



***REAL ESTATE MARKET OPPORTUNITIES AND  
CONSTRAINTS ANALYSIS***

***For***

***CEDAR RIVERSIDE  
SMALL AREA PLAN***

*Prepared for:*

*The City of Minneapolis, MN*

*Prepared by:*

*ZHA, Inc.  
Annapolis, MD*

*April, 2007*



## **TABLE OF CONTENTS**

I.	INTRODUCTION AND SUMMARY .....	1
A.	Scope and Purpose of Document .....	1
B.	Summary of Key Findings .....	1
II.	BACKGROUND CONTEXT .....	3
A.	General Area Description .....	3
B.	Demographic Trends and Projections .....	3
C.	Competitive Site and Location .....	5
III.	REAL ESTATE MARKET CONDITIONS .....	7
A.	Residential .....	7
1.	Background: Regional Condominium Trend .....	7
2.	Cedar Riverside Prevailing Residential Conditions .....	10
3.	Multi-Family Condominium Conditions .....	10
4.	Rental Apartments: General Occupancy Market Conditions .....	13
5.	Student Housing Niche .....	17
6.	Overall Residential Market Findings .....	18
B.	Office Market Overview .....	19
1.	Regional Office Market Conditions .....	19
2.	Cedar Riverside Office Conditions and Prospects .....	20
C.	Retail Market Overview .....	20
1.	Key Characteristics and Prevailing Conditions .....	20
2.	Market Focus .....	21
3.	Local Market Capacity and Growth .....	22
4.	Underserved Market Niche: Daytime Employment .....	22
5.	Retail Development Outlooks and Issues .....	23
D.	Other Commercial Prospects: .....	25



## ***I. INTRODUCTION AND SUMMARY***

### **A. SCOPE AND PURPOSE OF DOCUMENT**

This document presents summary analyses of the Cedar Riverside area's prospects for business and market-rate real estate development. In addition to technical market findings the document includes analyses of key issues that influence the area's economic potential.

The findings of this analysis are based upon a research process that has entailed first-hand observations, statistical research, general regional economic research, interviews with local business proprietors, property owners, real estate developers, and others. Research has also included reviews of pre-existing planning documents. Many of these have provided extensive and still-valid statistical analyses and qualitative descriptions; this document seeks to minimize duplication of these earlier analyses. These various research tasks have informed an analytical process that blends the gathered anecdotes, insights trend information and other statistics with judgment based on planning and real estate market experience.

This analysis will inform the City of Minneapolis's Small Area Plan; the Small Area Plan will in turn comprise a part of the City's overall long-term plan, which will set forth policies and actions that can help the City and its neighborhoods maximize their potential and quality of life over a long-term time frame.

### **B. SUMMARY OF KEY FINDINGS**

The following summarizes this document's key findings regarding development potential and strategy in the Cedar Riverside community.

*General Profile:* Cedar Riverside features high representations of students, minority (including foreign-born) households and low-income households.

*Competitive Development Location:* Despite enjoying strategic access to highways, light rail transit and downtown Minneapolis, as well as a strong employment base and unique reputation, Cedar Riverside suffers from significant (internal and external) barriers, inconvenient public parking arrangements, difficult property configurations, and real and perceived security issues. Given these factors, other areas near downtown Minneapolis (e.g., Northeast Minneapolis, Elliot Park, Loring Park, North Loop, downtown East) are better positioned to capture economic activity that may "spill over" from downtown.



---

General Residential Development Prospects: Over a long-term time frame, given improvements in the Cedar Riverside environment, various forms of market-rate residential development may prove feasible. Within a three to five-year time frame, however, prospects for market-rate development are limited. While the area supports a strong demand for rental apartments, absent funding assistance (e.g., tax credit equity) developers would not likely seek opportunities to build new general-occupancy market-rate rental apartment buildings.

Student Housing: Rental housing specifically targeted to student residents offers a healthy short-term as well as long-term opportunity. In this niche, Cedar Riverside provides the preferred location to serve an underserved and growing market.

Office Market Prospects in Cedar Riverside are limited. Such prospects would face substantial competition from Class-B and Class-C properties in districts such as the North Loop, downtown East, Northeast Minneapolis, Uptown, and several other locations that would offer greater appeal than Cedar Riverside for Class-B and Class-C tenants.

Retail Market Issues: Cedar Riverside maintains promise for retail development in the areas along Riverside Avenue, particularly in proximity to Fairview Hospital and/or the I-94 interchange. Other retail opportunities focus primarily on the improvement and re-tenanting of small, streetfront spaces, rather than on projects involving large-scale new development or demolition and redevelopment. Such streetfront retail potential will probably not involve new retail centers, but will focus instead on improved existing spaces as well as on ground-floor space in new residential buildings.



---

## ***II. BACKGROUND CONTEXT***

### **A. GENERAL AREA DESCRIPTION**

Cedar Riverside features a unique mix of residents and businesses. Residents include substantial concentrations of immigrants – including shifting mixes of refugees – and students.

The neighborhood contains three major institutions -- the University of Minnesota, Fairview Hospital and Augsburg College – that collectively comprise the dominant sources of employment in the area. In addition to these institutions, Cedar Riverside's businesses include notable concentrations restaurants and bars and the region's oldest and most recognized concentrations of independent theatre venues and ethnically-oriented businesses.

The following brief descriptions of existing resident and business profiles provide essential understandings for future planning directives.

### **B. DEMOGRAPHIC TRENDS AND PROJECTIONS**

The 2000 U.S. census estimates that Cedar Riverside (zip code 55454) contained approximately 7,545 persons and 2,838 households. These figures have increased slightly. For 2006, ESRI, a nationally recognized demographic data provider, estimates Cedar Riverside's population and households at 8,199 and 3,006 respectively.



**Table 1**

<b>Demographic Trends: Cedar Riverside and Minneapolis</b>					
	<u>2000</u>	<u>2006</u>	<u>CAGR*</u> <u>2000-06</u>	<u>2011</u>	<u>CAGR*</u> <u>2006-11</u>
<u>Population</u>					
Cedar Riverside	7,545	8,199	1.4%	8,402	0.5%
City of Minneapolis	382,618	376,248	-0.3%	374,541	-0.1%
<u>Households</u>					
Cedar Riverside	2,838	3,006	1.0%	3,090	0.6%
City of Minneapolis	162,352	159,837	-0.3%	159,279	-0.1%

\* "CAGR" = compounded annual growth rate.

Source: U.S. Census; ESRI, STDB, Inc.

The Cedar Riverside residential profile is influenced by high representations of student and low-income households. As shown in Table 2, the median age in Cedar Riverside is just 24, and renters comprise 85.5 percent of all households. In comparison, in the City of Minneapolis, median age is 32.7, and 45 percent of households rent their homes. In Hennepin County, median age is 36.4 with a renter component of just 30.9 percent.

