MINNEAPOLIS/ST. PAUL
BUSINESS JOURNAL

Paging Stuart Smalley

'SNL' jokes aside, self-affirmation can deliver results for your brain.

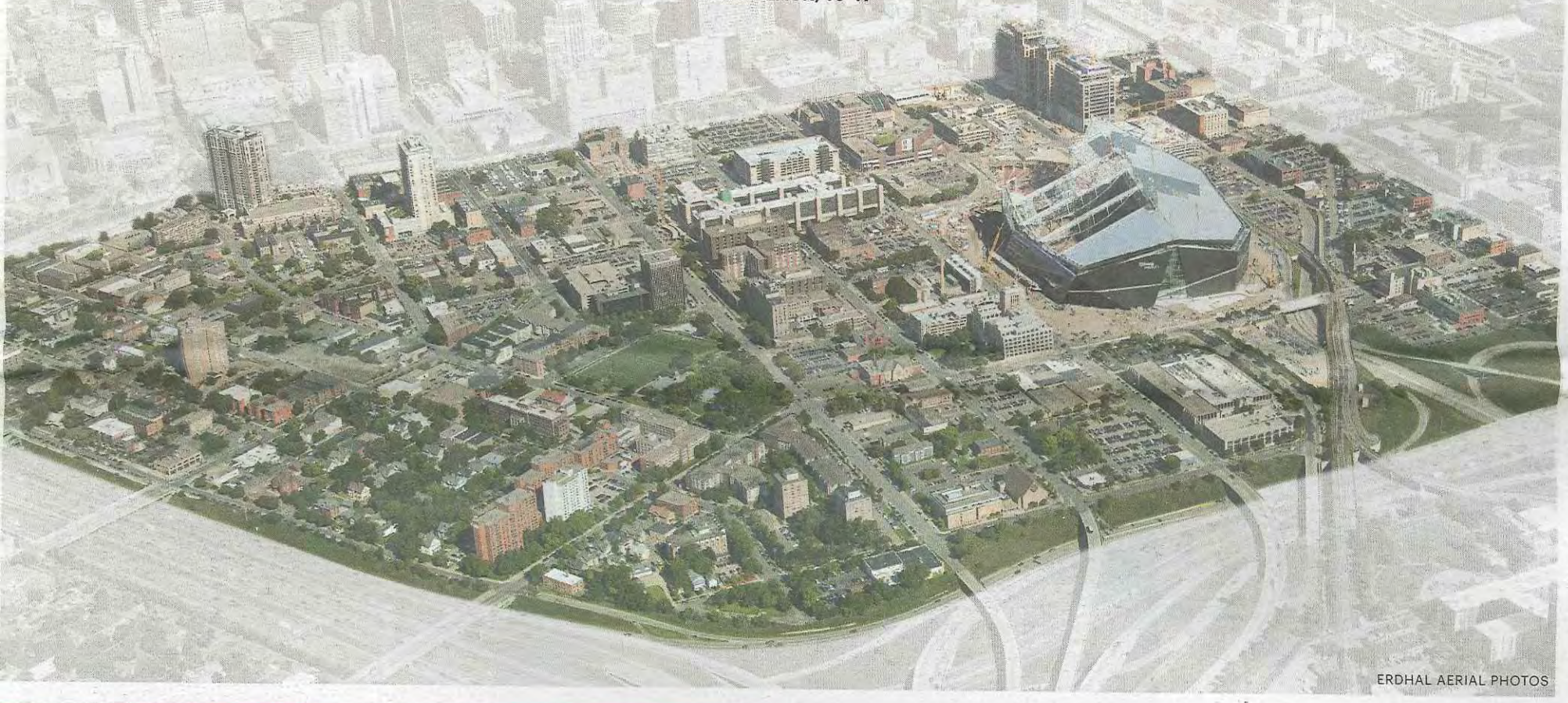
STRATEGIES, 15

COVER STORY

Where to next?

HUGE SUMS OF MONEY ARE BEING SPENT NEAR THE NEW STADIUM. BUT THERE'S A WHOLE OTHER NEIGHBORHOOD JUST DOWN THE STREET.

SAM BLACK, 10-11



ERDHAL AERIAL PHOTOS

OUR REPORTERS SAY:

New to metro: low-cost MRIs

Wisconsin imaging firm Smart Choice lines up four sites for centers offering flat-rate MRI scans costing $600.

KATHARINE GRAYSON, 8

Greystar's big week of deals

The apartment developer sells two properties in the suburbs, but jumps into an even larger project in downtown Minneapolis.

