

Prepared for:

Stevens Square Community Organization Minneapolis, MN

June 2008





June 9, 200

Mr. Steven Gallagher Executive Director Stevens Square Community Organization 1925 Nicollet Avenue South Minneapolis, MN 55403

Dear Mr. Gallagher:

Attached is the analysis "A Retail Market Study for South Nicollet Avenue in Minneapolis, Minnesota." The study includes an analysis of the existing supply of and market conditions for retail and office space in the South Nicollet Avenue Analysis Area along with general recommendations for housing that could be incorporated within various redevelopment sites. We also analyzed growth trends and demographic characteristics and the impact of these trends on the potential to support additional retail and office space in the Analysis Area and the types of uses most likely to be attracted.

Based on our analysis, an evaluation of sites for redevelopment, community input, and interviews with commercial brokers, contacts with local business associations, property owners and other information, additional retail and office space can be supported in the South Nicollet Avenue Analysis Area. Several challenges exist to achieving full potential for parcels in the area. We offer recommendations and suggestions to support a balanced mix of retail and office space in the Analysis Area over the long-term.

Detailed findings and recommendations can be found in the *Conclusions and Recommendations* section of the report.

We have enjoyed performing this study and are available if you need additional information.

Sincerely,

MAXFIELD RESEARCH INC.

Mary C. Bujold President Eric James Research Analyst

Attachment

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EXECUTIVE SUMMARY

Introduction

Maxfield Research Inc. was engaged by the Stevens Square Community Organization (SCCO) and the City of Minneapolis to complete a retail market analysis of the South Nicollet Avenue area that extends from the Interstate 94 Bridge to Franklin Avenue in Minneapolis, Minnesota. The Analysis Area is a small, three-block segment of Nicollet Avenue that is primarily commercial in character and contains restaurants, hardware, general merchandise, small grocery, florist, health care offices, Plymouth Congregational Church, a community center and other small professional offices. The report focuses on the potential demand for additional retail, office and residential development in the Analysis Area and recommendations for marketing and promotion of the Area as well as suggestions of physical improvements.

Growth Trends and Demographic Characteristics

The market analysis identified three retail Trade Areas from which customers may be drawn to the South Nicollet Mall Area. These retail Trade Areas are:

Primary Trade Area (generally the Stevens Square Neighborhood and the immediate surrounding adjacent areas);

Secondary Trade Area (incorporates a portion of the southern end of the Downtown and additional neighborhoods in South Minneapolis either side of South Nicollet Avenue);

Tertiary Trade Area (all of the City of Minneapolis);

A portion of the demand for retail goods and services will come from residents and non-resident employees in each of these areas. The highest potential exists from residents and non-resident employees in the Primary Trade Area with additional limited market support drawn from the Secondary Market Area and the City of Minneapolis outside of the Primary and Secondary Trade Areas.

Our demographic analysis identified a population base of approximately 20,900 people and approximately 12,800 households in an area that is less than one square mile. The population and household base is expected to increase over the next five to ten years primarily due to new housing development in the area which is increasing the housing stock through high-density development. Most recently, a significant number of new ownership housing units has been added to the Primary Trade Area increasing household investment and the potential retail expenditure base that would be prospects for new retail development in the South Nicollet Avenue Area.

The household base is characterized by primarily young households (age 18 to 35), many of whom work in the Downtown core. Young households are attracted to the area for several reasons including the affordable housing stock, the close proximity to Downtown (ability to walk, bike or utilize public transit), entertainment and socializing opportunities. Because many households are single or living with only one other person, per capita expenditures for the Primary Trade Area are higher compared to the Secondary Trade Area and the City of Minneapolis as whole. This indicates that households in the Primary Trade Area are more likely to have slightly higher discretionary incomes and/or to make purchases based on convenience. Items such as

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prepared foods, eating out, pet supplies and other types of products rank higher on the list in terms of total expenditures.

