

# **Downtown East and Elliot Park**

## **Economic Development and Revitalization Analysis**

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The East Downtown Council

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# Module 1 – Overview

This section of the report describes the purpose of this economic development and revitalization study and provides background information on the project area. The project contents are also described here.

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## Project Background

This market analysis was undertaken to identify and understand the factors affecting the economic revitalization of the Chicago Avenue corridor north of 17<sup>th</sup> Street and the surrounding area. Accompanying this analysis is a series of recommendations intended to guide redevelopment and economic development stakeholders as they make important decisions that have an impact on the vitality of this area; an area that lies at the heart of the region's future economic competitiveness. The process of investigation was based on compiling and analyzing available data and information and returning to the primary stakeholders to provide local context and interpretation of the analysis.

Because Elliot Park residents have a long standing desire for more businesses and services, and the East Downtown Council's (EDC) mission to improve the viability of the local business district, the EDC has partnered with Elliot Park Neighborhood Inc. (EPNI) on a Great Streets Business District Support Grant. The purpose of the project is to better understand the local redevelopment and economic growth potential, and devise a strategy for economic redevelopment. The EDC is leading the project and is responsible for the grant. EPNI is providing critical input to ensure that the project meets community needs and has access to the extensive EPNI network. The working relationships created through the Great Streets program have allowed the EDC and EPNI to identify common interests and form the foundations for future collaborative efforts.

Part of the difficulty of past economic development efforts in Downtown East and Elliot Park has been a lack of a concrete understanding of what the neighborhood is, who the residents are, how many employees there are, what the needs are, and what the viable options for growth are. It is anticipated that a better understanding of the current economic and demographic realities will allow neighborhood advocates to more accurately and effectively market the benefits of Downtown East and Elliot Park to development and business interests.

Economic development and physical redevelopment cannot be separated in Downtown East and Elliot Park due to the large number of vacant and underutilized properties and relative lack of leasable commercial space. While the economic realities of 2010 make development projects and business growth difficult, it is an opportune time to "set the

table” for redevelopment and ensure that future development and economic growth creates a unique, vibrant and complete community.

With the underlying premise that economic and physical development are intrinsically linked in Downtown East and Elliot Park, this report summarizes the data and facts that influence the comprehensive development potential of this important area of downtown Minneapolis. The report also includes recommendations that local stakeholders can use to facilitate partnership development and attract investment and business growth to the local area.

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## **Project Content**

There are nine total sections of this report, each focusing on a different topic area.

### *Module 1 - Overview*

This section describes the purpose of the project and provides background context on the local area.

### *Module 2 - Best Practices and Existing Initiatives*

Module two describes the typical tools of economic development and revitalization and provides examples of different types of redevelopment projects. Also included in this section is a list of current or recent investments and initiatives in the Downtown East and Elliot Park area.

### *Module 3 - Policy and Precedent*

This module summarizes the current adopted public plans that affect development and policy in the study area. This section also describes the redevelopment areas and eminent domain statute that may affect potential development.

### *Module 4 - Stakeholders*

Module four provides a brief summary of key local stakeholders in order to provide an understanding of the local actors and activities in the area.

### *Module 5 - Residents and Workers*

The residents and workers section describes the individual populations that make up the people of Downtown East and Elliot Park. This section provides information on the potential consumer market of the area.

### *Module 6 - Real estate, Land Use and Parking*

This section focuses on the property in the area and includes information on real estate, zoning, land use, parking, land value. Crime is also considered in this section because of the impact that crime has on the perception of an area and how that perception affects desirability and real estate value.

### *Module 7 - Development*

Module seven describes the factors that influence the development potential of Downtown East and Elliot Park. This section includes discussions of construction costs, development potential, growth projections and the additional value that may be generated from new development. This section also includes an investigation of properties that if developed have the potential to catalyze additional investment.

### *Module 8 - Available Resources*

The available resources section lists the development funding sources available from state, regional, county and local government. This list is not intended to be exhaustive, but rather to illustrate the types of programs and funding sources that may aid development in Downtown East and Elliot Park.

### *Module 9 - Recommendations and Implementation*

The last section draws conclusions about development and economic growth and makes recommendations that will help local advocates generate interest in the revitalization of Downtown East and Elliot Park.

## **Additional Resources**

Additional resources and background information have been delivered to the East Downtown Council as part of this analysis.<sup>1</sup> These materials will allow local stakeholders to answer unanticipated questions that occur as discussions about development and economic growth progress.

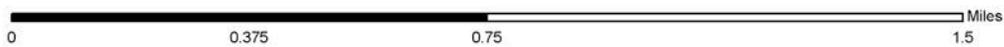
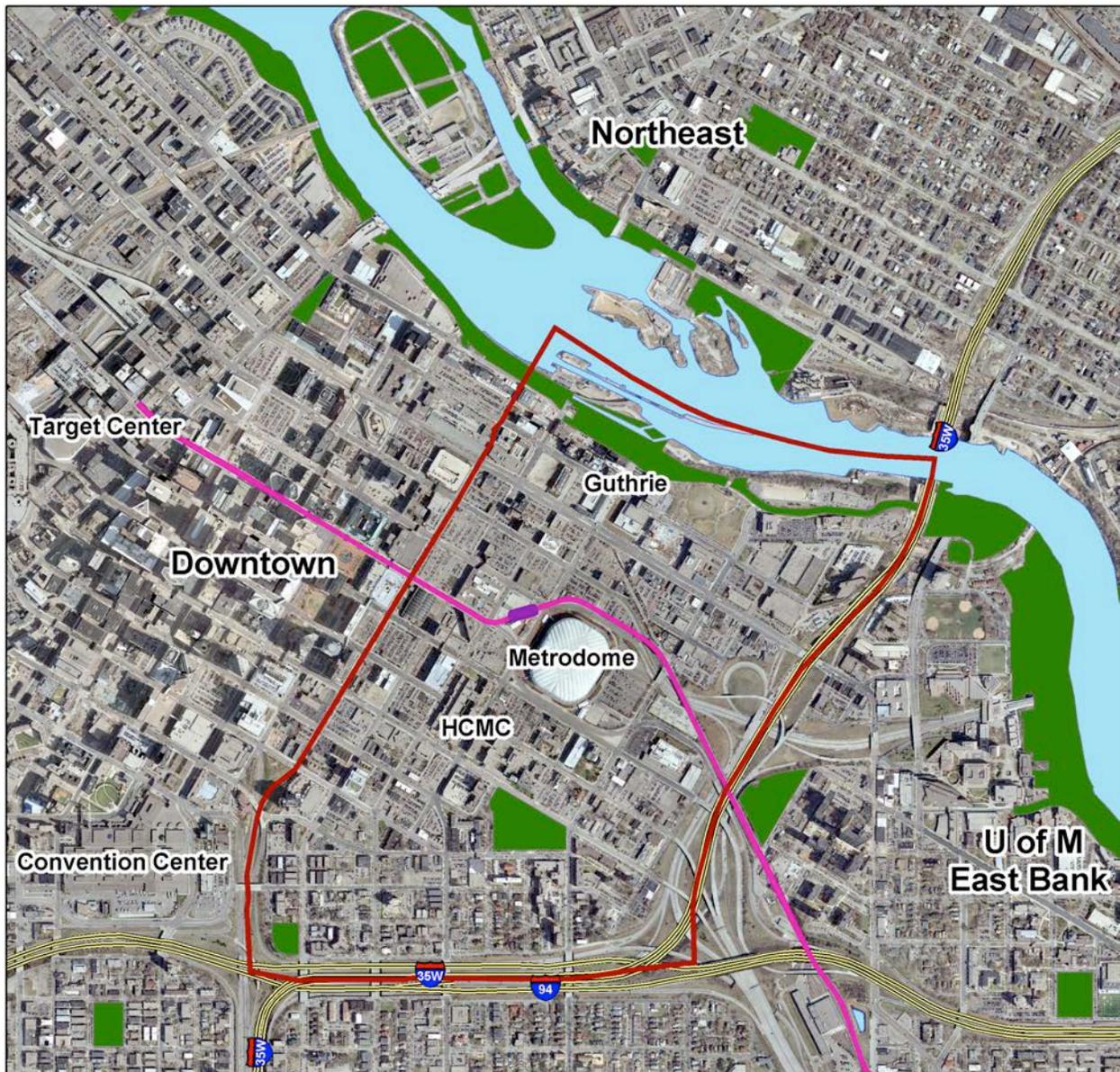
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## **Project Area**

This project is focused on the geographic service area of the East Downtown Council (EDC) in downtown Minneapolis, Minnesota. The service area is approximately 1.5 square miles in area and bordered by the Mississippi River on the north, Interstate 35-W on the east, Interstate 94 on the south and the Minneapolis central business district on the west. The center of the area is dominated by the Metrodome and the Hennepin County Medical Center campus. The district is well served by a number of bus lines and is home to the DowntownEast/Metrodome light rail station. The light rail station currently serves the Hiawatha line linking downtown to the Airport, but will also serve the Central Corridor line to Saint Paul when it is completed. *Map 1.1*

Map 1.1

## Downtown East and Elliot Park Location and Context



-  Downtown East and Elliot Park
-  Parks
-  Mississippi River
-  Downtown East/Metrodome Station
-  Hiawatha LRT

Data: 2009  
Hennepin County,  
City of Minneapolis

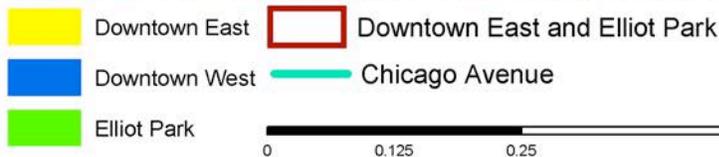
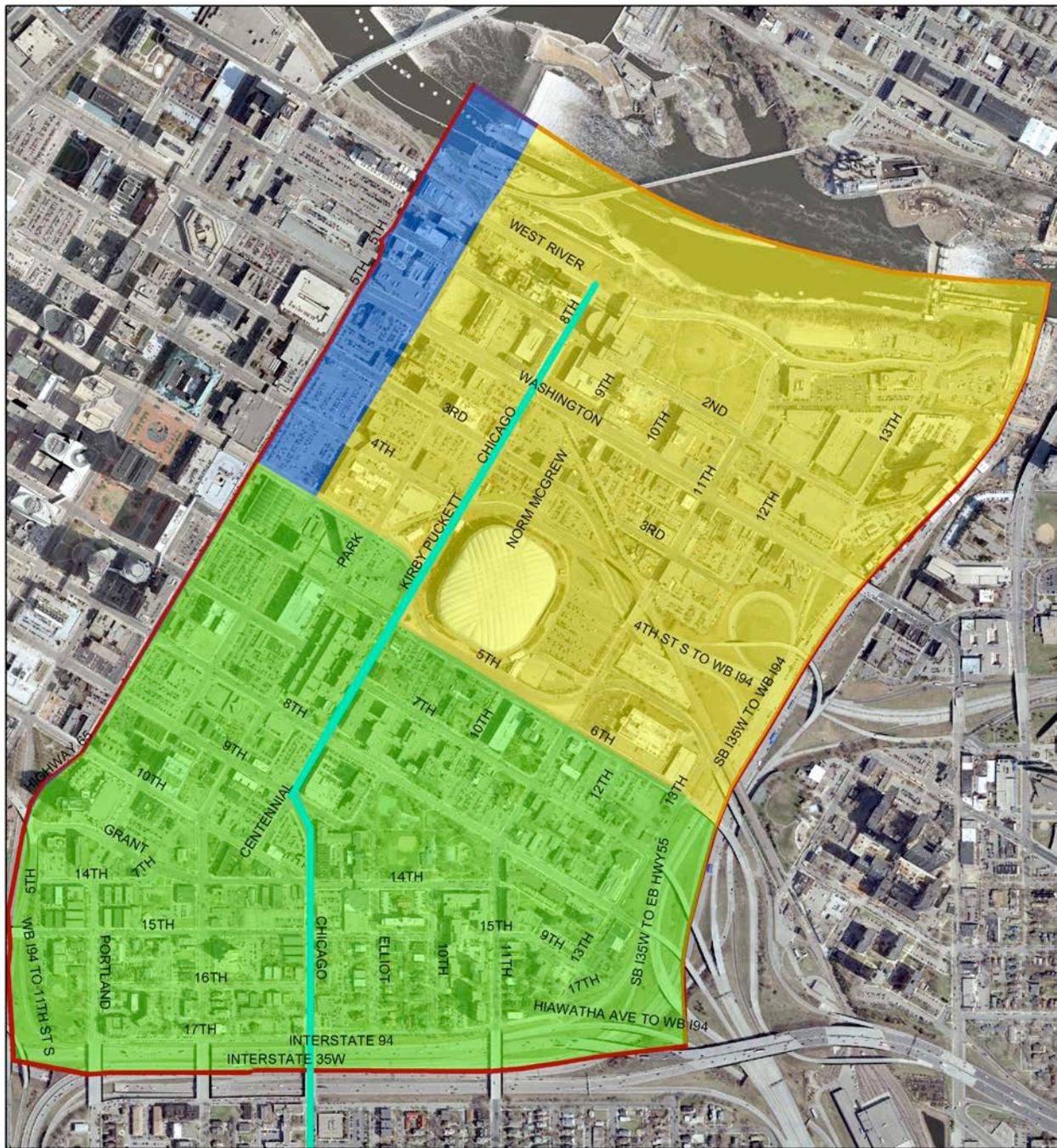
Elliot Park Neighborhood Inc.  
East Downtown Council

The area is made up of three different neighborhoods: Downtown West, Downtown East and Elliot Park. Downtown West makes up a small portion of the study area and for the balance of this report is included in the analysis of Downtown East for simplicity. The northern section of the area is the Historic Mill District, a recently redeveloped area with a number of condominium developments, recreational opportunities and cultural amenities. The southern section of the area is the Elliot Park neighborhood, a predominantly residential community composed mostly of multifamily residential rental properties. Chicago Avenue runs through the center of the district and links the East Downtown and Elliot Park neighborhoods to south Minneapolis and the riverfront. *Map 1.2*

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Map 1.2

## Downtown East and Elliot Park Study Area



Data: 2009  
Hennepin County,  
City of Minneapolis

Elliot Park Neighborhood Inc.  
East Downtown Council



## Redevelopment Need

Large portions of Downtown East and Elliot Park are underutilized and in need of revitalization. There have been redevelopment plans in place for Downtown East and Elliot Park since 1973 and 1978 respectively. While there have been many successes over the years, particularly north of Washington Avenue in the Mill District, the fundamental goals for redevelopment set in the 1970s have not yet been met. The current issues are largely a combination of overzealous urban renewal projects, freeway construction creating artificial barriers, regional growth plans forcing suburban development, poorly planned public structures, shifts in industrial land use needs, and policy that encouraged parking on the edge of the downtown core.

There is a significant amount of land used as surface parking to serve suburban commuters and Metrodome events. Much of the parking serves the area's local employees, yet there is a qualitative sense of vacancy in the area due to the large expanses of open space created by surface lots. Further contributing to the sense of isolation and abandonment are a number of vacant commercial structures. There are a significant number of businesses and institutions in the area, but many are inward facing and closed off from the surrounding community. The lack of vitality reinforces concerns about public safety, contributing to a negative perception of the area that reinforces the lack of vitality that ultimately becomes a barrier to market interest and development.

One of the issues complicating redevelopment is many property owners in the area are absentee landlords who have little contact with the properties they own. Furthermore, some commercial parking lot owners may be unaware of the development prospects of their property since the parking business is often run by a professional management company. There is a general sense that many of the underutilized properties in the area are being held as is until they can be sold to a developer at a very high price.

The amount of developable land being held for redevelopment creates a compounding series of market distortions that lead to an underdeveloped area that does not yet meet its land use and tax base potential. Services and amenities desired by local institutions, business and residents are undersupplied. In essence, owners are unwilling to sell at a low price, developers are unwilling to buy land at high prices and consumers are hesitant to locate in an area where there is little other development.

Due its downtown location and the availability of undeveloped land, Downtown East and Elliot Park can be home to the next wave of whole-block and infill development once the market rebounds. However, given the area's history, public image, ownership profile and current uses it is likely that a concerted effort from local stakeholders and public agencies will be necessary to attract development and ensure that it positively contributes to the surrounding community. By continuing to work cooperatively toward redevelopment, local stakeholders and public agencies can tip the balance in favor of development in Downtown East and Elliot Park.

Development of housing, retail and office space can revitalize the area and create a safe, vibrant and thriving community that is valuable to all neighborhood residents and businesses. Revitalization can turn the area into a regional destination and landmark neighborhood that meets the stated goals of the local community and the City of Minneapolis.

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## **Local Attributes**

To understand what can be done to influence development and economic growth in the Downtown East and Elliot Park area it is necessary to investigate the opportunities and barriers that influence the local development potential. By understanding the factors that have an impact on development decisions it is possible to capitalize on local benefits while minimizing and avoiding issues that may prevent desired outcomes.

## **Opportunities**

There are a number of opportunities and positive attributes that contribute to the desirability and potential of Downtown East and Elliot Park. Capitalizing on these positive attributes can generate interest in the area and draw investment to the area.

The amount of underdeveloped property can be considered an opportunity because it is often far easier to develop undeveloped or unoccupied property than that which is actively used. An additional benefit is that there is rarely community opposition to redevelopment of surface parking lots or vacant buildings as long as they are replaced with a more desired use. Perhaps most importantly, it allows for the wholesale reinvention of the area into a cohesive and fully functional complete community.

The reconstruction of Chicago Avenue and the addition of streetscape amenities is an important opportunity in the Elliot Park neighborhood. This investment will make the area more inviting, and over time can lead to a more desirable neighborhood that attracts new residents, businesses and customers.

The District Energy system located downtown extends into Downtown East and provides a central source for heating, hot water and cooling needs. This system has the potential to lower development cost by eliminating expensive mechanical systems and streamlining the development process.

Downtown East and Elliot Park is where new and emerging industry sectors can take root. Because of the availability of developable land, the downtown location, energy resources, access to University research and strong transportation links, Downtown East and Elliot Park has the resources and flexibility to meet the needs of cutting edge businesses.

## **Amenities and attractiveness**

The potential value of Downtown East and Elliot Park is largely determined by the area's amenities and prime location that provide value to both businesses and residents. These valuable assets are what will draw people to the area and create the demand necessary to fulfill the vision of the district as a truly great place.

### *Location*

- Proximity to downtown core
- Proximity to University of Minnesota
- Proximity to riverfront

### *Activities*

- Guthrie Theater
- Mill City Museum
- Gold Medal Park
- Elliot Park

### *Transportation*

- Access to freeway system
- Access to public transportation
- Convergence of two light rail lines with links to the airport and Saint Paul

### *Unique character*

- Rooted in the historic fabric of Minneapolis
- Original brownstone residential buildings
- Unique single family homes
- Mill District riverfront neighborhood
- Historic mills converted to other uses

## **Barriers**

There are a significant number of barriers to development in Downtown East and Elliot Park. However, these barriers are temporary conditions that can be overcome through concerted and strategic actions.

- Lack of an identified "champion" to consistently bring the issue of redevelopment forward as an important issue
- Lack of connections from riverfront to areas south of Washington Avenue
- Hennepin County cluster of HCMC, youth detention center and crime lab is uninviting to other uses
- Many employers and institutions are "inward facing" and provide on-site services and amenities for employees, thus reducing neighborhood vitality
- Lack of retail/service businesses
- Perception that crime and public safety issues are prevalent
- Absentee landlords/land owners waiting for market to rebound
- Destinations in the district are limited to the Mill District and Metrodome events

- Lack of a cohesive neighborhood identity
  - Isolation of area between freeways and “difficult” neighborhoods
  - Imposing presence of megastructures (HCMC, Metrodome)
  - Neighborhood is largely “invisible” to those unfamiliar with the area
  - Benefits of Downtown East and Elliot Park are not consistently articulated
  - Future growth depends partially on state and regional competitiveness
- 

## Conclusion

There is a need for a concerted and comprehensive redevelopment effort in Downtown East and Elliot Park if the area is going to develop significant retail and commercial growth. The area faces some challenges, but there are a wealth of opportunities and advantages that can be leveraged to meet the area’s inherent potential to be a world-class urban neighborhood. By working together and forming strategic partnerships, local stakeholders can generate interest in redevelopment and investment in the area that improves the quality of life for local residents and strengthens the local economy.

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<sup>1</sup> The resources include cited documents, the root data used to make calculations, and additional information collected throughout the course of research.

# Module 2 – Best Practices & Existing Initiatives

There are a number of complex issues facing the redevelopment potential of Downtown East and Elliot Park. In this section a number of best practices and case studies are examined to give context to the local situation and provide background information on typical redevelopment practices. Finally, the recent and existing initiatives and investments in Downtown East and Elliot Park are listed to better understand the local redevelopment efforts to date. It should be noted that the initiatives and investments do not include the significant redevelopment work that has occurred in the Mill District.

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## **Redevelopment Best Practices**

This section describes common economic development and redevelopment best practices with the intent of providing the reader with background knowledge on what can be done to spur development and economic growth.

### **Surface Parking Lot Redevelopment**

The redevelopment of surface parking lots is not significantly different from any other urban development project. In fact, parking lot development is in many ways an easier process than adaptive reuse or tearing down an obsolete structure to rebuild because there is typically little opposition to parking lot redevelopment.

All property has some intrinsic value and owners will try to maximize the sales price of their property. Commercial parking simply allows a seller to hold property until he or she can find a buyer willing to pay a high price. This process of using parking revenue to hold property is not appreciably different from an owner who leases space in buildings without investing in property improvements.

As commercial parking is primarily an investment vehicle, the sale or development of surface lots must provide a financial benefit to the owner. As with the sale of any investment property, the buyer must compensate the seller for the cash flow and potential value of the property. Even if a surface parking lot is not generating a profit, the buyer must pay for the location and potential value of the property once developed. In a good real estate market there may be enough demand for development to entice a developer to pay the asking price for a commercial lot and begin development. In a poor real estate market the sale of property is very unlikely to occur unless the seller is motivated to sell. Even if a property owner does sell to a developer at a low price there is no guarantee that the property will be developed.

One of the issues facing redevelopment in Downtown East and Elliot Park is that surface parking lots appear to have an enormous development potential due to the downtown location and high-intensity zoning. The location and large-scale development allowed under current zoning commands a high price because of the profit that can theoretically be generated by the property. Due to the amount of space available and regional growth projections, the realizable development potential on any particular parcel may not be as high as lot owners and the zoning predict. As a result, property may have a tendency to be held indefinitely as surface parking because the development market does not see the value assumed by property owners.

There is significant development potential in Downtown East and Elliot Park even if it may not meet the expectations of property owners. The area's prime location, amenities and transit options provide fundamental value as a location for businesses and residents. What must occur is a concerted effort to unlock the dormant development potential by bringing the competitive advantage of the area to the attention of developers and property consumers. In addition, completing initial catalytic projects will enhance the market potential of surrounding properties and drive further market interest. With a concerted effort to capitalize on the area's advantages, local stakeholders can bring much needed attention to the area and generate interest and investment.

### **Strategies**

One potential strategy to generate development of surface parking lots is to purchase and develop property using traditional equity and market-rate financing. This, however, is not likely to succeed as a first step in Downtown East and Elliot Park as existing owners do not appear willing to sell property at a price low enough to attract developers. Lot owners typically have little motivation to sell property for a lower price if parking provides enough revenue to justify holding the property. In addition, the area south of Washington Avenue is not likely to generate the rents and sales prices necessary to make property purchase and development financially feasible. An impasse develops in which owners have no incentive to lower the selling price and buyers cannot justify purchasing property that will not generate a return on investment.

It may be possible to remove the complication of property purchase by offering the current property owner an equity stake in a development project. This strategy would lower development cost and has the potential to provide increased financial benefit to the owner. Including the property owner as an equity partner also reduces the risk to the developer, but also reduces his or her financial benefit.

Another development strategy is to negotiate land leases for development rights. This strategy provides continued cash flow to the land owner in exchange for the right to develop the property. In a land lease scenario the land ownership is separate from building ownership and lowers the up front development cost because the land does not need to be purchased. Land leases may be of interest to property owners desiring stable cash flow or to those who would like to retain long-term control over their

property. The complication with this approach is that developed properties need to generate enough income to make lease payments.

Overall, the best way to redevelop surface parking lots is to make occupied property more valuable than parking. In this case, the redevelopment strategy hinges on improved transit service, a regional development strategy intent on limiting urban sprawl and attracting new residents by improving amenities and services downtown. In particular, a grocery store downtown would make the area more attractive to residents. Attracting other retail businesses to available space downtown would have a similar effect to grocery store development, though for less essential goods and only if there is a vibrant mix of businesses.

In terms of public policy, Minneapolis has adopted aggressive measures intended to limit the impact of parking facilities in the downtown area. The entirety of Downtown East and Elliot Park is covered by the Downtown Parking Overlay District, a zoning overlay that prohibits the development and expansion of commercial parking lots. All commercial surface parking lots in Downtown East and Elliot Park are nonconforming uses and are intended to disappear over time. As a nonconforming use, surface parking lots are required to comply with current performance standards, including landscaping and screening requirements that are not currently enforced. It is unknown if the enforcement of these standards will affect the development potential of surface parking lots, but screening and landscaping will certainly have a positive effect on the surrounding area by limiting the visual and psychological impact of surface lots. The enforcement of current zoning standards should be considered as an option that will help improve the image of the district and positively impact the environment and development potential.

## **Redevelopment and Revitalization**

The Urban Land Institute and the American Planning Association have each published a number of reports on a variety of redevelopment topics applicable to revitalization of Downtown East and Elliot Park. There are overlapping recommendations among the various reports. Rather than listing each recommendation separately, the recommendations have been divided into categories and summarized.<sup>2; 3; 4; 5; 6; 7; 8; 9; 10; 11; 12</sup>

## **Planning**

The first phase of economic development and redevelopment planning should be the development of a cohesive vision and concrete redevelopment plan. A vision of redevelopment can be a guiding statement that articulates the purpose of the project and helps participants create the overall economic development strategy. An inspiring vision can also help engage stakeholders and create support for the redevelopment project.

Bringing a variety of stakeholders and perspectives into the planning process to create

a shared vision will increase the chances of achieving redevelopment goals. Because of the scope, complexity and number of participants in a redevelopment effort it is necessary to begin the visioning and planning process with clearly defined decision-making and communication processes.

Developing effective economic development strategies is a critical part of realizing the overall vision of the project. An evaluation of the strengths and weaknesses of the local economy, context, and partners is necessary in selecting an effective economic development strategy.

Sustainability is a critical component of modern development efforts. Considering the social, ecological, and economic impact of redevelopment and economic growth is now standard practice.

### **Potential Economic Development Strategies**

Economic development strategies can be used to positively influence the economic viability of an area. Strategies such as education and training are well suited to larger, regional contexts. Strategies that work well in local areas are typically linked to property development and targeted business growth because they can be focused on the attributes of a specific location. The following is a summarized list of some common economic development strategies:

- Coordinate economic development programs and support services
- Business growth and development
- Business attraction and retention
- Workforce education and training
- Development incentives and financing
- Land supply analysis
- Infrastructure investment
- Invest in quality of life factors

### **Partnerships and stakeholders**

Stakeholder engagement is critically important to any redevelopment effort. Understanding the interests and perspectives of community stakeholders, civic leaders, and business leaders and identifying common issues can be a very powerful strategy. Stakeholder involvement and support for redevelopment must be backed up with strong, consistent leadership willing to drive the effort and maintain the partnership.

Partnerships are also important for redevelopment projects. Partnerships can be formed between different levels of government, between private interests, and between public and private agencies. Proactively forming partnerships can be an effective strategy to deal with potentially contentious and complex redevelopment issues. Partnerships are especially important with larger development and redevelopment efforts.

Political support and the involvement of public agencies is especially important in creating policy that supports the redevelopment effort. Public and political input is also important in ensuring that redevelopment plans and activities are in the broad public

interest. Public agencies must be especially careful to emphasize that regulations are in place to help achieve development goals and desired outcomes.

Coordination of economic development efforts is important to ensure that limited resources are used effectively. Some key coordination strategies include:

- Intra-regional coordination
- Avoiding competition between communities
- Pooling resources to attract companies to the region
- Reduce fiscal disparities between local governments
- Regulatory streamlining
- Planning and redevelopment studies
- Regional coordination

### **Public perception**

The public perception of a redevelopment effort can have political consequences for government agencies and affect the market reception of development. Developing community support is extraordinarily important for both the short and long term success of a redevelopment effort. Those working for redevelopment need to be sensitive to concerns about gentrification and strive to create economically and socially diverse communities. Given that redevelopment tends to occur in areas with some negative preconceived notions, it is especially important to make sure that new development is universally accepted as friendly, safe, and clean.

### **Data and information**

An in-depth understanding of the people, value, ownership, and zoning in the redevelopment area is critical to making rational decisions that lead to successful outcomes. Along with fact-based information, it is necessary for redevelopment advocates to understand and respect market realities and what is likely to succeed in the target area given the local context, perceptions, and attitudes.

One key use of data and information comes when measuring the need for, and effectiveness of redevelopment intervention. Such economic indicators can improve the effectiveness of economic development efforts, reduce conflicts and negative perceptions, and generate critical popular and political support. To assess the effectiveness of redevelopment efforts it is necessary to develop assessment criteria and explicitly link those criteria to the goals and vision. When developing the assessment criteria it is important to consider that many impacts of redevelopment can be analyzed in both monetary and non-monetary terms. It is also important to make data accessible and to be clear about the methods and assumptions used to analyze and interpret data.

### **Property Acquisition**

One of the most effective roles that public agencies can play in a redevelopment effort is participating in property acquisition, packaging, and disposition. Vacant and underutilized land contributes to the negative perception of an area yet offers a clear

opportunity for redevelopment. The cleaning, preparation, and packaging of vacant land for development is both a necessity and a resource burden for public agencies.

Agencies should develop a streamlined approach to making property available and assembling smaller properties for a larger redevelopment project. Large superblock properties should be broken into smaller, more manageable pieces with restored connectivity between blocks.

Public agencies are especially well suited to providing information and engaging in property-related activities that influence development and economic growth, but that may not generate profit if undertaken by private industry. These activities are:

- Monitor land markets and ensure an adequate supply of buildable land
- Acquire property and assemble land for larger projects
- Aid the development of industrial or business parks can to meet industry specific needs
- Devote resources to the redevelopment of brownfield sites
- Financial incentives to generate additional investment

One alternative to property acquisition is targeted code enforcement of blighted or semi-blighted districts. Code enforcement can remove the blighting influence of neglected properties while avoiding financial and technical drawbacks associated with property acquisition. While code enforcement can reduce blight, it does not allow public agencies to directly influence redevelopment of properties.

### **Land Use**

Mixed use development is often a key component of successful, thriving redevelopment. An important part of a successful mixed use area is ensuring that there are both daytime and nighttime uses in the area. When determining the correct mix, it may be necessary to trade more residential space for less retail space concentrated in distinct nodes. Rather than focus on mixed use projects, it may be more important to mix uses within the area rather than within a single development.

Parking is also an important and difficult issue. Shared parking strategies can reduce the negative impacts of parking while maintaining an adequate supply of spots.

The public realm is an important part of an area's character and care should be taken in creating a quality environment in and around a redevelopment area.

Even as cities push for redevelopment, outdated and inflexible zoning may remain a barrier to development. Incorporating flexibility and market considerations into zoning regulations may be especially helpful in attracting infill development. It should also be understood and anticipated that land use will naturally change overtime with market conditions. Cities would be well served to make zoning and land use decisions based on sound land planning principles and market reality rather than on tax revenue considerations.

## **Development**

Development needs to be based on creating a place and not just the completion of a project. Development must also capitalize on local attributes, but ultimately needs to be driven by market receptivity. Quality marketing and management is important to make sure that properties are occupied, adaptable to changing market conditions, and able to sustain a high-quality image.

The physical design and condition of developments has an impact of the character of an area. Care should be taken to ensure that existing properties are adequately maintained and that new developments are well designed and contribute to the attractiveness of the area.

The barriers and solutions to land assembly and infill development must be addressed at the local level, but it may be necessary to create state statutory support for local innovations.

Public agencies should have financial incentives available to support redevelopment policy and attract private investment and development. Public agencies should plan for complex projects and financial transactions, but must negotiate fair deals and build trust with the private sector.

Development often requires new or improved infrastructure to meet specific industry or density needs. Infrastructure development and maintenance is critical to an area's development capacity and long-term competitiveness. Capital improvement programs and providing for infrastructure and facility needs are critical to support growth in redevelopment project areas.

## **Economic development**

The primary objective of economic development is to promote business development and job growth. As such, it is important to understand what can be done to influence business expansion of existing businesses, facilitate new start-ups and entice mobile businesses to relocate in the area.

The primary motivating factor for firms is profitability. Economic development projects can do little to influence the revenue generated by firms, but they can reduce the real and perceived costs of doing business by streamlining regulatory processes, supporting necessary physical development, and access to a high-quality workforce. Overall, it is critically important that economic development and redevelopment efforts are supported with high-quality management and technical capabilities.

There are a number of activities that can be undertaken by public agencies and growth advocates to entice economic development. These activities can be subdivided into four categories that target businesses at different phases of development and the overarching need for a well trained workforce.

