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FEATURE: CityView

Compiled by Ross Dahlin, Itasca Funding Group, Inc.

PROFILE: Mayor Gene Winstead, Bloomington

Below is another article in our series, CityView, a periodic column featuring interviews with city leaders from around the region exploring the state of retail development in their areas.

MSCA: The City of Bloomington currently has many development/redevelopment projects including the Airport South District, the Penn-American District, and the MOA Phase II. With government financing tools always scarce, how do you prioritize these large projects?

Mayor Winstead: The City’s approach to setting priorities is similar to weighing any investment opportunity: by balancing risk with reward. Some of the ways the City, HRA and Port Authority accomplish this include:

- Achieving a reasonable public/private investment ratio. In Bloomington, this typically ranges from $1 to $2 of public assistance for every $10 of private investment.
- Investing in projects that are beneficial to the City (for example, strengthening neighborhoods, adding workforce housing, adding good jobs, strengthening the City’s tax base and building high-density mixed-use development) and that are consistent with the City’s development vision, but that the private market acting on its own cannot accomplish.

MSCA: Can you provide an update on the planned Phase II expansion at the Mall of America? Is it politically feasible to change the fiscal disparities formula to accommodate the requested subsidy?

Mayor Winstead: The City and Mall of America are in the process of evaluating what can be accomplished within the boundaries of the legislation enacted earlier this year. The legislation did not include use of fiscal disparities. It is likely that the state of Minnesota will realize less annual tax

SNAPSHOT

Shoppes on Maine

Location: Rochester, off of Hwy 63, just south of Hwy 52
Month/Year Opened: October 2007
Owner: Maine Land, L.L.C.
Managing Agent: Opus Northwest Management L.L.C.
Center Manager: Scott Michaelis, Opus Northwest Management L.L.C.
Leasing Agent: Barry Brottlund, Insite Commercial Real Estate (612) 706-9814;
Jeff Hildahl, Opus Northwest, L.L.C. (952) 656-4874
Architect: KKE Architects, Opus Architects & Engineers
Construction Contractor: Opus Northwest Construction, L.L.C.
GLA: 580,000 sf Current Occupancy: 90% # of Stores: 20
Anchor Tenants: Target, Lowes, Wehrenberg Theatre, Dicks Sporting Goods, Best Buy, PetSmart
Market Area Served: Rochester, MSA
Additional Facts/Narrative: A regional retail, grocery, and entertainment development serving southeastern Minnesota. Phase I of the 60-acre development opened in October 2007 and Phase II will open in September 2008, anchored by Best Buy. Additional space from 1,200-15,000 sf available. Retail & restaurant pads are also available.
CityView - continued

revenue from the resulting Phase II development and the fiscal disparities pool will realize less new value, because the capacity of the Legislature’s approved additional revenue sources may not be sufficient to support public improvements for the concept the developer presented to the Legislature.

MSCA: Any updates on the proposed SuperTarget at Normandale Blvd. and Old Shakopee Road?

Mayor Winstead: The Planning, and Traffic and Transportation Commissions have completed their recommendations and the application will be on the Council agenda in the future.

MSCA: Has the recent economic downturn been a factor in the delay/modifications of any retail projects in the City?

Mayor Winstead: Bloomington continues to have new retail buildings and tenants. The economy appears to have caused some businesses to defer their investments until the climate becomes more certain.

MSCA: Which retailers have shown interest in locating in Bloomington and how has the City been involved to accommodate any potential development? Can the City have any influence as to which retailers a developer brings in?

Mayor Winstead: Bloomington has the full gamut of retailing opportunities—from a world-famous enclosed mall, to superstore locations along Interstate highways to neighborhood centers and sites where retailers build and own their own stores. With this full range of opportunities, almost every retailer has shown an interest in locating in Bloomington.

