

# Request for City Council Committee Action from the Department of Community Planning & Economic Development

Date: November 7, 2006

To: Council Member Lisa Goodman, Community Development Cmt

**Subject:** Commercial Corridor and Node Program

Recommendation: Receive and file report on proposed revisions to the City's Commercial

Corridor and Node Programs.

**Previous Directives:** 1) On February 5, 1999, the City Council designated four priority target commercial corridors, portions of Central, West Broadway and Franklin Avenues and East Lake Street and established the Commercial Corridor Revitalization Fund (CCRF). 2) Guidelines for the CCRF, with the intent of "supporting projects that will provide benefits to multiple businesses or to the commercial area in general" were adopted by the Council on October 15, 1999 and administratively revised by the CPED director effective January 1, 2004 to acknowledge the formation of CPED. 3) *The Minneapolis Plan*, designating 11 Commercial Corridors and 45 Neighborhood Commercial Nodes, was adopted by the City Council on March 24, 2000. 4) Guidelines for the Community Economic Development Fund (CEDF) were revised to direct CEDF monies to the four priority corridors effective January 1, 2004. 5) The City Council establishes the 2% Commercial Corridor/Node Loan program for businesses located on Commercial Corridors and at Commercial Nodes, adopting guidelines on April 16, 2004. 6) On December 19, 2005, the City Council established a Capital Acquisition Revolving Fund (CARF) for redevelopment acquisition on commercial and transit corridors and at commercial nodes; the Council adopted guidelines for CARF on July 21, 2006.

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Permanent Review Committee (PRC) Approval Not Applicable Note: To determine if applicable see http://insite/finance/purchasing/permanent-review-committee-overview.asp
Presenter in Committee: Kristin Guild
Financial Impact (Check those that apply)
☑ No financial impact (If checked, go directly to Background/Supporting Information).
$\square$ Action requires an appropriation increase to the $\square$ Capital Budget or $\square$ Operating Budget.
☐ Action provides increased revenue for appropriation increase.
☐ Action requires use of contingency or reserves.
☐ Other financial impact (Explain):
Request provided to department's finance contact when provided to the Committee Coordinator.
Community Impact (use any categories that apply)
Neighborhood Notification: N/A
City Goals: A safe place to call home; One Minneapolis; Lifelong learning second to none; Connected communities; Enriched environment; A premier destination
Comprehensive Plan: 4.1 Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods. 4.3 Minneapolis will support development in Commercial Corridors where it enhances the street's character, improves its ability to accommodate automobile traffic and foster pedestrian movement, and expands the range of goods and services offered.
Zoning Code: N/A
Other:

#### **Background**

Neighborhood business districts provide vital goods, services, gathering places, jobs and entrepreneurial opportunities to Minneapolis residents and visitors throughout the City. Commercial corridors and nodes serve local needs – they provide a place to buy milk for breakfast, get a haircut and drop off dry cleaning, a place to get to know our neighbors. Many are destinations as well, attracting visitors to the city or neighborhood to sample that unique restaurant, buy specialty goods, or just to soak in the urban vibe. Whether already vibrant or in need of additional investment to realize their potential, our neighborhood business districts are essential elements of a great City.

Recognizing the crucial role that healthy neighborhood businesses play in the vitality of Minneapolis, the City has long provided financial and technical support to small businesses throughout the City. Since 1999, the City has supported commercial and transit corridors and commercial nodes specifically, both through policy defined in *The Minneapolis Plan* (see Map 1, maps and charts are located at the end of this document), and through a variety of programs and funds.

The City Council also recognized that the Hiawatha Light Rail Transit (LRT) line, when completed, would provide unique opportunities to create new neighborhood centers at

station areas (see Map 2) with higher density residential uses and supportive retail. Small area plans have been prepared for the station areas, and the areas are eligible for a number of City programs and funds as part of an important transit corridor.

The City's policy and programmatic emphasis on commercial corridors and neighborhood business districts has been effective. Many of the City's commercial corridors and nodes have rebounded and are more economically vital now than just a few years ago. One measure of success is property values. Even in a market dominated by a rise in residential values, where Citywide Estimated Market Values have risen just over 100% in the six years between 1999 and 2005, the increase in property values along corridors has outstripped the City as a whole (see Charts 1 and 2), and commercial properties along corridors and at nodes have generally gained more value than those located elsewhere (Map 3).

A number of methods and strategies have achieved this success. We have studied the work done on corridors throughout the City and based our recommendations for the future of the City's commercial corridor and node programs on the lessons learned. The strategies utilized on Franklin, Lake, Central and Nicollet are outlined here (case studies in Appendix 1), followed by a proposal to coordinate, clarify and market the City's commercial corridor and node programs. This document concludes with a summary of the budget request to refresh the funding sources for commercial development on corridors and nodes. The case studies of corridor revitalization strategies have also informed and shaped the Business Development division's approach to Northside Economic Development, reported to the City Council in a receive and file report dated August 22, 2006.

Other City agencies play an important role in corridor revitalization and maintenance, especially Public Works and the Minneapolis Police Department. A number of the strategies employed for revitalization include public safety elements in partnership with the Police Department and streetscape or infrastructure investments which require the participation of Public Works for permitting at minimum, and most often in establishing a system to finance and maintain the investment (e.g. special assessments and often a Special Service District). This report, however, focuses primarily on commercial development activities of the Department of Community Planning and Economic Development (CPED) and local partners. CPED will continue to build partnerships with key City agencies, MetroTransit, Hennepin County, and funding and technical assistance organizations to further strengthen the City's neighborhood business districts.

#### Corridor Revitalization Strategies, 1999-2005

In early 1999, the Minneapolis City Council established a policy of targeted investment in four key commercial corridors – sections of West Broadway, Central, Franklin and Lake. Efforts on West Broadway and Central Avenues adopted the Local Initiative Support Corporation's (LISC) Main Street with two new local organizations, the West Broadway Area Coalition and the Northeast Community Development Corporation, created to bring together the interests of both residents and businesses. The LISC approach employs a multi-faceted set of strategies executed by a local non-profit organization that focuses on building neighborhood consensus and organizational capacity, branding and marketing the corridors, strategic redevelopment, enhancing the streetscape and built environment, building a stable retail mix, and addressing public safety concerns.