SAM BLACK, 6

Cub's sleeker new look

The grocery chain offers modern design touches, more prepared foods and a larger liquor store in White Bear Lake.

NICK HALTER, 5

Companies that give back 17-31

THE LIST

Nonprofits 28

Charity Golf Tournaments 30

#BXNMVRH **********CAR-RT LOT**C 010
#113922792#
DANIEL COLLISON P2 S0 B390
MINNEAPOLIS DOWNTOWN COUNCIL
81 S 9TH ST STE 260
MINNEAPOLIS MN 55402-3266

MINNEAPOLIS/ST. PAUL BUSINESS JOURNAL
December 18, 2015
Vol. 33, No. 30, $3.95

Breaking news online
mspbj.com

On smartphones and tablets
mspbj.com/apps

Daily email updates
mspbj.com/email

COVER STORY

THE BIG DEAL ABOUT EAST DOWNTOWN

There's the stadium, sure, and the park and new office towers. But that's only half the story.

BY SAM BLACK
sblack@bizjournals.com
612-288-2103, @mspbjsamblack

It's no secret that Downtown East – the area of downtown Minneapolis between the core and the under-construction U.S. Bank Stadium – is growing up almost overnight with more than $2 billion of investment underway. But the less noticed growth is popping up south of that. Projects under construction include:

▶ A $220 million expansion by Hennepin County Medical Center that broke ground in November and will open in 2018;

▶ The $20 million conversion of the Minneapolis Armory by Swervo Development into an events center; and

▶ Shamrock Development's 17-story, 112-unit condominium project called the *Portland Tower*.

Three other multifamily projects have been announced in the area, including the tower that's part of Kraus-Anderson's $175 million plan to redevelop its headquarters site into a new office building accompanied by an attention-getting concept combining a brewery and a boutique hotel.

Dan Collison, senior pastor at First Covenant Church next to the stadium and one of the neighborhoods biggest boosters, is in the midst of it all and says, "We've already hit a tipping point."

But how far will it tip from just a stadium and office park into a brand-new downtown neighborhood that rivals the North Loop? That's a big question that Collison and others are trying to answer. It's not going to grow like the North Loop did, but that shouldn't limit its prospects.

Downtown East is way different

There are similarities to the North Loop of a decade ago and the Downtown East and Elliot Park areas today: They're on the radar of developers, have a mixture of available land and historic charm, and have big stadiums as anchors and reasons for outsiders to visit.

