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

**East Downtown Development Committee Task Force
Small Group Meeting #5**

**Tuesday, February 17, 2015, 9:00-10:30 a.m.**

**Minneapolis City Hall, 350 South 5th Street, Diamond Lake Room 315**

1. **Introductions and Review of Agenda**Dan Collison, MDC Director of East Downtown Partnership, asked Joseph Bernard who is filling in for Beth Elliott during her maternity leave to explain his role at Minneapolis CPED.

Bernard said that there are a variety of folks covering Beth’s projects, but he is focused on the Loring Park rezoning study along with her day-to-day responsibilities. He and Beth conducted a rezoning study a couple years ago that created a new zoning district for downtown that covered a lot of the East Downtown area so he is very familiar with the properties over here. Also, he has done a lot of work in the last few years in the Cedar-Riverside/West Bank community and on all of the infrastructure projects that have moved forward over there. Because he has an interest in connecting this part of the city with the University and the West Bank, he decided to learn more from this group about what CPED should be focusing on here.

Other participants then introduced themselves:

David Fields, contractor with CPED for East Downtown
Chris Fleck, North Central University
Lynn Regnier, Elliot Park Neighborhood, Inc., and East Downtown Council
Patrick Sadler, policy aide to Ward 7 Council Member Lisa Goodman
Ken Searl, Downtown Minneapolis Neighborhood Association and Gold Medal Park Foundation
Carletta Sweet, Downtown Minneapolis Neighborhood Association, and East Downtown Council
Alex Tittle, Minnesota Sports Facilities Authority
Kim Vohs, Vohs Consulting, Inc.
2. **Recap of Special Housing Forum**
Collison guided the group through the slide presentation he gave at the Special Housing Forum on Thursday, February 13, 2015 at PadillaCRT entitled *Housing: What do we have, what does the market want, what do we need?*

When describing the boundaries of the area that includes a slice of Downtown West, Downtown East, and Elliot Park, several explanations were given for its configuration: from arbitrarily drawn to based on density. Bernard offered that historically when neighborhoods were defined it was all about elementary school attendance areas at a time when there were over 80 of them.

Collison then quickly described the various zoning districts within the boundaries: C3A, Community Activity Center; L1, Light Industrial; B4S-2, Downtown Service; B4N, Downtown Neighborhood; C1, Neighborhood Commercial; OR2, High Density Office Residence; OR3, Institutional Office Residence; and R6, Multiple-family (<http://www.minnpost.com/data/2015/02/how-minneapolis-zoned>).

Bernard explained that C3A is designed to allow for a wide variety of uses but more on a neighborhood scale. It isn’t used in the city unless there’s a land use designation called an Activity Center so it’s used around transit station areas like at Chicago Avenue and Lake Street. The entirety of downtown is intended to be more intense than an Activity Center. When it comes to housing and mixed use there’s not much of a difference between the Commercial, Downtown and Office Residence zoning categories. Commercial allows for the widest variety of commercial uses; Downtown, aside from the B4N that was newly created, is intended to serve the larger uses; and Office Residence, the commercial uses and scale commercial uses are intended to be subordinate to whatever other uses.

Then Bernard briefly explained the zoning districts in downtown. Land use plans identify the areas around Nicollet, Hennepin, Marquette and 2nd Street as where the most intense development is to occur and as you get further away from there all of the intensity is concentrated in the office area. With the new B4N district they tried to achieve two things: to allow for more neighborhood serving retail establishments, and to get rid of some of the regulation that goes with development in the office core. You could come forward with a proposal for a 10-story building and the only application you’d need to submit to the City is a site plan review. It would go to the Planning Commission but the intent was to make it simple for developers. You could go taller as long as it’s consistent with the plan for the area.

Fields stated that the hodgepodge of zoning that still exists in Elliot Park is something they always wanted to clean up and is the next step after the Loring Parking rezoning. This hodgepodge condition is a prohibitive factor to future development because you can’t aggregate a number of smaller parcels to do a major development and is what happened at 1010 Park Avenue. There were four different zoning districts on that block and the developer tried to get them consolidated under the most broad zoning category to get the deal done.

