

East Lake Street Market Study

Longfellow Business Association

March 8, 2012



East Lake Street Corridor Hiawatha to Mississippi River



Notable Destinations – East Lake Street Corridor



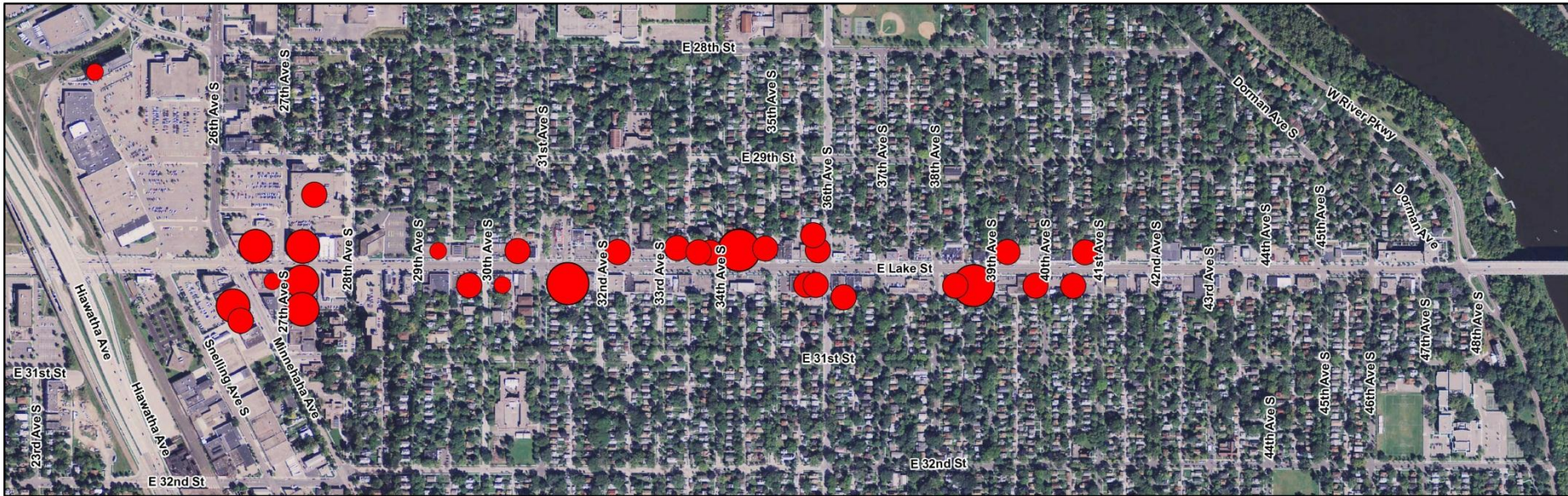
0 450 900 1,800 Feet

 Commercial Properties

October 7, 2011

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Commercial Vacancy 14.9% Overall



Commercial Vacancies – East Lake Street Corridor

- Up to 1,000 Vacant SF
- 1,000 to 5,000 Vacant SF
- 5,000 to 10,000 Vacant SF
- 10,000 Plus Vacant SF



0 450 900 1,800 Feet

October 7, 2011

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Commercial Vacancy

- 932,694 SF overall
 - 14.9% vacant



Retail Leasing Challenges

- Parking
- Economy
- Foreclosed buildings
- Undercapitalized
- Functionally obsolete space/significant repairs needed
- “All the restaurants are going ‘in to the neighborhoods’”
 - Lake Street seen as barrier or not a neighborhood
- Rents don’t support redevelopment
- Disparate ownership
- Shallow/small lots
- Property Value Reckoning



Friendly or Boring Street?

- Doors per 300 feet (1 block)
 - 15-20 – Active
 - 10-14 – Friendly
 - 6-10 – Mixture
 - 2-5 – Boring
 - 0-2 – Inactive
- West River Commons is only “friendly” stretch
- 27th and 36th Ave Nodes are “pretty friendly”
- 24 blocks considered “inactive”
- 8 of 46 are “pretty friendly” or better
- City requires 1 door per building, window every 25 ft.





Number of Doors with Access Directly off Sidewalk – East Lake Street Corridor



March 2, 2012

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East Lake Street\GIS\Maps\doors to sidewalk.mxd

News Not All Bad

New/Recent Tenants

- Queen's Grill
- Check cashing
- Forage
- Chiropractor
- Possible Riverside Grocery store
- McDonald's reconstruction
- Culvers?
- CVS?
- furniture store at 36th
- U-Haul parking at former SA?
- Not enough to keep up with vacancy



Past Plans/Studies

- East End Revival – 2001
- Hiawatha-Lake Station Master Plan – 2000
 - 1,250 housing units in 20 yrs
 - so far 100
 - City allows 109 units/acre
 - *significant unmet demand*
 - 150,000 SF commercial (33% increase)
 - McComb says 27,500
- Net retail could decline as redevelopment occurs



