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Feature Article

THE DOLLARS AND SENSE OF PLACEMAKING FOR SHOPPING CENTERS



by **Max Musicant**, The Musicant Group

It is certainly not news to anyone reading this that the world of retail is rapidly changing. While the economy and consumer confidence are slowly inching their way back to pre-recession levels, the bricks and mortar retail business continues to be under pressure by the macro trends of e-commerce and shifting consumer preferences.

First, while almost 95% of retail sales still reside within bricks and mortar establishments, we now live in a world where anyone with an internet connection does not need to visit a physical store to purchase most of the goods and services that they desire.

The second macro trend impacting retailers is the changing location preferences for Millennials and retiring boomers. The **New York Times** recently reported on a study from the Urban Land Institute's (ULI) Terwilliger Center for Housing that showed the Millennial generation's preference for urban-style living. About 60% said they preferred a mix of housing choices, along with proximity to shops, dining, offices and transit. Further, "proximity" increasingly means walking and biking rather than driving. This is supported by additional findings in the same study, where 75% of respondents said they valued walkability in their communities. This data is again reinforced

by the declining number of licensed drivers, especially among younger demographics, as reported by **US Public Interest Research Group**.

Lynn Ross, the executive director of the Urban Land Institute's Terwilliger Center for Housing, was quoted in the same NY Times article stating "I do think [Millennials] preferences are going to result in sustained change, this group is so different from previous generations."

The Shopping Experience

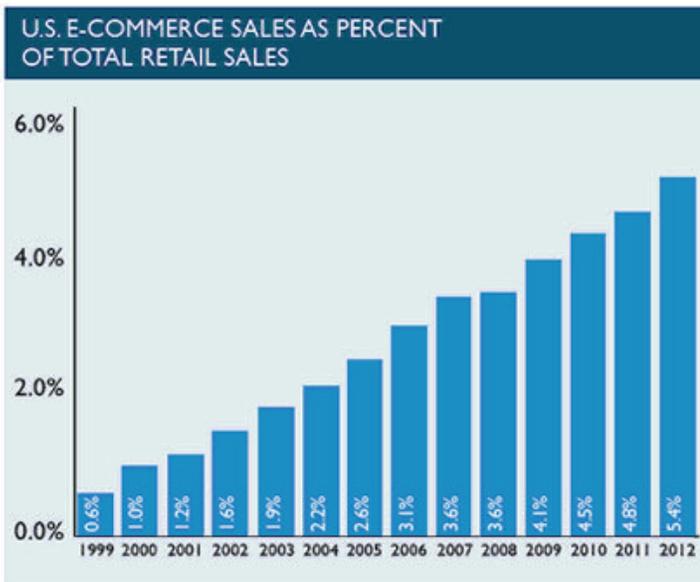
So how can shopping centers navigate and profit from these diverging trends: where consumers no longer have to do their shopping in person, yet they increasingly demand places that combine live, work, shop and play?

There is an underlying opportunity in the data. While e-commerce is growing in share, the vast majority of sales still occur in bricks and mortar spaces in no small part because people enjoy the experience of shopping in person. This is derived from the ability to touch the fabric on an article of clothing, feel the ripeness (or not) of a peach, receive in person customer service, and the planned and unplanned personal interactions with those that you know.

This last point gets at what the ULI study found regarding the increased preference for mixed use, walkable communities. It's not only the convenience of goods and services that these places offer, but also the increased opportunity for unplanned positive social interaction and community.

These trends seem to point towards the heightened importance of the overall shopping experience for consumers as they discern where they do their business. While this has long been the focus of higher end malls and lifestyle centers, the wide dispersion of internet and mobile access (and thus e-commerce) across all income brackets suggest that the customer's experience needs to be a primary focus of any shopping center or retailer.

The shopping experience is not just confined to the in-store transaction either, but everything else in between: from arrival, parking, walking to and between stores, the in-store experience and departure. The question is then how can one cost effectively improve the shopping experience? Here, the concept of placemaking is a useful one. *continued on next page*



SOURCE: U.S. Census Bureau, Cushman & Wakefield Research. 4Q Sales

Placemaking: Creating Places Where People Want to Be

You can find dozens of definitions for "placemaking", but we prefer the simple maxim that it is the art and science of creating places where people want to be. Again, the aforementioned trends suggest that creating a destination – an experience – first and foremost and then selling goods and services once the potential customer has arrived is a strategy that will reap dividends. By creating places and experiences within and adjacent to your shopping center where people want to be and enjoy you will:

- 1) Attract customers
- 2) Extend their stay (and thus increase their likelihood of purchasing goods and services)
- 3) Create experiences that keep them coming back again and again

Placemaking for Your Shopping Center

While some well capitalized shopping malls are investing tens of millions of dollars in new amenities and tenants to create stronger places and experiences for customers, what are the rest of us to do in the mean time? The beauty of the placemaking approach is that it can be affordable, incremental, and easy to implement on a short timeline.

