More Growth for Tonto

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Agenda

- Overview of scenario

- Roles

- Issues

- Logistics of role-play exercise

- Outcomes

- Questions

Overview of exercise

- Two-party, quantifiable negotiation

- Best for middle or end of semester

- Restaurant chain and commercial developer

- Some integrative potential but most issues are distributive

- Seven issues to be negotiated

Roles

- Principal of Mountain Option Real Estate (MORE)

- Vice President of Business Development at Tonto Bar & Grill

- Observer

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Issues to be negotiated

- Location

- Cost per square foot

- % of sales as additional rent

- Duration of lease

- Options for lease renewal

- Date of first rent payment

- Responsibility for maintenance costs

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Integration of issues

Opportunity #1:
Location and rental costs

Opportunity #2:
Lease terms

- Location
- Cost per square foot

Also, might include…

- Percentage of sales as additional rent

- Duration of initial lease
- Options to renew the lease

Priorities for each side

Mountain Option Real Estate

- Priorities
    - Location
    - Cost per square foot
    - Renewal

Tonto Bar & Grill

- Priorities
    - Location
    - % of sales as additional rent
    - First rent
    - Maintenance

Logistics of the exercise

- Distribute roles 3-7 days before class
- Can be 1-on-1 or team-on-team
- Allow 45-50 minutes for the negotiation
- Allow 30 minutes for debrief

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Likely Outcomes

- Most groups will achieve agreement

    - Location should be City Center or Waterfront

    - Usually $22.50-$24.50 per sq ft

    - Percentage of sales as rent ranges from 0-4%

    - First rent due ranges from 45-90 days

    - Lease duration from 10-15 years

    - Most will renew for 3-5 years, with price increase

    - Tonto often takes some or all of maintenance

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The Debrief

- Utilize observers

- Challenge of handling two possible locations

- Examples of logrolling

- Persistence

Questions?

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