***What housing do we have?***Collison gave statistics from the last census taken in 2010 and when the East Downtown Council had a $50,000 Great Streets grant to study the district from a development perspective (reference the Number of Households Per Square Mile chart received from Hennepin County). At that time there were 8,011 people living in 3,813 households and between 2000 and 2010 nearly one third of the entire housing inventory was added for a total of 1,703 units.

Statistics on land use taken from the Great Streets study showed that 25% was either a commercial lot or was vacant with only 16% for residential. Since 2010, households have increased from 3,813 to 4,343, and total residents have increased from 8,011 to 1,477.

***What does the market want?*** Collison plainly stated that it wants housing and went through the growth curve from 2002 to 2014 for:
* Downtown Minneapolis residential units — it went from 12,959 to 20,407, a 57% increase.
* Downtown residential value — it went from $1.1 billion to $3.1 billion, a 170% increase.
* Those between the ages of 25 to 44 who moved in from out of state in 2014 — 17.6% moved to the metro area, 19.3% moved to Minneapolis, and 32.6% moved to downtown Minneapolis.
* Median home sales price in comparison to the metro and Minneapolis — downtown Minneapolis has skyrocketed with almost a $125,000 price higher than elsewhere in the region.

Collison then cited data taken from Dougherty & Company’s *Twin Cities Multifamily Market* study for 2014-2015 (<https://clients.doughertymarkets.com/MarketViewpointReport.pdf>). Half of all new housing in the Twin Cities is multifamily and the lion’s share of that housing boom has not occurred in East Downtown. Between, 2003 to 2015, there have been only 4 multifamily developments built in the district — Alliance Apartments expansion, Emanuel Housing, St. Anthony Mills Apartments, Mill District City Apartments — however there are several major housing developments in progress or in the pipeline:

* Jim Stanton’s Portland Tower (<http://www.startribune.com/business/295682211.html>);
* Sherman Associates mixed-use development (<http://www.sherman-associates.com/news/2015/02/sherman-releases-plans-for-downtown-minneapolis-mixed-use-project/>); and
* Ryan Companies mixed-use development (<http://www.ryancompanies.com/projects/downtown-east/>).

***What do we need?*** Collison advised that an array of housing for the lowest income to market rate rental and condominium on a sliding scale from subsidized to nonsubsidized is needed. Then he read the housing task force aspirations, followed by words from David Graham, architect and founding partner of ESG Architects who was brought to his attention by Carl Runck when he submitted his Portland Avenue proposal:

*“…to increase population density in the city, we need a range of housing options. And the best way to house the most people is in tall buildings. But those tall residential buildings also need to be close to restaurants, grocery and drug stores, coffee shops and yoga studios, specialty shops, and parks, museums and music venues, and other amenities. The new urban resident doesn’t want to have a car, but would rather walk or bike, or use mass transit.*

*In other words, there’s a synergism, a symbiotic or organic relationship between the density of housing, which brings people to the city, and the amenities that make living in the city a pleasure. It’s an ecosystem, if you will, in which density means people on the street who are actively visiting the cultural amenities, shops, and restaurants planned there to keep them there. There’s a strong correlation between high density and creating vibrant active streetscapes.”*

Collison used that quote to emphasize that in Runck’s proposal, if we choose to pursue a residential corridor on Portland Avenue, we have to push to get retail and the things that will make it scalable, livable and interesting and that another topic discussed a lot at the special housing forum was cost. Then he read another quote from Graham:

*“The cost — labor and materials — of constructing tall buildings has escalated at a pace that outstrips people’s ability to pay the rent or buy the dwelling unit. What cost $85 per square foot 10 years ago costs $150 per square foot now. The hand we’re dealt as architects is usually to go six stories high with a construction type that is somewhat affordable. But even with the six-story buildings, the cost of construction is outpacing people's ability to pay enough to cover the costs of construction, and rents are getting dangerously high. That can hurt the viability of the ecosystem.”*
If the 2025 Plan is to double the residential population to 70,000, what are the appropriate goals we want to work on this year? And how do we catalyze a greater sense of urgency for increased housing development volume and diversity in East Downtown? Collison believes some of these are a little facile; you plug in realistic numbers and then you shoot for them. Largely it’s the market and the leadership of all the stakeholders that actually make stuff happen and then you take credit. But we need vision and it is something people rally behind if it’s a reasonable idea and the copy around it is compelling.