Retailing thrives off of activity. Even if your center drives sales from a busy arterial road, it's still the people in the cars that matter. In-store and out-side events that promote and compliment your retailers are a great start. They allow customers to experience the products, plus create wonderful spectacles that draw crowds that just like to watch the show from a safe distance (but then also buy).

Larissa Ortiz, of Larissa Ortiz Associates and the [Commercial District Advisor](#) blog notes, "In my experience, retailers and downtowns that are doing well are not just managing the sale of products, they are also curating an experience with the product. Consider retailers that offer classes on how to use the product (i.e. Williams-Sonoma cooking classes, or wine tasting at the wine store, or jewelry making classes at Michael's crafts). Shopping center owners might consider encouraging their retailers to create these kinds of offerings, and then include these on an events calendar that gets distributed widely throughout the community. I am also intrigued by businesses that really know their customer and offer complimentary amenities – like... (cafes that offer) small play space for kids."

Some of the other strategies we have seen work here in the Twin Cities and nationally to attract and retain potential customers are:

Tables and Chairs in Attractive Common Areas: It sounds simple, but does not happen often enough – the availability of convenient and attractive places for people to sit. Common



area seating is not just the prevue of eating establishments, but is also an affordable tool for shopping centers to extend the stay of potential customers, communicate to passerbys that your center is "a place to be", and also increase the possibility of facilitating positive social interactions between people. Put these seating areas in a well located, attractive venue, and you will have measurably improved your customer's shopping experience.

Child-friendly Features: Kids bring their parents. Parents like to go to places that their kids enjoy. This doesn't mean you need to build-out a giant McDonalds style play area with slides, but you should consider the needs of your shoppers with children. If children enjoy your space, they will ask their parents to return. Ikea does a great job of this, but I have also seen it done in unexpected venues like an auto body shop. [Honest-1 Auto Care](#) of Uptown, states on their website: "Industry statistics show that 66% of customers bringing in vehicles for service are female. Honest-1 centers are designed to be family friendly with upscale features like tiled lobbies with leather easy chairs and couches, Internet cafe, complimentary beverages, large screen TVs, children's play areas secured by a low wall, tiled and upscale restrooms, and exceptionally clean work areas."

Filling Vacancies with Pop-ups: Nothing looks worse that vacant space – it communicates a lack of energy and it disrupts the linear experience of shopping. But when prolonged vacancies happen, filling these spaces with temporary pop-up tenants is an effective way to fill in the gaps and provide unique offerings and experiences that can set you apart. Arts-related uses are particularly good fits as they usually require very little if any improvements to the space, do not require a high volume of sales to be successful, and often generate incremental buzz through their own networks.

These are just a few strategies. For more, take some time to observe your customers, get their feedback, and try a few pilot projects to test their effectiveness.

UPCOMING HIGHLIGHTS

Sep. 26 – Feed My Starving Children

- Great cause and networking event
- [Click here to register for Eagan](#)
- [Click here to register for Chanhassen](#)

Nov. 6 – Retail Tournament of Champions

- Interactive Program
- [Click here to register!](#)

2013 STARR_{SM} Awards

- Proud to receive 35 award submittals
- [Click here to register for corporate tables!](#)

Member Profiles

Ryan Hericks MSCA



What is your primary career focus?

Customer Service/Event Planning

What is your favorite Disney movie?

The Emperor's New Groove

What junk food is your weakness?

Cake, Brownies, Cookies, Cupcakes, Donuts...you get the picture

What makes you feel old? Starting an IRA

What is something you have always wanted to try? Golfing at either Pebble Beach, Augusta or TPC Sawgrass (hole 17)

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

Ironing

What is your favorite board game? Recently played a game of SORRY! with my nephews that was pretty intense

What is your favorite alcoholic drink?

Australian Beer (no...not Foster's)

What was your favorite toy as a kid?

