

August 30, 2005

Mr. Erik Hansen  
City of Minneapolis—CPED  
105 Fifth Avenue South, suite 200  
Minneapolis, Minnesota 55401

Re: WMI's Response to RFP for Penn and Lowry Avenues

Dear Erik,

Wellington Management, Inc. is pleased to respond to the City of Minneapolis, Community Planning and Economic Development's Request for Redevelopment Proposals for City Owned Real Property at Penn and Lowry Avenues North.

As part of WMI's response to the RFP for the Penn Lowry site, I have provided directly to Director Sheehy the financial statements of Wellington Management, Inc., as well as certain additional financial information. Additionally, in the appendices to WMI's RFP response, I have provided various purchase agreements and leases for the property proposed to be included in WMI's *Penn-Lowry Crossing* project. Certain confidential terms and conditions have been deleted from these documents but may be requested by Mr. Sheehy and if requested, will be provided confidentially for his review.

WMI is excited about the redevelopment possibilities for Penn and Lowry. With over three million square feet of commercial space in 75 buildings, WMI knows how to develop property. WMI is known for its creative solutions and is committed to philanthropy and community service. WMI's experience includes commercial, retail, service and residential properties and WMI is prepared to move forward with its proposed development, *Penn-Lowry Crossing*, following citizen input and selection by the City.

Thank you.

Sincerely,



Stephen B. Wellington, Jr.  
President

**Penn-Lowry Redevelopment Proposal  
for *Penn-Lowry Crossing***

**Wellington Management, Inc.  
1625 Energy Park Drive  
St. Paul, Minnesota 55101-2703**

**A Minnesota Corporation**

**Federal ID # 41-1505814**

**State ID # 3179697**

**Stephen B. Wellington, Jr., President  
651-999-5500  
651-292-0072  
[SWellington@Wellingtonmgt.com](mailto:SWellington@Wellingtonmgt.com)**



**Stephen B. Wellington, Jr.**

8-30-05

**Date**

**Wellington Management Inc.'s  
Response  
to the City of Minneapolis' Request  
for Redevelopment Proposals  
at Penn and Lowry Avenues North**

**August 30, 2005**

**Developer**

Wellington Management, Inc.  
Stephen B. Wellington, Jr., President  
1625 Energy Park Drive  
St. Paul, MN 55101

**Property Management**

Wellington Management, Inc.  
Judd Fenlon, Development Associate  
1625 Energy Park Drive  
St. Paul, MN 55101

**Architect**

Pope Associates, Inc.  
Jon Pope, President  
1255 Energy Park Drive  
St. Paul, MN 55108-5118

**Leasing**

United Properties  
Ned Rukavina, Vice President of Retail  
3500 American Boulevard West  
Bloomington, Minnesota 55431

**Project Consultant**

Richardson, Richter and Associates, Inc.  
Trudy Richter, President  
477 Selby Ave.  
St. Paul, Minnesota 55102



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## **Appendices:**

<b>Appendix A:</b>	<b>Elevation and Schematic Plans A-D</b>
<b>Appendix B:</b>	<b>3101 Oliver Ave. N. Purchase Agreement</b>
	<b>3010 Penn Ave. N. Purchase Agreement</b>
	<b>ALDI Inc. Lease Proposal</b>
	<b>Resources Inc. Lease Proposal</b>
<b>Appendix C:</b>	<b>Architect Certification</b>

 *Introduction***Wellington Management, Inc.**

Wellington Management, Inc. (WMI) is a full service commercial and residential real estate development firm based in St. Paul, Minnesota. The company provides property management, leasing, and development services for office buildings, retail centers, and industrial properties throughout the Twin Cities metropolitan area. In addition, WMI has developed over 300 residential condominium units during the past three years. WMI is responding to the City of Minneapolis' Request for Redevelopment Proposals for City Owned Real Property at Penn and Lowry Avenues North as the developer of Penn-Lowry Crossing. In addition, WMI will provide property management services in conjunction with the services of Pope Associates, Inc. as architects and United Properties as leasing agent. Trudy Richter, Richardson, Richter and Associates, will assist as Project Consultant.



### **Description of Proposed Development: Penn-Lowry Crossing**

WMI's approach reflects its standard practice of providing high quality and responsive development options to its clients. Key to WMI's proposal is the commitment by ALDI Inc. to locate a grocery store in a new 15,400 square foot building at the intersection of Penn and Lowry. A grocery store is desirable for the neighborhood and the ALDI Inc. name is synonymous with high quality and great value products. ALDI Inc.'s goal is to provide customers with the products they buy regularly, to ensure those products are of market leading quality, and to offer them at guaranteed low prices.

As described further below, WMI has also taken care to incorporate in its redevelopment plan proposal space for the existing businesses present at Lowry and Penn.

#### **Plan A:**

WMI has included in its preferred redevelopment plan schematics, Plan A (Appendix A) all five parcels required by the RFP. In addition, WMI has also included in Plan A the following additional properties:

- A single family residence, located at 3101 Oliver Avenue North. The current owners of this property have entered into a purchase agreement with the WMI development team (see Appendix B: Purchase Agreement for 3101 Oliver Avenue North).
- Two additional single family residences located at 3107 Oliver Avenue and 3111 Oliver Avenue. The development team has had preliminary discussions with the owners of these two properties and feels confident that mutually satisfactory agreements can be negotiated with the owners of these two properties.
- The City-owned vacant lot located at 3027 Oliver Avenue. City staff has indicated that it would be acceptable to include this lot located immediately south of 3101 Oliver Avenue, which is under contract to WMI, as part of this RFP response. WMI recognizes that site control would only occur after action by CPED and the City of Minneapolis and that no formal agreement exists concerning the disposition of this property.

- The “Family Dollar Store commercial building”. WMI has entered into a binding purchase agreement with Consolidated Investment Properties, C.I.P., Inc. on acceptable terms for purchasing 3010 Penn Avenue North (Appendix B: Agreement to Purchase with Robert and Susan Rappaport).

WMI has assumed site control of all these properties in Plan A. As indicated, WMI has taken care to incorporate existing businesses present at Lowry and Penn. Family Dollar would remain in its location and would be joined by Resources, Inc. which would relocate into approximately 7,000 square feet adjoining Family Dollar. North End Hardware would be offered the opportunity to relocate in a new 6,500 s.f. building to be constructed at the Penn-Lowry corner. Immediately adjacent to the proposed new ALDI Inc. grocery store approximately 3600 s.f. of additional side shop retail space would be developed. (Appendix B: ALDI Inc. lease proposal; Resources, Inc. lease proposal).

Any storm water management needs are assumed to be accommodated through the City’s existing storm water system.

Penn-Lowry Crossing would completely transform the southeast corner of this intersection into a vibrant retail center. Three large retailers would “anchor” this new retail center –ALDI Inc., Family Dollar and North End Hardware. The combination of these three strong tenants would provide the critical mass for a successful retail center. This re-energized hub of retail activity would likely spur new investment on the other three corners of this intersection and would provide a strong sense of “place” to this important commercial node. Furthermore, when this new retail development is combined with the proposed transportation improvements along both Penn and Lowry, the desired transformation of this commercial center will be assured.

**Net Rents:**

The estimated net rents for the proposed 39,500 s.f. retail center would be as follows:

1. ALDI Inc.– 15,400 s.f. at \$14.75/s.f.
2. Hardware Store and other side shop new construction retail, 10,100 s.f. at \$12.00/s.f.
3. Family Dollar Store, 7,000 s.f. at \$9.00/s.f.
4. Resource, Inc., 7,000 s.f. at \$10.00/s.f.

**Parking:**

Parking is indicated on the Plans in Appendix A.

**Design Details:**

The design plans for the new Penn-Lowry Crossing involve brick exteriors with stucco accents, extensive landscaping, and brick detailing intended to recall the earlier days of north Minneapolis when the Penn-Lowry corner was the center of this neighborhood's retail activity.



1930s, Courtesy Minneapolis Public Library Collection

Other design details of Penn-Lowry Crossing include: neighborhood oriented businesses, that are “destination” businesses, community green space and plaza, well lighted parking including pedestrian scale lighting; short term retail parking, bicycle parking facilities and pavers on the plaza. An effort has been made to connect the proposed transit stop pedestrian improvements with the new retail center so that this project can provide an attractive way to accommodate both pedestrian and vehicular traffic.

