

May 14, 2018

Mr. Steven Van Steenhuyse
Director, Development Services
City Hall
10 1st Street NW
Mason City, IA 50401

RE: Purchase, Sale, & Development Agreement-- Mr. Philip Chodur-- Courtyard by Marriott-- Mason City, IA

Dear Mr. Van Steenhuyse:

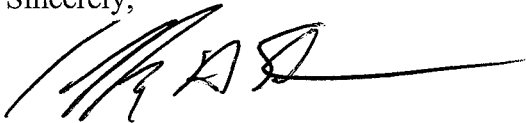
Byline Bank ("Lender") is pleased to be in underwriting of the above project referenced. Mr. Chodur and G8 Hospitality Group, Inc. ("Borrower") have executed a letter of intent with the Lender for a \$10MM loan to be guaranteed 70% by the U.S. Department of Agriculture's ("USDA") Business & Industry ("B&I") loan program. Having reached this agreement with the Borrower, Lender has already begun significant aspects of due diligence necessary for loan approval and USDA guarantee. These steps include, but are not limited to, the following:

- Byline Bank Site Visit and meeting with Borrower- 4/30/2018
- Executed Term Sheet- 5/11/2018
- Credit Underwriting and USDA Application Package- Ongoing

Given the progress to date, as well as the expected timeline for the Mason City Courtyard by Marriott project, Lender and Borrower expect to execute Commitment Letter and move to Closing by June 30, 2018.

Should you have any questions, please do not hesitate to contact me at (317) 960-3740, or mcallas@bylinebank.com.

Sincerely,



Michael Callas
Vice President
Byline Bank



9449 Priority Way W. Drive
Suite 220
Indianapolis, Indiana 46240

317 983 3379
bylinebank.com





www.firstcitizensnb.com

May 10, 2018

Mr. Chris Murray, Board Chair
Board of Directors
Iowa Economic Development Authority
200 East Grand Avenue
Des Moines, IA 50309

RE: USDA Guarantee

Dear Chairman Murray and Board Members:

With the permission of G8 Development, I had the opportunity to discuss the status of a loan guarantee with our bank's contact at the USDA. I was heartened to learn the USDA guarantee that was associated with G8's previous hotel construction loan application had indeed been approved and issued. I also learned from the USDA that the program under which the previous guarantee was issued is still available and the current project would likely be eligible with the changes that have occurred.

While this certainly isn't a commitment from USDA, it gave me confidence (and I hope it will provide similar assurance to the IEDA board) that our hotel developer's credit application can proceed through the USDA pipeline with a positive outcome.

Our bank stands firmly behind the River City Renaissance project. This investment in our downtown core and the repurpose of Southbridge Center is critical to North Iowa's economic infrastructure.

Thank you for your support.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert J. Klocke".

Robert J. Klocke
Chief Credit Officer
First Citizens Bank



10 First Street Northwest
Mason City, IA 50401-3224
(641) 421-3600
www.masoncity.net

May 11, 2018

Mr. Chris Murray, Chair
Board of Directors
Iowa Economic Development Authority
200 East Grand Avenue
Des Moines, IA 50309

Dear Chairman Murray and Board Members:

Thank you for your partnership with Mason City.

I appreciate your patience as we move forward with this key project. With the outstanding work of our staff and all of our partners, we have made great progress in the last thirty days. I am happy to report that I believe we have met all of the May 18th contingencies established by the Iowa Economic Development Authority (IEDA).

A primary area of concern has been bank financing. With certain contingencies, a commitment to finance the hotel has been made by Byline Bank, of Indianapolis. The bank also has assurance the loan will have the backing of the USDA. The USDA backing is corroborated in a letter of support (attached) from First Citizens Bank, of Mason City.

You will find additional information on this and the other contingencies that we have fulfilled in a memo (attached) from Steven Van Steenhuyse, our Director of Development Services, who is our point person on this project.

Sincerely,

A handwritten signature in blue ink that reads "Bill Schickel".

Bill Schickel
Mayor



May 9, 2018

Mr. Chris Murray, Board Chair
Board of Directors
Iowa Economic Development Authority
200 East Grand Avenue
Des Moines, IA 50309

RE: Iowa Reinvestment Act Application

Dear Chairman Murray and Board Members:

On behalf of the Mason City Chamber of Commerce and its member businesses which employ more than 16,000 people, we offer enthusiastic support for Mason City's downtown vision. Last November, our citizens demonstrated their support for the project ballot issues with a whopping 75% favorable vote. As community leaders, it is our responsibility to make the River City Renaissance happen.

