

MEMORANDUM

TO: City Council

FROM: Gregory E. Buckley
City Manager



DATE: January 3, 2025

SUBJECT: Proposed Amendment to Agreement for Sale of Real Estate with Wine Not, LLC
Pertaining to 2023 Washington Street

Attached for your consideration on Monday night is the proposed amendment identified above.

This matter was last in front of the City Council at your meeting of November 18, 2024, where the Council directed that such an amendment be prepared, with key provisions consistent with a staff memo that accompanied that agenda (that memo is also attached).

Among other things, the Amendment allows for Wine Not, LLC, should it sell the property in question prior to December 31, 2025, to recoup 100 percent of its documented eligible expenditures associated with the property--"eligible" per the terms of the original agreement. (Sale proceeds would be divided two-thirds City/one-third developer thereafter.) The figure cited in the Amendment for such expenditures is based on expenses as reported by the developer below:

Plan design by Vision Architecture- \$6,203.23

Engineering by Larson- \$1,932.00

Permits- \$3,912.00

Dumpster- \$1,769.58

Asbestos Testing by Environmental Management- \$970.00

Asbestos Removal by Advanced Asbestos Removal- \$1,585.00

Demo of building by Tower Excavating- \$21,900.00

Total Construction costs to date - \$38,271.81

Purchase Price- \$10,000

Total costs **\$48,271.81** not including property taxes, snow removal, utilities, and labor cost incurred by Fresh Coast Construction LLC.

BARRY KRAHN

MEMORANDUM

TO: City Council

FROM: Gregory E. Buckley
City Manager



DATE: November 15, 2024

SUBJECT: Agreement Between City and Wine Not LLC Pertaining to 2023 Washington St

Background:

The City acquired this property through a cooperative arrangement with Manitowoc County in April 2020. The property had been vacant and tax delinquent for over 10 years. While the County had the ability to take title to the property after three years of tax delinquency, it did not do so, out of concern for the brownfield nature of the property. (There had been a leaking underground storage tank situation, which was remediated and "closed out" by WDNR, subject to certain ongoing conditions.)

In the interest of seeing the property redeveloped, the City acquired the County's tax foreclosure rights through a "Section 75.106" agreement with WI DNR, which qualified the City for the Local Governmental Unit (LGU) exemption to environmental liability that is available to local units under Wisconsin law. Based on that agreement between the City and WDNR and the County's concurrence, the City was awarded title to the property by Manitowoc County Circuit Court in April 2020.

The property was listed for sale with a realtor in July 2020. It was the subject of a purchase agreement with TA Properties (Tim Klein) for a time--from July 2021 to November 2021. Terms included sale for \$10,000, with a \$5,000 non-refundable down payment. In November 2021, the City Council approved allowing TA Properties to terminate the agreement, with a refund of the \$5,000 deposit; the property remained in the City's ownership.

Purchase by Wine Not, LLC

In December 2021, the City issued a Request for Proposals for redevelopment of the property, indicating a willingness to sell the property for \$10,000, provided that a purchaser invest at least \$100,000 in its redevelopment. While a few parties showed some interest in the property, the only proposal received was from Wine Not LLC.

The City Council on February 7, 2022 approved a purchase agreement with Wine Not LLC; that agreement was signed by the City and Wine Not LLC in April 2022; **a copy is attached**. Principals of

Wine Not, LLC are Curt and Jean Andrews and Barry and Gina Krahn--this entity was also the developer of Cool City Brewing Company.

That February 2022 agreement provided, among other things, that Wine Not LLC would:

--Within 180 days submit plans for redevelopment of the property (by January 2023)

--By September 2023, have completed the project and provided the City with evidence of having invested at least \$100,000 in improvements to the property; to the extent such investment fell short of \$100,000, the balance would be due as a payment to the City.

Plans for the project were approved by the Plan Commission in November 2022. But, as work on the property proceeded, the developers ran into several challenges, which drove up the cost of the project considerably. They cited costs of more than \$500,000 as demolition and rebuilding of a portion of the building was found to be necessary.

Upon request of Wine Not LLC, the City Council approved two extensions of the timetable contained in the purchase/development agreement:

--In June 2023, extending completion deadline to December 31, 2023, but leaving the deadline for proof of investment of at least \$100,000 at September 2023.

--In September 2023, extending completion deadline to July 31, 2024, and extending the deadline for proof of investment of at least \$100,000 to December 31, 2023.

Wine Not ultimately made the determination that it was necessary to demolish the entire building, including the back wall. This complicates redevelopment of the site, as a new building will need to meet the Zoning Code's rear yard setback requirement of 25 feet (old building was built just about up to the property line). That said, this lot does feature 150 feet of state highway frontage, and has good potential as a redevelopment site, either by itself or as part of a larger site assembly.

Last Council Discussion was February 29, 2024

On February 29, 2024, Barry and Gina Krahn of Wine Not LLC met with the City Council in a work session and discussed the challenges of redeveloping the property. They indicated that LLC had invested about \$50,000 in the project to date. Various options were discussed to address the project and the purchase/development agreement going forward, as indicated in the **attached minutes** from that meeting.

While it was intended to bring this issue back to the City Council for some manner of action on the purchase/development agreement, I am sorry to say that has not happened to date. I apologize for the extended delay, but other projects and activities have just taken priority on my schedule, and we have been without a Community Development Director since early June.

To get this matter back "on track," there was discussion in closed session at the Council meeting on November 4, to get feedback from the City Council on this matter before re-engaging with Wine Not LLC. In follow-up to that closed session, I met with Wine Not LLC reps and have included this matter on Monday's agenda for open session consideration. Monday's agenda also provides the opportunity for further closed session discussion if the City Council deems that appropriate for negotiation purposes.

Based on that closed session discussion with the Council and a follow-up meeting with representatives of Wine Not LLC I would still recommend giving that entity a formal, written extension to allow them to pursue marketing/redevelopment of the property, under a new or amended Agreement with the following key terms, consistent with the Council's discussion back in February:

- Wine Not and the City must first agree on the amount of Wine Not's documented investment in the Property (represented to be \$50,000).
- Give Wine Not, LLC until December 31, 2025 to sell the property or to develop it; require that the property be listed within 30 days of signing the new/amended Agreement.
- Provide that the City has a right of first refusal to match any bona fide offers received by Wine Not LLC during the above period.
- If Wine Not LLC sells the property during the above period, allow Wine Not LLC to retain 100 percent of sale proceeds in an amount up to its mutually agreed-upon, documented investment in the property (not to exceed \$50,000); any proceeds in excess of that amount will be split between the City (2/3 of such excess) and Wine Not LLC (1/3 of such excess).
- If Wine Not LLC has not sold the property by December 31, 2025, then the City will have a one-month option period (January 1 to January 31, 2026) during which it can exercise an option to purchase the Property from Wine Not LLC for \$10,000. Closing to take place within 60 days of the exercise of such option.
- If the property has not been sold by December 31, 2025 and the City has not exercised its option to purchase by January 31, 2026, then neither the City nor Wine Not LLC has any remaining obligations under the Agreement.

If the City Council directs that these or other key terms be included in a new/amended agreement, I will proceed to work with our City Attorneys to work up a full agreement to bring back to the Council. If this matter needs further review, I suggest a referral to the Personnel and Finance Committee.