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# news

Volume 18, Number 8

August 2004

## Feature

# Cap Rates – Going Nowhere Fast

by **Jon Dahlin**, Itasca Funding Group, Inc.; **Brad Foltz**, Northstar Partners; **Tim Hilger**, Diversified Acquisitions, Inc.

The topic of this article was conceived in early May shortly after experiencing a sharp increase in the yield on the 10-year T-Bills, the bellwether index for commercial real estate lending. It was widely believed that this was the beginning of the long anticipated retreat from the 40-year lows in interest rates and the honeymoon for commercial real estate was going to be experiencing a big thud. We decided to put some time between the initial onset of the interest rate climb and let the market react.

In the meantime, interest rates have fallen back a bit as we are experiencing some of the hiccups of an economy struggling to recover. The collaborators on this article interviewed a variety of practitioners in our business, including appraisers, brokers, lenders and developers. It is almost a universal consensus that while interest rates may be moving in an upward direction it has not yet affected the strong demand for most types of commercial real estate and that the cap rates remain at historical low levels. Cap Rate is a ratio used

*Cap Rates continued on page 2*

## Snapshot

# Otsego's Waterfront East

**Name of Center:** Otsego's Waterfront East

**Location:** Hwy 101 and County Road 39 in Otsego

**Opening:** Spring/Summer 2005

**Owner:** Waterfront East, LLC

**Managing Agent:** LandCor, Inc.

**Center Manager:** Sandra Hunten, Senior Property Manager

**Leasing Agent:** John Brickley, LandCor, Inc. (763) 315-0818

**Architect:** McCoy Architects

**Construction Contractor:** LandCor Construction, Inc.

**GLA:** 256,305 sf

**# of Stores:** 13 Retail Stores and 4 Restaurants

**Anchor Tenants:** Theater, Supermarket and MGM Liquor Store



**Market Area Served:** Northwest Metro Area (Elk River, Otsego)

**Construction Style:** Old Riverfront Town Mainstreet

**Additional Facts/Narrative:** A 125-room Holiday Inn and Water Park is currently under construction which is located adjacent in Otsego's Waterfront West. Waterfront West is also home to Riverview Community Bank, Blackwood's Restaurant and Banquet Center, Market Place West Retail Center, Embers Restaurant and a Holiday Convenience Store and Carwash.

## CAP RATES *continued*

to estimate the value of income producing properties. Put simply, it is the net operating income divided by the sales price or value of a property expressed as a percentage.

The brokerage community continues to see very strong buyer activity with the most sought after properties being apartments, shopping centers and net leased properties. Tom O'Brien, an investment sales broker with Northstar Partners noted, "We are continuing to see very aggressive pricing with low going in cap rates. I expect this trend to continue in the near term, especially with well-leased retail centers and long-term net leased assets." Keith Sturm, one of the principals of the Upland Real Estate Group and a leading broker with net leased properties especially for 1031 buyers, continues to experience very strong activity. He has noticed a slight increase in the cap rates for Walgreens after the increase in interest rates up from a low of a 6.75% cap to now more in the range of right around a 7.0% cap. The acquisitions almost always require leverage and are very sensitive to interest rates. Both of these brokers anticipate the strong market continuing for the next year or so.

The appraisal profession has cataloged the downward movement of capitalization rates over the last two years. It has been a particular challenge to keep their databases current. Tim Vergin, MAI of Diversified Real Estate Services reports, "Prior to the risk to the recent brisk downward movement in rates, the use of historic cap rate comparisons were good for one year or more with the use of minor adjustments. However, in the last year or two cap rates comparable for the hot property categories older than three to six months are not as reliable without substantial adjustments." Jerry Buechler, with Nicollet Partners echoes this sentiment, but observes that he thinks we may still see some downward movement of the cap rates on apartment properties to as low a 6.25%. He also observed that the cap rates on net leased properties do not appear to be going up yet and they are seeing Walgreens sales in the 6.8% to 7.0% cap range. Jerry cited a study his office conducted on apartment sales between January of 2003 and February of 2004 that had a composite cap rate of 7.01%.