Super Nintendo or a basketball

How many rings before you answer the phone? Usually two

What is something you said you would never do, but did anyway?

The list continues to grow, but skydiving in Australia tops the list

How long have you been an MSCA member? One month and enjoying it

Brett Lofthesnes

Architectural Consortium



What is your primary career focus?

Building design

What is your favorite Disney movie?

Lion King

What junk food is your weakness?

Anything with sugar

What makes you feel old?

My son just started drivers ed

What is something you have always wanted to try? The banjo

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

Pulling weeds

What is your favorite board game? Risk

What is your favorite alcoholic drink? Irish whiskey or port

What was your favorite toy as a kid? Matchbox cars with the orange racing track

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

What is something you said you would never do, but did anyway?

Move to Minnesota

How long have you been an MSCA member? 12 years?

Rising Star

CUPCAKE



by [Judy Lawrence](#), Kraus-Anderson Companies

You've all probably heard about Cupcake, but how did you hear about it...through friends with a sweet tooth? From the Food Network? From difficulty with the parking regulations on Grand Avenue? However you may have heard about it, we are here to tell you that the Cupcake family is growing.

The original Cupcake is at 3338 University Avenue SE in Dinkytown, however it seems that the owner, Kevin VanDeraa, has plans to open a St. Paul store on the corner of Selby & Snelling in September. In addition, he will open a new concept eatery located in Eagan in October.

Cupcake came to fame when it was featured on Season 3 of *Cupcake Wars* where it came in second place. In April of 2012, the owner redeemed himself by winning the "Yo Gabba Gabba" episode. Then, in June of 2012, he won the Grand Championship. Since then, Cupcake has been a local hero as well as a tourist destination.

Being unfamiliar with the Cupcake store, I was excited to find that it didn't limit itself to cupcakes and sweets. It has a full menu from breakfast to salads, homemade soups and sandwiches. After visiting the University Avenue location, I was pleased to hear of the new locations. Hopefully the parking will be improved thereby creating a more pleasant experience.



The cupcakes come in any shape, flavor and size! Examples include: **The ELVIS**: -a banana cupcake filled with peanut butter, topped with marshmallow, and rolled in chocolate sprinkles; and **the RAZZ-MA-TAZ**: -a chocolate cupcake filled with raspberry and frosted with raspberry buttercream. The one that got my attention was **the FIESTA**: -a spicy chocolate cupcake filled with strawberry jalapeno salsa with a crème fraiche frosting and topped with a cinnamon chip. Finally, the **MICHELLE OBAMA**: -a gluten free chocolate cupcake with chocolate frosting.

Beyond the cupcakes, my favorite treat was the macaroons...not the gooey coconut thingys, but the light, cream-filled egg white and almond creations that melt in your mouth. Definitely worth checking out!



■ **OfficeMax** signed a lease for 17,660 sf in Maplewood Town Center located in Maplewood.

■ **Goodwill** plans to open a 19,387-sf store in Spring 2014 in Cottage Grove at 7350 S. 80th Street, just east of Highway 61.



■ The former Casa Vieja restaurant in St. Paul's Highland Park neighborhood will soon be home to **7th Street Social**, a new restaurant concept developed by Tobie Nidetz. The eatery will target the happy-hour crowd with "well-executed comfort food," including shrimp tacos and burger buns baked from scratch.

■ The owners of Crave restaurants have picked a name for their new concept planned for what is now an Old Chicago restaurant in Minneapolis' Uptown neighborhood. The company announced that they'll be opening a bar and restaurant called **Boneyard**, serving Southern-inspired comfort food, sometime in Spring 2014.

■ **Total Wine & More** will open its first Minnesota store in Bloomington later this year. The Potomac, Md.-based retailer has signed a lease for a 17,310-sf space at Southdale 494 Shopping Center, where it will share the former Circuit City building with Trader Joe's.

■ Popular arts and crafts store **Hobby Lobby** will open its first Twin Cities location in Woodbury next year. Taking over the former Sportsman's Warehouse location near Woodbury Drive & Hudson Road that closed in 2009, Hobby Lobby plans to fill 40,000 sf with a variety of merchandise from furniture and home accents to birdhouses and arts and crafts supplies.

■ **The North Face** recently signed a lease for a 6,000-sf space at The Galleria in Edina. The new store is under construction and is set to open before the 2013 holiday season. The Galleria location marks the third Twin Cities location for The North Face, which also has stores in Uptown and on Grand Avenue in St. Paul.