**Alternative Plans:**

In addition to preferred Plan “A”, WMI has also included three alternate plans in Appendix A:

- Plan B – Plan B assumes that the additional two houses along Oliver cannot be acquired. This is certainly not the desired design scheme, but the development team wants the City to understand there is a design scheme in the event site control over property where no formal agreements presently exist is not possible.
- Plan C – Plan C assumes that additional homes along Oliver (including 3001, 3007, 30111, 3015, 3019 and 3023) can also be successfully acquired privately by WMI through mutually acceptable purchase agreements. This would enable an expansion of the proposed retail center. Resource, Inc. could then be relocated to a new building along Oliver and a new restaurant tenant could occupy the south 7,000 s.f. of the Family Dollar Building.
- Plan D – WMI has also taken the liberty of suggesting a “master plan” for the NW and SE quadrants with new multi-story housing developed on the NW corner. While this plan is somewhat speculative at present, it is intended to provide an image of what the future could be for this newly revitalized commercial center in north Minneapolis.



As indicated earlier, WMI is responding to the City's Request for Redevelopment Proposals for City Owned Real Property at Penn and Lowry Avenues North as the developer. In addition, WMI will provide property management services in conjunction with the services of Pope Associates, Inc. as architects and United Properties as leasing agent.

### **A. The Team and Similar Experience**

#### **Wellington Management, Inc.**

With over three million square feet of commercial space in 75 buildings, WMI knows how to develop and manage commercial property. WMI is known for its creative solutions and is committed to philanthropy and community service. WMI's experience includes commercial, retail, service and residential properties. A good example of WMI's expansion into residential market development is The Metro Lofts project. WMI recently began construction of a 5 story, 67 unit condominium project on University Avenue. The Metro Lofts that are now available for sale range from \$166,000 to the highest priced at \$250,000. These include both one and two bedroom homes with a variety of floor plans. Most of the loft homes feature 10-foot ceilings and open floor plans. Along with the 67 condominium units, The Metro Lofts will include over 6,000 square feet of retail space.

WMI's four guiding principles are service, creativity, ethics, and persistence. WMI is proud of its full-service approach, and routinely handles site selection, city approvals, project financing, and construction and leasing services for its development projects. WMI intends to provide property management services to the tenants of the redevelopment plan.



*Wellington Management, Inc.*

**Similar Project Experience includes:**

**Hi-Lake Center**

2106 - 2218 East Lake Street  
Minneapolis MN 55407



Wellington Management, Inc. is one of a handful of developers revitalizing the Lake Street neighborhoods. Hi-Lake Shopping Center, which includes 127,500 square feet of retail space in eight acres, is located directly adjacent to the Lake St./Midtown Hiawatha Line LRT Station. Wellington Management, Inc. purchased the shopping center in September 2004 and immediately began a \$4,000,000 renovation which included a new canopy, façade, storefronts, parking lot and landscaping, among other improvements.

In the proposed second phase of the Hi-Lake project, WMI will construct a new ALDI Inc. grocery store, 36 residential condominium units and a new Subway restaurant and Starbucks Coffee Shop. This \$8.0 million project will complete the \$12.0 redevelopment of this important retail center in south Minneapolis. This project provides an excellent and complementary addition to the new Lake Street LRT Station and the Mid-Town YWCA.

**Lexington Park**



The first phase of this 8.6 acre site at Lexington and University Avenues in St. Paul is under construction. A new 15,400 s.f. ALDI Inc. grocery store will open in November 2005. In addition, a new 12,000 s.f. TCF branch bank has just started construction, and a new 80,000 s.f. office building to provide an administrative service center for the Wilder Foundation is set for development in 2006. A second phase of this project will include approximately 150 housing units.

**Drake Building Redevelopment**

60 Plato Boulevard East  
St. Paul MN 55107



The Drake "Marble" Building was built 100 years ago as a marble cutting and polishing plant on St. Paul's West Side, just across the Mississippi River from the St. Paul Central Business District.

Now in a redevelopment area, the 83,182 square foot "Drake Building" has been renovated and converted by WMI in 2002 into some of the most unique office space St. Paul has to offer. Much of the distinctive historic character of this four-story building has

been retained. The south side of the building features a patio using original Plato Boulevard cobblestone street pavers.

WMI continues to provide all leasing and property management services to the Drake.

**Emerald Gardens Condominiums**



WMI is in the final phase of its construction of 212 new loft homes and condominiums at Emerald Gardens on the border of Minneapolis and St. Paul. This final phase completes the design plan that includes a neighborhood of new homes situated along tree-lined streets, blending well next to residential Prospect Park to the west. Emerald Gardens was honored by University UNITED with its Project of the Year Award in 2003.

**Woodbury City Center Plaza**

8320 City Centre Drive  
Woodbury MN 55125



Constructed in 1995, City Centre Plaza is a 32,000 square foot developed by WMI. The Centre has three retail buildings and is located at the intersection of Valley Creek Road and Radio Drive. Tenants include FedEx Kinko's Copy Center, Timberlodge Steakhouse, Bruegger's Bagel Bakery and Caribou Coffee, among others. WMI continues to provide leasing and property management services.

Design details include earth tones with block glass and burgundy awnings, punctuated with metal-roofed towers. Landscaping includes a rock lined entry pond and festive signage.

**North Oaks Village Center**

Village Center Drive  
North Oaks MN 55127



WMI developed and continues to offer project management services to North Oaks Village Center, which is a specialty retail center located at the corner of Highway 96 and Hodgson Road in North Oaks. The center is part of a complex of high-quality office and retail facilities, all sharing a common design theme and set of amenities.

Panino's Restaurant, Taste of Scandinavia Bakery, Bruegger's Bagel, Caribou Coffee and Winestreet Spirits are just some of the retailers in North Oaks Village Center. Over 35,000 cars per day cross this busy intersection that serves as a principal artery for the communities of North Oaks, Shoreview, Vadnais Heights and White Bear Lake.

### **Pope Associates, Inc.**

Pope Associates, Inc. was founded in 1974. The firm's stability and success is due, in large part, to its ability to create successful, ongoing working relationships with clients, based on a commitment to provide, in each situation, a unique blend of the highest quality personnel and professional service. Dedication to that commitment is confirmed by the long list of clients with whom we have completed multiple projects: Target Corporation, United Properties, Frauenshuh Companies, Carlson Real Estate, St. Paul Properties, Duke Realty Investments, Ceridian, US Bank, Seagate Technology, St. Paul Technical College, and many others.

Today, Pope Associates, Inc. is one of the twenty-five largest architecture firms operating in Minnesota, and maintains registration in 32 other states. Our established specialization in healthcare, office, industrial, retail, education, housing and worship project types, coupled with unparalleled expertise in team project delivery, continues to fuel our growth.

One of Pope Associates, Inc.'s principals takes ultimate responsibility for every project. The principal in charge directs the resources of the firm in the client's interest, remaining involved, available, and accountable throughout the design and construction processes. An experienced and skilled project manager is dedicated to each project, providing technical and administrative continuity from start to finish.

Pope Associates, Inc. maintains an in-house Architectural and Interior Design staff capable of providing a complete array of design, documentation, budgeting, scheduling and project coordination services. Civil, structural, mechanical, electrical engineering, and other needed services are provided through an established network of consulting relationships. The full range of these resources are available to each of our clients, dictated only by the individual nature and requirements of each project.

Pope Associates, Inc. recently has worked with WMI at Lexington and University where an ALDI Inc. store is under construction. As architect for WMI's Penn-Lowry Crossing, Pope Associates, Inc. has provided four schematics (Plans A-D) for the City's consideration. Pope Associates, Inc. has responded to the RFP by including the community's wishes for brick façade, gathering elements and neighborhood oriented structures.

**Similar Project Experience (architectural services) includes:**

**ALDI Inc. at Lexington Park (Lexington and University)**

ALDI Inc. has located a 15,500 sq. ft. grocery store at Lexington and University. Pope Associates, Inc. provided custom exterior designs for prototypical grocery store interiors as well as exterior design that combines the requirements specific to local needs with reinforcement of the ALDI Inc. brand image.

**Grand Place**

Grand Avenue is one of the St. Paul's most famous and popular shopping districts. The quaint shops that dot the avenue share a distinct look or, in many cases, operate out of homes converted for retail use.



Grand Place, at a key intersection of the shopping district, accomplishes the challenge of creating a new structure that fits right into its older surroundings. The building provides flexible main level retail space with a concealed, two-level parking deck above, minimizing the traffic impact of the new shopping destination. The exterior materials, primarily brick, were chosen to blend in with the existing retail architecture and maintain the Grand Avenue scale.

**Cobalt Condominiums – Mixed Use Development**



Scheduled for completion in the fourth quarter of 2006, the Cobalt Condominiums near downtown Minneapolis will become a new architectural landmark in its neighborhood. A contemporary and transparent design, the new building will offer trend-setting, upscale living spaces above street-level retail.

