

824 HENNEPIN AVENUE
REQUEST FOR PROPOSALS

PROPOSAL FOR PURCHASE AND DEVELOPMENT

OF

**824 HENNEPIN AVENUE
MINNEAPOLIS ENTERTAINMENT DISTRICT
DOWNTOWN MINNEAPOLIS, MN**

BY

The 824 Blues Club, LLC
(Corporation to be formed)

Owners & Operators:

**Mr. John Laurent
Mr. Steven Heckler**

Submitted November 21, 2007

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PUBLIC BENEFITS

- Experienced and capable management and ownership
- Unique entertainment offering consistent with intentions of the district
- Four new jobs; will increase each year
- Increased payroll, sales and real estate taxes (est'd \$24,000 annual real estate taxes)
- Low impact with use and ownership change

TERM SHEET

The 824 Blues Club, LLC offers to lease the basement and first floor of the building “as is” for ten years with a cancellation option with six months written notice. We propose to have an option to buy the building within the first twenty-four months of the lease for \$1,000,000. Our proposed monthly net lease rent is \$5,333.00. Our offer is contingent on obtaining an on-sale liquor license. Both principals have had liquor licenses in the past with the City of Minneapolis and City of St. Paul.

PROPOSED DEVELOPMENT & USE OVERVIEW

The 824 Blues Club, LLC will expand the downtown entertainment offerings by introducing “Blues Music” to Hennepin Avenue.

Our intention is to draw people to the downtown entertainment district from throughout the Twin Cities and the Upper Midwest. The 824 Blues Club will positively impact the retail, restaurant and hotel businesses throughout the downtown area and will enhance the main purpose or intention of the district, that being entertainment.

Importantly, our use will have a low impact on the neighborhood as we will use the facility “as is” making only cosmetic or décor changes. We are planning no structural or elevation changes to the exterior or interior of the building with the exception of signage. However, the use will require the installation of a superb sound system to accommodate the live entertainment to be offered six evenings a week.

Our use of only the main floor and basement will permit the second floor to continue to be used to support the arts.

In summary the important parts of our proposed development are:

- We will offer “Blues Music” six nights a week beginning at 7:00 PM and ending at midnight Monday through Thursday and 1:00 AM on Friday and Saturday evenings. Thirty-two hours of Blues Music entertainment per week!
- We will employ three full-time employees plus a General Manager.
- Our average live entertainment costs will be \$750.00 per evening.
- We will offer a limited food menu.

- We will serve liquor on site.
- Our average cover charge will range from \$5.00 to \$10.00 per evening depending on the entertainment.
- We will sell Blues related materials such as music and apparel.
- We have conservatively projected attendance at well below capacity the first two years. We are projecting weekly attendance of only 550 customers. 50 on Monday, 80 on Tuesday and Wednesday, 100 on Thursday and 120 on Friday and Saturday. We believe this is well below the potential and what we may actually experience.

IDENTIFICATION OF THE ENTITIES

Steve Heckler

6545 119th Place N, Champlain, MN 55316 612-227-3108

Education: 1982 – Master of Social Work – State University of New York at Albany (SUNY)

1979 – B.S. in Psychology & Fine Arts – USD

Executive Director, Owner, President Music Productions

Oversee the aspects of each event including budgeting, production, community relations, human resources, marketing, securing production, community relations and booking of local, national and international performers to create quality festivals.

2005 - Present

Founder and Executive Director – **Famous Dave’s BBQ and Blues Festival**, Minneapolis, MN. This event is the largest Blues Festival in the Twin Cities attracting over 20,000.

2005 - Present

Executive Director - **Festival of Nations**, St. Paul, MN. One of the largest multi-cultural events in the country attracting over 65,000 people. *The Festival of Nations* is held at the St. Paul RiverCentre.

1999 – Present

Founder and Executive Director - **Twin Cities Jazz Festival**, Minneapolis & St. Paul, MN. *The Twin Cities Jazz Festival* has become one of the largest outdoor free jazz festivals in the country, attracting over 75,000 people.

Other Experience

1975 to Present

Musician and Music Management. **HSR.** Extensive experience as booking agent, event producer and performer.

1998 to Present

Freelance Writer - **Mpls./St. Paul Magazine** arts and leisure section.

1985 to 2002

Senior Social Worker - **Hennepin County.** Various functions including creating and reviewing housing initiatives, grants, and specific service needs.

1980 to 1982

Assistant Coordinator, **Heritage House Restaurant.** Responsibilities included assisting with daily preparations, stocking and storage of food/beverages, working with catering and direct serving.

Community Volunteer:

Direct involvement with fundraising for *Minnesota Habitat for Humanity* and *Project for Pride in Living*; volunteer for *Make-A-Wish Foundation* and *Hennepin County Special Gift Fund.*

Minneapolis Downtown Council – Volunteer for the *Aquatennial* and *Alive After Five* including bartending, stage assistance and VIP set-up.