Median household income in Cedar Riverside is estimated at \$17,500, well below the figures of \$48,000 and \$65,000 for the City and County, respectively.

**Table 2**

<b>2006 Comparative Demographic Profiles</b>								
	<u>Cedar Riverside</u>	<u>City of Minneapolis</u>	<u>Hennepin County</u>	<u>Univ. of Minnesota</u>	<u>Northeast</u>	<u>Loring Park</u>	<u>Elliot Park</u>	<u>Marcy Holmes</u>
Population	8,199	391,406	1,154,424	9,677	1,876	4,868	3,173	4,506
Households	3,006	167,112	476,704	1,939	819	3,597	1,556	1,858
Median Household Income	\$17,502	\$48,062	\$64,880	\$15,278	\$40,835	\$41,136	\$20,251	\$25,774
Median Age	24.0	32.7	36.4	20.5	39.0	40.7	39.1	23.3
% Renter	85.5%	45.1%	30.9%	88.4%	60.2%	68.0%	88.6%	87.5%

Source: ESRI; STDB, Inc.



Other inner urban areas close to downtown feature similarly high representations of renters, young people and low incomes. Such areas include the University of Minnesota (east bank) neighborhoods; Marcy Holmes and Elliot Park; Loring Park and Northeast contain older, more established households with median incomes of roughly \$41,000, which still fall below City and County medians.

Overall, Cedar Riverside's statistical profile portrays a community featuring young and transient populations and low buying power.

In considering growth projections, it should be noted that projections for built-out urban areas are driven by *redevelopment* rather than new development; by investments and reuse of older properties rather than by foreseeable migration patterns or vital statistics. As a result, projections for such areas rarely anticipate substantial growth and should not be regarded as determinative of market potential; redevelopments are potential *products* – not drivers – of urban development policies.

### **C. COMPETITIVE SITE AND LOCATION**

Cedar Riverside enjoys a unique combination of assets. These include:

- Direct access to two interstate highways;
- Direct proximity to downtown Minneapolis;
- Direct proximity to the Mississippi River and the West River Parkway;
- Light rail transit station, with a second station planned along the forthcoming Central Corridor.
- Employment base featuring three major institutions, including the University of Minnesota, with its schools of law, business and government, Augsburg College, and the Fairview hospital;
- Reputation as a destination for eclectic eating and drinking and entertainment ranging from live music to experimental theatre and modern dance.

Among its physical constraints, the area suffers from:

- Significant barriers separating the area from downtown: these include I-35 and its system of entry/exit ramps, the Hubert H. Humphrey Metrodome, and the Valspar corporate campus.



- 
- A series of internal barriers: these include Washington Street's depressed alignment, which separates Seven Corners from the rest of Cedar Riverside; a confusing internal street system with isolated dead-end blocks, particularly around the Riverside Plaza complex and the area's various overpasses and underpasses.
  - Inconvenient public parking arrangements, which constrains business potential.
  - A pattern of properties characterized by small, oddly configured lots; this constrains the assembly of efficient development parcels as well as the prospects for coordinated, synergistic development.
  - Real and perceived security issues.

Given these factors, other areas near downtown Minneapolis – such as Northeast Minneapolis, Elliot Park, Loring Park, North Loop and the downtown East area itself (which lies between Cedar Riverside and the core of the CBD) – are better positioned to capture economic activity that may “spill over” from downtown.



### **III. REAL ESTATE MARKET CONDITIONS**

This section presents overviews of market conditions regarding residential and various forms of commercial development in the Cedar Riverside community.

#### **A. RESIDENTIAL**

This analysis is directed toward potentially supportable market-rate multi-family development or redevelopment. As contextual background, the analysis first describes the region’s condominium development trend and Cedar Riverside’s general residential market. The analysis then focuses on Cedar Riverside’s potential for condominium development, followed by a discussion of rental apartment trends and niches.

##### **1. Background: Regional Condominium Trend**

Despite a recent decline, over the last five years condominium sales in Minneapolis have grown increasingly popular. As shown in Table 1, sales have ranged from 1,200 to nearly 2,000 in the last three years, as compared with 675 to 775 from 2001 to 2003. This trend has been fueled by a confluence of factors, including enhanced downtown amenities, growth among “empty nester” households seeking reduced home maintenance burdens, low interest rates, and others.

**Table 3**

<b>Condominium Sales Trend: City of Minneapolis, 2001-2006</b>						
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Sales	679	681	763	1,240	1,976	1,572
Median Price	\$185,186	\$209,306	\$241,805	\$257,305	\$260,000	\$241,900

*Source: City of Minneapolis CPED.*

The condominium market has declined since its peak in 2005. While 2006 condominium sales actually exceeded the volume of 2004, a comparison of 2005 and 2006 quarterly sales shows that while median sale prices have declined only modestly, the number of sales has declined by nearly 20 percent in each quarter, with the largest year-over-year decline in the fourth quarter.



**Table 4**

**Minneapolis Condominium Sales Trend: 2005 vs. 2006**

	<u>Quarter</u>	<u>2005</u>	<u>2006</u>	<u>Change</u>
Sales	1	551	442	-19.8%
Median Price	1	\$247,160	\$244,900	-0.9%
Sales	2	650	553	-14.9%
Median Price	2	\$249,000	\$237,900	-4.5%
Sales	3	462	378	-18.2%
Median Price	3	\$250,000	\$249,000	-0.4%
Sales	4	313	199	-36.4%
Median Price	4	\$243,200	\$236,300	-2.8%

*Source: City of Minneapolis CPED.*

Notwithstanding this decline, over time the market will continue to offer opportunities in selected niches. Interviewed developers generally report that:

- Within the recent decline in sales, the “empty nester” segment of the market has fallen most markedly, as such households seeking to “downsize” their living circumstances encountered problems in selling their existing single-family homes.
- The market for high-end, well situated downtown properties remains strong. This market segment has been driven more by growing wealth, rather than by interest rates or speculation.
- Demand still exists in the market’s middle and lower tiers, but supply has outpaced demand, and projects with less competitive locations or features are likely to encounter market resistance.

In general, this trend has been driven by an ongoing resurgence – and preference for – the urban amenities in downtown areas, and by increasing household affluence. In documenting this increase in affluence, Table 5 shows that over the last six years, the highest income tier (incomes of \$100,000 or more) have accounted for the largest portion of the total household growth in Hennepin County households. This is expected to continue, with this high-income group accounting for the only anticipated gains among County households.