Although the area is projected to grow modestly, the average age of residents is unlikely to change significantly. There is a substantial rental housing stock in the area that turns over regularly and is typically occupied by young people. This has not changed substantively in more than two decades and despite the median age increasing just slightly, it is not projected to increase dramatically similar to more suburban locations. In addition, less dependence on private transportation and a greater dependence on public transit is likely to increase the amount of disposable income available to these households.

Market Conditions

There are very few vacant spaces in the Analysis Area. The Area is dominated by independent restaurants (primarily ethnic) and also offers some neighborhood goods and services including drugstore (CVS), hardware (Ace), general variety (Dollar Store) and coffee shop (Starbucks). New retail investment in the area has been primarily national chains. We believe that this investment signals a potential turnaround for the Analysis Area in terms of visibility.

However, rents for older space are substantially lower than for new space, a difference of nearly \$10 to \$15 per square foot and there is a significant difference between the visual appearance of older retail space and new retail facilities.

Limited vacant space indicates a potential to redevelop existing spaces and improve opportunities for new businesses to come to the Area.

This is likely to require the development of vacant parcels or the redevelopment of existing developed parcels. Public-private partnerships may be necessary to effect successful redevelopment of one or more properties in the Analysis Area.

Demand Calculations

Our demand calculations identified potential demand for approximately 22,000 square feet of new retail space targeted to neighborhood goods and services between 2008 and 2013. If a grocery store were to locate in the Analysis Area, we would see a demand for approximately 33,000 to 35,000 square feet of additional space over the next five years. Between 2013 and 2018, we identified a demand for an additional approximately 23,000 square feet of space.

Demand for additional small office space was also identified although we believe a greater potential exists to attract a major office user to the area that would develop a substantial building footprint to accommodate either expansion or back office space located outside of the core Downtown.

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Summary of Recommendations

Our recommendations for development in the Analysis Area are found at the end of the report. We believe that the Analysis Area could benefit significantly from the following physical and aesthetic changes:

- Redesign the I-94 Bridge to better connect the Analysis Area to the south end of the Downtown and create a "Gateway" to the South Nicollet Avenue Area.
- Encourage redevelopment of key parcels in the Analysis Area to support the "Gateway" focus. Increased density on sites closest to the Bridge would enhance retail potential and support increased awareness of the district.
- Create a new "focus" for the district that centers on initiatives already in place or new initiatives in concert with the existing characteristics and preferences of the surrounding neighborhoods.
- Establish a "green" district and promote the Area as environmentally conscious and friendly. Initial efforts should focus on reducing waste, beautification, energy savings, among other eco-friendly initiatives.
- Establish the identity of the area as the "hub" of neighborhood goods and services, a shopping district. This is the only area along South Nicollet Avenue that is likely to physically support a grocery, hardware and drugstore, simultaneously.
- Enhance marketing/promotion of the South Nicollet Avenue Analysis Area as a cohesive district; utilize a design concept that supports the new focus and brands the area differently from the "Eat Street" corridor.

PURPOSE AND SCOPE OF STUDY

Study Impetus

Maxfield Research Inc. was engaged by the Stevens Square Community Organization (SCCO) and the City of Minneapolis to complete a retail market analysis of the South Nicollet Avenue area that extends from the Interstate 94 Bridge to Franklin Avenue in Minneapolis, M

The mix of commercial businesses in the area is good, but vitality of the area is lacking and the Analysis Area, despite being the Gateway of South Nicollet Avenue is generally passed over for the cluster of restaurants and ethnic-oriented businesses along "Eat Street" further to the south at 26^{th} Street. New commercial and housing development in the area has improved the quality of pedestrian activity, but further enhancements are needed. There is interest in vacant spaces, which is positive, but some spaces may be problematic to lease because of deferred maintenance or difficult building configurations.

Our research includes an analysis of the mix and amount of existing uses in the Analysis Area, traffic counts and travel patterns, demographic growth trends and characteristics of the potential support population including residents, daytime population and the pass-through customer base, overall market conditions for retail and office space in the area, general comments regarding housing types and new housing product in the neighborhood and its impact on retail potential. Based on growth trends and market conditions in the draw areas for the Analysis Area, we quantify demand for additional retail and office space for the period of 2008 to 2020.

