

### **Term Sheet**

Between the City of Minneapolis and Ryan Companies US, Inc.  
For the Downtown East Block 1 Development Rights Project

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1. **Property:** The development parcel or parcels to be created by vertical and horizontal subdivision of the Air Rights Plane and Liner Parcel on Block 1 in Downtown East to facilitate separate ownership and financing of various elements of the Minimum Improvements.
2. **Developer:** Ryan Companies US, Inc. or an affiliated entity (“Developer”). Subject to prior written approval by the City, Developer may assign development rights for one or more elements of the Minimum Improvements to one or more assignees with demonstrated experience and adequate financial capacity to undertake the project, provided the assignee assumes and agrees to be bound by applicable Developer obligations under the Redevelopment Contract.
3. **Minimum Improvements:** Developer and the City each desire to maximize the development that may be feasibly completed on the Property. Except as provided below, the Minimum Improvements will include a 25-35 story residential tower with an amenity deck and an additional level of parking constructed on the 7<sup>th</sup> level of the Block 1 Parking Ramp containing approximately 200 parking spaces (the “Residential Tower”). If Developer determines that the Residential Tower improvements are financially infeasible or have an unacceptable (or unapprovable) impact on the Block 1 Parking Ramp, then Developer will maintain an option to purchase and construct either an office tower of up to 20 stories, a full service or limited service hotel, or another residential or commercial liner-parcel building as Minimum Improvements. In all cases, Developer will make good faith efforts to include a significant amount of ground floor retail/restaurant space.
4. **Purchase Option:** Developer shall have an option to acquire the Property for construction of the Minimum Improvements until December 31, 2015 (the “Option Period”), subject to payment of the Option Price and performance of the Option Requirements listed below. To exercise the Purchase Option, Developer shall provide 60 day’s prior written notice to the City.
5. **Option Price:** Developer shall pay City an Option Price of \$300,000 upon execution of the purchase option development contract. If Developer exercises the Purchase Option during the Option Period, the Option Price will be applied to the Purchase Price.
6. **Option Requirements:** Developer shall fund and construct the following parking ramp improvements, estimated to cost between approximately \$1.3 million to \$1.6 million (the “Ramp Improvements”), including:
  - a. Redesign of the ramp lobby to the southeast corner of the block
  - b. Relocation of ramp lobby, sloped flooring, soil export
  - c. Structural upgrades to provide for possible expansion of 7<sup>th</sup> floor parking and amenity deck
  - d. Redesign exterior façade to add green screen to comply with City requirements

- e. Adjust Grid E columns to support residential or commercial on liner
  - f. Increase capacity in storm-water system
  - g. Adjust Grid D columns to support up to 20 story office structure
7. Option Extensions: Developer may obtain annual extensions of the Option Period by payment of annual Extension Payments as follows:
- a. \$60,000 by December 31, 2015 to extend the Option Period through December 31, 2016
  - b. \$60,000 by December 31, 2016 to extend the Option Period through December 31, 2017
  - c. \$60,000 by December 31, 2017 to extend the Option Period through December 31, 2018
  - d. \$60,000 by December 31, 2018 to extend the Option Period through December 31, 2019
  - e. \$60,000 by December 31, 2019 to extend the Option Period through December 31, 2020
  - f. \$60,000 by December 31, 2020 to extend the Option Period through December 31, 2021
  - g. \$60,000 by December 31, 2021 to extend the Option Period through December 31, 2022

If Developer exercises the extended Purchase Option, the Option Price and any Extension Payments made by Developer will be applied to the Purchase Price. If not, the City will retain the Option Price and any Extension Payments.

8. Purchase Price: The minimum Purchase Price for the Property is \$2.0 million. If Developer constructs something other than the Residential Tower, this amount will be adjusted upward based upon the development on the Property as follows:
- a. Office tower: Subject to upward adjustment if the ratio of \$10/sf results in a price greater than \$2.0 million (e.g. 325,000 sf building x \$10/sf=\$3.25 million)
  - b. Hotel: Subject to upward adjustment if the ratio of \$15,000/unit results in a price greater than \$2.0 million (e.g. 150-unit building x \$15,000/unit = \$2.25 million)
  - c. Residential Building on Liner Parcel only: Subject to upward adjustment if the ratio of \$15,000/unit results in a price greater than \$2.0 million

The Purchase Price is due to the City on the Closing Date.