**Table 5**

<b>Household Age by Income Trend: Hennepin County</b>						
Household Age	Annual Income	2000	2006	2011	2006-11	Net Change Avg. Annual
15-24	< \$35,000	17,936	13,073	11,733	(1,340)	-2.1%
	\$35,000-\$49,999	4,987	4,588	4,251	(337)	-1.5%
	\$50,000-\$74,999	3,913	3,930	4,457	527	2.5%
	\$75,000-\$99,999	1,346	2,153	2,415	262	2.3%
	<u>\$100,000+</u>	<u>695</u>	<u>3,151</u>	<u>4,942</u>	<u>1,791</u>	<u>9.4%</u>
<i>Total</i>	<i>28,877</i>	<i>26,895</i>	<i>27,798</i>	<i>903</i>	<i>0.7%</i>	
25-34	< \$35,000	30,164	22,600	16,961	(5,639)	-5.6%
	\$35,000-\$49,999	17,840	16,403	12,490	(3,913)	-5.3%
	\$50,000-\$74,999	23,151	21,246	18,777	(2,469)	-2.4%
	\$75,000-\$99,999	12,824	13,714	12,474	(1,240)	-1.9%
	<u>\$100,000+</u>	<u>10,426</u>	<u>15,351</u>	<u>21,497</u>	<u>6,146</u>	<u>7.0%</u>
<i>Total</i>	<i>94,405</i>	<i>89,314</i>	<i>82,199</i>	<i>(7,115)</i>	<i>-1.6%</i>	
35-44	< \$35,000	25,272	16,760	12,601	(4,159)	-5.5%
	\$35,000-\$49,999	16,900	13,868	10,900	(2,968)	-4.7%
	\$50,000-\$74,999	26,492	22,541	19,485	(3,056)	-2.9%
	\$75,000-\$99,999	17,418	17,361	14,316	(3,045)	-3.8%
	<u>\$100,000+</u>	<u>24,447</u>	<u>34,303</u>	<u>44,489</u>	<u>10,186</u>	<u>5.3%</u>
<i>Total</i>	<i>110,529</i>	<i>104,833</i>	<i>101,791</i>	<i>(3,042)</i>	<i>-0.6%</i>	
45-54	< \$35,000	18,543	14,241	11,113	(3,128)	-4.8%
	\$35,000-\$49,999	11,813	11,132	8,741	(2,391)	-4.7%
	\$50,000-\$74,999	19,740	19,328	17,158	(2,170)	-2.4%
	\$75,000-\$99,999	15,547	17,316	14,774	(2,542)	-3.1%
	<u>\$100,000+</u>	<u>26,971</u>	<u>40,904</u>	<u>54,482</u>	<u>13,578</u>	<u>5.9%</u>
<i>Total</i>	<i>92,614</i>	<i>102,921</i>	<i>106,268</i>	<i>3,347</i>	<i>0.6%</i>	
55-64	< \$35,000	12,910	11,900	10,865	(1,035)	-1.8%
	\$35,000-\$49,999	7,185	7,925	7,528	(397)	-1.0%
	\$50,000-\$74,999	11,172	13,616	13,863	247	0.4%
	\$75,000-\$99,999	7,268	10,485	10,519	34	0.1%
	<u>\$100,000+</u>	<u>12,647</u>	<u>26,018</u>	<u>40,753</u>	<u>14,735</u>	<u>9.4%</u>
<i>Total</i>	<i>51,182</i>	<i>69,944</i>	<i>83,528</i>	<i>13,584</i>	<i>3.6%</i>	
65-74	< \$35,000	16,610	11,796	10,021	(1,775)	-3.2%
	\$35,000-\$49,999	6,624	5,778	5,090	(688)	-2.5%
	\$50,000-\$74,999	7,025	7,121	7,139	18	0.1%
	\$75,000-\$99,999	3,148	3,834	4,136	302	1.5%
	<u>\$100,000+</u>	<u>4,374</u>	<u>8,600</u>	<u>15,009</u>	<u>6,409</u>	<u>11.8%</u>
<i>Total</i>	<i>37,781</i>	<i>37,129</i>	<i>41,395</i>	<i>4,266</i>	<i>2.2%</i>	
75+	< \$35,000	26,012	21,553	17,525	(4,028)	-4.1%
	\$35,000-\$49,999	6,016	6,928	5,894	(1,034)	-3.2%
	\$50,000-\$74,999	4,625	6,307	6,467	160	0.5%
	\$75,000-\$99,999	2,028	3,907	4,366	459	2.2%
	<u>\$100,000+</u>	<u>2,209</u>	<u>6,972</u>	<u>11,641</u>	<u>4,669</u>	<u>10.8%</u>
<i>Total</i>	<i>40,890</i>	<i>45,667</i>	<i>45,893</i>	<i>226</i>	<i>0.1%</i>	
Totals	< \$35,000	147,447	111,923	90,819	(15,736)	-4.1%
	\$35,000-\$49,999	71,365	66,622	54,894	(10,357)	-3.8%
	\$50,000-\$74,999	96,118	94,089	87,346	(7,430)	-1.5%
	\$75,000-\$99,999	59,579	68,770	63,000	(6,491)	-1.7%
	<u>\$100,000+</u>	<u>81,769</u>	<u>135,299</u>	<u>192,813</u>	<u>51,054</u>	<u>7.3%</u>
<i>Total</i>	<i>456,278</i>	<i>476,703</i>	<i>488,872</i>	<i>11,040</i>	<i>0.5%</i>	

Source: ESRI, STDB, Inc.



## **2. Cedar Riverside Prevailing Residential Conditions**

Cedar Riverside's most prominent residential properties include the concentration of high-rise towers in Riverside Plaza, student housing buildings, and apartment properties scattered throughout the area. In general, the Cedar-Riverside housing inventory is characterized by the following:

- Primarily multi-family. As of 2000, the U.S. Census identified 71 (2.4 percent of total occupied units) single-family detached homes in Cedar Riverside, mostly located near the Mississippi River and along 6<sup>th</sup> and 7<sup>th</sup> Streets between Cedar and Riverside Avenues.
- Renter tenure: Of 3,006 occupied dwelling units, 2,670 (86 percent) are renter-occupied; only 336 are owner-occupied (ESRI). In comparison, in Hennepin County, renters comprise just 31 percent of occupied units.
- Subsidized: Much of the rental housing is subsidized. Subsidized units include public housing units and more than 50 percent of the units in the 1,300-unit Riverside Plaza complex. In addition, many other apartment complexes contain substantial numbers of units subsidized under either federal Section 8 or Section 42 (tax credit) financing.
- No market-rate condominiums: The recent surge in condominium development has produced new projects throughout the City – including market-rate projects in neighborhoods such as Northeast Minneapolis, north Minneapolis, and all along the light rail transit corridor – but has not produced new units in Cedar Riverside.
- Low value: Among the 336 owner-occupied units, median market value is estimated at \$175,000. This falls well below the corresponding figure of \$190,626 for a market area extending throughout most of south and central Minneapolis, and \$239,919 for Hennepin County.