The City’s philosophy is to take care of its core business of providing and maintaining infrastructure and establishing community construction and property maintenance standards. This creates an environment where a business investor or owner can feel confident about the future. The City’s primary program of attracting business is by providing high quality services at an affordable price.

MSCA: The City of Bloomington is known to be very favorable toward mixed-used developments. Would a retail-only project receive the City’s approval?

Mayor Winstead: The City’s commercial zoning districts have been updated to indicate where mixed use is appropriate. There are many districts where retail-only developments are allowed, and many are built every year.

MSCA: What are the City’s feelings on vertical mixed-use projects? Have these projects been successful in Bloomington?

Mayor Winstead: Vertical mixed use does not work in every circumstance, but it can be successful where thoughtfully designed. My parents enjoyed living in the vertically mixed residential/retail building at Lyndale and 98th Street.

MSCA: What is the expected impact on Bloomington of the upcoming GOP convention? Are you aware of any new restaurants that will open before the convention this coming August?

Mayor Winstead: The RNC (Republican National Convention) will bring a lot of customers and media attention for a relatively short period. You can’t drive your annual results off a week’s business, but I’m sure that Bloomington’s hospitality industry welcomes the opportunity to entertain this prestigious group. The untold story is that after the RNC leaves town, our hospitality industry will continue to entertain a similar-sized crowd that occupies our 7,300 hotel rooms every day of the year.

Some new restaurants recently completed or under construction include Corona Cantina, American Girl, Nickelodeon, and Chipotle at the Mall of America; Oak City and Ryan’s Café along I-494; and Nick & Willie’s, Umbria Pizza, 98 Pound, and Golden Wok in various Bloomington neighborhood centers.

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AVOIDING THE UNWANTED
HOW TO PREVENT OWNER LIABILITY FOR TENANT IMPROVEMENTS

Guest Author: Jason A. Lien, Maslon Edelman Borman & Brand, LLP

The dreaded mechanic’s lien. It often springs up, sometimes in multiples, after a tenant goes out of business and fails to pay contractors who performed construction work at the request of the tenant. As you may know, Minnesota law states that any property owner who knows tenant improvements are being performed is presumed to have authorized them and can be held responsible for paying for them through a mechanic’s lien. The end result: in addition to dealing with a defaulting tenant, you, the owner, are stuck paying for improvements that will likely be of no value and even removed once a new tenant takes over the space. Fortunately, there are precautions you can take advantage of under Minnesota law in order to protect yourself from ultimately being responsible for tenant-induced mechanic’s liens.

First, ensure that your lease contains provisions requiring prior consent and notice for any tenant improvements, a list of contractors working on the project before any work begins, and defense and indemnification from any mechanic’s liens. Ideally, you should also insist that the tenant provide a bond or deposit sufficient to pay for any mechanic’s liens.

Second, provide prompt notice to all contractors performing tenant improvement work that you are not responsible for paying for that work. Minnesota law allows a property owner to disclaim liability for a tenant’s improvements by sending written notice to contractors that it is not liable for the work. To be effective, the notice must be in writing, provided within five days after learning that the work is underway, and be personally served or sent via certified mail to the contractor.

Third, “post” notice on the premises where the work is being performed that states you, as the property owner, are not responsible for paying for tenant improvements. To be effective under Minnesota law, the posted notice must be “conspicuous” and “continuous.” The best way to ensure these requirements are satisfied is to post multiple signs in the premises and check often to make sure they have not been torn down. Take photos as proof in the event the contractor later challenges that notice was never posted.

Finally, when possible, use all of these methods in combination. Don’t rely solely on the lease to protect you. A tenant who fails to pay rent will not be in a position to indemnify you from mechanic’s liens. Likewise, your written notice will not be 100% effective if your tenant fails to give you an accurate list of contractors. You will cover any unknown contractors by also posting the notice on the premises.

