

Product of #
RYAN COMPANIES / 2
rec'd 12/10/2013

Midtown Exchange
Midtown Global Market Parking
History, Free Parking and Parking Rate Structure

History:

- October 2002** Ryan indicates interest to City in former Sears
- 1Q 2003** Ryan discusses project with potential retail tenants
Nash Finch – “Avanza” Hispanic-focused grocery
TJ Maxx – subsidiary focused on apparel sales in lower-income areas
Subway Restaurant
Potbelly Sandwiches
McDonald’s Restaurant
Sprint cellular
ReUse Center (Green Institute)
- Spring 2003** City staff (Jim White) suggests Ryan meet with representatives of Neighborhood Development Center and Latino Economic Development Center to discuss their hopes for the redevelopment project, concerns with bringing in national retailers
- June 2003** Ryan team submits mixed-use RFP response to City RFP, with retail space including “International Market” for which NDC and LEDC would be consultants to Ryan’s team
- July – September 2003** In post-RFP submittal discussions with City, City staff reinforces importance of including Global Market concept in Ryan’s proposal. Ryan continues discussions with NDC and LEDC and parties agree that NDC consortium will become part of Ryan’s team (instead of consulting). Ryan agrees to pursuit of Global Market as “Plan A” – “Plan B” would include conventional retailers.
- January 2004** Ryan team awarded Tentative Development Rights
- February 2004** Allina commits to lease 255,000 square feet for Corporate Headquarters
- Spring 2004** Development team determines potential parking supply shortfall at peak periods. Ryan’s proposed parking ramp is expanded from 1,267 spaces to 1,464 spaces – expansion of 197 spaces (at \$12,000 per space, approximately \$2.4 million). Later restriped with narrower spaces to achieve 1,580 total spaces, (including below-grade condominium parking).

August 2004

City/Ryan Development Agreement includes two City loans to Ryan to support parking expansion:

Environmental Loan	\$ 977,196
Parking Loan	<u>\$ 365,000</u>
Total Loans	\$1,342,296

Repayment from Ryan to City based on:

Annual payments equal to 80% of parking operating profit
Remainder paid upon sale or refinancing of project

City Loan

Payments by Ryan

2006	Parking not profitable – no payment made
2007	Parking not profitable – no payment made
2008	Parking not profitable – no payment made
2009	Paid \$ 79,268 (6/10)
2010	Paid \$ 88,575 (4/11)
2011	Paid \$ 86,017 (4/12)
2012	Paid <u>\$106,815</u> (7/13)
Total	Paid \$360,675

Remaining Principal Balance:

Environmental Note:	\$ 937,000
Parking Note:	<u>\$ 127,000</u>
Total Balance	\$1,064,000

Annual Operating Costs

A portion of parking facilities' annual operating costs and real estate taxes are paid for by MGM and other parking users. However, a significant portion of total operating costs for the parking facilities are paid by Ryan – approximately \$215,000 for 2012. Ryan must recover parking revenue from parking facilities to first break even on operation of the parking facilities, and then earn parking operating profit – of which 80% is paid to the City until Ryan's loans are fully repaid.

MGM Parking, Free and Paid

Parking Agreement

Ryan and MGM executed a Parking Agreement on September 20, 2005 (excerpts attached) through which Ryan to provide free parking on Saturdays and Sundays for MGM customers from 6/1/06 (opening date) through 5/31/07 (12 months).

**Parking Agreement
Modifications**

Since that time, Ryan has further supported the MGM by providing additional free customer parking during the following time periods:

6/1/06 – 7/31/12	Weekdays	Free Parking on west lot 5:00 – 8:00 PM
6/1/06 – 7/31/12	Weekends	Free Parking on west lot all day
6/1/06 – 2/28/13	Weekends	Free Parking in Ramp (3 hours) all day
3/1/13 – Present	Weekends	Free Parking in Ramp (2 hours) all day

Global Market

Parking Payments

2006-2009	Data not readily available
2010	\$100,302 paid by MGM for customer validations (3 hrs)
2011	\$97,094 (3 hrs)
2012	\$99,736 (3 hrs)
2013	\$69,698 thru October* (reduced to 2 hrs free 3/1/13)
Future	Based on 2 hours validated, 12-month avg \$79,000/year

*Note: MGM has not paid Ryan for any validated parking since April 1, 2013. Increasing accounts receivable balance with Ryan.

All of the MGM payments for validations have been included in Ryan’s calculation of annual parking operating income through the end of 2012, of which 80% has been paid to the City.