■ After 105 years, the Falls **Hardware Hank** on Minnehaha Avenue closed its doors. The owner has explained simply that he was ready to retire, and no one wanted to buy the business.

■ **Cupcake** plans to open a new store in St. Paul and a full-service restaurant in Eagan. The St. Paul store, located on the corner of Selby & Snelling Avenues, will take the former space of Two Smart Cookies, right across from the recently reported Whole Foods relocation. In Eagan, the 7,000-sf restaurant, which should open in October, will include a wood-burning oven that will be used to fire up a new line of pizzas and Minnesota hot dishes

■ **Mac's Fish and Chips** of St. Paul will cross the river to open a second location, at 54th Street & Lyndale in south Minneapolis.

■ Fast-food giants **Taco Bell** and **Taco John's** each recently closed a store in the skyway system in downtown Minneapolis. Taco Bell completely exited the downtown lunch scene when it closed its restaurant at the Baker Center at 109 S. Seventh Street. Taco John's merely consolidated its locations from two to one when it closed its store July 19 in the Skyway of the TCF Tower at 900 Second Avenue S. Taco John's remains open at its store in the skyway at 6 Quebec near S. Sixth Street and Marquette Avenue S.

■ **G-Star RAW**, an Amsterdam-based denim and apparel company, opened its first store in the Twin Cities with a 1,700-sf shop in the Mall of America.



G-STAR RAW

■ **HyVee** is planning a new 95,000-sf store in Rochester along West Circle Drive. Work is expected to begin in the fall, and construction is estimated to take about 10 months to complete.

■ Long-running Dinkytown grocery store **House of Hanson** closed its doors in July after 80 years in business. The building was sold by owner Laurel Hanson Bauer to Opus Development, which plans to build a large mixed-use complex on the site.

■ **Kate Spade** will open its first Minnesota store at The Galleria before the holidays. The preppy chic brand will occupy 1,900 sf next door to dugo in the space recently vacated by longtime Galleria tenant The Brass Handle, which moved downstairs.

■ A group led by the owner of Wild Bill's Sports Saloon plans to open a new restaurant called **Eat Street Buddha Kitchen & Lounge** in the former Azia space at 2550 Nicollet Avenue in Minneapolis.

■ **Goldy's Locker Room** has opened a store at The Shoppes at Arbor Lakes in Maple Grove. The company is the official apparel retailer for University of Minnesota athletics. Goldy's Locker Room operates 12 other retail shops in Minnesota, including locations at TCF Bank Stadium, the Mall of America and several regional malls.



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Karla Keller Torp

(P) 952-888-3490 (C) 952-292-2414

Associate Director

Ryan Hericks

(P) 952-888-3491 (C) 952-292-2416

Layout Design

Andrea Komschlies

(C) 612-327-0140

Minnesota Shopping Center Association

8120 Penn Avenue South, Suite 464 | Bloomington, MN 55431

www.msca-online.com

(F) 952-888-0000

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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, Sept. 19

Time:

3:30 pm – 5:00 pm

Where:

Bar Louie-Uptown,
1348 Lagoon Avenue
Minneapolis 55408

Member hosts:

Mark Robinson and
Johnny Reimann
both of 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 make new effective relationships. RSVP to **Karla** 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.

SEPTEMBER						
SUN	MON	TUES	WED	THUR	FRI	SAT
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

OCTOBER

SUN	MON	TUES	WED	THUR	FRI	SAT
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6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

NOVEMBER

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DECEMBER

SUN	MON	TUES	WED	THUR	FRI	SAT
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29	30	31				

-  Monthly Program
-  Third Thursdays
-  Learning Sessions
-  Board Meetings
-  Feed My Starving Children

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

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August program speakers (l to r)
Paul Sevenich, Moderator
Paul Reed, Paragon Outlet Partners LLC
Jon Hohenstein, City of Eagan
Mark Ruff, Ehlers

EAGAN OUTLETS

by **Brandon O'Connell**, Mid-America



The August program provided an in-depth perspective into the revitalization of the Cedar Grove Commercial District in the City of Eagan. Specifically, the three keynote speakers focused on the goals of redevelopment as well as the imperative collaboration of both private and public partnerships to make this transformation a reality. The panel included: Jon Hohenstein, Director of Community Development for the City of Eagan; Mark Ruff of Ehlers Investment Partners; and Paul Reed, Senior Vice President of Paragon Outlet Partners.