### *Business Development*

- Entrepreneurship and business training in high schools and community colleges
- Develop business skills and management training programs
- Host a business start-up fair, mentoring programs and networking events
- Develop business incubator space and support services
- Create small business assistance programs

#### *Business Retention*

- Financial incentives or improved service delivery to reduce development and operation costs
- Surveys to determine expansion plans or operation changes
- Personal visits by local government officials to businesses
- Host business roundtables and networking events
- Publication of newsletters to local businesses
- Involvement in chambers of commerce and other business groups
- Appointment of local business leaders to boards and commissions
- Expedited responses to problems identified by local businesses

#### *Business Attraction*

- Publicly accessible database of available commercial and industrial property
- Identify target firms and industries
- Articulate and publish the region's attractiveness to business and industry
- Advertise in trade publications or to specific industries
- Participate in industry trade shows
- Visit areas where target businesses and industries are located
- Seminars for prospective businesses

#### *Workforce Education And Training*

- Workforce-training addressed by educational organizations, private businesses, nonprofit groups, and public agencies
- Training and personal skills development programs
- Online systems to provide information employment and training opportunities
- Customize training based on firm or industry requirements

### **Transportation and movement**

One of the most important factors influencing the vibrancy of an area is the quality of the pedestrian environment. In order to foster an inviting, desirable area, redevelopment areas should focus on developing human scale spaces, providing transit access, forming connections to the community, and calming automobile traffic. Transit access also provides an opportunity to maximize development density at specific high-traffic locations.

Downtown East and Elliot Park have excellent freeway access. Freeway access can be attractive to businesses because it allows employees and customers easy access by private automobile. Freeway access is also important for businesses that rely on truck freight for delivery and shipping materials and products. Care should be taken to ensure

that any future development that generates truck traffic does not negatively affect the surrounding area.

### Quality of Life

Cultivating a high quality of life allows firms to attract and retain in-demand and mobile employees. Beyond the indirect effect on business productivity, quality of life is also important to business leaders making decisions about where they want to live.

Quality of life factors that make a community desirable are often intangible and differ from person to person. It is possible, however, to understand the factors that people most often point to as positively affecting quality of life. By paying attention to the most likely quality of life factors it may be possible for economic development efforts to effectively enhance local desirability and increase the chances that residents and workers will choose to locate in the area. *Table 2.1*

**Table 2.1**

#### Quality of Life Attraction Factors

Affordable car insurance	Low property taxes
Affordable medical care	Low risk of natural disasters
Clean air	Low risk of tax increase
Clean water	Low sales tax
Close to big airport	Low unemployment
Close to colleges and universities	Many hospitals
Close to relatives	Museums nearby
Close to skiing areas	Near a big city
Diversity of local firms	Near amusement parks
Far from nuclear reactors	Near lakes or ocean
Good public transportation	Near natural forests and parks
Good schools	Near places of worship
High civic involvement	New business potential
High marks from ecologists	Plentiful doctors
Housing appreciation	Proximity to major league sports
Inexpensive living	Proximity to minor league sports
Lack of hazardous wastes	Recent job growth
Local symphony orchestra	Short commutes
Low crime rate	Strong state government
Low housing prices	Sunny weather
Low income taxes	Zoos or aquariums

*American Planning Association 2008*

## Case Studies

The following case studies focus on catalytic urban revitalization projects. There are a variety of project types examined, but all of them have been critical in turning underutilized areas into stable communities. There are a number of differences between the case study projects and the projects that are likely in Downtown East and Elliot Park, but lessons can nonetheless be learned from these catalytic projects.

### South Bend, Indiana<sup>13</sup>

Project: Robertson Apartments

Size: 90,000 Ft<sup>2</sup>

Retail/commercial: 10,000 Ft<sup>2</sup>

Residential: 80,000 Ft<sup>2</sup>, 92 units total

Market rate units: 13%

Construction cost: 9 million dollars

Public funding: City gave the property to developer, Low Income Housing Tax Credit Program. 10-year local tax abatement program.

The Robertson Apartments is an adaptive reuse of a classic department store in downtown South Bend, Indiana. The project includes 92 units of senior housing and 10,000 square feet of first floor commercial space.

The City purchased the property in the early 1980s, but it remained vacant for sixteen years and contributed to the negative perception of the surrounding area. Eventually downtown revitalization became a city priority and a nonprofit developer was given the property based on a proposal to spur revitalization through creating a resident base. Robertson Apartments was able to generate a great deal of public support and has been a catalytic project for a number of revitalization projects in the surrounding area.

#### *Development tools and relation to Downtown East and Elliot Park*

- Projects that meet a strategic revitalization plan should be given priority
- Work with state and regional officials to develop more tools to encourage urban redevelopment and infill projects
- Increasing the residential population can provide a consumer base and an important sense of stability in a struggling area
- There are underutilized structures suitable for adaptive reuse in Downtown East and Elliot Park, but none are owned by public agencies

### Grand Rapids, Michigan<sup>13</sup>

Project: Berkey and Gay Building

Size: 375,000 Ft<sup>2</sup>

Retail/commercial: 100,000 Ft<sup>2</sup>

Residential: 275,000 Ft<sup>2</sup>, 242 units total

Market rate units: 100%

Construction cost: 35 million dollars

Public funding: Federal and state historical tax credits, Tax Increment

Financing Authority credits from the City of Grand Rapids

The Berkey and Gay building is a mixed-use development in Grand Rapids, Michigan with 242 residential units, retail shops and office space.

The Berkey and Gay Furniture Company was the largest domestic furniture factory in Grand Rapids until it closed in the 1960s. The factory was located in an underutilized and undesirable industrial district and remained vacant for about 30 years. The project established a precedent for downtown housing and has been critical to the revitalization of downtown Grand Rapids by demonstrating the financial viability of downtown projects.

*Development tools and relation to Downtown East and Elliot Park*

- Incentives targeted toward the reuse of existing buildings
- People will locate in Downtown East and Elliot Park if the opportunity exists
- A demonstration project is needed between Washington Avenue and 10th Street
- There are few opportunities in Downtown East and Elliot Park to utilize historic tax credits
- The potential effectiveness of Tax Increment Financing in Downtown East and Elliot Park should be explored

## **Pittsburgh, Pennsylvania<sup>13</sup>**

Project: Crawford Square

Size: 18.5 acres

Retail/commercial: None

Residential: Garden stack and townhouse units

Market rate units: 50%

Public funding: Federal low income housing tax credits, HOME Funds

Crawford Square is a large residential development area that has transformed part of the city and far exceeded the expectations of the real estate community.

Located adjacent to downtown Pittsburgh, the Lower Hill district was severed from downtown by highway construction and downtown redevelopment in the 1960s and 1970s. Residential plans faltered in the 1970s and 1980s, and by the 1990s the area was one of the most dangerous in the city. The Urban Redevelopment Authority (URA) owned most of the land and contracted a developer to develop a mixed-income neighborhood with the image of a market rate development.

Crawford Square has been a catalyst for revitalization of the near by commercial district and another mixed-income residential neighborhood. There area a number of new businesses in the area, including a grocery store.

### *Development tools and relation to Downtown East and Elliot Park*

- Utilize the ability to assemble properties and assist financing
- Develop a consortia of local lenders to make low interest money available
- Federal low income housing tax credits may encounter resistance from residents concerned with the amount of low income housing
- Collaboration between community groups, local leadership, and the development community should be formalized
- Downtown East and Elliot Park is not a high-crime area and has not warranted large-scale intervention to curb criminal activity
- The publicly held property in the Mill District has already been developed, but demand has not spread to the rest of Downtown East and Elliot Park

### **Providence, Rhode Island<sup>13</sup>**

Project: The Alice Building

Retail/commercial: 5,000 Ft<sup>2</sup>

Residential: 38 units

Market rate units: 100%

Public funding: tax treaty where the taxes were set in 1998 and then ramped up 10% each year over ten years

The Alice Building is a mixed use development with 38 market rate units and 5,000 square feet of commercial space.

In the 1990s downtown Providence consisted mainly of government offices and services with virtually no residential units and little vitality. Downtown Providence did, however, have a significant number of historic buildings. In 1992 a charrette was hosted with national experts to create a vision and strategy for the redevelopment of downtown. The charrette generated widespread public involvement and extensive local media coverage, giving developers the confidence to invest in the area.

In response to the charrette a private developer purchased the nearly vacant Alice Building for a mixed use development that would help create an incentive for the renovation of surrounding buildings. Because there were no comparable projects on which to base appraisals, the developer had to invent creative finance mechanisms. Because of the Alice Building and other similar projects, downtown Providence has transformed into a vibrant neighborhood with amenities, services, retail, housing, and jobs.

### *Development tools and relation to Downtown East and Elliot Park*

- State and federal historic tax credit programs may apply to selected properties in Downtown East and Elliot Park

- The DEEP Initiative is an attempt to bring the many plans and visions for Downtown East and Elliot Park into reality and may be able to generate the widespread support necessary to generate interest from developers
- The number of buildings in Downtown East and Elliot Park in need of revitalization is less of a concern than the vacant property and surface parking lots
- The surface parking lots in Downtown East and Elliot Park are generating revenue, allowing owners to wait for a high selling price

## **Memphis, Tennessee<sup>13</sup>**

Project: Ballpark District

Size: 20 acres

Retail/commercial: 683,000 Ft<sup>2</sup> commercial, 200,000 Ft<sup>2</sup> class 'A' office rehabilitation

Residential: 385 units

Market rate units: 100%

Construction cost: \$48,802,920

Public funding: \$8.5 million City and County financing for land purchase, Center City Revenue Corporation 25-year property tax freeze, Federal Historic Rehabilitation Income Tax Credit

The Ballpark District in Memphis, Tennessee is a 20-acre development that includes a minor league baseball park, 683,000 square feet of commercial space and 385 units of market rate housing.

In the early 1990s what is now the ballpark district was mainly surface parking, abandoned buildings and adult movie theaters. In 1996 the owners of the AAA baseball Memphis Redbirds decided to put their new ballpark downtown rather than in the suburbs. Though the project up to this point was initially only a baseball venture, it soon became a mixed use project and downtown revitalization effort.

The project initially faced public skepticism because of the reputation of downtown and problems securing financing halted the project for a year. Despite the early setbacks, the ballpark district catalyzed other downtown infill and renovation projects, including an entertainment and retail center, and the development of a \$250 million NBA arena. The area is now a vibrant mixed-use neighborhood home to a myriad of new businesses.

### *Development tools and relation to Downtown East and Elliot Park*

- Quick response from government agencies so that projects are not stopped due to the bureaucratic process
- Financial incentives for infrastructure and land purchase can be an effective way for government to leverage additional private investment
- Public agencies providing staff support can lower the initial development costs and generate interest from developers
- Providing incentives for infill development can provide better utilization of existing regional infrastructure systems

- Identifying ways to limit risks to the developer and homebuyer can attract investment and help stabilize an area
- The uncertainty of the Metrodome's future may depress the development market in Downtown East and Elliot Park
- If a stadium is developed in Downtown East and Elliot Park it must be fully integrated into the community and not remain isolated like the Metrodome

## **Chesterfield County, Virginia<sup>13</sup>**

Project: Winchester Greens

Size: 80 acres

Retail/commercial: 18,900 Ft<sup>2</sup>

Residential: 339

Percentage of market rate units: 75%

Role of public money: HUD grant, federal low income housing tax credits, Community Block Grant (from Chesterfield County)

Construction cost: \$32 million

Winchester Greens is an 80-acre redevelopment of a former privately held HUD-financed low income housing development. The new development has 339 primarily market rate housing units and nearly 19,000 square feet of commercial space.

The original development was in a state of disrepair and only half occupied, forcing HUD to foreclose on the property when the owners could not make the mortgage payments. The redevelopment process was initiated by the residents of the foreclosed property when they contacted a developer with a reputation for turning around troubled areas. With support from the community the developer was eventually awarded a 13.5 million dollar grant from HUD to redevelop the neighborhood and preserve affordable housing. In order to overcome the initial negative reaction from surrounding communities, the developer undertook a massive marketing campaign to overcome the negative perceptions of the area.

Winchester Greens is now a thriving mixed income neighborhood with a daycare, a bank, retail businesses and offices. The area is a very walkable community with sidewalks, parks and green space. The buildings are energy efficient designs and meet the Department of Energy's Five Star Rating.

### *Development tools Relation to Downtown East and Elliot Park*

- The Chesterfield County redevelopment area is a large-scale project similar to what may be necessary in Downtown East and Elliot Park
- HUD grant, CDBG funds and Federal low income tax credits made high quality affordable housing possible
- Involving county government in developing the vision streamline approvals
- There is not a large redevelopment area held by a public agency in Downtown East or Elliot Park

- Development of affordable housing in Downtown East and Elliot Park is likely to meet resistance due to the large number of affordable units in the area

### **Tacoma, Washington**<sup>13</sup>

Project: Thea's Landing,

Size: 343,600 Ft<sup>2</sup>

Retail/commercial: 19,000 Ft<sup>2</sup>

Residential: 234 units total.

Percentage of market rate units: 100%

Role of public money: Washington Multi-family Tax Abatement Program,

Renewal Community Tax Credit

Construction cost: 30 million dollars

Thea's Landing is a 234 unit market rate apartment and condominium development with 19,000 square feet of commercial space for restaurants, shops and offices.

The Foss Waterway, where Thea's Landing is located, was once railroad and industrial land that included oil storage tanks as one of its many uses. In 1983 the area was designated a Superfund site and continued to deteriorate as industrial users began to leave the area. The City of Tacoma acquired the property In 1991 and took responsibility for the environmental remediation. The environmental cleanup cost \$40 million, which was split between the City and previous industrial users. To insulate the City from the development process the City Council created the Foss Waterway Development Authority, transferred the property to the Authority and provided start up funds. The Development Authority then sold parcels to developers. Public investment in the property and clean up was seen by many residents as a giveaway to developers, but the controversy subsided once the actual development started.

The decision to develop market rate housing was based on the need to create a base for future economic development. The remainder of the Foss Waterway has been developed and Thea's Landing is now part of a thriving, vibrant downtown neighborhood.

#### *Development tools and relation to Downtown East and Elliot Park*

- Tax incentives and low interest rates made the project possible
- City staff provided technical support
- It not anticipated that property in Downtown East and Elliot Park will require significant environmental remediation, however there may be unanticipated contamination issues to address
- Development of waterfront parcels in Downtown East and Elliot Park has been completed
- Additional market rate housing is needed in Downtown East and Elliot Park to support the local economic base

## **Victoria, British Columbia**<sup>14; 15</sup>

Project: Dockside Green

Size: 15 acres, 1.3 million Ft<sup>2</sup> mixed use space in 26 buildings

Retail/commercial: 350,000 Ft<sup>2</sup>

Residential: 2500 residents

Market rate units: NA

Construction cost: NA

Public funding: City deferred payment on land purchase, other public subsidy, existing infrastructure

Dockside Green is a LEED Platinum and LEED Neighborhood Development (LEED ND) certified, mixed use development on 15 acres of formerly contaminated industrial land in Victoria, British Columbia. The project is intended to be a new model of environmental and socially sustainable neighborhood development. The overall vision for the project is to develop 1.3 million square feet of mixed use space in 26 buildings. The project will be 73 percent residential and be home to 2,500 residents in three neighborhoods.

Victoria, British Columbia is located at the southern tip of Vancouver Island off of Canada's southwestern coast. The climate is relatively mild and is in many ways ideal for green building since the area's weather does not require extensive heating or cooling.

The waterfront site was a severely contaminated collection of vacant warehouses after a long history as an industrial site and landfill. In 1989 the City of Victoria purchased the property from the provincial government for \$1. With the area's history as an industrial site there were already utilities with enough capacity to support high-density development in place.

An analysis of the property concluded that development was possible with some financial subsidy and higher density zoning. The City created a development vision for a modern, mixed use development that focused on the social, economic, and environmental factors of development. The property was sold to the developer for \$8.5 million in 2005, though the City agreed to defer the land payment to free up capital for infrastructure construction. The developer contributed money to fund a dedicated City staff person to facilitate and expedite development review.

Environmental sustainability is a primary goal of the development. In addition to using low environmental impact building materials and design, the developers were able to employ a number of systems to reduce the environmental impact of the project. The majority of the systems focus on water usage and water quality, including an onsite wastewater treatment plant, landscaped stormwater storage ponds, permeable pavement surfaces for stormwater infiltration, and green roofs to slow water runoff and provide insulation. There are also energy producing systems onsite including a biomass energy plant that produces fuel for hot water and three small wind turbines for supplemental electricity generation.

### *Development tools and relation to Downtown East and Elliot Park*

- Creating a modern, mixed use urban neighborhood focused on environmental sustainability has been a success and provided the development with a competitive edge
- Cost savings through lower environmental impact and utility fees can be passed on to tenants and condominiums owners as a financial incentive
- Large project area allows for the possibility of LEED ND designation

### **Seattle, Washington** <sup>16; 17; 18</sup>

Project: South Lake Union

Size: 60 acres, potential for 10 million Ft<sup>2</sup> mixed use space in 26 buildings

Retail/commercial: 2 million Ft<sup>2</sup> of mixed use space, 1.3 million Ft<sup>2</sup> under construction (2009)

Residential: 7,500 units as of 2009

Market rate units: NA

Construction cost: NA

Public funding: Subsidy for South Lake Union Streetcar

Vulcan Inc. was founded in 1986 by Microsoft co-founder Paul Allen to manage his business and charitable interests. Vulcan is involved in a wide variety of industries, including development.

As part of their investment strategy Vulcan invested in the redevelopment of over 60 acres of surface parking lots and former industrial land in the South Lake Union neighborhood adjacent to downtown Seattle. Vulcan's land holdings can accommodate the development of more than 10 million square feet of residential, retail, office and life sciences space. As of 2009 Vulcan had built 7,500 housing units and over 2 million square feet of mixed-use space and had an additional 1.3 million square feet under construction.

The South Lake Union neighborhood has extensive transportation options including a streetcar line connecting to downtown Seattle, regional light rail, bus service, commercial seaplanes operating from Lake Union, and within walking distance of the monorail.

Perhaps more important than the scope of the project is that it is being pursued and financed by one of the world's most wealthy people. Because of the large amount of property under control and the resources available, Vulcan is able to pursue lofty redevelopment goals. The project does not seem to be driven entirely by the economic return however, as Vulcan is taking a "triple bottom line" approach to development and striving to maximize the community and environmental benefits as well as financial outcomes.

### *Development tools and relation to Downtown East and Elliot Park*

- Large waterfront redevelopment area adjacent to downtown core with a long history of redevelopment plans and a significant amount of surface parking
- A comprehensive vision allows the developer to create a market where none existed
- Transportation options are a central part of the neighborhood's attractiveness
- The “triple bottom line” approach has allowed the developer to maximize the positive environmental and community benefits of the development

## **Seattle Transit Planning Transit Oriented Development Case Study<sup>19</sup>**

This analysis from the City of Seattle transit station planning process examines Transit Oriented Development case studies from around the United States and Canada. The transit projects examined are in the following cities:

- Atlanta, GA
- Denver, CO
- Los Angeles, CA
- Portland, OR
- Sacramento, CA
- San Diego, CA
- San Francisco, CA
- San Jose, CA
- Vancouver, BC
- Washington, D.C.

### *Transit Case Study Findings*

Station area planning is most effective when carried out in conjunction with zoning, public improvements, development financing packages, and effective marketing programs. It is particularly important that plans and implementation tools be able to respond to changes in the real estate market. Station-area plans must reflect the needs and desires of the surrounding community.

### *Key recommendations for successful Transit Oriented Development*

Developing and maintaining a pedestrian-friendly environment is an important component of transit areas.

Surface parking lots are seen as opportunities for future development, but parking is often persistent once established.

Tailor zoning to station areas through reduced parking requirements, increased density, overlay zones, and use controls. Zoning and development plans should remain as flexible as possible in order to respond to market changes in untested areas.

Expedited development review should be used to support projects in identified priority redevelopment areas.

Completing a successful demonstration project may prove the financial viability in investing around transit areas. Public-private partnerships and public assistance with

land assembly, financing, and economic development policies can leverage additional investments from the private sector.

Generating political support and participation from the residential and business community is critically important for successful redevelopment efforts. Inviting public participation in the planning process can help avoid controversy surrounding redevelopment efforts and government intervention. Additionally, ensuring communication between the various groups interested in development can help develop realistic expectations and may lead to outcomes that benefit all parties.

#### *Development tools and relation to Downtown East and Elliot Park*

- High intensity zoning is appropriate around station areas
  - Flexible zoning is needed to respond to changing market conditions
  - Surface parking is a struggle for many redevelopment and transit areas
  - Using public support to complete a demonstration project may prove market viability
  - Downtown East and Elliot Park stakeholders are largely supportive of redevelopment and should be continually involved in future development processes
- 

## **Downtown East and Elliot Park Initiatives**

There are a broad array of initiatives and investments from a wide variety of stakeholders that form the foundations of the redevelopment effort in Downtown East and Elliot Park. Each initiative is important in its own right, yet they work in combination to directly enhance the area's development potential. As successful as current initiatives have been, a comprehensive and sustained push for redevelopment and economic growth is needed to help Downtown East and Elliot Park overcome market distortions and meet the area's intrinsic development potential.

The following initiatives work in concert to support the economic and physical revitalization of Downtown East and Elliot Park. There has been over \$3.5million in resources committed to revitalization related initiatives since 2006. Embedded within each of the initiatives and investments is a robust network of stakeholders and critical working relationships that form the basis for future redevelopment success. The initiatives listed here do not include the investments in individual properties, most conspicuously the significant amount of past public and private property investments that occurred in the Mill District and in the Elliot Park Neighborhood during the last decade.

### **Great Streets Business District Improvement Grant and preliminary work**

*Dates Active:* July 2009 – July 2010

*Purpose/Goals:* Comprehensive understanding of the local development market to provide a factual basis for future decisions about economic and physical development

*Organization(s):* EDC, EPNI, DMNA (pending)

*Investment:* \$49,945 in City grant funding, \$12,764 in EDC funds, \$14,000 in EPNI staff time

### **Façade Improvements Grants**

*Dates Active:* Summer 2008 – Summer 2010

*Purpose/Goals:* Leverage private investment in commercial property enhancements in order to improve marketability and attract retail business to the area

*Organization(s):* EDC, City of Minneapolis, private property owners

*Investment:* \$25,000 in property owner investment, \$25,000 in grant funding; an additional \$50,000 in building improvement grant funding has been approved and is awaiting applications from property owners

### **The Mayor's/AIA Great City Design Team Chicago Avenue Charrette**

*Dates Active:* January 2008 - June 2008

*Purpose/Goals:* In anticipation of the upcoming major reconstruction of Chicago Avenue, EPNI was awarded sponsorship of a community design charrette through the Mayor's/AIA Great City Design Team initiative. A team of architects from various local firms facilitated a workshop in spring 2008 that produced graphic and written recommendations for streetscape improvements to transform Chicago into a true neighborhood commercial corridor.

*Organizations:* EPNI, the Mayor's Office, representatives from a number of local architectural firms, and community residential and institutional participants.

*Investment:* Several hundred hours of *pro bono* services given by over one dozen architects from the AIA; EPNI staff time for Charrette organization and preparations; the EDC also donated \$1000 in support of the workshop.

### **Streetscape & Reconstruction of Chicago Avenue**

*Dates Active:* Construction anticipated in Mid-Late 2010

*Purpose/Goals:* The reconstruction and streetscaping of Chicago Avenue will create a narrower, safer roadway and improved pedestrian environment more conducive to local retail and business growth.

*Organization(s):* State of Minnesota, City of Minneapolis, Chicago Avenue property owners, EPNI citizen participation hours through the Building, Land

Use & Housing committee and the Centennial Commons Initiative task force.

*Investment:* \$1.47million construction cost, \$500,000 in elective streetscape funding from property owners (pending); NRP dollars allocated specifically for Chicago Avenue Improvements in EPNI's Phase II Plan for citizen participation in meetings and open houses with Public Works and CPED.

### **Centennial Commons Initiative**

*Dates Active:* 2007- 2011

*Purpose/Goals:* Transformation of 8 square blocks surrounding Chicago Avenue in the center of Elliot Park into a neighborhood commercial node.

*Organization(s):* EPNI, McKnight Foundation, Minnesota Vikings, CPED

*Investment:* \$11,000 in CPED funding, \$30,000 from Minnesota Vikings, \$170,000 in McKnight Foundation funding, \$12,500 from individuals and institutions. A \$714,000 NRP investment from 2006 through 2011 supports EPNI staff time for implementation of the Elliot Park Neighborhood Master Plan and for housing and commercial development in and around Chicago Avenue.

### **DEEP Initiative**

*Dates Active:* September 2009 - Ongoing

*Purpose/Goals:* Development of actionable strategies for the sustainable and comprehensive redevelopment of Downtown East and Elliot Park

*Organization(s):* EPNI, Close Landscape Architecture, EDC, DMNA (Pending)

*Investment:* EPNI \$28,000, Close \$25,000 contracted in-kind, \$10,000 estimated in-kind pre-contract

### **Chicago Avenue Catholic Charities Opportunity Grant for program and property improvements**

*Dates Active:* 2010

*Purpose/Goals:* Upgrade facility and service delivery for the benefit of clients and the surrounding community

*Organization(s):* Catholic Charities Branch III, Hennepin County

*Investment:* \$875,000

### **Life Sciences Corridor**

*Purpose/Goals:* Promote lifescience and healthcare business growth

*Organization(s):* City of Minneapolis, State of Minnesota, healthcare industry

## Conclusion

These case studies indicate that the most common, and most effective method of spurring development is through publicly controlled property. Public entities that control property can create a number of unique incentives to address market barriers, remediate property issues or meet community goals. The City of Minneapolis was able to use the control of property as a primary lever to generate redevelopment in the Historic Mill District.

As development in the Mill District progressed the area became more desirable and the City was able to sell property at market value and use fewer development incentives. Typically one would expect the Mill District development to continue south into the remainder of Downtown East and Elliot Park, but that has not yet occurred. There are likely a number of factors contributing to the lack of development south of Washington Avenue, including the economic crisis, the unknown fate of the Metrodome and challenges faced by the Star Tribune.

While public entities' most effective redevelopment tool is control of property, they are best suited to acquire distressed or abandoned property. Property in Downtown East and Elliot Park, on the other hand, tends to have some active use and does not appear to be obviously contaminated. Even properties that are only used as surface parking lots have some use and appear to be held as investments rather than the type of surplus property typically acquired by public agencies.

Public agencies that do not control property can still have a positive influence on the development outcomes of an area by using the other tools at their disposal. Public agencies can provide development funding and other incentives for projects that meet specific redevelopment goals. Local government may play a key role in securing state and federal funding that can be used to leverage investment. Regulatory enforcement is necessary to ensure that an area is not neglected and that identified public goals are met. Zoning and development controls can ensure that potential developments maximize local assets and infrastructure investments, compliment the surrounding area and are in line with long-range goals. Public agencies are also capable of setting development priorities and drawing attention to specific areas through outreach materials, location-specific programs and creating area designations. Agencies with development review authority can encourage development by expediting review processes and allowing for additional flexibility within designated redevelopment areas.

One of the most effective strategies for generating redevelopment in Downtown East and Elliot Park is likely to be a market-based approach that attempts to lure residents and employers to downtown Minneapolis. Working at the state and regional level to draw investment to downtown areas will create more demand for high-value urban property. In addition, focusing local attention on the benefits, quality of life and value of Downtown East and Elliot Park can then help direct market interest to the district.

A key benefit of the area is the potential to create a modern “eco village” based on principles of sustainability and efficiency. With the existing district energy system already in place it is not necessary to create costly new infrastructure to realize the efficiency gains such a system can provide. There are also opportunities for new developments to invest in water management systems that reduce the impact of water runoff on the nearby Mississippi River. To maximize the effectiveness of new energy and resource efficient developments developers should be encouraged to incorporate as many “green” technologies as possible into new projects. Environmental efficiency can provide economic benefits to the property owner and tenant through reduced utility costs and financial incentives. Environmentally sensitive development, especially on a district scale, can also provide a key market differentiator that attracts tenants.

Another opportunity in the area is the ability to create and define an entire district. There is a significant amount of activity in Downtown East and Elliot Park, but there is not a clear identity for the area. By working with developers to conceptually link projects, it is possible to redefine what the area is and provide the area with a much needed sense of identity.

It is also important to capitalize on the existing investments and initiatives of the area to provide the maximum positive impact for those expenditures. Working with developers and property owners to incorporate the concepts and themes of these initiatives into their properties will help to maximize the benefit of past investments and provide additional value for current and future investments.

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# Module 3 – Policy and Precedent

This module summarizes the current adopted public plans that affect development and policy in the study area. This section also describes the redevelopment areas and eminent domain statute that may affect potential development.

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## Analysis of Public Plans

This section summarizes the adopted public plans for Downtown East and Elliot Park and examines some of the policy and regulations that have an impact on the redevelopment process. There are a number of overlapping plans for the area. Although there are some small differences in the plans, they are generally congruous and identify the need for investment and redevelopment in Downtown East and Elliot Park

### Minneapolis Plan for Sustainable Growth

The Minneapolis Plan for Sustainable Growth is the 2009 update to the Minneapolis Comprehensive Plan. As of August 2009, the plan has been approved by the City Council, and is awaiting approval by the Metropolitan Council.

Some of the key points relating to the redevelopment of Downtown East and Elliot Park are the expansion of healthcare industry, the development and revitalization of commercial corridors through partnerships, creation and support of vibrant downtown neighborhoods, and mixed income neighborhoods within walking distance from parks and amenities.

Looking forward to 2030, the plan calls out the importance of preserving neighborhood character through context-sensitive design, achieving downtown's potential for retail serving residents and workers, supporting livable neighborhoods, and creating a sustainable urban environment.

In the land use section the plan recognizes that downtown neighborhoods are stressed by decline in populations and retail businesses. As a potential solution it is important to support "traditional form" commercial development in nodes and corridors, facilitate redevelopment by evaluating land use changes against community impacts, and discourage high-traffic auto-oriented uses in nodes. Downtown Minneapolis is identified as a growth center with Downtown East envisioned as a mixed use area.

In terms of transportation, the plan calls for the city to encourage walking with improvements to the downtown pedestrian environment by adding and improving streetscaping. The plan also recognizes that new parking strategies are necessary in activity centers and calls for the prohibition of new commercial surface lots downtown.

The housing section calls for increasing the supply of housing with the rationale that more residents creates a stronger community. To achieve housing goals, support is needed for increased density in appropriate locations. This includes areas with connections to transit, commercial areas and those areas near cultural institutions and nature. The plan also recognizes that the city must improve the health and stability of communities of concentrated disadvantage by fostering a better socioeconomic mix, investing in market building activities, supporting ownership opportunities in high rental areas and enforcing high standards of property management and maintenance.

The plan calls for concentration of new commercial growth along commercial corridors, commercial nodes, growth centers, and activity centers to support economic development. Downtown is identified as a growth center and the riverfront is identified as an activity center. To support the economic growth and new development, strategic infrastructure enhancements should be supported, housing should be developed near the downtown core, and neighborhood-serving retail must be supported.

Many of the initiatives identified in the comprehensive plan have an environmental benefit, such as transit oriented mixed use development and maximizing development capacity.

### **The Downtown East / North Loop Master Plan**

One of the underlying principles of the Downtown East / North Loop Master Plan is Planning for Complete Communities. In this section of the plan several objectives are identified for Transit Oriented Development. Transit oriented development policies should support compact development and increased density with infill development, small lots and small setbacks to maximize developed area around existing transit investments. A return to traditional neighborhood structure with town centers and an interconnected street grid are also key to development of complete communities. A strong civic identity can be generated through investment in public spaces and street-facing store fronts. Communities should also improve livability by enhancing aesthetic qualities, becoming pedestrian friendly, and calming traffic.

Infill and rehab housing in Downtown East and the North Loop is planned to be medium density, typically 5-14 floors. Ninth Street is envisioned as an historic street with lower density, 2-4 story infill and rehab projects that reflect the scale of existing buildings. Affordable housing should not be built in stand-alone developments that risk becoming ghettoized.

The plan recognizes that retail cannot go everywhere, that location matters, and that failing retail is self-reinforcing. The plan calls for the neighborhood-scale retail and service businesses to establish critical mass at strategic locations and limit vacant space to generate retail success. Auto-oriented retail should be discouraged and new transit and parking policies should be developed.

The plan also makes market analysis projections for the Central Business District, which includes Downtown East and Elliot Park. The CBD had 23.3 million square feet of private sector office space in 2003, which was expected to expand by an additional 13-17 million square feet by 2022. Downtown was also expected to add 4,000 to 5,000 market rate dwelling units, 700,000 to 1,000,000 square feet of retail space, and 3,700 to 4,100 hotel rooms by 2022. The plan recognizes that Class A office space needs skyway access, residential development is more favorably located near amenities, retail thrives in high-traffic areas, and hotels need access to the core business district.

The land use section of the plan identifies the following sub-areas and recommendations for future growth:

- Elliot Park West and the South 9<sup>th</sup> Street Historic District are called out for preservation and infill development with medium to low density and a retail node at 9<sup>th</sup> St. and Chicago Avenue.
- Hennepin County Medical Center expansion and development of outpatient clinics should accommodate pedestrian traffic by locating on the ground floor with street facing entrances. Street level retail space near HCMC is also a desirable use.
- Elliot Park East, the area east of HCMC and the Metrodome, should focus on expanded mix of uses and expanding residential density.
- Washington East, northeast of the Metrodome, is expected to be home to a new LRT station for Central Corridor, new connections to 35-W, and mixed use office/residential development. The Washington East area is also expected to rehabilitate and revise existing buildings along with new infill development.
- Washington Village, which is northwest of the Metrodome, is seen as a blank slate for medium density mixed use transit-oriented development on surface parking lots. The Washington Village area should focus on connecting the potential retail concentrations at the light rail station, and Washington and 9<sup>th</sup> St. node with street level retail along Chicago between 5<sup>th</sup> and 6<sup>th</sup> streets.
- The Metrodome site has two potential outcomes: either a stadium remains on the site or it is a redevelopment opportunity. If a stadium remains on the site care should be taken to soften scale differences between the Metrodome and surrounding uses. If the site is redeveloped into a non-stadium use, it should incorporate high density mixed use development and transit oriented development principles.
- The 5<sup>th</sup> Street and downtown core expansion zone should bring high density and high intensity development to the area between 5<sup>th</sup> Avenue and Portland Avenue south of Washington Avenue.