On Franklin and Lake, the target corridor revitalization strategy was more diffuse. CPED provided financial support for some of the redevelopment activities of a number of effective local partners. Two of these partners, the American Indian Neighborhood Development Corporation (AINDC) and the Neighborhood Development Center, have achieved remarkable results on Franklin Avenue and Lake Street, respectively, following two very different models of community development.

Other City commercial corridors and nodes followed different paths to revitalization and success during this time, utilizing such resources as Neighborhood Revitalization Program funds, special assessments, and harnessing significant infrastructure investments. Both Nicollet Avenue (a.k.a. Eat Street) and the node of Lake and Lyndale are good examples of non-target area revitalizations. It is important to note that only the Commercial Corridor Revitalization Fund and the Community Economic Development Fund managed by the Business Development division limited investments to the four priority corridors. These investments comprised only nine percent of the total CPED, Empowerment Zone and NRP monies invested between 1999 and 2005 along the target and non-target corridors (see Chart 3). Though other funding sources were not explicitly targeted to the four priority corridors, more funds per acre were invested in the four than on several other City corridors (see Chart 4).

While non-target areas were not eligible for some of the redevelopment financing sources and programmatic activities such as the LISC Main Streets approach and façade improvement programs, they remained eligible for all of the Business Finance division's economic development financing programs, Multifamily Housing Development resources, Neighborhood Revitalization Program monies and a number of other sources. Part of the differential in investment shown in Chart 4, therefore, is a function of the number or value of large development projects or other policy goals and directives.

The key revitalization strategies utilized in recent years on four City corridors (Franklin, Lake, Central and Nicollet) are summarized below. Case study narratives in Appendix 1 provide more information on the strategies, the implementers and measures of the results.

#### Franklin Avenue

- Ownership control
  - o Eliminate problem businesses
  - o Recruit needed local and regional draw retailers
- Catalytic redevelopment (commercial, residential and office)
- Attention to design (for safety and area identity)

#### East Lake Street

- Institutional commitment
  - o Jobs
  - Public safety
  - Development investment
- Catalytic redevelopment (commercial and institutional)
- Micro-enterprise lending
- Business training and incubators
- Marketing and branding

#### Central Avenue

- City partnership with LISC to support the Central Avenue Mainstreet Program (CAMP)
- Investment in parking area improvements (primarily Metropolitan Council)
- Design informed by Crime Prevention Through Environmental Design (CPTED) study
- Community policing conducted by Guardian Angels
- Retail needs analysis and recruitment

#### Nicollet Avenue

- Streetscape improvements
- Business lending
- Marketing and branding

#### Policy and Program Recommendations

As illustrated by the variety of strategies utilized to revitalize commercial corridors in the past six years, creating (and sustaining) neighborhood business districts requires attention to detail, endurance, and a variety of strategies and tools. Our neighborhood business districts are all unique, facing unique challenges and opportunities. A one-size-fits-all approach will miss the mark. A few important points to remember from the City Council Corridor Study Session of April 21, 2006

(http://www.ci.minneapolis.mn.us/cped/docs/corridors\_presentation.pdf) are:

- It all matters big, little, in between.
- Neighborhood business district revitalization takes time and requires sustained energy.
- Commercial corridors require stewardship and maintenance even when successful.

Several of the four target commercial corridors designated by the Council in 1999 have become far more successful, as have several corridors that were not designated priorities at that time (for example, Nicollet Avenue and Lake Street between Lyndale and Nicollet). Corridor development is on a continuum, with certain corridors needing direct intervention in the development process to catalyze private sector investment and reduce risk for private investors and others requiring fewer City resources for technical assistance, redevelopment and financing support. Recognizing this nuanced continuum of needs, we recommend broadening the focus of corridor investment to include all City commercial corridors designated in *The Minneapolis Plan*, grouping them into three categories – intervene, support and monitor – with weighted consideration for the purposes of resource allocation.

CPED Business Development will rank the corridors in consultation with Business Finance, Community Planning, the Local Initiatives Support Corporation (LISC) and the Minneapolis Consortium of Community Developers (MCCD). The ranking will utilize criteria that balance need with ripeness. Need-based criteria may include: the corridor-wide Estimated Market Value (EMV) relative to other corridors, business vacancy rates and/or turnover and crime rates. Ripeness-based criteria will be designed to dovetail this work with other investments in the area and may include: a significant public investment in transit, street repaving, renovations or development of prominent buildings such as libraries, schools, multi-family housing, a recent planning effort, and the presence of an effective champion, a person or organization with the capacity to move the revitalization effort forward.

Under the consolidated commercial corridor and node approach, all CPED commercial corridor and node programs and funding sources will be marketed together for greater

coherence, coordination and clarity. Programs and funds supporting neighborhood business districts have grown through accretion in the past seven years, and information about the entire range of City neighborhood commercial district activities is not available in any one place. Some, such as the 2% Commercial Corridor/Node Loan program, are well-marketed and have clear application processes. Others, such as the redevelopment gap financing and façade improvement programs supported by the Commercial Corridor Revitalization Fund (CCRF) and the Community Economic Development Fund (CEDF), have guidelines for allocation, but there is no application process or marketing.

In 2007, we plan to package and market small business and business district supports under one umbrella, adding clarity to the diverse range of supports the City offers. Contracts with local partners will be performance based, and clearly articulate the City's expectations and performance measures. Leveraging private, neighborhood and foundation investment will be a key component to the commercial corridor and node approach. An outline of programs and funds to be marketed together follows. In addition to these programs and resources targeted to businesses located on commercial corridors and at commercial nodes, there are a number of resources available to businesses throughout the City regardless of location. These are described in Appendix 3.