Collison then briefed the group on the questions created by the small working group that were posed to and responses received from the following panelists (reference notes from the Special Housing Forum dated February 13, 2015):

George Sherman, President/Owner, Sherman Associates
Elizabeth Flannery, President, Community Housing Development Corporation
Cathy Capone Bennett, Housing Specialist, Urban Land Institute, MN
Jay Demma, Senior Planner, Perkins+Will
Carl Runck, Director of Development, Ryan Companies

1. **First Covenant Church/Hubert’s Housing Project**
While displaying site plans, Collison advised that Ryan Companies and Community Housing Development Corporation (CHDC) have proposed to FCC and Hubert’s Bar and Restaurant to build a 5- to 6-story, 225- to 250-unit workforce housing project in an L-shape on the portion of the block facing South 6th Street and Bud Grant Way, the largest of its kind built in downtown in 10 years. The vision for this site is to be a little ecosystem of housing, early childhood care, a grades 9 to 12 charter high school, and a place of worship all near the new Downtown East Commons and public transit lines. Elizabeth Flannery of CHDC wants to use high-quality materials in the character of the brownstones in Elliot Park with first-level walkups and complementary to the St. Barnabas Apartments to the southeast. One level of underground parking is proposed to service both FCC and the housing project. The current surface parking would be re-massed to the center with a playground to the southeast to accommodate MetroKids, the early childhood education center at FCC. Groundbreaking is anticipated to be April 2016.

Flannery believes that this type of housing would be ideal for area employees earning $20,000-55,000 and within that group 30% would not possess a car as is the case at their St. Anthony Mills Apartments project at Chicago and Washington Avenues. She is pursuing an array of public subsidy funding streams from Minneapolis, Hennepin County and Minnesota, a classic complex financing model to develop workforce housing that would not include any market rate units. The purchase of the land, however, would be reasonable market rate, i.e., essentially between $70 and $80 per square foot. FCC has to approve it and agree to a signed Letter of Intent to take to the City to get the ball rolling. FCC will try to be a good landowner and partner to see something happen and bring more value to the FCC over the life of the project.

Fleck advised that in terms of giving back to the community, NCU has an 8-story Mensing Fine Arts residential building at 920 South 7th Street with a large workforce and volunteer base for teaching piano (<http://ncufinearts.com/content/woven>). The first 2 floors are a professional recording studio (by the same designer Prince had) and all kinds of practice rooms. The upper 6 floors are residential dorms for worship pastors, music and voice majors.

Vos expressed concern over the bigger issue of insufficient parking spaces and the growing congestion that will result from all the development occurring and planned in the near future. Some while ago when EPNI brought forward the concept of shared parking at its new expansion project, it was not well received by HCMC, but the concept should continue to be discussed.

Collison advised that one of the reasons he, Flannery and Runck met with Dr. Pryor and Scott Wordelman of HCMC last week was to give them the opportunity to talk about hospitality and parking and whether these are needs they have because philosophically parking is going through a shift — planners want less and ramp usage throughout the system is uneven. HCMC is concerned about parking with the development of its new $190 clinic and specialty center particularly during stadium events. Transit-oriented development is supposed to change that equation. LRT ridership to current games is 35%, but that still does not account for a lot of cars. HCMC is not ready to look into hospitality, that would require a long study and investment, but there was some interest in investing in parking that would service the hospital.

Fields stated that we need more height and density here so the project should go up a couple stories. The thing Collison has going for him is that the land is comparably cheap. Aesthetically and in terms of planning, it should be more than 4 stories, have much more greening, and the surface parking lot should be eliminated because people looking out on it gives it a commercial office feel. The model for shared parking is East Village’s underground parking that also serves Augustana Care.

Bernard commented that this project would be a big win for this part of downtown, but without knowing the details of the financials, it seems it would be underutilizing the potential intensity of development. You’ve got the proposed park a couple blocks away and the potential for unobstructed views of it, so he wondered if there’s a potential for two projects: one that is market rate that could financially support the subsidized portion. In a larger context, once this site is developed the availability for market rate sites in this part of downtown is much smaller resulting in higher prices for those remaining sites. With the goal of doubling the downtown population, it’s not possible at the prevailing densities seen in the North Loop where it’s mostly stick-built construction. Some of these goals are working against each other and at some point you need to make a decision about which direction you want to go.

