**Notes from Minneapolis Downtown Council’s 2025 Plan**

**East Town Development Group Meeting**

**Tuesday, November 21, 2017, 9:00-10:00 a.m.**

**Kraus-Anderson, 501 South 8th Street, First Floor Conference Room**

1. **Welcome, Introductions and Announcements**Dan Collison welcomed the audience to the November East Town Development Group meeting then introduced himself as the Director of Downtown Partnerships for the Minneapolis Downtown Council/Downtown Improvement District, and Executive Director for East Town Business Partnership. The ETDG has been exploring land use and development in a systematic way for a little over 3 years and he’s happy to have them as part of these convenings. For the first couple years this group met monthly to keep up with all that was going on, but now feel they can meet less frequently, i.e., bimonthly, beginning next year. Cathy Schmidt from Surfacequest is working with him to design high-quality meetings, the next being on Tuesday, January 16th, 9:00-10:00 a.m., at Padilla with the topic *Changing Cars: How Cities Envision Electric and Autonomous Vehicles Navigating our Streets*.

Since there are multiple projects happening within several blocks of each other, on Tuesday, March 20th, the topic will be *Redefining Three Key Public-Private Downtown Blocks: Hennepin County Building, Thrivent Financial, New City of Minneapolis Office Building*.

Collison reminded those who have been participating in this group it was kicked off as a way to leverage the transformational development occurring in the heart of the district – Ryan Companies, Wells Fargo, Minnesota Sports Facilities Authority, Minnesota Vikings, and the City of Minneapolis redesigned 5 blocks in Downtown East – and to sew together the Elliot Park and Downtown East neighbors. Through a 2-year branding process, the community established language to sew these two neighborhoods together, i.e., a vibrant, multifaceted and connected community, and then branded itself East Town to create a new sense of identity and scope.

Much of what this group has done has been captured on its website at <http://www.easttowndevelopment.com/>. More recently it has focused on two corridors it considers critical for development opportunities, i.e., Park and Portland Avenues (<http://www.parkportlandprojectmpls.com/>) from the southern edge of East Town in Elliot Park to the north where the new Thrivent Financial headquarters will be constructed and beyond into Downtown East.

The audience then introduced themselves:

Carina Aleckson, Catholic Charities Opportunity Center
Tony Barranco, Ryan Companies
Jacquie Berglund, Finnegans
John Breitinger, Cushman & Wakefield
John Campobasso, Kraus-Anderson Construction
Andrea Christensen, Cushman & Wakefield
Mike Dwyer, NRG Energy
Chris Fleck, North Central University
Michael Grief, Metro Transit, Transit Oriented Development
Jeff LaFavre, IAG Commercial Real Estate
Nancy Martel, Kraus-Anderson Construction
Brock Martinson, Pope Architects
Brian Maupin, Allied Parking
Ben Nason, Guaranty Commercial Title
Nicole Norfleet, Star Tribune
Cathy Schmidt, Surfacequest
Kirsten Spreck, Thrivent Financial
Halo Stafford, The Excelsior Group/Edition Apartments
Kelly Stenzel, Thrivent Financial
Carletta Sweet, Downtown Minneapolis Neighborhood Association
Jim Vos, Cresa Minneapolis
Marybeth Weisberg, Minneapolis Downtown Council
Scott Wordelman, Hennepin County Medical Center
2. **Driving Retail Growth in East Town**Collison introduced guest speakers James Vos, Principal at Cresa Minneapolis (<https://www.cresa.com/jvos>), and Andrea Christensen, Vice President at Cushman & Wakefield (<http://www.cushmanwakefield.com/en/people/andrea-christenson/>) by providing a brief biography on them. Both have extensive retail experience and are recognized for their expertise by the retail industry and media.

Vos explained when he was first invited to give this presentation it was during a meeting at his office regarding office and retail space in the CBD and East Town. He soon realized it was more fun to talk about retail, but it’s worth covering the office sector first. One of the objectives of the Minneapolis Downtown Council’s 2025 Plan was to put 3 million square feet of office space in the CBD, a metric that was reached fairly early and moved to 4 million square feet. How that office space was developed is different when you look at 5th Street as the dividing line. Virtually everything in the CBD and into the North Loop, with the exception of Xcel Energy, has been multitenant space, whereas when you cross 5th Street into East Town it is virtually all single tenant space, e.g., American Academy of Neurology, the Valspar campus, Wells Fargo, Thrivent Financial, the new City and County buildings, and HCMC. With the exception of the Millwright Building, we don’t have multitenant office space coming to East Town and he doesn’t know why. What is seismic in the shift is skyways are crossing 5th Street.

