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On the east side of downtown Minneapolis, a new wave of development begins

Article by: [KRISTEN LEIGH PAINTER](#), Star Tribune Updated: April 11, 2015 - 4:37 PM

The new Vikings stadium was expected to bring some development to the east side of downtown Minneapolis — but not this fast.



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One rendering of downtown east Minneapolis.

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The epiphany hit developer Carl Runck on a frozen Saturday morning in February.

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A few days earlier, he'd been part of a roundtable discussion with neighborhood leaders eager for construction south of the new Vikings stadium. His firm, Ryan Cos., is behind the new residential and office towers going up for [Wells Fargo](#) & Co., northwest of the stadium.

At home with his kids, Runck thought back on the meeting and

realized a pattern was taking shape.

He typed out an e-mail to Dan Collison, a minister and community activist who led the meeting. In it, Runkc outlined a road map of ideas and projects he'd heard about for the "ocean of parking lots" in the area. Collison replied they were the "tangible results" he'd been hoping to see.

In the two months since, nearly two dozen projects have begun or been proposed as the two men rallied other developers and property owners behind an effort to turn the dissonant growth of Downtown East into an orchestrated masterpiece.

"If we don't get this right, it will be windswept for the next 25 years," Collison said.

Some development was expected on downtown's east side since the deal legislators and the Vikings struck in 2012 to tear down the Metrodome and build a new stadium. But the combination of ultralow interest rates, a surging appetite for downtown living and changes at such neighborhood institutions as the Hennepin County Medical Center and the Star Tribune Media Co., which just moved out, appear to be triggering much greater activity on the roughly 100 square blocks composing the east side.

"Most of us are in a wait-and-see mode on whether the stadium is good or not," said George Sherman, principal of Sherman Associates, a development firm active in the area. "What we are working on, and other developers are working on, is the direction that this neighborhood will take in the next four to five years."

Just last week, the first design proposals were unveiled for a park that will sit on the land of the former Star Tribune headquarters. And in the next few weeks, developers are expected to make announcements on a number of new projects in it. Ryan will disclose plans for the two parcels on the backside of the Wells Fargo towers and for land next to a parking ramp also under construction. Details of redevelopment of the Thresher Square complex, as well as the city's selection of a developer for a parcel near the Guthrie Theater, are expected. Rumors are circulating about a handful of hotels and restaurants in the area.

Meanwhile, a vision is emerging that includes a skyway loop from the central business district through the stadium, a residential and pedestrian-friendly connection from the future Commons park to Elliot Park. Along this Portland residential corridor, developers imagine a mix of low-income, workforce, family and luxury housing, as well as shops, restaurants, dry cleaners and other services.

"This whole district represents a neat opportunity for our city to really create the next generation of a healthy, complete place," said John Breiting, recent past chairman of Urban Land Institute (ULI) Minnesota.

A number of challenges confront the developers and property owners led by competition from other parts of the Twin Cities for their attention and investment. The flourishing areas include northeast Minneapolis, the North Loop in Minneapolis, Lowertown in St. Paul and the new West Loop concept in Minneapolis, being nudged along by the promise of a new soccer stadium near Target Field. Several suburban areas also are surging right now.

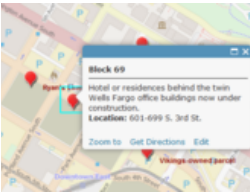
In addition, an expected upturn in interest rates and any leveling in demand for downtown residences could slow the momentum on the east side of downtown. So could the ability of the city's transit and school systems to keep up.

"It's not immediately obvious to everyone that this is where downtown should expand," said Jim Vos, principal at Cresa, a Minneapolis real estate services firm. "One of the things that could be done better is bridging, psychologically and physically, the downtown and the stadium."

Decades of disconnect

For years, there was an unspoken frontier downtown that excluded its east side — a huge, loosely defined district made of three distinct neighborhoods: Mill District to the north near the river, Elliot Park to the southeast and then the barren gulf in between.

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cleared the way for the Wells Fargo towers and a two-block park being called the Commons that will begin to narrow that gulf. "If the Commons is as successful as [the city] wants it to be, it will be the renaissance of the entire neighborhood," Runck said.

The city of Minneapolis has hired Hargreave Associates to oversee the landscape design of the 4.2-acre park. The San Francisco-based firm revealed four possible approaches to the park design last week and received more feedback on its public survey than for any of its other park project across the United States. At its second public meeting on Wednesday, several people voiced concern over the lack of safety to the south of the park.