The institutional lending community has been reticent to embrace these historic low

capitalization rates for their loan underwriting purposes. The lenders foresee problems down the line when capitalization rates return to a more historic level in the 9.0% to 10.0%. This will cause them no end of headaches trying to refinance their balloon mortgages and will result in portfolio re-evaluation problems. Nevertheless, the local commercial mortgage bankers and brokers continue to work with the lenders and identify the best leverage package at today's low interest rates. Tony Navarro, GMAC Commercial Mortgage, acknowledges the current historical low level of cap rates and the incredibly high investor demand. He expects cap rates to remain at low levels and predicts that cap rates may even continue to slightly decrease in the near term. Navarro says, "Institutional investors that have been slugging it out with one another in top tier cities such as New York, Washington D.C. and San Francisco will increasingly turn to markets such as Minneapolis and other Midwestern cities to meet their commercial real estate allocations." The lending community is probably the first category that will breath a sigh of relief as cap rates start to return to more normal levels.

The recent era of low cap rates has been especially beneficial to the developers of retail and net lease properties. John Trautz, of Reliance Development Company offers, "Cap rates are as low as we have seen in our 14 years of developing retail properties. It's hard to imagine cap rates or interest rates going any lower." He further states, "This hasn't changed how we do business significantly because development projects seem to have a life of their own. Lower interest rates, although appealing to us owners, don't seem to have any impact on speeding up the life cycle of a development." Trautz further believes that the current cap rate environment will remain flat for about the next year before starting to rise. Another developer who asked to remain unnamed recently put his shadow-anchored shopping center up for sale at a 7.9% cap rate. The market response has been very strong and he anticipates achieving his asking price. He stated that he cannot imagine a better environment in which to sell retail properties. He further offered that a change in the presidency after the November elections may not bode well for the current favorable capital gains treatment and now is a good time to sell. Two fairly recent sales of

grocery-anchored centers in our market had cap rates as low as 6.75% and 7.25%.

In the July issue of *Mortgage Banking*, Kenneth Riggs of Real Estate Research Corporation writes an article "Storm Watch" which paints a picture of what we can anticipate during the anticipated economic recovery. He states that the most likely scenario is that interest rates will rise gradually starting in mid to late 2004 and increase of 100 – 200 basis points over the next year or two. Eventually consumer spending is expected to slow as prices for consumer products increase and credit card debt becomes more expensive. He states that, "Return levels for retail properties are unsustainable in this environment and will begin to deteriorate." While everyone certainly acknowledges that the joy ride for retail and net lease property has to come to an end at sometime, it's definitely not here yet. The consensus seems to be that cap rates will remain steady for the next 12 months or so and begin an upward rise maybe in late 2005. The sun is still shining, so go out there and continue to make hay. ■

### Search Me

Individual states maintain a list of unclaimed property that has been turned over to them. If you are interested in determining if you may be entitled to claim any of this property, visit your state's web site to review the list.

Minnesota: [www.state.mn.us](http://www.state.mn.us)

Wisconsin: [www.wisconsin.gov](http://www.wisconsin.gov)

Iowa: [www.greatiowatreasurehunt.com](http://www.greatiowatreasurehunt.com)

North Dakota: [www.land.state.nd.us](http://www.land.state.nd.us)

South Dakota: [www.state.sd.us](http://www.state.sd.us)

### Get Involved!

All MSCA Committees, including the newsletter, are planning for 2005 and looking for some new faces! Being a part of a committee is the best way to get to know key members of the association, while demonstrating that your company supports MSCA by being active. Please consider joining one of the following committees:

Awards	Newsletter
Community Enhancement	Program
Golf	Research
Legislative	Sponsorship
Marketing	Technology
Membership	

Call (952) 888-3491 to get involved!

# Market Update

## Hudson

by Betty Ewens, Kraus-Anderson Companies

Hudson has become one of Wisconsin's fastest growing communities. Through the growth, there remains a wonderful connection to the past. Hudson combines natural beauty, a clean environment, a healthy lifestyle and respect for both arts and architecture.

Demographically Hudson sports a population of 9,738 according to the 2002 census. The City is 5.4 square miles, the median resident age is 33 years, and the household income was \$50,991 in the year 2000. Strong residential growth includes the area east of Carmichael Road on I-94, with homes currently being built right up to the freeway. A new medical campus with a hospital and clinic just opened on the southeast quadrant of I-94 and Carmichael Road.