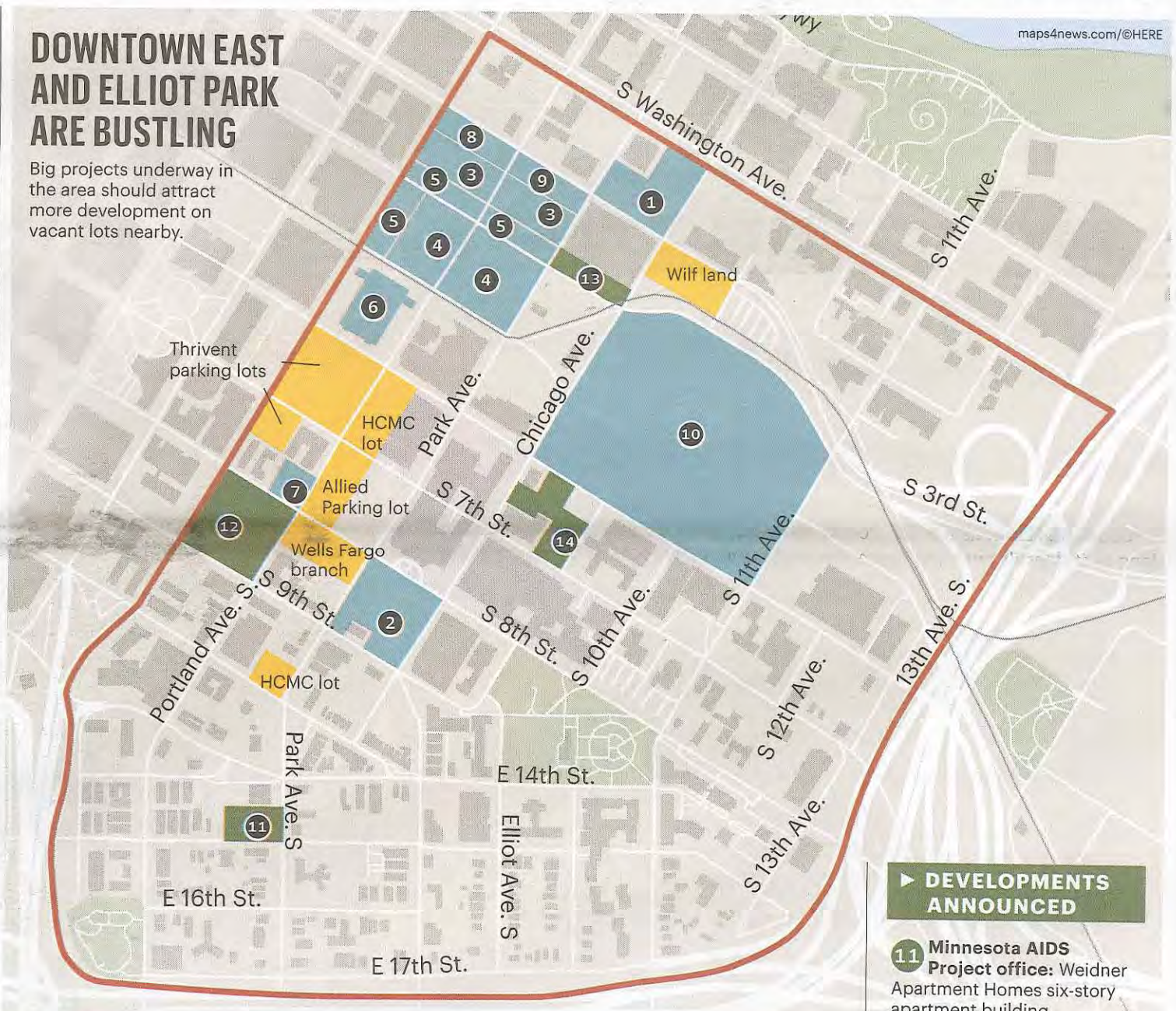
The east downtown area is home to a major hospital – HCMC, with 6,500 employees. It also has North Central University, a Christian college with about 1,200 students, plus several churches and nonprofits.

The big difference between that area and the North Loop is the population. The North Loop was mostly a commercial district until the condo market took off in the mid-2000s.

The 100 city blocks that make up Downtown East and Elliot Park, howev-

DOWNTOWN EAST AND ELLIOT PARK ARE BUSTLING

Big projects underway in the area should attract more development on vacant lots nearby.



▶ UNDER CONSTRUCTION

CITY OF MINNEAPOLIS

1 **The Chicago:** George Sherman's Thresher Square redevelopment will include apartments, a hotel and downtown's first Trader Joe's (pictured above).

2 **HCMC:** Hennepin County Medical Center is building a $220 million ambulatory outpatient clinic.

3 **Wells Fargo:** The bank is leasing 1.1 million square feet in two 17-story buildings.

CITY OF MINNEAPOLIS

4 **Commons Park:** A two-block park that's being planned by the city (pictured above).

5 **The Edition:** Excelsior Group and Ryan Cos. plan three apartment buildings around the Commons.

6 **Armory:** Swervo Development is spending $20 million to redevelop the Minneapolis Armory into an event center.

CITY OF MINNEAPOLIS

7 **The Portland:** Shamrock Development's 17-story, 112-unit condo project (pictured above)

8 **Millwright Building:** Where Ryan Cos. is moving its headquarters

9 **Radisson Red:** Carlson Rezidor Hotel Group is building a 164-room hotel here.

10 **U.S. Bank Stadium:** The $1 billion, state-subsidized NFL stadium opens in 2016.

▶ DEVELOPMENTS ANNOUNCED

11 **Minnesota AIDS Project office:** Weidner Apartment Homes six-story apartment building

12 **KA Block:** Kraus-Anderson's $175 million mixed-use project with a new office building, 17-story apartment tower, boutique hotel and Finnegans brewery

13 **MSFA-owned parcel:** Ryan Cos. plans an apartment tower.

14 **Workforce housing:** First Covenant Church and Community Housing Development Corp. are partnering on 200 units.

▶ REDEVELOPMENT CANDIDATES

- ▶ Allied Parking lot
- ▶ HCMC lot
- ▶ Thrivent parking lots
- ▶ Wells Fargo branch in Elliot Park
- ▶ Wilf land near stadium

COVER STORY

NANCY KUEHN

Dan Collison is a pastor at First Covenant Church, near the under-construction U.S. Bank Stadium, and is executive director of the East Downtown Council.

er, are already home to more than 8,000 people, according to the 2010 U.S. Census. There's enough vacant land along Portland Avenue alone to attract more housing projects and between 1,000 and 2,000 more residents.

