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Feature Article

The Minnesota Daily Brews

MSCA Gets to the Bottom of Great Minnesota Micro Brews

by [Jim Klym](#) and [Jon Diessner](#), Kraus-Anderson Companies



In just the last few years, arguably mankind's oldest creation, beer, has exploded in popularity. An era of fast paced innovation and instant gratification has curiously embraced a product that requires tremendous patience to get right and, as it turns out, is a little more art than science. Beer is undergoing a renaissance in Minnesota and the MSCA wanted to take a closer look at this trend with two dedicated members willing to put in an almost unnecessary amount of research.

Anyone that has set foot in a liquor store recently can attest that the shelf space dedicated to the long storied craft of specialty brewing has increased dramatically, and those who lack an affinity for wines and the stomach for spirits could not be happier. For so long it seemed that the image of a beer drinker was pretty much embodied by a commoditized variety of beer promoted by a handful of undistinguishable industrial brewers. What is becoming apparent, however, is that beer is much more sophisticated and nuanced than we may have originally thought. This simple yet artful craft yields such an incredible spectrum of varieties and tastes that one could, and many do, embark on an endless search for the perfect brew.

Interestingly, this trend of increasing beer popularity has required a great deal of effort and has impacted a number of facets of our everyday life that many of us may have not realized. State regulations, which did not exactly make it easy for small craft brewers to get a start, had to be amended. Home brewing kits have given pretty much anyone interested in giving it a try a chance to do so, and for those that do make it beyond the kitchen, a variety of industrial and retail real estate options are available to give brewers a chance to create a space and experience as unique as the beer they make.

The more you delve into the business of alcohol, you realize that, despite the best of intentions, laws governing its production, sale and purchase, don't always make sense.



Obviously, restricting the legal drinking age and strict DWI enforcement are absolutely necessary to ensure that we, as a society, indulge only in moderation and with mental and physical safety at the forefront. However, laws specific to the production and sale of beer that were in place prior to the Surly Bill of 2011 were much less clear as to who, exactly, they were protecting and at what economic cost.

In 2004, as an apparent talent gave rise to a growing business, a small niche brewer named Omar Ansari and his increasingly popular Surly brand set out with one mission: to make great beer. Simple as it seems, as most small business owners know, simple isn't always easy. Minnesota was just a handful of states that had in place restrictions intended to separate the production from the retail sale of alcohol.

Seeing the obvious road block to a growing business that had an increasingly vocal fan base and successful track record at popular beer festivals, Ansari and lobbyists set out to rewrite the rules. With legislative resistance to liberalizing alcohol regulation, the goals were set relatively modest. The request was to allow breweries to sell their product, and only their product, to customers directly. This strategy to limit the new laws only to beer and only to small breweries, together with a social media campaign that was executed with enviable precision proved highly successful. In 2011 the law was amended and became widely known as the Surly Bill.

According to *Finance and Commerce*, the benefits that stemmed from the bill were not limited to Surly, who started with 25 employees and now projects more than 150 in 2014, but to an array of entrepreneurs looking to replicate the success. The number of brew pubs and small breweries in Minnesota more than doubled in the past three years from 20 to more than 50 today. Ask a group of micro-brew fans to name their favorite and the resulting debate makes it clear there is something for just about everyone.

continued on next page

Minnesota Daily Brews - continued

Fulton Brewing Company, Castle Danger, Cold Spring and a personal favorite, The Herkimer on Lyndale Ave. in South Minneapolis, have all gained a strong foothold in the state and have each added a unique patch to the tastefully diverse fabric of Minnesota. These growing enterprises are also becoming



Surly destination brewery

players in the local real estate market. According to MinnPost.com, Surly is opening a \$20 million dollar "destination brewery" in Southeast Minneapolis, and architects like RoehrSchmitt Architecture are helping brewers like Urban Growler Brewing create unique spaces in often overlooked industrial properties.

"Many of these new breweries are shoestring startups, coming out of people's basements and garages. Some of them are going into relatively inexpensive old industrial spaces, which complement the brewers' DIY, pull-yourself-up-by-your bootstraps work ethic," says Michael Roehr.