Hudson has a wide range of shopping options from big box to independently owned retailers. Downtown Hudson offers an historic shopping experience with unique and eclectic shops and eateries. Newer retail developments are located along I-94. Target, Plaza 94, and the many new strip centers that have sprung up to flank them on the north side of I-94 are enjoying extremely high occupancy levels. This year's retail news along the I-94 corridor includes the transition of a former K-Mart store to a new Home Depot, now open. The south side of I-94 remains a strong hotel, fast food, family dining and big box area with many national chains including Menards, Fleet Farm and the new Home Depot. Hudson welcomes you to the beautiful and burgeoning St. Croix Valley. ■

## August Member News

### The Caring Tree Campaign Runs Aug 6-22

The Caring Tree, which recently changed its name from the Caring Tree Foundation, will kick off its annual back-to-school campaign to collect new school supplies for children in need at shopping centers and retailers throughout Minnesota on August 6. For more information, log onto [www.caringtree.org](http://www.caringtree.org).

### Stradtman Elected President of Board

David Stradtman, SuperValu Inc. has been elected as President of The Caring Tree. Stradtman has been a board member since 2003 and has been a member of MSCA since 1997. The Caring Tree promotes educational success for Minnesota's K-12 students in need by ensuring that they have the appropriate school supplies.

### Mosborg Joins Suntide

Suntide Commercial Realty welcomes Steven Mosborg to its team of commercial real estate professionals.

### United Properties Honored

United Properties was recently named as NAIOP 2004 Developer of the Year. This award is given annually to one developer nationwide that best exemplifies leadership and innovation in the commercial real estate market.

*Press releases are printed based upon availability of space and relevance to the local market.*

### Griffin Represents Tuesday Morning

Lynn Bones, Linda Zelm and John Tramm recently represented Tuesday Morning in securing two new locations in Chanhassen and Mendota Heights. The 6,400 sf site in Chanhassen is located in the 7 and 41 Crossing retail center. The Mendota Heights site consists of 6,700 sf in Mendota Heights Plaza at Hwy 110 and Dodd Road. Tuesday Morning now has ten locations in the Twin Cities, including one in Rochester, and continues to search for sites in Duluth, Eau Claire, La Crosse and Fargo.

### NorthMarq Capital Acquires James R. Poole & Company

Minneapolis-based NorthMarq Capital, Inc. has acquired James R. Poole & Company (hereinafter Poole & Company), a 27-year-old mortgage banking firm serving property owners and developers throughout New Jersey, New York and Pennsylvania. NorthMarq has 28 offices in major markets from coast to coast, more than 350 employees, an annual transactional volume of more than \$8 billion and a primary commercial loan servicing portfolio of more than \$24 billion. ■



#### 2004 LEADERSHIP OFFICERS

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# Retailer Profile

## Granite City Food & Brewery



**Granite City**  
FOOD & BREWERY

by Lisa Diehl, McDonald's Corporation

**G**ranite City Food & Brewery, is a casual dining concept restaurant with an on-site brewery. The restaurant chain, based in St. Louis Park, Minnesota, opened its first restaurant in St. Cloud, Minnesota in June of 1999. With eight restaurants now open, Granite City Food & Brewery is on course to have a total of eight units open by the end of this summer and they believe will be positioned for a sizable expansion beyond its current base of five Midwestern states.

The company's founder, Steven Wagenheim, has over 52 years of combined hospitality industry experience. His partner, William Burdick, is also a veteran brewmaster and has worked in the brewing industry in corporate and private positions.

The company raised money through an initial public offering on Nasdaq. Granite

City, while also focusing on getting its infrastructure in place, developed a patent-pending brewing process in which beers are begun at a central location and then shipped as an unfinished liquid, or wort, to the satellite brewpub restaurants for the completion of fermentation and brewing.

Beers and other alcoholic beverages comprise just 20 percent of sales. They consider dinner-house chains and independents that do not brew their own beer to be as competitive with the concept as are other brewpubs. They continue to be aggressive on menu development, offering traditional and regional foods served in generous portions with daily special accounting for 15 percent of food sales. Their Sunday brunch is also popular.

Today, their locations include: St. Cloud, Sioux Falls, Fargo, West Des Moines,

Cedar Rapids, Davenport, Lincoln, and the newly opened Maple Grove in June. They recently announced they will be going in to Opus' development in Woodbury next year.

Over the next several years, the company will be on an aggressive growth pattern and they believe they can get 20 to 25 new locations per region, which include Minnesota, South Dakota, North Dakota, Iowa, and Nebraska throughout the Midwest.

The typical store size is approximately 9,000 square feet and pad size consists of 1.7 to 2.8 acres. Granite City prefers to lease. Steven Wagenheim can be contacted at the company for new locations.