Pope Associates, Inc. is creating a contemporary structure that combines housing, retail and structured parking in an efficient and flexible design. Lund's Neighborhood Market will anchor the retail space, subleasing smaller spaces for restaurants, coffee shops or similar service providers. The residential units are accessible via private lobbies and elevators and connect to parking via a separate access.

**United Properties, Inc.**

United Properties, Inc. has long been recognized as providing premier leasing services. United Properties' Vice President of Retail, Ned Rukavina, will provide leasing services for Penn-Lowry Crossing. Mr. Rukavina has 16 years experience representing a wide variety of retail clients including ALDI Inc., Brinker International, Chipotle Mexican Grill, Noodles and Company, Claddagh Irish Pub, Northern Tool and Hardware, Children's World Learning Centers, Starbuck's Coffee Company, FedEx, and Kinko's, among others.

**Working Together:**

WMI, Pope Associates, Inc. and United Properties, Inc. have worked together developing Lexington Park.

WMI and Pope Associates, Inc. have worked together on a variety of projects, including Energy Park Financial Center, Minnesota Office Plaza and Bandana Square.

United Properties, Inc. and Pope Associates, Inc. have worked together on ALDI Inc. stores in Savage, Richfield and on Franklin Street in Minneapolis.

## B. References

### Wellington Management Inc. (WMI)

- **City of St. Paul** – *Susan Kimberly, Director Planning and Economic Development (651) 266-8989*  
Numerous development projects including: Emerald Gardens, Metro Lofts, Drake Building, St. Anthony Park Bank Building, Park Crossing, Snelling Office Plaza, Lexington Park, and others.
- **City of Brooklyn Park** – *Bob Schreier – Director of Community Development (763) 424-8000*
- **City of Woodbury** – *Mayor Bill Hargis (651) 714-3500*  
WMI owns and manages sixteen commercial buildings in Woodbury. It has redeveloped Valley Creek Mall and Woodbury City Center – major retail projects in Woodbury.
- **Plymouth Congregational Church** – *Senior Minister – Jim Gertmenian (612) 871-7400*
- **Commonbond Communities** – *Executive Director – Joe Errigo (952) 832-5369*
- **Western State Bank** -- *William Sands, Chairman of the Board (651) 290-8100*
- **US Bank** – *Kyle Hansen (612) 303-6385*
  
- **Family Housing Fund** -- *Tom Fulton (612) 375-9644*

**C. Lawsuits:** None

**D. Spokesperson:** WMI's proposal will be led by Steve Wellington, President, of WMI. Mr. Wellington will negotiate all terms and conditions. All other team participants will work through Mr. Wellington with the City.

**E. Legal Structure of Development:** WMI proposes to establish a limited liability corporation (LLC) to develop the project.

**F. Financial Statements:** Have been submitted under separate cover directly to the CPED director.

**G. Certification of Design Consultants:** See Appendix C.



**PENN LOWRY PROJECT  
WELLINGTON MANGEMENT, INC.  
AUGUST 30, 2005**

**SOURCES**

FIRST MORTGAGE FINANCING	\$4,278,667	80.00%	Of appraised value
DEVELOPER EQUITY	\$1,226,023		
ALDI Inc. CONTRIBUTION TO CONSTRUCTION	\$700,000		
TOTAL SOURCES	\$6,204,690		

**USES**

**ACQUISITION**

PRIMARY CITY PARCEL	\$239,690	city price	
EXISTING COMMERCIAL BLDG.	\$1,100,000	signed	
3101, 3111, 3107 OLIVER , & city lot (3027 Oliver)	\$450,000	signed p.a.	for 3101, others, estimated
TOTAL ACQUISITION	\$1,789,690		

**DEMO, ENVIR., SITE WORK**

DEMOLITION AND SITE PREPARATION	\$75,000		
UTILITIES AND STORM WATER	\$100,000		
ENVIRONMENTAL	\$50,000		
LANDSCAPING, PLAZAS, SITE AMENITIES	\$75,000		
TOTAL DEMO, ENVIR., SITE WORK	\$300,000		

**CONSTRUCTION**

CONSTRUCTION OF RETAIL BLDG. #1 (ALDI Inc., PLUS 3,600 S.F. OF SIDE SHOPS)	\$2,250,000		
CONSTRUCTION OF RETAIL BLDG. #2 (PROPOSED 6,500 S.F. CORNER BLDG.)	\$650,000		
REMODEL OF FAMILY DOLLAR BUILDING	\$325,000		
TENANT IMPROVEMENTS	\$275,000		

CONTINGENCY	\$50,000	
TOTAL CONSTRUCTION	\$3,550,000	
<b>SOFT COSTS</b>		
LEGAL	\$40,000	
ARCHITECTURAL AND ENGINEERING	\$115,000	
FINANCE FEES	\$35,000	
DEVELOPER FEES	\$125,000	
BROKERAGE FEES	\$110,000	
PROJECT MANAGEMENT	\$75,000	
TITLE AND CLOSING	\$15,000	
SURVEY	\$8,000	
ENVIRONMENTAL	\$6,000	
APPRAISAL	\$9,000	
INSURANCE	\$7,000	
CONTINGENCY	\$20,000	
TOTAL SOFT COSTS	\$565,000	
<hr/>		
TOTAL PROJECT COSTS	\$6,204,690	



**CASH FLOW ANALYSIS - YEAR #1**

	<b>S.F.</b>	<b>RENT/S.F.</b>	<b>NET RENT</b>
ALDI, Inc.	15,400	\$14.75	\$227,150
SIDE SHOPS, BLDG. #1	3,600	\$12.00	\$43,200
BUILDING #2	6,500	\$12.00	\$78,000
EXISTING BUILDING	14,000		
FAMILY DOLLAR	7,000	\$9.00	\$63,000
RESOURCE, INC.	7,000	\$10.00	\$70,000
TOTALS	39,500		\$481,350

ESTIMATED VALUATION  
(APPRAISAL)

CAP RATE	9.00%		\$5,348,333
			\$135.40

per s.f.

**DEBT FINANCING**

PRINCIPAL	\$4,278,667		
INTEREST	6.25%		
TERM	25		
PAYMENT	\$338,701		
DEBT COVERAGE	1.42		

**RETURN ON EQUITY**

STABILIZED CASH FLOW	\$142,649		
VACANCY ALLOWANCE	-\$10,000		
ANNUAL RESERVES @3% OF NOI	-\$13,000		
NET CASH FLOW	\$119,649		
STABILIZED RETURN ON EQUITY, #1-#5	9.76%		

## IRR, 20 YEARS

<b>TWENTY YEAR CASH FLOW PROJECTION</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
NET OPERATING INCOME		\$481,350	\$481,350	\$481,350	\$481,350	\$481,350
DEBT SERVICE		\$338,701	\$338,701	\$338,701	\$338,701	\$338,701
CASH FLOW AFTER FINANCING		\$142,649	\$142,649	\$142,649	\$142,649	\$142,649
RESERVES		\$13,000	\$13,000	\$13,000	\$13,000	\$13,000
ALLOWANCE FOR VACANCIES/BACKFILLS		\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
NET CASH FLOW		\$119,649	\$119,649	\$119,649	\$119,649	\$119,649
RETURN ON EQUITY		9.76%	9.76%	9.76%	9.76%	9.76%

	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
NET OPERATING INCOME	\$505,418	\$505,418	\$505,418	\$505,418	\$505,418
DEBT SERVICE	\$338,701	\$338,701	\$338,701	\$338,701	\$338,701
CASH FLOW AFTER FINANCING	\$166,717	\$166,717	\$166,717	\$166,717	\$166,717
RESERVES	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
ALLOWANCE FOR VACANCIES/BACKFILLS	\$125,000	\$10,000	\$10,000	\$10,000	\$10,000
NET CASH FLOW	\$26,717	\$141,717	\$141,717	\$141,717	\$141,717
RETURN ON EQUITY	2.18%	11.56%	11.56%	11.56%	11.56%

	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>
NET OPERATING INCOME	\$530,688	\$530,688	\$530,688	\$530,688	\$530,688
DEBT SERVICE	\$372,571	\$372,571	\$372,571	\$372,571	\$372,571
CASH FLOW AFTER FINANCING	\$158,118	\$158,118	\$158,118	\$158,118	\$158,118
RESERVES	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000
ALLOWANCE FOR VACANCIES/BACKFILLS	\$125,000	\$10,000	\$10,000	\$10,000	\$10,000
NET CASH FLOW	\$16,118	\$131,118	\$131,118	\$131,118	\$131,118
RETURN ON EQUITY	1.31%	10.69%	10.69%	10.69%	10.69%