For those that are not yet satisfied with the selection available, there is a notable and equally popular option: make it yourself. As the popularity of micro-breweries has exploded, so too has the hobby of home brewing. Would-be brewers are able to easily purchase the relatively basic supplies and equipment necessary to turn their kitchen into one's own microbrewery. Stores like Midwest Home Brewing Supplies on Excelsior Boulevard in Minneapolis offer literally everything

needed for an ambitious beer drinker to create a concoction that is absolutely unique. As more people enter the market and veterans refine and evolve their approach, the home brewing supply store may become a more frequent tenant option for landlords looking for a destination in their center.



612 brewery

The most interesting aspect, perhaps, of the rise of microbrews in Minnesota is the fact that what the trend embodies is not necessarily a product bubble catering to those looking to make a quick buck, but rather a time-honored craft for those whose passion and skill are their primary motivation. While it may seem odd to look at a glass of beer and see it as a creation worthy of so much time, resources and energy, but perhaps like the vineyards of northern California, Minnesota can solidify a place in the hearts and minds of those that know and appreciate fine micro brews. But if not, then these great brewers are our secret, and maybe that's not so bad either.

Cheers!

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Member Profiles

Debra Page

Lindquist & Vennum LLP

What is your primary career focus? Making my clients' transactions easier and more successful

What is your favorite Disney movie?

Homeward Bound – I love the talking animals

What junk food is your weakness? Cheetos and chocolate milk

What makes you feel old? The fact that the new associates in my office weren't born when I started practicing law

What is something you have always wanted to try? Writing a novel

If you could hire out one household chore, what would it be?

Paying the bills

What is your favorite board game? Blokus

What is your favorite alcoholic drink? A good Cabernet

What was your favorite toy as a kid? Colorforms

How many rings before you answer the phone? As few as possible

What is something you said you would never do, but did anyway? I drove a station wagon when my son was young

How long have you been an MSCA member? 5 years



Tom Heuer

Aspen Waste Systems

What is your primary career focus? Business Development

What is your favorite Disney movie? *Aladdin*

What junk food is your weakness? Currently, Hershey's Kisses

What makes you feel old? Really old people – I love them!

What is something you have always wanted to try? Drive a fire truck

If you could hire out one household chore, what would it be?

Matching socks

What is your favorite board game? Twister

What is your favorite alcoholic drink? Tequila

What was your favorite toy as a kid? A garbage truck, what else?

How many rings before you answer the phone? Two

What is something you said you would never do, but did anyway? Go into the garbage business. (it's actually turned out really well.)

How long have you been an MSCA member? So long I can't remember it's been so much fun.



Rising Star

THE JOINT

AFFORDABLE NEW VISION FOR CHIROPRACTIC CARE



by **Susan Wilson, CBRE**

The Joint, a national membership-based franchise business, was established to meet the demand for affordable, accessible chiropractic care. This concept provides opportunities for investors and chiropractors seeking to grow their business locally with the national brand. The Joint was founded by John Leonesio, the former CEO of Massage Envy.

The Joint provides a turn-key system that delivers cost-effective ways to build the bottom line and lower overhead so that chiropractors can focus on patient care. The concept removes insurance claims and paperwork and provides marketing programs and custom practice management software.

The mission of The Joint is to improve quality of life through routine, affordable and accessible chiropractic care. After the initial visit, no appointments are necessary, wait times are brief, and subsequent visits take just a few minutes. The Joint offers a reasonably priced membership that is often less expensive than insurance co-pays. Patients do not need insurance coverage, so affordable chiropractic care is available to everyone and patients can be seen at any location four times per month for only \$49. The clinic's offices are not the traditional doctor's office atmosphere. The facilities have a professional feel that is comforting and spa-like.

The Joint franchisees seek retail locations that are upscale and have good visibility and access. There are currently three area franchisees in Minnesota. The Joint currently has locations in Eagan, Maple Grove, St. Paul, Plymouth and Roseville. They have signed a lease in Apple Valley and are in negotiations with three other landlords and plan on 20 locations in this market.

FEED MY STARVING CHILDREN NETWORKING EVENT RECAP!