While this project has experienced difficulty moving from concept to reality, we believe the end result of these often frustrating stops and starts will be a better project. The slight modification to the proposed location for the hotel and the revision to the conference center plans will enable us to transform a contiguous blighted area to new construction. This change also improves the plan for cost-effective ongoing operations of The Music Man Square. Without the "pause" caused by switching developers, this opportunity to improve the project would not have occurred.

We stand ready to offer the resources of our organization to move this project forward. Thank you for sharing our vision and for your patience and support. Mason City needs this project, and it would not have happened without the impetus of the Iowa Reinvestment Act program.

Thank you!

Sincerely,

Robin Anderson, President & CEO
randerson@masoncityia.com



THE MASON CITY FOUNDATION

308 S. Pennsylvania Ave., Mason City, Iowa 50401
Phone: 641-424-2852 or 1-866-228-6262
E-mail: mmsquare@themusicmansquare.org
www.themusicmansquare.org

May 11, 2018

Iowa Economic Development Authority
200 East Grand Avenue
Des Moines, IA 50309

RE: Iowa Reinvestment Act Approval

Dear IEDA Committee Members:

On behalf of the Mason City Foundation Board and The Music Man Square, we enthusiastically support The River City Renaissance Iowa Reinvestment Act Project.

We've partnered with the City and worked diligently towards creating this project that will enhance the positive economic impact for Mason City and North Iowa. Mason City is already a cultural hub. The River City Renaissance Project will allow us to become a greater asset in drawing people to town. This project fits hand and glove with our mission to preserve and promote the life and legacy of Meredith Willson while also promoting and celebrating the hometown he loved so well.

We thank you for the time and dedication that you have invested in this project and the faith you have shown in us to make this project a success.

Sincerely,

Dalena Barz
Board President of the Mason City Foundation

Memorandum

To: Alaina Santizo, Project Manager, Iowa Reinvestment District Act
CC: Members of the Board, Iowa Economic Development Authority
From: Steven J. Van Steenhuyse, Director of Development Services
Date: May 14, 2018
RE: Addendum: Mason City Downtown Reinvestment District – Background, Detail of Events and Decisions

In anticipation of the IEDA Board's meeting on May 18, I wanted to provide a detailed background explaining how the City's Reinvestment District project is where it is as of today. As you know, there have been a few twists and turns in the project, some of which have caused delays, but all of which have led towards a better project – for our citizens and for the State of Iowa. You may be aware of some these events, but others, for reasons outlined below, have been kept confidential. The intent of this memo is to state the events and decisions occurring in the background that have influenced the process taken by the City and by its partners, G8 Development, Inc., and the Mason City Foundation. I hope that this will clear up any unknowns and adequately explain our current position.

I. Change in Developer

We have stated before the reasons for why the City switched developers, but we would like to show how this change ultimately affected our timeline. After the wildly successful referendum on the River City Renaissance Project on November 7, 2017, City Staff and the North Iowa Corridor Economic Development Corporation hoped to receive contingent approval of the project from the Board later that month. However, the developer we were working with at that time, Gatehouse Mason City, LLC, decided that they wanted additional concessions from the City. As a result, we were required by Section 403.8 of the Iowa Code to re-open the bidding process. There were several people in our community who felt that the City could get a better deal for the taxpayers if there were a competing developer. This group worked with

G8 Development, Inc. to submit a competing bid. The bid was received on time and was determined to be qualified.

After several required procedural steps and detailed consideration by City staff and the City Council, it was determined that the G8 proposal was more in the public interest, as required by Iowa Code 403.8, than the Gatehouse proposal. Based on this and other advantages G8 provided in relation to the Gatehouse bid, the City Council accepted the G8 bid and approved a Purchase, Sale and Development Agreement (PSDA) with them on December 28, 2017.

II. Changes to the Music Man Square Plan

Previously, in October, 2017, the Council approved a PSDA with the Mason City Foundation (MCF), owners of The Music Man Square. As you may recall, the existing Music Man Square building was originally proposed to be converted into a convention and meeting space, with the space currently occupied by the Meredith Willson Museum to be converted into a ballroom. This required construction of a new museum building, proposed to be located north of the Downtown Hotel, on the west side of South Delaware Avenue. The PSDA between the City and the Foundation contained provisions for conveying City-owned land for the Museum, and providing funding of up to \$3,000,000 for the convention center and \$1,500,000 for the museum. It also included requirements for the Foundation to work with the hotel developer (who was Gatehouse at that time) for the design, development, operation and maintenance of the Convention Center. Thus, Gatehouse was cited prominently in the PSDA. With the change in developer to G8, an amendment to the PSDA was necessary.