Collison is anxious for the growth, as long as it doesn't push out current residents, many of whom live on low and moderate incomes.

Collison is a neighborhood organizer who in 2014 took a paid position as executive director of a 36-year-old group called the East Downtown Council, where he had been a volunteer board member. He has been tracking new projects as they're announced and trying to help unify the district as it solidifies a new identity.

"I'm a cheerleader, but it's been hard to stay ahead of it," he said. "It's more like participating in what's already been rolling."

> *"I'm a cheerleader, but it's been hard to stay ahead of it. It's more like participating in what's already been rolling."*
>
> **DAN COLLISON**, a pastor at First Covenant Church

Will it keep rolling?

There's a sense of urgency for adding housing in Downtown East because the current cycle for housing development in Minneapolis seems to have passed its peak.

Apartments tend to get built in five- or 10-year cycles, based on supply-and-demand trends and the availability of equity and debt.

About 2,000 apartment units have been added in the past two years throughout downtown Minneapolis, pushing the vacancy rate to 7 percent (4 percent for stable buildings open more than a year). Absorption is still strong, but the "cranes are more dispersed" and development activity is shifting to the suburbs, according to a third-quarter market report from Marquette Advisors.

New apartments also require financing, which runs in cycles.

In October, U.S. Bancorp CEO Richard Davis expressed concerns about the U.S. commercial real estate market getting "pretty overheated," which could be a signal debt will be harder to find in the future.

The multifamily market may be slowing downtown, but there are still projects that appear to be moving ahead.

What's a brew-tel?

Kraus-Anderson is exchanging term sheets with lenders on its $175 million project and plans to break ground in the spring after it gets city approvals, said Mike Korsh, president of KA Development. "It's 100 percent go. We're doing it."

It will include a new headquarters for about 250 employees of construction firm Kraus-Anderson; a 17-story, 300-unit apartment tower; and a seven-story boutique hotel with a micro-brewery operated by Finnegans Inc. that will be linked by an outdoor atrium. The complex also will have a co-working incubator called the Finnovation Lab.

"We expect this to be an international destination ... an iconic innovative thing on the map. That's what we're shooting for," said Jacquie Berglund, founder and CEO of Finnegans.

The brewery, which donates its profits to fight hunger, will relocate to the site from the small office it opened in Elliot Park in 2009. It will bring beer production in-house, no longer outsourcing to Summit Brewing in St. Paul.

The "brew-tel," as it's being called, is designed by ESG Architects. It has the potential to be a spark for the neighborhood, said Brent Rogers, principal of Saturday Development, a consultant working on Kraus-Anderson's apartment tower.

Rogers said it's similar to what happened in 2009 when Bar La Grassa took off in the North Loop and attracted other restaurants.

What's in a name?

One challenge for the district is that nobody knows what to call it. The area that includes the stadium is officially part of the Downtown East neighborhood, while the Armory and brew-tel proposal both technically sit in Elliot Park.

Collison is spearheading an effort to create one recognizable development district that transcends neighborhood boundaries, comparable to places like the North Loop, Lowertown in St. Paul, LoDo in Denver and the Power & Light District in Kansas City.

Sometime in the first quarter of 2016, thanks to funding from the city of Minneapolis and the McKnight Foundation, Minneapolis-based PadillaCRT will unveil three to six names and logo options, Collison said. His hope is for a brand to be chosen by June 1.

"We feel like a district idea is going to create a complete sense of who we are. ... Together we will be a powerhouse district."

ANDREA MURPHY
VP, Commercial Lender, NE Bank
ANDY APLIKOWSKI
Community Manager & COO, Lakeside Homes
BEVERLY APLIKOWSKI
Owner & CEO, Lakeside Homes
MICHAEL SCHOLL
VP, Branch Manager, NE Bank

BUILDING COMMUNITY

BUILDING RELATIONSHIPS

Andy Aplikowski of Lakeside Homes says Northeast Bank has felt more like a partner than a bank. Over the years, their partnership with Northeast has helped Lakeside to expand their facilities, purchase vehicles, and add sidewalks and streets. At Northeast, relationships are built by sharing your vision.

Northeast Bank

Strength of a Leader. Hand of a Friend.

NORTHEASTBANK-MN.COM

MEMBER FDIC EQUAL HOUSING LENDER