In summary, “an ounce of prevention is worth a pound of cure.” Only a systematic approach that uses all three methods discussed above will best protect you from being subject to mechanic’s liens for unpaid tenant improvements. Before employing these strategies, however, you should consult with a lawyer to ensure that your procedures and documentation comply with Minnesota law. For example, the notice procedures set forth above are a part of Minnesota’s mechanic’s lien statute, which must be strictly complied with in order to be effective. Investing the time and effort into these preventive steps on the front end will help avoid paying for expensive and unwanted tenant improvements down the road.

WEB SITES

Are you finding the summer slipping away without doing anything exciting or unusual? Are you hesitating to take a great adventure because gas costs too much or thinking maybe we could do something different here? Check out the following websites for unusual events ranging from concerts, gallery exhibits, fairs & festivals all over the state of Minnesota.

twincities.metromix.com/events
www.exploreminnesota.com
www.minnesotamonthly.com
www.fairsandfestivals.net
**2008 LEADERSHIP**

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**EVENTS**
- Sep 9: MSCA/ICSC Joint Program: Minneapolis Convention Center
- Oct 1: Monthly Program: Development
- Nov 5: Monthly Program (afternoon): Retail Report

**PRESS RELEASES**

**MN MARKETPLACE**

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

- **Acapulco Mexican Restaurant** has just signed on to open a 4400 sf restaurant at Brighton Village, located at 694 & Silver Lake Road in New Brighton. Acapulco joins LA Fitness, Fairview Medical Clinic, Champps, Subway and Clocktower Liquor.
- **Parc Boutique**, featuring men’s and women’s clothing from emerging designers has opened in northeast Minneapolis at 328 East Hennepin Avenue.
- An accessories-only shop, coming soon to 4940 France Ave. S., Edina, is called **Ladyslipper** and is expected to carry designer shoes, jewelry and handbags.
- **School of the Wise** will be opening a coffee and wine bar/restaurant in September at Market Street Station in Chanhassen.
- **Sephora** has opened at Rosedale Center in close to 6,000 sf.

**HOW THE SHOPPER THINKS AS THE ECONOMY SLOWS AND PRICES SURGE**

Retail Forward’s June 2008 ShopperScape newsletter is out, with recommendations to retailers about what to expect in terms of consumer behavior as a result of the current economic downturn and fast-rising prices in a variety of areas. Among the suggestions:

- Look for shoppers to use further cost-cutting measures to offset rising gasoline and food prices.
- Expect shoppers to move beyond coupon-clipping to buying more private brand and opening price point versions of items on their shopping lists.
- Anticipate that most shoppers will take a pragmatic view regarding shopping as they perceive they are getting ‘less for more’ - and in need of stretching their shrinking dollars further.
- Watch for shoppers to trade down - not only in terms of buying less expensive items where they typically shop for consumables but also in terms of shopping in more value oriented venues. Expect dollar stores and extreme value grocers to benefit.
- Don’t count on too many shoppers to go on spending sprees for big ticket items with their tax rebates. Most are using their rebates just to make ends meet or pay off debt.

The Legislative Committee of MSCA ensures our industry’s voice is heard by local lawmakers and positively influences the laws and policies. In the past, we’ve been influential in achieving commercial property tax reform and helping pass a transportation funding package. With the past year’s budget deficit and projection for an additional deficit in 2009, (Commercial / Industrial) Property taxes will again be at risk to be increased. Funding for the legislative committee comes from member donations only. We rely on the contributions of members to fund the fight to protect our interests. Contributions help pay for the following: MSCA Legislative Education Brochure, Professional Lobbying Efforts through Faegre & Benson LLP, Co-Sponsor Business Day at the Capitol, Hosting Legislative Coffee Meetings (morning meetings with the State Senators and Representatives to focus on familiarizing MSCA to our elected officials) and communicating our collective industry concerns. Please consider donating today.
Member Profiles

