



## WISH IN THE PARK NEGOTIATION

### **Confidential Information for P.T. Pattison, Owner of Pattison Stores, Inc.**

You own a two story brick building in historic downtown Parrytown, Michigan, which houses ten small businesses. Under the business name Pattison Stores, Inc., you renovated the building interior ten years ago, and then started or invested in five of those businesses, all on the ground floor: an upscale coffee shop, a catering & take-out gourmet meals store, a wine store, and a chocolatier. Five other small businesses rent space on the second floor: a yoga studio, a violin studio, a custom tailor's, a shoe repair place, and a photographer's studio. Each business operates as a separate entity (even those you own, in whole or in part) and pays rent to Pattison Stores, Inc. The building consists of 10,000 square feet of rental space, divided between these ten businesses.

Since you've owned the building (and as long before that as you can remember), the land behind the building to the north has been a privately-owned parking lot. About three years ago, the City passed an ordinance that prohibited on-street parking in front of your building and directly across the street between 7:30 and 9:30 a.m. and 3:30 and 6:00 p.m. (The same parking hour restrictions were applied to the entire street.) This somewhat affected business for stores in your building, but they were saved by the parking lot behind the building. Each store opens to the back, so patrons could still go from their cars, pick up coffee, make other quick purchases, and be on their way. You paid a modest fee to the parking lot owner to cover parking for patrons making quick stops during commute hours.

Recently, you were dismayed to learn that a Wishing Wheels, Inc. had purchased the lot behind your building to the north. Wishing Wheels' business plan (according to the paper) is to rent all types of "green" wheeled vehicles for weekend jaunts or a day's errands. It holds a Wise Car franchise license – so people will be able to pick up or drop off any electric Wise Car there, and it will be re-charged. They rent electric and hybrid motorcycles, motor scooters, all types of bicycles, as well as hybrid or electric trucks and all-terrain vehicles. They also offer a ride service called "Electric Chauffeur." Wishing Wheels' target market is urban professionals who live in town and opt against owning a car (or couples who own only one small car) and want to get away for the weekend. Bicycles, motorcycles, and all-terrain vehicles appeal to nature lovers of all ages traveling to the ocean or the mountains, both within an hour or two of Parrytown. The Electric Chauffeur operates by contract with (generally older) people who prefer not to drive, but wish to shop and attend social and entertainment events.

Wishing Wheels has a business construction permit application pending with the City, which requires approval of both the building inspector's office and the traffic department as their plan involves relocating curb cuts for ingress and egress. Because it is a matter of public concern, you were able to see the filed plans. Not surprisingly, Wishing Wheels intends to use the entire lot. They plan to build a two-story building with tracks running around the much of the property and up alongside the building –on which people could tryout their



bicycles, scooters, and motorcycles. The partially enclosed track would come within ten feet of your building's back windows. The rest would be used for parking for Wise Cars, Electric Chauffeur vehicles and charging stations, as well as bicycles and scooters on display.

Your strongest wish is that Wishing Wheels would roll away. At least half of the Pattison Stores' businesses rely on customers who want to park, walk the shortest distance possible, grab coffee or a muffin, perhaps drop off tailoring or shoes for repair on the way to work, and then pick up dinner and a bottle of wine or chocolate on the way home. The only other reliable parking is beyond that lot, across the street, and behind another building even further north – too far away! You anticipate that Pattison Stores' businesses would lose 20% of their revenues without convenient parking. While some businesses are less reliant on quick parking, these too would be harmed by Wishing Wheels' business plan. Motorcycles, scooters, and bikes riding on the track will hardly be welcome accompaniment for violin lessons or yoga. NONE of the tenant businesses will be happy.

You went to see a lawyer about objecting to Wishing Wheels' building permit and request to alter ingress and egress. The lawyer said you were unlikely to succeed in blocking the business from coming in, though raising traffic pattern concerns could delay the project for a year or so. The lawyer noted that you could retain a traffic expert in support of your position, but that would cost at least \$10,000. The lawyer's fees in the process would run between \$10,000 and \$15,000. You don't know if any other businesses or residents nearby would join your objection. None would be so directly impacted.

If you could prevent the ingress and egress changes, or those crazy elevated tracks alongside the building, Wishing Wheels would have to alter its planned design. You don't know if Wishing Wheels would then opt to locate elsewhere.

Your lawyer suggested avoiding legal hassles and buying the site from Wishing Wheels. Wishing Wheels could locate its business elsewhere, perhaps closer to the train station. That area is still "downtown" but would offer Wishing Wheels' customers the option to take bikes and scooters on the train to the coast. Visitors to Parrytown could get off the train and walk to Wishing Wheels. Or, Wishing Wheels might find a lot in the warehouse district, where an arts, artisan and restaurant community is beginning.

You have done some research about pricing. You know from the publicly recorded deed that Wishing Wheels paid \$150,000 for the lot behind your building. It appears that Wishing Wheels could get a comparable lot within walking distance of the train station for \$200,000. You believe a somewhat larger lot in Parrytown's warehouse district would probably sell for \$220,000 - \$250,000.

If Wishing Wheels comes in, you estimate that Pattison Stores' property and its businesses will lose 20% of their value. At present, the building's 10,000 square feet are renting for an average of \$50 per square foot, or \$500,000 per year. As tenants leave, market value would go down to \$40 per square foot– a loss of \$100,000 per year. Moreover, the businesses you own would lose nearly that percentage of net revenues (even with rent reductions). You



estimate additional annual lost business revenues at \$100,000, in the short term. If you capitalize these losses, even over a five-year period, the back parking lot is worth \$1 million to your business. As a practical matter, you doubt the bank would finance a \$1 million purchase price. However, your current business line of credit would permit a \$500,000 purchase. Working with business partners, you could invest another \$250,000. Thus, if absolutely necessary, you could pay up to \$750,000. You want purchase it for as little as possible.

You recently called W.C. Webb, owner of Wishing Wheels, identifying yourself as P.T. Pattison of Pattison Stores, Inc., owner of the adjacent building. You suggested getting together to discuss your concerns about Wishing Wheels.

Negotiate with W.C. Webb to purchase the lot. After all, if Web abandons his plans, he'll sell the lot to someone else. That will just create a different nightmare.