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news

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March 2004

Feature

The Long and Short of the 2004 Legislative Session

by Sonnie Elliott, Faegre & Benson LLP

In the shadow of the 2003 session, which was dominated by efforts to close a four billion dollar hole in the state budget, legislators have gathered in 2004 with little money to direct toward major new spending initiatives. With operating dollars in short supply, the one significant source of new funding will be the state's bonding bill, which is likely to be passed at a level close to the state's maximum debt capacity of \$890 million.

The Minnesota Legislature began the 2004 session on Monday, February 2. The issues that

are likely to take center stage in 2004 are the budget gap, bonding bill, transportation, health care reforms, property taxes, stadium issues, gaming and social issues.

Plugging the Budget Gap

In December, the state projected a shortfall of \$185 million – modest compared with last year's deficit, but still large enough to spur a political dogfight. The follow-up forecast will be released at the end of February. The prevailing

Capitol Update continued on page 2

Snapshot

Ramsey Towne Square

Location: 14050 St. Francis Boulevard (Hwy 47), Ramsey, MN 55303

Opened: November 2000

Developer: Wayne L. Johnson

Managing/Leasing Agent: Anita D. Johnson
(612) 805-2173

Architect: Lampert Architects

General Contractor: Riverside Construction

GLA: 17,856 sf

Current Occupancy: 84%

of Stores: 10

Anchor Tenants: Caribou Coffee, Great Clips, Totally Tan

Market Area Served: Anoka, Ramsey, Andover

Construction Style: Steel, brick face, standing seam metal, EIFS

Additional Facts/Narrative: Ramsey Towne Square is a quality built retail center constructed in December 2000. It is located at a very busy



intersection with a traffic count of 29,000 vehicles per day. The center is adjacent to SuperAmerica, has great visibility and good access with a private drive and abundant parking. The current population of this area is 31,406 and is estimated to increase to 35,161 by 2008, representing a 6.92% increase. The number of households is anticipated to increase 9.96% by 2008. Median household income was \$76,059 in 2003 and daytime population is over 8,233 employees, both of which are considered above average. We are looking to add high quality tenants, including but not limited to quick-service restaurants, ice cream shop, high-end hair salon or real estate/mortgage company. Call us with your ideas!

opinion is that the deficit will increase by several hundred million dollars.

Bonding Bill

The state's debt service is subject to a self-imposed limit of 3 percent of general fund revenues, which currently translates to a maximum new debt load in 2004 of \$890 million.

The governor recommended \$760 million in bonding projects. Most of the money in bonding bills goes to bricks and mortar, particularly building projects for state and local governments, college campuses, quasi-governmental organizations (such as the Minnesota Zoo), and other nonprofit organizations. The legislature will now debate the merits of the governor's recommendations and keep some, modify some and toss others away.

Transportation

Funding for roads and bridges usually amounts to eight to ten percent of any given bonding bill, but business groups are pushing for a substantial increase in resources allocated to transportation. The Minnesota Chamber of Commerce, for example, is advocating that a quarter of the 2004 bonding bill (and half of future bonding bills) fund transportation projects. In addition to money for roads and bridges, this is likely to include major mass transit initiatives such as the Northstar rail corridor between Minneapolis and Big Lake – a project for which the Governor has recommended state support.

Health Care Reforms

The relentless run-up in health care costs is likely to drive several proposals to reform the health insurance market in Minnesota, including proposals to cap health insurance

premium increases, open up the state insurance program to more people, and reduce state mandates on health insurance products.

In addition, Governor Pawlenty has attracted national media attention with his plan to drive down pharmaceutical costs by assisting purchases of prescription drugs through Canadian sources. While the governor's plan doesn't involve any state action, his initiative is likely to drive policy discussion and keep the issue of health care costs on the legislative agenda.

Property Taxes

Although property tax levies did not climb as steeply following the 2003 session as some observers had predicted, levies on existing homeowners did climb an average of nearly 8 percent, while levies on commercial-industrial property remained largely unchanged. This may drive proposals in the Legislature to provide further property tax relief to homeowners and to shift more of the burden to business interests.

Local units of government are also looking for more ways to increase property tax revenues and more authority to impose fees. For example, local school boards are pushing for the same authority now granted to cities and counties – to raise property tax levies without referendum approval from the voters.