John Laurent

330 Highcroft Lane, Wayzata, MN 55391 612-382-8910

Education: 1968 - Bachelor of Arts - St Cloud State University

Work History:

1968 - 1972 First Lieutenant - U.S. Army

1972 - 1980 Sales Manager - IBM Corporation

1980 - 1982 Commercial Real Estate Broker - CB Richard Ellis

1982 - Present Design, Develop, Construct, Lease and Own Residential and Commercial Real Estate (See Brochure)

Other Experience: Designed, Developed and Constructed the Minneapolis restaurant now known as the "112 Eatery"

Board Member - Twin Cities Jazz Festival

PROJECTED FINANCIAL RESULTS (Pro forma)

First Year Pro forma

Sales		
Cover	200,196	
Food	228,000	
Beverage	343,200	
Merchandise	26,400	
Rental	12,000	
<u>Total Sales</u>		<u>809,796</u>
Cost of Sales		
Cover	-0-	
Food	114,000	
Beverage	85,800	
Merchandise	7,920	
Rental	-0-	
<u>Total Cost of Sales</u>		<u>207,720</u>
<u>Gross Profit</u>		<u>602,076</u>
Labor Cost		
Employees	74,880	
Manager	40,000	
Taxes/Bnfts	17,232	
<u>Total Labor Costs</u>		<u>132,112</u>
Operating Expenses		
Rent	64,000	
RE tax	24,000	
Utilities	20,000	
Phone	3,000	
Entertainers	195,300	
Supplies	7,800	
Bldg Maint	7,400	
Insurance	18,000	
Advertising	36,000	
Accounting	6,000	
Legal	9,000	
Laundry	3,600	
Misc	5,000	
<u>Total Expense</u>		<u>399,100</u>
<u>Net Operating Profit</u>		<u>70,864</u>

20 YEAR PRO FORMA

Projections based on 5% annual sales increase and 2.75% annual increase in costs.

		1	2	3
Sales		809,796	850285.8	892800.1
Cost of Sales		207,720	213432.3	219301.7
Gross Profit		602,076	636,854	673,498
Labor Costs		132,112	135745.1	139478.1
Operating Exp		399,100	410075.3	421352.3
Net Operating Exp		70,864	91,033	112,668
	4	5	6	7
	937440.1	984312.1	1033528	1085204
	225332.5	231529.1	237896.2	244438.3
	712,108	752,783	795,632	840,766
	143313.7	147254.8	151304.4	155465.2
	432939.5	444845.3	457078.6	469648.3
	135,854	160,683	187,249	215,652
	246,000			
	9	10	11	12
	1196438	1256259	1319072	1385026
	258067.3	265164.1	272456.2	279948.7
	938,370	991,095	1,046,616	1,105,077
	1,166,630			
	164133.4	168647	173284.8	178050.2
	182946.6			
	495834.1	509469.5	523479.9	537875.6
	552667.2			
	278,403	312,979	349,851	389,151
	431,016			
	14	15	16	17
	1526991	1603341	1683508	1767683
	1856067			
	295557.6	303685.4	312036.8	320617.8
	329434.8			
	1,231,434	1,299,655	1,371,471	1,447,065
	1,526,632			
	187977.6	193147	198458.5	203916.1
	209523.8			
	567865.6	583481.9	599527.6	616014.6
	632955			
	475,590	523,026	573,485	627,135
	684,154			
	19	20		
	1948871	2046314		
	338494.2	347802.8		
	1,610,376	1,698,511		
	215285.7	221206.1		
	650361.3	668246.2		
	744,729	809,059		

THE BLUES MARKET

Blues music consists of a large fan base that is cross-generational. Its' popularity reaches all ages, races and economic households. Blues is the one form of music that truly expresses what it means to be human, from heartache and pain, to passion and joy. It allows us to share where we've been, where we are, and where we hope to be one day. It's another avenue upon which to document an individual's life journey. Blues defines those feelings that originate from a place deep within a persons soul.

Blues music overall has a solid foundation and continues to move forward, especially with the growing popularity of roots music. Blues is a proud parent of its well known children called jazz, pop, country, and rock and roll.

While several area clubs perform Blues from time to time, the only true Blues club in the Twin Cities is at Famous Dave's uptown location. Other urban areas comparable to the Twin Cities have several successful Blues clubs in downtown locations, thereby increasing the vibrancy of those areas.

The Twin Cities has a large proven audience that supports the Blues. The Famous Dave's BBQ and Blues Festival attract over 20,000 people for a one-day festival held at Peavey Plaza in downtown Minneapolis. Much of the Bayfront Blues Festival (Duluth) success is due to support from Twin Cities patrons.

The typical Blues fan is middle to upper income, mobile, supports the arts, travels and is educated. The appeal reaches all socio-economic levels.

The 824 Blues Club fans will come from the downtown hotels and residences and from suburbs throughout the Twin Cities. But they will also come from the Dakota's, Wisconsin, Iowa and Illinois.

Our *primary* marketing efforts will be the local media, downtown hotels, the internet and word-of-mouth.

Blues Demographics

77% Public Involvement	60% Men
63% Vote	40% Women
13% Fundraising	67% Age 25-50
54% Theater/Concert/Dance Attendance	20% Age 18-34
24% Attend Live Performance	53% Age 35-45
64% Dine Out	47% College Degree +
56% Read Books	20% Graduate School
52% Regular Fitness Program	66% Household Income \$50,000+
24% Swim	47% Household Income \$75,000+
42% Walk for Exercise	Mean Household Income \$73,327
42% Own Financial Securities	44% Married
26% Own Stock or Bond Mutual Funds	41% Single
26% Own Common or Preferred Stocks	76% Employed
68% Households Own Computer	20% Professional
58% Subscribe/Use Online Service	17% Managerial
71% Domestic Travel	36% Business Purchases
38% Foreign Travel over past three years	

TIMEFRAME

We expect to be open for business within 60 days of signing a lease and obtaining all necessary permits.

EXHIBIT A - Form of Consent for Release of Response Data

_____, 20__

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

Re: 824 Hennepin Avenue Request for Proposals
Consent for Release of Response Data

_____, on behalf of

_____, hereby consents to the release of its

development proposal in response to the 824 Hennepin Avenue 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.

Best Regards,
