

MEMORANDUM

To: City Council

From: Gregory E. Buckley
City Manager



Date: April 26, 2023

Subject: Amendment to Agreement for 2023 Washington Street (Former Uni-Mart Site)

In February 2024 the owners of 2023 Washington, Wine Not, LLC (“Developer”), approached the City requesting modification of the agreement they entered into with the City In April 2022 for the development of 2023 Washington Street. This was due in part to the complications that arose in the course of their efforts to redevelop the property.

As the developer began work to renovate the existing former UniMart, a c-store and gas station for redevelopment, it was determined the building needed to be demolished, due to structural problems. In addition, a small, filled basement was discovered on the site following the building removal. These unplanned circumstances brought Wine Not LLC back to the City to discuss alternatives for the future of this property.

Background

The City acquired 2023 Washington as a tax-delinquent property in 2020 for the purposes of redevelopment. The acquisition was done through a process set forth in Section 75.106 of WI Statutes, which allows counties to assign their foreclosure rights on tax delinquent property to local units. Manitowoc County assigned its tax foreclosure rights on this parcels to the City of Two Rivers; the City in term entered into an agreement with Wisconsin DNR; that agreement, among other things, affirmed the City’s protection from environmental liability for this brownfield property, under the local governmental unit (LGU) exemption.

The City conducted an RFP process to select a buyer with a plan for development and selected Wine Not LLC. The conditions to sell the property to the selected buyer included:

- Providing site and architectural plans within 180 days;
- Buyer to invest at least \$100,000 in the property and provide the City with documentation of such investment, by September 30, 2023. To the extent that documented investment into the property fell short of \$100,000, that difference would

be payable to the City. The City Council subsequently extended deadlines to require investment of at least \$100,000 by December 31, 2023 and project completion by July 31, 2024. (Note: as one of the principals in Wine Not, LLC is a contractor, any “in kind” work by the LLC or its members or affiliated entities did not count toward the investment requirement.)

Wine Not, LLC has indicated that, due to issues that have been encountered on the site, the December 31, 2023 deadline was not met and the July 31, 2024 project completion deadline will not be met. They have also indicated that over \$40,000 in qualifying expenditures have been made on the project.

Future Action

Following discussion with representatives of Wine Not, LLC at the Council work session on February 26, 2024, City Council members indicated support by consensus to amend the 2022 purchase agreement with Wine Not, LLC.

Staff’s understanding of the terms for such an amendment is as follows:

- Wine Not, LLC will be given an additional 12 months (say, to May 31, 2025) to either sell the property or redevelop it themselves
- If the property is sold for \$50,000 or less, Wine Not, LLC may retain 100 percent of the sale proceeds and will have no further obligation to the City
- If the property is sold for more than \$50,000, then any proceeds in excess of \$50,000 will be split between Wine Not, LLC and the City, with \$2 to be retained by the City for every \$1 retained by Wine Not, LLC
- If Wine not is not successful in selling or redeveloping the property as described above, at the end of the 12-month period the City will have the option to purchase the property back from Wine Not, LLC for the original purchase price of \$10,000.

The reason for including this matter on the April 29 work session agenda is to clarify our understanding of the basic terms for such an amendment, before directing the City Attorney to prepare the amendment.