Collison explained that when HCMC was looking at this site to fill it with the clinic and hospitality, essentially they did like the idea of having hospitality included. But when it chose the other site, Mortenson stepped away. FCC has been in conversations with everyone from Kraus-Anderson, Mortenson, JE Dunn, Ryan Companies to Alatus; he can’t put out any more flags to say they want to develop this site so if anyone wants to do as Bernard suggested they’re all ears. Hospitality isn’t penciling out because there’s so many other things going in right now unless HCMC was ready to buy into a program and guarantee a certain amount of rooms. FCC is now entering into a timing phase, i.e., wait another 10 years until the opportunity comes, or go.

Vos noted that if we’re going to have that mix, the challenge won’t be to create market rate housing, that’s going to happen, but to do something like this because as time goes on and land costs keep going up doing this type of project will be impossible. He salutes FCC’s efforts to do something like this now; whether it’s higher is for discussion. He fears later on it will be so congested that there will be more proposals like Jim Stanton’s and we have to grab this opportunity to create the diversity.

Bernard agreed to speak with housing staff regarding developers who may be interested in partnering on this project. As far as approval from a design point, there will be site plan review to assess the massing and greening.

To expand upon the model and in keeping with the theme, Fleck queried if you’re going to add 2 to 4 stories, why couldn’t the bottom two floors have restaurants like Hubert’s? He can see grocery stores and shawarma shops. You go down Ben Yehda Street in Jerusalem and you see all these shops that are not even the size of this room and you can go and grab food at every single one. Collison advised that retail has been part of the conversation and the idea is it would occur at the corner of Chicago Avenue and South 6th Street and if hospitality were included it would also be situated at that corner.
2. **Portland Avenue New Residential Corridor**
Collison presented the proposal he received from Carl Runck, Director of Development at Ryan Companies, wherein he makes the case for a new residential corridor along Portland Avenue stretching from the river to the Grant Park condominium tower connected by the Downtown East Commons. Using an aerial map, Collison pointed out that along this corridor, there are five high-potential sites to develop: (1) the Thrivent parking lots; (2) Kraus-Anderson headquarters and parking lot; (3) HCMC parking lot; (4) Allied Parking lot; and (5) Wells Fargo retail branch parking lot. Then he read the background for this proposal:
* At this time the conventional (unsubsidized) financing market overwhelmingly prefers speculative multifamily projects in the North Loop, Mill District, and St. Anthony Main/Northeast neighborhoods.
* As projects continue to launch, desirable vacant or underutilized land sites are harder to acquire or acquire at a supportable price in those “hot” neighborhoods.
* Ryan’s Downtown East apartments lining the northern edge of the Commons will be the first market rate apartments to open (ground is breaking this year) that far south of Washington Avenue in east downtown – all because of the increased value the Commons and Wells Fargo’s employee base will bring to those blocks.
* Like it or not, HCMC’s campus presents a hulking physical and psychological barrier for new development to the east of Park Avenue and south of the Vikings Stadium.
* Like it or not, the CBD’s “edge” forms a physical and psychological barrier to the west of 5th Avenue South.
* The best opportunity for new residential development in east downtown is arguably the mostly vacant 6 blocks that straddle Portland Avenue between the Commons (at the north) and Grant Park/Skyscape Condo Towers (at the south).
* This stretch of Portland Avenue is presently one-way southbound accommodating five lanes of autos (three driving lanes, two parking lanes, and one striped bike lane).
* This stretch of Portland Avenue has a decidedly un-residential feel in its current state – few/sporadic streetlights, few/inconsistent line of trees, and inconsistent quality of sidewalks.

Following is the thesis put forward:

* Two entire blocks along Portland have owners (Thrivent and Kraus-Anderson) currently pursuing disposition or redevelopment options.
* Wells Fargo’s half-block retail branch along Portland at South 8th Street features a 1970s/80s era auto-oriented layout with a dozen drive-through lanes mostly underutilized. Four blocks north on Portland, Wells is opening a new retail store at the base of the Ryan Downtown East development; Wells has publicly revealed a more pedestrian-oriented redevelopment plan for their Uptown Lake Street location.
* Allied Parking owns a one-third-block surface parking lot along Portland between South 7th and 8th Streets.
* HCMC owns a one-half-block surface parking lot along Portland between South 6th and 7th Streets.
* If all these sites were to be developed with a significant multifamily component, collectively this would add an estimated 1,000 to 2,000 units to east downtown depending on product type (apartment vs. condo) and construction type (wood frame vs. concrete frame).