Zachary Stensland  
NAI Welsh  
Primary Career Focus: Retail Leasing  
Hometown: Stillwater  
Hobbies: Golf, Happy Hour, Boating (not necessarily in that order)  
Family: Co-Captain Heidi and little skipper on the way  
Very First Job: Busboy at Perkins  
Dream Job: Captain of the Love Boat  
Favorite Food: Anything purple  
MSCA Involvement: Golf Committee

Gale Larson  
Commercial Partners Title, LLC  
Primary Career Focus: Commercial Closer  
Hometown: Fridley  
Education: Bachelor of Science, University of Minnesota; Major: Paralegal/Criminology  
Family: Married to Steven for 24 years; Daughter, Andria (23) and Son, Cody (19)  
Hobbies: Gardening and Cooking  
Very First Job: Cashier at Sears Surplus in Fridley  
Dream Job: Found it when I joined Commercial Partners Title in December, 2005 after 20 years in the business!  
Secret Talent: Furniture artisan

New Members

Jason Ruppert  
Bremer Bank, N.A.  
Shawn Manning  
Nova Consulting Group, Inc  
Daniel Schaffan  
Schafer Richardson  
Ron Rishel  
Reliable Property Services  
Steven Mayeron  
Leonard, Street and Deinard

Member News

Mossey Joins KA  
The KA Realty Company Leasing Team welcomes Dan Mossey as a Junior Broker.  
Dan is a Real Estate Studies major graduate from the Opus School at The University of St. Thomas.  
For the past two years he has been a sales and leasing associate at Steiner Development specializing in retail leasing for new developments.

Allied Properties & Management is Now Vantage Point Partners  
Allied Properties & Management (APM) changed its name to Vantage Point Partners. In the past, they were one of only a handful of investors/developers concentrating on the 94 corridor from Maple Grove to Monticello. But in today’s competitive atmosphere, investors need better underwriting and strategic analysis to achieve solid commercial real estate investments. As such, APM has changed its approach to be a more comprehensive, disciplined service provider.

Committee Chat  
by Jennie Zafft, Cousins Properties, Inc.

Community Enhancement

The Community Enhancement Committee has been working towards a goal of helping 10,000 kids go back to school with necessary school supplies through the MSCA’s 2008 Caring Tree Program. We have been busy with fundraising events throughout the year such as the Winter Fun Event held February 29-March 2, 2008 and the St. Paul Saints Game held on July 16, 2008. We are also planning a new bowling fundraiser planned for April of 2009. Proceeds from these events and the annual MSCA Golf Event in June are earmarked for The Caring Tree kids in-need.

This year’s Caring Tree program will take place August 1 through August 18, at 19 participating shopping centers throughout Minnesota. Since its inception, the Caring Tree has assisted more than 164,000 low-income, K – 12 students throughout the state. We look forward to another successful Caring Tree program this year. Thank you for your contributions both in time and financial donations! If you are interested in making a donation to the program, please visit www.caringtree.org. Your help makes it possible to send these kids back to school with confidence, enthusiasm, and self-esteem to build a much better year and future.
"Bullseye!"

The July program included guest speaker Thomas Winninger. Mr. Winninger is the founder of the Winninger Institute and author of best selling business development texts. He is a renowned business leadership consultant and strategist. Having lectured to the MSCA in the past, Mr. Winninger knows his audience well, and geared his lecture "Bullseye: How Market Leaders Consistently Hit The Mark" to cater to MSCA membership. His energetic presentation illustrated the many ways service industry professionals can increase their market value by understanding one simple concept. "The value is not in the specification, but the application."

What does this mean? Essentially, according to Winninger, the idea of simply holding a property or a product as a commodity does nothing to increase its value in the marketplace. A service tied to that property or commodity is what differentiates its value. Anyone can rent a car as a business, but who will take the time to understand that customers not only want to rent a car, but be driven to their cars at a parking lot airport and then have a trunk opened for them as they arrive? If that is a desire of the customer, then the first to offer the service perk on top of the commodity will earn the business and a higher value will be accredited to that rented car. The simple questions; (1) Who are you? (2) What do you do? (3) Who do you do it for? And (4) What makes you different? are key in redefining the competitiveness of your company and brand.

