4,059 sq. ft. within the Trades Garage
- \$19/ sq. ft. for base rent in the first year with annual increase of 2.5%, plus operating expenses
- \$55/ sq. ft. tenant improvement allowance from the RDC
- The lease will have a term of five (5) years and includes renewals for three additional terms of five years each
- The lease term will begin upon completion of tenant improvements
- Tenant to pay for tenant improvements, less tenant improvement allowance, amortized over the initial lease term

Trades District Hotel Proposal

Trades District hotel project summary

- Notice of Public Offering - July 18, 2023
- The RDC reserves the right to reject any or all offers. In determining the best offer, the RDC shall consider:
 - price and other considerations;
 - the timing of the transaction and development of the property;
 - source of debt and equity funds;
 - development resume;
 - any existing relationships with the RDC, the City, parties related to the approval process (such as the Dimension Mill, Inc.), Indiana University, Westgate/Crane and other key region innovation economy stakeholders (“Parties”);
 - the proposed development plan and future uses;
 - the scope of investigation / discussion with Parties;
 - how the offer and intended use(s) contribute to the City’s plans for the Trades District, including intended use for high technology activity; and
 - all other statutory criteria in Indiana Code § 36-7-14-22.

Proposal summaries

- The Mill received three competing proposals prior to the March 18, 2024 RDC meeting.
- Offers received from Alluinn Trades District Hotel, LLC; Pure Development, Inc, and MHG Hotels Group.
- On March 18, 2024, The Mill received updated proposal from MHG Hotels Group.
- RDC postponed making recommendation and directed The Mill to continue discussions with the competing developers.

Summary of Revised Proposals

	Alluinn IU & Pure Development Trades District Hotel	MHG Hotels
Purchase Price	\$1,200,000	\$1,350,000
Intended Structure	Alluinn will engage Pure Development ,Inc. as Developer. The developer will be solely responsible for all construction, maintenance, repairs, and operations of the project. Developer shall be responsible for the project design and shall consult with The Mill on hotel architectural plans.	MHG Hotels will act as developer. The developer will be solely responsible for all construction, maintenance, repairs, and operations of the project. MHG Hotels shall also be responsible for the project design and shall consult with The Mill on hotel architectural design.
Terms	\$50k non-refundable deposit @ execution of binding purchase agreement; balance to be paid in four equal quarterly payments beginning with the first calendar quarter ending after the 18-month anniversary of hotel opening. Purchase includes Tracts 3 & 4.	\$75,000 non-refundable deposit @ execution of binding purchase agreement; \$225,000 non-refundable deposit @ closing; balance due on 1 year anniversary date of hotel opening. Purchase includes only Tract 3.
Equity Capital	Alluinn + committed capital partners	MHG
Hotel Management	RFP for 3rd party operator	MHG self-management
Hotel Franchise	Alluinn to apply for 'soft brand' franchise i.e. Tribute by Marriott or Hotel Indigo by IHG.	MHG Hotels will self-manage a Marriott Autograph Collection or another soft brand hotel
Brokerage Fees	n/a	3% to Buyer's agent

Recommendation: Approve the Alluinn & Pure proposal and proceed with Project Agreement

“After evaluating the proposals from MHG and Alluinn/Pure, The Mill recommends that the RDC approve and execute the Alluinn/Pure LOI. Despite the lower offer price for the City’s property, the Alluinn/Pure recommendation is based upon the teams’ combined resumes, their deep relationships with local stakeholders and established track record developing successful premium hotel properties. The key factor driving this recommendation is the higher level of confidence in the Alluinn/Pure team’s capabilities of developing and operating a premium brand facility.”

Alluinn & Pure Core Team



Charles Whittaker
& Partners



Midwest Hospitality
Consultants



Pure Development



Solomon
Cordwell Buenz
(Architects)

Recent Projects

- Le Meridien, 220 Keys, full construction management and development, ground up, Pasadena/Arcadia, CA.
- Blue Chip Casino, 300 keys, full construction management and co-development. Ground up, Michigan City, IN.
- Independent boutique, 100 keys, Imperial Valley, CA.
- Sheraton - Hilton conversion, 150 keys, Dallas, TX.
- In progress: Hyatt Unbound conversion, 172 Keys, full construction management and development, Los Angeles, CA.
- In progress: 672 keys, three flags, construction management and development advisory, Columbia, SC.
- In progress: 200 keys, construction management and development advisory, San Luis Obispo, CA.
- In progress: 150 keys, construction management and development advisory, Coral Springs, FL.



Le Meridien Hotel – Pasadena, CA

Project economics

Direct Public Revenue Sources	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Inn Keepers Tax (5%)	\$114,977	\$142,341	\$149,062	\$145,028	\$146,169	\$147,371	\$144,589	\$149,963	\$151,356	\$152,815	\$1,443,670
Tax Increment Fund (TIF)	\$482,641	\$482,641	\$482,641	\$482,641	\$482,641	\$482,641	\$482,641	\$482,641	\$482,641	\$482,641	\$4,826,410
F&B Tax (1%) on \$2-\$3m revenue	\$20,000	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523	\$22,974	\$23,433	\$23,902	\$218,994
Local income tax (TBD)											
Parking Garage Rev. (150 spaces) \$113/month/space * 150	\$203,400	\$207,468	\$211,617	\$215,850	\$220,167	\$224,570	\$229,061	\$233,643	\$238,316	\$243,082	\$2,227,173
Total	\$821,017.90	\$852,850.00	\$864,128.06	\$864,742.77	\$870,625.24	\$876,663.65	\$878,814.18	\$889,220.63	\$895,745.71	\$902,439.48	\$8,716,247.62
Project Investment		\$35,000,000	per LOI		City "incentives"						
A/V Factor		65%	(estimate)		Land discount	\$380,000	\$380,000				
Projected A/V		\$22,750,000			Foregone % (3-5%/year)	\$126,040	\$215,740				
Tax Rate		2.1215%	(2023p2024 rate)		Total Incentive	\$506,040	\$595,740				
Tax Jurisdiction		Bloomington City - Bloomington Townshipp									

Alternative Approach

The City of Carmel: Hotel Carmichael

Public / Private Partnership

- \$58M+ project
- \$15M bond by city's redevelopment commission (CRC)
- \$5M from the CRC operating budget
- \$2M from TIF
- \$8M mortgaging of CRC-owned office building
- \$25M private loans



The Hotel Carmichael in Carmel's City Center as seen on Aug. 26, 2020.