Past Plans/Studies

- East Lake Street Corridor Study – 2000
 - Not officially recognized by city, yet many aspects have been achieved
 - West River Commons a success, anchor and example
 - SA consolidation
 - Lake Street rebuild
 - Little other housing
 - No other mixed-use, only commercial renovations



Past Plans/Studies

- Minnehaha-Hiawatha Corridor Market Analysis
 - 27,500 SF likely overall
 - 14,000 SF pharmacy possible (CVS interested)
 - 7,500 SF restaurants and bars
 - Beauty shop/nail salon
 - Fitness facility (SnapFitness)



Retail Typologies

Table 1
Retail Typologies - Shopping Center Development

Type	Size (Range)	Tenant Size	Anchor	Supporting HHs	Trade Area	Parking
Corner Store	1,500 - 3,000	-	-	800 - 1,000	Several Blocks	Convenient; on/off-street
Convenience Center	10,000 - 30,000	1,000 - 1,500 20-60 foot deep bldgs	-	2,000 - 2,000	1 - 1.5 mi. area	Convenient; on/off-street
Neighborhood Center	30,000 - 100,000	1,200 + up to 15 tenants	< 50,000 (supermarket)	6,000 - 8,000	1 - 2 miles or more	Convenient; 4 to 4.5/1,000
Community Centers	250,000 - 350,000	10,000 - 20,000	- (several)	50,000 population	4 - 6 miles	Off-street/Surface
Regional Centers	500,000 - 2,000,000	various (200-300k)	2 to 3 Dept. Stores	150,000 pop.	10-12 miles	Off-street/Surface or Structured
Lifestyle Center	500,000+ mixed-use office/housing	pedestrian-friendly	Dept. Store or Civic Use	2,000 - 2,000	5-8 miles \$75,000+ Incomes	Off-street/Surface or Structured

Source: Principles of Urban Retail Planning and Development - Bob Gibbs

- Lake Street is corridor of corner stores, some convenience centers
- Target/Cub/Rainbow are neighborhood centers
- Riverside grocery could act as neighborhood center
 - Hardware, coffee, etc. nearby
- Many retailers are “destinations” with large, infrequent draw

Surplus/Leakage Analysis

- Within One Mile north and south
 - (100,000 SF oversupply of grocery stores)
 - 60,000 SF motor vehicle/parts dealers
 - (13,000 SF oversupply pharmacy)
 - 50,000 SF gas stations
 - (-12,000 SF restaurants)
 - 3,000 SF misc./other
 - **(75,000 oversupply overall)**
- Caveats
 - Groceries (Cub, Rainbow for example) draw from much larger area
 - Market niches exist beyond Cub and Rainbow
 - 150,000 SF commercial (?)
 - (McComb says 27,500 likely)
 - Restaurants create destinations/feed on each other
 - Destination retailers