9. Future Participation: If Developer constructs the Residential Tower, the City will receive additional payments from Developer which will total \$1.0 million. The five additional payments will be paid in the amount of \$200,000 each and will be paid on a quarterly basis commencing after the Final Certificate of Occupancy has been received for the Residential Tower. Developer will pay interest payments or comparable stipulated payments on the \$1.0 million at a 4.25% annual interest rate commencing once the residential tower achieves a certificate of occupancy. Any unpaid proceeds payments will automatically accelerate and be paid to the City in the event of a sale or refinance of the project. Developer will provide suitable security

for this Developer obligation, e.g. i) a lien on the Property subject to acceptable subordination requirements and/or ii) a corporate guarantee from Ryan Companies US, Inc. and/or Magellan Development Group, LLC.

10. Closing Date – After subdivision of Block 1 and prior to the start of construction of the Minimum Improvements, which shall be no later than December 31, 2015, unless Developer has extended the Option Period as provided above, in which case the Closing Date will be within 60 days after written notice from Developer that it intends to exercise the Purchase Option, but no later than the expiration date of the applicable extended Option Period. Developer shall satisfy standard conditions precedent to closing.

Construction Start Date – no later than three months following Closing Date subject to Force Majeure

Completion Date – no later than 24 months after Closing Date subject to Force Majeure

11. Fundraising: Developer will use best efforts to raise substantial donations for the Downtown East Commons, in addition to any funds donated by current or future owners or tenants of property located on the city blocks immediately adjacent to the Commons.
12. Property and Environmental Conditions: Property sold “as-is”. Developer may request City sponsorship of grant applications to outside funding sources (i.e., State of Minnesota DEED; Metropolitan Council; Hennepin County) to apply for available grants for any required environmental remediation or other extraordinary costs. The City shall have no other obligation in this regard, beyond consideration of Developer’s grant applications.
13. Article 13 Compliance: Developer shall also be responsible for compliance with the obligations of the “City or the City-selected developer” under Article 13 of the Development Agreement for the Ryan Downtown East project, including, but not limited to, any deposit of funds into escrow or provision of other acceptable security for the design and construction work necessary to modify the ramp to accommodate the Minimum Improvements.
14. Other Requirements: The conveyance of property will be subject to other standard City contracting requirements, including but not limited to construction and financing plan approvals prior to commencement of construction and transfer and encumbrance limitations until completion.
15. MSFA Participation: In the DTE Development Agreement, MSFA has granted City development rights for the Property and agreed to cooperate with the City and City-selected developer in the use of those rights. In furtherance of that agreement, the City has asked MSFA to enter into the above-described purchase option development contract with City and Developer by October 1, 2014, and to specifically approve the following:

- a. Waive the April 10, 2014 deadline in the DTE Development Agreement to make design changes to Block 1 ramp and accept ramp modifications through change order and/or through design process approvals to accommodate the Minimum Improvements, so long as the modifications have no impact on number or functionality of spaces or substantial completion date and access is not obstructed;
- b. In cooperation with Developer, agree to the form and content of a reciprocal easement and operating agreement (REOA), which will be effective against the Property after the Closing Date and provide appropriate easements for approximately 200 parking stalls and an amenity deck on a new privately-owned 7<sup>th</sup> level of the Block 1 ramp, including unrestricted ingress/egress during Stadium events;
- c. Approve the column modifications to the ramp to accommodate a potential office tower, the impact of which is shorter parking stalls (12") for 18 stalls to accommodate larger column size (3 per level; levels 1-6);
- d. Grant a storm water easement for the benefit of the Property for use in a shared system, subject to execution of the REOA; and
- e. Approve the ramp design/construction schedule.

MSFA must also cooperate in subdivision of the block, obtain release of the Property from state bond-financed property declaration and deliver the deed at closing.

16. City Option to Terminate Purchase Option: Commencing upon the earlier of (a) receipt of written approval from the MSFA (which approval shall include any requisite approvals from the Minnesota Vikings Football, LLC and Minnesota Vikings Football Stadium LLC) that the parking on the privately-owned 7<sup>th</sup> level of the Block 1 Ramp will have unrestricted ingress/egress during Stadium events and (b) December 31, 2015, Developer will have 180 days to submit plans to the City for site plan approval. In the event Developer does not complete this milestone, the City will have a 45 day Option to Terminate the Purchase Option. Developer will be required to close on the property within 60 days of the receipt of City approvals to construct the Residential Tower, including site plan approval and building permit. In the event Developer does not complete this milestone, the City will have a second 45 day Option to Terminate the Purchase Option. In the event the City exercises either Option to Terminate, the City will reimburse Developer for the reasonable actual design and construction cost of the Ramp Improvements, which shall not exceed \$1.6M and are subject to City audit and verification.
17. If an amenity deck is added for the Vikings or Game Days, the City will split equally any revenue above and beyond the cost to build.