#### Commercial Corridors and LRT Station Areas

Geographic eligibility:

Commercial corridors designated in *The Minneapolis Plan* and Hiawatha Light Rail Transit station areas (see list, Appendix 2) divided into three categories:

- Intervene Commercial corridors that are experiencing social and economic problems; LRT station areas that present formidable infrastructure or land assembly obstacles to Transit-Oriented Development
- Support Commercial corridors that have strong signs of resurgence, but remain fragile; LRT station areas that have few barriers to market development
- Monitor Commercial corridors that are experiencing very few social or economic problems; LRT station areas with strong market development activity

Commercial corridors and Hiawatha LRT station areas classified for intervention and support will be awarded more points through the RFP review for matching grants and corridor technical assistance. Public involvement in catalytic real estate investment loans on corridors and at LRT stations classified for monitoring will have higher private leverage expectations for catalytic real estate development gap financing. Again, CPED Business Development will rank the corridors in consultation with Business Finance, Community Planning, LISC and MCCD, using criteria that will balance need with ripeness.

Organizational eligibility for technical assistance and grant programs: Organizations eligible for technical assistance and grant programs include Community Development Corporations, Business Associations and neighborhood organizations that have demonstrated capacity to perform the work, such as staff devoted to business development activities.

#### Activities:

- Catalytic real estate development gap financing (new rolling online application)
- Façade and streetscape matching grants (new annual RFP)
- Corridor technical assistance, such as market analyses, marketing and branding and retail recruitment (new annual RFP)

- Corridor technical assistance and funding partnerships with such organizations as the Local Initiatives Support Corporation
- Business technical assistance partnerships with marketing/advertising, signage and design professionals (new approach)
- Small business loans –2% Corridor/Node Loan program; A private lender provides half the loan at market rate, and the City provides the rest, up to \$75,000, at 2-percent interest to finance equipment purchases and building improvements
- Commercial property acquisition assistance Capital Acquisition Loan (CAL)
   Program; Used to finance private business owner acquisition of commercial or mixed-use commercial/residential properties of \$50,000 to \$700,000
- Redevelopment acquisition assistance Capital Acquisition Revolving Fund (CARF); gap financing or direct City acquisition of property for redevelopment as commercial or mixed residential/commercial use on commercial corridors and nodes and transit corridors

#### Neighborhood Commercial Nodes

Geographic eligibility:

Commercial nodes designated in *The Minneapolis Plan* (see list, Appendix 2):

#### Activities:

- Small business loans –2% Corridor/Node Loan program; A private lender provides half the loan at market rate, and the City provides the rest, up to \$75,000, at 2-percent interest to finance equipment purchases and building improvements
- Commercial property acquisition assistance Capital Acquisition Loan (CAL)
   Program; Used to finance private business owner acquisition of commercial or
   mixed-use commercial/ residential properties of \$50,000 to \$700,000
- Redevelopment acquisition assistance Capital Acquisition Revolving Fund (CARF); gap financing or direct City acquisition of property for redevelopment as commercial or mixed residential/commercial use on commercial corridors and nodes and transit corridors

#### **Budget items**

Several of the proposed activities related specifically to commercial corridors require additional funding. Between 1999 and 2005, just over \$5 million were allocated to the Commercial Corridor Revitalization Fund and Community Economic Development Fund, and expended on projects including real estate redevelopment, a multi-year partnership with the Local Initiatives Support Corporation for work on West Broadway and Central Avenues, and several Fix and Paint matching grant programs. Both the Commercial Corridor Revitalization Fund and Community Economic Development Fund have been directed primarily toward activities on four priority corridors designated in early 1999 (West Broadway, Central, East Franklin and East Lake).

In 2004, the Council directed the Business Finance division of Community Planning and Economic Development to establish a 2% Commercial Corridor/Node Loan program, expanding on the highly successful 2% Loan program for which businesses throughout the City are eligible. The 2% Commercial Corridor/Node Loan program provides a match of up to \$75,000 at 2% interest to finance equipment purchases and/or building improvements for businesses located on commercial corridors or at designated

commercial nodes. A private lender provides half the loan at market rate. The standard 2% Loan program is limited to a City match of up to \$40,000.

The Mayor's 2007 budget recommendation includes \$3,109,000 of intended investments in commercial corridor activities (line items: "Commercial Corridors," "CEDF/NEDF," and "Commercial Corridor Small Business Loans"). Of this, \$1,509,000 is a new capital infusion and the remainder (\$1,600,000) is anticipated expenditure of previous allocations. This recommended budget allocation would refresh the sources of funding that support redevelopment and business finance in commercial corridors and nodes and allow for increased programmatic activity over a wider geographic area.

#### APPENDIX 1: CORRIDOR REVITALIZATION CASE STUDIES

<u>Franklin Avenue – Ownership control allows elimination of problem businesses, recruitment of needed local and regional draw retailers, and design for safety and identity</u>

The American Indian Neighborhood Development Corporation (AINDC) is a prominent actor in the transformation of Franklin Avenue west of Hiawatha, using a combination of strategies all possible through ownership control and a strong hand in controlling the built environment and the business mix. As the landlord of the Franklin Circles shopping center, AINDC evicted the illegal businesses that drew spillover crime to the neighborhood, standing firm against political pressure orchestrated by some of the business owners. AINDC director Theresa Carr then worked with a professional commercial brokerage to recruit ALDI grocery and Snyder Drug, businesses that would provide essential goods at affordable prices to neighborhood residents, 70 percent of whom do not own cars. For a smaller retail space in the adjacent buildings newly branded as the Ancient Traders Market, AINDC recruited a restaurant that had the potential to become a regional draw, Maria's Café, now known throughout the Twin Cities for Columbian corn pancakes.

In 1999, the parking lot of the Franklin Circles Shopping Center was operating as an open drug bazaar, as documented by KSTP news in an exposé that year. AINDC, with City support, completely redeveloped the parking lot and the façades of the buildings surrounding it using Crime Prevention Through Environmental Design (CPTED) principles, creating a place that was clearly cared for and with "eyes on the street" from business owners, shoppers and even police officers within a new Safety Center sited prominently at the center of the shopping center. The Safety Center space is provided to the Minneapolis Police Department free of charge, has computers linked to the City's network to make it a convenient place for police officers to spend some time working, and houses a full-time civilian Crime Prevention Specialist (on the MPD payroll) who keeps a close eye on activities in the parking lot.