Historically the definition of downtown is whatever is connected by skyway and with the Wells Fargo campus bringing it across 5th Street, soon the Thrivent campus, and maybe one day to HCMC, we’re changing the definition of what is our core. As much as East Town is a strong affiliated neighborhood from a residential and ultimately retail perspective, he hopes over time the office market starts to break down some of those boundaries and ultimately become more accessible. You can walk via skyway from the Hyatt Regency Minneapolis to U.S. Bank Stadium, almost from the river to the Convention Center, and when the Thrivent development is completed from Target Field to HCMC. The office market is shifting and those skyways didn’t happen without office being the driver and when we think about East Town what is material is the way skyways will shift our perception of what’s accessible or what’s not.

Going forward, what’s also interesting is the Park and Portland vision, which has looked at every developable piece of land in East Town but hasn’t imagined any new office sites anywhere else in East Town. Vos believes the CBD has plenty of capacity and space that hasn’t been absorbed. Every long-range vision thinks about multitenant and even single tenant office in East Town and he wonders if that’s intentional or reactive because there’s been so much demand for residential versus office. He believes the skyways are a challenge to our retail environment and worries over perceptions of street safety.

In addition to doing retail downtown, Christensen advised she has lived downtown for over 20 years and in every downtown neighborhood. Currently, she lives at Latitude 45 and recently renewed her lease for a third year. She loves this neighborhood.

Then she discussed what is happening in retail nationally and around the world. The first thing you need to talk about is Amazon and Macy’s, Nordstrom, everybody because we’re ordering through the mail and the way millennials shop. She tells anyone building apartments downtown to double the size of their mailrooms. In her own building the concierge can’t keep up with the packages during the off holiday season; deliveries happen all day long. Imagine it’s even worse during the holiday season. As a result of all of this online shopping, 25% of the shopping malls in America will close in the next 5 years, a staggering statistic. This isn’t going to have a lot of effect on urban shopping because potential customers will be walking by the storefronts and stop in, but the visit needs to be experiential and unique. In downtown we need to find that retailer who’s different; not a national brand unless it’s a grocer or Apple because it’s not what people want. She can’t sit at her desk and cold call to find a needle in a haystack; that makes it challenging.

To drive retail, Anderson advised you need a success story. For 10 years she pushed going to the North Loop without success. Then Bar La Grassa goes into the worst space and suddenly people’s interests were peaked and it became a game changer followed by other game changers such as Smack Shack. Because of the influx of these retail businesses you can then point to sales per square foot. This hasn’t happened yet in this neighborhood, but once it does we’ll see people wanting to be here.

A good thing about this neighborhood is it has a high average disposable household income and people who have time to spend it. When looking at Edina or Eden Prairie or similar markets, although they have a high average disposable household income, they don’t have time to shop and dine as downtown residents because they have to take their children to hockey, gymnastics or other activities. An issue for this neighborhood is when retailers look at a 1-, 3-, and 5-mile radius, it captures neighborhoods with a very low average household income; that skews the results for this neighborhood. She believes when Trader Joe’s opens and is a huge success that will be a game changer. Other game changers would be when Kim Bartmann, a successful restaurateur, Jimmy John’s and a few others come into the neighborhood. By every measureable standard – density, average household income – this neighborhood will be better than the North Loop, but it’s just not there yet.

Thereafter, Anderson and Vos entertained questions from the audience. Following are excerpts of their Q&As.

Fleck: If you had a paintbrush, what would you wish for East Town?

Anderson: What happened organically in the North Loop was they have a lot of boutiques and it would be nice to have the same here. When you have a lot of different landlords, it’s hard to get everyone on the same page, especially if some are motivated by economics. For instance, was Walgreens a better tenant for Nicollet Mall or keeping Saks Fifth Avenue? It would have been better to keep Saks because it’s a retailer people would have driven downtown to visit but they chose Walgreens because it could pay the maximum amount of rent. When Bob Lux built the Latitude, he made a list of 10 restaurateurs he could put in the building that would add value to the tenants above; it wasn’t just about money. If you could get everyone on that same page, you could be creative and have unique retailers, but that won’t happen because some will want the Walgreen’s and the high paying tenant.