Commercial Listings

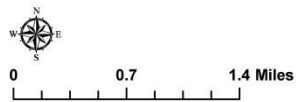
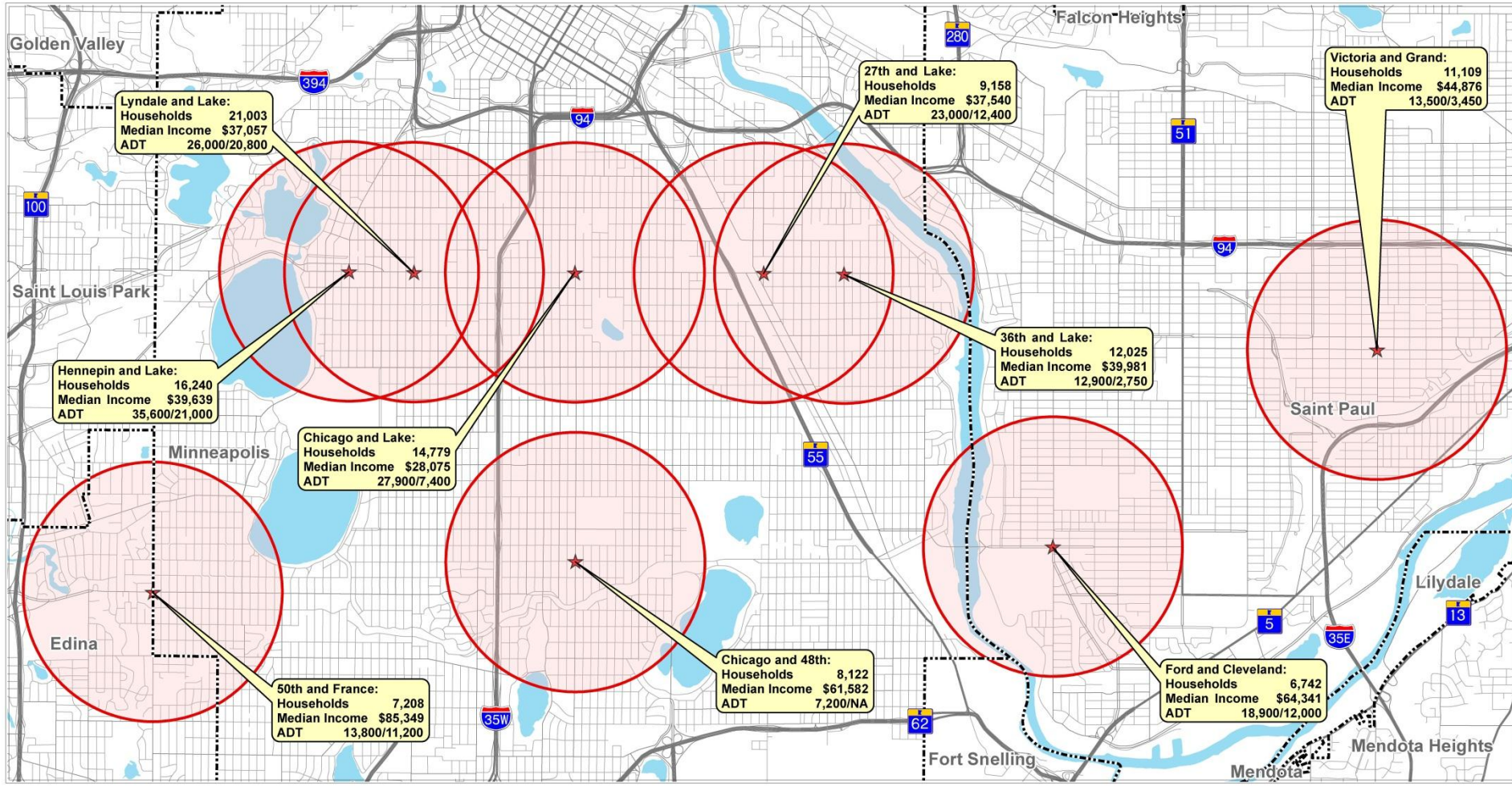
Former Blockbuster Video	1967	10,886	7,436	\$30.00 - \$30.00	Leasing Company:	Colliers
2610 East Lake Street		Land Area:	32,378		Building Style/Type:	Two-Tenant MT Building
		Vacancy Rate:	68.3%	Tax/CAM: \$9.25	Space Location/Type:	In-Line Retail with Parking Frontage
					Parking:	40 spaces off-street/4 per 1,000
3016 Minnehaha	N/A	7,000	7,000	\$6.00 - \$6.00	Leasing Company:	Building Owner
3016 Minnehaha Av.		Land Area:	N/A	lease: gross	Building Style/Type:	Single-Tenant Building Retail/Office
		Vacancy Rate:	100.0%		Space Location/Type:	Sidewalk Frontage
					Parking:	On-Street
3024 Minnehaha	N/A	4,200	4,200	\$8.86 - \$8.86	Leasing Company:	Building Owner
3024 Minnehaha		Land Area:	N/A	lease: gross	Building Style/Type:	Single-Tenant Building
		Vacancy Rate:	100.0%		Space Location/Type:	Sidewalk Frontage
					Parking:	On-Street
Mixed-Use Building	1908	6,416	N/A	\$500,000 - \$700,000	Brokerage:	Colliers
2629 East Lake Street	1996				Building Style/Type:	Mixed-Use
		PSF:	\$ 109.10		Space Location/Type:	Main Floor Retail/2nd Floor-3 Apartments
					Parking:	On-street
3017 27th Av	1928	7,700	7,700	\$14.00 - \$14.00	Leasing Company:	Colliers
3017 27th Av				lease: gross	Building Style/Type:	Single-Story Single-Tenant
		Vacancy Rate:	100.0%	sale: \$397,500	Space Location/Type:	Retail Storefront with warehouse/storage
		PSF:	\$ 51.62		Parking:	on-street
Ghandi Mahal Building	N/A	5,435	N/A	N/A - N/A	Brokerage:	Colliers
3009/15 27th Av		Land Area:	7,767	For Sale bank-owned	Building Style/Type:	Single-Story Two-Tenant
		Vacancy Rate:	N/A		Space Location/Type:	Streetfront Retail
		PSF:	N/A		Parking:	on-street/off-street 15 spaces behind