Thank you to all who volunteered their time to help these kids in need. Look for more events such as this one in 2014.

- 75 volunteers
- 130 boxes of food packed = over 28,000 meals!





City Center Realty Partners (CCRP) is the likely purchaser of the five-story, 362,000-sf former **Macy's** department store building in downtown St. Paul. It's unclear how CCRP will redevelop the former Macy's.

Successful North Loop men's store, **martinpatrick3**, is planning another expansion — less than a year after its last growth spurt. Martinpatrick3 is adding another 3,600 sf, which will bring the store all the way to the alley off of Third Avenue.



Whole Foods opened its doors in downtown Minneapolis at Hennepin & Washington on September 25. The 37,000-sf market—the second biggest Whole Foods location in the state—is tucked below the new 222 Hennepin building, a 286-unit upscale apartment development.



United Properties and Jerry's Enterprises, Inc. received

approval from the City of Woodbury, Minn., to develop **Bielenberg Gardens**, a 90,000-sf retail project. Bielenberg Gardens will be anchored by a 68,000-sf grocery store, operated by Jerry's Enterprises, along with a 12,300-sf multi-tenant retail building and several retail outlots for sale/lease.

Russian vodka bar **Hammer & Sickle** will open in the former Kinsen space in Uptown. The restaurant/bar will also serve Eastern European food, focusing on Russian cuisine, including pierogies, Russian-style barbecue skewers, and Russian-style stroganoff. It will also serve vodka flights—chosen from the bar's selection of more than 60 vodkas—and caviar flights.

The Tangiers, a new lounge and eatery, is now open in the North Loop of Minneapolis. The 4,000-sf dining, dancing and lounging area underwent a full remodel and is now decked out with chandeliers, flashy red booths and matching curtains.

MEMBER NEWS

Free People will open its first Twin Cities store at Mall of America in November. The announcement was met with cheers by fans of the bohemian chic brand, a department store darling and the sister label to Urban Outfitters and Anthropologie. Free People will be located on the first level, south side.

Corporate Sponsor, **The Cunningham Group** received the 2013 AIA Minnesota Firm Award.

Eden Prairie-based **Westwood Professional Services Inc.** hired Vernon Swing as a Transportation Engineering Manager and David Bade as a Senior Project Manager.

Snap Fitness has acquired Steele Fitness, a growing local chain of boutique gyms with a focus on personal training and wellness. Steele Fitness is just seven years old, with locations in Wayzata, Excelsior, Minneapolis, St. Paul and Edina, and has about 80 employees.

The Shops at West End in St. Louis Park has signed a lease agreement with

Yard House, a national restaurant chain that boasts an extensive beer selection that customers can see through a clear keg room. The Yard House plans to open the location in early 2014.



The team behind North Loop's popular Borough/Parlour, are in the middle of construction on a new restaurant and bar in Uptown that will be called **coup d'état**. The space will be part of the Walkway apartment complex that's being built across from the Lagoon Cinema, over the former Cowboy Slim's site.



Burgeoning chain **One Two Three Sushi** has opened another new location in Dinkytown, serving its made-to-order sushi, ramen, buns, and more. The first location, in downtown's IDS Tower, has been open for about seven months, and another downtown location in the Retek Building will open soon.

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Please contact any member of the Newsletter Committee with suggestions or article ideas.

MSCA is currently looking for committee members for 2014!

CALL FOR COMMITTEE MEMBERS

If you would be a dedicated and hardworking addition to one of our nine committees, then take a look at our committee page for your chance to contribute to this great association.

Committees meet at all sorts of different times throughout the year, so find the one that fits your interests and schedule the best

[Click here for the committee page!](#)

MSCA Events

THIRD THURSDAYS

Next Meeting:

Thursday, October 17

Time:

8:30 am – 9:30 am

Where:

Panera Bread
7778 Main Street N.
Maple Grove, MN

Member hosts:

David Eddy,
Prescription Landscape,
Mark Robinson,
Mid-America Real
Estate – Minnesota, LLC

What: Casual networking hosted by MSCA members

Why: Create synergy in the commercial real estate industry—share ideas and stories and make new effective relationships. RSVP to **Ryan** is preferred, but not required.