Vos: Boutique shopping in the North Loop is very concentrated and doesn’t extend very far. As you look at East Town, where is it most logical for that concentration of boutiques to start? We’ve got the Commons with all the activity and McKinney & Roe and other restaurants coming to face the Commons. Is there a neighborhood that would support the boutique shopping experience?

Anderson: Not right now. If you could replace some of the tenants and change the dynamics on Washington Avenue, it would be the natural fit. She doesn’t see that happening because it’ll be filled in with restaurants. Five years ago you could bowl down Washington and now there’s a lot of traffic; she sees it from her balcony on Washington. The retail spaces will be filled by food, coffee shops and similar places.

Vos: How hard is it to support all those restaurants and coffee shops that people won’t drive downtown to if we don’t have any parking available?

Anderson: That’s the big pushback, getting people to understand they don’t need parking. Even valet is going away; the millennials are using Uber/Lyft. The new thing is to get rid of the valet and have people show their phone. When she parked today she used the parking app. When she goes into the restaurant, she shows her parking app or Uber/Lyft or parking ramp receipt to get a discount on her drink or meal. As a result of this trend, we’ll lose some business particularly from older customers but you’re removing the liability and hassle of valet. They are moving toward that in California and other markets; this market is slow to adapt.

Collison: With the arrival of new retail on this block, i.e., Finnegans and [Tavola] restaurant at the Elliot Park Hotel, Jacquie [Berglund] can you speak to how you see this potentially as a spark for further retail activity?

Berglund: Right outside of this window will be Finnegans House (<http://www.finnegans.org/finneganshouse>) with a production brewery, tap room, private social club and office space on the main floor, and the FINNovation lab in collaboration with the Impact Hub MSP, a social business incubator/accelerator on the top floor. They are also partnering with the Neighborhood Development Center to work with entrepreneurial residents in Elliot Park who will be trained and supported. The goal is to take some of the empty storefronts and help launch businesses with local residents. Creating boutique opportunities for those who live and work here and supporting that ecosystem is what they are trying to spark and add great value to the community.

Collison: We have seen Gamut Gallery relocate from the CBD to Elliott Park, a bridal boutique and barber shop move here, but there are a lot of storefronts, single-story, pedestrian-friendly spaces that could be filled with those unique type of businesses. What factors tip the equation and drive prospective tenants into taking the risk and invest? Commercial, employee, business or residential growth? Part of what I’m wondering about in the North Loop is the unique dynamic for Freehouse, i.e., 65% of their customers are visitors driving cars, not residents from the neighborhood.

Anderson: Based on the number of closings of restaurants and turnover, North Loop has cut into Uptown’s retail activity. It’s hard to get bank loans for restaurants and the cost to build is astronomical; it’s a big risk and those who want to must decide whether to do so in a risky location or in the densest location that’s a sure thing or it’s a cookie cutter. Freehouse is use to dense urban locations. When it’s one-off it’s hard to convince people to take the risk. Radisson RED is offering good economics and yet you bring people down here they’re not overly enthusiastic. And you look at the stadiums which have ratcheted up the food and those who used to eat outside are saying like at the State Fair they want to try all of this food. The Vikings and Twins are not letting any dime go outside. If you talk with the restaurants within the neighborhood they’re making money off the concerts. A bigger game changer is the Armory. With the capacity of 8,000 people, if they keep that going every night, that will be some serious revenue for the surrounding restaurants.

LaFavre: When you talk about the entrepreneurial emphasis and what comes first, the chicken or the egg, from my experience, with the exception of industrial, what will go into a space, the retail and office tend to follow housing units. I’m curious about what’s happening in different places around the country where there’s a really strong entrepreneurial flee market. Seems like the U.S. Bank Stadium is an ideal opportunity for that kind of thing. Is there something like that we can create around the stadium?

Anderson: The problem with the stadium, convention centers, orchestra hall where you have events and its feast or famine, how do you make money on those nights when nothing is going on? How do you develop regular business and not alienate them on event days? On game day you want bartenders who can slog those drinks as fast as you can, but on nongame day they need to have a relationship. You need the entrepreneur with both skill sets and they’re hard to find.