Hohenstein began the program by providing a backdrop on the history of the Cedar Grove development, which began with the Cedarvale Shopping Center in the early 1960s. Due to a vastly changed Eagan market and the realignment of the intersection at Highway 13 and Highway 77, the once prominent center in the city of Eagan had lost momentum in the early 1980s.

Today, the City of Eagan is engaged in revitalizing the area as a strong, vibrant gateway to the City of Eagan with construction of a 408,000 square foot outlet center underway that will feature approximately 100 different shops with a 1,500 space parking structure to follow. The redevelopment will also include a 180-unit apartment site and townhome development which is currently underway.

Ruff of Ehlers Investment Partners, who served as finance consultant for the City of Eagan on this project, discussed financing the Cedar Grove redevelopment from a public standpoint. Specifically, Mark focused on Tax Increment Financing or TIF, which is the ability to use property tax revenues generated from local new development. In-turn, TIF can then be used to redevelop districts, create jobs and be used for environmental clean-up. For the Cedar Grove redevelopment, TIF will primarily be used to pay for a significant portion of the 1,500 space parking structure.

The final speaker, Reed, discussed why Paragon Outlet Partners chose to take on this redevelopment project and the current status in the process. Reed cited favorable demographics based on population and income that would support development and sustainability. Also noted were the significance of tourist destinations such as the Mall of America, the Minneapolis International Airport and the Minnesota zoo as contributing factors as why Paragon outlets selected this site. Construction is currently on-going with an anticipated completion date of August 2014.

PROFESSIONAL SHOWCASE

Since 1983, Reliable Property Services is the premier exterior property services provider in the Upper Midwest and is proud to celebrating its 30th anniversary this year. They are the sixth largest snow and ice management company in the United States and in the top 50 in Landscape Maintenance (mowing, irrigation, fertilization, weed control and property enhancement construction). Reliable Property Service's focus is training, safety programs, horticultural expertise and capital strength to deliver an exceptional customer experience. Most importantly, they have the commitment to innovation and process improvements necessary to exceed their customer's expectations and to meet their aesthetic, cost control and sustainability goals. "It's All in the Name!"



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For more information, please call Terry Siede or Todd Erager at 763/544-2700.

BUDGET SEASON

by **James Swanson**,
Kraus-Anderson Realty Company



This is a great time of year and this season could go by any number of names: back-to-school season as kids are again back to their school schedules; football season as high school, college and professional seasons are underway; or even Fall color season as the leaves are starting to change color. However, if you are a property manager, this is budget season and you are likely preparing your budgets for the year to come.

For me, budget season begins with sitting down with my respective leasing managers and agreeing on what we believe will happen with leasing space in the next year. This includes figuring out what vacant spaces will lease up and which tenants will renew in the coming year when their lease terms are up. For the greatest amount of agreement, schedule this meeting after hours at a local watering hole.

Budgeting also includes deciding if a capital project is in the works for the next year. That could mean a new roof, a new parking lot, and possibly a renovation for the property. You will need to get a budgetary bid from your contractor friends in order to have a good budget number.

As far as common area expenses go, many expense categories are pretty straight forward to project as they don't change much from year to year or, in some other cases, you have a contract in place for a service and know exactly what the expense will be for the next year. The budget for your utilities usually requires touching base with your account manager at Xcel Energy or CenterPoint Energy to obtain the projected increase in energy costs for the next year. But the one expense that truly requires a crystal ball to figure out is the snow removal expense. For shopping center managers our parking lots are big areas and the expense of plowing snow can be as much as 15% of your common area budget. Snow fall in a year can fluctuate dramatically in the Twin Cities as we've had as much as 98 inches of snow in a year and as little as 14 inches of snow. Per Wikipedia, the Twin Cities gets an average of 45.3 inches of snow annually. My suggestion for budgeting snow is to forgo the Old Farmer's Almanac and plan on an average snow fall year. That way you won't be too far off one way or the other.

To you managers out there, good luck with budget season. Hopefully you will get to enjoy the fall colors and those football games. And don't forget to include those leasing fees in your budget if you know what's good for you.

CARD MUNCH



Card Munch is an app with LinkedIn integration that converts business cards into contacts in your phone. From there you can also request to connect on LinkedIn as well and view prior work history. Simply take a picture of the card and the app translates the information into the contact. It takes away time consuming data entry and helps desks stay clean of business cards. The app is currently only available in the iOS app store. The android version will hopefully be out soon.



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