	<b>16</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>20</b>
NET OPERATING INCOME	\$557,223	\$557,223	\$557,223	\$557,223	\$557,223
DEBT SERVICE	\$372,571	\$372,571	\$372,571	\$372,571	\$372,571
CASH FLOW AFTER FINANCING	\$184,652	\$184,652	\$184,652	\$184,652	\$184,652
RESERVES	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000
ALLOWANCE FOR VACANCIES/BACKFILLS	\$125,000	\$10,000	\$10,000	\$10,000	\$10,000
NET CASH FLOW	\$40,652	\$155,652	\$155,652	\$155,652	\$155,652
RETURN ON EQUITY	3.32%	12.70%	12.70%	12.70%	12.70%

<b>INTERNAL RATE OF RETURN</b>	<b>EQUITY</b>	<b>CASH FLOW</b>	<b>NET SALE PROCEEDS</b>
1	-\$1,226,023		-\$1,226,023
2		\$119,649	\$119,649
3		\$119,649	\$119,649
4		\$119,649	\$119,649
5		\$119,649	\$119,649
6		\$119,649	\$119,649
7		\$26,717	\$26,717
8		\$141,717	\$141,717
9		\$141,717	\$141,717
10		\$141,717	\$141,717
11		\$141,717	\$141,717
12		\$16,118	\$16,118
13		\$131,118	\$131,118
14		\$131,118	\$131,118
15		\$131,118	\$131,118
16		\$131,118	\$131,118
17		\$40,652	\$40,652
18		\$155,652	\$155,652
19		\$155,652	\$155,652
20		\$155,652	\$155,652
21		\$155,652	\$4,430,000
			<b>IRR</b>
			<b>12.76%</b>

# *M*arket Study

In lieu of a specific market study, WMI has provided ALDI, Inc.'s commitment to become the primary tenant of the development with over 15,000 square feet of leased space. Furthermore, consistent with the RFP, WMI has worked to include opportunities for existing businesses to relocate, and has included the letter of intent for relocation from Resource, Inc. These letters confirm a strong market demand for space in WMI's proposed Penn-Lowry Crossing. In addition, WMI has met with North End Hardware, Family Dollar and the liquor store regarding each entity's continued interest in the neighborhood.

WMI believes residential housing is an important component, but more appropriately planned for the NW corner of the intersection in a subsequent phase of the project. WMI has included in its submittal the schematic drawing providing the vision for new housing in the future.

# *P*ublic Benefits

Penn-Lowry Crossing is on one of Minneapolis' more prominent intersections, but has been vacant for years following the leveling of previous structures between 1998 and 2001. Remediation of contaminated soils also has occurred and the City has the goal of returning this intersection to its former role as a destination for community shopping and service needs.



1930s, Courtesy Minneapolis Public Library Collection



1957, Courtesy of MN Historical Society Collection

Penn-Lowry Crossing, proposed by WMI, provides the neighboring communities with multiple public benefits. These neighborhoods are predominantly single family dwellings with some multi-family structures intermixed. To strengthen and enhance these neighborhoods, the City has requested proposals that include a commercial/retail component. WMI's proposal provides a strong anchor with the commitment by ALDI Inc. for a supermarket. Other existing retail establishments can relocate to better space to meet their customer base and remain in the neighborhood as can the very important presence of Resources, Inc. To increase the density of uses on the node, WMI proposes a later phase to include residential uses. A residential development that is built following the revitalization of the intersection will assure a more stable real estate offering for the neighborhood. The correct mix and addition of owner occupied and rental multi-family residential properties can more appropriately be evaluated at that time.

Public benefits of WMI's proposal can be summarized as aesthetics, jobs, additional tax base and positive impact on adjacent neighborhoods.

**Aesthetics:** WMI's architects, Pope Associates, Inc., have developed the project keeping in mind community input received as well as the traditional urban form to create a "sense of place". The placement of the buildings on the site allow for visual openness, which will provide a greater sense of safety and increase pedestrian traffic. The design has given consideration to the location of the transit stop. Exteriors are brick and landscaping is open and provides inviting green elements to the intersection.

**Jobs:** ALDI Inc. will generate 12-15 new jobs. Resources, Inc. will remain adjacent to Family Dollar preserving 30+ jobs. Additional retail space will generate up to 8 new jobs. Other retailers serving the area will also remain, preserving approximately another 20 jobs. At least 60 construction jobs will be created over a nine month period of time.

**Tax base:** WMI is not requesting any City subsidy for the project, which means all improvements generating a new tax base will be available for City general fund needs. The WMI project will generate new real estate taxes of \$103,250.

**Impact on diverse adjacent neighborhoods:** Improving a neighborhood's commercial node along community corridors will have a ripple affect on the adjacent neighborhoods. Although the design is pedestrian traffic "friendly", there will also be sufficient parking for adjacent neighborhoods to enjoy the close proximity of quality, low priced groceries, a local hardware, and a variety store.

Once Penn-Lowry Crossing is developed and thriving, there will be an opportunity to add housing and improve and maintain other properties in the manner they once were when this was a proud, economically healthy neighborhood.

# *P* *roposed Timeframe*

**In one word: Immediate.** Penn-Lowry Crossing will be privately financed and does not require any public financing assistance. Based upon preliminary conversations with the owner of the hardware store, if the store wishes to occupy leased space at the Crossing, public assistance may be needed. Following community input and developer selection, WMI would commence construction no later than the summer of 2006 with ALDI Inc. and other retailers identified in WMI's proposal successfully operating in their new space by April, 2007.



*Consent for Release*

Attached as Appendix D

EXHIBIT A  
Form of Consent for Release of Response Data

Aug. 30, 2005

City of Minneapolis  
Department of Community Planning and Economic Development  
105 5<sup>th</sup> Avenue S.  
Minneapolis, MN 55401

Re: Pen Lowry Request for Proposals  
Consent for Release of Response Data

Stephen B. Wellington, Jr., on behalf of Wellington Management, Inc., hereby consents to the release of its development proposal in response to the Pen Lowry Request for Proposals and waives any claims it may have under Minnesota Statutes Section 13.08 against the City of Minneapolis for making such information public. The foregoing consent and waiver does not extend to financial statements submitted under separate confidential cover.

Wellington  
Wellington



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**SITE INFORMATION**

TOTAL SITE AREA = 148,600 SF = 3.41 ACRES  
TOTAL BUILDINGS PROPOSED AREA = 47,100 SF

**PARKING INFORMATION**

SPACES REQUIRED = 166 (BASED ON ONE SPACE/300 SF OF  
GFA IN EXCESS OF 4,000 SF FOR  
RETAIL AND OFFICE & 30% OF THE  
CAPACITY OF PERSONS FOR  
RESTAURANT)

SPACES PROVIDED = 168



SITE PLAN C



RETAIL ELEVATION



ALDI ELEVATION



EXISTING BUILDING ELEVATION

**SITE INFORMATION**

TOTAL SITE AREA = 112,400 SF = 2.58 ACRES

TOTAL BUILDINGS PROPOSED AREA = 39,500 SF

**PARKING INFORMATION**

SPACES REQUIRED = 119 (BASED ON ONE SPACE/300 SF OF GFA IN EXCESS OF 4,000 SF FOR RETAIL AND OFFICE)

SPACES PROVIDED = 125



SITE PLAN A

**SITE INFORMATION**

TOTAL SITE AREA = 98,610 SF = 2.26 ACRES  
TOTAL BUILDINGS PROPOSED AREA = 37,900 SF

**PARKING INFORMATION**

SPACES REQUIRED = 113 (BASED ON ONE SPACE/300 SF OF  
GFA IN EXCESS OF 4,000 SF FOR  
RETAIL AND OFFICE)

SPACES PROVIDED = 116



SITE PLAN B



SITE PLAN D

THIS PURCHASE AGREEMENT is made and entered into as of the 12<sup>TH</sup> day of AUGUST, 2005, between Deidra D. Hollis ("Seller") and Ned V. Rukavina, or its assigns ("Purchaser").