Stadiums

The Governor's stadium screening committee presented its report to Governor Pawlenty on February 2, recommending legislation for a Twins baseball park in Minneapolis or St. Paul and a Vikings football stadium in Anoka or Eden Prairie. The funding mechanisms were identified as a contribution from the teams, a contribution from local units of government and user fees. The commission

also recommended the establishment of a site selection committee to receive final proposals and select the final sites. Governor Pawlenty has indicated that he will wait until the February revenue forecast to decide whether to recommend a ballpark and/or football proposal to the Legislature.

Gaming

The "racino" proposal to build a casino at Canterbury Park, which failed in 2003, is likely to be back on the table, as are new proposals for a state-owned gambling facility at the Mall of America and possible riverboat gambling along the Mississippi. One proposal by Representative Lynda Boudreau would fund scholarships with proceeds from a new casino.

These proposals face stiff opposition from Indian tribes who are currently the only legal operators of gaming facilities in the state. However, Governor Pawlenty may have created an incentive for the tribes to come to the table. In his state of the state address, he hinted that the state should consider renegotiating the state gambling compacts, which give the Native Americans the sole authority to operate gambling casinos in Minnesota.

Social Issues

Because there is limited money for the legislature to play with, we can expect the following social issues—which generally don't cost money but can help House members in both parties energize their political base—to loom large on the legislative agenda.

The proposal to *sell wine in grocery stores* fell short in 2002 and 2003. But it's likely to be an issue again in 2004.

Despite opposition from hospitality groups, the initiative to *reduce the blood alcohol limit* for drivers to .08 is likely to pass in 2004. This is largely due to the federal government, which will cut highway funding to the state if it fails to adopt the more restrictive standard.

Governor Pawlenty has come out in favor of the *death penalty* for Minnesota. Expect a vocal debate on this issue – and on handling sex offender cases – in the wake of the arrest of a convicted sex offender in the disappearance of a North Dakota student.

The Pawlenty Administration is studying a *Taxpayer Bill of Rights amendment*, similar



Breakfast with Champions and Business Day at the Capitol—March 18th, 2004

Please join Tom Weaver, Regional Administrator at the Metropolitan Council and Lt. Governor/Commissioner of Transportation Carol Molnau, for a lively discussion of transportation issues facing Minnesota. The breakfast will be held at the Four Points Sheraton on March 18. Please refer to www.msca-online.com for further details.

Immediately following the breakfast, we will be loading buses to take MSCA members to the **Business Day at the Capitol**. This is a great opportunity to see the Legislature in action, meet with your legislators and influence public policy decisions.

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Member Profile

Daniel Parks, P.E.

Occupation: Civil Engineer

Primary Career Focus:

To provide premier engineering and planning services for commercial site development.

Company: Westwood Professional Services, Inc.

Title: Director of Commercial Development

Hometown: Plymouth, Minnesota

Education: Bachelors and Masters of Civil Engineering, University of Minnesota

Family: Wife (Tracy) and 4 children (ages 9 - 17)

Hobbies: Woodworking/carpentry, snowboarding, bicycling, coaching baseball, reading

Job History: 20 years in consulting engineering for both private and public clients.

Very First Job: Minneapolis paper route

Dream Job: Successful, part-time stock trader

Books Currently Reading: Execution, Undaunted Courage (Lewis and Clark), The Case for Christ

Favorite Food: Grilled steak, corn on the cob, baked potato

MSCA Involvement: Recent member, aspiring committee member



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Outlook

Better Sales Ahead for the Restaurant Industry in 2004

An improving economy will accelerate sales growth at the nation's restaurants this year to an average increase of 4.4%, according to the National Restaurant Association. Last year the gain was projected at 3.7%. The 2004 figure means the nation's eating places will split a collective sales gain of \$13 billion, or \$306.26 billion in total intake. However, 2.5% of that rise will come from increased prices rather than additional sales.

The whole restaurant-sales pie will grow by the biggest margin in years, but so will the number

of establishments vying for a slice. On average, a full-service restaurant will end up with \$676,000 per store, and a quick-service outlet will bag \$599,000, the association noted. You will also see restaurant operators making capital expenditures going forward, which also reflects increasing optimism in the economy.