The company went public in June of 2000 and currently trades over the Nasdaq Stock Exchange under the symbol GCFB. ■

[www.gcfb.com](http://www.gcfb.com)

## CONGRATULATIONS

ON THE JULY 14, 2004 GRAND OPENING OF



IN BLOOMINGTON, MINNESOTA



IKEA Twin Cities is located on 15 acres immediately north of the Mall of America. This store is 336,000 square feet elevated over parking, and has more than 1,400 parking spaces. IKEA Twin Cities features 50 room settings, four model homes and a 350-seat restaurant.

**Fredrikson & Byron** attorney David Sellergren acted as local legal counsel for land acquisition and all land use approvals.

David C. Sellergren: 612.492.7136

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## Demographic Trends & Retail Strategies



by Natina James, KKE Architects, Inc.

Have you noticed an increase in traffic congestion in the last few years? Has your house value skyrocketed in the last 10 years? The answer to these questions should be yes according to Martha McMurry, a Senior Research Analyst from the MN State Demographic Center, as stated at the MSCA July 7th program. McMurry simply stated according to the Minnesota Demographic Center, which relies on census data and tax returns, net migration (the difference between people in and out of the state) is up. The state's population is also expected to grow another 1.35 million people over



the next 30 years. Job availability and immigration are the biggest reasons why. Historically, Minnesota has seen an outward pattern of migration, but the 90's reversed the trend. We have seen significant immigration from SE Asia, Somalia and other African Countries. Population growth has occurred in outlying and developing suburbs of the Twin Cities such as Istanti and Sherburne Counties.

Other demographic trends include the state of Minnesota moving up to the 11<sup>th</sup> highest household income from 17<sup>th</sup> in 1990. Minnesota is also 7<sup>th</sup> per capita state income. Our state and household income will not continue to climb because

they are so closely tied to the population's age. As the baby boomers, ages 40-57, reach retirement, household and state incomes will dramatically fall. Other changes that will occur during this decade include an increase in families with no kids and one-person households.

Rich Varda, VP of Store Planning and Design of Target Corporation, compared the shopping environment of Target to that of the Agora in Athens. Historically, dense populations attract merchants who require venues to sell their goods. With modern advances and multiple cars per household, the department stores are not as convenient. Target's goal is to meet the needs of the consumer. How? Provide all necessary household goods at an inexpensive price and at the same reduce the number of shopping trips.

Target currently has 1,300 stores across the country. They spend 4 billion dollars a year developing and maintaining stores. Demographic trends such as suburban growth, retail saturation/voids, urban revitalization, diversity, congestion/convenience and attractive small markets have allowed Target to enter markets they typically do not enter. Target is also expanding into dense urban communities with challenging zoning and parking regulations. Multi-level targets with underground parking like Queens Place, New York have proved successful. A surprising 65% walk-up traffic has occurred in sites such as Queens Place, NY and Nicollet Ave, MN. The Nicollet store sees a spike of 1600 transactions/hour at noon and 5pm.

Carol Nielson, the Director of Research and Planning for Target Corp identifies and monitors demographic trends to review and select real estate locations. Targets location strategy includes reviewing demographics, economic conditions, site characteristics, storing pattern and reviewing competition. Demographics are also used to adapt store merchandise mix to a multi-cultural need. According to Nielson, Target is also focusing on the "Zoomers" or the Baby boomers by investing into their pharmacies.

Nielson's demographic review of populations has shown some urban populations increasing again. For example: New York +9%, Denver +19%, and Minneapolis +4% are all increasing urban areas. Typical urban attributes which are attractive to Target are car ownership, high population density, high income, and nearby employment. Small markets are also attracting Target. Characteristics such as attractive environments, good demographic profiles, and an increase in population growth and housing and vacation venues or second homes combine to offer a substantial base for site selection.

Good news for retailers - The Twin Cities metropolitan area and State of Minnesota are projected to continue growing through the year 2030. The bad news, of course, is that most of the easily accessible property for development has been utilized. Retailers, like Target, will be forced to expand into non-typical prototypical sites. Revitalized areas, small markets and urban settings will become interesting viable sites for developers as the state grows. ■

### July Professional Showcase

The Minnesota Lath and Plaster Bureau provides services to architects, the construction community and the public on a variety of matters related to the plastering trades.



### MSCA Raises \$15,000 for The Caring Tree

MSCA Golf Co-chair, Matt Alexander, presented The Caring Tree President, David Stradtman, with a check for \$15,000 at the July MSCA breakfast program for funds raised at the 2004 MSCA Golf Tournament.