In consideration of the covenants and agreements contained herein, the parties agree as follows:

1. Property To Be Purchased. Subject to compliance with the terms and conditions of this Agreement, Seller shall sell to Purchaser and Purchaser shall purchase from Seller the following (collectively, the "Property"):

- (a) The real property located at 3101 Oliver Avenue North, Minneapolis, MN 55411, City of Minneapolis, County of Hennepin, State of Minnesota, legally described on Exhibit A attached hereto, together with all easements and rights benefiting or appurtenant thereto (the "Real Property"); and
- (b) All buildings, structures and other improvements, if any, located on the Real Property (the "Improvements");

2. Purchase Price. The purchase price for the Property ("Purchase Price") shall be the sum of ~~Eighty-seven Thousand Four Hundred Fifty~~ and No/100 Dollars ~~(\$87,450.00)~~ payable as follows: ONE HUNDRED FORTY \$140,000.00

- (a) Five Thousand and No/100 Dollars (\$5,000.00) as earnest money (the "Earnest Money"), which shall be deposited by Purchaser with Commercial Partners Title, LLC ("Title Company") within ten (10) days from the date of complete execution of this Agreement (the "Effective Date"). The Earnest Money shall be placed and held by Title Company in its commercial interest bearing account in accordance with the terms of this Agreement. Any and all interest accruing on the Earnest Money shall be paid to Purchaser and shall accrue solely for Purchaser's benefit;
- (b) The balance of the Purchase Price (subject to prorations, reductions and credits as provided below) by wire transfer, certified or cashier's check at the Closing (as hereinafter defined) hereunder.

3. Relocation Payment. ~~At the Closing, Purchaser shall pay to Seller Twenty-Five Thousand and no/100 Dollars (\$25,000.00) in relocation benefits. Seller acknowledges that such sum fully compensates Seller for any relocation benefits that Seller may be entitled to receive. Seller waives any and all rights to additional relocation benefits, including, without limitation, any relocation benefits from Purchaser or the City of Minneapolis and shall sign at Closing an agreement confirming its waiver of such rights under Minn. Stat. Sec. 117.521 (the "Relocation Waiver").~~

4. Title to Be Delivered. Seller agrees to convey marketable fee simple title in the Property to Purchaser subject only to such exceptions to title as Purchaser approves in writing.

- (a) As soon hereafter as reasonably possible and in any event within twenty (20) days of the Effective Date, Seller, at its sole cost and expense, shall deliver the following to Purchaser (collectively, the "Title Evidence"):
  - (i) A commitment for an ALTA Form B extended coverage owner's title insurance policy (the "Commitment") issued by the Title Company wherein said Title Company agrees to issue to Purchaser upon the recording of the warranty deed and other conveyance documents referred to herein an ALTA Form B Owner's Title Insurance Policy (the "Title Policy") in the full amount of the Purchase Price. The Commitment shall provide for the deletion of all standard exceptions and include endorsements as Purchaser may request, including, without limitation zoning, contiguity, comprehensive and fairway endorsements. The Commitment will be accompanied by copies of all recorded documents affecting the Property;
  - (ii) An abstract of title for the Property certified to date to include all appropriate judgments and bankruptcy searches; and
- (b) Within thirty (30) days from the Effective Date, Purchaser may order a current "as built" survey (the "Survey") of the Property prepared by a duly licensed land surveyor in the State of Minnesota.
- (c) Purchaser shall have until twenty (20) days after receipt of the Title Evidence to render objections to title ("Objections") in writing to Seller and Seller shall have twenty (20) days from the date it receives such Objections to have the same removed or cured to Purchaser's reasonable satisfaction. Seller shall use its best efforts to cure all Objections. If Seller shall fail to have such Objections removed or cured within that time, Purchaser may, at its sole discretion, either (a) terminate this Agreement without any liability on its part and receive a refund of the Earnest Money (together with accrued interest), or (b) if the Objections are such that they may be removed by the expenditure of sums of money, take title to the Property, discharge such Objections, and receive a credit against the Purchase Price for the sums so expended, or (c) if the Objections are such that they may not be removed by the expenditure of sums of money, take title subject to such Objections. Seller agrees to use its best efforts to promptly satisfy any such Objections.

5. Delivery of Documents Upon Execution. Seller shall deliver to Purchaser within five (5) days of full execution and delivery of this Agreement, all of the following (the "Property Data"):

- (a) A copy of any title insurance policy with respect to the Real Property in Seller's possession;
- (b) Copies of any "as-built" surveys and topographical surveys of the Property in Seller's possession;
- (c) Copies of any and all utility, grading, street development and other plans and specifications for the Property in Seller's possession;
- (d) Copies of any soil test borings, environmental studies or any other documentation pertaining to the physical condition of the Real Property or the Improvements in Seller's possession;
- (e) Copies of the most recent real estate tax bills for the Property and any subsequent notices of reassessment;
- (f) Copies of any leases, maintenance agreements, service contracts, and easements in effect at the Property; and
- (g) Any other information relating to the Property reasonably requested by Purchaser.

6. Inspections. Purchaser, its counsel, accountants, agents and other representatives, shall have full and continuing access to the Property and all parts thereof, as well as to all items of Property Data referred to in Section 5 and all other records and documents of Seller as they relate to the title, physical condition, development and operation of the Property. Purchaser and its agents and representatives shall also have the right to enter upon the Property at any time after the Effective Date for any purpose whatsoever, including inspecting, surveying, engineering, test boring, performance of environmental tests and such other work as Purchaser shall consider appropriate and shall have the further right to make such inquiries of governmental agencies and utility companies, etc., and to make such feasibility studies and analyses as it considers appropriate (collectively the "Inspections").

7. Risk of Loss. Until the Closing Date (as hereinafter defined), Seller shall have the full responsibility and the entire liability for any and all damages or injury of any kind whatsoever to the Real Property, the Improvements thereon, any and all persons, whether employees or otherwise, and all property from and connected to the Property. If, prior to the Closing, the Property is damaged or the Improvements are destroyed or the Real Property shall be the subject of an action in eminent domain or proposed taking by a governmental authority, whether temporary or permanent, Seller shall immediately notify Purchaser of such

damage, destruction or proposed taking, and Purchaser, at its sole discretion, shall have the right to terminate this Agreement upon notice to Seller without liability on its part by so notifying Seller and the Earnest Money and all other sums heretofore paid by Purchaser (with accrued interest) shall be refunded to Purchaser. If the Real Property or Improvements are damaged by Purchaser does not exercise its right of termination, Seller shall proceed forthwith to repair the damage to the Real Property and Improvements and any and all proceeds arising out of such damage or destruction, if the same be insured, or out of any such eminent domain taking, shall be held in trust by Seller for the benefit of such repair and paid over to the parties performing such repairs, if such repairs are completed prior to the Closing Date, or paid to Purchaser on the Closing Date if the repairs are not completed as of such date. In no event shall the Purchase Price be increased by the amount of any such proceeds. Seller agrees to keep the Property continually insured during the term of this Agreement under a policy of fire and extended coverage insurance with an actual replacement cost endorsement.

8. Operation of Property Prior to Closing. Until the Closing Date, Seller shall have the full responsibility for the continued maintenance of the Property. Prior to the Closing Date:

- (a) Seller shall not cause any new liens, leases, contracts or encumbrances to be created by Seller against the Property;
- (b) Seller shall continue to comply with all of its duties and obligations as set forth in any leases or contracts in effect at the Property; and
- (c) Seller shall continue to operate, repair, and maintain the Property in accordance with prudent and reasonable business standards.

9. Representations and Warranties of Seller. In order to induce Purchaser to enter into this Agreement and purchase the Property, Seller hereby represents and warrants to Purchaser as follows:

- (a) No action in condemnation, eminent domain or public taking proceedings are now pending or contemplated against the Real Property;
- (b) No ordinance or hearing is now before any local governmental body which either contemplates or authorizes any public improvements or special tax levies, the cost of which may be assessed against the Real Property. There are no special assessments currently a lien against or encumbering the Real Property;
- (c) Seller is not a foreign person, foreign partnership, foreign trust or foreign estate as those terms are defined in Section 1445 of the Internal Revenue Code;
- (d) There have been no bankruptcy or dissolution proceedings involving Seller during the time Seller has had any interest in the Property; there are no unsatisfied judgments or state or federal tax liens of record

against Seller; and there have been no labor or materials furnished to the Property for which payment has not been made;

- (e) There are no unrecorded mortgages, contracts, purchase agreements, options, leases, easements or other agreements or interests relating to the Property and there are no persons in possession of any portion of the Property except as may be disclosed by the Title Commitment or Survey;
- (f) Seller shall remove all equipment, personal property, trade fixtures and trash from the Property prior to the Closing Date;
- (g) Seller is not in default in the performance of any of Seller's obligations under any easement agreement, covenant, condition, restriction or other instrument relating to the Property;
- (h) There are no wells on the Property;
- (i) The sewage generated at the Property goes to a facility permitted by the Minnesota Pollution Control Agency;
- (j) The Property will as of the Closing Date be free and clear of all liens, security interests, all encumbrances, leases or other restrictions or objections to title except as permitted by this Agreement;
- (k) Water service and sewer lines and systems are available to serve the Property;
- (l) The Property does not contain any underground storage tanks;
- (m) All Improvements upon the Real Property are wholly within the boundary lines of the Property and do not encroach upon any adjacent property and no improvements on any adjacent property encroach upon the Real Property; and
- (n) The Property complies with all applicable federal, state, county or local statutes, laws, regulations, rules, ordinances, codes, standards, orders, licenses and permits of any governmental authorities relating to environmental matters.