Perhaps the most important driver is household income and the needle on that gauge has been moving in the right direction, noted the association's chief economist, Hudson Riehle. The association's forecast noted that the amount of money left in consumers' pockets for dining out is anticipated to grow by 3% in inflation-adjusted terms during 2004, after a 2.6% gain in 2003.

The restaurant industry has added 179,000 new positions during the first 11 months of 2003. The research points to ample room for dining-out growth. Even with prepared-food outlets collectively pumping \$1.2 billion into their POS systems during 2004, 27% of consumers say they are not using restaurants as much as they want to. The study noted that five of the typical American's 21 weekly meals are purchased outside of the home, two are skipped and 14 are prepared in their kitchens. ■

CAPITOL UPDATE

continued from page 2

to that passed in Colorado, which would limit state spending based on certain cost drivers, such as inflation, population and health care costs. Other amendment proposals are likely to cover the expansion of gaming, initiative and referendum process for state laws, and a ban on same-sex marriages.

2004 is not likely to offer the fireworks on major issues that we have seen in recent years. But, with a polarized electorate at both the state and national level, even smaller issues are not likely to be decided without substantial acrimony and political finger pointing.

Reminder: Daylight Savings April 4th

March Member News

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



KKE Architects News

KKE Architects is currently working with Liberty Frozen Custard at 54th and Nicollet in south Minneapolis to convert an existing 1,350 sf auto repair shop and create a 500 sf addition. The existing garage doors will be incorporated into the design, along with walk-up windows, and indoor and outdoor seating. Liberty Frozen Custard is scheduled to open in late spring and will feature typical cold treats, along with gourmet hot dogs, brats and pizza. They will also cater to dogs by serving frozen dog treats.

L.J. Melody finances Kenwood Plaza

L.J. Melody & Company has arranged permanent financing in the amount of \$5,400,000 for Kenwood Plaza, a neighborhood retail center in Duluth. Thrivent Financial for Lutherans provided the funding. The center, currently undergoing renovation, is adding an additional 6,000 sf for a 46,694 sf Jubilee Foods. The center was built in 1956 with phases added in 1970 and 1974. The retail center is 98% occupied and leased to 15 tenants ranging in size from 1,540 sf to 5,872 sf.

Cunningham Repositions KFC

Yum! Brands, Inc., the world's largest restaurant system, has hired Cunningham Group Architecture, P.A. to join a team of international designers and architects to reposition the KFC brand on a global standpoint. Deciding it was time for a change, Yum! Brands, Inc.'s long-term goal is to redefine the image for all of the 11,000+ stores in 80 countries and territories around the world. Yum! Brands, Inc. has over 32,500 KFC, A&W All American Food™, Taco Bell, Long John Silver's and Pizza Huts in more than 100 countries and territories.

UP To Manage Two Gabbert & Beck Properties

Gabbert & Beck, Inc. has selected United Properties to provide property management for Centennial Lakes Plaza, a 197,000 sf retail community center in Edina, and property management and leasing services for Burnside Plaza, an 83,000 sf neighborhood center in Burnsville. Beth Holmgren is the senior property manager for both sites. Kim Meyer and Tricia Pitchford are leasing at Burnside Plaza.

Anderson Presents

Kathy Anderson of Architectural Consortium spoke at the 2004 Ehlers Public Finance Seminar in February. 260 local, county government, attorneys and developers attended to learn more about trends in retail and lifestyle centers.

Arbor Lakes Main Street

Opus Northwest, LLC recently began construction of what is to be the last building in Maple Grove's Arbor Lakes Main Street development. Construction commenced in November 2003, with completion scheduled for July 2004. Most tenants will open for business late summer or early fall. The building offers approximately 55,600 total sf, consisting of 30,000 sf of retail space on the street level, and 25,000 sf of office space on the second floor.

Northco Joins Grubb & Ellis

Grubb & Ellis announced that it has entered into an affiliation with Northco Real Estate Services to provide expanded real estate services across the country.

Jewel Spa Opens in Block e

The 2,000 sf Jewel Spa in Block e is now open in downtown Minneapolis, offering five-star treatment for men and women. This full-service spa is staffed with an international team of therapists and stylists.