# Committee Profile

## Community Enhancement Committee



AASERUD



HEUER



LEE



MEYER



NELSON



TUCK



ZELLMER

Pictured: Wendy Aaserud, *Madison Marquette*; Tom Heuer, *Aspen Waste Systems, Inc.*; Elizabeth Lee, *The Wall Companies*; Stefanie Meyer, *United Properties*; Heather Nelson, *Madison Marquette*; Eric Tuck, *RSM McGladrey, Inc.*; Jesseka Zellmer, *Upland Real Estate Group, Inc.* Not pictured: Lisa Chubb, *Glimcher Properties/Northtown Mall.*

The Community Enhancement Committee, co-chaired by Wendy Aaserud and Liz Lee, functions as the community outreach program for the MSCA focusing on two major projects dedicated to helping The Caring Tree. Committee members seek donations for the silent and live auctions held at the MSCA Golf Tournament to benefit The Caring Tree. This year the tournament was

a huge success, breaking previous recorded donations and netting more than \$15,000. Additionally, each year in August, this committee organizes the MSCA sponsored Annual Caring Tree Program at shopping centers, Cub Foods and Herberger's/Youngers stores throughout the state of Minnesota to provide children in need with new school supplies and clothing to begin a successful school year. Goals for the

upcoming year include increasing the solicited auction items at the Golf Event by 10% and increasing mall participation in the Annual Caring Tree Program throughout the state by 17%. ■

### 2004 Schedule of Events

Our monthly program meeting date is the first Wednesday of the month (with the exception September and December). All meetings will be held at 8:00 a.m. (registration at 7:30 a.m.) at the Sheraton Bloomington Hotel unless otherwise noted or publicized before the program. Program topics and location are subject to change.

**September 8** – MSCA/ICSC Retail Real Estate Forum

**October 6** – Mall Focus

**November 3** (Afternoon) – Annual Retail Real Estate Report

**December 7** (Tuesday Evening) – Year End Ceremonies/STARR Awards/Holiday Party

## Member Profile

### Todd A. Johnson



**Occupation:** Retail Real Estate Developer

**Company:** Steiner Development, Inc.

**Title:** Vice President, Development

**Hometown:** Miami, Florida

**Education:** B.A. in Political Science, University of Minnesota

**Family:** Wife Laurie, 5-month-old twin girls: Olivia & Sophia, 2 dogs: Toonces and Bailey

**Hobbies:** Home improvement, travel, and gardening

**Job History:** 1991-1995 Towle Real Estate (Broker); 1995-1999 Burger King Corporation (Development Manager); 1999-2004 Colliers Towle (Broker)

**Very First Job:** Washing windshields

**Dream Job:** SCUBA diving resort owner in Bonaire

**Secret Talent:** McGyver-like abilities around the house

**Favorite Food:** Sushi

**MSCA Involvement:** Legislative committee Co-Chair

### Bookmark

*Authentic Leadership: Rediscovering the Secrets to Creating Lasting Value* by Bill George. George, former chairman and CEO of Medtronic, could be America's poster boy for responsible corporate leadership, and his book shows why. He argues that mission-driven companies create greater shareholder value over the long haul than corporations that spend their time trying to appease fickle Wall Street analysts.

*Shoplifters vs. Retailers, The Rights of Both* by Charles Sennewald is one of the best books on loss prevention. Filled with 20 real-world examples of possible shoplifting, the book identifies problems and provides practical solutions.



# Thank You!

## Featured Corporate Sponsors



### The Business Journal

**Industry Focus:** A weekly Business Journal that provides news and information to help readers gain a competitive advantage through the market intelligence acquired from each issue.

**Company Vision:** To provide late-breaking, impactful business news to the Twin Cities business community every week.

“We are very pleased to be a partner of MSCA because of the fantastic networking opportunities it provides.” *Sam Smolley*

### Glimcher Properties/Northtown Mall

**Industry Focus:** Own, manage, acquire and develop enclosed regional and super-regional malls and community shopping centers.

**Company Vision:** To ensure maximum performance by continuing to provide stores and services that meet the needs of our growing trade area.

“MSCA is an outstanding information resource on the latest statewide developments and trends, and provides an excellent network to shopping center-related professionals.” *Nancy Litwin*

### KKE Architects, Inc.

**Industry Focus:** Deliver the most creatively planned and designed “market making” retail / mixed use environments.

**Company Vision:** “Expanding the Vision” is our culture, mission and attitude. It’s based upon understanding the vision of

each client then expanding upon it, exponentially, to accomplish more than anyone could imagine possible.