The urban design section of the plan focuses primarily on public realm improvements. Transportation issues such as light rail transit connections, streetscaping along light rail lines, and improving pedestrian movement should be incorporated as much as possible into new initiatives. Skyways are identified as amenities for office uses and should not be incorporated into residential communities. Open space can benefit retail space and the plan goes as far as recommending a linear park on west side of Portland Avenue between Washington Avenue and 7<sup>th</sup> Street to connect Elliot Park to riverfront. Hennepin County Medical Center and the Metrodome have large visual impacts on the

surrounding neighborhoods. Reintegrating these large structures into the urban fabric will likely require creating a partnership between the County, the Sports Facilities Commission, the City and community groups. The plan also recognizes the importance of view corridors, gateways, and iconic structures in forming the urban landscape.

To achieve the goals set forth in the plan, the existing regulatory framework must undergo some adjustments. The plan states that expansion of downtown B4 zoning is needed to accommodate future office space needs. The expansion of downtown office uses should occur to the northeast to protect the Elliot Park neighborhood, redevelop surface parking lots, and capitalize on light rail transit. The expansion of downtown neighborhoods can be supported through revision of zoning language to allow more intense uses rather than relying on the permitting process.

To implement the recommendations of the plan it will be necessary to form partnerships between governmental agencies. One focus of new governmental partnerships should be infrastructure improvements such as street level improvements around HCMC and the Metrodome, and streetscaping along Chicago Avenue, 5<sup>th</sup> Avenue, and 5<sup>th</sup> Street. Chicago Avenue and 11<sup>th</sup> Street should serve as connections between Elliot Park and the riverfront. One of the more novel solutions suggested by the plan is the reservation of undeveloped space along Portland for underground substation topped with public open space.

In terms of property development, Downtown East is envisioned as a medium density mixed use area with street level retail along Washington Avenue and Chicago between 2<sup>nd</sup> Street and 5<sup>th</sup> Street to link light rail to the riverfront. The Elliott Park neighborhood should develop a retail node at the intersection of Chicago Avenue and 9<sup>th</sup> Street. Other recommendations call for HCMC to develop the block south of the light rail station as mixed use village center, the preservation of brownstones, infill development on empty lots and reduction of automobile use through maximum parking requirements.

### **Elliot Park Master Plan**

The Master Plan calls attention to the patterns of development, patterns of movement, the importance of the public realm, and the social and cultural mosaic in the neighborhood. The patterns of future development should utilize adaptive reuse and creative infill, encourage mixed use residential and commercial development, promote a mix of housing types, mitigate the impact of surface parking lots through redevelopment, and explore a 'step down' approach to building heights from downtown to residential neighborhood.

The Elliot Park Master plan identifies several "priority areas" for development and preservation. The areas are historic 9<sup>th</sup> Street, the central core of the neighborhood, the node at 10<sup>th</sup> Street and Centennial Avenue, the south side housing area, and the 8<sup>th</sup> Street and 11<sup>th</sup> Avenue node.

The strengths of the Elliot Park Neighborhood are its compact and cohesive nature, the numerous opportunities for development, and committed institutional partners.

The neighborhood assets are its proximity to the downtown core and river, the variety of historic buildings, the job opportunities offered by the downtown core, the Park as a neighborhood centerpiece, the remaining high-quality residential blocks, the hierarchy of streets, access to transit, and access to the freeway network.

Elliot Park also faces several issues such as development pressure from the downtown core, the impact of freeways on the neighborhood, the need to preserve existing neighborhood character, and a mix of incompatible land uses in a relatively small area.

Challenges the neighborhood faces include high traffic on local streets, numerous surface parking lots, a diverse mix of uses and architectural character, many options for future development, the need to better understand and celebrate the cultural mix, and the need for more neighborhood greening.

The urban design directives identified in the plan are to foster sense of place and community, invest in the public realm, broaden the mix of uses, improve connectivity to other parts of the city, preserve and enhance heritage resources, respect existing architectural form, scale and context, support “greening” as a major component of development, balance economic vitality with quality of life, reinforce safe environments, and promote sustainable neighborhood development strategies

The patterns of movement section prescribes that a bus circulator route through the neighborhood be implemented, bus routes be extended to connect with LRT, and traffic calming solutions be explored.

The public realm should promote neighborhood safety, improve lighting, enhance the historic 9<sup>th</sup> Street and other pedestrian corridors, support additional greening, and piggyback on existing development and cultural initiatives.

The social and cultural mosaic of the neighborhood can be enhanced by promoting public art projects, encouraging shared resources among institutions and cultural groups, promoting safety and security, exploring opportunities for additional public gathering spaces, containing downtown development to west of neighborhood, promoting two-way traffic on 9<sup>th</sup> and 10<sup>th</sup> Streets, “right sizing” of one-way connector streets, preserving historic assets, strengthening the neighborhood edge along the freeway, promoting new housing and mixed-use development along park frontage, adding gateway elements to signal entrance to the neighborhood, identifying redevelopment opportunities, and developing a residential guideline overlay district.

#### *Key issues identified in the Elliot Park Master Plan*

- Identify and define neighborhood entries, boundaries and edges
- Delineate connections to the broader community
- Identify and exploit the distinctive themes in Elliot Park

- Describe the character of the public realm
- Identify appropriate development and infill housing/commercial mixed uses
- Identify potential commercial corridors and “cluster” areas
- Define long-term strategies for parking lot recovery
- Support efforts for neighborhood greening and community gardens

## **Historic Mills District Master Plan Update**

The Historic Mills District Master Plan was published in June 1998 and had two alternatives for the land east of Chicago Avenue - one showing residential development, and the other showing a new baseball ballpark for the Minnesota Twins. The Plan was updated in 2001 to reflect three new conditions:

- Decision to locate the new Guthrie Theater along the riverfront on the previously proposed ballpark site
- Decision to develop the Hiawatha Light Rail Transit (LRT) line and the Downtown East/Metrodome station
- The need for a Historic Mills District parking strategy

### *Selected findings from the Historic Mills District Master Plan*

- Extend the downtown street grid to the river
- Provide improved pedestrian access across Washington Avenue
- Preserve and celebrate the riverfront historic sites and buildings
- Link new residential, cultural and recreational development to downtown and the riverfront
- Create centrally located multipurpose parking

### *Goals for redevelopment of the Historic Mills District (once known as Industry Square)*

- Create new downtown housing
- Attract and retain business
- Respect the historic integrity of the district

### *Goals for the Guthrie Development Scenario*

- Chicago Avenue Streetscape
- High-quality, pedestrian-friendly connection along Chicago Avenue from the light rail station to the riverfront.

### *Retail development should occur in the following order or priority*

- Intersection of Washington and Chicago
- Intersection of 2nd St. and Chicago
- Interior of block along Chicago between Washington and 2nd St.
- Intersection of Washington and Portland
- Intersection of 11th St. and Washington
- Intersection of Washington and 5th St.
- Intersection of 2nd St. and Portland
- Infill in interior of blocks along Washington
- Infill in interior of blocks along Chicago, south of Washington

The plan identifies the need to further develop Downtown East and identifies Washington Avenue as the center of a new neighborhood.

### *Parking*

The plan recognizes that redevelopment will create a local demand for parking while simultaneously reducing parking supply by conversion of surface lots to buildings. Existing buildings that do not have off-street parking which further complicates the parking situation. The plan makes the following recommendations to best meet future parking demand:

- Development of a shared parking program to alleviate some of the parking pressure
- Parking should meet parking demand while remaining economically self-sufficient
- Parking facility facades should be designed to look like occupied buildings

### *Transit*

- Fixed route and circulator transit options can reduce demand for parking

### *Pedestrian and Bicycle Connections*

- At grade pedestrian connections can enhance street life and generate neighborhood vibrancy
- The creation of dedicated bicycle lanes can improve connectivity of the Mills District and reduce parking demand

### *Stormwater Management*

- Unmaintained surface parking lots are significant sources of non-point source pollution
- Petroleum products, litter and sediment are flushed from surface lots into the sewer system and emptied into the Mississippi River
- Replacing surface parking lots with structured parking and buildings will reduce the area's impact on Mississippi River water quality

## **Downtown 2010**

The Downtown Minneapolis 2010 Plan was completed in 1996 and provided a 15-year vision for development based around land use, open space, transportation, public investment, and regulatory decisions. The plan anticipated that the main challenges to downtown would be transportation access, sustaining the health of downtown retail, creating healthy neighborhoods as population grows, and providing a positive image.

The plan consciously leaves out the downtown neighborhoods, including Downtown East and Elliot Park. Even with that exclusion the goals and policies articulated in the plan will affect the residential areas and reinforce many goals expressed by Downtown East/Elliot Park stakeholders.

One of the overriding themes of the plan is the importance of the unique attributes of downtown and how those attributes can contribute to the area's revitalization.

### *Downtown 2010 key policy directives*

- Promote a pleasing pedestrian environment, promote street-level retail
- Improve access to the riverfront
- Preserve historic properties
- Provide necessary transportation infrastructure
- Provide sufficient long and short-term parking while encouraging transit use
- Improve transit service
- Create retail and entertainment districts for higher intensity uses
- Encourage more interaction between downtown and the University of Minnesota
- Emphasize expansion of moderate to high income
- Owner occupied housing
- Capitalize on sites well suited to housing by encouraging medium to high density development
- Protect residential areas from incompatible land uses
- Assure that affordable housing is provided in a way that contributes to the physical appearance and economic and social health of downtown neighborhoods

### **Access Minneapolis**

*Access Minneapolis* is the city's ten year transportation action plan. The purpose of the plan is to identify the steps necessary to implement the transportation policies in *The Minneapolis Plan*.

#### *Access Minneapolis Vision*

- Transportation is important to the economic viability of the city, the region and the state
- The city must remain livable and walkable to maintain economic competitiveness
- Develop a citywide multi-modal transit system
- Develop a transportation system that serves anticipated growth and optimizes access
- Public transit is critical for maximizing people-carrying capacity

The plan also recognizes that the downtown area has transportation needs that go beyond other areas of the city and makes recommendations to support the increased density of the urban core. *Access Minneapolis* envisions walking and bicycling as the primary modes of transportation downtown

#### *Downtown Transportation Strategy*

- Link downtown neighborhoods to sustain continued growth
- Improve the downtown quality of life
- Efficiently use of limited space
- Make car-free living possible
- Make downtown attractive and accessible

#### *Pedestrian Network and Skyways*

A quality pedestrian network improves livability and supports existing transit use. The pedestrian network downtown is robust, however the skyways require several actions to enhance walkability and improve system function.

- Better integration of the skyways with the sidewalk and transit system
- Skyway expansion only within the downtown core and high-intensity areas
- Design visible vertical circulation and skyway concourses to enhance way finding
- Improve skyway way finding signage
- Improve vertical access between skyway and sidewalk at transit nodes
- Provide consistent skyway system operating hours
- Ensure high quality maintenance throughout the skyway system
- Ensure safety and security in the skyways

### *Bicycle Network*

Minneapolis is one of the nation's highest ranked cities for bicycle use as a mode of transportation and the downtown is a popular destination for cyclists. The goal is to provide bicycle access to all areas of the downtown through on-street lanes and off street bicycle paths.

### *Transit Network*

Transit is important to maintaining mobility, sustaining economic vitality and encouraging density. Limited urban space and infrastructure funding means that transit is an efficient use of available resources.

### *Near Downtown Neighborhood Service*

Downtown residential density adds to the vibrancy of the urban core and creates the consumer base necessary to support downtown businesses. Downtown neighborhood transit needs will be most effectively met by relying on the existing Primary Transit Network.

- Improve frequency on underserved downtown routes as density increases
- Determine the latent demand for transit services
- Market existing service to downtown and near-downtown neighborhoods
- Re-evaluate the downtown fare zone boundaries

### *Two-Way Network*

The plan makes several recommendations for converting one-way streets to two based on the redevelopment of Downtown East and Elliot Park

- Portland and Park Avenues are to become two-way streets north of Franklin Avenue
- 9th and 10th Streets east of 5th Avenue South will become two-way

### *Travel Demand Management*

Encouraging transit use, walking, bicycling and reducing automobile use can be accomplished by implementing car sharing, carpooling, telecommuting, flextime programs.

### *Parking*

Future development of surface parking lots will reduce the supply of parking. Parking management strategies and increasing the viability of walking, bicycling and transit will reduce parking pressure.

- Encourage location of employee parking facilities outside the core area
- Discourage new parking facilities transit and pedestrian corridors
- Encourage active street-level uses in new parking ramps
- Implement pricing that encourage commuters to park outside the downtown core
- Provide signage to reduce the amount of “search and park” traffic circulation
- Encourage motorcycles and scooters with free parking in municipal ramps

### **General and Overlapping Themes in Existing Plans**

The vast majority of policies and recommendations in existing plans are complimentary, if not directly the same. The following recommendations and initiatives are the overlapping issues in the adopted plans:

- Importance of creating a high quality pedestrian environment
- Need to develop a neighborhood scale retail presence
- Importance of preserving historic properties
- Forming better connections to downtown and riverfront
- Redevelopment of commercial parking lots
- Importance of public transit and transit oriented development
- Need for more market-rate housing and ownership opportunities
- Affordable housing must be carefully managed and preferably be a mixed income development
- The importance of preserving or enhancing overall neighborhood wellbeing
- Expansion of downtown core should be limited to area near Star Tribune
- Land use is dominated by Metrodome/surface parking lots/HCMC
- Urban design considerations should be an important component of new developments
- Need to develop new policy and regulatory mechanisms to foster implementation of recommendations

The strategic areas identified in the adopted plans are:

- 9<sup>th</sup> Street
  - Chicago Avenue
  - Chicago Avenue between 5<sup>th</sup> and 6<sup>th</sup> Streets
  - 9<sup>th</sup> and Chicago retail node
  - LRT station and 5<sup>th</sup> Street
  - Portland Avenue
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## **Policy Impact on Redevelopment**

This section summarized the potential influence of two public policy actions on the development tools available in Downtown East and Elliot Park. The first is the adopted redevelopment areas that allow the use of Tax Increment Financing and other redevelopment tools. The second is the Minnesota eminent domain law adopted in 2006 that limits the power of eminent domain.

### **Industry Square and Elliot Park redevelopment areas**

The majority of Downtown East and Elliot Park lies within one of two long-standing redevelopment project areas, the Industry Square redevelopment area and the Elliot Park redevelopment area. A redevelopment plan lays out the redevelopment objectives for a defined project area and sets standards for public redevelopment efforts and expenditures. Once adopted by the City Council, the plan authorizes public redevelopment activities that are not allowed under other city planning processes. The most significant purpose of a redevelopment plan is that it allows the City to acquire land and provide Tax Increment Financing for projects in specified districts that meet the expressed social and economic goals of the redevelopment project.

#### **Industry Square**

The Industry Square Redevelopment Plan was created in 1973 to facilitate redevelopment of the area that is now known as Downtown East and the Mill District. The primary method of funding redevelopment activities was Tax Increment Financing. The redevelopment plan was enacted to achieve the following objectives:

- Remove structurally substandard buildings which are incapable of being rehabilitated
- Acquire and remove economically or functionally obsolete or underutilized buildings and/or land
- Eliminate blighting influences which impede potential development in the area
- Provide increased employment opportunities and supplement the financial base of the community
- Provide redevelopment sites of such size and character to assure development of the area and strengthen the overall economy and improve sources of public revenue
- Provide land for needed expansion of existing businesses in the area
- Provide adequate streets, utilities and other public improvements and facilities to enhance the area for both new and existing development
- Achieve rehabilitation of buildings which will remain
- Accomplish the applicable goals of the report, Mississippi-Minneapolis as approved by the City Planning Commission
- Provide maximum opportunity, consistent with sound needs of the City as a whole, for redevelopment by private enterprise

The following types of redevelopment activities were prescribed to achieve the objectives of the plan:

- Clearance and redevelopment
- Rehabilitation of buildings to remain
- Vacation of rights-of-way
- Dedication of new rights-of-way
- New construction and improvement of streets and alleys
- Replacement and improvement of public and private utilities and facilities
- Other project improvements

The plan includes land use regulations, requirements for purchase and sale of public property, requirements for property rehabilitation, and a requirement to relocate displaced residents and businesses. It should be noted that the plan modifications often allow for the purchase of property only from a willing seller and it is not known if the properties were actually acquired.

There have been 20 modifications to the plan, which included:

1. Acquisition of vacant and blighted property - 1974
2. Changes to the project boundary and land use plan - 1976
3. Acquisition of property for Metrodome - 1978
4. Change to redevelopment plan - 1978
5. Property acquisition - 1978
6. Property acquisition - 1984
7. Property acquisition for the widening of Washington Avenue - 1985
8. Added objective of developing a downtown trolley - 1988
9. Change in TIF district - 1997
10. Property acquisition and financing for West Side Mills Housing Project - 1997
11. Rehabilitation of Milwaukee Depot - 1998
12. Rehabilitation of Milwaukee Depot (superseding mod. 11) - 1999
13. Property acquisition and adoption of Historic Mills District Master Plan - 2000
14. Property acquisition in coordination with LRT construction - 2000
15. TIF decertification to facilitate construction of LRT facilities - 2000
16. Redevelopment of Washburn/Crosby A Mill and Humboldt Building - 2000
17. *Not Available*
18. Redevelopment of Parcel C - 2001
19. Development of public parking facility and Park Avenue Lofts East - 2004
20. Development of St. Anthony Mills Apartments - 2005

### **Elliot Park**

The Elliot Park Redevelopment Plan was enacted in 1978 and its purpose, regulations, tools and objectives largely mirror those of the Industry Square plan. The objectives are, however, stated somewhat differently than the Industry Square plan and are as follows:

- Encourage and facilitate rehabilitation of the maximum number of existing structures that are feasible for rehabilitation and consistent with sound planning
- Increase the supply of sound housing available to low and moderate income families through Section 8 Substantial Rehabilitation and cooperative housing, and similar programs both subsidized and unsubsidized

- Increase the level of owner occupancy through the use of cooperative and condominium housing
- Promote private investment through Section 8 Substantial Rehabilitation, mortgage insurance and low cost financing using Community Development Block Grant Funds and similar programs
- Remove structurally substandard buildings which are incapable of being rehabilitated
- Provide public open space, off-street parking and redevelopment sites through acquisition and clearance of properties not feasible for rehabilitation
- Attract middle income residents to the area through rehabilitation and by providing redevelopment sites for new residential and neighborhood serving commercial uses, off-street parking and public open spaces, and by upgrading streets and utilities
- Achieve a high level of design quality on both public and private buildings
- Preserve buildings and areas of distinctive architectural or historic merit
- Provide the maximum amount of free flow of pedestrian and vehicular traffic, relieve congestion and eliminate unnecessary rights of way
- Provide maximum opportunity consistent with sound needs of the City as a whole, for redevelopment by private enterprise
- Facilitate the accomplishment of the goals and objectives of the Elliot Park Urban Development Action Grant Program, the Neighborhood Strategy Area Program and the Elliot Park Comprehensive Plan

There have been seven revisions of the Elliot Park Redevelopment Plan since 1978 and are as follows:

1. Property acquisition for right-of-way and unidentified redevelopment - 1981
2. Land acquisition - 1981
3. TIF funds for the development of Portland Apartments - 1982
4. Property acquisition for rehabilitation of previously acquired property - 1983
5. Property acquisition - 1986
6. TIF funds for the development of East Village - 1999
7. TIF funds for the development of Grant Park - 2000

The Tax Increment Financing Plan Development Program described in Revision 1 of the Elliot Park Redevelopment Plan is:

*The development programs for the Elliot Park Neighborhood includes the construction of new residential, office, and commercial structures, as well as the rehabilitation of existing structures for residential, office, and commercial use.*

Revision 2, completed in 1981, makes an interesting observation regarding the impact of the entire redevelopment project.

*Due to the unusual environment factors affecting property values in the project area such as the construction of the new domed stadium, it is not possible to predict future growth rates.*

*Due to the following constraints, it is unlikely that substantial development would occur in the project without public assistance over the next fourteen years:*

- *Infrastructure*
- *Minor streets may need vacation*
- *Utilities may require relocation*
- *Land ownership is fragmented*
- *Land parcelization is fragmented*
- *Private ownership may prevent assemblage*
- *Lack of space*
- *Public actions may impose development constraints*

## **Minnesota State Eminent Domain Statute**

Eminent domain is not likely to be a viable tool for the redevelopment or revitalization of Downtown East and Elliot Park. Along with the political and financial difficulties of using eminent domain for revitalization efforts, there are very clear statutory restrictions that limit the practical use of eminent domain in Downtown East and Elliot Park.

The Minnesota Legislature amended the state's eminent domain statute in 2006 in response to the *Kelo v City of New London* U.S. Supreme Court decision. In the *Kelo* decision the court ruled that economic development can be considered a public purpose, and is thus a permissible rationale for acquiring property under eminent domain. The *Kelo* case set a clear precedent for public agencies to acquire property from an otherwise unwilling owner and transfer ownership to a private entity for the purpose of development if development is intended to improve property values or economic vitality. The decision resulted in many states, including Minnesota, passing legislation prohibiting the use of economic development as a rationale for exercising the power of eminent domain. The Minnesota statute reads:

*The public benefits of economic development, including an increase in tax base, tax revenues, employment, or general economic health, do not by themselves constitute a public use or public purpose.<sup>20</sup>*

The law does allow for blight mitigation, contamination remediation, reduction of abandoned property, and removal of a public nuisance as justifications for the use of eminent domain, but properties in Downtown East and Elliot Park are unlikely to meet the statutory definitions of these conditions. Blight is defined by the condition of buildings within a defined area and the structures in Downtown East and Elliot Park are generally in good condition. Both blight removal and environmental contamination remediation require that at least 50 percent of properties in the designated area be affected by the impairing condition before use of eminent domain is warranted. Furthermore, all uses of eminent domain require strict procedural compliance and numerous opportunities for even the most negligent property owners to remedy the offending situation and retain ownership of their property.

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## Conclusion

The goals and priorities of the adopted public plans for Downtown East and Elliot Park are generally in alignment with one another. This congruity among plans should not be surprising given that redevelopment of parking lots and development of market rate housing and retail space in Downtown East and Elliot Park is a long standing public priority that has seen little progress outside of the Mill District.

The tools and frameworks for supporting redevelopment are generally in place, but political and economic shifts have limited the power of public intervention to a significant degree. The power of eminent domain is not likely to be an applicable tool in Downtown East and Elliot Park because the purpose and condition of properties does not merit its use. Furthermore, even if a property owner is willing to sell, financially strained public agencies are not likely to be able to justify the expense of purchasing property that is not a clear danger to the public.

Tax Increment Financing may be the most effective public tool for generating development south of Washington Avenue. The area has been targeted for redevelopment since the 1970s with little success. The use of TIF still requires a project and private investment, however, so developers and property owners must become engaged in the redevelopment process in order to conceptualize and market projects that will succeed. In any case, the City of Minneapolis should consider reviewing its Tax Increment Financing policy to identify if changes in policy will be needed in order to support commercial or market rate housing development in Downtown East and Elliot Park.

With the number of plans in place that call for the development of Downtown East and Elliot Park there is clearly a broader public interest in revitalization of the area. Because plans are created by the City of Minneapolis and approved by the Metropolitan Council both entities have some responsibility in ensuring that the area meets their stated goals. The Metropolitan Council has a significant investment in the area due to the two light rail lines that will soon converge in the area. The area also contains a large amount of Hennepin County property, including one of its key assets, Hennepin County Medical Center. State government has a stake in the success of the area since the success of Downtown East and Elliot Park is an important part of the State's future economic competitiveness. The City of Minneapolis is invested in the area's success, however, local stakeholders should work with other levels of government to help them understand the potential and priority that this important area represents.

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<sup>20</sup> (Minn. Session Laws, Chapter 214, §117.025 subd.11(b) (2006))

# Module 4 – Stakeholders

Module four provides a brief summary of key local stakeholders to provide a complete picture of local actors and activities in the area.

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## Stakeholders

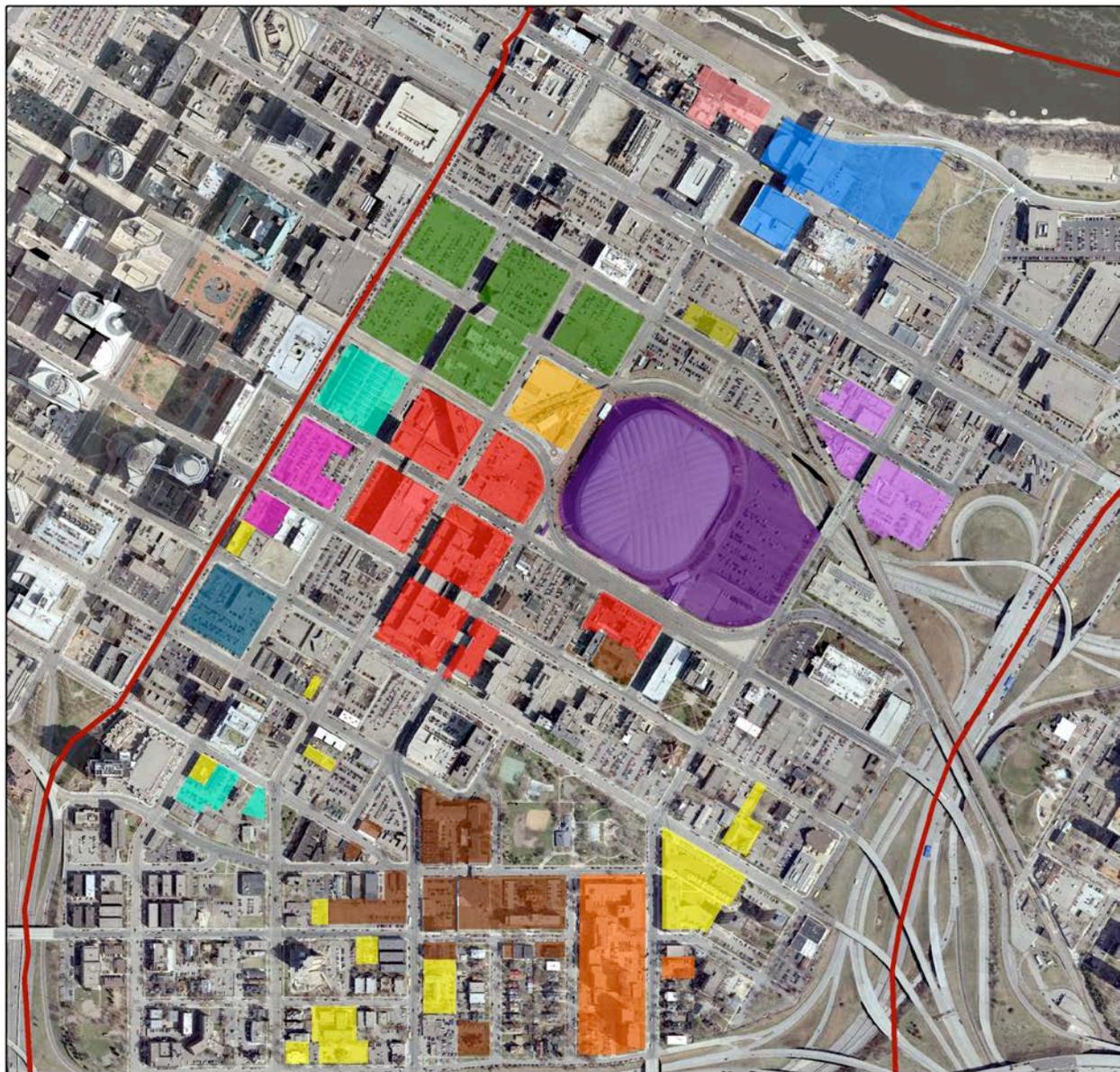
These stakeholders are listed because of their presence in the Downtown East and Elliot Park area and the role they play in shaping the identity and future of the district. Stakeholders may have a significant number of employees, control a large amount of property, have a strong public presence, hold a well-defined mission, have a strong influence on development or other characteristics that merit mentioning.

As there are a great number of individuals and businesses in Downtown East and Elliot Park, this list should not be considered a definitive explanation of those that will shape the future of the district. Rather, this list is biased toward business and institutional property owners and is provided as part of the general understanding of the area.

Map 4.1 shows the property owned by selected stakeholders.

Map 4.1

## Downtown East and Elliot Park Stakeholder Locations



0 0.125 0.25 0.5 Miles



- |                               |                                   |                          |
|-------------------------------|-----------------------------------|--------------------------|
| Downtown East and Elliot Park | Guthrie Theater Foundation        | North Central University |
| Aeon                          | Hennepin County                   | RS Eden/Aeon             |
| Minneapolis Venture           | Kraus-Anderson                    | Star Tribune             |
| Armory Development            | Met. Sports Facilities Commission | Thrivent                 |
| Augustana                     | Minnesota Historical Society      | Valspar                  |

Data: 2009  
Hennepin County,  
City of Minneapolis

Elliot Park Neighborhood Inc.  
East Downtown Council

## **AEON**

Employees	50 employees located in Downtown East and Elliot Park
Residents	1,475 (estimated)
Property	7.5 acres with over 950 apartments and some commercial use in Elliot Park
Initiatives	Looking to develop permanent headquarters location, potentially in Elliot Park

Aeon, formerly Central Community Housing Trust, has been working in Elliot Park since 1987. Central Community Housing Trust started with the mission to find housing for those displaced by demolition of housing for construction of Convention Center. Aeon has played a critical role in saving some of Elliot Park's older buildings from demolition and their portfolio consists of rehabilitated buildings and new construction.

Aeon is a substantial property owner in Elliott park with a large percentage of their holdings along Chicago Avenue. Currently Aeon has over 900 units of housing in Elliot Park, with another 61 under construction in the Alliance Addition development. Some of Aeon's units have supportive services targeted to formerly homeless people and have a sobriety requirement, though the majority are independent living units.

Aeon is an affordable housing developer and subsidized units have rents that range from Section-8 rental vouchers to that which is affordable at 50 percent of area median income (AMI). Currently, the area median income for a family of four is \$83,900. Affordability is defined by housing cost that is no more than 30% of gross income, meaning that housing in the Twin Cities area should be affordable to a family of four at no more than \$1,048 monthly. There are also 120 market rate units in the East Village development.

Aeon recently acquired a property management company and added approximately 75 employees, though not all will be located at the headquarters location. With the addition of new employees they needed to expand their headquarters space in order to house everybody in the same location. They are currently evaluating long-term options, but have found interim space in Downtown East near the Metrodome.

## **North Central University**

Employees	100 full-time staff, 40 full-time faculty, 80 adjunct faculty
Students	1200 - 1300 students, 800 of whom live on campus. Annual cost is over \$22,000
Property	11.5 acres in Elliot Park including potential retail space

North Central University is a Christian university associated with the Assemblies of God. The University currently has about 1,200 students and is looking for stability at 1,300.

Total cost of attendance is over \$22,000 annually for the 2010 – 2011 academic year. There are approximately 100 full time staff, 40 full time faculty, and 80 adjunct faculty.

There are approximately 800 students living on campus. The remaining students either live with their parents or are married, as unmarried students under 25 are required to live on campus. The campus has a significant amount of vitality, but the activity is almost completely internalized. Students tend to go to the Roseville area for recreation opportunities, though it is not clear why that location tends to be popular.

The University is located at the center of the Elliot Park neighborhood and owns a large amount of property along Chicago Ave and bordering *the* Elliot Park. They are not looking to expand their campus or housing, though there may be some interest in rearrangement or augmentation of existing space. They are looking to expand and improve their academic programs.

NCU's past property acquisitions have been opportunistic rather than strategic, leaving the University with some scattered site property and use of potential retail space for academic or office use. The University does not have a strategic plan for future property acquisition or development.

The University is committed to their location in the inner city as part of their mission as an evangelical organization. There is interest in becoming a more active part of the larger community, but they remain largely inwardly focused. Interest in partnering with the community is a relatively recent development and may be an opportunity on which to capitalize.

Major decision making authority at the University is held by the President's Cabinet.

## **Augustana Care Corporation**

Employees	over 500
Residents	296 treatment beds, 360 apartments
Property	6.7 acres of housing and health care facilities

Augustana Care Corporation is one of the largest health-related housing and supportive care organizations in Minnesota with properties throughout the Metro area and the State. They offer a full range of housing, from independent living to assisted living and long term care. Augustana has been in the Elliot Park neighborhood for over 120 years in some capacity and is closely affiliated with Augustana Lutheran Church.

The Elliot Park campus is a fully integrated and self-contained complex with a salon, convenience store, pharmacy, food service, chapel, coffee shop, and more.

The large population of residents that are either retired or unable to work may somewhat skew the economic and demographic picture of Elliot Park.

Augustana has a development arm, but they specialize in elder care and rehabilitative properties, uses that are not likely to fit with existing plans for Downtown East and Elliot Park.

## **Hennepin County Medical Center**

Employees	3700; additional employees attached to affiliated businesses and organizations
Patients	22,514 discharges; 102,271 emergency visits; 350,000 clinic visits;
Property	Hospital complex takes up four city blocks without parking
Initiatives	Evaluating the need for an outpatient clinic near the main hospital campus

Hennepin County Medical Center is a very large teaching hospital, trauma center, and medical complex. The hospital evolved from the former Swedish Hospital and grew through conglomeration of many of the smaller hospitals in the Elliot Park hospital district. As part of the health care legacy of the Elliot Park area, Chicago Avenue has been designated as a Life Sciences Corridor

Leadership at the hospital is complex, with the property owned by Hennepin County and the hospital operations run by Hennepin Healthcare System, Inc., which is a public corporation owned by the County and run by a 13 member board of directors.