## **3. Multi-Family Condominium Conditions**

In the Cedar Riverside area, short-term as well as mid-term prospects for market-rate condominium development are limited.

The Minneapolis condominium market remains saturated, with an ample inventory of existing and planned projects. Given this inventory, successful new projects will be limited to those offering the most competitive locations and price points. Cedar Riverside's prevailing assets and constraints may enable it to attract young householders within a specific profile, but to the broader market of condominium buyers its appeal would not be competitive with locations such as Northeast



---

Minneapolis, Elliot Park, Loring Park, Downtown East or the North Loop. Projects in comparable locations – such as the Corridor Flats projects in the Hiawatha/Lake Street area – are experiencing slow absorption, despite competitive pricing.

Notwithstanding the foregoing, demographic forecasters continue to expect increases in affluent households, in Minneapolis and Hennepin County. The table below shows households by age and income level for a general “extended market area,” which extends from Cedar Riverside west to Lake Calhoun, Lake Harriet and Lake of the Isles, south to the Minnehaha Parkway, and north to Highway 55, 18<sup>th</sup> Avenue in north Minneapolis, and Highway I-35W. Within this area, as in Hennepin County, substantial growth is projected only for the highest-income tiers; the strongest growth is anticipated in the “empty nester” (55 to 64 year-old) cohort.



**Table 6**

<b>Household Age by Income: Extended Market Area</b>						
Household Age	Annual Income	Net Change				
		2000	2006	2011	2006-11	Avg. Annual
15-24	< \$35,000	10,115	7,506	7,055	(451)	-1.2%
	\$35,000-\$49,999	1,740	1,688	1,688	-	0.0%
	\$50,000-\$74,999	1,085	1,244	1,608	364	5.3%
	\$75,000-\$99,999	344	686	882	196	5.2%
	<u>\$100,000+</u>	<u>219</u>	<u>676</u>	<u>1,243</u>	<u>567</u>	<u>13.0%</u>
	<i>Total</i>	<i>13,503</i>	<i>11,800</i>	<i>12,476</i>	<i>676</i>	<i>1.1%</i>
25-34	< \$35,000	14,151	11,482	8,572	(2,910)	-5.7%
	\$35,000-\$49,999	5,401	5,929	4,662	(1,267)	-4.7%
	\$50,000-\$74,999	5,049	5,800	5,577	(223)	-0.8%
	\$75,000-\$99,999	2,230	3,269	3,254	(15)	-0.1%
	<u>\$100,000+</u>	<u>1,609</u>	<u>2,751</u>	<u>3,904</u>	<u>1,153</u>	<u>7.3%</u>
	<i>Total</i>	<i>28,440</i>	<i>29,231</i>	<i>25,969</i>	<i>(3,262)</i>	<i>-2.3%</i>
35-44	< \$35,000	8,947	6,645	5,244	(1,401)	-4.6%
	\$35,000-\$49,999	3,874	3,836	3,373	(463)	-2.5%
	\$50,000-\$74,999	4,311	4,436	4,527	91	0.4%
	\$75,000-\$99,999	1,999	2,426	2,423	(3)	0.0%
	<u>\$100,000+</u>	<u>1,914</u>	<u>3,258</u>	<u>5,172</u>	<u>1,914</u>	<u>9.7%</u>
	<i>Total</i>	<i>21,045</i>	<i>20,601</i>	<i>20,739</i>	<i>138</i>	<i>0.1%</i>
45-54	< \$35,000	6,593	5,885	4,988	(897)	-3.3%
	\$35,000-\$49,999	2,421	2,785	2,278	(507)	-3.9%
	\$50,000-\$74,999	3,134	3,904	3,985	81	0.4%
	\$75,000-\$99,999	1,507	2,098	1,982	(116)	-1.1%
	<u>\$100,000+</u>	<u>2,031</u>	<u>3,198</u>	<u>4,814</u>	<u>1,616</u>	<u>8.5%</u>
	<i>Total</i>	<i>15,686</i>	<i>17,870</i>	<i>18,047</i>	<i>177</i>	<i>0.2%</i>
55-64	< \$35,000	3,570	3,964	4,029	65	0.3%
	\$35,000-\$49,999	1,287	1,746	1,922	176	1.9%
	\$50,000-\$74,999	1,212	1,863	2,346	483	4.7%
	\$75,000-\$99,999	612	1,141	1,377	236	3.8%
	<u>\$100,000+</u>	<u>1,153</u>	<u>2,648</u>	<u>4,753</u>	<u>2,105</u>	<u>12.4%</u>
	<i>Total</i>	<i>7,834</i>	<i>11,362</i>	<i>14,427</i>	<i>3,065</i>	<i>4.9%</i>
65-74	< \$35,000	3,023	2,421	2,282	(139)	-1.2%
	\$35,000-\$49,999	688	692	699	7	0.2%
	\$50,000-\$74,999	630	633	796	163	4.7%
	\$75,000-\$99,999	306	414	536	122	5.3%
	<u>\$100,000+</u>	<u>479</u>	<u>999</u>	<u>1,956</u>	<u>957</u>	<u>14.4%</u>
	<i>Total</i>	<i>5,126</i>	<i>5,159</i>	<i>6,269</i>	<i>1,110</i>	<i>4.0%</i>
75+	< \$35,000	4,797	3,725	3,156	(569)	-3.3%
	\$35,000-\$49,999	653	644	530	(114)	-3.8%
	\$50,000-\$74,999	565	699	828	129	3.4%
	\$75,000-\$99,999	252	557	662	105	3.5%
	<u>\$100,000+</u>	<u>299</u>	<u>782</u>	<u>1,421</u>	<u>639</u>	<u>12.7%</u>
	<i>Total</i>	<i>6,566</i>	<i>6,407</i>	<i>6,597</i>	<i>190</i>	<i>0.6%</i>
Totals	< \$35,000	51,196	41,628	35,326	(5,282)	-3.2%
	\$35,000-\$49,999	16,064	17,320	15,152	(2,054)	-2.6%
	\$50,000-\$74,999	15,986	18,579	19,667	595	1.1%
	\$75,000-\$99,999	7,250	10,591	11,116	224	1.0%
	<u>\$100,000+</u>	<u>7,704</u>	<u>14,312</u>	<u>23,263</u>	<u>7,745</u>	<u>10.2%</u>
	<i>Total</i>	<i>98,200</i>	<i>102,430</i>	<i>104,524</i>	<i>1,228</i>	<i>0.4%</i>

Source: ESRI, STDB, Inc.