Recommendations and implementation guidelines are included regarding marketing, promotion and assessment of redevelopment opportunities. Our demand calculations and recommendations are intended to serve as a guide for the community and the City as they develop ongoing plans for the Analysis Area.

The report includes both primary and secondary research. Primary research includes interviews with City staff, neighborhood association membership, businesses and property owners, commercial and residential real estate sales agents and brokers. Secondary research is credited to the source when used, and is usually data from the U.S. Census or or Claritas, Inc., nationally recognized demographics forecasting firms or is locally collected data such as building permit information, transportation analysis zone data or assessor's data.

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ANALYSIS AREA EVALUATION

South Nicollet Avenue Analysis Area Location

The South Nicollet Avenue Redevelopment Area encompasses a three-block area along South Nicollet Avenue in Minneapolis, Minnesota. The Area extends from the Interstate 94 Bridge on the north to Franklin Avenue on the south and includes both the east and west sides of the street. The South Nicollet Analysis Area is located in the Stevens Square/Loring Heights neighborhood of Minneapolis, just south of the Downtown Central Business District (CBD). The neighborhood has been established for many years and has one of the most active neighborhood organizations in the City of Minneapolis.

Although predominantly retail in character, the Analysis Area also includes office space in four buildings on the Avenue. The office building in the southeast corner of 18th and South Nicollet Avenue is the largest concentration of office space. Other buildings that offer office space include 1905 South Nicollet, 1915 South Nicollet, and 1931 South Nicollet. The South Loring Community Center also includes some office space, but we exclude this building because it operates primarily as a public facility. Redevelopment of this area has the potential to increase commercial and residential vitality in the Analysis Area. The Analysis Area serves as the Gateway to South Nicollet Avenue, but is somewhat isolated from the primary concentration of activity along the Avenue.

New residential development at Franklin Avenue with the Greenway Lofts and Eat Street Flats in addition to Franklin Lofts, 3nd Avenue Place (18nd Street and 3nd Avenue). The Groveland (Groveland Avenue and Dell Place) and 314 Clifton Avenue (Clifton Avenue and) have brought more than 320 new housing units, most of them ownership, to the area since 2004. With an average of 1.5 people per household, these units have added nearly 500 more people to the immediate area. At a conservative average of \$19,000 in per capita spending, these households have recently added more than \$9.5 million in aggregate spending to the Analysis Area. The Analysis Area is already capturing a portion of this new spending through existing businesses. Our survey of existing residents revealed that although some patronize existing businesses in the immediate area, there is a substantial amount of spending that is going to retail businesses outside of the Analysis Area. We identified the potential to capture this spending in the Analysis Area through diversification of the retail mix and improving the shopping experience for residents, employees and visitors.

A site location map and photos are located on the following pages.

ANALYSIS AREA EVALUATION

Analysis Area Interstate 94 Analysis Area Frenklin Avenue GOOMS 44 5754 76 \$ 3 16 40 4







Village Center-view looking north

ANALYSIS AREA EVALUATION



View north on South Nicollet-Separation of Parking from Street



Office Building for Lease



Eat Street Flats and CVS Pharmacy





1931 Nicollet Ave. S. - Oliver's Restaurant



People walking across the Bridge

ANALYSIS AREA EVALUATION



Space that collects litter and trash



Area that collects litter and trash



Attractive Planters, need regular upkeep



Attractive well-kept building



Good Pedestrian Connection to LaSalle, but not well-defined



Blue Awnings are attractive, but signage is inconsistent

ANALYSIS AREA EVALUATION



Consistent Signage at Street Level



Building needs repair and painting



Dead space across the Bridge

Access and Visibility

Primary access to the Analysis Area is from South Nicollet Avenue via Franklin Avenue and other cross streets that extend through the neighborhood such as 19th Street, Groveland Avenue, and 18th Street. South Nicollet Avenue extends north into the Downtown core and south to 29th Street until it is diverted to Blaisdell Avenue because the Kmart at 29th Street extends across Nicollet Avenue. Plans to reopen Nicollet Avenue have been placed on hold, but it is likely that this will occur at sometime in the future. Opening up Nicollet Avenue would increase traffic along Nicollet that would be potentially beneficial to commercial retail businesses in the Analysis Area.