Barranco: A couple observations in trying to do retail in Downtown East. A lot of the groups we were targeting – Tattersall, Dangerous Man, Day Block and other distilleries – didn’t want the type of space we had, i.e., new construction, and were willing to go in far reaching spaces to get it. If you name a restaurateur, we talked with them and they didn’t want to go into a new shell space with the exception of Finnegans and Surly. We also had one retail space on the Commons that Starbucks ended up filling; we talked to Eric Dayton and others and were challenged saying we had to do something. We tried to go to all local groups and all said no even with huge allowances offered and very low rent packages. We need to think more about those creative spaces and we need more residents and office. We have a remarkable amount of retail options in East Town considering the density and both residents and office space. The Park and Portland corridors in residential conversion are critically important and the retail will follow.

Vos: The question of density that Jacob Frey will say in any room he can is if you think about the world class cities you admire like New York, Paris, Chicago or London where you have all this street level activity and you don’t have parking anyplace, don’t we aspire to have that type of residential office mix and all these people on the street because that’s what makes the retail work? I think we do, but in the Midwest we’re agrarians first. Land is wealth and space is a privilege so we never thought about density or transportation the way other communities have so we don’t have an infrastructure that supports as much geography of access, and we don’t think about density much higher than 6 or 8 stories even in downtown Minneapolis. We don’t think about 30 or 40 story residential buildings; we have a couple, Carlyle, 110 Grant, so the sense of what’s appropriate density is this weird lag of the retail will do better if we build taller buildings, but we don’t need taller buildings because we’ve got lots of land. We fight ourselves with creating a velocity that the density will create. He thinks density is the driver and we’ve been really slow to adopt density in East Town.

Collinson: Related to the Armory comments, there might be a way to create a collective narrative to draw more people here. There’s an arts group connected to First Covenant Church’s building and block that is bringing forth a proposal to have the 1,800-seat auditorium become a unique venue called kyrkan (Swedish for church), ultimately a cultural space FCC will be discerning whether or not to do so. There’s a lot of interest because of the success of the multiple-stage Guthrie, the big and flexible space of the Armory that can accommodate concerts of all kinds and sizes, and to differentiate itself from the District Theater on Hennepin Avenue as a more intimate space. There is plenty of parking available; 16,000 stalls around the stadium. The pitch being brought to the FCC is a more intimate experience . . . it’s where the MN Orchestra started while they were building their first venue in 1904. Can you get the retailers to work together to create more of a narrative that can begin collective marketing?

Vos: I love the idea of creating a live music district. When I was down in Nashville last spring, for six blocks there were three great live music venues side by side and this incredible density. In Minneapolis, if my wife and I wanted to go to listen to live music tonight, where would we go? We might be too old for the Cabooze, but if we knew there were a few different performance spaces or bars, that might be an interesting niche. In the early malls, Mall of America, you get one landlord with 4 million square feet who decided where all the retailers go, but what is unique to downtown is you have four landlords on every block fighting over any user that has a checkbook in his pocket. The corner of 5th and Nicollet should be one of the highest traffic corners downtown, it’s where the LRT comes in and there’s Nicollet Mall. The Nic on Fifth fought forever to get someone in their retail space. HopCat is finally in, a practically zero rent deal. We’ve got to figure out how to create spaces that are sticky enough to keep office occupants downtown for an extra hour after work and then to market as a region. It would be great if we could landlords on the same page, but we have so many competing landlords, both in town and out of town owners, is more difficult downtown than almost any other place.

Barranco: If you look at Lincoln Park or the Gold Coast in Chicago, not every first floor of every building is retail. They are concentrated in certain corridors with residential in between. We have this planning assumption that every project should have retail on the first floor with residential above but it’s a flat out planning mistake and we can’t get around to correcting it.

Martel: Based upon present housing construction activity and density, have we done an analysis of what type of retail businesses and residents need?

Breitinger: We’ve talked about how much retail has changed, but it’s not going away. What it’s going to be isn’t readily apparent. Convenience for people who live and work downtown is always going to be the big driver and there are certain things you can’t deliver over the wire or UPS. With retail goods there’s a component of service that requires being in places with people, e.g., getting your pants or bike fitted. It’s silly for us to say what has to be where, it has to evolve organically, e.g., East Street, Lyndale Avenue, and we should provide spaces for this evolution, e.g., FINNovation.

Anderson: In the North Loop, would that have happened organically without MartinPatrick3?

Breitinger: I think your very first point about catalytic events prove what’s possible, i.e., great merchants will bring people down and other things will grow up around them.