Upland sells Hutchinson Properties

Upland Real Estate Group, Inc., recently sold a 7,000 sf Checker Auto Parts net-leased investment property for \$775 thousand and a 23,64 sf OfficeMax net-leased investment property for \$2.8 million in Hutchinson, MN. Upland represented the seller in both transactions. ■

2003 UP 'Outlook' Released

Investors are underwriting a recovery in the Twin Cities commercial real estate investment market, to the point that prices for in-demand properties are trending higher, according to United Properties' year-end Outlook market study.

Retail properties, particularly grocer-anchored centers, remain most in favor among investors. However, the largest investment sales transaction in 2003 was for Opus' The Shoppes at Arbor Lakes, the only lifestyle retail center in the area. Scott Pollock, Vice President of Investment Sales remarked, "Investor interest in grocer-anchored retail will continue to be strongest, with some increased carryover into other types of retail properties. Demand for multi-family properties will likely continue to exceed supply in all property types.

The complete report is available at www.uproperties.com

Bookmark

The Perfect Store – Ebay by Adam Cohen. A detailed and intelligent case study of a company that broke just about all the rules of business and succeeded beyond anyone's imagination.

How Customers Think: Essential Insights into the Market by Gerald Zaltman. Despite the time and money spent on market research, 60% to 80% of new offerings fail. Why do consumers often say one thing to marketers—yet act differently in the market? Industry innovator Gerald Zaltman argues that the answer lies in how the mind works. When it comes to buying, 95% of our decision-making takes place in the subconscious mind, yet traditional marketing methods barely scratch the surface of this information gold mine.

Customer Service Excellence 2004: Exemplary Practices in Retail by National Retail Federation. Prepared for NRF Foundation through a grant from American Express. The study presents the outstanding practices in customer service by North American retailers, selected from several hundred nominations. Findings released January 2004.

Retailer Profile

Zyng Asian Grill



by Anita D. Johnson, Premier Commercial Properties

The Zyng Experience is coming to Minnesota! Zyng Asian Grills offer a variety of unique, fresh, nutritious, MSG-free noodle dishes inspired by the cuisines of China, Japan, Thailand, Vietnam, Korea, and Singapore. Zyng offers over 25 appetizers and many popular dishes such as Pad Thai. Customers can create their own dish made-to-order with hundreds of vegetable, noodle, rice, meat and sauce combinations. All meals are prepared on a flat teppanyaki grill with a very small amount of oil and the natural moisture of the food and sauces. And yes, they do offer a low-carb sauce to accompany the low-fat dishes.

To whet your whistle you can choose from 10 different teas, a variety of beers and wines, sake or the signature glass of

“Zangria.” Desert temptations include a Shock o’ Chocolate Cake with chocolate noodles, Mango cheesecake and many more. On your way out you can visit the retail area where hard-to-find Asian noodles, sauces & condiments, kitchen accouterments, teas, giftware, and other items are featured.

Zyng Noodlery started in 1998 in Montreal, Canada and was introduced to the United States by Fransmart, a Virginia-based development company. This casual, full-service restaurant changed its name from Zyng Noodlery to Zyng Asian Grill in January 2004. There are currently seven stores in Canada and more than 200 development deals signed in the U.S. with 20 stores expected to open in 2004. The first American

Zyng was opened in Wichita, Kansas in 2003. Randy Portner is a franchisee in Minnesota planning to open three stores in the western suburbs of the Twin Cities area.

Zyng Asian Grills are situated in high-profile end-caps and freestanding pad locations. Trade areas need a solid residential presence. Daytime/office population is desired. Unlike most other noodle concepts, they are targeting stronger dinner and weekend sales. The restaurants are typically 2,500-3,000 square feet in size, seating 80-100 patrons.

For more detailed information including pictures of existing stores, description and pictures of specialty dishes and franchise opportunities, visit their website at www.zyng.com. ■

Market Update

Mankato/North Mankato

by Terry R. Smith, TRS Commercial Real Estate, Inc.

The Mankato/North Mankato market, located 75 miles southwest of the Twin Cities in Blue Earth County along Highway 169, continues to grow and serve an expanding retail market. The cities boast a trade area population of 328,000 of which 160,925 live within a 30-mile radius. A look at the retail world confirms five observations.

1. North Mankato is mainly a residential area with a small downtown and an expanding retail area along Highway 14.
2. Downtown Mankato contains mainly service, governmental, educational, support retail and entertainment.
3. Minnesota State University retail area serves the need of mainly the university students.
4. Madison Avenue is the retail connector from downtown to the east.
5. River Hills Mall and surrounding area provides the retail lifeline that serves the area.