To grapple with a problem gas station across the street from the Ancient Traders Market, the former site of one of the City's top five largest volume of 911 calls, AINDC purchased the property and recruited the Franklin Street Bakery to locate a commercial bakery on the site. The Franklin Bakery now employs over 80 staff, many of them from the neighborhood.

Also during this time of critical turnaround, Hope Community Partners, Project for Pride in Living, Central Community Housing Trust, and Master Engineering, among others, developed hundreds of units of housing along and near Franklin Avenue – affordable, supportive, and market rate – and the private housing and commercial market has responded as well. The Library Board invested \$4 million to renovate the Franklin Avenue branch library which is located across the street from the Ancient Traders Market and book ended by the new Many Rivers apartments. During the same period, Hennepin County and the City of Minneapolis reconstructed much of the roadway, investing nearly one million dollars in streetscape enhancements alone.

Seward Redesign has stabilized the eastern end of Franklin Avenue between Hiawatha Avenue and the Mississippi River, also in large part through property ownership and redevelopment. Building on a long history of involvement in strategic real estate redevelopment along Franklin Avenue, Seward Redesign has in recent years managed the redevelopment of a one-time light industrial building now housing seven tenants including entrepreneurial ventures such as the Shega Bakery, an East African njera

bread bakery owned by 3M engineer Worku Mindaye. Seward Redesign also recruited the Northern Clay Center, the Movement Arts Center and Welna Hardware to Franklin Avenue, assisted in the rehabilitation and purchase of the buildings housing these businesses, and administered a CPED-funded Fix and Paint façade improvement program that has been employed up and down the avenue for highly visible improvements.

A perfect storm of development, managing the business mix, infrastructure investment, enhancing public safety, stabilizing the housing market, and creating great spaces converged around Franklin Avenue to transform it from a place of open drug dealing to a place that meets the retail and gathering needs of residents and draws people from around the City for breakfast and pottery. Now that Franklin Avenue has stabilized, crime is counteracted in the most effective way possible – the presence of people shopping, eating, chatting, and observing goings-on in the public realm of the street.

In 2000, the second year of AINDC's concerted work to transform their property on Franklin Avenue, serious crime declined and property values in the area rose. By 2005, the Estimated Market Value (EMV) of the targeted part of Franklin Avenue between Interstate-35W and the Mississippi River rose to \$1.4 million per acre, an increase of 118% in the six years since 1999. This surpasses the City's EMV per acre of \$1.1 million in 2005, as well as the Citywide rate of appreciation in this period (100%).

This work is ongoing, however. Continued recruitment of both bread and butter necessities and regional draw retailers, close attention to design and maintenance, and eyes on the street are essential to maintaining the vitality of the corridor. Examples of remaining or new work include: fully tenanting the Franklin Business Center, the first enterprise of AINDC, redevelopment work remains to be done adjacent to the LRT station, which is still predominantly an industrial area, retenanting the building that houses Smiley's Clinic (which plans to move to another location), and redeveloping the vacant Riverview Market. Many of these projects will attract significant private investment, but there is likely to be a continued need for gap financing to make some of the deals work.

East Lake Street – Institutional commitment, catalytic redevelopment, micro-enterprise lending, business training and incubators, marketing and branding

The Lake Street turnaround is no less remarkable but utilized a different set of strategies. One fundamental difference is the commitment made to the area by large institutional partners, providing physical anchors and jobs and providing resources and leadership in public safety programs. In addition to these institutional commitments and improvements to public safety, East Lake Street owes a good portion of its on-the-street vibrancy to the small business training, micro-enterprise lending and development of business incubators undertaken by the Neighborhood Development Center (NDC).

Major institutions including Abbott Northwestern Hospital, Wells Fargo Bank, Children's Hospital, and Allina have anchored the Phillips neighborhood surrounding Lake Street, staking a claim in the neighborhood, making significant investments in the physical plant of their facilities, and providing thousands of jobs, many of which are held by neighborhood residents. The Phillips Partnership, comprised of these organizations, forged an alliance of residents, businesses and public officials to address public safety through enforcement and community policing strategies. The Citizens and Law Enforcement Action Network (CLEAN) now targets crime along Lake Street, Bloomington Avenue and Franklin Avenue, and a new Crime Prevention and Security Collaboration

has formed in Midtown working with the Third Precinct of the MPD. A new Safety Center at Chicago-Lake also reinforces public safety in the area.

The Phillips Partnership has also invested significantly in the residential housing stock of the neighborhood through the Joseph Selvaggio Initiative, which demolished crack houses, improved slum apartments and assisted homeowners in the target area between the Abbott Northwestern Hospital and Wells Fargo campuses. The presence, commitment, and investments of the Phillips Partnership have made a remarkable difference in the climate of the neighborhood and of Lake Street as the commercial spine. Partnership members have not, however, occupied the derelict and vacant storefronts that lined the street a few years ago. Overwhelmingly, it has been entrepreneurial immigrant businesses that have created street-level vitality on Lake Street, most of them assisted in some way by the Neighborhood Development Center.

On Lake Street, the Neighborhood Development Center (NDC), a non-profit community developer founded and backed by Western Bank, has followed a model of providing entrepreneurial business training, developing retail incubator space and micro-enterprise lending with transformational effects on East Lake Street, particularly between Chicago and Bloomington avenues. With City financial assistance, a former furniture store was converted to retail and commercial office spaces now known as Plaza Verde. Another derelict building was transformed into the Mercado Central, a Latino market with numerous clothing, music, household goods and food vendors, most of which were started by local entrepreneurs who attended NDC's business training courses and many of which obtained seed loans from NDC. The City's 2% Commercial Corridor/Node Loan program has also been tapped by many of these businesses. According to a 2005 Wilder Research evaluation report, 34% of the businesses assisted by NDC occupy a building that was formerly vacant. Small businesses are piece-by-piece reactivating large swaths of Lake Street, reasserting the historic commercial vibrancy of the street.

In June of this year, NDC opened the Midtown Global Market to great acclaim. The market is a 62-stall food emporium drawing on the diverse array of peoples from around the world in the lower level of the Midtown Exchange. The Global Market provides fresh food and produce to employees and residents of the Midtown Exchange and the surrounding neighborhood. The Midtown Global Market provides some restaurateurs and grocers a second or even third store, reaching a much broader market than their original location, and for others it offers a dynamic, vital location for their debut.