Commercial Listings

Oddfellows Building	1909	37,486	2,000	\$20.00	-\$20.00	Leasing Company:	CBRE
2709 East Lake	(2003)	Land Area:	14,213	lease:	gross	Building Style/Type:	2/3-Story MT Building
		Vacancy Rate:	5.3%			Space Location/Type:	1st Floor Sidewalk-Frontage In-Line
						Parking:	On-Street
Colisuem Building	1917	53,492	6,383	\$5.00	-\$9.00	Leasing Company:	CBRE
2610 East Lake Street		Land Area:	21,344			Building Style/Type:	3-Story MT Building
		Vacancy Rate:	11.9%	Tax/CAM:	N/A	Space Location/Type:	3rd Story Office
						Parking:	Off-Street/On-Street
3001 East Lake Site	N/A	Land Area:	21,344	\$500,000	-\$1,000,000	Leasing Company:	C. Chase Co.
3001 East Lake		Acres:	0.49			Building Style/Type:	Land
		PSF:	\$ 46.85			Space Location/Type:	Corner
						Parking:	N/A
3117 East Lake	1947	15,000	7,000	\$14.00	-\$17.00	Leasing Company:	Colliers
3117 East Lake St.		Land Area:	31,363	lease:	gross	Building Style/Type:	MT Building
		Vacancy Rate:	46.7%			Space Location/Type:	Sidewalk Frontage
						Parking:	Off-Street/On-Street
3300 East Lake	1968	4,900	4,900	\$18.00	-\$18.00	Leasing Company:	Java
3300 East Lake		Land Area:	19,166	lease:	gross	Building Style/Type:	Single-Tenant Former Restaurant
		PSF:	\$ 121.43	sale:	\$595,000	Space Location/Type:	Sidewalk Frontage
		PSF Land:	\$ 31.04			Parking:	Off-Street/50 Spaces- 10 Per 1,000 SF

Commercial Listings

CTC Building	1925	20,180	20,180	\$450,000 - \$450,000	Brokerage	CBRE
3400/08 East Lake		Land Area:	20,437	For Sale	Building Style/Type:	MT Retail/Office
		Vacancy Rate:	100.0%		Space Location/Type:	Sidewalk Frontage
		PSF:	\$ 22.30		Parking:	On-Street
3533 East Lake	1925	1,500	1,500	\$17.60 - \$17.60	Brokerage:	Java
3533 East Lake Street		Land Area:	2,300	lease: gross	Building Style/Type:	Single-Tenant Attached Building
		Vacancy Rate:	100.0%	sale: \$225,000	Space Location/Type:	Sidewalk Frontage/In-Line Space
		PSF:	\$ 150.00		Parking:	4 Spaces - 2.7 Per 1,000 SF/On-Street
3011 36th Av	1948	2,000	2,000	\$219,000 - \$219,000	Brokerage	ReMax Results Commercial
3011/13 36th Av. S.		Land Area:	2,000	For Sale	Building Style/Type:	Multitenant Building
		Vacancy Rate:	100.0%		Space Location/Type:	Sidewalk Frontage
		PSF:	\$ 109.50		Parking:	On-Street
G.C. Peterson Machinery Bldg.	1929	15,499	15,499	\$750,000 - \$750,000	Brokerage	Colliers
3801-25 East Lake Street		Land Area:	27,007	For Sale	Building Style/Type:	Single-/Multitenant Building
		PSF:	\$ 48.39		Space Location/Type:	Sidewalk Frontage
		PSF Land:	\$ 27.77		Parking:	On-Street/Possible Off-Street
Former Taco Bell	1977	1,371	1,371	\$250,000 - \$250,000	Leasing Company:	Diversified Acquisitions, Inc
4020 East Lake St.		Land Area:	14,215		Building Style/Type:	Freestanding Restaurant
		PSF:	\$ 182.35		Space Location/Type:	N/A
		PSF Land:	\$ 17.59		Parking:	14 spaces off-street/10 per 1,000 SF



- ★ Key Intersections
- Area within 1-Mile of Key Intersections
- Municipal Boundary
- Open Water

Node	Households	Median HH	Traffic	
	Within 1 Mile	Income - 2010		
Hennepin/Lake	16,240	\$ 39,639	35,600	21,000
Chicago/Lake	14,779	\$ 28,075	27,900	7,400
Lyn Lake	21,003	\$ 37,057	26,000	20,800
27th and Lake	9,158	\$ 37,540	23,000	12,400
Ford/Cleveland	6,742	\$ 64,341	18,900	12,000
50th and France	7,208	\$ 85,349	13,800	11,200
Victoria and Grand	11,109	\$ 44,876	13,500	3,450
36th and Lake	12,025	\$ 39,981	12,900	2,750
Chicago and 48th	8,122	\$ 61,582	7,200	N/A

March 1, 2012
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Taxes and Assessments

- Taxed at around 3.5% of value (same for auto sales lot and apartment)
 - Appeals will occur as properties sell for less value
- Assessed by front foot
 - RW Auto assessed \$0.50 PSF
 - West River Commons at \$0.01 PSF
- 100 units adds 0.4% to city's tax collections, reducing overall burden
- Reduce assessments PSF by densifying
- Reduce overall taxes by allowing density