If at any time prior to Closing, Seller learns of events or circumstances which render any of the representations set forth in this Section inaccurate in any respect, Seller shall immediately notify Purchaser in writing. All such representations and warranties shall survive Closing and shall not be affected by any investigation, verification or approval by any party hereto or by anyone on behalf of any party hereto and shall not merge into the warranty deed being delivered by Seller at Closing. Seller agrees to indemnify and

hold Purchaser harmless from and against and to reimburse Purchaser with respect to any and all claims, demands, causes of action, loss, damage, liabilities, and costs (including attorneys' fees and court costs) asserted against or incurred by Purchaser by reason of or arising out of the breach of any warranty as set forth in this Section 8, the inaccuracy of any representation set forth in this Section when made, or Seller's failure to notify Purchaser, before Closing, if any inaccuracy in any such representation of which Seller becomes aware.

10. Conditions Precedent to Closing. The closing of the transaction contemplated by this Agreement and all the obligations of Purchaser under this Agreement are subject to fulfillment of the following "Conditions Precedent":

- (a) The representations and warranties made by Seller in Section 9 shall be correct as of the Closing Date with the same force and effect as if such representations and warranties were made at such time;
- (b) The status and marketability of title shall have been established to Purchaser's satisfaction in accordance with Section 4; and
- (c) Purchaser, in its sole and absolute discretion, shall have determined that the Property is acceptable to Purchaser on or before a date that is one hundred eighty (180) days after the Effective Date.

Purchaser shall have the option to extend the contingency period set forth in Section 10(c) for a period of sixty (60) days. The option shall be exercised, if at all, by delivery to Seller of written notice in accordance with Section 19(e) of this Agreement no later than the expiration of such initial sixty (60) period.

Purchaser may acknowledge satisfaction or waiver of any of the foregoing Conditions Precedent, only by delivering written notice of satisfaction or waiver to Seller on or before the Closing Date or such earlier date as may be indicated in the paragraph creating the contingency. If Purchaser does not acknowledge in writing the satisfaction of all of the foregoing Conditions Precedent (or otherwise waive the same in writing) on or before the applicable contingency date, this Agreement shall automatically be deemed to be terminated, without action required of either party, the Earnest Money (and all accrued interest) shall be returned to Purchaser, and Purchaser and Seller shall thereafter be released from any liability or obligation hereunder.

11. Closing, Possession. Subject to the fulfillment or waiver of the Conditions Precedent, and provided that all of the covenants, representations and warranties of Seller are true and correct on the Closing Date as though made on such date, the closing of the purchase and sale (the "Closing") shall take place ten (10) days after satisfaction of the condition set forth in Section 10(c) or upon such earlier date which Purchaser selects upon five (5) days' written notice to Seller (the "Closing Date"). The Closing shall take place at the offices of Purchaser's counsel in Minneapolis, Minnesota or such other place as Seller and Purchaser may mutually determine. Possession shall be delivered on the Closing Date.

12. Seller's Obligations At Closing. At or prior to the Closing Date, Seller shall:

- (a) Deliver to Purchaser a duly recordable warranty deed to the Real Property (in a form satisfactory to Purchaser and the Title Company) conveying to Purchaser marketable fee simple title to the Real Property and all rights appurtenant thereto subject only to exceptions not objected to by Purchaser, and containing a statement that "Seller certifies that Seller does not know of any wells on the described real property";
- (b) Cause to be furnished and delivered to Purchaser the Title Policy in conformity with Purchaser's title requirements;
- (c) Deliver to Purchaser and the Title Company an affidavit sufficient to remove any exception in the Title Policy for mechanics' and materialmen's liens and the rights of parties in possession;
- (d) Deliver to Purchaser any notices, certificates and/or affidavits relative to private sewage systems, underground storage tanks and pollution as may be required by Minnesota Statutes;
- (e) Deliver to Purchaser the affidavit of Seller confirming that Seller is not a foreign person within the meaning of Section 1445 of the Internal Revenue Code;
- (f) Deliver to Purchaser a certificate reaffirming the truth and accuracy of Seller's representations and warranties set forth in this Agreement and representing that all of Seller's agreements contained in this Agreement are completely satisfied and discharged;
- (g) Deliver to Purchaser the Relocation Waiver; and
- (h) Deliver to Purchaser such other documents as may be required by this Agreement, all in a form satisfactory to Purchaser;

13. Delivery of Purchase Price; Obligations At Closing. At Closing, and subject to the terms, conditions, and provisions hereof and the performance by Seller of its obligations as set forth herein, Purchaser shall execute and deliver any documents reasonably required for the performance of its obligations hereunder, the Earnest Money shall be delivered to Seller (except any interest accrued thereon) and Purchaser shall deliver the balance of the Purchase Price to Seller pursuant to Section 2 above.

14. Closing Costs. The following costs and expenses shall be paid as follows in connection with the Closing:

- (a) Seller shall pay:

- (i) The cost of the Title Evidence;
  - (ii) The state deed tax or transfer fee imposed on the conveyance;
  - (iii) The recording fees due upon the recording of any documents (other than the warranty deed) necessary to place record title in the condition required by this Agreement;
  - (iv) The Seller's share of real estate taxes and assessments, as determined pursuant of Section 16:
- (b) Purchaser shall pay the following costs in connection with the closing:
- (i) The cost of the Survey;
  - (ii) The title insurance premium in connection with the issuance of the Title Policy in accordance with the requirements of Section 3;
  - (iii) The recording fee necessary to record the warranty deed;
  - (iv) Purchaser's share of real estate taxes and assessments, as determined pursuant to Section 16;
  - (v) All costs and expenses associated with Purchaser's Inspections;

15. Prorations. All expenses relating to the operation and maintenance of the Property not otherwise specified herein, and any income derived from the Property shall be prorated to the Closing Date on a calendar basis, so that Seller is charged or credited with that portion of such expenses or income which accrued prior to the Closing Date and Purchaser is charged or credited with that portion of such expenses or income which accrues on or after the Closing Date. Each party shall pay its own legal fees and other expenses in conjunction with Closing.

16. Real Estate Taxes and Special Assessments. The parties shall pay and allocate real estate taxes and special assessments with respect to the Property as follows:

- (a) At or before Closing, Seller shall pay all real estate taxes, and any penalties and interest thereon due and payable with respect to the Property in all years prior to the year of Closing, including all deferred taxes (including "Green Acres" taxes) attributable to years prior to the year of Closing;
- (b) At or before Closing, Seller shall pay all special assessments levied, pending or deferred against the Property as of the Closing Date, including special assessments certified for payment with the current year's real estate taxes and all deferred assessments, including all those

which become due and payable as a result of the sale of the Property to Purchaser;

- (c) Purchaser and Seller shall prorate the real estate taxes due and payable in the year of Closing, on a per diem basis using a calendar year, to the Closing Date;
- (d) Purchaser shall pay all real estate taxes due and payable in the years following the year of Closing.

To the extent any amount owed by either party under this Section cannot be ascertained prior to Closing, then the owing party shall escrow with the Title Company 125% of the estimate of the applicable taxing authority of the amount owed, and in the event no such estimate is available, then 125% of the amount estimated to be owed by the Title Company. Upon receipt of accurate statements as to amounts owed, the Title Company shall pay such amounts from the estimated funds and the owing party shall be entitled to any remaining balance in the escrow and shall be obligated immediately to fund any deficiency in such escrow.

17. Brokerage. Seller and Purchaser represent and warrant to each other that they have not engaged the services of any broker in connection with the sale and purchase contemplated by this Agreement, except that Purchaser has engaged the services of United Properties ("Purchaser's Broker"). Purchaser shall pay a brokerage fee at Closing to Purchaser's Broker. Seller hereby agrees to indemnify and hold each other harmless for any claim (including reasonable expenses incurred in defending such claim) made by a broker or sales agent or similar party in connection with this transaction.