Collison said: "It's surprising how little people [know] about this area" and that they must reverse this perception problem. Several property owners along Portland Avenue have been drawn into a discussion to create what is loosely being dubbed the Portland Residential Corridor.

"Portland runs right into the park, and there's enough underdeveloped land that it could quickly evolve into a great street," said Breitlinger, who is also a Cushman & Wakefield/NorthMarq broker representing [Thrivent Financial Corp.](#) in a potential land sale on Portland.

"The next place for Minneapolis to really find itself is along these east downtown corridors of Portland and Chicago," said David Graham, architect and urban designer at ESG Architects, which has offices in the Mill District.

The East Downtown Council and its partner organization, the Minneapolis Downtown Council, have had preliminary conversations with the landowners of these parking lots, which include an auto-oriented drive-up lot for a Wells Fargo Bank branch, Thrivent's 1½ block of land it is looking to sell, Kraus-Anderson's full-block headquarters, HCMC and an Allied Parking lot.

Shamrock Development, owned by developer Jim Stanton, last month started work on a new condo tower along this stretch of Portland. Last fall, Kraus-Anderson tried to gain approvals on its new headquarters from Elliot Park and the city's Planning Commission, but received pushback for not developing out the full block. The company is now working on a feasibility study to test if the market could handle a larger, mixed-use project for the entire site.

"We are spending money to figure this out," said Michael Korsh, director of real estate development at Kraus-Anderson. "If the market says it's not the right time, we will go to Plan B," which would likely be a new office building on about a quarter of the block.

The owner of the old Armory, an underused property abutting the Commons to the south, also is pushing a new idea that could be the first domino to fall in this corridor. The plan envisions turning the cavernous building into a mixed-use space for events as varied as concerts and Vikings activities.

"We are continuing on with the proposed historic redevelopment of the Armory," said site owner Doug Hoskins. "By May, we will have a determination of whether or not the Vikings will be a partner."

Biggest neighbor awakens

While the stadium construction set off a ripple effect of projects on the east side of downtown, a change in the priorities at HCMC, the biggest employer and dominant landowner in the neighborhood, may have an equally sizable influence.

Hospital leaders hope to overcome the imposing shape of HCMC, which they believe discourages community interaction, by better engaging with the neighborhood.


"The old hospital is fortress-looking, it's intimidating and uninviting, which is the complete opposite of who we are. We have this building that isn't reflective of us at all," said Jon Pryor, HCMC chief executive.

The hospital will soon begin work on a new \$191 million ambulatory center, which will consolidate several of its clinics currently scattered throughout its sprawling campus. It will then turn its attention to reimagining the use of space on the entire campus, becoming a catalyst for development in its own right.


"We are always thinking about how to improve efficiency and reduce waste. The only way to do that is to remodel space," Pryor said. "We

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will wrestle with what we do with a lot of vacated space.”

But, by nature of being a county hospital with a tight budget, that transformation may be slower. One thing that Pryor — who is active in neighborhood revitalization conversations — sees is a great need for more housing options.

Collison, executive director of East Downtown Council and the pastor of First Covenant Church Minneapolis that sits in HCMC’s shadow, said the neighborhood desperately needs workforce housing for lower middle-class workers making less than the city’s median income. His congregation is working with Community Housing Development Corp. on a potential housing project next to the church and Hubert’s Cafe & Sports Bar, a block over from Portland.

The head of housing initiatives for ULI Minnesota, Cathy Capone Bennett, said this focus on Portland Avenue is meant “to gather a group of developers and really drill down on the market possibilities on those sites.”

“Affordable housing development in our community is really, really strong through tax credits and other sources of funding. And then the 100 percent market-rate side can be financed fairly easily. But when you try to mix the two than it gets really difficult,” she said.

Finding a payoff

For all the talk of vision that closes the gaps in housing and flow of downtown’s east side, the normal economics of real estate will ultimately guide what happens.

That includes the prices set by the current owners of property when they sell to developers, the decisions of lenders and the availability of tax breaks and other public incentives.

“Right now, the power struggle is whether we are going to be pragmatic or holistic,” Collison said, referring to the tension between individual projects and the big-picture planning.

Runck notes, for instance, that high-end residential projects are easier for developers because they carry less risk for investors and can be financed more quickly.

In addition, there’s little track record in Minneapolis of real estate projects that address a broad spectrum of potential customers. Instead, developers and city planners tend to shape projects that cater to niches, aiming either high or low.

To develop apartments or condo buildings for a mix of people at various income levels, Runck said government help may be needed.

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