2013 CALENDAR

For more information and registration, go to www.msca-online.com

Click on date within current month for details and registration link for that meeting.

| OCTOBER | | | | | | |
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| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
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| 27 | 28 | 29 | 30 | 31 | | |

NOVEMBER

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DECEMBER

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| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30 | 31 | | | | |

- Monthly Program
- Third Thursdays
- Learning Sessions
- Board Meetings

To view MSCA program presentations, [click here](#).

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Anne Kreiser, Kraus-Anderson Companies
Larry Valentini, Surfacequest Minnesota
Kristi Rowland, Diversified Construction

Hot App

MINNESOTA 511



Minnesota motorists now have a new tool to avoid construction, maintenance, crashes and road incidents. The app allows motorists to check traffic cameras and road conditions. It's the same information that is available on MnDOT's 511 website. It even includes Google's traffic data, which helps users determine how much time a trip will take. Just remember not to use the app while driving!



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Program Recap

WHICH CORNER WORKS?

NATIONAL AND LOCAL RETAILERS SITE SELECTION STRATEGIES

by **Lindsay Gardenhire,**
Jones Lang LaSalle



Attend the October program!
Click [here](#) to register.

September Speakers (l to r)

Pat Borgman, Dollar Tree Stores, Inc.
Donna Fauchald, Christopher & Banks, Inc.
Brooks McMillan, Hobby Lobby Stores, Inc.
Angie Griffith, Smokeless Smoking, Inc.
Howard Thomas Olds, Jr., Panda Restaurant Group, Inc.
Deb Carlson, Cushman & Wakefield/NorthMarq (moderator)
Dale Woodbeck, Lakewinds Natural Foods



September's program provided a look inside site selection strategies from a variety of both local and national retailers. The panel included **Paul McMillan**, Real Estate Representative, Hobby Lobby Stores, Inc.; **Pat Borgman**, Real Estate Manager, Dollar Tree Stores, Inc.; **Donna Fauchald**, Vice President Real Estate and Construction, Christopher & Banks, Inc.; **Angie Griffith**, Co-Owner, Smokeless Smoking Inc.; **Howard Thomas Olds, Jr.**, Regional Real Estate Manager, Panda Restaurant Group, Inc. and **Dale Woodbeck**, General Manager, Lakewinds Natural Foods.

Moderator Deb Carlson, Cushman & Wakefield/NorthMarq, asked the panelists several questions including: How do you identify markets and sites for expansion? Who do you desire for co-tenants? How do you decide to expand? How do you measure success?

DALE WOODBECK, Lakewinds Natural Foods

Dale mentioned that ideally they like to locate their stores within a mile of competitors so customers would have to go by their store to get to competitors locations. They do not have a real estate department so Dale does all of the development himself. When searching for new locations they look for places that would provide adequate parking in markets that they know they can be profitable. They typically draw customers from a 12 mile radius. They consider stores to be successful when it can stand on their own.

PAT BORGMAN, Dollar Tree Stores, Inc.

Pat commented that they can place Dollar Tree stores within a mile or two of each other and still be successful. Their shopper has changed a lot over the past ten years. While they used to go after low income families, now they're seeing more middle income shoppers come through their doors. They do well near women's apparel and grocery stores. Pat said that they will always expand in a market that they are doing well in.

DONNA FAUCHALD, Christopher & Banks, Inc.

Christopher & Banks has reduced their number of stores from 800 to 600 over the past few years. They have found that they do not work in upscale centers or ethnically diverse areas.

Donna mentioned that they don't really have a direct competitor, and that they do best in "C" malls where they can be on the "50 yard line" but will also take a "10 yard line" location at an "A" or "B" mall. They have learned a lot from their store closings over the past few years. The company is in the process of combining C.J. Banks, their plus size concept, with Christopher & Banks.

PAUL MCMILLAN, Hobby Lobby Stores, Inc.

Paul describes Michaels as their biggest competitor and says Hobby Lobby would locate right next to a Michaels store if they could. Paul says that although they are late to the game in the Minneapolis market, they hope to open 14-15 stores here in the next 2-3 years. They are always looking to be in "A" locations and can see sales of \$9 million in a typical 55,000-sf location. Hobby Lobby measures their success by how they meet their predictions.