Parking

- 3.5 to 4 spaces per 1,000 SF reasonable rule-of-thumb
- Convenience parking must be convenient
 - on- or off-street
- West River Commons 4.7 per 1,000
- Riverside Market 3.5
- Typical suburban mall 100 feet from closest space to door (1/3 block on Lake)
 - Merlin's Rest; approx. 10, all on-street
 - Every storefront meets criteria
 - Not all have sufficient parking in context
- Additional parking bolsters retail areas – at what cost?
- City requires 1:1 residential, 3 per 1,000 SF retail



Retail Opportunities

- Leakage and McComb suggest little/no net increase
- Instead focus on quality/not quantity
- Pharmacy? Design it well (Highland Walgreens as example)
- Continued interest to store vehicles on surface lots
- Incubator businesses
- Food cart owners looking for permanent space
- *Downsize/eliminate retail in places*
- Nodal Approach
- Concentrate restaurants/auto uses/drive thrus at a node?
- Increase BID's role to marketing, etc.
- Art installations in vacant spaces
- Grocery store could attract complimentary businesses

Tunnel Vision

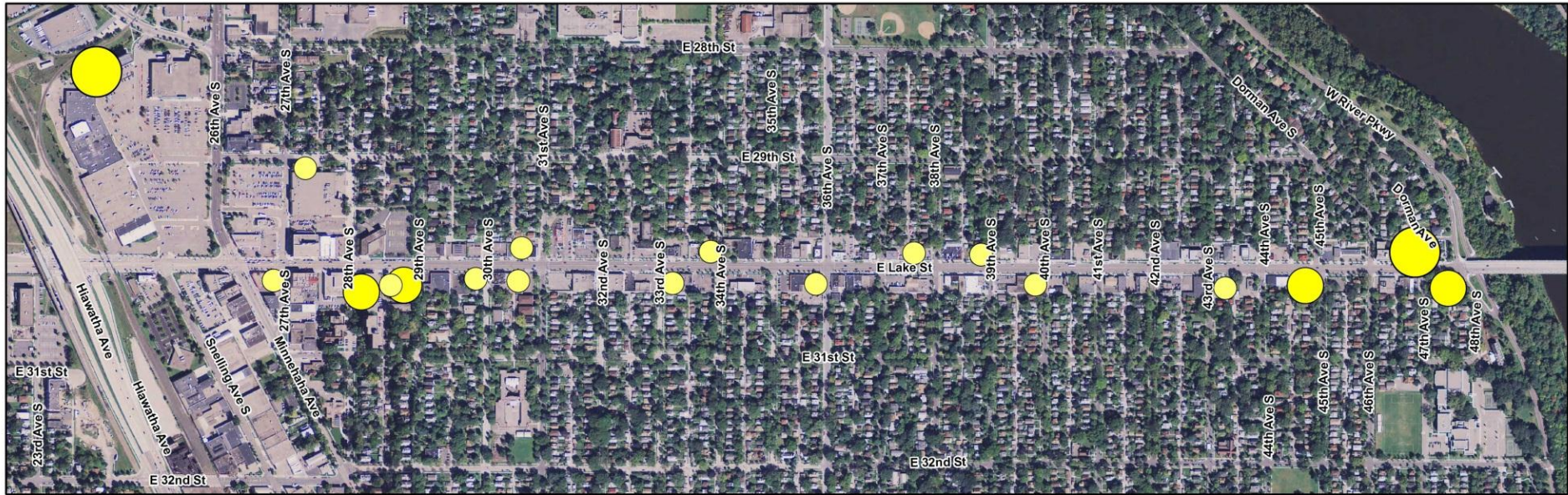
- Simple demand won't solve problem
- Disparate uses don't feed off each other or add value
 - Existing business may be worthy and have market share
 - Retail centers locate similar/complimentary uses nearby
 - Grocery by bank, liquor, dry cleaner
 - Teen retail concentrated, food courts, etc.
 - Used car lot next to grocery doesn't generate additional trips
 - Repair shop doesn't encourage new restaurant
- No Silver Bullet – Answers may lie elsewhere

Solutions/Strategies Beyond Retail

- More residential
- Vision, Planning and Code
- Focus on Nodes and Space Between
- Incentives



Residential Development



Apartments – East Lake Street Corridor



- Up to 10 Units
- 10 to 50 Units
- 50 Units Plus

October 7, 2011

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Residential Development

- Significant corridor-wide infill housing opportunities
- Adding 100 units is 0.83% increase in households within 1 mile
- 1,000 units is 11% increase
 - (1,000 units = 1,500-3,000 SF of retail)



Add Housing/Subtract Retail

- Retail vacancy is 11.4%, 88,000 SF
- Fill or subtract 48,000 SF for healthy market (75,000 oversupply in earlier slide)
- 1,000 units is 11% increase at 27th/Lake
 - (1,000 units = 1,500-3,000 SF of retail)
- Available sites have land capacity for 1,200 units = demand for 5,000 SF more retail created
- Need to reduce further 43,000 SF for healthy market
 - Removing GE Peterson, Taco Bell, SA, Molly Quinns, 3117 bldg (charter school) is 38,000 SF

Corridor Vision

- No overarching vision for corridor
- Existing comp plan wants West River Commons, but allows surface parking and drive-thrus
- Existing process
 - Site plan review for parcel A, B and C have no relationship to each other
 - “what is the place you seek to create?”
 - “why should we make it easier to build what we want?”