Vos: That’s especially true when you think about the North Loop. It’s a very tightly defined neighborhood, but when you look at East Town, because there are arteries going east/west and north/south, it’s a little harder to find that corridor/spine and my question was where do we want that boutique shopping experience to be versus where all the visitors will go. Indochino is a major men’s clothing store where you can order suits online. They figured out if they opened a little shop, 1,500 square feet, sales exploded in that market. Here is where digital meets physical. If we can curate those online experiences with physical spaces and then group them where those socio-economic or demographic groups want to be together, we create more velocity which is the more boutique concept in the North Loop.

Breitinger: Another huge opportunity while this whole retail thing is percolating is there’s a lot of studio space that could be gathering spaces for activity.

Vos: Remember the old days when we talked about artists’ lofts spaces, live/work/craft spaces and all of Lowertown St. Paul had them. We haven’t used that phrase in 10 years, but effectively that is what we’re talking about, i.e., blend the live/work/play into one place or building.

Anderson: The first floor of the Sexton was supposed to be like that.

Maupin: How about engaging our parks with restaurants? Great spaces make great places and if we put a restaurant on Elliot Park or on Gold Medal on the corner with outdoor dining and weave it into all of the other great things East Town has, the better our district will be.

Vos: Mears Park in downtown is an example with restaurants all around. It’s the social experience, trees and light. How much business would Izzy do if they weren’t on a park? How many visitors at the park go and get ice cream because it’s right there?

Barranco: It’ll be interesting when Water Works opens and seeing what that becomes. It’s an opportunity and the Commons is pushing to have some food and beverage within the park.

Berglund: I’d like to point out that next door there is going to be a nice outdoor courtyard as food for thought. I see it as what we’re talking about, a place for local residents to gather as their local, but also a destination location where next door the first downtown production breweries connected to a Marriott Autograph Collection hotel; no one’s doing that and it is their goal to be that igniter.

Vos: This whole pocket park, urban experiences mid block doesn’t have to be huge; we can do that in different ways.

Berglund: And we’ve got a 17-story apartment building, Portland condos, so the residential piece is coming in nicely with the trees and larger sidewalks. We’re working on it.

Vos: A micro example of that is right behind the Lund’s & Byerly’s on 12th Street and Hennepin where they put in a little park and rain garden. On a summer evening you have to stand in line to sit at one of the few tables there. There’s not even a restaurant but there’s carry out from L&B. You guys are going to do that and the scale of business will be tremendous.

Collison: HCMC has a pocket park. What are you going to do with it?

Wordelman: Open it up to the public and we also have a courtyard.

Collison: Scott, will that space be a place for potential programming? As part of the DID where we study placemaking, ultimately these public spaces have to be programmed, invite human beings into spaces and create things is the ethics. Do you envision HCMC working with partners to do programming?

Wordelman: My first reaction would be yes and that we probably need to do it so we take advantage of the space and make it vibrant. It’s not a huge area but it’s beautiful and would like to make it available.

Anderson: I’ve said this for a long time and when I redid Nicollet Mall I thought they should have put the money into outlets and water and every weekend there should have been some event, e.g., jazz fest, blues fest, art fair, Oktoberfest, because the more bodies you bring downtown on a regular basis, the sales per square foot of the stores will go up and that is the compelling story that will bring retailers downtown. The more we can do that, and it’s something the MDC can be working on rather than once a year at Christmas time, the more successful retailers will be.

Weisberg: The MDC has taken on that role of activation on the Mall and added that position to the staff; it’s just been a resourcing issue with them.

Anderson: Bringing people downtown is what we need to do. Look at what the Uptown Art Fair does for them; we really need to have that type of activity.

Vos: We’ve got 170,000 visitors who come in every day and if we can get them to stay for an hour and spend $10 just once a month, we get enormous retail capacity.

Anderson: Especially on the weekends if we can fill hotels. If you have an art fair or jazz festival you have vendors or people performing who need a place to stay.

Vos: We’ve got to think more intentionally about where is it we want people to come, i.e., where is the corner where the fun is, where is the 3-block Boston experience. We don’t have that well defined yet. The point of this meeting was to get this conversation going because I don’t think anybody has *the* single answer and I appreciate the opportunity to think out loud.
3. **Closing Remarks**

Collison thanked Vos and Andersen for their presentation and the work they’ve done to drive retail in East Town; there will be more gatherings about this topic in the New Year. He also thanked Kraus-Anderson for hosting and the audience for attending.