Overall, long-term prospects for market-rate condominium development in the Cedar Riverside area will derive support from the strength of foreseeable demographic trends, and it may benefit from the area's proximity to two light rail corridors. As a condominium development location, the area would attract buyers within fairly narrow profiles; the infusion of additional private and public investments would be necessary to enhance the area's desirability for a broader range of the condominium market.

**4. Rental Apartments: General Occupancy Market Conditions**

In the Twin Cities region, multi-family apartment complexes maintain average monthly rents of \$751 for one-bedroom and \$947 for two-bedroom units. The market maintains an overall vacancy rate of 4.7 percent (GVA Marquette Advisors). This vacancy rate generally signals healthy demand, with turnover and new supply accounting for substantial portions of the vacant units. Vacancies at newer properties (built since 2000) are somewhat higher, at 7.3 percent.

In Minneapolis's University of Minnesota/Southeast/Northeast submarket, rents are lower than in the overall City of Minneapolis, but the 2.1 percent vacancy rate is among the lowest in the region (only Spring Park/Excelsior maintains a lower vacancy rate). The following figures show comparative current indicators for this submarket as well as downtown Minneapolis, the overall City, and the metro area.

**Table 7**

<b>Selected Rental Apartment Indicators, 4th Qtr. 2006</b>				
	<u>U of M SE/NE</u>	<u>CBD</u>	<u>Minneapolis</u>	<u>Twin Cities</u>
1 BR	\$702	\$1,015	\$782	\$751
2 BR	\$954	\$1,620	\$1,113	\$947
Overall Vacancy	2.1%	4.1%	3.3%	4.7%

*Source: GVA Marquette Advisors.*

Within the Cedar Riverside area, the existing apartment complexes include:

- Riverside Plaza, the largest complex in the area (and possibly the most visible complex in the metro area) with 1,300 units in several high-rise towers;



- Grand Marc: built in 2001 in the Seven Corners area and directly adjacent to the University of Minnesota Law School, this building targets University of Minnesota students;
- Seven Corners, located at 2<sup>nd</sup> Street and 19<sup>th</sup> Avenue between the University of Minnesota Law School and I-35;
- Karinsplass Apartments, located on Riverside Avenue close to the Augsburg campus and directly adjacent to the new Oren Gateway Center site;
- Studios at Seven Corners, located on 3<sup>rd</sup> Street (just south of Bullwinkle's in the Seven Corners area). This building was built in the 1960s, but underwent remodeling in 2002.

General features and indicators for these complexes are shown below (excluding Grand Marc, which specifically targets a student housing niche and is discussed separately).

**Table 8**

Cedar Riverside Market-Rate Rental Apartment Properties						
Property	# Units	Occupancy	Type	UNITS		
				Size (sq. ft.)	Rent	Rent/sq. ft.
Riverside Plaza	1,303	100% for 2 yrs.	Studio	529	n/a	n/a
			1 BR	496-760	\$600-650	\$0.86 - \$1.21
			2 BR	718 -1,005	\$850-995	\$0.99 - \$1.18
Seven Corners	238	100%	Studio	480	\$596-\$653	\$1.24 - \$1.36
			1 BR	550	\$740-\$798	\$1.35 - \$1.45
			2 BR	760	\$925-\$1,010	\$1.22 - \$1.33
			3 BR	1,020	\$1,240-\$1,304	\$1.22 - \$1.28
Karinsplass	38	100%	Studio	497	\$635	\$1.28
			1 BR	689 - 824	\$880 - \$935	\$1.28
			2 BR/1 ba	934	\$1,125	\$1.20
			2 BR/2 ba	1083	\$1,235	\$1.14
Studios at 7 Corners	70	100%	Studio	500	\$650	\$1.30
			2 BR	n/a	\$1,100	n/a

\* All rents shown are for unfurnished apartments, and include all utilities except electricity, except at Riverside Plaza, where rents include all utilities.

Source: ZHA field survey

As shown, all of these properties maintain 100 percent occupancy rates; leasing staff at these properties indicate that occupancy rates typically exceed 95 percent.



Rents are lowest at the Riverside Plaza, where rents for market-rate units fall well below citywide averages for one- and two-bedroom units. At the other properties, however, on a per-square-foot basis, rents generally range from \$1.20 to \$1.30. While this may reflect the relatively small unit sizes at many of these buildings, this per-square-foot rent level approximates those at many newer properties. In addition, nearby properties such as Cedars 94, located just south of Cedar Riverside, do not report full occupancies. These findings indicate a strong demand for the Cedar Riverside location, even in the area's older apartment buildings.

Despite the competitive rents achieved, within a short-term time frame these would not likely support new market-rate apartment development. While the actual feasibility of specific projects will vary in accordance with several factors (e.g., capitalization rates, construction type, developers' short- or long-term objectives, land costs, etc.), Table 9 below shows hypothetical scenarios to illustrate the rent levels necessary to support new market-rate construction.

As shown in the table, at reasonable development costs of roughly \$140/square foot<sup>1</sup> rents of \$1.25 per square foot/month would generate roughly \$7,700 in annual net operating income. Capitalizing this income stream at a hypothetical capitalization rate of 6.5 percent, the project's value of \$8.5 million would be lower than its cost of \$10.08 million. This leaves a negative remaining residual value (-\$1.55 million) for land acquisition and developer profit. Under an alternative scenario applying a higher (but historically reasonable) 8.0 percent capitalization rate, project value -- and the remaining residual -- are even lower.

The table also presents two hypothetical "feasible" scenarios involving (1) lower development costs and/or (2) premium rent levels. Under the first "feasible" scenario, cheaper construction costs, combined with premium rent levels of \$1.45 per square foot, would generate \$17,300 per unit for profit and land value using the 6.5 percent capitalization rate. This may present an acceptable development for developers. Even if land consumes most of the residual, developers could nonetheless derive profits through long-term management rather than from up-front fees. At the higher 8 percent capitalization rate, however, the project would not generate sufficient value to support even land acquisition.

---

<sup>1</sup> Based on developer interviews as well as Marshall Valuation Service. Excludes cost of land and developer profit.