Charrette and Vision

- Community and business buy-in
- Everybody builds a piece of the vision
- Make process easier
 - Administrative review for any parcel less than 1 acre
 - City staff + neighborhood rep
 - 90 day review
 - Larger than one acre goes to planning commission or city council for 5 major criteria, but not micro-managed
 - No parking requirement for less than half-acre
- Why should the city care/prioritize East Lake Street?



Vision and Form-Based Code

- Flexible, but the form is set according to vision
- Height and form can vary along corridor
- “What you see is what you get”
- Columbia Pike in Arlington, VA
 - Created form-based code alongside existing zoning. Not one developer has chosen the latter.



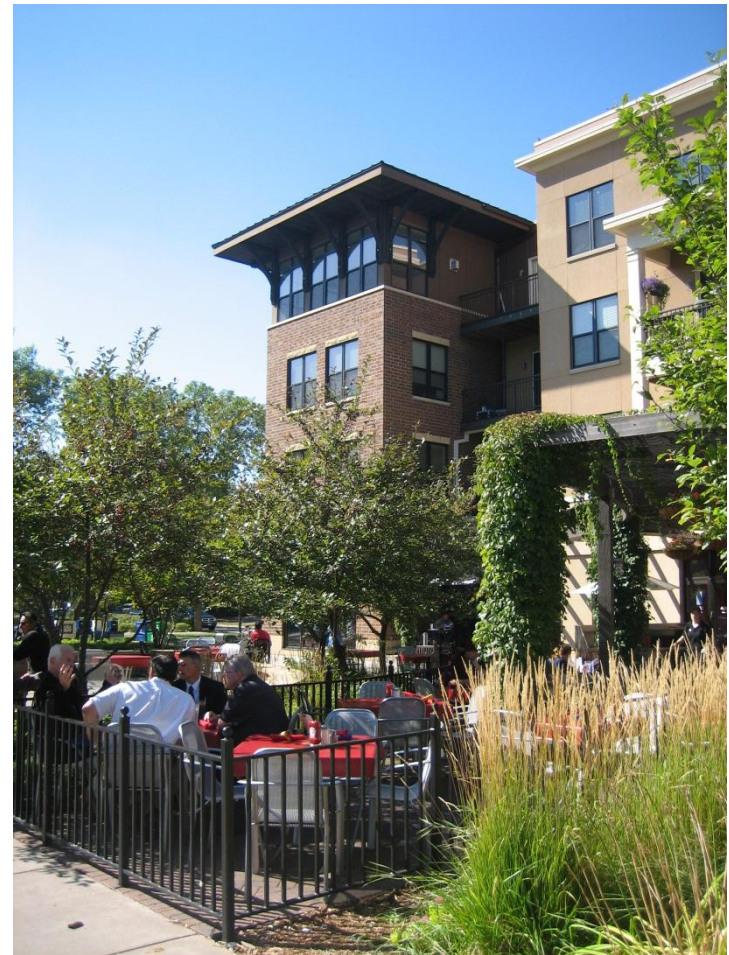
Big Box Node

- Low vacancy but large amounts of surface parking
- Very underutilized parking



Big Box Node

- District has demand for 1,250 units
- Net increase of retail space possible, not required
- Development of mixed-use at NWC of 26th and Lake could be best opportunity on corridor



27th Avenue Node

- Defined by older buildings with good character
- Leasing, parking and foreclosure challenges
 - Slow progress being made
 - Abundant parking nearby, not always close enough
- Mixed-use infill also an option at retail center on NWC corner 27th and Lake (former Blockbuster)



28th to 34th Avenue Strip

- Least visual identity/fewest doors
- Most opportunity for improvement
- Infill opportunities could support nodes at 27th and 36th
- Five significant vacancies on 93,216 square feet of land. Could support 100+ housing units
- Housing-only option, or concentrate drive-thrus?