ANGIE GRIFFITH, Smokeless Smoking Inc.

Smokeless Smoking worked well at mall kiosks when the company first started, however they are now expanding to brick and mortar locations with one already open in Bloomington and two set to open in NE Minneapolis and Woodbury. Angie says their business has been successful everywhere. E-cigarettes are constantly in the news these days as the legislature looks into controlling their use and sales. Online sales may easily go away, which would help their stores. However, the process of making the liquid that goes into the e-cigarettes could become more expensive, meaning the price would go up.

HOWARD THOMAS OLDS, JR., Panda Restaurant Group, Inc.

Panda Express does well in high food synergy areas, but not in high affluent markets. Howard commented that Minneapolis is a tough market to break into since retail is already so established. They hope to open 5-10 stores over the next 2-3 years. Although they often rent their locations, they also like to buy. Recently they purchased two acres in Wisconsin where they built a drive thru location in addition to a multi-tenant building which they plan to lease out themselves.

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Property Management

EXPENSE VERSUS CAPITALIZATION

by **Jason Faith** Kraus-Anderson Realty



Effective January 1, 2012, the IRS released new regulations on the capitalization of tangible property including commercial and residential assets. These new regulations attempt to clarify when certain costs are deductible repairs or capital improvements.

Prior to the new regulations, the IRS defined an improvement as a cost that results in the betterment of a unit of property, the restoration of a unit of property or the modification of a unit of property for a new or different use. The new regulations use this same definition but the IRS has narrowed the scope for how it defines a unit of property. The new IRS improvement standard applies to the building structure and each of its major components separately. Nine structural components have been identified in the new regulations; HVAC, plumbing, electrical, escalators, elevators, fire protection, security, gas distribution systems and other structural components. In the past, the expense versus capitalization decision looked at the impact the improvement had on the building as a whole whereas under the new regulations the decision is made based on how the improvement impacts just the specific building system for which it is a part of. As a result of this more narrow focus, it is more difficult to expense costs than it might have been in the past.

To illustrate how the new regulations work, let's use an elevator as an example. Under the previous regulations, significant repairs to an elevator may have "bettered" the elevator but were not considered to extend the useful life of the building as a whole and thus were expensed. Under the new regulations, the same repairs, while insignificant in relationship to the building as a whole, may be significant relative to the elevator system and thus would be capitalized. It is important to remember that not all costs depreciated under the new regulations are required to be depreciated over 39 years (27.5 for residential). Bonus depreciation, incentives for shorter depreciable lives and costs segregation studies are all still options under the new regulations.

Another change resulting from the new regulations is that you are now able to recognize a loss on old or replaced components. Under the old regulations, if your HVAC system was overhauled you were required to continue to depreciate components that were replaced. Now you can write-off or retire those old components. This does, however, require you to place a valuation on the replaced components retroactive to when they were purchased. As an example, let's assume you placed an office building into service in 2000 and began depreciating it over 39 years. In 2013 you have to overhaul the security system and those costs are required to be capitalized. In order to write-off the cost of the original security system, you would have to determine the value of the security system at the time it was placed into service and calculate its applicable share of depreciation.

SEPTEMBER PROGRAM PROFESSIONAL SHOWCASE

NaturalGreen Landscape Management



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Yes, the Wild, Wolves and Vikings are a 50/50 bet. Snow in MN is 100%. Let NaturalGreen take care of the sure thing.



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HOLIDAY PARTY



STARRSM AWARDS



YEAR END CEREMONIES

2013 STARRSM awards



Tuesday, December 3, 2013

Golden Valley Country Club

7001 Golden Valley Road ~ Golden Valley

4 p.m. Registration & Networking

5 p.m. Year End Ceremonies & Awards Presentation

6 p.m. Holiday Party

Reserve your tickets today online!

Corporate tables of eight: \$450

Corporate tables of four: \$250

Individual tickets: \$65 in advance / \$75 at the door

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log on to www.msca-online.com

LET'S CELEBRATE!



MINNESOTA SHOPPING
CENTER ASSOCIATION