A closer look at each reveals the existing and proposed retail activities.

North Mankato

The city has some redevelopment land available in the downtown area and several small retail areas exist. The retail area along Highway 14 is expanding and a few small vacancies exist.

Downtown Mankato

Riverfront Center is anchored by Cub Foods and recently had one small vacancy. Overall some vacancy exists and several properties are in need of remodel or redevelopment.

Minnesota State University Area

University Square is planning a mixed-use expansion. Stadium Center, a proposed new strip center is currently marketing for tenants.

Madison Avenue

Bell Mar Mall has a large vacancy. Madison East Shopping Center has space available due to the departure of Petters and Walgreen’s relocation to a free-standing location nearby.

River Hills Mall & Surrounding Area

River Hills Mall, anchored by Herberger’s, Target, JCPenney and Sears, has limited space available. Freestanding Home Depot and Menard’s are located north of Highway 14 and additional commercial property is available. Vacant K-Mart (Highway 22) is available for redevelopment. Adjacent land available and Hy-Vee, OfficeMax and Appleby’s are open nearby.

Mankato Heights Plaza (anchored by Kohl’s, Michaels, Old Navy and T J Maxx), River City Center and River Place Center (anchored by Barnes & Noble) all have some space available. Slumberland Center has 7,000 sf available. Vacant, freestanding Rainbow Foods is available. Wal-Mart has expanded to a super center next to Sam’s Club. Hobby Lobby is open on Madison Avenue in a portion of a former K-Mart. Tractor Supply is open in front of Menard’s and with the completion of the “Victory Drive extension” it is expected that demand will occur along this road. ■

Program Recap

The Post-Holiday Shake-Out



by Christopher Max Naumann, KKE Architects, Inc.

Analysts Brent Rystrom, US Bancorp Piper Jaffray, and Lauri Brunner, Craig-Hallum Capital Group LLC, discussed the retail industry's performance of the past year and business trends to look forward to in 2004 at the February MSCA program.

The retail sector in 2003 yielded slower growth rates and expansion, and focused instead on retail operations. A 26% gain in the S&P 500 over the course of the year meant a stronger economy and with that, retail stocks, on average, gained approximately 46%. Many retailers reported strong earnings growth and improved stock valuations as companies strengthened their balance sheets.

Brunner noted some unusual retail trends. Retailers, after being burned with overstock from the 2002 holiday season, limited their orders for the 2003 holiday season to avoid a saturation of post-holiday discounts. Some retailers limited their discounting programs altogether by focusing only on one or two major sales events during the course of the year and avoiding a seasonal or monthly discounting cycle. The aim was to avoid the "binging and purging" approach to moving merchandise. For retailers, this translated into fresher merchandise on shelves that catered more to style and fashion trends. High volume discounters such as Wal-Mart, Gap and Kohl's found their sales stagnant in the 2003 holiday season as niche and high-end fashion retailers like Neiman Marcus, Chico's and Hot Topic found themselves staging extremely strong holiday gains.

There was a shift in trends regarding how consumers actually spent their money during the 2003 holiday season, Brunner pointed out. The use of gift cards spiked, accounting for nearly 8% of total retail sales during the holiday season. Since gift cards are not considered actual sales until redeemed, some retailers found their holiday sales lackluster, but expected better numbers in the post-holiday card-redemption season. Internet retail services such as Amazon.com also made record sales over the course of the year, again proving the significance online shopping is playing in the retail industry. Shoppers are gravitating to online websites for their shopping needs, especially when poor weather or large crowds are expected on big retailing weekends.

Rystrom described the evolution of the "Sub-Category Killer" retailing trends in 2003. Stores like Golf Galaxy, Petsmart, Cabela's and Michael's offered consumers a very dramatic product line in a focused interest area. These stores experienced a high amount of growth and expansion over the past year and have become very successful in attracting specific groups of consumers due to specialized product offerings.

Enhancing and managing customer relationships will be key for retailers in 2004, advised Rystrom. For example, Petsmart is focusing heavily on their pet grooming services and is developing the Pets Hotel kennel service. Retailers will also be pushing exclusive private brand label products and as many unique services as possible to set themselves apart from their competition.

store or a specialized travel service, offering the convenience of one-stop shopping, and in many cases, add exposure of a related product to an entirely new customer base.