Ryan Foregone

MGM Parking Rev

6/1/06 – 7/31/12	Weekdays	Free Parking on west lot 5:00 – 8:00 PM
Average Parkers/Evening	76	
Average Lost Revenue/Week	\$284	(\$0.747 per parker)
6/1/06 – 7/31/12	Weekends	Free Parking on west lot all day
Average Parkers/Weekend	487	
Average Lost Revenue/Week	\$365	(\$0.749 per parker)
6/1/06 – 2/28/13	Weekends	Free Parking Ramp (3 hours) all day
Average Parkers/Weekend	728	
Average Lost Revenue/Week	\$728	(\$1.00 per parker)
3/1/13 – Present	Weekends	Free Parking Ramp (2 hours) all day
Average Parkers/Weekend	728	
Average Lost Revenue/Week	\$670	(\$0.92 per parker)

Approx Total Ryan Foregone Revenue: \$491,000 (6/1/06 – 12/15/13)

**Parking Rate
Comparison**

<u>Time Period</u>	<u>Midtown Exchange</u>	<u>Children's Hospital</u>	<u>ANW Hospital</u>
First 15 min	Free	Free	\$2.00
First 30 min	\$0.75	Free	\$2.00
Up to 1 hour	\$0.75	\$3.00	\$4.00
Up to 2 hours	\$2.00	\$4.00	\$5.00
Up to 3 hours	\$3.25	\$4.00	\$6.00

Note: Ryan has not increased its parking rates since inception. Ryan's parking manager has estimated that parking net income would increase by a minimum of \$135,000 per year if Ryan ONLY increased the parking rate for the first hour to \$2.00, which would still be below 33% - 50% below the 1 hour rates charged at nearby parking facilities.

**Parking
Validation Period**

MGM previously provided 3 hours of free parking to its patrons. On April 1, 2013, MGM reduced free parking to 2 hours. MGM has reported to Ryan that they have not felt any meaningful negative pushback on this change.

Ryan has proposed that MGM further reduce free parking from 2 hours to 1 hour. MGM is concerned that this would reduce their customer visits. There would be no way to measure the actual impact of such a change without taking the risk of a "test period". At this point, the MGM is not willing to take that risk.

Parking Rate Revision

As a further accommodation by Ryan to reduce the average cost to MGM for each validated customer, while recovering revenue to offset capital and operating costs, Ryan's offers the following proposed parking rate revision:

<u>Time Period</u>	<u>Current Rates</u>	<u>Revised Rates</u>
0 - 15 min	Free	Free
16 - 60 min	\$0.75	\$0.75
61 - 90 min	\$2.00	\$1.25* (see note)
91-120 min	\$2.00	\$2.00
Up to 3 hours	\$3.25	\$3.25

*Note: The important proposed revision to parking rates is for the first half of the second hour of parking. Experience has shown that the average MGM customer's parking stay is approximately 1 hour 20 minutes. If every parker stayed 1 hour and 20 minutes, the MGM's validation under Ryan's revised parking rate structure would be reduced from \$2.00 to \$1.25 - a 38% reduction.

PARKING AGREEMENT

THIS PARKING AGREEMENT (this "Agreement") is made as of September 20, 2005, by and between Midtown Exchange Commons LLC, a Minnesota limited liability company ("Owner"), and Midtown Global Market, LLC, a Minnesota limited liability company ("MGM").

[Excerpted from fully executed Parking Agreement]

1. **Initial Parking Rate Structure.** The hourly transient parking rate structure for the Garage Parking Area for MGM's customers, a copy of which is attached hereto as Exhibit D (the "Parking Rate Structure"), shall be in effect in favor of the Property from December 1, 2005, through December 31, 2007
2. **Free Parking.** Owner will provide MGM's customers with free transient parking on Saturdays and Sundays at the West Parcel metered transient parking and in the Garage Parking Area for a twelve-month period commencing on MGM's receipt of its certificate of occupancy and continuing for twelve (12) months thereafter. MGM will be required to purchase from Owner and to place and remove on Saturday and Sunday, respectively, parking meter hoods for the West Parcel metered transient parking.
3. **On-going Parking Rate Structure.** Commencing on January I, 2008, Owner agrees that transient parking rates for MGM's customers for the first hour of transient parking in the Garage Parking Area shall be no greater than sixty percent (60%) of the transient parking rates for the second hour of transient parking in the Garage Parking Area, all rounded up to the nearest twenty- five cent (\$0.25) increment. Owner further agrees that the transient parking rates for MGM s customers for the first two (2) hours of transient parking in the Garage Parking Area shall be no greater than forty-five percent (45%) of the transient parking rates for the first four (4) hours of transient parking in the Garage Parking Area, all rounded up to the nearest twenty-five cent (\$0.25) increment.