HCMC is motivated to become the “hospital of choice” for downtown and is currently reorganizing its internal operations with the end goal of building a new external community clinic. Complicating any expansion plans is the fact that the hospital is currently facing a financial crisis because of funding cuts to programs that pay for health care to low income individuals.

Like many large institutions, HCMC is completely self-contained. The insular nature of the hospital can be justified somewhat by the unique safety, security and privacy issues faced by health care institutions.

## **Metropolitan Sports Facilities Commission**

Employees	40
Property	20 acres - Hubert H. Humphrey Metrodome
Initiatives	Actively working to develop a new NFL stadium on the Metrodome site

The Sports Facilities Commission is a quasi-governmental organization established by the State Legislature in 1977 to own and operate the Metrodome. The Commission is run by a seven member board, six of whom are appointed by the Minneapolis City Council and one of whom is appointed by the Governor. The Minnesota Twins and Gophers football team have left the Metrodome, leaving the Minnesota Vikings as the sole remaining major tenant. The Vikings are pursuing a new football stadium and have stated publicly that they are not willing to stay in the Metrodome past the 2011 season when the lease expires. Without the Vikings it is not known what will happen to the Sports Facilities Commission and the Metrodome, though Executive Director Bill Lester has indicated that the Metrodome is not likely to exist without the Vikings.<sup>21</sup>

**Thrivent Financial for Lutherans**

Employees	1200
Property	2.6 acres of surface parking, primarily used for employees
Initiatives	None identified; potential for development on surface parking lots

Thrivent Financial is a Fortune 500 financial services organization specializing in investments and financial planning for the Lutheran community. Thrivent is the largest fraternal benefit society in the United States. The current organization formed in 2001 with the merger of Lutheran Brotherhood of Minneapolis, Minnesota and Aid Association for Lutherans of Appleton, Wisconsin. As a nonprofit fraternal organization they have a charge to be involved in the community through volunteer opportunities and outreach. One of the most prominent examples of community benefit is their long-term relationship with Habitat for Humanity.

Thrivent is a large property owner, with two large parking lots along the western edge of the district. Thrivent’s Minneapolis campus is in the downtown core, but the majority of employee parking is in Downtown East and Elliot Park.

Thrivent does seem to have a general interest in development, but there does not seem to be a coherent vision for how that would apply to Downtown East and Elliot Park.

Like many of the large stakeholders in Downtown East and Elliot Park, Thrivent provides many employee services on site, include a cafeteria and fitness center.

**Star Tribune**

Employees	600 employees in Downtown East, commissary on site
Property	5 full blocks, 12.5 total acres, 8.5 acres of surface parking, 1156 parking spots
Notes	Holding a large amount of underutilized property with offices in an aging building

Employees 600 employees in Downtown East, commissary on site

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Buildings at 4th St. & Portland Ave and 4th St. & Park Ave are vacant

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The Star Tribune is a major property owner in DEEP, with over five full contiguous blocks of property, the majority of which is surface parking.

Ownership and leadership at the paper is a complex issue with the company undergoing bankruptcy and reorganization in 2009. In the fall of 2009 a Federal court in New York declared that ownership would be transferred from Avista Partners to the company's creditors. In January 2010 the paper hired a new publisher, Michael Klingensmith, former executive with Time Inc., who spent 30 years working on magazines in New York and grew up in the Twin Cities. The Chairman of the Star Tribune is Mike Sweeney.

The Star Tribune has undergone a significant number of layoffs over the past two years due to the paper's financial trouble. With the reduction in staff all employees are now housed in the large full-block building between Park and Portland Avenues and 4th and 5th Streets. This consolidation leaves several of the paper's buildings vacant.

The future plans of the Star Tribune are not known, but engaging the company as a redevelopment stakeholder is critically important. The company controls a large amount of underutilized property that contributes to the feeling of vacancy in Downtown East and Elliot Park. The Star Tribune's property is likely its largest financial asset and they may be receptive to ideas about how to generate revenue and value from property development.

## Minnesota Vikings

Employees 10 full time employees in ticket office, 6 part time/interns

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Property Metrodome leased through 2011

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Initiatives Actively working to develop a new NFL stadium on the Metrodome site

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The Vikings are proposing an approximately \$870 million stadium be built on the current Metrodome site, with \$233 coming from the team and the rest paid for by a combination of user-related tax increases. Securing substantial public funding for a stadium is a difficult proposition in the current economy due to budget shortfalls at all levels of government and political opposition.

The organization reports that team revenue is at the bottom of the league and other NFL franchises are subsidizing the team through revenue sharing agreements. Generating revenue and value for the team's owners is at the center of the of the redevelopment debate.

The Vikings have developed a working relationship with the EDC and EPNI as an effort to become more involved in the community.

### Mill City Museum

Property 1.6 acres

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The Mill City Museum opened in 2003 on the site of the historic Washburn A Mill that was build in 1874, destroyed by an explosion, rebuilt in 1880 and partially destroyed again by fire in 1991. The museum is an important cultural attraction in Minneapolis and brings numerous visitors to the riverfront and provides a critical sense of place due to its uniquely historic and partially ruined building.

### Guthrie Theater

Employees 187

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Property 5.61 acres

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The Guthrie Theater is a first class performance venue in a signature building on the Mississippi River near the Mill City Museum. The theater opened their new location in 2006 after closing the original location near the Walker Art Center. The theater is an anchor in the cultural fabric of the region and a major amenity contributing to the vitality of the riverfront.

As a destination venue, the theater draws thousands of visitors annually to the Downtown East and Elliot Park district. Finding ways to connect to these generally well-to-do patrons can be a key market opportunity for those looking to do business and development in the area. The Guthrie is a key landmark and identifying feature of the Mill District in Downtown East and provides a great deal of the neighborhood's identity.

### Valspar Corporation

Employees 85 chemists and scientists, 374 moved to downtown location in 2009

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Property 4.3 acres, R&D facilities in use, former headquarters currently vacant

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Initiatives Potential to redevelop properties left vacant with headquarters move

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The Valspar Corporation moved their headquarters and 374 employees from Downtown East neighborhood to the downtown core in 2009. They still have 85 employees, mainly chemists and scientists in research and development, working in Downtown East. The

headquarters' exit from the community leaves a large brick factory vacant and available for adaptive reuse.

## Minneapolis Venture

Property	2.5 acres, the site of the Metrodome/Downtown East LRT station
Initiatives	Potential to develop Downtown East parking ramp at the LRT station

Bob Lux, through Minneapolis Venture, owns the block that holds the Downtown East/Metrodome Light Rail Transit station. The property has an underground parking ramp and foundation to support a large development. Given the property's transit access and predevelopment work it is a critically important property that has the potential to be a catalytic development.

## Armory Development

Property	3.6 acres, The Armory, 1010 Park Avenue block
Initiatives	Potential adaptive reuse of Armory, development on 1010 Park block

Armory Development, owned by Doug Hoskin, owns the historic Armory building and recently purchased the majority of the former 1010 Park development site for eventual redevelopment. There are no definitive plans for development due to market conditions, but the most likely outcome would be a mixed-use market rate rental development with some commercial. The purchase includes the Baker building, part of which has been rented to a coffee shop. The new owners have stated that even with the commercial parking revenue and the Baker building rented the property will be losing money unless it is developed.

## Categorical Stakeholders

### Residential community

Additional information on the residents of Downtown East and Elliot Park can be found in Module 5.

The residents of Elliot Park are a diverse group of people that do not easily fit into a single category. There is a small but dedicated group of residents committed to neighborhood revitalization through EPNI, most of whom are property owners. There are a large number of renters in Elliot Park, many of whom live in subsidized affordable housing units or inexpensive apartments. Elliot Park has a growing East African immigrant population and several businesses that cater to the East African community. There are also a number of residents in Elliot Park associated with social service

organizations or treatment centers. There have been two very large upscale housing developments built recently in the neighborhood, though the majority of the new residents do not appear to venture out into the community.

Residents in the Downtown East neighborhood tend to occupy newer, loft-style condominiums and some apartments. The residential community in Downtown East is newly established and residents seem to be primarily concerned about the area north of Washington Avenue.

### **Social Services**

Elliot Park is home to a significant number of social service organizations. The services offered in Elliot Park are varied, but include food service for the poor and homeless, residential chemical dependency treatment, emergency housing, medical treatment, long term care and skills training. These organizations play a critical role in supporting people in need even though their concentration in the Elliot Park neighborhood contributes to a perception of the neighborhood as “down on its luck.”

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## **Conclusion**

There is a rich mix of stakeholders in Downtown East and Elliot Park. Working with these groups to understand their individual perspectives can provide insight into additional market opportunities. In addition, the diversity of stakeholders provides access to a wide range of networking opportunities that can bring new interest and investment into the area. Local development advocates should be sure to engage these and other stakeholders to bring as many perspectives and insights as possible to redevelopment discussions.

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<sup>21</sup> Studevart, Lori. (April 12, 2010). *If the Vikings go, Metrodome will too*. StarTribune.com. Accessed May, 6 2010; <http://www.startribune.com/opinion/90675709.html?elr=KArksc8P:Pc:Ug8P:Pc:UiacyKUncaec8O7EyUr>

# Module 5 – Residents and Workers

The residents and workers module describes the individual populations that make up Downtown East and Elliot Park. This section provides information on the potential consumer market of the area.

This module examines the residents, businesses and employees of Downtown East and Elliot Park in order to better understand the consumer base of the area. One of the driving forces for redevelopment of the area is desire to create retail services to support the local population of residents and workers. By understanding the local consumer context it is anticipated that stakeholders can attract the attention of developers and businesses that will invest in the area and meet market demand. The businesses and employees are examined here to understand the potential to attract new business to the area bases on existing business clusters.

The two main sources of data used to understand the numbers of residents, employees and businesses in Downtown East and Elliot Park are Metro MSP<sup>22</sup> and ESRI Business Analyst Online<sup>23</sup> (ESRI BAO). Metro MSP is a business and economic development website provided by the Minneapolis Regional Chamber Development Foundation. ESRI Business Analyst Online is a subscription-based service that allows users to run detailed demographic and business related reports. The City of Minneapolis provided the ESRI Business Analyst Online reports. The Metro MSP and ESRI information match up very well but are not exactly the same.<sup>24</sup> The reports were compared to identify similarities and differences and supported with additional information where available.

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## Residents

Downtown East and Elliot Park enjoyed a significant amount of development during the real estate boom of the 2000s. A total of 1,703 housing units in 17 residential developments (16 condo, 1 mixed rental/ownership) were constructed since 1999. The majority of these units are clustered north of Washington Avenue near the Mississippi River, partially because publicly owned land could be used to leverage private investment and development. It is not known how much occupied housing was lost in the area since 1999, but known losses were small and do not substantially affect the area's population. *Table 5.1*

**Table 5.1**  
**Residential Developments in Downtown East**  
**and Elliot Park Constructed After 2000**

<i>Address</i>	<i>Name</i>	<i>Units</i>
521 S 7th St	Sexton	141
929 Portland Ave	Skyscape	250
250 Park Ave	American Trio Lofts	90
1520 Elliot Ave S	Elliot Flats	6
500 E. Grant	Grant Park	327
519 S 9th	Lenox Brownstones	26
215 10th St S	Bridgewater	281
607 Washington Ave	607 Washington Lofts	31
901 2nd St S	Zenith	165
545 S 2nd St	Metropolitan Lofts	22
117 Portland Ave S	North Star Lofts	36
150 Portland Ave S	The Whitney	32
200 Park Ave	Park Ave Lofts	24
750 S 2nd St	Humboldt Lofts	36
600 2nd St S	Stone Arch Lofts	35
700 S 2nd St	Washburn Lofts	22
1401 11th Ave, 1105 8th St	East Village	179
	<b>Total</b>	<b>1703</b>

Looking more specifically at housing, over one third of the population of Downtown East and Elliot Park in 2000 was not living in a traditional housing unit. The U.S. Census definitions of household and group quarters is as follows:

*A household includes all people who occupy a housing unit. People not living in households are classified as living in group quarters.*

*The group quarters population includes all people not living in households. Two general categories of people in group quarters are recognized: 1) the institutionalized population which includes people under formally authorized, supervised care or custody in institutions at the time of enumeration (such as correctional institutions, nursing homes, and juvenile institutions) and 2) the noninstitutionalized population which includes all people who live in group quarters other than institutions (such as college dormitories, military quarters, and group homes).*

The large number of people living in group quarters should not be surprising given the large institutional presence in the Elliot Park neighborhood. The majority of the population in group quarters were not living in an institutional setting. All but 204 residents in households were living in rental housing in 2000 and there were a total of 6,604 in Downtown East and Elliot Park. *Table 5.2*

**Table 5.2**  
**Downtown East and Elliot Park Housing - 2000 Census**

Housing units	2906
Households	2727
Average household size	1.55
<i>Total population in housing units</i>	<i>4224</i>
Population in owner occupied housing units	204
Population in renter occupied housing units	4020
<i>Total population in group quarters</i>	<i>2380</i>
Population in institutional group quarters	579
Population in nursing homes	151
Population in other institutions	428
Population in noninstitutional group quarters	1801
Population in college dormitories	805
Population in other noninstitutional group quarters	996
<b>Total population</b>	<b>6604</b>

*U.S. Census*

Available demographic projections for 2009 show a population of 7,410, just 806 more than the last Census despite the 1,703 housing units constructed since 2000. By incorporating the new housing developments and assuming 85% occupancy and the 2000 Census average of 1.55 people per household, the 2009 estimated population of Downtown East and Elliot Park is approximately 8,850. *Table 5.3*

**Table 5.3**  
**Downtown Population Projections**

Area	Population
Downtown East and Elliot Park - Projected	7,410
Other Downtown Areas	12,672
Downtown East and Elliot Park - Adjusted	8,850
Total Downtown Population Range	20,082 - 21,522
Percentage Downtown East Elliot Park Population	37% - 41%

*ESRI BAO, Adjusted Data*

All income ranges above \$25,000 have increased since the last Census, though unemployment is reportedly over twice as high as during the last Census. The accuracy of the 2009 estimates could not be verified so it is unknown if the unemployment statistic is valid, though given the economic recession and Elliot Park’s historically low income it is plausible.<sup>25</sup> Typical measures of employment only consider people in the workforce so older people, people living in institutional group quarters and students should not affect the unemployment rate. *Table 5.4*

**Table 5.4****Downtown East and Elliot Park Population by Income**

Household income	2000 Census		2009 Estimates	
	Population	Percentage	Population	Percentage
<\$15,000	1,128	41.2%	1,004	30.7%
\$15,000 - \$24,999	731	26.7%	617	18.9%
\$25,000 - \$34,999	408	14.9%	587	18.0%
\$35,000 - \$49,999	281	10.3%	486	14.9%
\$50,000 - \$74,999	147	5.4%	417	12.8%
\$75,000 - \$99,999	12	0.4%	113	3.5%
\$100,000 - \$149,999	20	0.7%	21	0.6%
\$150,000 - \$199,000	7	0.3%	12	0.4%
>\$200,000	5	0.2%	10	0.3%
Unemployed		8.9%		19.9%

*ESRI BAO, US Census*

There are two estimates of Downtown East and Elliot Park residential income available. The 2000 Census reports that the median household income for the area was under \$18,000 and the average household income was approximately \$22,500. ESRI BAO reports that the 2009 median household income is just over \$25,000 and the average household income is approximately \$31,000. The ESRI estimates are likely lower than the actual incomes because the ESRI data under-reports the population in new condominium developments. *Table 5.5*

**Table 5.5****Downtown East and Elliot Park Population by Income**

	2000 Census	2009 Estimates
Median Household Income	\$17,912	\$25,155
Average Household Income	\$22,485	\$31,328
Per Capita Income	\$12,728	\$18,228

*US Census, ESRI BAO*

The income of new residents since 2000 was estimated using the average asking price for available housing units as a benchmark for income. Real Estate listings indicated that 97 properties, mainly condos with a few townhomes, were for sale in Downtown East and Elliot Park in the spring of 2010. The median listed price of available units was \$302,250 and the average asking price was significantly higher at over \$420,000. The rise in average price is due to a small number of multi-million dollar penthouse units. Housing is typically considered affordable if the mortgage and taxes do not exceed one third of gross household income. If the average purchaser of new market-rate housing in Downtown East and Elliot Park can afford a \$420,000 condominium, then the average household income of new residents should be approximately \$109,000 annually. Using the median price of \$302,000 to project income results in a median household income of new residents just over \$78,000 per household. Sales prices of

housing units may be significantly different from listed prices, though they are a good indication of the target market.

The total income of the area was estimated by adding the calculated income of residents in new condominiums to the official information gathered through the 2000 Census. The total income of the area in 2000 is calculated to be approximately \$61,300,000. The aggregate income of new residents is calculated by using the halfway point of the two income estimates and an 85 percent occupancy in new units. The total estimated income of new residents is approximately \$135,400,000. The total income of the area (not adjusted for inflation) is estimated to be \$196,700,000.

Comparing the public and commercially available income data to the projections using prices of housing units, it quickly becomes apparent that new residents have significantly higher incomes than other Elliot Park residents.

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## Businesses and Employees

The estimates for the number of businesses are similar for the Metro MSP and ESRI data and appear to be reasonable. The sources likely overestimate the number of employees as they do not account for recent changes in employment at the Star Tribune. A revised employment estimate was calculated by examining the various measures of employment and removing inconsistent data. The revised estimate is 12,700 employees making a total of \$663.4 million annually. The following analysis explains these projections.

The ESRI BAO and Metro MSP data sets point to approximately 525 separate business establishments and 14,000 employees in Downtown East and Elliot Park. *Table 5.6*

**Table 5.6**

### Establishments and Employees

	<i>Metro MSP</i>	<i>ESRI BAO</i>
Total establishments	534	521
Total employees	13,807	14,827

*Metro MSP / ESRI BAO*

Looking at the employees and establishments by industry, it is clear that the majority of businesses and employees are in the service sector. The ESRI BAO data reports that there are 265 service establishments and 8,202 service employees. Metro MSP reports that there are 7,441 employees in the service sector, but does not report the number of firms by industry code. In both data sets manufacturing and public administration have a large number of employees with approximately 3,000 and 1,000 employees

respectively. The largest difference between the two data sets is in the construction industry, with the ESRI data indicating that the construction industry has twice the relative percentage of workers than the Metro MSP data. It is difficult to assess the accuracy of this data because individual firms are not identified within industry sectors. Further complicating the comparison of the data are the slightly different areas analyzed by each data set. *Table 5.7*

**Table 5.7**  
**Employees and Industries in Downtown East and Elliot Park**  
**Comparison of Datasets**

<i>Industry SIC Code</i>	<u>Metro MSP (2008)</u>		<u>ESRI BAO (2009)</u>			
	<i>Employees</i>		<i>Establishments</i>		<i>Employees</i>	
Agricultural, Forestry, Fishing	0	0%	3	1%	0	0%
Mining	0	0%	0	0%	0	0%
Construction	378	3%	27	5%	919	6%
Manufacturing	3,331	24%	13	2%	2,973	20%
Transportation and Communications	77	1%	21	4%	29	0%
Wholesale Trade	141	1%	11	2%	145	1%
Retail Trade	697	5%	61	12%	938	6%
Finance, Insurance, and Real Estate	267	2%	51	10%	334	2%
Services	7,441	54%	265	51%	8,202	55%
Public Administration	1,372	10%	15	3%	1,082	7%
Unclassified	103	1%	52	10%	203	1%
	13,807		519		14,825	

*Source: Metro MSP, ESRI BAO*

The majority of establishments in Downtown East and Elliot Park have between one and four employees and there are two employers with more than 1,000 employees in the area. It is not known which firms the data is counting as having more than 1,000 employees as firm level data from Metro MSP lists four firms with more than 1,000 employees. *Table 5.8*

**Table 5.8**  
**Establishments by Number of Employees**

<i>Number of employees</i>	<i>Number</i>	<i>Percentage of total</i>
1-4	320	59.9%
5-9	63	11.8%
10-19	56	10.5%
20-49	48	9.0%
50-99	20	3.7%
100-249	16	3.0%
250-499	8	1.5%
500-999	1	0.2%
1000+	2	0.4%
<b>Total</b>	<b>534</b>	

*Metro MSP*

Looking at businesses by establishment type we see that health and medical service businesses make up almost 39 percent of Downtown East and Elliot Park businesses with 207 establishments in that category. The remainder of establishments have 7.7 percent or less of the local market. *Table 5.9*

**Table 5.9**  
**Total Businesses by Establishment Type**

<i>Establishment type</i>	<i>Businesses</i>	<i>Percentage of total</i>
Health & medical service	207	38.8%
Membership organizations	41	7.7%
Unclassified establishments	27	5.1%
Social services	23	4.3%
Real estate	20	3.7%
Other business services	19	3.6%
Hospitals	17	3.2%
Banks & financial institutions	15	2.8%
Transportation	13	2.4%
Government	12	2.2%
Specialty stores	11	2.1%
General construction	9	1.7%
Drug stores	9	1.7%
Printing & publishing	8	1.5%
Entertainment & recreational services	8	1.5%
Legal services	8	1.5%
Other food stores	7	1.3%
Advertising	7	1.3%
Auto repair	7	1.3%
Professional services	7	1.3%
Transport services	6	1.1%
Heavy construction	5	0.9%
Convenience stores	5	0.9%
Other food service	5	0.9%
Other personal service	5	0.9%
Manufacturing	4	0.7%
Durables wholesale	4	0.7%
Restaurants	4	0.7%
Insurance carriers	4	0.7%
Primary & secondary education	4	0.7%
Building materials, hardware & garden	3	0.6%
Colleges & universities	3	0.6%
Child care services	3	0.6%
Non durables wholesale	2	0.4%
Motion pictures	2	0.4%
<b>Total</b>	<b>534</b>	

*Metro MSP*

The majority of employees in Downtown East and Elliot Park are in professional occupations, with 3,184 (23.1%) people in professional specialty occupations, 2,843 people in administrative support (20.6%), and 1,620 executives, managers and administrators (11.7%). Interestingly, the total number of employees drops to 13,704 when looking at the occupational data. *Table 5.10*

**Table 5.10**

**Employees by Occupation**

<i>Occupation</i>	<i>Employees</i>	<i>Percentage of total</i>
Professional specialty occupations	3,184	23.1%
Administrative support workers	2,843	20.6%
Executive, managers & administrators	1,620	11.7%
Other services: site based	1,336	9.7%
Sales workers and clerks	1,182	8.6%
Technicians	861	6.2%
Precision, craft, & repair: site based	815	5.9%
Machine operators, assemblers, and inspectors	302	2.2%
Handlers, helpers and laborers	288	2.1%
Sales professionals	270	2.0%
Construction, repair, and mining: field based	247	1.8%
Transportation and materials moving workers	243	1.8%
Farming, forestry, and fishing	208	1.5%
Protective services	166	1.2%
Other services: field based	114	0.8%
Technical, sales and administrative: field occupations	25	0.2%
<b>Total</b>	<b>13,704</b>	

*Metro MSP*

Looking at employees by establishment type it is evident that printing and publishing, healthcare, government, and business services are the key industries in Downtown East and Elliot Park. *Table 5.11*

**Table 5.11****Employees by Establishment Type**

<i>Establishment Type</i>	<i>Employees</i>	<i>Percentage of Total</i>
Printing and publishing	2,956	21%
Health and Medical Services	1,755	13%
Government	1,372	10%
Hospitals	1,297	9%
Other business services	1126	8%
Entertainment & recreation	795	6%
Social services	611	4%
Professional services	546	4%
Chemicals	350	3%
Motion pictures	307	2%
Advertising	265	2%
Restaurants	262	2%
General construction	243	2%
Membership organizations	233	2%
Real estate	159	1%
Durables wholesale	140	1%
Auto repair	139	1%
Heavy construction	135	1%
Colleges & universities	120	1%
Electronics & computer stores	110	1%
Unclassified establishments	103	1%
Banks & financial institutions	99	1%
Auto dealer & gas stations	90	1%
Specialty stores	77	1%
Communications	73	1%
Computer services	71	1%
Drug stores	56	0%
Primary & secondary education	53	0%
Legal services	44	0%
Liquor stores	32	0%
Bars	30	0%
Machinery & equipment manufacturing	25	0%
Other personal service	24	0%
Child care services	23	0%
Museums and zoos	22	0%
Other food service	15	0%
Beauty & barber shops	10	0%
Insurance carriers	9	0%
Other food stores	8	0%
Building materials, hardware & garden	8	0%
Convenience stores	4	0%
Other food stores	3	0%
Furniture stores	2	0%
Non durables wholesale	1	0%
<b>Total</b>	<b>13,803</b>	

Source: Metro MSP

Looking at the numbers of employees and establishments from ESRI BAO shows that healthcare and social assistance and information are the largest industries by employment in Downtown East and Elliot Park. Other large employment industries are in the arts, professional services and public administration. As reported earlier, the total employment is 14,827 employees. Using State economic indicators, employees in the area are estimated to generate over \$796.5 million in total wages. The average salary in the area is \$53,720 annually, slightly lower than the citywide average of \$60,476 and nearly three times as much as the per capita income for residents.<sup>26</sup> *Table 5.12*

There are 83 employers in Downtown East and Elliot Park with 15 or more employees. The total number of employees using individual firm statistics is significantly higher than using district-wide estimates. Looking at the number of employees in firms with 15 or more employees would indicate that there are a total of over 22,000 employees in Downtown East and Elliot Park. Upon closer examination it appears that not all of the employees attached to a firm actually work in the area. Valspar is a perfect example as they are listed as having 9,400 employees, but the company reports that there are just 85 employees in Downtown East. It is obvious that the aggregate data is not including 9,400 Valspar employees in the total. *Table 5.13*

**Table 5.12****Annual Earnings for Employees by Industry in Downtown East and Elliot Park**

Industry Sector NAICS Code	Establishments	Employees	Avg. Salary	Total wages
Health care & social assistance	112	3,933	\$48,360	\$190,199,880
Information	26	2,942	\$63,388	\$186,487,496
Arts, entertainment & recreation	13	1,336	\$44,408	\$59,329,088
Professional, scientific & technical services	63	1,289	\$74,932	\$96,587,348
Public administration	16	1,243	\$59,020	\$73,361,860
Construction	29	920	\$58,864	\$54,154,880
Other services	49	814	\$31,148	\$25,354,472
Food services & drinking places	21	563	\$16,692	\$9,397,596
Administrative services	14	413	\$36,920	\$15,247,960
Unclassified establishments	51	203	\$30,368	\$6,164,704
Real estate, rental & leasing	39	184	\$71,708	\$13,194,272
Educational services	5	148	\$54,392	\$8,050,016
Wholesale trade	11	145	\$62,608	\$9,078,160
Manufacturing	10	108	\$56,940	\$6,149,520
Electronics and appliance stores	8	95	\$39,000	\$3,705,000
Gasoline stations	1	90	\$20,124	\$1,811,160
Central bank/credit remediation	7	72	\$76,388	\$5,499,936
Food & beverage stores	6	67	\$16,692	\$1,118,364
Health & personal care stores	6	66	\$44,408	\$2,930,928
Securities, investments & related activities	2	62	\$125,632	\$7,789,184
Accommodation	1	45	\$27,456	\$1,235,520
Miscellaneous store retailers	7	29	\$20,176	\$585,104
Insurance carriers & related activities	3	17	\$112,892	\$17,046,692
Transportation & warehousing	8	12	\$44,928	\$539,136
Management of companies & enterprises	1	9	\$88,712	\$798,408
Sporting goods, book, & music stores	5	6	\$19,032	\$114,192
Building materials & supplies dealers	2	6	\$34,008	\$204,048
Motor vehicle & parts dealers	1	5	\$37,284	\$186,420
Furniture & home furnishing stores	2	2	\$33,748	\$67,496
General merchandise stores	1	2	\$44,980	\$89,960
Clothing & clothing accessories stores	0	1	\$21,996	\$21,996
<b>Total</b>	<b>520</b>	<b>14,827</b>	<b>\$53,700*</b>	<b>\$796,500,000*</b>

Source: ESRI BAO, DEED

\* Estimated

**Table 5.13****Businesses With 15 or More Employees in Downtown East and Elliot Park**

<b>Industry</b>	<b>Business name</b>	<b>Employees</b>
Accommodation & food service	Aloft Hotel	19
	Maxwells	20
	Sawatdee	70
	Hubert's	32
Administrative	Financial Systems Support	38
	Sherman Associates	20
	Masterworks of Minneapolis	30
Construction	Kraus-Anderson	378
Educational	Center for Development Technological	15
	University of Minnesota	Not Listed
Educational Services	North Central University	332
Health Care & Social Service	National Multiple Sclerosis	55
	Program in Human Sexuality	35
	University Mental Health	25
	Advanced Care	89
	Andrew Residence Management	200
	Augustana Chapel View Homes	750
	Cardiology Division HCMC	85
	Eden Women's Program	15
	Elliot Nursing Facility	20
	Erickson & Lande	15
	Hennepin Healthcare System	5000
	House of Charity	15
	Meadowbrook Women's Clinic	25
	Metrokids	15
	Metropolitan Internist	20
	Midwest Home Health Care	400
	Minnesota AIDS Project	70
Minnesota Society Open Community	17	
Multi Speciality Clinic	25	
Nephrology Analytical Services	35	
Total Renal Care	54	
Information	Network Computing Services	50
	MCI Worldcom	15
	Star Tribune	2700
	Tiger Oak Publications	75
	Unplugged Cities	16
Manufacturing	Valspar	9400
Real estate	Metropolitan Sports Facilities Commission	80
	Timeshare Systems	18
Arts, Entertainment & Recreation	Guthrie Theater Foundation	187
Real Estate	Augustana Care Corporation	1030
	Metropolitan Sports Facilities Commission	80
Retail Trade	Street Beats	24
Other Services	Loft	19

### Businesses With 15 or More Employees in Downtown East and Elliot Park

Industry	Business name	Employees
	Mc Knight Foundation	30
	Metropolitan Sports Facilities Commission	40
	World Professional Association for Transgender Health	20
	Allied Parking	25
	First Covenant Church	18
	Greater Minneapolis Day Care Association	47
	Metropolitan Sports Facilities Commission	40
Professional, Scientific, and Technical Services	Alliant Engineering	20
	Duffy & Partners	15
	Elnes Swenson Grah	84
	Franklin Corporation	100
	Internet Exposure	17
	John Ryan Performance	45
	Olr America	45
	Padilla Speer Beardsley	99
	Meyer Scherer & Rockscastle	50
	Velle Hoffman Voeldl Masn Gette	80
	Davita Clinical Research	23
	Greer & Associates	25
	Mahoney, Daugherty, Mahoney	35
	Minneapolis Medical Research Foundation	230
Wholesale Trade	Metro Systems Furniture	50

Source: Metro MSP

The fact that the number of employees attached to individual firms is known to be overstated and that district-wide estimates are lower than the sum of individual firms from the Metro MSP data indicates that district estimates from Metro MSP are likely a good measure of overall employment statistics. The overall estimates from Metro MSP are also less than those from ESRI BAO, which is expected given the slightly smaller data area. When examining both data sets in detail it appears that the Star Tribune, which has just 600 employees in the district, may be skewing the information and printing and publishing industries upward by as much as 2000 employees in both data sets. The data from Metro MSP likely over-estimates the number of Valspar employees, but this seems to have been corrected in the more recent ESRI BAO data. Correcting for the apparent errors from Star Tribune is difficult because the different data sources and employment measures do not link directly to individual firms. However, a reasonable correction is to subtract 2,100 employees from the Information industry in the ESRI BAO data. The revised conservative estimate for Downtown East and Elliot Park employment is then 12,700 employees making an estimated total of \$663.4 million annually. *Table 5.14*

**Table 5.14**  
**Corrected Employment Estimates**

	<i>Conservative</i>	<i>Available Data</i>
Establishments	520	520
Employees	12,700	14,800
Wages	\$663,400,000	\$796,500,000

*Source: Metro MSP, ESRI BAO, collected data*

Looking at the entire employment picture it is apparent that there are many employees in Downtown East and Elliot Park who are in professional industries and occupations that pay well. It is perplexing that there has not been more retail business and restaurant development that caters to white-collar professionals.

## Conclusion

There is a large income disparity between residents of older and newer housing in Downtown East and Elliot Park. This income gap is not surprising considering the number of people living in subsidized affordable housing and group quarters in the Elliot Park neighborhood. Local stakeholders should not let the low average income and high unemployment of the Elliot Park neighborhood deter retail business development, however, as low income individuals still need to purchase basic goods and services. The larger impediment to retail development may be the number of people living in group quarters as they generally have many basic needs met through their living environment and may need to patronize local businesses.

There is a significantly untapped consumer market in the residents and workers of Downtown East and Elliot Park. The workers are generally well paid and are not believed to live in the immediate area. Anecdotal evidence suggests that there is a desire for more casual dining options over the lunch hour. The residents are often overlooked as a consumer market because of the low average incomes, however they still have significant spending potential. The total income of residents and workers is estimated to be over \$860 million. Bringing the size of this market to the attention of developers and businesses may provide an incentive to invest in the area and create retail services that meet the needs of both workers and residents.

In terms of industry clustering it is clear that the largest business sector is health care. Other important sectors are social services and professional, scientific and technical services. In general, the area may provide additional value to new businesses in other technical, professional and research fields.

Local stakeholders should consistently remind business and development interests of the size and spending potential of the untapped consumer market in Downtown East and Elliot park. Given the needs of the local area and the ability to attract business from

commuting workers that wish to stop for a few items on their way home, a grocery store or market in the area may be a successful business venture. There are also opportunities to reach out to industry groups in the medical, research and technical fields to attract the interest of firms that may find value in locating near similar businesses.