Hennepin County is currently reconstructing the Lake Street roadway which will provide a smooth and varied street with retained on-street parking and sidewalks wide enough for planters or café seating as well as streetscape amenities when completed. The Midtown Greenway, a new trail built in a historic freight rail bed just a block north of Lake Street, has the potential to draw new visitors to the commercial corridor, and could be used for a streetcar or light rail line in the future. Also under construction is the East Lake Branch Library, a \$4.5 million project to be completed in 2007. And within the Midtown Exchange alone, there are 149 new market rate housing units and 219 affordable units.

The Lake Street Council has played a strong role in marketing the corridor and supporting businesses in recent years. The Lake Street Council has developed a Lake Street Ambassadors program, hiring youth through the City's StepUp employment program to maintain clean sidewalks and interact with businesses and shoppers along the corridor. Their innovative 21 Hop + Shop partnership with MetroTransit should be a

model for all commercial and transit corridors. Over 80 businesses on Lake Street provide discounts to transit pass or current transfer holders, strengthening the link between commerce and transit and between the Hiawatha LRT and the Lake Street #21 bus route.

Between 1999 and 2005, the EMV for the targeted section of East Lake Street between Nicollet and Minnehaha rose from \$392,500 per acre to \$1.05 million, an increase of 169%. While there remain pockets of disinvestment, and some of the immigrant businesses are fragile, Lake Street is now a vibrant place with pedestrians rambling between storefronts, signaling to through traffic on this major transportation corridor that Lake Street is a safe and desirable place to visit.

As small businesses continue to fill in the gaps between anchor institutions and incubators, we anticipate that there will be a continued need for public investments for gap financing for risky, catalytic redevelopment projects, façade improvement programs to encourage well-designed and maintained storefronts, and possibly for technical assistance to businesses to help them identify broader markets and diversify their range of goods offered.

#### Central Avenue – the Main Street model

Work to revitalize the City's commercial corridors did not begin suddenly in 1999. Concerted work on Central Avenue revitalization dates to the *Making Central Avenue Great* planning process which began in the mid-1990s and was memorialized in a plan document September 1997. In 1998, the Holland neighborhood contracted with University of Minnesota Humphrey Institute graduate student Katherine Geisen-Kisch to evaluate the relationship between the built environment and public safety along the avenue. Her Crime Prevention Through Environmental Design (CPTED) recommendations for improvements to the avenue, particularly to a number of parking lots which were run down and perceived as unsafe, were implemented through funding primarily from the Metropolitan Council.

In 1996, LISC partnered with the National Trust for Historic Preservation to bring to urban areas the well-known National Trust's Main Streets commercial revitalization program, initiated by the Trust in the mid-1980s to reinvigorate the historic buildings of small town Main Streets throughout the nation. LISC brought their expertise in urban community development and economic development finance to the new partnership, and added public safety to the list of strategies for revitalization. The partnership with the National Trust has been dissolved, and LISC no longer uses the "Main Street" name (their program is now called Commercial Corridor Revitalization Program), but the strategies employed remain as follows:

- Organizing and mobilizing business owners and the surrounding community.
- <u>Creating marketing and promotional activities</u> that bring customers to businesses, expose new people to the corridor and neighborhood, and help to redefine the perception of the corridor.
- Rebuilding the physical environment and improving the local infrastructure to create
  a sense of safety for customers and an inviting, customer-friendly atmosphere. This
  includes mixed-use housing development, commercial space redevelopment and/or
  industrial development, in some cases.
- Assisting businesses to stabilize and expand, as well as bringing new businesses into the corridor.

 Reducing crime and enhancing public safety in order to build the local market for goods and services.

In 1999, the Minneapolis City Council entered into a six-year partnership with the Local Initiatives Support Corporation (LISC), to utilize a LISC Main Street approach to revitalizing Central Avenue using these strategies. The Northeast Chamber of Commerce worked with LISC on developing the Central Avenue Mainstreet Program (CAMP), and in 2002, the Northeast Community Development Corporation (NECDC) was created to convene resident and business interests specifically along Central Avenue. A 2004 evaluation report of CAMP commissioned by LISC found that Central Avenue business owners believe that the CAMP program created a stronger connection among businesses and improved the safety and appearance of the neighborhood. As the ongoing support of the City and LISC has ended after six years, the CAMP program has ended. However, the program effectively developed the capacity of the NECDC to address revitalization on Central Avenue and provides a foundation for continued NECDC work with Central Avenue businesses and property owners.

Between 1999 and 2005, the EMV for the targeted section of Central Avenue rose from \$518,500 per acre to \$1.3 million, an increase of 151% (Charts 1 and 2). The Northeast CDC has completed market studies and retail leakage phone surveys in the neighborhood, is engaged in a number of real estate development projects including an important site at Central and Lowry, has successfully lobbied for a Central Avenue Corridor Housing Initiative, currently in process, and supported community policing efforts of the Guardian Angels this summer in response to an increase in property crime.

Despite this good work by NECDC, the vacant square footage on Central Avenue has nearly doubled in the past six months, to approximately 20,000 square feet. NECDC was alert to this issue and requested assistance from the City and LISC to embark on a retail recruitment program. A contract of \$25,000, matched by LISC commercial corridor resources, was approved by the City Council on May 26, 2006, and NECDC director John Vaughn and a retail consultant are beginning to analyze which business types may succeed on the corridor and to work with property owners in recruiting these businesses.

The retail recruitment strategies will inform the real estate development activities of NECDC and will be incorporated into the Corridor Housing Initiative work, utilizing the CHI process as another opportunity for both public engagement around preferences for the avenue and education on the market realities for commercial development. Central Avenue, while it has experienced many successes, remains one of the City's four laggard corridors, measured by Estimated Market Value (Chart 1), and will likely continue to need some degree of support for NECDC corridor activities and redevelopment projects in the next few years. We have had preliminary conversations with LISC about a continued partnership on Central Avenue working with NECDC.