36th Avenue Node

- Good retail character
- Many doors, “pretty friendly”
- Nine vacant spaces within two blocks
 - Potential furniture store
- Merlin’s Rest a key anchor tenant
- River Lake Hardware a key anchor tenant
- More restaurants?
- Nearby infill housing could bolster retail demand slightly



39th Avenue Node

- Riverside grocery could catalyze area
 - Good fit with existing coffee/hardware
- Former SA among redevelopment sites
- If grocery opens, pursue SA redevelopment



Residential Pro Forma

- Existing commercial building
 - Current value \$500k
 - 10,000 SF bldg.
 - Occupied, fair condition
 - income \$100,000/yr.
- *Content Landlord*



Residential Pro Forma

- Redevelop with 30-unit, 3-story apartment
 - \$5.1 million cost
 - \$950 1 BR
 - \$106,000 loss/yr.
- *Laughing Landlord*

Residential Pro Forma

- 48-unit, 4-story apartment
 - \$6.5 million cost
 - 50% tax abatement
 - Stormwater waiver
 - Site cost reduced by catalytic developer
 - Nearby grocery store (= \$50/month in rent)
 - Transit-friendly, walkable lifestyle saves \$2,000-\$8,000/yr.
 - \$24,000 annual profit
- *Interested Landlord/Possible Investor*

Commercial Pro Forma

- Freestanding one-story 5,000 SF building
- \$500,000 to purchase
- \$650,000 renovation/development
- \$22 net lease to cover mortgage, provide return for developer/owner

Development Strategies

- Nodal Approach
 - Choose one, focus there
- Catalytic developer/site assemblage
- No parking requirements for less than half acre
- Tax benefits
- Gap financing
- Stormwater, sewer, water fee reduction
- Simpler approvals
- Are single-family homes off the table?
- Community Investment Group
 - Invest in business or property
 - Seward Co-op/Smokehouse Brewpub
 - Central Avenue