In summary, 2003 was a good year for the retail industry. Retailers have consistently grown their earnings and are currently refocusing their efforts to better compete for the consumer's dollar by offering innovative product delivery and unique services. With a strong economy, a robust and competitive retail environment will inevitably follow in 2004. ■

St. Patrick's Day: March 17th

St. Patrick was born about 390 A.D. in Roman Britain and became a missionary to Ireland in 432 A.D. It is said that he used the three-leafed shamrock (trefoil) to explain the concept of the Trinity, hence, its strong association with his day and name. The green shamrock is the national symbol of Ireland, but it can also be found in white, red or yellow. The color green is associated with this day because of the shamrock and is the color of spring. Legend has it that St. Patrick drove all of the snakes (which allegedly avoid trefoil) out of the country.

33.7 million U.S. residents are of Irish ancestry. This figure is almost nine times the population of Ireland itself (3.8 million).

The value of U.S. imports from the Republic of Ireland during a recent 12-month period was \$22.4 billion. About half the imports were organic chemicals, worth about \$10.8 billion. Meanwhile, the United States exported \$6.7 billion worth of goods to Ireland.

Quotable Irish

Nothing is funnier than unhappiness.
- Samuel Beckett

Satire is a sort of glass, wherein beholders do generally discover everybody's face but their own.
- Jonathan Swift

The man of genius makes no mistakes. His errors are volitional and are the portals of discovery. - James Joyce



February Professional Showcase

First American Title Insurance Company National Commercial Services office offers expert handling of commercial real estate transactions throughout the country and locally.

Pictured: Kristi Broderick and Jeff Peterson

Another prominent, emerging trend is cross-marketing for products with similar goods and services that cater to the same market. For instance, a retailer of men's outdoor clothes may cross-market with an outdoor sporting goods

Committee Profile

Sponsorship Committee



HELM



MELTON



McCRUM



MUELKEN



RUKAVINA



SOLNER

Pictured:

Jen Helm, *United Properties*

Mike Melton, *Shingobee Builders, Inc.*

Bill McCrum, *RSP Architects*

Shelly Muelken, *Tanurb*

Ned Rukavina, *United Properties*

David Solner, *Cunningham Group Architecture, P.A.*

Not pictured:

Rick Burnton, *The Marshall Group*

The 2004 Sponsorship Committee, co-chaired by Ned Rukavina and Bill McCrum, has done an outstanding job securing the highest number of MSCA sponsors in our history! Corporate sponsorship funds are critical for growth and the success of the association, allowing MSCA to offer a wide variety of quality services that benefit the retail industry as a whole.

The primary responsibility of this committee is to raise funds for MSCA through solicitation of corporate sponsors. Committee members are assigned companies to call regarding sponsorship renewal, help identify potential sponsoring companies and follow up with sponsors regarding their MSCA benefits. The committee is active October through March to recruit sponsors for the

next calendar year, along with follow-up calls for payment. When you see the members of this committee, be sure to congratulate them for their hard work! ■

Around the Marketplace

Retail Tidbits

compiled by Tim Hilger, Diversified Acquisitions, Inc.

- The **U.S. House of Representatives** passed a bill supported by the **ICSC** to limit the amount of time shopping center retail tenants have to accept or reject a lease during bankruptcy.
- The **Greater Minneapolis Convention & Visitors Association (GMCVA)** announced they have teamed up with a software company, Earthcomber, to provide convention goers equipped with PDAs with built-in global positioning software directions to a broad array of sites. Should a visitor be looking for a specific store, store category, restaurant or a Minneapolis site the PDA will guide them or page them when they are near their destination. Look for this service in malls and large multi-department stores.
- **Franklin Covey** closed the downtown Minneapolis and Eden Prairie Center locations of their five stores in the Twin Cities. The closings were a part of a restructuring effort by the Salt Lake City, Utah-based organizational products company.
- The largest home center ever built by **Menard's** will open this spring in Duluth. The 250,000 square foot store is an expansion of a current Menard's. The strategy by Menard's to supersize will differentiate it from Lowe's and Home Depot.
- The Dallas-based teen-apparel chain, **Gadzooks**, chain of 400 stores is closing 31, and will close another 125 in the coming

weeks. The company stopped selling young men's clothes back last July in order to focus on the female shopper aged 16-22.