Action ideas/next steps include:

* Strategically assemble a task force/small group to meet individually with top property decision makers from Thrivent, Kraus-Anderson, Wells Fargo, Allied Parking, and HCMC to listen to what their goals are with each property (if for sale or joint venture, pricing expectations, timing to put on market or joint venture or redevelop themselves, development vision).
* Based on that input, with the City and Hennepin County’s inclusion/guidance/support create a Portland Avenue residential corridor framework plan that responds to density and demand for particular market price points for apartments/condos/townhomes on these blocks.
* If there’s momentum, lobby Hennepin County commissioners to approve future funds to enhance/narrow Portland Avenue similar to how they are rebuilding Washington Avenue between Hennepin Avenue and 5th Avenue South, i.e., less major traffic thoroughfare, more pedestrian-/residential-oriented boulevard feel.
* Work closely with willing property owners (Thrivent senior executive Brent Hanson, Allied senior executive, HCMC senior executive) to assist with development planning/match-making as organized neighborhood/City representatives.
* Work closely with Kraus-Anderson Realty (Mike Korsh/Matt Alexander) on solving a redevelopment plan approvable by Council Member Goodman that contains their corporate headquarters and possible housing component.
* Persistently promote eyewash vision and goals of the Portland Avenue residential corridor to rally resident/ developer/private equity support to implement the vision before historically low interest rates end and historically high demand for downtown living wanes.

Collison received positive support for this proposal from the group then advised that John Breitinger who is a member of this small working group is part of the Cushman & Wakefield|NorthMarq team hired by Thrivent to analyze the real estate market, determine the best use for the land parcels and develop a strategic plan for the lots. He has also sent missives to and had meetings with Dr. Pryor of HCMC, Kelly Stenzel of Thrivent, and Kraus-Anderson about working together on a land use analysis. Furthermore, since he wrote this proposal, Runck has approached the development community, including Kjersti Monson from Minneapolis CPED, and may be in a presentation before the AIA this Friday at noon. Collison is willing to present Runck’s proposal before EPNI’s BLUH committee in March and is also willing to be the ambassador for all of these pieces including the Design Center’s project and the Centennial Commons display. Steve Cramer would like to conduct a joint event so that the entire business community is aware.

Bernard advised that there are a couple initiatives the City is working on that could impact the way Portland Avenue functions:

* CPED’s Downtown Public Realm Framework Plan (<http://www.ci.minneapolis.mn.us/cped/lrp/WCMS1P-134268>) to guide how the public space will be used in the right-of-way where there aren’t cars and there’s opportunity for input on how that would play out; and
* Public Works’ Protected Bikeway Plan Update to the Minneapolis Bicycle Master Plan (<http://www.ci.minneapolis.mn.us/bicycles/projects/WCMS1P-123828>) and Park and Portland Avenues are two streets where that can be implemented. Some physical barrier from cars would protect bicyclists whether it’s the parking lane or bollards. It was explored a couple years ago when they were restriped and there was some discomfort with the concept not knowing what might happen with the traffic patterns but there’s interest in looking at it again in the demand we’re seeing for these types of facilities. That change could come rather quickly depending upon the interest of the folks who live around here. He does not anticipate the conversion of Park and Portland Avenues into two-ways to be explored until there’s a need to reconstruct them. It would require completely reconfiguring the light network and replacing every semaphore in the corridor, a really major project.

Collison believes we need to get the flag raised and throw everything we’ve got behind Runck’s proposal.

Regarding other general projects, as they come forward Collison said he would ask members to become engaged as a subgroup or, alternatively, he would place them as a standing item on the meeting agenda for a certain amount of time to allow whatever voices willing to step forward to determine who will take the lead. This is all new to him so he’ll confer with Steve Cramer and others to determine how it should be structured. Towards that end he recently met with Patrick Seeb, CEO of the St. Paul Riverfront Corporation regarding its Design Center that could be a model for what we’re beginning here (<http://www.riverfrontcorporation.com/what-we-do/what-we-do-tools-resources-v2/>).

1. **Adjournment**
The meeting adjourned at 10:30 a.m.