Nicollet Avenue – Streetscape improvements, marketing and branding

Nicollet Avenue started from a stronger position than most of the others highlighted here, using Estimated Market Value as a measure of market strength (see Chart 1). By 1999, the corridor had already moved beyond its most derelict period. Regional draw anchor businesses such as the Black Forest Inn remained through the most difficult years, when there was little private investment on the avenue and crime was a huge concern. Problems remained, however, and Nicollet between Lake Street and downtown Minneapolis was not yet known far and wide as "Eat Street," though that brand identity

was coined in the late 1990s. The Stevens Square community, which abuts Nicollet for only three blocks between Interstate 94 and Franklin Avenue, recognized the avenue as the neighborhood's front door. What people thought of Nicollet as a place to live and play, they would think also of Stevens Square.

Together, the Stevens Square Community Organization and the Whittier Neighborhood Association invested nearly \$800,000 of their Neighborhood Revitalization Program funding for a corridor study and redevelopment and business loan funds. The recommendations of the corridor study were:

- 1) Invest in well-defined commercial nodes and corridors
- 2) Redevelop under-utilized commercial areas
- 3) Encourage quality urban design and pedestrian-friendly environments
- 4) Manage traffic flow and reduce traffic speed.

(http://www.ci.minneapolis.mn.us/citywork/planning/nicollet/Nicollet\_Avenue\_Report.pdf)

An additional \$310,000 of NRP dollars were invested in streetscape improvements which provided neighborhood residents and businesses leverage and a seat at the table for the planned reconstruction of the avenue. Streetscape improvements include benches, planters, and banners which proclaim the street's brand and identity – Eat Street. The catchy name, which genuinely builds upon a strength of the avenue, home to a variety of excellent ethnic restaurants, is now so well known that real estate advertisements claim proximity to Eat Street as an asset.

## APPENDIX 2: TARGET AREAS COMMERCIAL CORRIDORS, NODES AND LRT STATION AREAS

#### **Commercial Corridors**

- Lyndale Ave N 42<sup>nd</sup> Ave N to 49<sup>th</sup> Ave N
- West Broadway Mississippi River to 26<sup>th</sup> Ave N
- Central Ave 18<sup>th</sup> Ave NE to 29<sup>th</sup> Ave NE
- E Hennepin Ave Mississippi River to 6<sup>th</sup> St SE
- Franklin Ave Mississippi River to I-35W
- Lake Street Abbott Ave S to 36<sup>th</sup> Ave S
- Excelsior Blvd 32<sup>nd</sup> St to Lake St
- Lagoon Ave Dupont Ave to Humboldt Ave
- Nicollet Ave I-94 to Lake St
- Lyndale Ave Franklin to Lake St
- Hennepin Ave Franklin to Lake St

#### **Hiawatha LRT Station Areas**

- Cedar-Riverside
- Franklin
- Hiawatha-Lake
- 38<sup>th</sup> Street
- 46<sup>th</sup> Street
- 50<sup>th</sup> Street/Minnehaha Park
- Veterans Administration

#### **Commercial Nodes**

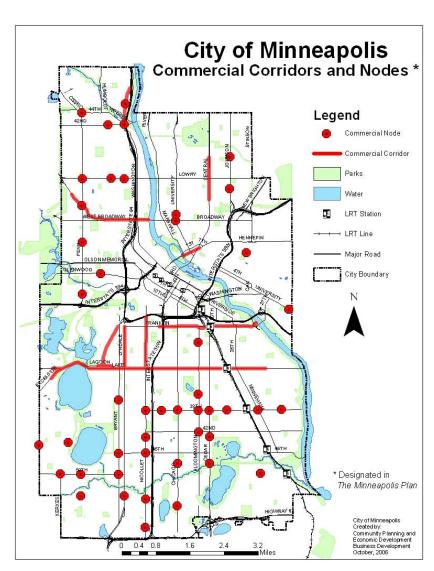
- 42<sup>nd</sup> St N and Fremont Ave N (44<sup>th</sup> and Humboldt)
- 44<sup>th</sup> St and Penn Ave N
- 46<sup>th</sup> St and Lyndale Ave N
- Camden (41<sup>st</sup>/42<sup>nd</sup> St N and Lyndale Ave N)
- Plymouth Ave and Penn/Oliver Ave N
- Lowry Ave and Emerson Ave N
- Lowry Ave and Penn Ave N
- Lowry Ave and Lyndale Ave N
- West Broadway and Penn Ave N
- Glenwood Ave and Cedar Lake Rd
- Penn Ave S and Cedar Lake Rd
- 13<sup>th</sup> Ave NE/Broadway/University Ave
- Como Ave and 16<sup>th</sup> Ave SE
- 29<sup>th</sup> Ave NE and Johnson St NE
- 22<sup>nd</sup> Ave NE and Johnson St NE
- University Ave and Bedford St SE
- Bloomington Ave and 25<sup>th</sup> St E
- Bloomington Ave and 35<sup>th</sup> St E
- 38<sup>th</sup> St and 42<sup>nd</sup> Ave S

#### **Commercial Nodes (continued)**

- 38<sup>th</sup> St and Minnehaha Ave S
- 38<sup>th</sup> St and 23<sup>rd</sup> Ave S
- 38<sup>th</sup> St and Cedar Ave S
- 38<sup>th</sup> St and Bloomington Ave
- 38<sup>th</sup> St and Chicago Ave S
- 38<sup>th</sup> St and 4<sup>th</sup> Ave S
- 42<sup>nd</sup> St and Bloomington Ave S
- 42<sup>nd</sup> St and Cedar Ave S
- 50<sup>th</sup> St E and 34<sup>th</sup> Ave S
- Cedar Ave S and Minnehaha Parkway
- 48<sup>th</sup> St and Chicago Ave S
- 56<sup>th</sup> St and Chicago Ave S
- 36<sup>th</sup> St and Bryant Ave S
- 38<sup>th</sup> St and Nicollet Ave S
- 43<sup>rd</sup> St and Nicollet Ave S
- 46<sup>th</sup> St and Nicollet Ave S
- 46<sup>th</sup> St and Bryant Ave S
- 50<sup>th</sup> St and Bryant Ave S
- 50<sup>th</sup> St and Penn Ave S
- 50<sup>th</sup> St and Xerxes Ave S
- 54<sup>th</sup> St and Penn Ave S
- 54<sup>th</sup> St and Lyndale Ave S
- Nicollet Ave and Diamond Lake Rd
- 60<sup>th</sup> St and Nicollet Ave S
- Linden Hills (Sheridan Ave S and 43<sup>rd</sup> St W)
- Morningside (44<sup>th</sup> St W and France Ave S)