- **Snyder's Drug Stores, Inc.** is looking to sell its **Drug Emporium** division, which it acquired in 2001 and is the primary reason behind its Chapter 11 filing, according to the company. In related news on Snyder's, they recently expanded the number of stores they are closing in Minnesota. Among the additional stores they will close are 2 recently opened stores, Block e and Excelsior and Grand development in St. Louis Park.
- On February 12th **Ground Round** closed all of their corporate owned restaurants in Minnesota.
- Beginning in February **Neiman Marcus** no longer was accepting Visa and MasterCard credit cards at their Minneapolis store. They will continue to take the Neiman Marcus Gift Card, which will allow the customer to accumulate points toward membership in their customer-recognition program, InCircle Rewards.
- **Prairie Stone Pharmacy** is taking over the four **Fairview Pharmacy** locations and will eventually operate in all the **Byerly's** and **Lund's** stores.
- **Best Buy Co., Inc.** will have stores in every state except for Wyoming by the end of February 2005. The company plans to add 60

Search Me

The U.S. Census Bureau's web site, located at www.census.gov has a wealth of information in helping you make informed decisions. It's free. Several of the following links are located within the main web site.

<http://www.fedstats.gov/>: links you to Federal statistics.

http://factfinder.census.gov/home/saff/main.html?_lang=en: links you to city profiles and facts.

<http://www.census.gov/geo/www/tiger/index.html>: links you to mapping, aerials, and geography.

<http://quickfacts.census.gov/qfd/states/27000.html>: links you to state and county information.

U.S. stores and 13 Canadian locations during its next fiscal year, including its first store in Hawaii. Two thirds of their planned stores are in their small 20,000 sf – 30,000 sf formats.

- **Gander Mountain Company** filed a registration statement in February with the Securities Exchange Commission for an initial public offering. The company has been aggressively opening larger-format, warehouse-style stores. The company currently has 65 locations in nine states and plans to open 13 to 15 stores this fiscal year.
- **Kmart** sued one of **Martha Stewart's** companies over being billed too much for product

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royalties. Stewart's company stated that royalty payments are due on a minimum in each category. Kmart's position is that a minimum is owed only on total sales. Advice for all of us is check your use and percentage clauses for accuracy with your billing calculations.

- The cover of January's **Fortune Magazine** (*January*) featured Howard Schultz and **Starbuck's Coffee**. Starbuck's has 7,500 stores worldwide and plan to add 1,300 new stores in 2004 worldwide, with \$1 billion in total revenue. Starbuck's and Wal-Mart have had preliminary discussions on some kind

of working relationship. Wal-Mart is trying its own gourmet coffee shop, **Medina's Kick's Coffee**, as a test in its new Plano, Texas store with "in-store" delivery service. Kick's prices are 25% less than the neighboring Starbuck's shop.

- **SuperValu** announced they are expanding their limited assortment, value priced **Save-A-Lot** stores in the Twin Cities market. This follows Aldi's and Trader Joe's entry into this market. Word has it that SuperValu is considering adding gas to some of their local retail locations. ■

April 15th Approaches

It's hard to believe, but tax time is just around the corner. While you fill out your forms, here are a couple of interesting facts from the IRS:

- The number of individual federal income tax returns received by the Internal Revenue Service during fiscal year 2002 was 130,904,889, up from 129,783,221 the year prior.
- South Dakota collected \$977 million in state taxes in 2001, the lowest of any state in the nation. \$90 billion, California collected in fiscal 2001, the most in the nation and twice as high as the next state, New York (\$45 billion).

Note: Actual Federal income tax information has a lag time. Visit www.irs.gov for more information.

2004 Schedule of Events

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

March 18 - Legislative/Business Day at the Capitol, *Four Points Sheraton St. Paul/Capital Hotel*

April 7 (Afternoon) - Geographic Focus

May 5 - Development

June 2 - Industry Trends & Demographics

June 21 - Annual Golf Event, *Majestic Oaks*

July 7 - Professional Development

August 4 - Retail Focus

September 8 - Mall Focus

October 6 - Economic Outlook

November 3 (Afternoon) - Retail Report

December 7 (Evening) - Year End Ceremonies/STARR Awards/Holiday Party

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