

MINNEAPOLIS ST. PAUL BUSINESS JOURNAL

April 22, 2011

Best in Real Estate

WINNER

Lease – Office

U.S. Bancorp

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It's hard enough to get three individuals to agree on pizza toppings. Just imagine getting three large corporations to agree on a lease transaction involving 337,000 square feet of office space to accommodate 1,600 employees, and one lease getting cancelled so another could be signed — all under tight timing.

That's exactly what was needed to secure U.S. Bancorp's new 12-year lease at the two-building Meridian Crossings in Richfield.

Before the deal was signed, U.S. Bancorp worked with Minneapolis-based real estate consultants Nelson, Tietz & Hoye to decide what to do when its lease came up on the Riverbank building in St. Paul.

"We started in 2008. With a requirement that large, you need a long lead time," said Tina Hoye, a principal with Nelson, Tietz & Hoye. "Even new construction was a consideration. Then with what happened [to the economy] in 2008, the outlook for building new diminished, but the requirement was still there."

The financial meltdown also had an impact on GMAC's ResCap division, which had three-plus years left on its 250,000-square-foot lease at Meridian Crossings. As it contracted, ResCap started looking to sublease some of its space.

Representatives of U.S. Bancorp, ResCap and Meridian Crossings' owner State Teachers Retirement System of Ohio (STRS Ohio) were aware of each other's needs, but at first, the pieces didn't seem to fit. The vacant space Meridian Crossings had available, plus a slice of ResCap's



space didn't equal enough room for U.S. Bancorp.

By 2009, however, ResCap started thinking about getting out of all its space. STRS Ohio didn't want its buildings to suddenly go dark. And U.S. Bancorp suddenly had a lease opportunity with room to grow not too far from existing office space and available in time to meet its needs.

Still, there was nothing easy about actually making a deal happen.

"It's hard enough doing a lease with two parties. This was a three-way transaction," said Nick Conzemius, vice president at CB Richard Ellis Inc. and broker representative of STRS Ohio. "There was a lot of hair on this deal. [It] fell apart a number of times."

But in the end, it made too much sense for everyone involved for it to stay fallen apart.

Hoye said that for U.S. Bancorp, the building was an upgrade from the space it had occupied — with more windows, smaller floor plates, access to retail and visibility on a major road.

The deal presented unique opportunities, too. ResCap was in a position to sell furnishings and leave improvements in place, smoothing U.S. Bancorp's move. A phased handoff of the space allowed the new

STATS

Value: **Not provided**

Location: **Meridian Crossings, Richfield**

Size: **337,000 square feet**

Lease term: **12 years**

Deal signed: **Feb. 24, 2010**

PLAYERS

Owner/Lessor of space: At lease signing — State Teachers Retirement System of Ohio; now — Piedmont Office Realty Trust Inc. out of Georgia

Leasing agent: CB Richard Ellis Inc.

Tenant: U.S. Bancorp

Tenant broker: Nelson, Tietz & Hoye

General contractor: RJM Construction

Architect: Ellerbe Becket Inc.

Interior designer: Ellerbe Becket Inc.

Engineer: Michaud Cooley Erickson

Legal representation: Faegre & Benson for tenant; Dorsey & Whitney for landlord

Other key parties: GMAC ResCap

tenants to start moving in even while the old tenants moved out.

Ultimately, the transaction could be described as a "win-win-win." ResCap got out of its lease; U.S. Bancorp got the space it wanted; and STRS Ohio kept its buildings full — surely a factor in its ability to sell Meridian Crossings shortly thereafter.

"What stood out was the complexity," said Best in Real Estate judge Todd Anlauf, partner at the Minneapolis law firm of Oppenheimer Wolff & Donnelly. "With the size of the space, you don't often see [a handoff] as seamless as this one. It was a commendable job by everyone in the transaction."