**Table 9**

<b>Hypothetical Market-Rate Apartment Development Pro Forma</b>			
	"Reasonable" Assumptions	Hypo Scen. 1	Hypo Scen. 2
Development Cost/sq. ft. <sup>1</sup>	<b>\$140</b>	<b>\$120</b>	<b>\$140</b>
Bldg. Sq. Ft. (4 stories)	72,000	72,000	72,000
Total Hard Cost	\$10,080,000	\$8,640,000	\$10,080,000
Units	72	72	72
Per unit	\$140,000	\$120,000	\$140,000
<b>Rent/sq. ft.</b>	<b>\$1.25</b>	<b>\$1.45</b>	<b>\$2.00</b>
Gr. Possible Rent	\$972,000	\$1,127,520	\$1,555,200
Vacancy Loss @ 5%	(\$48,600)	(\$56,376)	(\$77,760)
Adjusted Rent	\$923,400	\$1,071,144	\$1,477,440
Operating Costs @ 40%	(\$369,360)	(\$428,458)	(\$590,976)
NOI	\$554,040	\$642,686	\$886,464
per unit	\$7,695	\$8,926	\$12,312
<u>Market Value</u>			
@ 6.5% capitalization	\$8,523,692	\$9,887,483	\$13,637,908
per unit	\$118,385	\$137,326	\$189,415
@ 8.0% capitalization	\$6,925,500	\$8,033,580	\$11,080,800
per unit	\$96,188	\$111,578	\$153,900
<u>Residual Value for land and profit (Total Value less Cost)</u>			
@ 6.5% capitalization	(\$1,556,308)	\$1,247,483	\$3,557,908
per unit	(\$21,615)	\$17,326	\$49,415
@ 8.0% capitalization	(\$3,154,500)	(\$606,420)	\$1,000,800
per unit	(\$43,813)	(\$8,423)	\$13,900

<sup>1</sup> Marshall Valuation Service, ZHA, Inc. Includes hard and soft costs assuming no demolition and no unusual conditions such as difficult terrain, soil conditions, etc.

Under the second "feasible" scenario, development costs would approximate the \$140/square foot cost level, but achievable rents would reach \$2 per square foot per month. In Minneapolis, only a few downtown luxury high-rises command such rents. Hypothetically, however, at these rent levels, new apartment developments would be supportable, even possibly at the higher 8 percent capitalization rate.



It should be noted that the preceding figures are illustrative only. They indicate the difficulty of profitable market-rate apartment development; they should not be interpreted as to preclude such potential.

Overall, at this time, Cedar Riverside apartments (for general market occupancies) would not likely support the rents required to support new market-rate development. It should be noted, however, that projects supported by tax credit development assistance will in many cases achieve rents that are not far below market-rate, and appropriate for many professionals earning 50 or 60 percent of the area median income (currently estimated at \$78,500). Also, over time, improved conditions may enable new properties to support increased rent levels, thus rendering new developments financially feasible.

### **5. *Student Housing Niche***

The student housing market comprises a unique niche. Despite the recent construction of several properties on the University of Minnesota's East Bank, this niche may present short-term as well as long-term opportunities for Cedar Riverside. This finding derives support from:

- *The performance of the Grand Marc building:* Located adjacent to the University of Minnesota Law School in Seven Corners, the Grand Marc apartment building targets University of Minnesota students. Built in 2001, the building's fully furnished units enable students to maintain private bedrooms, bathrooms and study areas while sharing common area kitchens, living rooms and in-unit washer/dryers. The building's student-oriented amenities include a game room and fitness center. Rents are collected on a per-person rather than per-unit basis. Under this arrangement, the building achieves total monthly rents of \$1,190 for one-bedroom and up to \$1,820 for two-bedroom units. These generally range from \$700 to \$1,000 per bedroom/month, and exceed \$2 per square foot in most cases. The Grand Marc is currently 100 percent occupied.
- *The performance of other student housing complexes:* Since 2000, a number of other student apartment buildings have been built on the East Bank part of the University campus. The following table presents general features for the Grand Marc as well as a selected sample of recently built student apartment projects around the campus's East Bank. As shown, these East Bank buildings offer arrangements similar to the Grand Marc, with furnished units and comparable rents (on a per-bedroom or per-square-foot basis), which are also similar to rates charged in comparable University-operated housing facilities. For example, in the University's apartment-style complexes such as University Village, students typically pay \$565 to \$776 per month.



**Table 10**

Selected Student Housing Properties						
Property	# Units	Occupancy	Type	UNITS		
				Size (sq. ft.)	Rent	Rent/sq. ft.
Grand Marc	186	100%	Studio	n/a	\$949	n/a
			1 BR	569	\$1,190	\$2.09
			2 BR	827	\$1,678	\$2.03
			2 BR/den	1,024	\$1,820	\$1.78
			4 BR	1,358	\$2,876	\$2.12
University Commons 609 Huron Blvd	164	100%	1 BR	501	\$970	\$1.94
			2 BR	727	\$1,458	\$2.01
			2 BR	905	\$1,916	\$2.12
			4 BR	1,111 - 1,205	\$2,600-\$3,200	\$2.34 - \$2.65
1301 University	92	100%	Studio	383 - 386	\$795	\$2.06
			1 BR	393 - 572	\$845 - \$945	\$1.65 - \$2.15
			2 BR	860 - 908	\$1,540 - \$1,590	\$1.77
			3 BR	1,029 - 1,150	\$2,100 - \$2,225	\$1.93 - \$2.04
			4 BR	1,290 - 1,350	\$2,820 - \$2,880	\$2.16
The Melrose	278	95%	2 BR	806	\$1,468	\$1.82
			3 BR	1,000-1,035	\$2,097	\$2.06
			4 BR	1,227	\$2,516	\$2.05

\* All rents shown are for furnished apartments, per-unit (not per-occupant). Rents include all utilities except at 1301 University, where tenants must pay separately for electricity. Monthly parking spaces incur additional costs of \$65 to \$100.

Source: ZHA field survey

- *The University of Minnesota's need for student housing*

The University of Minnesota maintains a total enrollment of more than 50,000 students. For this student body, the University's on-campus housing facilities can accommodate approximately 6,600. On the West Bank, in Cedar Riverside, most of the apartment buildings report some student presence, but only the Grand Marc specifically targets this market. Given the expansion to the Carlson Business School, supply and demand equations are likely to support additional student housing on the West Bank.

Based on the above, student housing complexes may be able to achieve rents sufficient to support new development costs.

## **6. Overall Residential Market Findings**

Over a long-term time frame, given improvements in the Cedar Riverside environment, various forms of market-rate residential development may prove



feasible. Such developments would enhance other opportunities – for existing as well as new businesses. However, within a short-term time frame in which current conditions continue, the following summarizes Cedar Riverside’s market-rate residential development outlooks:

- The Minneapolis condominium market currently suffers from oversupply and declining sales. While the market will offer opportunities in selected niches over time, over the next several years Cedar Riverside does not offer a competitive location for such projects.
- Given likely development costs, in the short-term future (e.g. 3-5 years) absent funding assistance (e.g., tax credit equity) developers would not likely seek opportunities to build new general-occupancy market-rate rental apartment buildings.
- Rental housing specifically targeted to student residents offers short-term as well as long-term opportunity. Recent developments targeting this niche have proven successful from a market performance as well as a financial perspective. In this niche, Cedar Riverside provides the preferred location to serve an underserved and growing market.