18. Remedies. If Seller defaults in the performance of this Agreement, Purchaser shall have the right to terminate this Agreement upon written notice to Seller, in which event the Earnest Money (plus any accrued interest) shall be returned to Purchaser. If Seller defaults in the performance of this Agreement and Purchaser does not terminate this Agreement, Seller acknowledges that the Property is unique and that money damages to Purchaser in the event of default by Seller are inadequate. Accordingly, in such event the Earnest Money shall be immediately returned to Purchaser and Purchaser shall have the right to seek any other relief available at law, and in addition to any other remedy available at law, to apply for and to receive from a court of competent jurisdiction equitable relief by way of restraining order, injunction or otherwise, prohibitory or mandatory, to prevent a breach of the terms of this Agreement, or by way of specific performance to enforce performance of the terms of this Agreement or rescission, plus reimbursement for costs, including reasonable attorneys' fees, incurred in the securing of such relief. This right to equitable relief shall not be construed to be in lieu of or to preclude Purchaser's right to seek a remedy at law. If Purchaser defaults in the performance of this Agreement, Seller's sole and exclusive remedy shall be to terminate this Agreement by written notice to Purchaser, in which event Escrow Agent shall deliver the Earnest Money to Seller as liquidated damages.

19. Miscellaneous. The following general provisions govern this Agreement.

- (a) No Waivers. The waiver by either party hereto of any condition or the breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any other condition or of any subsequent breach of the same or of any other term, covenant or condition herein contained. Purchaser, in its sole discretion may waive any right conferred upon Purchaser by this Agreement; provided that such waiver shall only be made by Purchaser giving Seller written notice specifically describing the right waived;
- (b) Time of Essence. Time is of the essence of this Agreement;
- (c) Survival. All representation, warranties and agreement of the parties set forth herein shall survive the Closing;
- (d) Governing Law. This Agreement is made and executed under and in all respects to be governed and construed by the laws of the State of Minnesota and the parties hereto hereby agree and consent and submit themselves to any court of competent jurisdiction situated in Minnesota;
- (e) Notices. All notices and demands given or required to be given by any party hereto to any other party shall be deemed to have been properly given if and when delivered in person, sent by telegram (with verification of receipt), sent by facsimile (with verification of receipt) or three (3) business days after having been deposited in any U.S. Postal Service and sent by registered or certified mail, postage prepaid, addressed as follows (or sent to such other address as any party shall specify to the other party pursuant to the provisions of this Section):

If to Seller:                   Deidra D. Hollis  
  3101 Oliver Avenue North  
  Minneapolis, MN 55411

If to Purchaser:               Ned V. Rukavina  
  3500 West 80<sup>th</sup> Street  
  Suite 200  
  Bloomington, MN 55431

Copy to:

In the event either party delivers a notice by facsimile, as set forth above, such party agrees to deposit the original of the notice in a post office, branch post office, or mail depository maintained by the U.S. Postal Service, postage prepaid and addressed as set forth above. Such deposit in the U.S. Mail shall not affect the deemed delivery of the notice by facsimile, provided that the procedures set forth above are fully complied with. Any party, by notice

given as aforesaid, may change the address to which subsequent notices are to be sent to such party;

- (f) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of each of the parties hereto and Purchaser shall have the right to assign his interest under this Agreement without obtaining Seller's consent;
- (g) Invalidity. If for any reason any term or provision of this Agreement shall be declared void and unenforceable by any court of law or equity it shall only affect such particular term or provision of this Agreement and the balance of this Agreement shall remain in full force and effect and shall be binding upon the parties hereto;
- (h) Complete Agreement. All understandings and agreements heretofore had between the parties are merged into this Agreement which alone fully and completely expresses their agreement. This Agreement may be changed only in writing signed by both of the parties hereto and shall apply to and bind the successors and assigns of each of the parties hereto and shall not merge with the deed delivered to Purchaser at Closing;
- (i) Attorneys' Fees and Costs. In the event of any litigation arising out of breach or claimed breach of this Agreement, the prevailing party shall be entitled to recover from the other all costs and expenses incurred in connection therewith, including attorneys' fees and costs.
- (j) Withdrawal of Offer. This Agreement shall be deemed to be withdrawn unless accepted by Seller and a fully executed counterpart of this Agreement returned to Purchaser on or before August 20, 2005.
- (k) Moratoriums and Governmental Jurisdiction Issues. If any state, county, city or governmental agency declares or effects any other moratorium on the approval of subdivision plats or plans, which moratorium is applicable to the Property or any portion thereof, and, as a result of such moratorium, the state, county, city, or any other applicable governmental agency or authority will not approve subdivision plats or plans, then in such event, Purchaser's obligations hereunder, including, without limitation, any contingency periods benefiting Purchaser, shall be stayed and postponed on a day-for-day basis during any such moratorium. Upon the discontinuation of any such moratorium, Purchaser's obligations hereunder shall resume as of that date.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

  
\_\_\_\_\_  
Deidra D. Hollis

  
\_\_\_\_\_  
Ned V. Rukavina



**PURCHASE AGREEMENT**  
**3010 PENN AVENUE NORTH, MINNEAPOLIS**

THIS AGREEMENT, made this 24<sup>th</sup> day of August, 2005 (the "*Effective Date*"), by and between **Robert L. Rappaport and Susan L. Rappaport**, husband and wife (collectively, "*Seller*") and **Wellington Management, Inc.**, a Minnesota corporation ("*Buyer*").

In consideration of the mutual covenants contained herein, Seller and Buyer agree as follows:

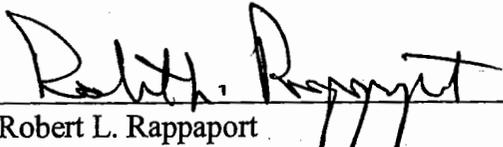
1. **Sale of Property**. Upon and subject to the terms and conditions of this Agreement, Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the following property (collectively, the "*Property*"):
  - a. **Real Property**. The real property consisting of approximately 37,461 square feet commonly known as 3010 Penn Avenue North, Minneapolis, Minnesota, legally described on Exhibit A, together with all buildings and improvements constructed or located thereon and all easements, hereditaments, and rights benefiting or appurtenant thereto, including any right, title or interest in the bed of any adjacent street, road, highway or alley (collectively, the "*Real Property*").
  - b. **Personal Property**. All fixtures, furnishings, equipment and other personal property, if any, situated in or about the Real Property owned by Seller and relating to the use and operation of the Real Property ("*Personal Property*").
  - c. **Leases**. Seller's interests as lessor in all of the leases as described on the rent roll attached hereto as Exhibit B ("*Leases*").
  - d. **Contracts**. Seller's assignable interests in those service and maintenance contracts, equipment leases and other contracts regarding the Real Property to be assumed by Buyer. Within fifteen days after the Effective Date, Seller shall deliver to Buyer in writing true and correct copies of all such contracts and leases, as set forth on Exhibit C attached hereto. Buyer shall, within thirty days after Buyer's receipt of all such copies, deliver to Seller in writing a listing of such contracts that Buyer will assume, such contracts being referred to herein as the "*Contracts*."
  - e. **Warranties**. Seller's interests in all warranties and guaranties given to, assigned to or benefiting Seller or the Property regarding the acquisition, construction, design, use, operation, management or maintenance of the Property ("*Warranties*").
  - f. **Permits**. Seller's interests in any certificates, permits, variances, licenses and approvals which benefit or relate to the Property and its current use ("*Permits*").
  - g. **Plans**. All blueprints, shop drawings, surveys, studies, plans and specifications regarding the Real Property and Personal Property that are in the possession of or readily available to Seller or its agents (the "*Plans*").

IN WITNESS WHEREOF, the parties have hereunto set their hands effective the date and year first above written.

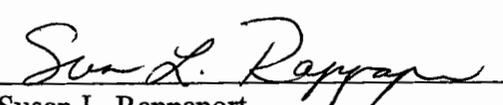
SELLERS:

BUYER:

WELLINGTON MANAGEMENT, INC.

  
\_\_\_\_\_  
Robert L. Rappaport

  
\_\_\_\_\_  
By: Stephen B. Wellington, Jr., President

  
\_\_\_\_\_  
Susan L. Rappaport



August 26, 2005

Mr. Stephen Wellington, President  
Wellington Management, Inc.  
1625 Energy Park Drive  
St. Paul, MN 55101-2703

**Re: ALDI Inc.  
Lease Proposal  
Penn and Lowry Redevelopment  
Minneapolis, Minnesota**

Dear Stephen:

I wish to convey Tenant's interest in leasing the above-referenced premises. This letter summarizes recent discussions to lease the premises; it is not intended to be contractual in nature, but only expresses the basis upon which we would be interested in negotiating a long-term lease. The undersigned acknowledges that this letter is intended to outline initial terms for consideration only and that no party shall be obligated contractually hereunder unless and until a mutually satisfactory lease agreement is fully executed by, and delivered, to all parties.

**Premises:** Approximately 15,400 square feet of space located at the Penn and Lowry Redevelopment, Minneapolis, Minnesota. The size of the Premises will be adjusted accordingly to Tenants specifications.