Given the number of employees and businesses in the area, the East Downtown Council should take a more active role in engaging local businesses and voicing the concerns of the entire business community. With support and participation from more local businesses, the East Downtown Council can generate support for redevelopment efforts and promoting the vitality of the area.

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<sup>22</sup> *Minneapolis/Saint Paul Regional property and demographic data*. Metro MSP, Minneapolis Regional Chamber Development Foundation. Accessed August 7, 2009: <http://www.metromsp.org>

<sup>23</sup> *On-demand reports and maps for Business Analyst Online*. ESRI, provided by Minneapolis Department of Community Planning and Economic Development. Accessed November 11, 2009: <http://www.esri.com/bao>

<sup>24</sup> Note on Metro MSP and ESRI BAO reporting schemes:

Metro MSP requires users to define a radius from a point while ESRI Business Analyst Online allows users to define a polygon from which to draw information. Because of the noncircular shape of the study area, the Metro MSP analysis was combined from the separate analysis of two separate .3-mile radius circles with center points at 825 8th Street South and 925 Washington Avenue. Most of the Downtown East and Elliot Park area is covered by the two circles but the data from Metro MSP does not cover the entire district. The two radii are sized to minimize overlap and double counting that results from combining information from the two data sets. The areas lying outside of the study circles do contain a small number of businesses and residential structures not counted in the Metro MSP data, subjectively indicating that the Metro MSP data provides an accurate understanding of the Downtown East and Elliot Park district, but is best used to corroborate the data from ESRI BAO.

<sup>25</sup> Note on unemployment:

Low income people tend to have lower levels of education and unemployment rises faster and remains higher longer for less well educated people.

<sup>26</sup> *Quarterly Census of Employment and Wages*. (Third quarter, 2009). Minnesota Department of Employment and Economic Development. Accessed November 23, 2009: <http://www.positivelyminnesota.com>

# Module 6 – Real Estate, Land Use, & Parking

This section focuses on the property in the area and includes information on real estate, zoning, land use, parking, land value and the historic significance of the area. Crime is also considered in this section because of the impact that crime has on the perception of an area and how that perception affects desirability and real estate value.

The Downtown East and Elliot Park neighborhoods face a compounding series of market distortions which lead to an underdeveloped area that does not meet its land use and tax base potential, or provide the services and amenities desired by local institutions, business, and residents. Economic development and physical development in Downtown East and Elliot Park are inseparable because of the large amount of underutilized land, and relative lack of leasable commercial and retail space. The lack of services and amenities lead to a negative perception of the area, leaving prospective residents whose incomes allow them broader choices within the real estate market to locate in other areas; further exacerbating the area's economic difficulties by removing an important consumer base. Finally, crime statistics are examined to understand the real versus perceived impact of crime on the area.

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## **Real estate market**

An initial investigation of estimated market value has revealed that the value of property along Chicago Avenue is largely tied to property utilization. Both rental and ownership multifamily housing tends to be relatively high value compared to all properties in the city, while commercial parking lots and social service outlets tend to reflect very low property value. The relatively high value of residential property suggests that revitalization of underutilized property will result in significantly higher property values for redeveloped parcels, which may positively affect the value of fully developed parcels in the immediate vicinity. Even redevelopment of underutilized non-taxpaying property can increase the tax base by boosting the value of surrounding properties by creating a more vibrant and desirable area.

Low estimated value of underutilized property does not necessarily reflect a low selling price that would attract development interest. Real estate data suggests that existing owners are only willing to sell at very high prices due to potential value inherent in the area's downtown location and associated high-intensity zoning. What the low estimated marked value does reflect is low demand for property, low rents and low carrying cost. Most underdeveloped properties in the area generate enough income through commercial parking and low-rent buildings to allow owners to hold property indefinitely while waiting for demand to increase. An imbalance arises when property owners'

perception of value is much higher than what the market is willing to bear, yet there is very little financial motivation for sellers to lower their price due to positive cash flow.

While the assessed value of property is an important factor in determining development potential, the estimated value of property should not be taken as the price that a willing buyer and willing seller will agree upon. Buyers and sellers often differ greatly in their individual evaluation of a properties potential value. This break between buyers and sellers is perhaps more true in transition areas like Downtown East and Elliot Park where there is a high potential value in the location, but little in the way of current desirability and marketability. Furthermore, there is a huge variety of land uses and occupants in Downtown East that make generalizing land values almost impossible. The size, location and use of the surrounding properties will greatly influence the desirability of any particular parcel. For example, a property near the Guthrie Theater is likely to be more desirable to than a property near an electrical substation or vacant lot.

The unimproved commercial property market in Downtown East and Elliot Park is difficult to categorize because of the wide variety of property characteristics and relatively few listings. As of March 2010 there was only one unimproved commercial property listed. The property is currently operated as a surface parking lot and the asking price is \$91 per square foot, which is nearly 2.5 times the median assessed value of commercial parking in the area. It is unknown if the other developable lots in the area would sell for such a high price, or if a high asking price is unique to this property owner. Looking at other unimproved property in the Minneapolis – Saint Paul area, prices tend to average between \$25 and \$30 per square foot, with prices being generally higher in more highly developed areas.

The price at which profit-motivated owners will sell property is entirely dependent the owner. Commercial parking lots tend to generate modest profit with very little risk. Furthermore, commercial parking still holds high potential value if it is held to sell at a high point in the market. Underutilized corporate property can create value through a variety of means, including providing flexibility for future expansions, addition of overall holdings and associated value of the parent company, cash flow through leased parking, and free or low-cost parking for employees. Undeveloped corporate property still has high potential value if held until prices rise with the real estate market.

One of the issues contributing to the high land value in Downtown East and Elliot Park is the high-intensity zoning that allows for large buildings to be constructed. Large buildings are capable of generating a significant amount of rental income, and current owners understandably would like to capitalize on that profit potential when they sell to a developer.

## **Residential Market**

The Minneapolis residential rental market is comparable to that of the Metro area, though slightly more expensive. According to the GVA Market Advisors, average rent in

the first quarter of 2010 was \$953 in the city compared to \$902 for the Metro area. Vacancy rates were 6.5 percent in Minneapolis and 6.1 percent for the entire Metro. This low rate indicates strong demand for rental housing and that new rental housing is more likely than ownership development in the near term. Looking at Minneapolis submarkets reveals that downtown and south Minneapolis have the highest vacancy rates with 8.4 percent and 9.9 percent respectively. Vacancy rates in other areas of the city ranged from 2.9 percent to 5.8 percent. As expected, downtown rents are higher than all other areas of the city. Downtown rents average \$1,203 compared to a range of \$803 to \$863 for other Minneapolis submarkets.<sup>27</sup>

Residential sales and prices have been declining since the second half of 2009. Median sales price for traditional sales was \$192,542 in Minneapolis compared to \$200,000 for the Metro.<sup>22</sup>

The residential ownership market in Downtown East and Elliot Park is composed primarily of new condominiums. In the spring of 2010 there were a total of 97 residential units listed for sale in the area including townhomes. The median listed price of available units was \$302,250 for a two bedroom, two bath, approximately 1,200 square foot unit. The average asking price was significantly higher at over \$420,000 for over 1,400 square feet. The highest listed price was \$2.5 million for a 3,200 square foot loft, and the lowest price unit was under \$85,000 for a 441 square foot studio unit. Available units were clustered around Grant Park, Skyscape, and north of Washington Avenue in the Mill District.

The majority of condominiums in Downtown East and Elliot Park were built during the later phase of the downtown housing boom and as a result have had a difficult time selling. It is unknown how many condo units are vacant or being rented out instead of sold. There has been some activity in the market as investors purchased large blocks of unsold units in the Skyscape and Sexton developments. At this point it is difficult to predict how the new owners will capitalize on their investment, but given the nationwide housing market, it is likely that a number of previously for sale condominiums will be put on the rental market. In May 2010 the metro area condominium market had over ten months of supply and units were selling for 90 percent of asking price.<sup>28</sup> With nearly a year of supply and relatively low sales prices, development of new condominiums is not likely to occur until the market improves.

Given the current economic situation and volatility in the housing market it is extremely difficult to predict what the future of housing will look like. Vacancy is reasonably low for rental housing, but ownership housing does not have a way to measure vacancy. There may be a significant number of current owners waiting for the market to turn around to put their homes up for sale. This could introduce a large number of properties to the market and further reduce prices. In general, the ownership housing market is not likely to generate new ownership development in the foreseeable future.

Further complicating the condominium market are the much lower per square foot prices of single family homes and townhomes. Single family properties are on average

25 percent less per square foot and townhomes are 33 percent less than condominiums.<sup>23</sup> Given current prices, it may be that prospective buyers who would otherwise be attracted to an urban condominium purchase single family or townhome properties because of the increased value. Townhomes may be a good development opportunity from a real estate perspective, but the land prices in Downtown East and Elliot Park would likely make for very expensive townhomes. *Table 6.1*

**Table 6.1**

**2010 Housing Market by Home Type**

	Single Family	Townhomes	Condominiums
Months of supply	6.5	6.5	10.2
Percent of list price	94.1	92.8	90.2
Average price/Ft <sup>2</sup>	\$106	\$94	\$141

*Source: Minneapolis Area Association of REALTORS*

**Commercial Market**

There are several commercial buildings for sale in the area, but values vary greatly due to condition, size, and type of building. Buildings typically have higher carrying costs than surface parking lots, so building owners may be more motivated to sell compared to those that own surface parking. Even with a motivated seller, however, developed property may have a difficult time finding a buyer due to the limitations inherent to existing structures.

Some existing commercial buildings are underutilized and contribute to the feeling of vacancy in Downtown East and Elliot Park. The underutilized commercial properties fall into two broad categories; property that is vacant or only partially occupied, and retail property that is used for institutional office, classroom, or other non-retail use. While institutional offices and classrooms are an important use in the area, these uses tend to function better when somewhat closed off from outside distractions, thus leaving them with an outward appearance of being “closed for business,” which is not desirable if one is working to attract new development.

Downtown Minneapolis, which includes Downtown East and Elliot Park, has a large amount of multi-tenant office space and is currently facing high commercial vacancy rates. Overall, downtown has nearly 26.5 million square feet of office space and a vacancy rate of 19.4 percent, or over 5 million square feet of vacant space. The majority of the office space downtown is Class A and has a lower vacancy rate than Class B and C space.<sup>29</sup>

Average lease rates for downtown office space range from \$16.63/square foot for Class A space to \$11.16/square foot for Class B space. Overall the average lease rate is \$13.28 per square foot. Interestingly, the average rate for Class C space is higher than that of Class B space.<sup>29</sup>

Taxes and expenses are a significant portion of the total cost of office space and is generally a dollar or two less than the rental rate. *Table 6.2*

**Table 6.2**

**Minneapolis CBD Multi-Tenant Office Space By Class (4th Quarter 2009)**

<i>Office Class</i>	<i>Square Feet</i>	<i>Vacant Square Feet</i>	<i>Vacancy Rate</i>	<i>Average Net Lease Rate</i>	<i>Tax &amp; Expenses</i>
Class A	13,240,484	1,895,374	14.3%	\$16.63	\$13.18
Class B	11,106,050	2,690,140	24.2%	\$11.16	\$9.92
Class C	2,123,844	555,310	26.1%	\$11.94	\$8.78
Total	26,470,378	5,140,824	19.4%	\$13.28	\$12.03

Source: Colliers Turley Martin Tucker

Downtown Minneapolis is cost competitive with other office markets in the Metro Area. The average lease rates of the Southwest Suburban and West Suburban areas are higher than downtown Minneapolis. The Minneapolis CBD vacancy rate is in the mid range of the Metro Area. Taxes and expenses for downtown office space are the highest in the region, but not significantly so. In general, the overall cost of office space in the Minneapolis CBD is in balance with the rest of the region. *Table 6.3*

**Table 6.3**

**Metro Area Multi-Tenant Office Submarket Totals (4th Quarter 2009)**

<i>Submarket</i>	<i>Square Feet</i>	<i>Vacant Square Feet</i>	<i>Vacancy Rate</i>	<i>Average Lease Rate</i>	<i>Tax &amp; Expenses</i>
Minneapolis CBD	26,470,378	5,140,824	19.4%	\$13.28	\$12.03
St. Paul CBD	7,430,329	1,838,831	24.7%	\$11.70	\$11.80
Minneapolis Non-CBD	2,185,497	261,945	12.0%	\$11.58	\$9.49
St. Paul Non-CBD	2,159,401	371,377	17.2%	\$9.69	\$9.43
Southwest Suburban	14,865,733	3,357,277	22.6%	\$13.84	\$11.73
West Suburban	8,310,384	1,264,726	15.2%	\$14.00	\$11.69
Anoka County	599,755	89,531	14.9%	\$9.35	\$8.24
Dakota County	3,353,549	672,122	20.0%	\$12.62	\$8.24
Northeast Suburban	3,141,060	751,945	23.9%	\$10.77	\$9.06
Northwest Suburban	1,478,616	527,724	35.7%	\$10.92	\$9.08
Washington County	864,103	247,463	28.6%	\$11.86	\$8.29

Source: Colliers Turley Martin Tucker

Retail space in downtown Minneapolis has a significantly higher vacancy rate than the rest of the city. Average lease rates are unknown, but the value of retail property and its suitability for a specific use is highly dependent on location. *Table 6.4*

**Table 6.4****Minneapolis Retail Space (4th Quarter 2009)**

<i>Property Type</i>	<i>Square Feet</i>	<i>Vacant Square Feet</i>	<i>Vacancy Rate</i>
Community Centers	534,586	7,350	1.4%
CBD	1,359,746	192,046	15.4%
Neighborhood Centers	1,936,409	42,620	2.2%
Total	3,839,741	259,956	6.8%

Source: Colliers Turley Martin Tucker

There is no data available for office/warehouse space in downtown Minneapolis as the area is not well suited to warehouse use. Office/warehouse type space, particularly that which is biased toward office or research and development, may be a good option for development in Downtown East and Elliot Park if buildings are developed to fit within the local context and meet zoning standards. Even though typical one story office/warehouse space is not likely to be built in the area, it is considered here to understand the potential to attract users of nontraditional office space. Lease rates outside of the downtown Minneapolis market range from \$6 to \$14 per square foot with \$2 to \$3 in expenses. The cost of office/warehouse space is compatible with the existing rents in Downtown East and Elliot Park. *Table 6.5*

**Table 6.5****Metro Area Office/Warehouse Space**

<i>Submarket</i>	<i>Square Feet</i>	<i>Vacant Square Feet</i>	<i>Vacancy Rate</i>	<i>Lease Range</i>	<i>Tax &amp; Expenses</i>
Minneapolis Non-CBD	10,471,671	726,128	6.2%	\$6.00 - \$14.00	\$2.75
Dakota County	7,629,871	953,878	11.3%	\$6.00 - \$14.00	\$2.67
Northwest Suburban	18,419,285	2,414,381	11.5%	\$7.00 - \$14.00	\$3.42
Scott County	1,265,943	9,447	0.7%	\$8.25 - \$12.00	\$1.57
St. Paul/Northeast	19,501,432	1,899,501	11.3%	\$6.00 - \$13.20	\$2.72
Southwest	14,665,311	1,994,295	11.5%	\$6.00 - \$14.00	\$3.59
Washington County	2,129,455	243,766	70.0%	\$7.75 - \$11.00	\$3.13

Source: Colliers Turley Martin Tucker

The commercial vacancy rates or amount of available commercial space in Downtown East and Elliot Park are unknown. There is relatively little space listed for lease and commercial rents in Downtown East and Elliot Park are generally quite low for the urban core. Average rents were calculated using advertised lease rates and square footages. Net and gross lease rates for older buildings are \$10.58 and \$14.77 respectively. It is unknown what the average additional expenses of a net lease are in Downtown East and Elliot Park, but it is likely to be approximately \$7 per square foot. New properties, especially those in the Mill District north of Washington Avenue are considerably more expensive with an average net rate of \$25.97. It should be noted that the new properties are primarily retail space, which tends to be more expensive than other commercial uses. *Table 6.6*

**Table 6.6**

**Downtown East and Elliot Park Commercial Lease Rates**

Average net lease rate	\$15.62
Average new construction lease rate (net)	\$25.97
Average older building lease rate (net)	\$10.58
Average gross lease rate	\$14.77

*Data: Loop.net, Metro MSP*

## Zoning

The zoning in Downtown East and Elliot Park is of medium and high density. The Elliot Park neighborhood is predominantly zoned for multifamily residential, mixed use office-residential, or light commercial use. The Downtown East neighborhood is zoned for higher density development and made up predominantly of high-intensity downtown service and commercial zoning (B4 districts). In general, areas closer to the downtown core are zoned for higher intensity than areas farther from the core.

The maximum floor area ratios of the Downtown East and Elliot Park range from 2.0 to 16. There are no maximum heights for downtown zones, but other zones are limited to four or six stories with the exception of C1 districts which are limited to 2.5 or three stories. The high allowable density of the area correlates to higher land value of developable land because of the ability to build larger structures that generate more revenue. *Table 6.7*

**Table 6.7**

**Downtown East and Elliot Park Zoning District Density Requirements**

	Multi Family		Office/Residential		Commercial			Downtown	
	R5	R6	OR2	OR3	C1	C2	C3A	B4-1/B4-2	B4S-1/B4S-2
FAR Minimum									2
Base FAR Max	2.0	3.0	2.5	3.5	1.7	1.7	2.7	8/16	4/8
Max FAR w/ Bonuses	2.0	3.0	2.5	3.5	1.7	1.7	2.7		
Max Building Stories	4	6	4	6	2.5/3	4	4		

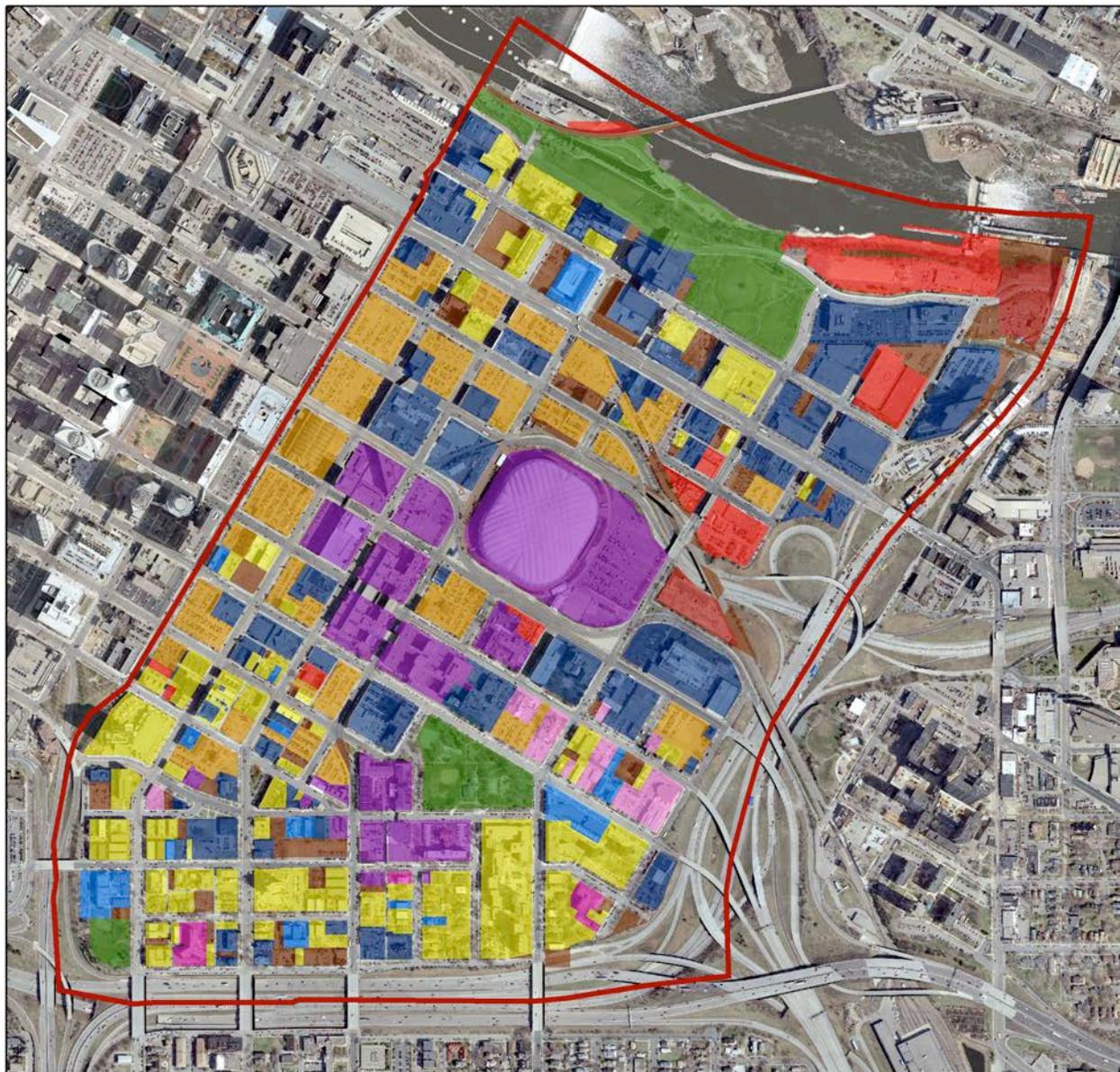
*Data: City of Minneapolis*

## Land Use Analysis

The land use of Downtown East and Elliot Park was calculated by combining the land use classifications in the Hennepin County parcel database with an on-the-ground survey of commercial parking lots. Land uses were grouped into 11 categories: commercial, residential, public/institutional, vacant, commercial parking, parks, industrial, utility, low income, and nursing home. It should be noted that churches, hospitals, and the Metrodome are included in the public/institutional land use category which was created to better reflect the land uses in Downtown East and Elliot Park. The land use in this analysis is tied to the parcel and not necessarily the use itself. For example, if a small building is on a single parcel with a large amount of commercial parking the entire parcel is categorized as parking. These categorization inconsistencies do not significantly alter the overall land use picture of the district. *Map 6.1*

Map 6.1

## Downtown East and Elliot Park Land Use



Data: 2009  
Hennepin County,  
City of Minneapolis

Elliot Park Neighborhood Inc.  
East Downtown Council

The most prominent land use in the Downtown East and Elliot Park district is commercial land. The commercial properties occupy over 72 acres, or 23 percent of the area's 309 acres of parcel area. Residential property is the second most prominent land use, with 51 acres of total acres. There are over 46 acres of public and institutional property officially classified as commercial by Hennepin County. There are also 38 acres of commercial parking officially classified as vacant commercial property. There are over 39 acres of vacant land in Downtown East and Elliot Park. One of the major attractions of Downtown East and Elliot Park is the over 20 acres of parks along the riverfront and in the Elliot Park neighborhood. Land use percentage was calculated against aggregate land use of parcels and does not include streets or other public rights of way. *Table 6.8*

**Table 6.8**

**Land Use Analysis**

<b>Land Use</b>	<b>Acres</b>	<b>Percentage of Total Area</b>
Commercial	72.2	23%
Residential	51.0	16%
Public/Institutional	46.3	15%
Vacant	39.4	13%
Commercial Lot	38.0	12%
Park	20.1	6%
Industrial	17.5	6%
Utility	9.7	3%
Low Income	7.4	2%
Church	5.4	2%
Nursing Home	2.2	1%
Total Area	309.0	

*Data: Hennepin County - augmented with primary data*

Affordable housing deserves some special attention here. Elliot Park is home to a large amount of tax-subsidized affordable housing. While affordable housing is a necessary component of any urban area, there are some feelings amongst local residents that the neighborhood has more than its “fair share” of affordable housing. The issue seems to stem from the general lack of quality shops and restaurants in the area, and the feeling that the low-income profile of the neighborhood drives away any potential retail interests. While this sentiment may have some validity, the lack of disposable income is not the only barrier to retail development in Elliot Park.

It should be noted here that the development and quality management of affordable housing, primarily by what is now Aeon, has done a great deal to stabilize the Elliot Park neighborhood. It has been asserted by affordable housing advocates that certain parcels have little potential in the real estate market and are likely to remain vacant and unused if they are not developed for affordable housing. The question then becomes, is more affordable housing “better” for the neighborhood than vacant land?

Looking beyond the issue of affordable housing is the issue of social and supportive services such as chemical dependency treatment, homeless shelters, and food service centers, many of which have a housing or short-term stay component. There has been a long-term concern that the people seeking sobriety treatment or other services attract a predatory element, primarily drug dealers to the neighborhood. This unsavory element does not help the struggling image of the neighborhood, particularly in dispelling the myth that the area is dangerous.

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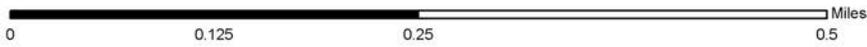
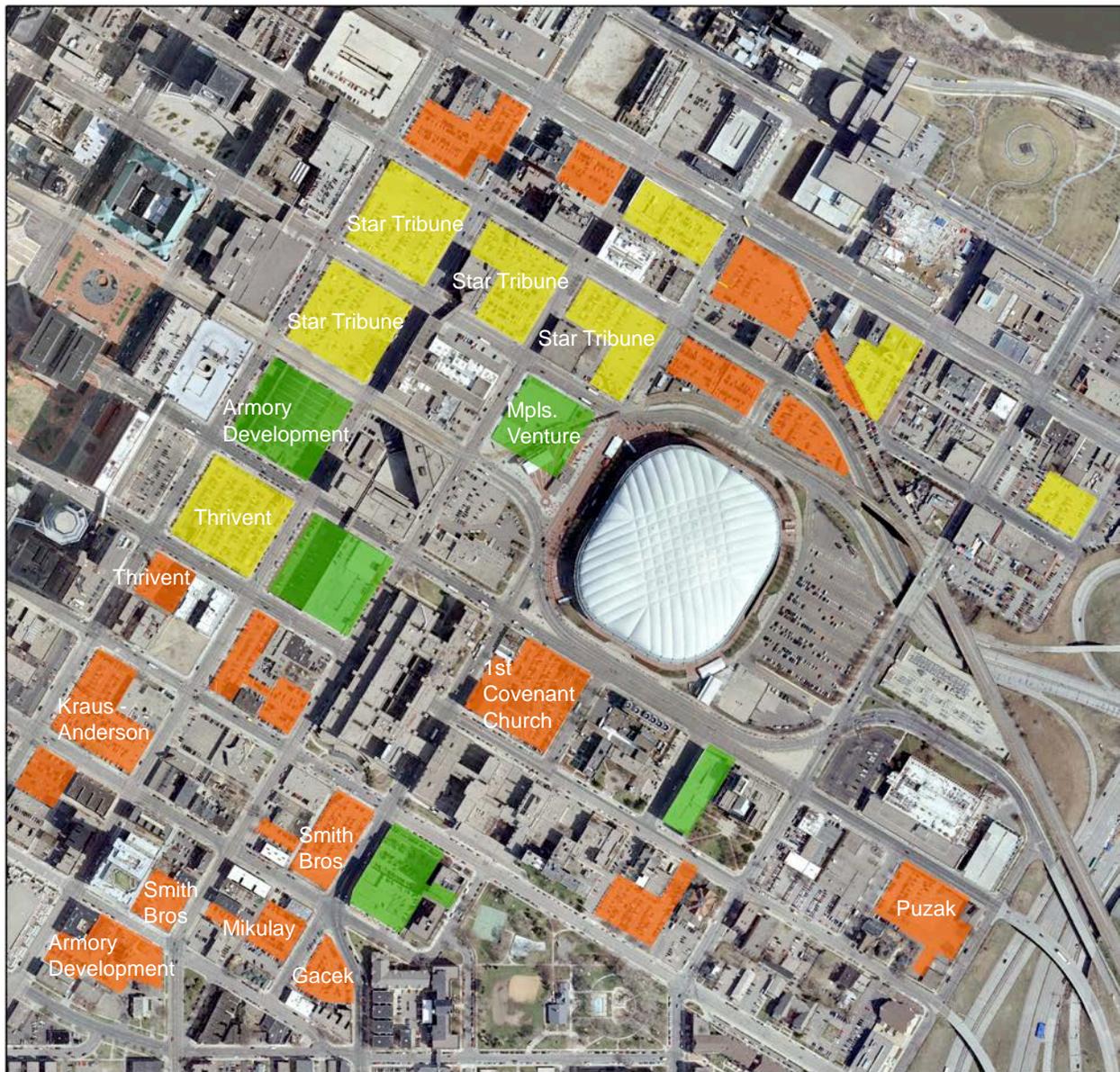
## Commercial Parking

Except where noted, these analyses do not include structured parking. The Mill District is excluded from this analysis because much of the surface parking that existed north of Washington Avenue has been redeveloped.

Excluding the Star Tribune and Thrivent employee parking lots there are 30 distinctly identifiable commercial surface parking lots with 23 ownership groups in Downtown East and Elliot Park. The lots range in size from .19 acres to 2.13 acres. For reference, a full city block in Downtown East and Elliot Park is approximately 2.5 acres. Accessory lots with posted event rates are included in this analysis while accessory parking that does not have an advertised commercial component is assumed to serve only local businesses. *Map 6.2* shows the locations of parking in Downtown East and Elliot Park and includes ownership information for selected properties. Properties were selected based on ownership or location attributes and limited for clarity.

Map 6.2

## Downtown East and Elliot Park Commercial Parking



-  Daily & Event Lot
-  Accessory & Event Lot
-  Commercial Ramp

Data: 2009  
Hennepin County,  
City of Minneapolis

Elliot Park Neighborhood Inc.  
East Downtown Council

There are a total of 6,944 commercial parking spots in Downtown East and Elliot Park for daily or monthly lease with slightly more than half of the spots located in structured parking. There are a total 8,735 spots available for events, though a number of these will likely be occupied by HCMC staff and visitors. *Table 6.9*

**Table 6.9**

**Commercial Parking In Downtown East and Elliot Park**

<i>Non-Event Parking</i>	
Commercial Surface Parking Spots	3179
Commercial Ramp Parking Spots	3665
Total Commercial Parking Spots	6844
<i>Other Parking</i>	
Star Tribune Parking Spots	1156
Total Parking Spots Available for Events	8735

Source: Primary Data

**Revenue and value**

The daily rate for parking ranges from \$3 to \$6 per space. There are monthly parking leases available in the area with posted rates ranging from \$94 to \$105 per space. On a typical weekday the lots surveyed are over half full, with some lots near Hennepin County Medical Center at capacity. Annual daily and monthly revenue ranges from \$4,524 to \$449,280 per lot, though this is highly dependent on the size of the lot. .

With the Twins move to Target Field event rates are entirely tied to Vikings games. Prices for a Vikings game range from \$10 to \$40 per spot with annual lot totals estimated to range from \$1,248 to \$131,520 with 100% of spots sold. Those lots that leased space for Twins games are conservatively estimated to have lost an average of 23% of their total revenue.

On average, commercial lots that have both commercial and event parking have 125 parking spots per acre and 164 spots per lot. The total revenue generated on these lots from daily, monthly and Vikings parking is nearly \$2.7 million annually, an average of \$845 per spot. *Table 6.10*

**Table 6.10**

**Commercial and Event Surface Parking Lots**

Average Spots per Acre	125
Average Spots per Lot	164
Total Commercial and Event Revenue	\$2,700,000*
Average Total Revenue per Spot	\$850*

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\*Estimated

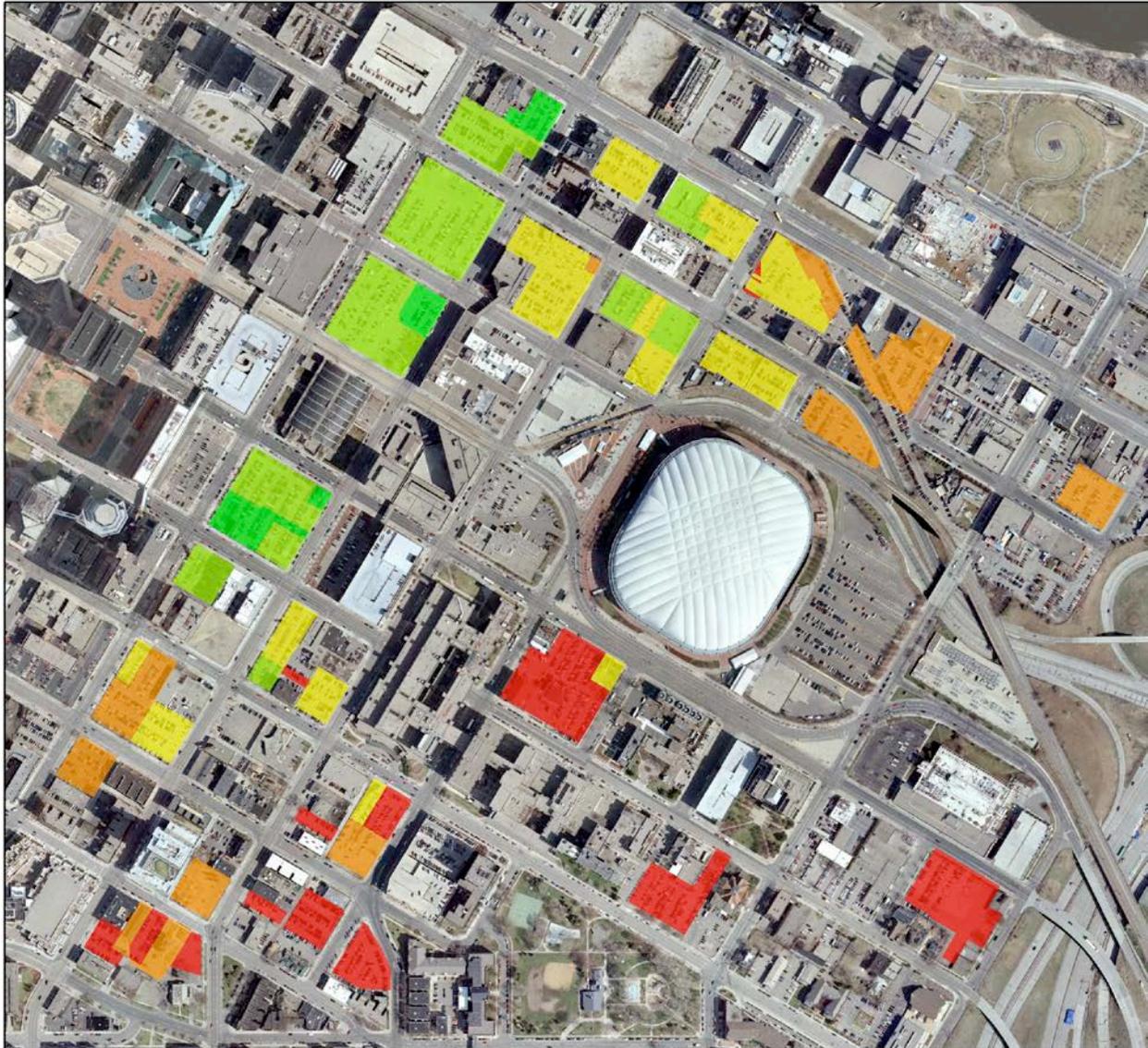
Annual revenue total from all sources is estimated to be over \$3.3million and range from \$1,250 to \$464,000 for individual lots. The range in annual revenue reflects location, number of parking spots, and most importantly the fact that some lots are able to lease parking space for daily commuters and special events on evenings and weekends, especially Sunday football games. Annual revenue per parking space per lot ranges from \$62 to \$1,600. On a per square foot basis, annual revenue for lots ranges from \$0.22 to \$6.25 and averages \$3.12. The tax burden on commercial parking land has a median value of \$1.20 per square foot, over one third of parking revenue.