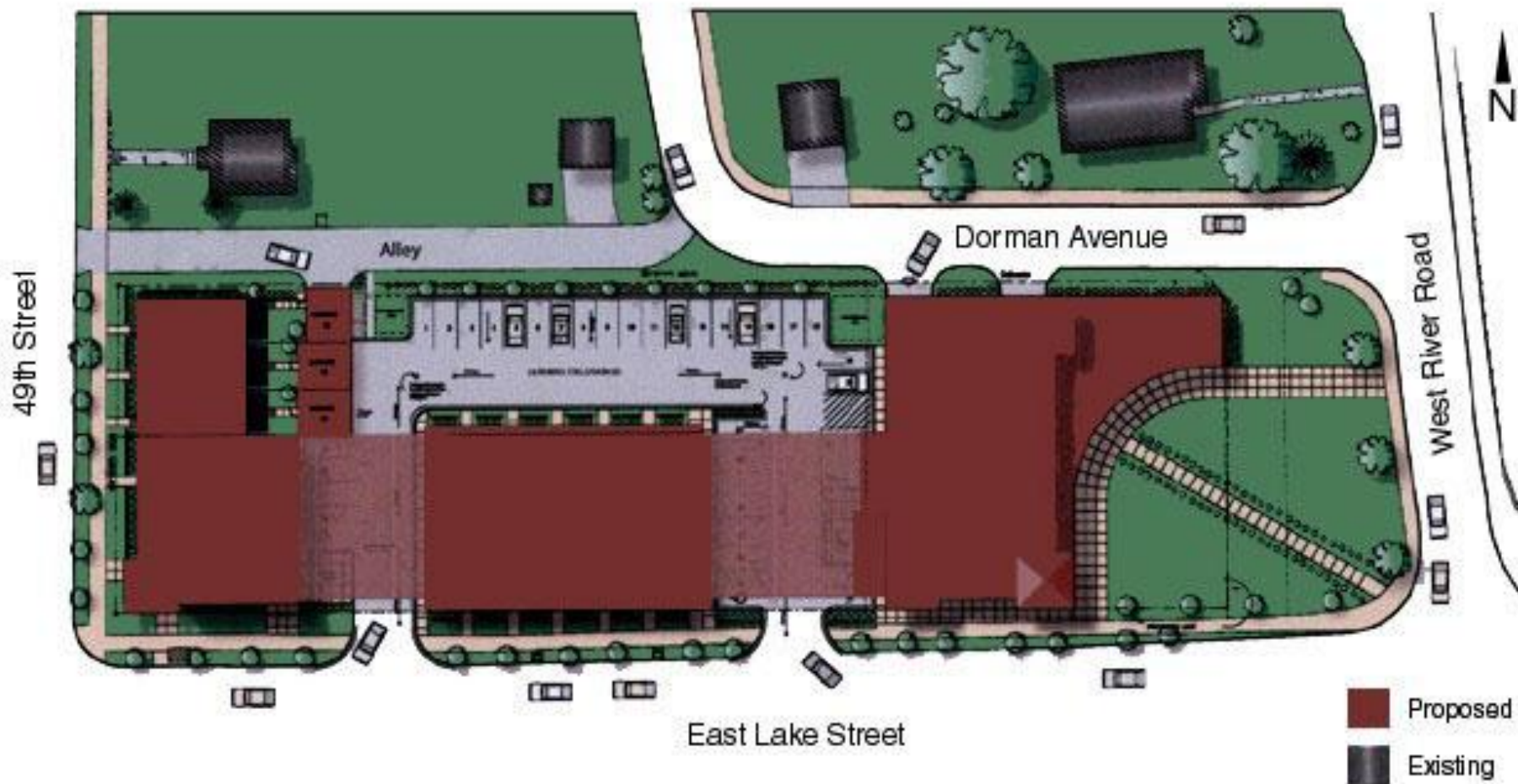


Little Infill





East Lake Street Elevation





Onion Flats - Philadelphia



Blue Star Corner,
Bay Area

Mangum 506
Durham, NC





Saltillo Lofts, Austin



Live-Work
Park East Enterprise
Lofts
Milwaukee



5. Activate the Public Realm





Walk-out Units





1120



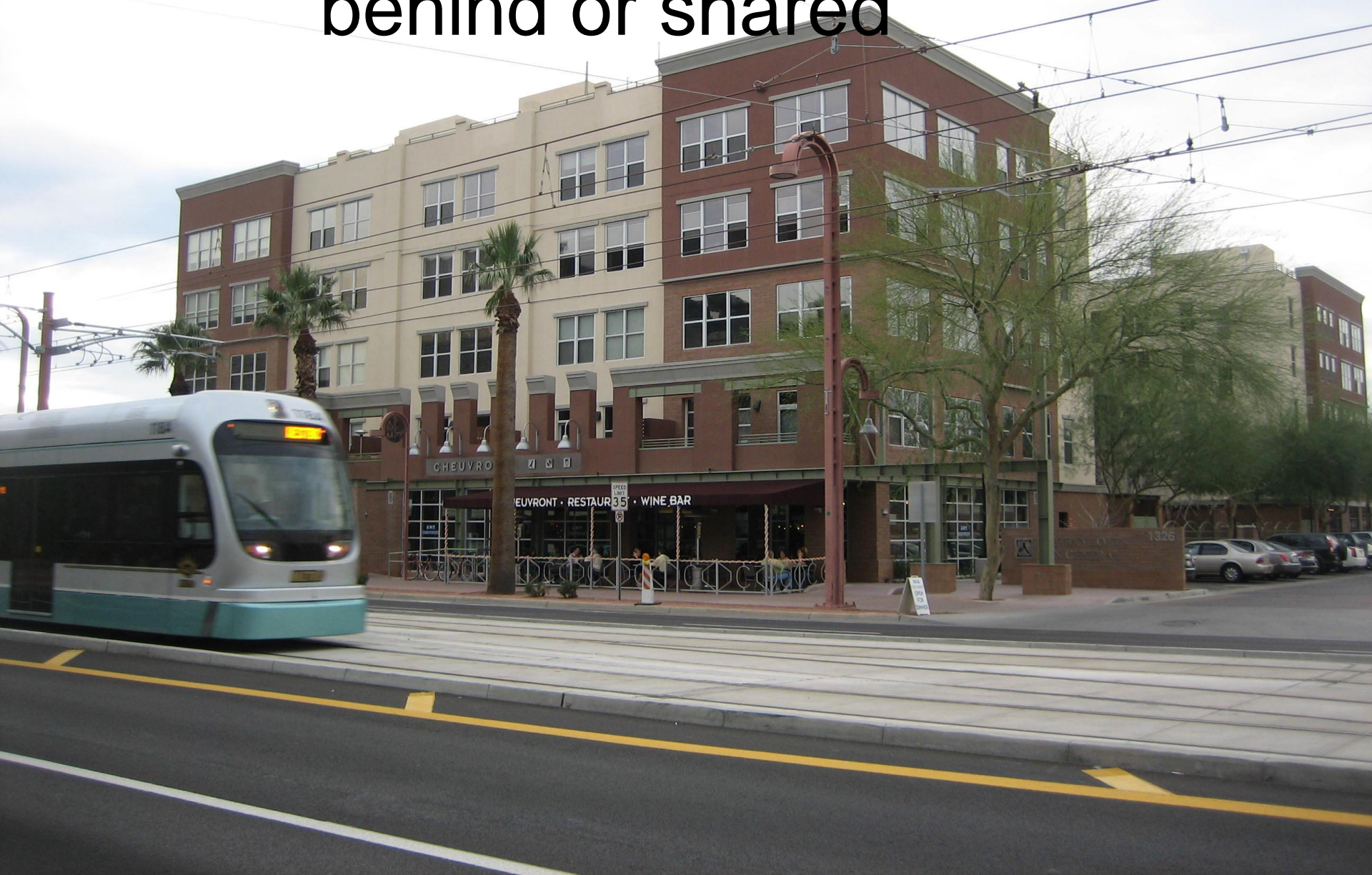
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Context Sensitive





Park on-street, on the side,
behind or shared







P

Bath - 11pm



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