At about this time, there was some re-organization of the Mason City Foundation Board, and the new officers and Board members decided to take another look at their plan. Based on an internal review, it was determined that a separate museum building, located across the street, would not be efficient or cost effective; in addition, moving the Meredith Willson Collection to a new facility would significantly add to the project cost. They then began to consider other options. A ballroom addition to the existing building, which would allow the museum to remain in its current location, would be much more efficient and would not require relocation of the museum collection. Since the Music Man Square building uses nearly all of the land it is built upon, the Foundation would have to purchase additional property to allow for an addition.

The MCF Board approached the owner of land immediately south of the existing Music Man Square. Working with an architect, the MCF Board determined that, compared to the prior plan, the cost of a ballroom addition and the cost of purchasing and preparing the adjacent land could be accomplished with the \$4.5

million dedicated to the construction of the convention center and museum. The amended PSDA (now called the “Amended and Restated Development Agreement,” or ARDA, since there will not be conveyance of City property) reflects the new Music Man Square plan.

The adjacent owner and the Foundation have successfully negotiated a purchase agreement. As part of that agreement, this sale has been kept confidential. Since notice of the public hearing on the ARDA was published on May 11, the Foundation’s intent to purchase the adjacent land for a Ballroom Addition is now available to anyone requesting to review the ARDA. For these reasons, the ability of the MCF to commit to the land purchase has been delayed due to the necessity of amending the PSDA to an ARDA and the meeting statutory requirements for approval of an amended and restated development agreement.

III. Changes to the Downtown Hotel Plan

As should be obvious to all but the most casual observer, this project contains a lot of moving parts, which are reliant upon, but not under the control of, the City or its project partners. The new Music Man Square Convention Center and Museum plan affects the ultimate location of the Downtown Hotel. Without a museum building on the same side of the street as the Hotel, the hotel building can be moved north, adjacent to Southbridge Mall and closer to the heart of Downtown. Like the changes to Music Man Square, this change is much more beneficial to the Hotel, the City, and the overall Reinvestment District project.

The Hotel remains on the west side of South Delaware Avenue and will still be connected to the Music Man Square via the Skyway. However, the relocation will save costs because the new location has been shown to have better foundation bedrock and also avoids the need to relocate an existing underground sanitary sewer. Placing the Hotel closer to the Mall will make it easier for Hotel guests to access the Sports/Entertainment/Retail Complex, particularly the Multi-Use Arena and the Performing Arts Pavilion. This location also benefits Downtown, as guests will have easier access to the historic retail and entertainment heart of the Downtown District.

The change could not occur, however, until it became reasonably certain that the museum would not be located north of the Hotel. Upon learning that the revised Music Man Square plan was reasonably certain to occur, the Hotel developer authorized his civil engineer to complete the concept site plan, with the Hotel located north of the originally proposed location. The Concept Plan was completed, submitted to the City, and reviewed by the City’s Development Review Committee on May 1, 2018.

Since the location change delayed the completion of the concept plan, G8 Development has been hampered in their efforts to secure private financing for the project. It is difficult for a developer to pitch a project to investors if there are still entitlement issues to overcome. Without at least a conceptual site plan, a potential lender will be reluctant to go beyond a mere offer of loan terms. Now that G8 has a concept plan with City approval, they have been working closely with an investment team that has expressed confidence in the project and a willingness to offer financing, subject to underwriting.

IV. Conclusion

As you can see, therefore, the delays and uncertainties leading up to the current status are all due to changes in the plan that have led to a much better project. If we (the City) did not believe that this is so, we would have kept with the plan originally proposed by Gatehouse. However, we believe that the plan as now presented is evidently much better, and worth the time, effort and energy that were needed to make this plan viable.

Attachments:

1. Area Concept Plan, showing the Reinvestment District projects (Exhibit “G” in the Amended and Restated Development Agreement between the City and the Mason City Foundation)

EXHIBIT G

SITE PLAN OF CONVENTION CENTER IMPROVEMENTS AND SKYWALK IMPROVEMENTS