How might this compare to the retail real estate industry? It’s actually quite simple; ask the right questions of your clients. By asking the right questions, you’ll discover that your clients have needs beyond the simple product you offer. By catering services, which specialize in handling your customers needs that are tied to a product, your product becomes more desirable and valuable to your clients. A retailer is looking for a property, learn what it is beyond the property that they would find valuable, then cater a service, tied to your property, that differentiates you and inherently makes your property worth more than a competing property.

According to Winninger, industries get caught up in a monotony of the processionary caterpillar chain where competitors all chase each other’s tails, leading in a circular pattern of market conditions. The first caterpillar to break that cycle, not follow its competition, and approach things differently, will be in a position to gain market share and become a market leader.

**BOOKMARK**

The Little Book of Business Wisdom by Peter Krass is something one would like sitting on their desk, within handy reach, for when one needs a little inspiration, knowledge or…wisdom. This is a collection of short essays from some of the world’s most renowned business legends such as Lee Iacocca, Bill Gates and John Johnson. The book is structured to group the writings under topics such as "Management Principles", "Leadership Secrets", "Qualities for Personal Management", "Wall Street Wizards", "Gunslingers and the Entrepreneurial Drive", "The Gurus", "Builders of Culture" and "Maxims For Life." Just think, at any given moment you can review the thoughts of such leaders as Benjamin Franklin, Peter Drucker or P.T. Barnum.

Although one reviewer noted that it wasn’t a “paradigm-shifting book” he also stated that he “underlined more than average” in reading this collection. So, we don’t know about you, but since we can’t tell when our paradigm has been shifted, we would really like to have something meaningful enough for us to underline it!

Contact Christopher Naumann at cnaumann@kke.com or Judy Lawrence at jlawrence@karealty.com with your reading recommendation.
American Girl® fans in Minnesota will soon be able to treat their dolls to a new “do” in the Doll Hair Salon, select a new matching outfit for their dolls and themselves, and enjoy an unforgettable dessert in the store’s fun and casual bistro when they visit the renowned Mall of America. Designed as the “ultimate place to celebrate girls’ birthdays and other special occasions”, the 20,000 sf American Girl store is coming to the Nickelodeon Universe® - the world’s largest indoor family theme park - at Mall of America.

Catering to girls ages 3 to 12, American Girl offers a wide range of engaging and insightful books, educational products and unforgettable experiences. The Mall of America American Girl store will feature unique party rooms where girls and their friends can enjoy American Girl-themed parties, such as the Doll Spa or Craft Party, complete with organized games and activities, special food and cake, and party favors. A complete assortment of the company’s popular historical and contemporary dolls, outfits, accessories, and a variety of best-selling American Girl books will fill the store.

According to Wade Opland, American Girl’s vice president of retail, the premium location at Mall of America coupled with the mall’s world-class mix of retailers, provides them with even greater opportunities to celebrate girls in an unforgettable environment. American Girl, Inc. is an owned subsidiary of Mattel, Inc., the world’s leading toy company, and draws over 23 million visitors to date to their retail and entertainment sites. Their first flagship store, American Girl Place®, opened in Chicago in 1998 and they have since opened stores on Fifth Avenue in New York, in Los Angeles at The Grove, and in Atlanta and Dallas most recently.

The store is slated to open this November. [www.americangirl.com](http://www.americangirl.com).

Have your cake and eat it too!

*Birds Eye Reporting is finally here after more than a year delay.*

**Budgets!** Would you like to complete your property budgets in less time?

**Documentation!** Would you like to be able to show your building owners and asset managers the maintenance needs of a building without them leaving their desks?

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If you have answered YES to one or more of these questions contact us to learn about these and the many more useful tools that this system has to make your job easier and more efficient!

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