The estimated market value (EMV) of Downtown East and Elliot Park commercial parking lot land ranges from \$224,000 to \$3,636,000 per lot. There are four lots with parcels holding both buildings and parking. The value of the buildings associated with commercial parking parcels ranges from \$664,900 to \$3,602,900, raising the total EMV range to \$224,000 to \$6,900,000. There may be more lots with associated buildings, but those buildings would be on separate parcels that could be separated in a possible sale.

Estimated market value for commercial surface parking ranges from \$7 per square foot to \$56 per square foot with more valuable properties located near the northwest corner of the district. *Map 6.3*

Map 6.3

## Estimated Market Value of Downtown East and Elliot Park Commercial Parking Lots



0 0.125 0.25 0.5 Miles

**Land Value / Square Foot**



Data: 2009  
Hennepin County,  
City of Minneapolis

Elliot Park Neighborhood Inc.  
East Downtown Council

After property taxes are taken into account annual net revenue ranges from \$2,447 to \$403,354. The mean net revenue is \$82,804 and the median is \$51,485. The cost of management and maintenance are not considered in this analysis because of the difficulty in estimating these parameters. Because some properties have other operational functions, parking revenue only serves as part of the income stream and the parking does not fully cover the tax burden. Looking at properties with positive cash flow after taxes the range remains the same, but the mean increases to \$111,718 and the median increases to \$94,038.

Typically speaking, a commercial lot can expect to have around \$100,000 in income after taxes. This income stream needs to be replaced if the owner is going to entertain redevelopment or sales proposals. The value of commercial lots was calculated using the net operating income and a capitalization rate of 8%. Projected value of lots ranges from \$30,581 to \$5,041,925 with a mean value of \$1,396,480 and a median of \$1,175,475. These values seem like reasonable estimates given the relative stability of commercial parking revenue.

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## Assessed Land Value

According to the assessed value, the value of property in Downtown East and Elliot Park is generally tied to land use. Commercial and residential property are the most valuable land use in the area, with a median estimated land values of over \$63 and \$65 per square foot respectively. The land value of commercial parking is over \$37 per square foot, significantly higher than that of vacant land. The disparity between parking and vacant land is presumably because the value of the parking revenue affects the sales price of comparable properties. Commercial and industrial properties have median values of \$28.28 and \$20.94 per square foot respectively. Interestingly, vacant and low-income properties have higher estimated values than residential market-rate rental and single-family property. The estimated land value of multi-tenant ownership property could not be calculated from the data available because of the way those properties are categorized within the Hennepin County dataset. *Table 6.11*

**Table 6.11**  
**Estimated Market Value of Land by Use**

<i>Land Use</i>	<i>Median EMV/F<sup>2</sup></i>	<i>Mean EMV/F<sup>2</sup></i>
Commercial	\$65.78	\$46.95
Residential	\$63.87	\$44.57
Public/Institutional	\$0.00	\$0.00
Vacant	\$8.74	\$0.00
Commercial Lot	\$37.59	\$37.20
Park	\$0.00	\$0.00
Industrial	\$25.02	\$28.63
Utility	\$16.42	\$2.69
Low Income	\$114.37	\$88.33
Church	\$0.00	\$0.00
Nursing Home	\$50.53	\$14.54

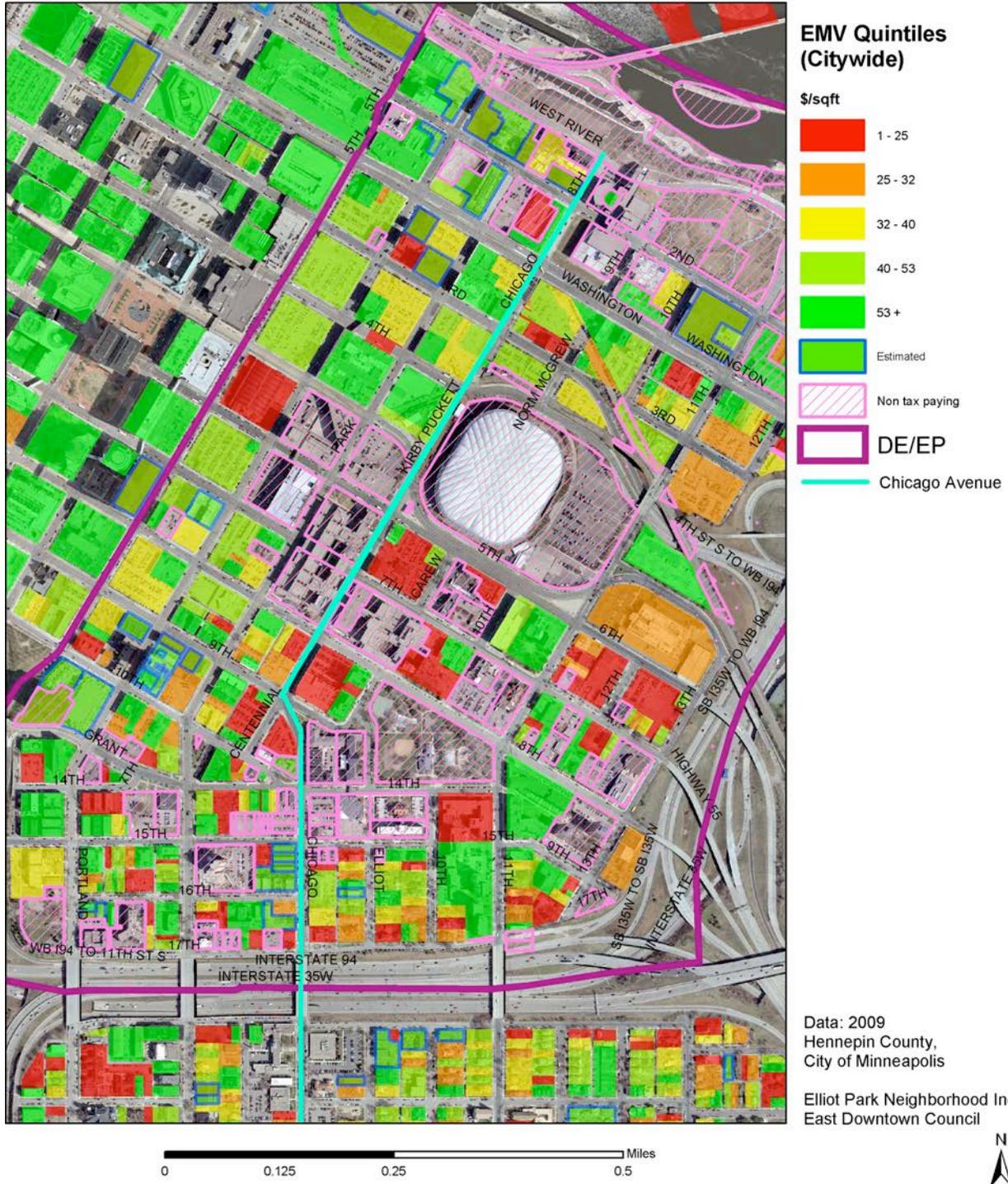
*Data: Hennepin County*

Looking at the estimated value map for Downtown East and Elliot Park it is immediately apparent that a large number of properties are tax exempt. *Map 6.4* examines the estimated value of land per square foot and categorizes values based on city-wide quintiles. Land values in Downtown East and Elliot Park are highly variable and do not appear to be linked to location or use.

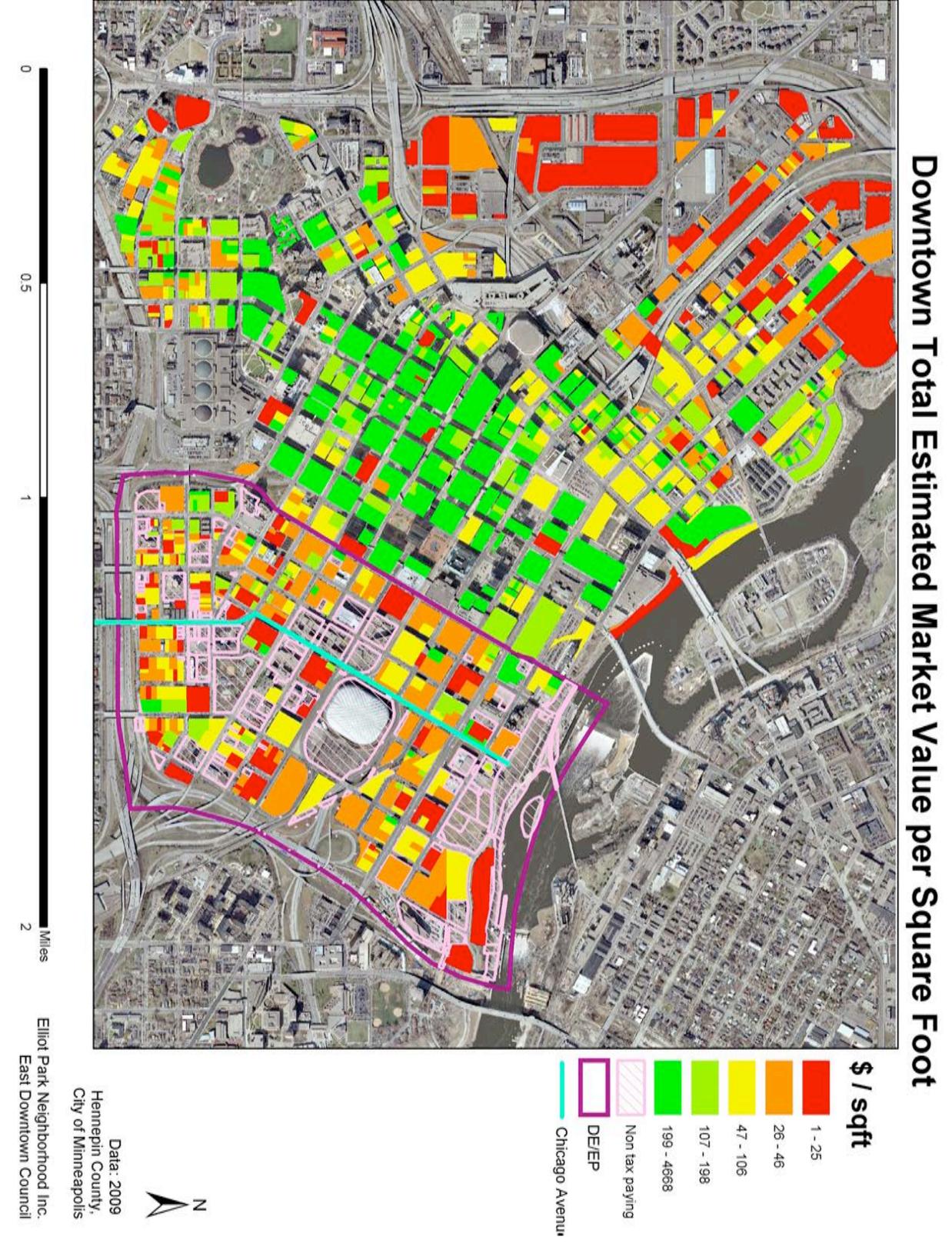
Evaluating estimated land value based on downtown properties paints a slightly different picture than the city-wide categories. Compared to other land values downtown, the properties in Downtown East and Elliot Park are very low. What is most interesting is that 5th Avenue, the border of the district, seems to be the breaking point for a large drop in value compared to the downtown core. The low estimated values do not necessarily translate to low purchase price, however. *Map 6.5*

Map 6.4

# Estimated Market Value in Downtown East and Elliot Park



Map 6.5



## Crime

Crime and safety issues are a consistent concern of Downtown East and Elliot Park stakeholders. While there are certainly crimes occurring in the area, the statistics do not support that it is a high crime area. The larger issue is the perception of crime and the sense that the area is unsafe. This perception, in some ways, becomes a self-fulfilling prophecy as those who are concerned about crime stay indoors and inadvertently contribute to the sense of abandonment that make the area feel unsafe.

Crime statistics indicate that there was more crime in Elliot Park than in Downtown East over the in the first half of 2010. The vast majority of crimes in both neighborhoods was larceny, making up 58 percent of crime in Elliot Park and 81 percent in Downtown East. While any crime is too much, the silver lining is that 84 percent of crimes in the district were crimes against property rather than crimes against people. Anecdotal evidence suggests that a large number of the crimes in the area can be attributed to thefts from vehicles, not surprising considering the parking density and lack of street activity. *Table 6.12*

**Table 6.12**

### Selected Neighborhood Crime Totals Jan 2010 - May 2010

Neighborhood	Total	Homicide	Rape	Robbery	Agg. Assault	Burglary	Larceny	AutoTheft	Arson
Downtown West	781	1	10	35	56	24	639	14	2
Marcy Holmes	198	1	4	10	10	45	104	23	1
Near - North	188	1	6	18	39	42	53	24	5
<b>Elliot Park</b>	<b>161</b>		<b>2</b>	<b>7</b>	<b>19</b>	<b>25</b>	<b>93</b>	<b>15</b>	
Lowry Hill East	147		2	6	4	16	105	13	1
Midtown Phillips	143		4	30	14	20	58	16	1
Ventura Village	137		6	33	22	17	41	17	1
Loring Park	135		3	14	11	28	71	8	
Seward	125	3	3	13	9	26	48	22	1
Phillips West	117		2	10	13	30	51	11	
Cedar Riverside	114		1	9	12	6	75	10	1
East Phillips	113		5	12	27	12	37	17	3
North Loop	111		1	1	6	17	81	5	
ECCO	77			1	3	28	41	4	
East Isles	61		2	6	3	5	43	2	
Linden Hills	55			2	1	10	35	7	
Lowry Hill	55				1	10	43	1	
University of Minnesota	51		3	2		4	40	2	
<b>Downtown East</b>	<b>37</b>			<b>3</b>	<b>1</b>	<b>2</b>	<b>30</b>	<b>1</b>	
Kenwood	15					7	8		

Source: City of Minneapolis

It is difficult to compare crime statistics between different areas of the city because of variations in travel patterns, population, land use and other factors. Comparisons can, however, provide some context for what is a high crime rate. Elliot Park, for example, has a seemingly high crime rate, but it is also densely populated and has a large number of parked cars that make for easy targets. The statistics do not indicate if the crimes were random acts or perpetrated by acquaintances of the victims. The value of property taken is also not reported so it is unknown if any given crime was theft of a CD or a diamond necklace. That is not to downplay the seriousness of crime, just to illustrate that statistics alone do not necessarily tell the whole story.

In terms of crime prevention in Downtown East and Elliot Park it may be beneficial to enlist the cooperation of commercial parking operators in securing parking lots. Controlling pedestrian access to parking lots, for example, may reduce the potential for pedestrians to cut through parking lots as a short cut. Innocent people using parking lots as a short cut through the neighborhood inadvertently disguise people who may be walking through parking lots looking for valuables to steal from automobiles. Reducing the amount of casual pedestrian traffic through parking lots may reduce the amount of theft from vehicles by making it easier to identify when someone does not belong in a parking lot and is simply looking for theft opportunities.

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## **Historic Fabric**

Downtown East and Elliot Park has a rich historic fabric than can draw interest to the area and help define the area's sense of place. Historic and cultural context can also support the development of new amenities as was seen with the Mill City Museum.

The designated historic structures and areas of Downtown East and Elliot Park are:

- Northern Implement Company
- Advance Thresher / Emmerson-Newton Co.
- William H. Hinkle House
- Band Box Diner
- First Church of Christ Scientist
- Madison School
- Harry F. Legg House
- South Ninth Street Historic District
- Saint Anthony Falls Historic District

Additional properties and areas may have historic and cultural significance and their designation may aid in the development of specific properties and the entire area.

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## Conclusion

The land use and developable land market in Downtown East and Elliot Park is largely dominated by investment properties used for commercial parking. One of the overarching struggles for the future of the area is how to balance the need for redevelopment with the ability to purchase property that is producing income for the owners. Parcels that are vacant and unused should be considered for greening projects to improve the aesthetics of the district.

The two primary issues concerning property purchase are convincing property owners to sell early in the redevelopment process when demand is unknown and prices are low, and persuading owners to sell developable properties at a price that will allow for development once the market picks up. As with development of any area, the last property to sell usually sells at a premium further preventing owners from selling early in the redevelopment process. Complicating the issue of land purchase is that even properties that are not generating revenue from parking can command high selling prices because buyers cannot purchase commercial parking for a lower price. In effect, commercial parking can have the tendency to drive up sales prices for land in the entire district because it raises the expected price of all land sales.

The residential property market is difficult to characterize due to recent condo developments and the current slump in the housing market. The rental market downtown seems to be strong and commands higher prices than in other areas of the metro. Townhomes are doing well in the current market and may provide an opportunity for more ownership development that is appropriate for infill locations in the Elliot Park neighborhood.

The commercial rental market is struggling downtown. Vacancy in commercial office structures is approaching 20 percent and there is an unknown amount of “shadow” space leased, but unused. Rent downtown remains higher than many areas of the metro, but is competitive with higher profile western and southwestern suburban locations.

The zoning in Downtown East and Elliot Park is reflective of adopted public plans and is a mix of high density and medium density zones. The overall vision of the area is as a mixed use environment with housing, retail and employment opportunities.

The number of commercial parking spots seems to more than support local need with the current level of development. Not all spots are occupied and anecdotal evidence suggests that lots closer to the downtown core serve a significant number of employees from outside of Downtown East and Elliot Park. As redevelopment efforts move forward it may be prudent for the City of Minneapolis to develop a parking strategy to address how parking will change as development occurs throughout the downtown neighborhoods.

The perception of the area as unsafe is a constant concern of many area residents. Examining statistics indicates that there are a significant number of crimes reported in Elliot Park, but the majority of them appear to be opportunistic thefts of unattended items or vehicle breakins. Downtown East, on the other hand had relatively little crime in the first half of 2010. Both neighborhoods had lower numbers of violent crimes and crimes against people than would be expected by the overall crime statistics. From the statistics available it would appear that the area is not an unsafe area. Much of the crime in the area could be prevented by educating the public to secure valuables. Enlisting the cooperation of parking lot operators in improving properties and securing surface lots may reduce crime and its psychological impact.

To maximize the potential of the real estate market, local stakeholders need to involve commercial real estate professionals who are selling and leasing properties in the area. It is important that these professionals fully understand the benefits and potential of the area to effectively market properties and generate the interest of tenants and buyers. It is also important for local stakeholders to learn from the experience of real estate professionals to understand the position of Downtown East and Elliot Park within the regional property market. In short, commercial real estate professionals have constant contact with people making decisions about where to locate businesses and the success of Downtown East and Elliot Park depends on those professionals bringing investment to the area.

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<sup>27</sup> *Minneapolis Trends, A quarterly Overview of Socioeconomic & Housing Trends in Minneapolis, first quarter 2010*. Vol. 9, No. 1 (2010). City of Minneapolis Department of Community Planning and Economic Development. Accessed June 8, 2010: [http://www.ci.minneapolis.mn.us/cped/docs/1Q\\_2010\\_trend\\_report.pdf](http://www.ci.minneapolis.mn.us/cped/docs/1Q_2010_trend_report.pdf)

<sup>28</sup> *Housing Supply Outlook*. (2010). Minneapolis Area Association of Realtors. Accessed June 8, 2010: [http://www.mplsrealtor.com/downloads/market/HSO/Archive/hso\\_2010\\_05.pdf](http://www.mplsrealtor.com/downloads/market/HSO/Archive/hso_2010_05.pdf)

<sup>29</sup> *Market Research, Minneapolis - Saint Paul*. (2010). Colliers Turley Martin Tucker.

# Module 7 – Development

Module seven describes the factors that influence the development potential of Downtown East and Elliot Park. This section includes discussions of construction costs, development potential, growth projections and the additional value that may be generated from new development. This section also includes an investigation of properties that if developed have the potential to catalyze additional investment.

There are a variety of internal factors and external factors influencing the development potential of Downtown East and Elliot Park. The current economic crisis has a significant impact on development due to the lack of available financing and depressed office and housing markets.

One major factor influencing the development potential of Downtown East and Elliot Park is the amount of developable land. The amount of underutilized land has two major, yet contradictory effects on development. The amount of undeveloped land, the downtown location, and the high-density zoning often leads to speculation that the area is a prime candidate for eventual large-scale development. This speculation can lead to property owners who might otherwise be interested in developing property to “hold out” for large projects that will command a higher land price. Furthermore, property owners who can be very patient and wait to sell land after the majority of the area is developed may be rewarded by even higher sales prices. The other effect of undeveloped land is that the first new development project will become an island in a sea of vacancy. These factors combine to create a situation where market-driven development is unlikely to occur.

To better understand the development potential of Downtown East and Elliot Park the cost of construction and amount of latent development potential were examined. Projections for the number of residents and workers and growth industries are also included in this analysis. Finally, estimates of the additional value due to redevelopment are included.

While it is easy to point to the national economic downturn and real estate crisis as preventing development in Downtown East and Elliot Park, it is not safe to assume that the local market will improve with the national economy. The area has seen past investments, but it is unknown if the area will spontaneously attract investment once the market rebounds. Rather than a passive strategy that simply waits for the market to improve, an aggressive strategy of identifying and creating market opportunities is necessary to attract as much investment as possible to Downtown East and Elliot Park.

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## Zoning and Density

Zoning has a significant effect on the development potential of an area. Zoning controls the land use of the area, but also the density and size of buildings. The zoning of an area also has an impact on land price because owners of developable property can demand a higher price for property that will support larger buildings that generate more income.

The existing zoning is of medium and high density and generally in line with the adopted plans. The Downtown East neighborhood generally allows higher zoning than Elliot Park, though the developable parcels in Elliot Park do tend to have higher allowable densities than developed areas.

The Elliot Park neighborhood is predominantly zoned for multifamily residential, mixed use office-residential, or light commercial use. The Downtown East neighborhood is zoned for higher density development and made up predominantly of high-intensity downtown service and commercial zoning. Areas closer to the downtown core are zoned for higher intensity than areas farther from the core.

The Downtown East/North Loop Master Plan calls for medium density housing of 5 to 14 floors. The area south of Ninth Street is envisioned in both the Downtown East/North Loop and Elliot Park plans as a historic street with lower density 2-4 story infill projects.

The maximum floor area ratios of Downtown East and Elliot Park range from 2.0 to 16. There are no maximum heights for downtown zones, but other zones are limited to four or six stories with the exception of C1 districts which are limited to 2.5 or three stories. The high allowable density of the area correlates to higher land value of developable land because of the ability to build larger structures that generate more revenue. In addition, only the B4S districts have a minimum floor area ratio (FAR of 2) and will support development with 2-4 story development. One difficulty in the Downtown East B4S zoning areas is that the amount of underutilized property creates a large development desert with questions about what will work as the first project in the area.

The zoning intensity in Downtown East and Elliot Park is warranted given the area's central location and transit access. It is possible, however, that the lack of development in the past is an indicator that the area is over-zoned and there is not enough consumer demand for commercial space and housing in the area. Lowering the zoning intensity may have a positive effect on development by lowering construction cost, lowering the expectations of land owners and reducing the number of tenants that must be attracted. On the other hand, lower density development is not likely to support the high land cost necessary to purchase income-producing commercial parking lots. An in-depth examination of the zoning intensity and its impact on development should be undertaken.

## Construction Costs

Two sources were used to estimate construction costs in Minneapolis: Reed Construction Data<sup>30; 31</sup> and Saylor Publications<sup>32</sup>.

According to Saylor Publications Inc., a 2-3 story apartment building will cost an average of \$135 per square foot to construct, a 4-7 story apartment building will cost \$156 per square foot, and an 8-30 story apartment tower will cost \$193 per square foot. The Reed Construction Data data puts construction cost of a 4-7 story apartment slightly higher at \$177. As a comparison, lower priced new construction condos are selling in Downtown East and Elliot Park for \$232/square foot. *Tables 7.1, 7.2*

Saylor reports that a 2-3 story office structure will cost an average of \$165.67/square foot while a 4-7 story office building construction costs \$227.87/square foot and an 8-30 story office tower costs \$257.10/square foot to construct. RS Means estimates that a one-story office building will cost \$181.60 per square foot. *Tables 7.1, 7.2*

**Table 7.1**

### Saylor Publications Construction Costs

BUILDING TYPE	COST/FT <sup>2</sup>
2-3 STORY APT	\$135
4-7 STORY APT	\$156
8-30 STORY APT	\$193
2-3 STORY OFFICE	\$165
4-7 STORY OFFICE	\$228
8-30 STORY OFFICE	\$257
RESTAURANT	\$239

*Data: Saylor Publications*

**Table 7.2**

### Reed Construction Data 2009 Construction Costs

BUILDING TYPE	COST/FT <sup>2</sup>
4-7 STORY HOTEL	\$176
8-24 STORY HOTEL	\$189
2-3 STORY MOTEL	\$174
4-7 STORY APT	\$178
1 STORY OFFICE	\$182
DAY CARE	\$157
CONVENIENCE STORE	\$109
FAST FOOD RESTAURANT	\$215

*Data: Reed Construction Data*

In order to approximate construction cost of mixed-use buildings and districts the estimated costs of office, residential, and hotel structures were averaged and rounded

to the nearest round number. A local construction company then verified the estimates as reasonable approximations of design, engineering, and construction cost. Mixed use commercial buildings of between four and seven stories are estimated to cost \$180 per square foot. Mixed use properties of two to three stories are estimated to cost \$150 per square foot. The construction cost estimates are not intended to be definitive, but rather to give a “ball park” approximation of what any given building will cost given the size of the property and current zoning standards.

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## Development Potential

The amount of developable land was estimated using the Hennepin County land use classification for vacant land and local survey information for commercial surface parking lots. Accessory parking lots were not counted as commercial parking and would not be categorized as vacant if there is a building attached to the parcel. Vacant land may include some public right of way, small parcels, or other property that is not likely to be developed. Commercial parking, on the other hand, can generally be considered as a good candidate for development.

The total amount of developable space was calculated using medium densities allowable under current zoning. Vacant land was assumed to have a lower floor area ratio because not all the vacant land is developable. Commercial parking is assumed to be developable but not all of it will be developed and what development does occur is not likely to maximize the density potential. At medium densities there is the potential to build over 13 million square feet of building space. *Table 7.3*

**Table 7.3**

### Potential Building Area - Medium Build

<i>Land Use</i>	<i>Area</i>	<i>FAR</i>
Vacant	39.4 Acres	3
Commercial Parking	38.0 Acres	5
<b>Total Building Area</b>	<b>13.4 million square feet</b>	

*Data: Hennepin County, City of Minneapolis*

Using more conservative estimates there is still the potential to develop almost eight million square feet of space in Downtown East and Elliot Park. *Table 7.4*

**Table 7.4**  
**Potential Building Area - Conservative Build**

<i>Land Use</i>	<i>Area</i>	<i>FAR</i>
Vacant	39.4 Acres	1
Commercial Parking	38.0 Acres	4
<b>Total Building Area</b>	<b>8.3 million square feet</b>	

*Data: Hennepin County, City of Minneapolis*

**Development Comparison and Occupancy**

Even with a conservative approach it is clear that Downtown East and Elliot Park has a large development potential. In order to provide some perspective on how much space can be built some comparison buildings are listed in the table below. It should be noted that even with conservative estimates Downtown East and Elliot Park can accommodate the same amount of space as six IDS Centers. *Table 7.5*

**Table 7.5**  
**Notable Large Buildings**

<i>Building</i>	<i>Location</i>	<i>Square Footage</i>	<i>Notes</i>
IDS Center	Minneapolis, MN	1.4 Million	Tallest building in Minnesota
Empire State Building	New York, NY	2.8 Million	Tallest building in New York
Willis Tower	Chicago, IL	4.6 Million	Formerly Sears Tower
Burj Khalifa	Dubai, UAE	5.0 Million	World's tallest building
The Pentagon	Arlington, VA	6.6 Million	World's largest office building

There is clearly a large amount of development potential in Downtown East and Elliot Park, but it is important to recognize that new buildings need people to occupy the space. If new space is a 50/50 mix of commercial and residential then the medium build scenario will need to attract 26,800 employees and 9,000 residents. The conservative build scenario will have to attract 16,600 employees and 5,500 residents. *Table 7.6*

**Table 7.6**  
**Estimated Occupancy of Buildable Space**

<i>Build Scenario</i>	<i>Employees</i>	<i>Residents</i>
Medium 50/50 Mix	26,800	9,000
Conservative 50/50 Mix	16,600	5,500

On the residential side, at an average of 1.55 people per unit there needs to be between 3,500 and 5,800 housing units constructed to fill the available space. For comparison Grant Park condominium development is 447,000 square feet with 327 units and Skyscape has 252 units. In order to meet the housing projections for a mixed use

neighborhood the conservative development estimate would need over 14 Skyscape sized developments of nearly 11 Grant Parks.

### **Development Cost**

A significant amount of investment is necessary to build such a large amount of space. Using \$180 per square foot as the cost for the 13.4 million square feet of medium build level and \$150 per square foot for the 8.3 million square feet of conservative build, the total cost of construction is \$2.4 billion and \$1.2 billion respectively.

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## **Growth Projections**

Any future development in Downtown East and Elliot Park will depend on a mix of commercial and housing development. Not every project will need to mixed use, but there is far too much available space to build solely commercial or solely residential projects. Furthermore, a vibrant neighborhood with successful retail businesses will depend on both residents and workers forming a complete consumer market.

### **Residential Growth**

The downtown Minneapolis residential market is projected to grow by 6,000 households between 2007 and 2020 according to ZHA, Inc. Even with conservative development estimates, Downtown East and Elliot Park can absorb over half of the total downtown residential growth. Using higher development projections the area can absorb nearly all the projected residential growth. If new development is distributed throughout the downtown neighborhoods similar to existing patterns, then Downtown East and Elliot Park can only expect 40 percent of total new growth, or roughly 2,400 new households with 3,720 residents.

ZHA projects the total downtown population to be 20,300 in the year 2020. This measure done in 2007 is roughly equal to the current estimate of between 20,082 and 21,520 residents. Given the housing boom of the last decade and current stagnation of the housing market it is possible that current population projections are accurate and downtown housing will remain relatively stable through 2020.

Population estimates by the Met Council predict that the population of Minneapolis will increase by 20,500 by 2020 and 35,800 by 2030. With the amount of developable space available, Downtown East and Elliot Park can absorb 27 percent of 2020 growth using conservative development estimates and 25 percent of 2030 growth with medium build estimates.

Looking at population projections for the city as a whole downtown makes up roughly five percent of the population. Applying the same percentage of downtown residents to

the citywide projections for 2030 least to an estimated downtown population of 22,500, or an increase of approximately 1,600 residents over the 2010 population. Keeping the proportion constant for Downtown East and Elliot Park results in an additional 640 residents. *Table 7.7*

**Table 7.7**

**Minneapolis Growth Projections**

	2000	2010	2020	2030
Population	382,747	405,300	425,800	441,100
Employment	308,127	317,000	332,500	346,500

*Source: Met Council*

If current projections are accurate and trends continue Downtown East and Elliot Park is likely to experience a population increase of less than 1,000 by 2030. These projections are based on little more than past trends and do little to accurately predict future growth in a dynamic area with a large amount of growth potential. Broader socioeconomic trends toward living downtown and the amount of developable land may lead to a larger than projected proportion of future housing development to be located in the urban core. With a concerted effort to attract market and development interest it may be possible for Downtown East and Elliot Park to attract a significant portion of the additional 35,800 Minneapolitains expected by 2030.

**Industry Growth**

The Met Council estimates that employment in Minneapolis will increase by 15,500 by 2020 and 29,500 by 2030. With the amount of developable space in Downtown East and Elliot Park, the area can absorb all of the 2020 employment growth using conservative building estimates and nearly all of the 2030 growth with medium development estimates.

To understand the development potential of Downtown East and Elliot Park it is necessary to investigate industry growth and what types of firms can be attracted to the area. By identifying growth industries that may find value in a Downtown East or Elliot Park location it may be possible to effectively market the area and entice firms to locate there.