## **B. OFFICE MARKET OVERVIEW**

This section presents an outlook for office development in the Cedar Riverside community.

### **1. *Regional Office Market Conditions***

Within the Twin Cities region, office brokerage firms report office market vacancy rates of 15 to 17 percent. This is lower than the highs – approaching 20 percent – of the early 2000s, but considerably above the 6 to 8 percent vacancy rates experienced during the late 1990s. Within the regional average, vacancies in downtown Minneapolis are among the highest in the region, estimated at 17.3 and 19.4 percent (United Properties, Colliers Turley Martin Tucker).

Within the Minneapolis CBD, the Class-A vacancy rate is reported at 13.6 and 14.9 percent by the various brokerage firms. Class-B and C properties maintain considerably higher vacancy rates, reported at 22.7 to 26.4 percent for Class-B and 15.7 to 20.6 percent for Class-C. Also, United Properties reports that vacancies are also highest in downtown’s warehouse district (17 percent) and “southeast downtown” area to the east of Nicollet Mall (21 percent). Within the “core” area, vacancies are just 6 percent.



In summary, the highest tiers of the office market have maintained healthy performances; properties in the lower and middle tiers and in fringe locations have been less successful.

## **2. Cedar Riverside Office Conditions and Prospects**

Cedar Riverside is not currently recognized as an office location; its existing office space consists of owner-occupied properties in its institutional campuses, and scattered, small spaces situated over ground-floor retail space.

High-end office niches will not offer development opportunities for Cedar Riverside. Skyway access, large size, and high-end finishes define these tiers; while downtown's core area will eventually expand, Cedar Riverside is not likely to address this office market within foreseeable time frames.

As discussed above, the office market's lower and middle-market tiers maintain high vacancy rates, and therefore do not present short-term development opportunities, for Cedar Riverside or elsewhere. Over longer-term time frames as well, office development prospects in Cedar Riverside are limited. Such prospects would face substantial competition from Class-B and Class-C properties in districts such as the North Loop, downtown East, Northeast Minneapolis, Uptown, and several other locations that would offer greater appeal than Cedar Riverside for Class-B and Class-C tenants.

Given the foregoing, the Cedar Riverside Small Area Plan should not emphasize multi-tenant office space as a key component. While Office development interest and activity should be accommodated, for the most part this will be limited to: local institutions seeking additional space; small buildings for nonprofit offices; and relatively small owner-occupied buildings such as a bank buildings or other local service providers. Overall, the Plan should not target office development as a substantial component for the Cedar Riverside community.

## **C. RETAIL MARKET OVERVIEW**

Retail market opportunities arise in response to market growth and/or underserved niches. In seeking to identify such opportunities, the following analysis first presents (1) an overview of key characteristics and prevailing conditions in the local and regional retail markets, and then focuses on (2) Cedar Riverside's local market growth and (3) potential underserved niches that may present opportunities.

### **1. Key Characteristics and Prevailing Conditions**

In Cedar Riverside, the prevailing retail market comprises predominantly small (e.g., less than 10,000 square feet of floor area) individual buildings situated along



the street front. Some of these buildings offer off-street parking; many rely on nearby parking lots, on-street spaces, and foot traffic. With some exceptions, most of these buildings are physically oriented toward streets within the neighborhood rather than the adjacent interstates. In general, retail buildings have maintained high occupancies. While some buildings have experienced significant turnover over time, few have remained vacant for extended periods of time.

Cedar Riverside tenants include a wide range of independently operated businesses, with concentrations of ethnic markets and restaurants, independent specialty retailers, and eating/drinking/entertainment venues. Interviews indicate that most businesses draw market support from well beyond Cedar Riverside; individually and collectively, Cedar Riverside has gained the status as a destination that can draw clientele from throughout the City and even the entire metropolitan area.

## **2. Market Focus**

In analyzing market potential, the following factors narrow the range of potential retail opportunities in Cedar Riverside.

- **Land Constraints:** It should be noted as an initial matter that Cedar Riverside does not offer sufficient undeveloped land to accommodate major regional retail development. The land area required for suburban shopping malls – including surface parking areas -- would occupy more than the entire Seven Corners area situated between Washington Avenue, the Mississippi River and Interstate 35W. Even community- or neighborhood-serving retail centers (up to 200,000 square feet) would require land parcels of roughly ten acres (assuming no structured parking). For comparative reference, the land parcel sited for residential development along the west side of 15<sup>th</sup> Avenue South (Currie Park Flats) contains just 2.25 acres. Consequently, this analysis will focus primarily on smaller-scale development potential.
- **Small-Scale Retail Formats and Supply:** Most market statistics focus on shopping centers – traditionally developments anchored by grocery stores and served by ample surface parking. In urban areas such as downtown Minneapolis, Loring Park, Elliot Park, or Cedar Riverside such developments would incur extensive land costs and obstacles; most successful retailing in such areas is offered through urban streetfront space.

The supply of such space is increasing. Many of the new and proposed multi-family housing developments in nearby areas such as downtown Minneapolis, Elliot Park and northeast Minneapolis feature ground-floor space for neighborhood stores such as drugstores, coffee shops and restaurants, personal service providers, and even grocery stores (e.g. Lund's in Northeast Minneapolis). Thus, as multi-family housing development continues in nearby areas, the supply of streetfront space increases, offering a growing range of competitive sites for retailers.



### **3. Local Market Capacity and Growth**

The Cedar Riverside area will not generate sufficient demand to support substantial new retail developments. The following support this finding:

- Cedar Riverside's residential market contains just 3,000 households (see Table 1), and the median household income is approximately one-third that of the City of Minneapolis.
- In addition to low household incomes, the area features high concentrations of rental households and student households. These groups' spending patterns place below-average emphases on mainstream retail items such as groceries, apparel, hardware, furnishings and other such categories.
- Most households in Cedar Riverside and its surrounding areas are reasonably well served by retailers in or just outside the area. The interstate highway system provides good access *out of* as well as into Cedar Riverside. Consequently, retailers situated in well-established, highly visible retail areas such as the Quarry (I-35W and Stinson Boulevard), the Hiawatha-Lake area, downtown Minneapolis and Northeast Minneapolis are well situated to serve Cedar Riverside and its surroundings.
- Demographic growth is projected at modest rates of less than one percent per year over the near-term future, with income levels expected to remain well below regional medians. New developments such as the proposed Currie Park lofts project may accelerate this growth, but even with several such developments, the community's growth rate would remain well below the growth anticipated in adjacent areas such as downtown Minneapolis, Northeast Minneapolis, Elliot Park, and others.

Overall, Cedar Riverside's demand for retail goods and services does not offer strong buying power; nor is it likely to exhibit growth sufficient to attract new retailers.