#### APPENDIX 3: ASSISTANCE FOR BUSINESS AND BUSINESS DISTRICTS CITYWIDE

- 2% Loan Program A private lender provides half the loan at market rate, and the City provides the rest, up to \$40,000, at 2-percent interest to finance equipment purchases and/or building improvements.
- Capital Acquisition Loan Program Used to finance private business owner acquisition of commercial or mixed-use commercial/residential properties of \$50,000 to \$700,000.
- Business Development Fund Loans of up to \$75,000 at prime rate as gap financing to businesses providing living wage jobs to Minneapolis residents.
- Business Technical Assistance The City of Minneapolis provides funds to the Minneapolis Consortium of Community Developers (MCCD) to provide technical assistance such as developing business plans, obtaining financing and navigating the City's permitting process. A number of local community development corporations also provide technical assistance to businesses, often in partnership with MCCD.
- Business Association grants The City of Minneapolis has for years given all business associations in the city an annual grant of roughly \$6,000 for operating and marketing expenses. These grants will continue in 2007 with more clearly-defined expectations for the use of the funds and measurable outcomes.
- Neighborhood Revitalization Program many neighborhood organizations have allocated a portion of their NRP funds toward business assistance or business district assistance
- Empowerment Zone development financing, business assistance within the Empowerment Zone boundaries (http://www.ci.minneapolis.mn.us/ez/)
- Neighborhood Development Center business training courses, micro-business loans
- Minneapolis Consortium of Community Developers (MCCD) business technical assistance, small business loans
- Numerous area Community Development Corporations (CDC) and some Business Associations also provide business technical assistance, corridor support services, or own property for lease along important commercial corridors. Area CDCs and Business Associations providing these services:
  - African Development Center (ADC)
  - American Indian Neighborhood Development Corporation (AINDC)
  - Lake Street Council
  - Latino Economic Development Center (LEDC)
  - Northeast Community Development Corporation (NECDC)
  - Seward Redesign
  - West Bank Community Development Corporation



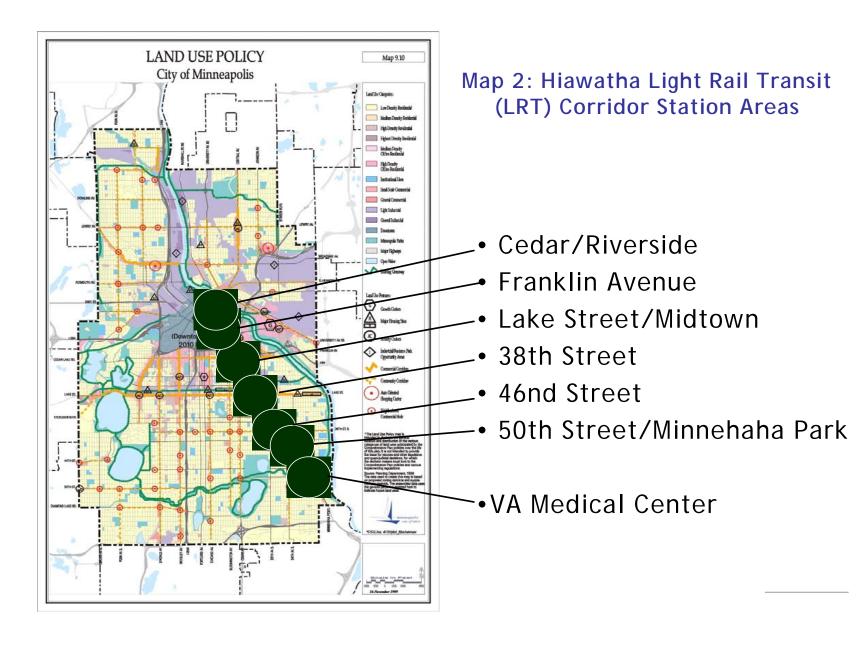
## Map 1: Commercial Corridors designated by *The Minneapolis Plan*

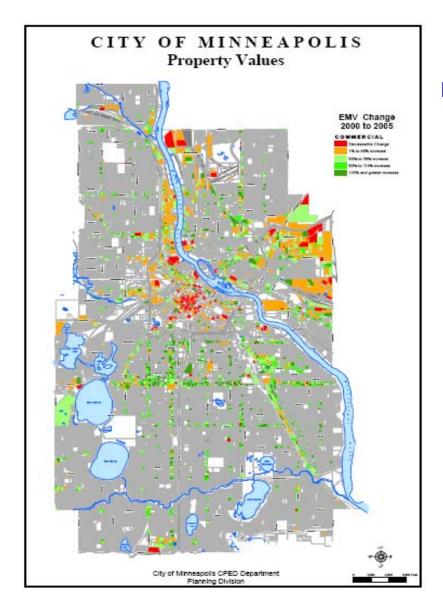
#### Key Characteristics:

- Major commercial/ retail destinations
- 20,000-30,000 vehicles/ day
- Mostly commercial uses
- Traditional urban form

#### **Designated Commercial Corridors:**

Lyndale Ave N - 42nd Ave N to 49th Ave N
West Broadway -Mississippi Riv. to 26th Ave N
Central Ave - 18th Ave NE to 29th Ave NE
E Hennepin Ave - Mississippi Riv. to 6th St SE
Franklin Ave - Mississippi Riv. to I-35W
Lake Street - Abbott Ave S to 36<sup>th</sup> Ave S
Excelsior Blvd - 32nd St to Lake St
Lagoon Ave - Dupont Ave to Humboldt Ave
Nicollet Ave - I-94 to Lake St
Lyndale Ave - Franklin to Lake St
Hennepin Ave - Franklin to Lake St