Because of the amount of space that can be built in Downtown East and Elliot Park it is important to think about development of the area in terms of state and regional competitiveness. The future success of Downtown East and Elliot Park will depend on attracting expanding businesses from other cities in the Metro area, state, and region. In addition, the local area must continue to support the existing businesses and provide opportunities as they grow. It may also be possible to attract a large corporate

headquarters to the area, but effective marketing to firms at the national or global level becomes extremely difficult.

One of the issues that development in Downtown East and Elliot Park might face is competition from an over supply of general office space in existing downtown buildings. Therefore, it may be more effective to differentiate development in Downtown East and Elliot Park from the rest of the metro area with flexible space suitable for high-tech businesses that find value in a location with easy access to downtown financial and legal services, the University of Minnesota, the State Capital, and the Airport.

High-growth industries that may find value in an urban location are expected to add 291,000 jobs to the state by 2016. Industry growth projections at the state level show that there is significant growth expected in the education and health services industries, with over 126,000 additional jobs expected by 2016. In general industry growth at the state level is in the service sector. There is also expected to be some growth in the high tech industries, with computer systems design and electronic instrument manufacturing seeing 8,500 and 2,900 new jobs respectively. *Table 7.8*

**Table 7.8**

**Selected Industry Growth in Minnesota by 2016  
2006 Estimates**

<i>Title</i>	<i>2016 Employment</i>	<i>% Change from 2006</i>	<i>Employment Change</i>	<i>% State Growth</i>
<i>Total, Selected Industries</i>	<i>3,252,560</i>	<i>9.8</i>	<i>291,000</i>	<i>100</i>
Education and Health Services	712,550	21.6	126,601	43.5
Professional and Business Services	386,700	20	64,379	22.1
Leisure and Hospitality	278,550	13.8	33,705	11.6
Individual and Family Services	63,000	77.4	27,480	9.4
Financial Activities	202,492	13.2	23,604	8.1
Offices of Physicians	73,000	22	13,163	4.5
Management of Companies and Enterprises	78,000	18.7	12,307	4.2
Computer Systems Design and Related Svcs.	35,000	32.3	8,537	2.9
Management & Technical Consulting Svcs.	20,000	54.9	7,091	2.4
Depository Credit Intermediation	46,000	11	4,548	1.6
Insurance Agencies, Brokerages & Support	23,000	22	4,143	1.4
Security & Commodity Investment Activity	20,000	26.1	4,134	1.4
Architectural and Engineering Services	24,000	20.6	4,104	1.4
Offices of Dentists	18,700	20.1	3,132	1.1
Electronic Instrument Manufacturing	27,800	11.6	2,896	1.0
Activities Related to Real Estate	14,000	25.3	2,825	1.0
Other Professional & Technical Services	13,600	24.2	2,652	0.9

*Data: Minnesota DEED*

345,301

Industrial growth at the metro level generally follows trends at the state level with a significant portion of growth expected in the service sector. The metro area is expected to add over 175,000 jobs in high-growth industries that may find value in an urban location. Two high-tech industries that expect to see growth at the metro level that are not significant in statewide projections are medical equipment manufacturing and scientific research and development, though those industries are expected to add fewer than 2000 employees. *Table 7.9*

**Table 7.9**  
**Selected Industry Growth in Minneapolis St Paul Metro Area by 2016**  
**2006 Estimates**

<i>Industry</i>	<i>2016 Employment</i>	<i>% Change from 2006</i>	<i>Employment Change</i>	<i>% Local Growth</i>
<i>Total, Selected Industries</i>	<i>1,942,319</i>	<i>9.9</i>	<i>175,305</i>	<i>100.0</i>
Education and Health Services	381,419	20.6	65,096	37.1
Professional and Business Services	312,307	18.9	49,741	28.4
Leisure and Hospitality	168,883	13.9	20,617	11.8
Financial Activities	156,983	12.9	17,880	10.2
Individual and Family Services	40,500	64.8	15,927	9.1
Management of Companies and Enterprises	69,230	18.7	10,915	6.2
Computer Systems Design and Related svcs.	32,501	34.1	8,270	4.7
Other Services	84,632	10.6	8,098	4.6
Other Professional & Technical Services	10,000	33.8	2,525	1.4
Medical Equipment and Supplies Mfg.	15,976	12.5	1,780	1.0
Scientific Research and Development Svcs.	6,249	3.6	215	0.1
<i>Data: Minnesota DEED</i>			201,064	

## **Retail and Service Businesses**

The data available on retail business sales patterns indicates that Downtown East and Elliot Park is losing sales to other areas in a number of business sectors including home furnishings, grocery and specialty food stores, general merchandise stores and florists. The area is also losing out to other areas in retail sectors that are concentrated in the downtown core such as clothing and shoe stores.

Feedback from neighborhood residents and local professionals indicates a strong desire for more casual dining establishments, coffee shops, dry cleaning, a deli, book/music stores, an urban gardening center and ice cream parlor. While people express a variety of opinions on the types of businesses needed in Downtown East and Elliot Park, there is a nearly unanimous desire for a grocery store.

Given the space and parking requirements of modern grocery stores, Downtown East and Elliot Park may be one of the best locations in the downtown area for such a business. Data from ESRI Business Analyst Online indicates that there is over \$2.8 million annually in excess demand for grocery items in the area and over \$600,000 for the remainder of downtown. This \$3.4 million amount does not reflect the entire market potential for a store in Downtown East and Elliot Park, just the sales lost to other areas from the residential population. According to the Food Marketing Institute the average median sales per supermarket was over \$17 million in 2008, though many of the nations grocers are larger than would be appropriate for the downtown market. To successfully attract a grocer to the downtown area it may be necessary to develop incentives that reduce the risk of entering the untested downtown market.

## Additional Value

The potential value increase due to redevelopment in Downtown East and Elliot Park is estimated here. First, the value of vacant and commercial parking properties after redevelopment was assumed to be equal to the present value of residential and commercial properties. Because the value per square foot of existing structures is not available, the value of new buildings was calculated based on the ratio of building value to land value in Downtown East and Elliot Park. This ratio was then applied to the land value increase expected to occur along with redevelopment.

The total value increase of vacant and commercial parking lots after mixed use redevelopment is estimated to be \$514 million. This estimate is significantly less than the construction cost of new buildings as the calculation is based on replicating the value and density of present in existing older structures. Given that new construction is likely to be significantly more valuable than existing properties, this value projection can be considered to be a very conservative estimate. *Tables 7.10, 7.11*

**Table 7.10**

**Estimated Value Increase of Vacant Land Redevelopment:  
50/50 Commercial/Residential Mix**

	Acres	Value/ Ft <sup>2</sup>	Total Land Value	Total Building Value	Total Value
<i>Existing Value</i>	39.4	\$8.82	\$15,137,448	\$0	\$15,137,448
Potential Commercial Value		\$65.92	\$56,568,061	\$96,165,704	\$152,733,766
Potential Residential Value		\$63.87	\$54,808,891	\$93,175,114	\$147,984,005
Total Potential Value			\$111,376,952	\$189,340,819	\$300,717,771
Total Potential Increase					\$285,580,323

**Table 7.11**

**Estimated Value Increase of Commercial Surface Parking Redevelopment:  
50/50 Commercial/Residential Mix**

	Acres	Value/ Ft <sup>2</sup>	Total Land Value	Total Building Value	Total Value
<i>Existing Value</i>	38.0	\$36.98	\$61,212,254	\$0	\$61,212,254
Potential Commercial Value		\$65.92	\$54,558,029	\$92,748,649	\$147,306,678
Potential Residential Value		\$63.87	\$52,861,367	\$89,864,324	\$142,725,690
Total Potential Value			\$107,419,396	\$182,612,973	\$290,032,368
Total Potential Increase					\$228,820,114

**Strategic Properties**

Development of strategically located properties can help catalyze development in the rest of the district. Strategic properties were identified primarily by their locations, but ownership and stated redevelopment goals are a factor for some parcels. Overall, strategic properties were identified not only by their singular assets, but also by their proximity to one another and ability to form a district linking existing assets and restoring the neighborhood fabric. When fully developed these properties will link Chicago Avenue to the downtown core through the center of both neighborhoods.

The strategic properties in Downtown East are composed around the large amount of undeveloped surface parking owned by the Star Tribune. The Star Tribune properties are not fully utilized for parking and have a significant impact on the feeling of vacancy in the area. The light rail station near the Metrodome is also a key opportunity and development driver. The light rail station has the benefit of having underground parking and foundation work already completed for a future development. It also is a significant generator of pedestrian traffic with transit access to the airport and a future link to the University and Saint Paul. The Armory is an existing structure on the National Register of Historic Places and the owner has a history of seeking adaptive reuse projects.

The strategic properties in the Elliot Park neighborhood were selected due to their ability to link the downtown core and market rate housing in Grant Park and Skyscape to a potential retail node at 10th Street and Centennial Place. The retail node at 10th and Centennial is identified in the Elliot Park master plan and predicated on the existing storefronts on 10th Street and redevelopment of surrounding surface lots. The 1010 Park Avenue block has recently been purchased with the stated purpose of eventual redevelopment. The “Danny’s” lot on Chicago Avenue and 15th Street is owned by North Central University and only a small fraction of it is used for parking.

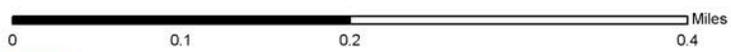
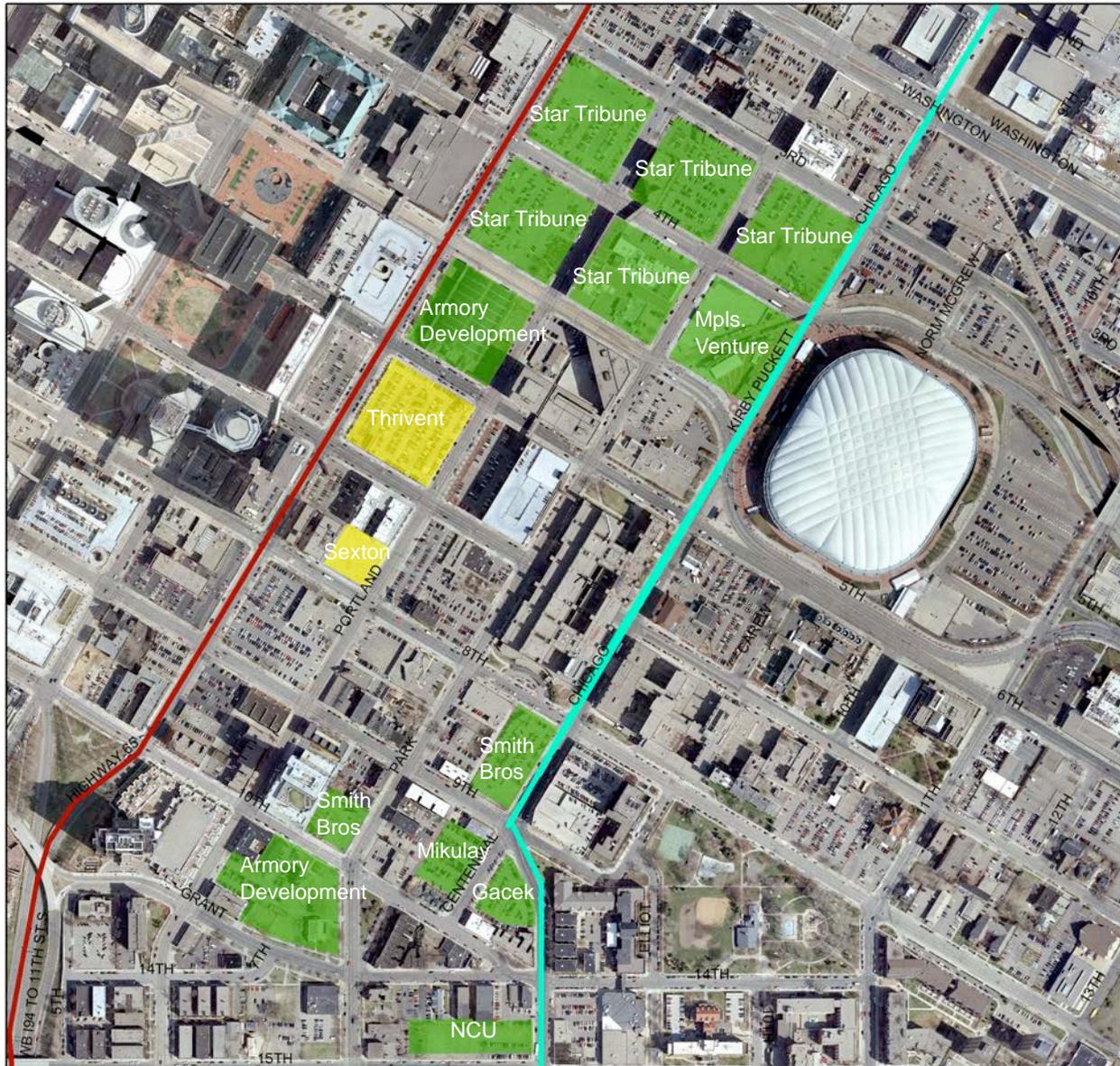
Other opportunity properties in Downtown East are the Thrivent lot and the vacant Sexton lot. The Thrivent lot offers an opportunity to bring large-scale employment-related development that links the downtown core to the HCMC complex. The Sexton

lot is unused, cannot be used for surface parking and will need to be developed eventually. These properties are included in the development map, but are left out of the development calculations as they are relatively isolated if other properties are not developed. *Map 7.1*

While these properties offer clear opportunities for development there may be factors that will prevent development. There are no specific issues known about the properties that would preclude development, but in general, property cannot be developed without the participation of the owner. Some private property owners may be comfortable with their current income stream and have no interest in selling property or getting involved with development. Properties in the hands of corporations or institutions may face a difficult and slow decision making process that is easily obviated by other priorities. Other properties may have been purchased for the eventual increase in value and the owner is not yet able to achieve a target price. Another reason development may not be possible is that financing and prospective occupants are difficult to secure in the current real estate market.

Map 7.1

# Downtown East and Elliot Park Strategic Redevelopment Areas



- Primary Strategic Property
- Secondary Strategic Property
- Chicago Avenue
- Downtown East & Elliot Park



Data: 2009  
Hennepin County,  
City of Minneapolis

Elliot Park Neighborhood Inc.  
East Downtown Council

## Development Scope

In order to approximate construction cost of mixed-use buildings the estimated costs of office, residential, and hotel structures were averaged and rounded to the nearest round number. A local construction company then verified the averaged construction costs as reasonable estimates. The construction cost estimates are not intended to be definitive, but rather to give a “ball park” approximation of what any given building is likely to cost given the size of the property and current zoning standards. Construction costs were estimated using \$180 per square foot for 4-7 story buildings, and \$150 per square foot for 2-3 story buildings. The floor areas used to calculate building size are based on the medium allowable density including the density bonuses available for the C1 and OR-2 zones.

### Elliot Park

#### *Danny's lot*

Zoning	C1
Area	.81 Acres (35,284 square feet)
Owner(s)	North Central University
Proposed Use	Mixed Use – Commercial
Building FAR	2.2
Building Size	77,977
Building Occupancy	312 employees or 104 residents
Cost per sqft	\$150/sqft
Construction Cost	\$11.7 Million

#### *1010 Park*

Zoning	OR-2
Area	.88 Acres (38,333 square feet)
Owner(s)	Armory Development (Doug Hoskin)
Proposed Use	Mixed Use – Residential
Building FAR	3
Building Size	114,998
Building Occupancy	153 residents or 460 employees
Cost per sqft	\$150/sqft
Construction Cost	\$17.2 Million

#### *Gaceck lot (900 Chicago)*

Zoning	C1
Area	.72 Acres (110,207 square feet)
Owner(s)	Gacecks
Proposed Use	Mixed Use – Commercial
Building FAR	2.2
Building Size	69,313
Building Occupancy	277 employees or 92 residents
Construction Cost	\$10.4 Million

*Mikulay/Plumbers Union (908 Centennial)*

Zoning	B4S-1
Area	.81 Acres (35,284 square feet)
Owner(s)	Mikulay & Plumbers Union (2/3 vs 1/3)
Proposed Use	Mixed Use – Residential
Building FAR	4
Building Size	141,134
Building Occupancy	565 employees or 188 residents
Construction Cost	\$25.4 Million

*Smith Bros (620 S 10<sup>th</sup> St)*

Zoning	B4S-1
Owner(s)	Smith Bros
Proposed Use	Mixed Use – Residential
Building FAR	4
Building Size	108,029
Building Occupancy	270
Construction Cost	\$19.4 Million

*Smith Bros (816 Chicago)*

Zoning	B4S-1
Owner(s)	Smith Bros
Proposed Use	Mixed Use – Residential
Building FAR	4
Building Size	212,573
Building Occupancy	531 residents
Construction Cost	\$38.3 Million

*Sexton lot (516 8<sup>th</sup> St)*

Zoning	B4S-1
Owner(s)	Twin Cities Lofts LLC – Andy Chase
Proposed Use	Mixed Use – Residential
Building FAR	4
Building Size	111,514
Building Occupancy	279 residents
Construction Cost	\$20.1 Million

*Armory*

A development analysis was not prepared for the Armory due to the difficulty in estimating the cost and financing associated with historic restoration and adaptive reuse.

## Downtown East

### *Minneapolis Venture LLC Downtown East ramp*

Zoning	B4S-2
Area	2.53 Acres (110,207 square feet)
Owner(s)	Minneapolis Venture LLC
Proposed Use	Mixed Use – Commercial
Building FAR	5
Building Size	551,034
Building Occupancy	2,204 employees or 735 residents
Construction Cost	\$99.2 Million

### *Star Tribune Properties (four blocks)*

Zoning	B4S-2
Owner(s)	Star Tribune Company
Proposed Use	Mixed Use – Commercial
Building FAR	5
Building Size	374,616; 411,642; 535,788; 544,500 [1,866,546 total]
Building Occupancy	1,498; 1,647; 2,143; 2,178 [7,466 employees]
Construction Cost	\$67,430,880; \$74,095,560; \$96,441,840; \$98,010,000 [\$335,978,280 total construction cost]

At medium densities these properties can accommodate over 3.2 million square feet of space, with a projected construction cost of nearly \$578 million. If new projects are 50% residential and 50% commercial, Downtown East and Elliot Park will need to absorb 7,500 employees and 4,300 residents. Since this growth is predicated on potential development the difficulty is not in finding space for a growing population. Rather, the issue becomes one of attracting a large number of people to the area.

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## Development Finance

In order to understand the financial potential for specific developments, mock pro forma cost analyses were created for a commercial and residential projects using local zoning, local estimated land value and construction cost. Each analysis explores four scenarios using various interest, rental and vacancy rates in order to identify the break even point for a 1/2 block development with an FAR of 4. This size of development is large, but in line with what can be expected for individual properties given the amount of undeveloped land and zoning in Downtown East and Elliot Park.

This analysis is focused only on identifying at which point the basic design, construction and land cost becomes possible. It does not incorporate structured parking, profit or

return on investment. These factors were excluded from the analysis because they are highly variable.

For-lease commercial development using traditional funding mechanisms is unlikely to work in Downtown East and Elliot Park unless net rents can exceed \$28 per square foot, which is extremely high. If low interest financing and low vacancies can be secured then rental rates can be lowered to \$20.50 per square foot. Using the average rental rate of \$16 per square foot and traditional financing the development has a funding gap of \$23.5 million. The reason for the high rental rate is primarily due to the high construction cost of commercial property, estimated by Saylor Publications to be \$228 per square foot for a 4-7 story office structure. The total construction cost of this development is over \$52 million, though the land cost is estimated at under \$2million. Developments that can secure a single tenant or several tenants in long term leases may have a better chance of success. *Table 7.12*

**Table 7.12**

**Estimated Funding Gap for Example Commercial Development**

<i>Building size</i>	<i>222,156 sqft (1/2 block development, FAR 4)</i>			
<i>Vacancy</i>	<i>10%</i>	<i>0%</i>	<i>5%</i>	<i>10%</i>
<i>Financing</i>	<i>7%, 20 year</i>	<i>7%, 20 year</i>	<i>4%, 20 year</i>	<i>7%, 20 year</i>
Total Project Cost				
Land cost (\$35/Sqft)	\$1,943,865			
Building cost (\$228/Sqft)	\$50,651,568			
Estimated project cost	\$52,595,433			
<i>Income</i>				
Net lease rate (annual/sqft)	\$16	\$16	\$20.50	\$28.50
Income from leased space	\$2,843,597	\$3,199,046	\$3,871,068	\$5,065,157
Expenses on vacant space	-\$166,617	\$0	-\$83,309	-\$166,617
Income before debt service	\$2,676,980	\$3,199,046	\$3,787,760	\$4,898,540
<i>Funding Available</i>				
Financing available from cash flow	\$21,815,355	\$26,069,802	\$39,597,609	\$39,919,385
Equity needed to secure financing	\$7,271,785	\$8,689,934	\$13,199,203	\$13,306,462
Total funds available	\$29,087,141	\$34,759,737	\$52,796,812	\$53,225,847
<b>Project funding gap</b>	<b>-\$23,508,292</b>	<b>-\$17,835,696</b>	<b>\$201,379</b>	<b>\$630,414</b>

The residential development considered here would create approximately 225 apartments if the units average 900 square feet. Residential construction costs are lower than those of commercial properties by a significant margin. Salor Publications reports the cost of mid-size residential construction as \$156/SqFt. The City of Minneapolis reports that the average rent in downtown Minneapolis is \$1,203 per month. Assuming 900 square feet for a typical apartment, the rental rate equates to roughly \$16 per square foot annually. Market rate residential development is not likely to

qualify for many public financing programs so financing rates are assumed to be market rate. At average lease rates and 5% vacancy new apartment development will likely face a funding gap. Raising rents to \$18.50 per square foot will meet construction obligations with 5 percent vacancy. If vacancy is 10 percent then rent needs to be \$20 to meet construction funding needs. *Table 7.13*

**Table 7.13**  
**Estimated Funding Gap for Example Residential Development in Downtown East and Elliot Park**

<i>Building size</i>	<i>222,156 sqft (1/2 block development, FAR 4)</i>			
<i>Vacancy</i>	<i>10%</i>	<i>5%</i>	<i>5%</i>	<i>10%</i>
<i>Financing</i>	<i>7%, 20 year</i>	<i>7%, 20 year</i>	<i>7%, 20 year</i>	<i>7%, 20 year</i>
<i>Total Project Cost</i>				
Land cost	\$1,943,865			
Building cost (\$156/SqFt)	\$34,656,336			
Estimated project cost	\$36,600,201			
<i>Income</i>				
Net lease rate (annual/sqft)	\$16	\$16	\$18.50	\$20
Income from leased space	\$2,843,597	\$3,021,322	\$3,493,403	\$3,554,496
Expenses on vacant space	-\$166,617	-\$83,309	-\$83,309	-\$166,617
Income before debt service	\$2,676,980	\$2,938,013	\$3,410,095	\$3,387,879
<i>Funding Available</i>				
Financing available from cash flow	\$21,815,355	\$23,942,579	\$27,789,685	\$27,608,645
Equity needed to secure financing	\$7,271,785	\$7,980,860	\$9,263,228	\$9,202,882
Total funds available	\$29,087,141	\$31,923,439	\$37,052,914	\$36,811,527
<b>Project funding gap</b>	<b>-\$7,513,060</b>	<b>-\$4,676,762</b>	<b>\$452,713</b>	<b>\$211,326</b>

## **Metrodome Redevelopment**

If the Vikings move to another venue and the Metrodome is no longer the highest and best use for the site, then there is an opportunity to leverage redevelopment because of the control of publicly owned land. It is not likely that the Sports Facilities Commission will be able to sustain the Metrodome without a major anchor tenant. If the Vikings relocate to another facility there is the potential that the Metrodome could languish as an underutilized property if action is not taken to expedite redevelopment.

A new stadium offers a renewed interest in the area and the ability to create additional amenity space. It is critical that any new stadium, whether publicly or privately funded, provides legitimate year-round activity for the surrounding community. Special events do

little to foster daily use and street level activity. Restaurants with street facing entrances, a Vikings museum or Hall of Fame, a health club, or even a health care clinic can provide true year-round use and integrate the facility into the community.

If a football stadium is developed on the Metrodome site there is the possibility to generate complimentary redevelopment on the parcels surrounding the stadium. This new market-rate development has the potential to be catalytic and may help meet broader community redevelopment goals.

A new stadium would also provide some much-needed stability and definitive answers for those looking at the area as a long series of “what ifs.” A decision to move the Vikings to a new facility outside the downtown area would not provide the same level of stability because questions about the fate of the Metrodome or its site would still remain.

### *MLS Soccer*

Downtown East and Elliot Park may be an ideal location for the expansion of Major League Soccer (MLS) to Minnesota. Both the Minnesota Vikings and the Metropolitan Sports Facilities Commission are separately proposing that a predominantly publicly financed football stadium be built on the Metrodome site. With the development of a new stadium comes the opportunity to create a venue which meets the needs of both football and soccer. Major League Soccer plays 15 home games per year, nearly tripling the number of major events held in the proposed stadium, creating additional value for public stadium funds and providing economic benefits to the surrounding area.

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## **Conclusion**

The City has clear goals to increase density and housing downtown and Elliot Park is the prime location for the next wave of whole-block and infill development once the market rebounds. Overall there seems to be a mismatch between land cost, construction cost, and what a consumer will pay for space in Downtown East and Elliot Park. With the current development and real estate markets it is likely to be very difficult to make projects work in the near term.

One of the clear struggles Downtown East and Elliot Park is going to face is generating the amount of investment necessary to realize such a large amount of redevelopment. Even if the area is only partially redeveloped it could relatively easily absorb \$500 million in construction. The majority of recent real estate investment has been in the Mill District leaving the remainder of the area as a relatively untested market.

Another issue that Downtown East and Elliot Park will face as it develops is attracting residents and workers to fill the available space. Of the selected growing industries that are likely to find value in a downtown location, new development in Downtown East and Elliot Park could absorb between 4.6 percent and 7.5 percent of the statewide growth projected by 2016. Over the same time period new development could absorb between

9.7 percent and 12.9 percent of metro area growth in industries likely to value a downtown location. Attracting these levels of growth would be extraordinary considering that Downtown East and Elliot Park make up just .02 percent of the Metro area.

Because of the competitive nature of the development market it is important to ensure that existing local businesses can stay in Downtown East and Elliot Park as they expand. These existing businesses form the foundations of the local economy and can help to attract and anchor new development.

Given the amount of potential development in the area and regional growth projections the City of Minneapolis should examine if the zoning in Downtown East and Elliot Park is appropriate to meet development goals. Zoning can have an upward effect on the price of land because the amount of potential development allows property owners to command a higher price for property. Lowering the zoning may attract development by simultaneously lowering land prices and allowing lower intensity development to occur over a wider area. The lower intensity development will not maximize the development potential of property near the downtown core, but it will provide additional vitality to Downtown East and Elliot Park. Less intense zoning may not automatically bring more properties toward development because commercial parking lot owners may not be able to sell their properties for a high enough price to give up parking income.

When looking at construction feasibility it is clear that commercial developments will face serious financial hurdles unless they can generate rents in excess of \$28/square foot, which is high even for new construction. Even with favorable financing terms and very low vacancy a theoretical project can barely finance construction cost. Residential developments fare better due to the lower construction cost and can cover construction costs with rents equivalent to \$1,500 per month for a 900 square foot unit.

If possible, development should be undertaken as one ambitious master development. This master development process will ensure that properties are developed in context with their surroundings and not left as isolated islands waiting for other projects to be eventually built. If a master developer cannot be identified, or if property owners are unwilling to participate, it will be necessary to work with individual projects to ensure that disparate developments can still form a cohesive neighborhood fabric.

Developers that are interested in taking on projects in Downtown East and Elliot Park should be encouraged to explore townhome development as infill projects. Townhomes would allow the area to diversify its housing stock and may serve to attract residents considering a suburban location to the downtown area. Townhomes do not offer as many units per parcel as other housing types so this style of development is less likely to occur with high land cost.

Approaching property owners is a critical step in bringing investment to these developable properties. Understanding the perspective of property owners is important in order to identify which properties on which to focus attention. Local stakeholders should approach property owners they have existing relationships with first in order to

gather as much knowledge as possible before approaching property owners that have an unknown position.

One of the most significant issues facing Downtown East and Elliot Park is the fate of the Metrodome. Local stakeholders must bring their concerns to the various organizations involved in making decisions about the future of the Metrodome. Local stakeholders are not likely to significantly impact the final outcome of the stadium debate, but they can bring local concerns to the table in order to make sure that what ever happens to the Metrodome has a positive impact on the area. Increasing the amount of activity at a stadium through additional events and year-round uses can have a positive impact on the surrounding area and prevent the negative impact of a megastructure that sits empty 350+ days per year.

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<sup>30</sup> *Square Foot Building Costs*. Saylor Publications, Inc. accessed February 16, 2010: <http://www.saylor.com/lacosts/index.html>

<sup>31</sup> Carrick, Alex. *RSMMeans' Dollars-per-Square-Foot Construction Costs: Four small Commercial Types of Structure*. July 6, 2009. Reed Construction Data. Accessed October 19, 2009; <http://www.reedconstructiondata.com/news/2009/07/rsmeans-dollars-per-square-foot-construction-costs-four-small-commercial-ty/>

<sup>32</sup> Carrick, Alex. *RSMMeans' Dollars-per-Square-Foot Construction Costs: Four Accommodation Type Structures*. July 6, 2009. Reed Construction Data. Accessed October 19, 2009; <http://www.reedconstructiondata.com/news/2009/07/rsmeans-per-square-foot-construction-costsfour-hotel-motel-and-mid-rise-res/>

# Module 8 – Available Resources

The available resources section lists the development funding sources available from state, regional, county and local government. This list is not intended to be exhaustive, but rather to illustrate the types of programs and funding sources that may aid development in Downtown East and Elliot Park.

There are a large number of funding sources available that can support development in Downtown East and Elliot Park. Funding is available from a number of public agencies including the Federal government. Federal funding is available from a number of agencies and these are not listed here. Public funding sources change with administrations and budgets so local stakeholders would be well advised to keep aware of changes in funding availability.

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## **Minnesota Department of Employment and Economic Development (DEED)**

The Department of Employment and Economic Development is the State economic development agency. DEED administers a number of programs that promote and maintain the businesses and workforce that make up Minnesota's economic base.

### **Angel Tax Credit**

The Angel Tax Credit is a tax incentive to encourage private investment in small, technologically based startup businesses headquartered and predominantly based in Minnesota. The Angel Tax Credit grants a 25 percent credit for investments, up to \$125,000 for individuals or \$250,000 for married couples, for investing in qualifying businesses. The minimum investment is \$10,000 for investors and \$30,000 for funds. The Minnesota Department of Employment and Economic Development must certify investors, funds and businesses in order for credits to be granted. Each qualifying business can generate a maximum of \$1 million in credits.

### **Community Development - Business Development / Infrastructure**

The goal of this application process is to stimulate economic development activity by assisting local units of government to provide infrastructure required to assist Minnesota's private sector in the creation or retention of the highest quality jobs possible with a focus on industrial, manufacturing and technology related industries and to keep or enhance jobs in a specific location while increasing a city's tax base.

*Maximum Award*

\$250,000 with a minimum local match requirement of one to one. No limits funding limits on bio-science projects.

### *Eligible Projects*

Funds are to be used to assist Eligible Applicants with complex and costly public infrastructure projects when a funding gap exists and alternative sources of public and private financing are not adequate.

The following is a listing of economic development projects that are eligible to receive financial assistance from the Fund:

- Industrial park development or other infrastructure projects that will keep and/or enhance jobs, increase the tax base within a city and expand or create new economic development in the specified area described within the application;
- Land or building acquisition, construction, and/or the purchasing of equipment to support business expansion;
- Bio-science public infrastructure projects that target manufacturing, technology, warehousing and distribution; bio-science research and development; bio-science business incubator; agricultural bio-processing. Funds from this program can also be used for acquisition, land preparation, telecommunications, bridges, parking ramps, demolition, hazard remediation, pre-design, construction, equipment and furnishings.

### *Ineligible Projects*

Retail development and/or office space development, except as incidental to an eligible project. (There are some exceptions for bio-science projects – for clarification, go to [www.deed.state.mn.us/biozone](http://www.deed.state.mn.us/biozone))

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## **Metropolitan Council**

The Metropolitan Council is the regional planning agency for the Minneapolis and Saint Paul seven-county metropolitan area. The Council provides essential regional infrastructure and transit services as well as growth forecasts and approval of municipal comprehensive plans.

### **Livable Communities Demonstration Account (LCDA)**

The Livable Communities Demonstration Account (LCDA) funds development and redevelopment projects that achieve connected development patterns linking housing, jobs and services, and maximize the development potential of existing infrastructure and regional facilities. Funding has been a catalyst that has enabled cities and developers to expand options available in the market, like transforming an outmoded shopping center into a neighborhood center with new housing opportunities, retail and commercial services, and public spaces. Funded projects include a variety of small-

scale and large-scale developments throughout the region, serving as destinations for daily activities such as work, errands, shopping and entertainment.

### **Local Housing Incentive Account (LHIA)**

The goals of the Local Housing Incentive Account (LHIA) are to help create and preserve affordable rental and ownership housing throughout the region for low- and moderate-income households at all of life's stages, and to support residential reinvestment and redevelopment to achieve economically healthy and livable communities.

### **Tax Base Revitalization Account**

The Tax Base Revitalization Account provides funds to clean up polluted land to make it available for economic redevelopment, job retention/growth or the production of affordable housing to enhance the tax base of the recipient municipality. TBRA funds are awarded on a competitive basis to redevelopment projects that will start construction within two-years of receiving a grant award. The Account is coordinated with complementary programs at the Minnesota Pollution Control Agency (PCA), the Minnesota Department of Employment and Economic Development (DEED), Hennepin County and Ramsey County. If the proposed redevelopment includes a housing component, a portion of this housing is required to be affordable.