South Nicollet Avenue is one of the primary avenues into and out of the southern end of the Downtown core and a direct connection to Nicollet Mall. The Minneapolis Convention Center is

ANALYSIS AREA EVALUATION

located approximately ¼ mile from South Nicollet Avenue, within easy walking distance. However, the pedestrian environment along South Nicollet Avenue is disconnected and pedestrians must cross the I-94 Bridge at 1st Street South or on Nicollet Avenue past buildings which are abandoned or exhibit deferred maintenance. In addition, there are several restaurants located between Grant Street and the I-94 Bridge which would capture customers not necessarily adventurous or who prefer not to walk very far. A shuttle or trolley connection could assist in bringing people to the Area from the Downtown core and from locations near to South Nicollet such as the Convention Center.

Access to Interstate 94 and Interstate 35W is relatively convenient from this area with connections located a few blocks to the east of South Nicollet Avenue at 4th Avenue South (west on I-94) and 5th Avenue South (East on I-94 and North on I-35W). Signage is limited however, and visitors to the area are not likely to be aware of these convenient connections. Connections into the area from I-94 and I-35W are also relatively convenient, but are generally more difficult to navigate if unfamiliar with the area. Connections from the east and south are more convenient than connections from the west and north.

According to data from the Minnesota Department of Transportation, traffic counts in the South Nicollet Analysis Area as of 2006 (the most current year available) are as follows:

•	Nicollet Avenue, north of Franklin Ave.	7,400 vehicle trips per day
•	Nicollet Avenue, south of Franklin Ave.	7,400 vehicle trips per day
•	Nicollet Avenue, north of 15th St.	8,000 vehicle trips per day
•	Nicollet Avenue, west on 15th Street	10,900 vehicle trips per day
•	Nicollet Avenue, west on Franklin Ave.	13,200 vehicle trips per day
•	Nicollet Avenue, east on Franklin Ave.	17,800 vehicle trips per day
•	Interstate 94 – east/west	190,000 vehicle trips per day

Traffic counts are reasonably high. Recent traffic counts reflect a well-traveled urban district. Parking is readily available at meters along the street and several stores and buildings have parking adjacent to them for customer use. Currently, most parking areas are not very attractive. Maintenance of existing parking areas is inconsistent. Some are relatively well-maintained and others are not.

Redevelopment Potential

The South Nicollet Analysis Area offers strong connections to the Downtown core, a location in a well-established urban neighborhood, convenience-oriented goods and services, restaurants, and other services. The Area is the Gateway to South Nicollet Avenue and Eat Street, but is essentially isolated from the concentration of restaurants that is the hub of Eat Street between 25th and 28th Streets South. There are several restaurants in the Analysis Area, one of which has been there for several years, Pho Quan, the Victnamese restaurant. Other spaces have changed hands several times, switching back and forth between concepts. Acadia Restaurant anchored the Franklin Avenue corner for some time, but left last year. The restaurant featured entertainment

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ANALYSIS AREA EVALUATION

and was a generally casual social place for residents and visitors. A new restaurant, Oliver, also featuring entertainment and a wine bar, has recently opened in the former Acadia space.

Redevelopment opportunities exist in the Analysis Area, but in the short-term, the costs of implementing suitable redevelopment projects will not bear market or economic feasibility. The Area's close proximity to the Downtown, its convenient access to major transportation routes, cultural amenities and retail goods and services, make it an excellent area to consider higher density residential and commercial development. Timing of redevelopment and economic resources including supporting market demand will be critical to successful redevelopment.

In the interim, it will be important to enhance the visual quality of existing storefronts and consider strengthening the mix of new businesses as changes occur. We discuss retail mix and implementation recommendations in a later section of the report.