**Landlord:** Wellington Management, Inc.

**Tenant:** ALDI Inc.

**Lease Term:** An initial term of fifteen (15) years. Provided it is not in default, Tenant shall have three (3) five-year options to automatically extend the term of the lease.

**Base Rent:**

**Primary Term**  
Years 01-05: To Be Determined  
Years 06-10: To Be Determined  
Years 11-15: To Be Determined

**Option Terms**  
Years 16-20: To Be Determined  
Years 21-25: To Be Determined  
Years 26-30: To Be Determined

- Additional Rent:** In addition to Annual Minimum Rent, Tenant shall be responsible for its prorata share of snow removal, lawn care, parking lot repair and re-striping and Real Estate Taxes. All utilities shall be separately metered and paid by Tenant. Tenant shall pay utility charges upon delivery of the premises. Repairs to the Lease Premises shall be the responsibility and expense of Tenant, including, but not limited to, HVAC, plate glass, roof damages caused by Tenant.
- Security Deposit:** Waived.
- Signs:** Tenant will have the right to install maximum signage allowable by law on the Premises in accordance with the property's sign criteria. Tenant will have the opportunity for exterior building signage on two sides of the building.
- Lease Commencement:** The lease term and all rent will commence the earlier of (a) one hundred twenty (120) days following the Delivery Date and completion of Landlord's work or (b) the date Tenant opens for business or 120 days following Tenant's receipt of all required permits from Governmental Agencies.
- Landlord's Work:** Landlord will deliver a 15,400 square foot shell as per Tenants' specifications. Landlord will be responsible for removing any existing hazardous materials. Landlord shall represent and warrant to Tenant that the Premises complies with all environmental laws.
- Tenant's work:** Tenant shall install all furniture, fixtures and equipment.
- HVAC:** Tenant will perform all day-to-day maintenance and repairs of the HVAC systems.
- Maintenance:** Tenant shall be responsible for all repairs and maintenance of the Premises. A self-help clause for Tenant will be incorporated and defined more specifically in the Lease. Landlord shall repair and maintain all exterior and structural elements of the Premises (including the roof).
- Utilities:** Landlord will provide adequate utilities to the Leased Premises. All SAC/WAC charges shall be Tenant's responsibility.
- Brokerage:** Landlord and Tenant acknowledge and agree to indemnify the other against any claims for brokerage commissions in connection with the execution of the Lease, Ned Rukavina, United Properties. Any commissions due shall be paid by Landlord pursuant to a separate written agreement between Landlord and the Broker(s).
- Lease Form:** The Lease shall be on Tenant's standard form.

The preparation, revision or delivery of any Lease for examination and discussion shall in no event be deemed to be an offer to lease the Premises but shall be merely a part of the negotiations between Landlord and Tenant. Neither party hereto shall have any obligation or liability to the other whatsoever at law or in equity (including any claims for detrimental reliance of promissory estoppel) unless and until such time as both parties shall have executed and delivered a Lease.

Mr. Stephen Wellington  
August 26, 2005  
Page 3 of 3

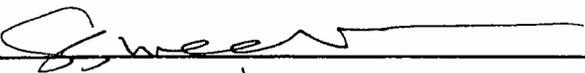
If you are in agreement with the terms set forth above, please sign a copy of this Letter of Intent and return it to me. Please contact me with any questions or comments.

Best Regards,



Ned V. Rukavina  
Vice President - Retail  
United Properties  
(952) 820-8738  
[nrukavina@uproperties.com](mailto:nrukavina@uproperties.com)

**Agreed and Accepted:**

By: 

Its: President, Wellington Management, Inc.

Date: 8/26/05





UNITED PROPERTIES

August 22, 2005

Ms. Deborah Atterberry
President
Resources, Inc.
1900 Chicago Avenue
Minneapolis, MN 55404-1903

Re: Resources, Inc.
Lease Proposal
Penn and Lowry Redevelopment
3010 Penn Avenue
Minneapolis, Minnesota

Dear Deborah:

I wish to convey Landlord's interest in leasing the above-referenced premises. This letter summarizes recent discussions to lease the premises; it is not intended to be contractual in nature, but only expresses the basis upon which we would be interested in negotiating a long-term lease. The undersigned acknowledges that this letter is intended to outline initial terms for consideration only and that no party shall be obligated contractually hereunder unless and until a mutually satisfactory lease agreement is fully executed by, and delivered, to all parties.

Premises: Approximately 7,000 square feet of space located at the South half (1/2) of 3010 Penn Avenue ("Family Dollar Building"), Minneapolis, Minnesota. The size of the Premises will be adjusted accordingly to Tenants specifications.

Landlord: Wellington Management, Inc.

Tenant: Resources, Inc.

Lease Term: An initial term of ~~Seven (7)~~ Five (5) years. Tenant shall have the right to terminate the Lease provide that they lose funding. Tenant will provide Landlord with 240 days written notice and shall pay 100% of the unamortized "Landlord's Work".

Additional Rent: In addition to Annual Minimum Rent, Tenant shall be responsible for its pro-rata share of common area expenses and Real Estate Taxes. All utilities shall be separately metered and paid by Tenant. Tenant shall pay utility charges upon delivery of the premises. Repairs to the Lease Premises shall be the responsibility and expense of Tenant, including, but not limited to, HVAC, plate glass and roof damages caused by Tenant.

Ms. Deborah Atterberry  
August 22, 2005  
Page 2 of 3

**Security Deposit:** Waived.

**Signs:** Tenant will have the right to install maximum signage allowable by law on the Premises in accordance with the property's sign criteria, contingent upon Landlord's approval of a detailed signage plan.

**Lease Commencement:** The lease term and all rent will commence the earlier of (a) sixty (60) days following the Delivery Date and completion of Landlord's work or (b) the date Tenant opens for business or 60 days following Tenant's receipt of all required permits from Governmental Agencies.

**Landlord's Work:** Landlord will deliver the space based on plans which will require mutual approval by landlord and Tenant. ~~Landlord's work on the base building design fees and tenant improvements will not exceed \$25,000/sq ft.~~ *DA*

**Parking:** Landlord will provide non-exclusive access to the parking lot north of the existing Family Dollar store for use by Tenant's employees and clients. Tenant will manage its parking demand for this lot so that no more than thirty (30) stalls will be utilized at any one time.

**Tenant's work:** Tenant shall pay for all costs above and beyond the ~~\$25.00/sq ft allowance~~ *any amounts paid by Landlord DA* and shall install all furniture, fixtures and equipment.

**HVAC:** Tenant will perform all day-to-day maintenance and repairs of the HVAC systems.

**Maintenance:** Tenant shall be responsible for all repairs and maintenance of the Premises. Landlord shall repair and maintain all exterior and structural elements of the Premises (including the roof).

**Utilities:** Landlord will provide adequate utilities to the Leased Premises.

**Brokerage:** If either Landlord or Tenant choose to retain a real estate broker to represent them, each shall be responsible for paying their own respective commissions and shall indemnify each other against any brokerage commission claims.

**Lease Form:** The Lease shall be on Landlord's standard form.

The preparation, revision or delivery of any Lease for examination and discussion shall in no event be deemed to be an offer to lease the Premises but shall be merely a part of the negotiations between Landlord and Tenant. Neither party hereto shall have any obligation or liability to the other whatsoever at law or in equity (including any claims for detrimental reliance or promissory estoppel) unless and until such time as both parties shall have executed and delivered a Lease.

**Contingencies:** The terms and conditions of this Proposal are contingent upon: (1) The Landlord being designated by the City of Minneapolis as the Developer of the "Penn and Lowry Redevelopment", (2) The Landlord acquisition of 3010 Penn Avenue ("Family Dollar Building"), (3) Landlord & Tenant mutually agreement to a purchase price for Tenant's property located at 3200 Penn Avenue North.

Ms. Deborah Atterberry  
August 22, 2005  
Page 3 of 3

If you are in agreement with the terms set forth above, please sign a copy of this Letter of Intent and return it to me. Please contact me with any questions or comments.

Best Regards,



Ned V. Rukavina  
Vice President - Retail  
United Properties  
(952) 820-8738  
[nrukavina@uproperties.com](mailto:nrukavina@uproperties.com)

Agreed and Accepted:

By: Deborah Atterberry  
Its: President  
Date: August 29, 2005

Cc: Steve Wellington

August 29, 2005

Re: Penn-Lowry Redevelopment RFP

I hereby certify that I am a duly licensed professional architect under the laws of the State of Minnesota, license #13041.

Sincerely,

**POPE ASSOCIATES INC.**

A handwritten signature in black ink, appearing to read 'Jon R. Pope', with a stylized flourish at the end.

Jon R. Pope, AIA  
President