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## **Hennepin County**

Hennepin County government provides essential services to residents and communities in Hennepin County.

### **Transit Oriented Development (TOD) Funding**

The Hennepin County Board of Commissioners included \$2,000,000 in bonding for Transit Oriented Development (TOD) in the approved 2009 Capital Budget. Transit oriented developments supported with this funding must be in redevelopment areas, have multi-jurisdictional impacts, and enhance transit usage. The criteria and guidelines for this fund are designed to support both redevelopment and new construction. TOD projects and developments reinforce both the community and the transit system, exhibit a compact and efficient use of available space, rather than auto-oriented sprawl, and contain a diversity and mix of uses with daily conveniences and transit at the center. The pedestrian-friendly physical design encourages walking, bicycling and access by people with physical disabilities. The spatial extent of TOD is the maximum comfortable walking distance, roughly 1/4 mile for existing transit stops or 1/2 mile for rail-based TOD.

### *Funding Eligibility*

Statutory or home rule charter cities or towns and development authorities (e.g., Housing and Redevelopment Authority, Economic Development Authority or Port Authority), and private entities are eligible applicants.

Funding is only available to those multi-jurisdictional programs and projects that occur within or directly adjacent to Hennepin County Transit Corridors, and/or where transit services supporting county strategies are taking place. Eligible multi-jurisdictional projects must be located in either a county or local redevelopment area or housing district.

### *Eligible Activities*

- Community corridor connections
- Housing rehabilitation and removals
- Property acquisition
- Development and redevelopment of housing and existing commercial
- Job creation
- Acquire real property for the purpose of removing, preventing, or reducing blight
- Clear acquired property and install streets, utilities, and site improvements
- Sell or lease acquired land for uses in the redevelopment or housing plan
- Other purposes as authorized by Minnesota Statutes

### *Available Funding*

\$2,000,000 in Capital Bond Funding available for TOD projects as either grants or loans available annually through 2012.

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## **City of Minneapolis (CPED)**

The City of Minneapolis Department of Community Planning and Economic Development oversees planning, economic development and housing programs in the City of Minneapolis.

## **Business Finance Financing Tools**

The city of Minneapolis offers a wide array of financing tools for Minneapolis businesses of all sizes. Loans range from \$1,000 to \$10 million, and many are offered in partnership with private lenders and nonprofit organizations.

- 501(c)(3) Revenue Bonds: low-cost, tax-exempt bond financing for capital improvement projects to nonprofit organizations.
- Alternative Financing Program: The Alternative Financing program provides small Minneapolis businesses (neighborhood retail, service or light manufacturing) an alternative financing to the interest-based system that is in accordance with Islamic

law, or Sharia. The program provides financing to purchase equipment and/or make building improvements. A private lender provides half the financing at their rate of return, and the City provides the rest, up to \$50,000, at a 2 percent rate of return. The term (up to 10 years) is set by the lender.

- Bank Qualified Bank Direct Loans: cost-effective tax-exempt financing for capital projects for smaller 501 (c)(3) organizations.
- Business Development Fund Loans: market-rate loans and in some cases prepayment credits for employing Minneapolis residents.
- Capital Acquisition Loans: The Capital Acquisition Loan Program enables small business owners to purchase and rehabilitate small commercial and industrial properties. The City of Minneapolis, through this program provides financing in tandem with private banks for projects of up to approximately \$1 million. The lender finances at least 50 percent of the project, the City finances up to 40 percent, and the business borrower provides the remaining funds in the form of equity. The City's participation is capped at \$400,000, but there is no limit on the bank's share. The business must occupy at least 25 percent and in some cases 51 percent of the space.
- Common Bond Revenue Bond Program: a loan fund for growing manufacturing companies for land, construction and equipment.
- Emerging Entrepreneur Capital Acquisition Loans: loans in cooperation with private banks to help newer businesses (two years or newer) purchase and rehabilitate small commercial, multi-use or industrial properties.
- Green Development Resources: resources to help businesses develop an approach to building and remodeling that encompasses healthy air quality, sustainable building materials, water conservation, energy efficiency and environmentally friendly landscaping.
- Loan Guaranty Program: working capital term loans or revolving lines of credit in cooperation with private banks.
- Revenue Bonds: bonds to finance industrial, commercial and medical facilities, multifamily rental housing, nursing homes and some nonprofit activities.
- Two-Percent Loans: financing to small Minneapolis businesses for equipment and building improvements.
- Two Percent Commercial Corridor/Commercial Node Loans: financing to small Minneapolis businesses to purchase equipment or to make building improvements on commercial properties located in designated Commercial Corridors and Commercial Nodes. A private lender provides half the loan at market rate and the City provides the rest, up to \$75,000 at 2-percent interest. The loan term is set by the private lender and can be up to 10 years. Bank fees vary, but the City charges a 1 percent origination fee with a minimum of \$150 due at closing.
- Working Capital Guarantee Program: The Working Capital Guarantee Program is designed to help small businesses secure financing through private banking institutions. A private lender funds the loan, and the City of Minneapolis (CPED) guarantees a portion of the financing up to 80% of the first \$50,000 and up to 50% of

the remainder. Although there is no limit to the amount of financing provided by the bank, the City's maximum guarantee is \$75,000.

### **Great Streets - Neighborhood Business District Program**

The Great Streets Neighborhood Business District program is a coordinated effort to help businesses develop and succeed along commercial corridors and at commercial nodes throughout the city. City resources are available for business loans, real estate development gap financing, and business district assistance such as façade improvement programs, market studies, and retail recruitment efforts.

### **Great Streets Real Estate Development Gap Financing**

The City has gap financing resources for real estate development and development acquisition for transformative commercial development projects located on designated commercial corridors, nodes, and LRT station areas.

#### *Eligible properties and projects:*

Redevelopment for commercial or mixed use.

#### *Eligible costs:*

Acquisition, relocation, demolition, property holding management costs, gap financing for private acquisition and assembly.

#### *Priority will be given to projects meeting several of the following criteria:*

- Consistent with the goals and objectives articulated in The Minneapolis Plan and any adopted Small Area Plan, Station Area Plan, Station Area Implementation Plan or other adopted land use policy document for the area.
- Neighborhood support
- Financially feasible and ready
- Integrated with broader revitalization efforts (e.g. Center for Neighborhood's Corridor Housing Initiative)
- Leverage/matching funds for acquisition (e.g. NRP, private, foundation, other government sources)
- Density appropriate to the location
- Provides affordable housing (<50% MMI) and mix of incomes appropriate to the location
- Removes derelict property
- Highly visible, catalytic projects
- Site is an appropriate location for mixed-use or commercial development (e.g. areas with demonstrable market demand for additional commercial use, not experiencing high vacancies)
- Demonstrated need for public intervention
- Development project would result in minimal displacement

## **Brownfield Program**

The Environmental Protection Agency defines brownfields as “abandoned, idled or underused industrial and commercial facilities where expansion or redevelopment is complicated by real or perceived environmental contamination.” Twice a year, grant applications for environmental remediation projects are solicited by Minnesota’s Department of Employment and Economic Development (DEED), the Metropolitan Council, and Hennepin County. The City’s Department of Community Planning and Economic Development (CPED) works with potential applicants to review proposed projects and submit to the grantors the applications that reflect the best combination of development potential, consistency with City and neighborhood plans, job and/or affordable housing creation, and sustainable construction practices.

### *Funding Sources*

- Contamination Investigation and Cleanup Program - Minnesota Department of Employment and Economic Development (DEED)
- Tax Base Revitalization Account (TBRA) - Metropolitan Council
- Environmental Response Fund (ERF) - Hennepin County

## **Tax Increment Financing (TIF)**

Tax increment financing is a public funding tool that uses the increase in tax revenue generated by a development project to partially fund the development. In general, TIF is used to support development that meets public objectives but that cannot be built using traditional financing. TIF is often used to support affordable housing development, or to attract job creation or market rate housing to underserved areas. Public financing including TIF requires a project area to be designated within a redevelopment district and most of Downtown East and Elliot Park is located within either the Industry Square or Elliot Park redevelopment districts.

There are a number of policies in place that the City uses to evaluate potential TIF projects. Any TIF proposal must clearly demonstrate the need for public financing and undergo rigorous financial and risk analysis. The project must also accomplish development objectives and meet specific implementation guidelines.

### Development Objectives:

- Expand the economy through the creation of living wage jobs for the underemployed and unemployed
- Attract and expand services, development and employers to compete in the 21st century economy
- Increase the property tax base and maintain diversity by cleaning contaminated land for redevelopment
- Provide affordable housing choices that meet existing needs and attract new residents

- Eliminate blighting influences
- Support neighborhood retail, commercial corridors and employment centers
- Support redevelopment that enhances and preserves urban features and amenities such as downtown, the riverfront and historic structures

Implementation guidelines include:

- TIF will only be used to meet clearly identified development objectives and only to the degree necessary to accomplish stated objectives
  - TIF will only be used if its use is fiscally prudent and it can be demonstrated that a project will meet its financial and public purpose objectives
  - The City will recapture the maximum amount of public subsidy feasible after allowing a reasonable return to the developer
  - “Pay as you go” is preferred to bond financing and bond financing will only be used to pay for public costs
  - TIF should only be used for public improvements that directly service proposed development projects
- 

## Historic Resources

Elliot Park and Downtown East have a number of historically important structures in addition to the locally designated South Ninth Street Historic District in Elliot Park. There are a number of historic resources available to assist in the purchase, stabilization and revitalization of historic structures. Both the State and Federal governments offer 20 percent tax credits for construction investments. There are also a number of grant programs available from a number of sources to fund designation studies, planning and other non-construction related activities. Due to the complexity and variety of funding sources available the parameters of particular programs are not explored here.

Local stakeholders should encourage property owners and developers to explore the potential of using historic property funding to rehabilitate older structures with the goal of catalyzing additional investment in the surrounding area. The State Historic Preservation Office administers State programs and recommends projects for Federal funding and is a critical contact in the historic preservation process.

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## Conclusion

There are a large number of public financing programs that can attract and assist development in Downtown East and Elliot Park. Developers are likely to understand these programs, however it is important for local stakeholders to understand the funding sources available. As the redevelopment initiative moves forward it will become

increasingly important for stakeholders to keep alert for changes in program funding and additional funding sources that become available. It is also possible that developments focusing on energy efficiency or low environmental impact may be able to access funding sources not available to traditional developments.

To help facilitate access to *ad hoc* funding sources available to governments, the City of Minneapolis should evaluate how it can proactively partner with developers, property owners and other stakeholders to identify and address funding needs.

Local stakeholders can involve community banks and other financial institutions in pre-development workshops and presentations to gather input from the financial sector on how to best address development funding issues.

# Module 9 – Recommendations and Implementation

This section draws conclusions about local development and economic growth and makes recommendations that will help local advocates generate interest in the revitalization of Downtown East and Elliot Park.

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## Generating Interest

The revitalization of Downtown East and Elliot Park is a regional, if not national competitiveness issues. Given the amount of potential space that can be developed in Downtown East and Elliot Park under existing plans and regulations, Minneapolis needs to be able to draw businesses and residents from around the country. The City of Minneapolis is invested in the area's success, and local stakeholders should begin to work with other levels of government to help them understand the potential and priority that this important area represents. Working at the state and regional level to draw investment to downtown areas will enhance demand for urban property and bring the potential for development closer to reality.

In order for redevelopment and economic growth to be successful in Downtown East and Elliot Park, the area needs to provide options and opportunity for those looking for a new location and a new way to live and work. It is also important that the area provides those options at an economic advantage, or at least economic parity with other areas in the region. Additional market attention can be attracted by focusing attention on the benefits, quality of life and value of Downtown East and Elliot Park and defining the area as a unique place.

To be considered as an opportunity area interest and excitement must be initiated by civic champions and business leaders. The potential exists for new development in Downtown East and Elliot Park to generate national interest in Minneapolis as a destination for business and personal growth. These lofty goals are necessary for Downtown East and Elliot Park to realize significant development as a thriving, vibrant urban area.

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## Build on Existing Strengths

One of the primary factors that can enhance the development market in Downtown East and Elliot Park is capitalizing on and expanding the area's existing strengths. Because

of the amount of developable property and existing zoning a large number of development projects and building occupants need to be attracted. The developers that will create these projects and the people who will occupy them need to find an advantage in Downtown East and Elliot Park that they cannot find in other areas. Consistently articulating the benefits of the area and working with public officials, property owners and developers to enhance current strengths can result in continued improvement of the area and the creation of a world-class district that enhances the local economy and improves Minneapolis' ability to compete in the global economy.

## **Sustainability**

One of the key benefits of the area is the ability to create efficient and sustainable development. District energy systems reduce the up-front cost of development and can provide efficiency gains to reduce environmental impact. These systems are already in place in Downtown East and located where the highest density is likely to occur. There are also opportunities to incorporate stormwater systems that reduce water use and the negative impact of urban runoff on the Mississippi River. Stakeholders should encourage developers to incorporate as many "green" technologies as possible into new projects to maximize the positive effects of new energy and resource-efficient technologies. Environmental efficiency can provide economic benefits to the tenant through reduced utility costs and to the property owner and developer through increased marketability of green buildings and financial incentives. Environmentally sensitive development on a district scale can create a sense of identity and differentiate the area in the real estate market.

## **History**

Downtown East and Elliot Park have important historical assets that can help attract development financing and market interest. The unique history of the area is one way that stakeholders can differentiate this area in the crowded real estate market. Historically-oriented projects can be important catalysts for additional market-driven development.

## **Chicago Avenue**

Chicago Avenue is identified as a priority commercial corridor. It is also designated as a life sciences corridor in order to capitalize on the large number of health related institutions located on the avenue or within a few blocks. The question then arises if it can be both a commercial corridor and a life sciences corridor. There are very few existing commercial businesses along Chicago Avenue and little property available for commercial development other than that owned by North Central University. Chicago Avenue may be better designated solely as the life sciences corridor, focusing resources to develop the surrounding area to support life sciences business and employment growth.

There are a number of opportunities for commercial development in the area around Chicago Avenue. Washington Avenue is a traditional high-traffic commercial corridor

with a number of retail businesses and restaurants. Other opportunities are along South 10th Street linking Chicago Avenue to the downtown core. Since the vision for commercial development in Downtown East and Elliot Park is based on neighborhood-scale businesses, development of select retail nodes may be more appropriate than the corridor model.

### **Actions to Create a More Attractive and Inviting Area**

- Work with developers and property owners to ensure that new developments build on the area's existing assets and unique character.
  - Extend the reconstruction and streetscaping of Chicago Avenue through Downtown East to the riverfront.
  - Encourage the City to enforce existing property maintenance standards to assure an attractive area.
  - Work with the City to explore when and how the existing parking lot screening and greening requirements could be enforced to reduce their negative visual impact.
  - Explore the possibility of wayfinding signage that would guide visitors from key locations (e.g., downtown, the riverfront and the Downtown East LRT Station) into the core parts of Downtown East and Elliot Park.
  - Explore ways to utilize the historic resources in Downtown East and Elliot Park to provide a unique, desirable sense of neighborhood character and add amenities such as tours that could assist with outreach and marketing.
  - Explore the possibility of initiating greening projects on vacant and underutilized properties.
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## **Development Issues**

There are a number of specific issues that influence development in Downtown East and Elliot Park. Addressing these issues in cooperation with the City of Minneapolis and development interest will allow local stakeholders to simultaneously improve the area and make strides toward their development goals.

### **Development Scope**

A key opportunity in the area is the ability to create and define an entire district. There is a significant amount of activity and important assets in Downtown East and Elliot Park, but there is not a clear identity for the area. By working with developers to conceptually link projects it is possible to redefine what the area is and provide the area with a much needed sense of identity and cohesive urban fabric.

The future of Downtown East and Elliot Park depends on the creation of both residential and commercial developments. Some projects will be most successful as mixed use development, while others will be best served by only residential or only commercial uses. The market will ultimately decide what types of developments will succeed.

However, stakeholders should encourage developers to think creatively about the types of projects they take on and the type of users they hope to attract.

## **Parking**

The potential for an in-depth parking strategy for Downtown East and Elliot Park should be explored. The effect of new development and removal of surface lots on the parking supply and demand must be understood. The parking in Downtown East and Elliot Park also provides low cost parking for the downtown core and will need to be absorbed by other areas as development occurs. A parking strategy can help anticipate and alleviate the parking challenges that will arise as the area develops, though the solutions for local uses, events and downtown commuters are likely to be addressed differently.

Some new development may be able to address parking issues through underground or structured parking on site, but other developments may need to rely on shared parking or district parking strategies. Any new structured parking should include liner uses to bring vibrancy and activity to the street. Both local and downtown core parking demands can be addressed to some degree by additional transit, bicycle, carpool and additional downtown residents who can walk to work.

The enforcement of current zoning and property maintenance standards should be considered as an option that will help improve the image of the district and positively impact the environment and development potential.

## **Zoning**

The potential for an updated zoning study for Downtown East and Elliot Park should be explored. The zoning in Downtown East and Elliot Park is appropriate given the long-term goals for density and development downtown. What is unknown, however, is how the existing zoning affects the development market. It may be possible that the downtown market, and Downtown East and Elliot Park in particular, cannot attract the amount of buyers and renters necessary to fulfill the amount of development anticipated by current zoning. Understanding the impact of zoning on the current development market can help identify if the goals for density and development may be better met by zoning changes that encourage smaller scale developments spread over a wider area. Any potential changes in zoning must weigh the potential to generate short-term gains against the long-term population projections and the amount of developable space.

## **Development Financing**

There are a number of resources needed to generate development and economic growth in Downtown East and Elliot Park. The options listed in previous sections should not be considered exhaustive, as Downtown East and Elliot Park will likely need a wide variety of resources to catalyze development. Along with pursuing new funding sources,

effort should be made to identify ways to realign existing funding sources to meet the needs of Downtown East and Elliot Park.

To help facilitate access to ad hoc funding sources available to governments, the City of Minneapolis should evaluate how it can proactively partner with developers, property owners and other stakeholders to identify and address funding needs.

Local stakeholders can involve community banks and other financial institutions in pre-development workshops and presentations to gather input from the financial sector on how to best address development funding issues.

Tax Increment Financing is an effective public tool for generating investment and development in areas where there has been little historic market interest. Downtown East and Elliot Park have been targeted for redevelopment since the 1970s with limited success. What success there has been has often been with the help of TIF and other public funding mechanisms. The City of Minneapolis should consider reviewing its Tax Increment Financing policy to identify if changes in policy will be needed in order to support commercial or market rate housing development in Downtown East and Elliot Park.

### **Actions to Encourage Development and Redevelopment**

- Work with the City to study the impact of the existing zoning and seek revisions as appropriate. This evaluation should consider if existing zoning supports the desired neighborhood character, is feasible given growth/absorption projections and how it affects development feasibility.
  - Work with the City to further assess parking needs in the area and formulate a strategy for meeting future demand without significant amounts of surface parking.
  - Identify creative ways to make catalytic projects feasible. Funding mechanisms such as New Market Tax Credits, tax increment financing, grants and *ad hoc* sources can provide essential funding for pioneering investments. Stakeholders should be prepared to help decision-makers understand the need for these tools and how their utilization would benefit the area.
  - Local stakeholders should reach out to community banks and other financial institutions to identify and address potential funding issues. These relationships can be important resources as the development process progresses.
  - Explore the potential to use historic preservation tools such as investment tax credits to assist with specific development projects. Investigate whether any potentially eligible properties might benefit from historic designation to become eligible for tax credits.
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## **Strategic Properties**

There are several properties that heavily influence the development potential of Downtown East and Elliot Park beyond their individual development capacity. These properties are the Metrodome, the Star Tribune properties, the Downtown East/Metrodome LRT station, the Armory, and several properties controlled by North Central University.

Approaching property owners is a critical step in bringing investment to these developable properties. Understanding the perspective of property owners is important in order to identify which properties on which to focus attention. Local stakeholders should approach property owners they have existing relationships with first in order to gather as much knowledge as possible before approaching property owners that have an unknown position.

### **The Metrodome**

The Viking's desire for a new stadium and the fate of the Metrodome dominate discussions about Downtown East and Elliot Park. It will be very difficult to get any substantial development activity started until questions about the Metrodome are answered. A new stadium can have a significant effect on the development potential and marketability of an area and land owners are not likely to sell or develop property until it is better understood what the new market is like. There is development potential whether there is a new stadium or not. The most important issue with development on or around the Metrodome side is that it fits into the existing fabric of the area and focuses on fully integrating into the community.

### **The Star Tribune**

The Star Tribune has faced financial difficulties and undergone a series of significant layoffs in the past few years. Due to the reduction in staff the company's properties are used significantly less than when employment was higher. They currently hold approximately 1200 parking spots for 600 employees and own two fully vacant buildings. In total, four of the five blocks owned by the company are either surface parking or vacant buildings.

Given the financial challenges at the paper there may be an opportunity to work with the company to develop some of its property in order to generate cash flow. One possibility is to identify an industry cluster that would find the location as an advantage. With the area's future transit access to the University and the airport and proximity to HCMC and the downtown financial sector there may be an opportunity to attract research, technical or biomedical businesses to the area. The first step in this endeavor is developing a relationship with the Star Tribune to help identify the development possibilities on their property.

## **The Armory**

The Armory is an important historic structure in Downtown East. The property is currently used as a parking structure but there is enormous potential to create something unique out of such a large and open building. Traditional office and housing uses are not likely to find the Armory attractive as there are few windows into the vast interior space. Creative options will be necessary to redevelop the property. If implemented properly the revitalization of the armory can be of significant benefit to the character and attractiveness of the surrounding area.

## **Minneapolis Venture LLC Downtown East Parking Ramp**

The Downtown East parking ramp owned by Minneapolis Venture LLC is a key piece of real estate in Downtown East. The ramp sits under the Downtown East/Metrodome LRT station and has the foundation and parking to support a substantial building in place. Working with the property owner is an important step in ensuring that the property is developed to its full potential and maximizes the sites potential for an urban transit oriented development. The development of this parcel in accordance with environmentally sustainable building standards can be an important step in realizing the potential identity of Downtown East and Elliot Park as a modern, sustainable district.

## **North Central University**

NCU owns roughly 11.5 acres in the Elliot Park neighborhood. The majority of their property is used for academic purposes, though they do own the “Danny’s” lot, a primarily vacant piece of property at the northwest corner of Chicago Avenue and 14th Street. They also own a number of retail storefronts that are used for academic classrooms or other purposes.

A key objective is to Work with North Central University to develop a campus master plan that meets the University’s needs while also exploring how University property can be reorganized to positively impact the larger community. The plan should attempt to address the utilization of the University’s retail storefront space on and around Chicago Avenue for retail and commercial uses, the potential for additional development that would strengthen Chicago Avenue as an employment and commercial corridor and how to strategically locate university functions that could also serve the general public along Chicago Avenue. It is possible that development of the Danny’s lot can create the class room and office space needed to convert the storefronts owned by the university back to retail uses. Not only will reconfiguration of campus space make university operations more efficient, but conversion of storefronts to retail use will bring vibrancy to the area and improve the atmosphere around campus. An improved environment around campus may attract more prospective students by offering an opportunity to live and learn in a great urban neighborhood.

## **Property Owner Engagement**

- Work with Hennepin County Medical Center to soften the edges of their buildings and integrate the campus into the neighborhood to the extent possible
  - Work with North Central University on a plan that reconfigures and consolidates classroom space on campus as mentioned in the previous section.
  - Develop a relationship with the Star Tribune and explore options for better utilization, and perhaps development, of their properties in Downtown East.
  - Remain in contact with the Metropolitan Sports Facilities Commission and the Minnesota Vikings and actively participate in any discussions about the future of the Metrodome. Local stakeholders should work with stadium advocates to ensure a new stadium has the maximum possible positive impact on Downtown East and Elliot Park.
  - Work with the owner of the Downtown East LRT station property to explore possible development options that will help strengthen Downtown East and Elliot Park and optimize the potential related to this key transit node.
  - Work with the owner of the Armory to pursue development and better utilization of this important historic asset.
  - Other strategic properties should be identified and “pitch packets” prepared to facilitate property owner engagement. The identification of these properties should reflect their importance on the overall revitalization of Chicago Avenue.
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## **Retail and Commercial Recruitment Strategy**

There are two primary obstacles to active retail and commercial recruitment in Downtown East and Elliot Park. First, there is relatively little available space for lease in the area. Second, discussing expansion and relocation plans with businesses is a difficult task with a low success rate. Part of the struggle with business recruitment is the question of where to start. The U.S. Small Business Administration reports that there were nearly 30 million small businesses in the U.S. in 2008. Large companies may be interested in opening a branch location, but identifying contacts at large companies could may require significant resources that are best allocated for other activities.

There are, however, a number of active and passive strategies that can help bring development and businesses to the Downtown East and Elliot Park area. The broadest reaching tools are already in place through commercial real estate websites and economic development resources like Metro MSP. These sites provide access to property listings and market information and are an important resource in development marketing. These sites cannot be relied upon as the only driver of development interest because they provide information on a very large area and do not articulate the benefits if any particular area. To bring the local benefits of Downtown East and Elliot Park to the attention of people searching for development opportunities the East Downtown Council should consider revising its website to more prominently articulate the benefits of the area and provide links to real estate and economic development resources. The East

Downtown Council and the City of Minneapolis should also explore the possibility of marketing the area as a “redevelopment area” on Metro MSP.

In order to attract the attention of businesses that may find value in a Downtown East and Elliot Park location it is necessary to reach out to the business community. The East Downtown Council should actively expand its membership and communicate the importance and potential for development to the businesses in its service area. This expansion of information within the district can then be taken outside the area when informed members contact outside clients and associates.

Another active strategy to increase the awareness of Downtown East and Elliot Park is for local organizations to actively participate in other business development organizations such as Chambers of Commerce or location-based business groups such as the Downtown Council. Branching out to areas outside of the immediate area can result in a two-way flow of information that builds the broader awareness of the potential of Downtown East and Elliot Park, but also provides a better understanding of Metro area business development.

An important component of a business recruitment strategy is actively engaging commercial real estate agents. Communicating with real estate brokers can ensure that the best qualities of Downtown East and Elliot Park are reinforced by the professionals best equipped to bring in businesses. Providing real estate agents with information about community attributes and goals can help the long-term prospects of new retail businesses by allowing agents to bring in business that will be supported by the community.

## **Industry Specific**

A potentially effective business recruitment strategy is to reach out to specific industry organizations through trade groups or publications. There is an opportunity to capitalize on the existing strength of the local life sciences industry. Identifying technology related interest groups and publications may be an effective means of generating interest. This strategy may be most effective in partnerships with developers and property owners that can articulate a vision and deliver a development project.

## **Retail**

Retail recruitment can benefit from many of the strategies listed above, however, there are additional factors that impact the potential for retail business success. Existing retail trade analyses do not provide a clear direction for retail growth and do not account for the employee impact on the Downtown East and Elliot Park economy. A more detailed retail trade analysis may be beneficial, though the ultimate effectiveness of this strategy is unknown. Larger retailers are likely to do an independent analysis of the area to identify the market potential for their niche. Smaller independent retailers may benefit from additional market analysis, though they are also likely to be attracted to an area

due to property availability, appearance, knowledge of the area, surrounding uses and the locations of similar or competing businesses. Bringing the area's purchasing power, untapped market and redevelopment potential to the attention of retail businesses, brokers, property owners and developers may help drive interest in neighborhood-scale retail development. There is likely enough information available to generate interest in retail development. Gathering additional information can be considered if initial outreach efforts indicate that more information is needed in order to attract retail businesses.

## **Business Development Actions**

- Evaluate the potential to locate retail and service business in nodes and along Tenth Street rather than on Chicago Avenue. Chicago may be better suited for high tech and healthcare employment businesses.
  - Work with the City of Minneapolis and local experts to investigate the potential for additional lifesciences and high tech growth along Chicago Avenue. If additional technology-based business is deemed a good fit for the area, work with other government and economic development agencies to develop tools that can support the and expansion of life sciences and high tech business.
  - Engage Tenth Street property owners to explore possible ways to fill existing retail storefronts and develop new space.
  - Expand the membership of the East Downtown Council and reach out to expanding businesses through the networks of members.
  - Work with existing local retail businesses to evaluate what their needs are and understand how to most effectively address the larger issue of retail recruitment.
  - Explore the possibility of further market analysis to identify what types of retail and services the area could support. If a clear direction can be identified follow up with targeted recruitment to those sectors.
  - Bring the purchasing power of residents and workers to the attention of developers, commercial property brokers and business leaders.
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## **Outreach and Advocacy**

The primary outreach and advocacy for development and economic growth in Downtown East and Elliot Park is best accomplished through the DEEP Initiative. Using the framework of the DEEP Initiative for outreach will ensure that the message of development in Downtown East and Elliot Park is consistently articulated. The DEEP Initiative also has professionally created materials that can help facilitate meetings and that can be redistributed beyond the initial conversations. Within the DEEP Initiative is a network of people who can provide additional connections after an initial outreach effort.

### **DEEP Initiative**

In early 2009 Close Landscape Architecture approached EPNI about becoming more involved in the revitalization of the neighborhood. Close had been a partner in the

development of the *Elliot Park Neighborhood Master Plan*. In the time since the Master Plan, Close and EPNI came to similar conclusions about neighborhood development; that Downtown East and Elliot Park is the last significantly un- and under developed area of downtown Minneapolis. Furthermore, future development in this district would have to be achieved in new ways that would ensure preservation of the local character of the neighborhoods and a sustainable infrastructure and economic base. Through a series of conversations it became clear that in order to formulate a sensible redevelopment strategy for this large and complex area, it would be necessary to solicit ideas from a variety of experts in different areas related to redevelopment.

On September 11, 2009 a redevelopment workshop was held with the intended purpose of discovering what can be done to build enthusiasm and momentum for redevelopment in Downtown East and Elliot Park. Workshop participants represented expertise from a variety of fields, including architecture, urban design, planning, economic development, and property development. Background information was presented to workshop participants on the topics of existing planning efforts, existing conditions of the neighborhoods, and local development context. The workshop participants focused heavily on the importance of Chicago Avenue, the connections between Elliot Park and the Riverfront, the ecological impact of surface parking, monolithic building structures and public realm improvements.

The September workshop and subsequent collaborations has lead to the Downtown East Elliot Park (DEEP) District Development framework initiative. This framework acknowledges several realities:

1. Chicago Avenue will be the axis along which development will radiate into Elliot Park and Downtown East, featuring connections from the Mid-town Exchange and Phillips hospitals sector through the HCMC and Metrodome area to Washington Avenue and the Riverfront. Its potential for development as a commercial corridor (for instance, life sciences enterprises) offers prospects for, in CPED Director Mike Christenson's phrase, "restoring a sense of residency" to Elliot Park and Downtown East.
2. What developments transpire in the imminent future concerning property disposition and land use in the DEEP district will be transformational, involving the impacts made by decisions regarding the Metrodome, HCMC, the Star Tribune, the Central Corridor LRT Line, such institutions as NCU and Augustana Care, and policies and markets controlling the vast expanses of surface parking lots in the area.
3. To stay ahead of the game in anticipation of these imminent developments, a public-private partnership of interests should seek to plan and guide the creation of a "complete community" in the DEEP district rather than reacting *ad hoc* to market forces. During this period of relatively somnolent private markets, advantage should be taken of economic stimulus and public investment opportunities to lay the groundwork for city-building that will create livable and sustainable communities.
4. There are models and precedents for creating such collaborative efforts to bring about neighborhood and district redevelopment.

As of mid-2010, specific property and infrastructure developments are being identified by the DEEP initiative, informed by much of the information provided in this present study and analysis. In addition, a DEEP District Partnership of private and public interests will be formed to advance the work, involving:

1. Formation of a Partnership Structure: who will constitute the Board; creation of legal structure (to ensure funding); funding resources; staffing, etc.
2. Creation of a Development Framework—the plan (s) to be implemented.
3. Establishment of Development Review Protocols and Guidelines to direct

## **Marketing and Outreach Actions**

- Identify a handful of initial strategic properties and focus outreach and marketing efforts on those, including preparation of targeted strategies and outreach materials that can help showcase the value of Downtown East and Elliot Park; add additional properties as success is achieved with the initial group.
  - Think like a broker: bring property owners, developers and business interests together to think about the Downtown East and Elliot Park area. This includes cultivating relationships with real estate professionals as they are the ones who have the most contact with tenants and need to know the value of Downtown East and Elliot park.
  - Explore ways to market the area and its amenities, such as MetroMSP
  - Inspire the public and private sector to participate in the redevelopment process, e.g., the creation of a dedicated Downtown East and Elliot park redevelopment group to act as an information clearing house and central contact point to help facilitate discussions and implementation actions
  - Bring as many stakeholders into the redevelopment process as possible
  - Build and then maintain relationships with existing area businesses in the hopes that their long-term growth needs can be met in the area
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## **Next Steps**

- EDC to expand member base and increase outreach efforts
- City evaluation of the potential for a zoning study and parking strategy
- Evaluate the potential to develop retail nodes and focus on Chicago Avenue as the lifesciences and employment corridor
- Explore the potential to enforce current zoning and property maintenance standards
- Identify priority development sites and prepare pitch packets

Information included in this analysis has been carefully evaluated and assessed. Due to fluctuations in the marketplace and continuous additions to available data and resources, no guarantees of success from recommendations can be predicted. The information and opinions expressed are offered for consideration by the East Downtown Council and their partners as they develop and formalize strategies for future development.

A handwritten signature in black ink, consisting of a large, stylized letter 'A' followed by a vertical line and a horizontal crossbar.

Respectfully Submitted to the East  
Downtown Council on July 8, 2010

Aaron Hagar  
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