“For years KKE has partnered with MSCA - an incredible resource with numerous networking opportunities. You get out of it what you put into it.” *Sara Stafford*

### The Marshall Group

**Industry Focus:** To serve a wide array of borrowers, both public and private, such as real estate developers, churches, healthcare agencies and housing developers.

**Company Vision:** To be the premier investment bank specializing in the origination, structuring, placement and servicing of commercial loans to institutional investors.

“We support the efforts of local developers and planners from around the state.” *Tom Grady*

### Opus Northwest LLC

**Industry Focus:** Real estate development, architecture, engineering, construction, property management, financing, leasing and sales - all under one roof.

**Company Vision:** To be a company with a reputation unparalleled in the business world - of uncompromising integrity.

“MSCA offers its members an excellent platform for the sharing of knowledge and resources. We are proud to be members of this vibrant organization.” *Tim Murnane*

### Robins, Kaplan, Miller & Ciresi LLP

**Industry Focus:** Retail, commercial, industrial and residential real estate

**Company Vision:** To achieve exceptional results for our clients and deliver value by creating solutions to legal problems through quality work and responsiveness to our clients needs.

### TCF National Bank Minnesota

**Industry Focus:** TCF Commercial Real Estate focuses on construction, renovation, acquisition, and term financing for all types of commercial real estate projects.

**Company Vision:** To provide its customers innovative products through multiple banking channels, with a focus on convenience in banking.

“MSCA provides its members an opportunity to attend educational, social and business development opportunities, all under one roof.” *Scott Fedie*

### Venture Mortgage Corporation

**Industry Focus:** To arrange the most competitive and best suited mortgage loans for our real estate clients.

**Company Vision:** To be one of the best and most reliable mortgage banking firms in the region.

“MSCA provides a forum for us to interact with all the specialists in the retail industry.” *Mick Thorsland*

### 2004 Back-To-School

Parents still spend the majority of their back-to-school budget on clothes and shoes, although electronics have become more affordable for most families. Nearly every family with school-aged children intends to purchase clothes, shoes, and school supplies this year (93%, on average), with almost half of consumers (41.7%) planning to buy electronics or computer-related equipment as well. This year, the average consumer plans to spend \$219.46 on clothing, \$89.72 on shoes, and \$73.6 on school supplies.

“Retailers should not overlook the spending power of teenagers and their younger counterparts,” says Phil Rist, VP of Strategy for BIGresearch. “Many students will be out in full force shopping for back-to-school merchandise and, this year, they have more to spend.”

Convenience will reside over price. Consumers will shop in fewer stores for back-to-school merchandise this year. While most consumers still plan to shop at discount stores (75.9%), other will shop at department stores and office supply stores.

The Commerce Department reported in July a decline of 1.1 percent in retail sales for June. Retailers will look to the back-to-school season to offset June’s sluggish sales,” said Rosalind Wells, chief economist at the National Retail Federation.

This year some parents began their back-to-school shopping before their kids were barely out of school. Nearly one in six consumers started their shopping two months before school is expected to begin. More commonly, parents start shopping three weeks to one month before school begins or 40.9%. *Source: National Retail Federation*

Outlets At Albertville: Albertville, MN



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## Current ADA Compliance

You probably don't lie awake at night wondering if your shopping center is in compliance with the Americans with Disabilities Act (ADA). If you received a letter from the Department of Justice (DOJ) stating there had been a complaint about your property, would you be confident that you have taken the necessary steps to make your property accessible?

Last year, a local shopping center owner received a complaint from a woman who fell and broke her foot while walking on a sidewalk at a strip mall. That made her fairly angry, so she took it upon herself to check out other areas of the center that may have building code or civil rights infractions. She found some, wrote the owner and copied the Minnesota Attorney General and others in her complaint. She suggested the curb be cut to have flared sides to make the sidewalk travel more accessible.

The owner chose to ignore the letter. A few months later, he received a letter from the DOJ, requesting detailed information about the center. Now, the DOJ said they "strongly suggest that you submit your proposed plans to us before beginning any construction work."

The cost of making the required alterations would have been less than \$5,000, which may have prevented the woman from breaking her foot. It certainly would have saved the owner many hours spent gathering information and responding to DOJ. This case is still pending, however this owner is facing a potential fine of \$50,000, 10 times the amount of the correction. And, he still needs to change that curb cut.

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