Map 3: Change in Estimated Market Value for Commercial Properties, 2000-2005

Rising commercial property values on commercial corridors - a rough measure of success

Chart 1: Change in Estimated Market Value (per acre), 1999-2005

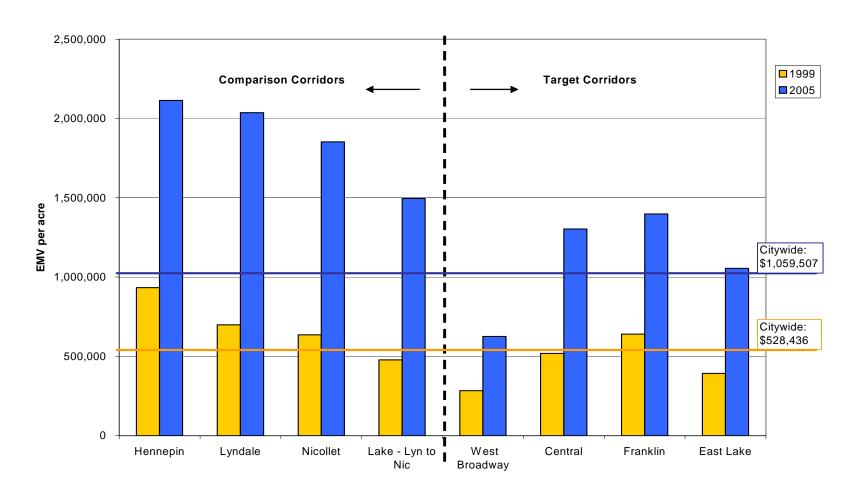
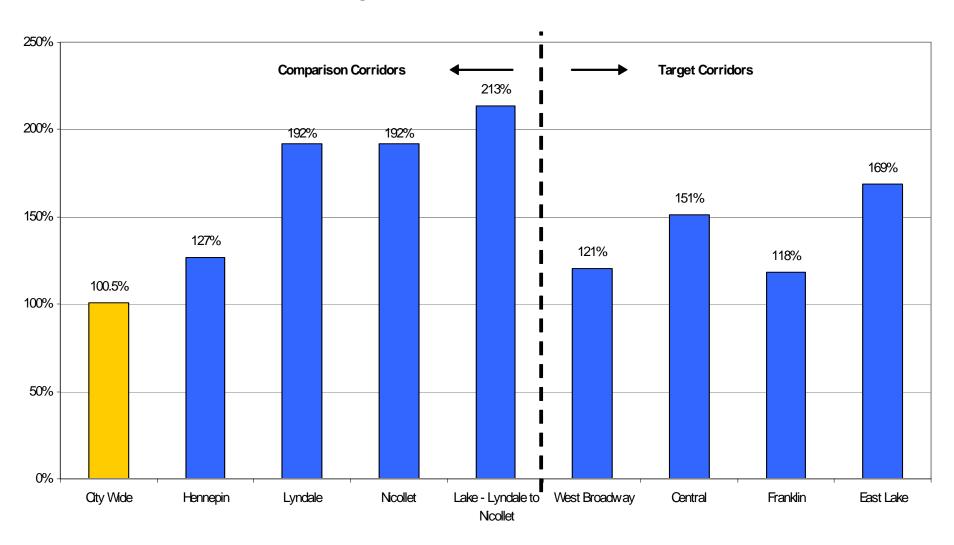
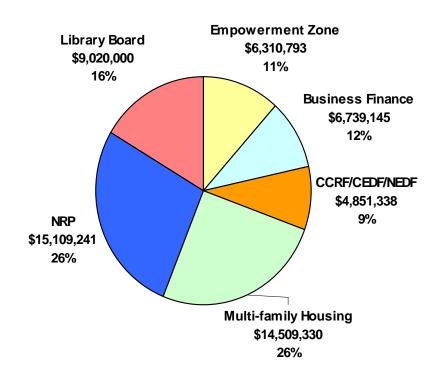


Chart 2: Percent change in Estimated Market Value, 1999-2005



### Chart 3: City investment by source, 1999-2005

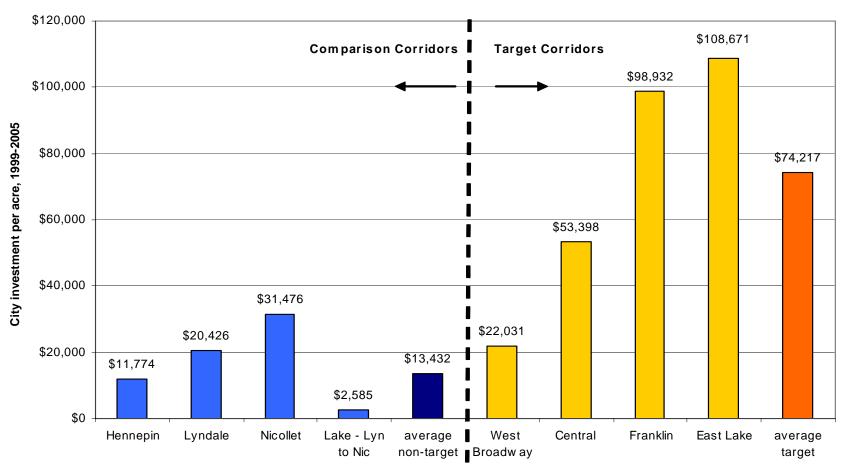
Corridors: Hennepin, Lyndale, Nicollet, Lake (Lyndale to the Mississippi), West Broadway, Central, Franklin





- \* Excluding bond financing
- \* Excluding bond financing.

Chart 4: City investment per acre, 1999-2005



City investment reported here includes that directed toward real estate development and business finance activities: Business Finance programs (excluding bond funding), Commercial Corridor Revitalization Fund, Community Economic Development Fund, Empowerment Zone funding, Library Board capital investments and Multi-family Housing financing. An important investment not indicated here are public works improvements. During this six-year period, West Broadway, Central, Franklin and Nicollet Avenues and parts of East Lake Street were reconstructed.