### **4. Underserved Market Niche: Daytime Employment**

Among the University of Minnesota, Augsburg College and Fairview Hospital, collective day-time employment (including all full-time and part-time present on Cedar Riverside campuses) amounts to approximately 5,900 workers. Fairview Hospital accounts for more than half (3,000) of this total; the University of Minnesota employs 2,530 on the West Bank campus, while Augsburg employs 370. Many of these workers – concentrated in the generally high-wage education and health care industries -- possess greater disposable incomes than the resident populations.



Riverside/Fairview Opportunity: The 3,000 Fairview hospital workers, in particular, represent a potential opportunity. General experience suggests that in downtown/office core settings, annual local retail/restaurant spending amounts to roughly \$2,500 per person. This estimate, however, includes corporate account spending (e.g., business lunches) on a year-round schedule, within a CBD environment. Potential worker spending for Cedar Riverside's institutional employees would be substantially reduced for considerations involving (1) the nature of their businesses and (2) the availability of on-campus cafeterias and convenience stores. In general, a reasonable – and conservative -- estimate of potential worker spending among the local institutions would most likely amount to roughly \$1,000 per person. Among Fairview's 3,000 workers, this would amount to a total about \$3 million annually. This spending would contribute substantially to new as well as existing businesses near the hospital along Riverside Avenue. Moreover, given a greater supply of options, it is likely that per-worker spending would substantially exceed the \$1,000 standard.

As further evidence of this opportunity, businesses located near the east end of Riverside Avenue (near the 25<sup>th</sup> Street/I-94 interchange) report that convenient highway access, combined with business traffic flowing to Fairview Hospital helps drive high sales volumes. Given increased concentrations of stores -- and thus, greater visibility -- these strategic highway interchanges may be able to support additional retail businesses such as eating and drinking establishments and/or convenience-oriented stores providing goods and services such as drugs, cleaning services, personal care products and services, office supplies/stationery, etc.

University of Minnesota/Seven Corners: Opportunities to capture spending from University of Minnesota workers are less compelling. Academic schedules and calendars -- which excludes the prime holiday and summer retail seasons -- substantially reduce the potential work-place spending of these workers. Moreover, the Seven Corners area may already effectively capture much of the potential spending from this source.

## **5. *Retail Development Outlooks and Issues***

The following summarizes the above discussions and then identifies some additional issues for consideration in planning and policy decisions.

- Based on the foregoing, retail outlooks offer promise in the areas along Riverside Avenue, particularly in proximity to Fairview Hospital and/or the I-94 interchange.
- Other retail opportunities focus primarily on the improvement and re-tenanting of small, streetfront spaces, rather than on projects involving large-scale new development or demolition and redevelopment. In focusing on such streetfront spaces, however, the increasing inventory of multi-family buildings in other



districts – such as downtown and its neighboring districts -- will offer a competitive range of alternative locations for small retailers.

- A substantial new retail center development (e.g., more than 20,000 square feet) in or around Cedar Riverside could exert profound impacts on the community. Such developments – particularly in mature, built-out markets -- pull many of their tenants from among the existing businesses in older, lower-quality properties. While prospective tenants would face higher rents in the newly constructed retail center, such costs would be offset by enhanced visibility, immediately adjacent surface parking, and more suitable spaces. As a result, the highest-quality existing tenants – those best able to afford higher rents -- would be the most likely to move. If this were to occur in Cedar Riverside, vacancy rates would increase in Cedar Avenue's interior locations. This could in turn generate a downward spiral in tenant quality, property maintenance and local security. If this pattern were established, it may hasten more drastic redevelopment initiatives that may fundamentally redefine the area and its prevailing character.
- Notwithstanding its history as a center for eating/drinking and entertainment, two emerging issues may influence this commercial base in Cedar Riverside.
  - The first issue involves recent changes in the City's restaurant liquor licensing. Until 2002, a combination of regulations imposed off-street parking requirements on applicants seeking full liquor licenses that were substantially more onerous than the requirements for wine and beer licenses. For new restaurants seeking full liquor licenses in Minneapolis, the simplest solution in many cases had been to purchase a property with pre-existing entitlements. Such properties have been concentrated in older urban areas such as Cedar Riverside, so prospective operators have been directed to these areas. Regulatory systems have thus helped perpetuate the historic concentrations of bars in Cedar Riverside and other such districts (e.g. Northeast Minneapolis, downtown). Recent regulatory changes, however, have removed some of the restrictive biases against full liquor licenses. As a result, the City licensing department reports increased applications for full liquor licenses in new locations. Over time, prospective restaurateurs will be able to choose from a broader range of locations for prospective establishments; this may dilute Cedar Riverside's historically strong concentration of eating and drinking establishments, and its ability to maintain this feature of its business mix.
  - The second issue likely to influence Cedar Riverside's stature as an eating/drinking/entertainment destination involves the prospective relocation of the Minnesota Twins to a new stadium. Stadium event audiences have generated substantial business to Cedar Riverside



restaurants and bars; this market segment will be diminished as the Twins relocate.

#### **D. OTHER COMMERCIAL PROSPECTS:**

Independent cultural venues comprise an important component of Cedar Riverside's fabric. As documented in various reports, these venues include the Theatre in the Round, the Mixed Blood Theatre, Southern Theater, Bedlam Theatre, Cedar Cultural Center, the University of Minnesota's Rarig Performing Arts Theater, Barbara Barker Center for Dance, and the nationally prominent Guthrie Theatre, which is located just west of the Seven Corners area. Excluding the Guthrie, these theatres present nearly 1,000 performances annually, with audiences ranging in size from approximately 100 to 450.

While an analysis of further theatre/arts development viability is beyond the scope of this document, this element must be recognized as essential to the community's identity and vitality. As such, future plans must include measures to enhance and support (and certainly not constrain) the ability of these venues to flourish. Such measures should involve parking (on-street, offstreet, shared) arrangements, local security, and possibly an umbrella organization responsible for marketing, signage, and other issues.

One specific concept that can enhance the theater and arts environment would involve the development of a campus to accommodate visiting artists (excluding long-term costs borne by artists-in-residence). The Minneapolis Playwrights Center has found that the City's various arts-related entities spend an estimated \$4 million annually for such accommodations. For many artists and venues, Cedar Riverside would provide an appropriate location, with its excellent access to various venues, to the University of Minnesota, and to downtown Minneapolis. Preliminary ideas for the campus concept include long-term as well as short-term accommodations (possibly with kitchen/dining facilities) combined with spaces for rehearsal, climate controlled storage, temporary studios, etc. While no well-established model for such campus exists, the magnitude of expenditures merits further exploration of this unique idea and potential opportunity.