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MSCA news

VOLUME 21, NUMBER 10

OCTOBER 2007

SPECIAL SECTION: CITYVIEW

Feature

Profile: Mayor R.T. Rybak, Minneapolis

Compiled by: Andy McDermott, Shea, Inc., Ross Dahlin, Itasca Funding Group, Inc. and Christopher Naumann, KKE Architects, Inc.

The newsletter committee is dedicated to bringing MSCA members news and information that is fresh, timely and relevant. Beginning this month, we are introducing *CityView*, a periodic column featuring interviews with city leaders from around the region. We plan to solicit responses from mayors, city managers and other leaders from around Minnesota on the state of retail development in their areas.

We begin with Minneapolis Mayor R.T. Rybak, who shares some thoughts on

downtown development, the ongoing impact of the Mall of America and bringing Best Buy to downtown. Watch for future profiles from other prominent regional players in upcoming issues of MSCA News.

MSCA: With all the new residents moving into downtown in recent years, why have retail sales remained flat and stores continue to close?

Mayor Rybak: Minneapolis is transitioning from being a 9am-5pm city to a 24-hour city

CityView on page 2

CROSSROADS EAST

Snapshot

Location: Adjacent to existing Crossroads of Lakeville development, which is located at the intersection of Cedar Ave. and Dodd Blvd. in Lakeville

Month/Year Open: New construction – projected to open in 2008

Owner: Crossroads East, LLC

Managing Agent: H.J. Development, Inc.

Center Manager: Angie Jasperson

Leasing Agent: Chris Moe/Joe Mahoney, H.J. Development, Inc., (952) 476-9400
**cmoe@hjdevelopment.com/
joe@hjdevelopment.com**

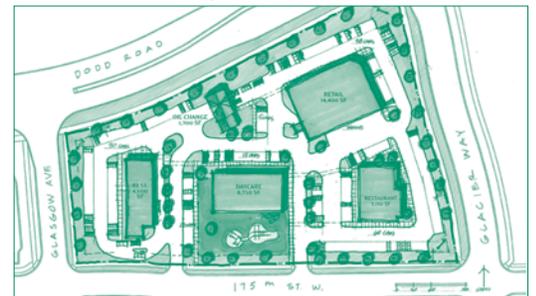
Architect: Pope Associates

Construction Contractor: TBD

GLA: TBD

Current Occupancy: 0%

Number of Stores: TBD



Current Tenants: Cub, Dakota Pediatrics, Bank of the West, Good Year, Caribou, El Patio

Market Area Served: South

Construction Style: New construction - upscale retail development

Additional Facts/Narrative: Crossroads East is a 5-acre expansion of the existing, Cub-anchored, Crossroads of Lakeville shopping center, which is located at the intersection of Cedar Ave. and Dodd Blvd. in Lakeville. Pad sites are available today for purchase, lease or build-to-suit. Limited small shop space is available as well.



Mayor Rybak

with thousands of new residents moving downtown. Retail is catching up to this trend, but is 1-2 years behind. Companies are getting smarter and the market is beginning to respond.

MSCA: The Quarry in Northeast Minneapolis has been a successful infill development. Are there any other sites in Minneapolis that could accommodate a similar type development?

Mayor Rybak: The #1 site for redevelopment of this type is Lake and Nicollet, but I believe that a large retail store needs to reflect urban design principles and be mixed with other smaller retail and residential developments.

MSCA: Crime and panhandling have always been both a real and perceived problem in terms of livability downtown and elsewhere. How have your recent policies addressed this issue?

Mayor Rybak: We are exhibiting a much lower tolerance for "livability" crimes downtown by increasing police

enforcement of such crimes. We recently strengthened our panhandling ordinance and we are working with our business partners to launch a campaign urging people not to give money to panhandlers.

MSCA: Do you view the Mall of America and its planned expansion as a competitor or a complement to retail development in Minneapolis?

Mayor Rybak: The Mall of America is a unique attraction and I'm happy that it is successful. However, I am concerned about tax money going to certain businesses but not to others.

MSCA: Which retailers have shown interest in locating in Minneapolis and how has the city been involved to assist in any potential development?

Mayor Rybak: I and other city leaders are constantly pitching businesses to move to or grow in Minneapolis. I believe that the city should not subsidize individual retailers, but invest in infrastructure that makes this a better place to build a business.

MSCA: Which retailers would you like to see come to Minneapolis?

Mayor Rybak: I have been working hard to get Best Buy to build a flagship store in downtown.

MSCA: A goal of the LRT Central Corridor Partnership is to advocate for funding and to provide a collective voice for the Saint Paul and Minneapolis business communities regarding its development. Your views on its current progress?

Mayor Rybak: Every part is working well, except for the Governor's veto of funding for the Central Corridor in this year's legislative session.

MSCA: The Lunds in Northeast has had a strong start and seemingly positive impact on the community, while downtown grocery projects seem to keep hitting snags. Thoughts on this?

Mayor Rybak: There is no overarching reason and individual issues affect each situation differently.

MSCA: Recently the city and neighborhood groups have required condominium and apartment developers to include first floor retail space in their projects. Quite often this space is difficult to lease because of design, parking, and other issues. Should it be the city's business to force retail development on a project?

Mayor Rybak: Vibrant streets are key to a vibrant city and street-level retail is an effective way to create vibrant, busy streets. ■

PROLIFERATION OF BEER BRANDS

Hot Spots / Cold Snaps

by Eric Beazley, Loucks Associates

At first glance, the proliferation of beer brands to the average consumer seems great. I mean, who would complain? Certainly for consumers, more choices can only be a good thing. But for retailers and beer producers, offering consumers more and more choices is causing a fair amount of heartburn, as it continues to increase the complexity of sustaining long-term. For example, marketing efforts must be continually analyzed and more fact-based to stay on top of trends, maintaining operational efficiencies is becoming increasingly expensive and financial analysts on Wall Street are having difficulties following trends and the money.

Beer offers a great opportunity for retailers to distinguish themselves in a competitive

market. However, with the current trend of brand proliferation, creating this competitive advantage can be very challenging. For example, beer is fighting for attention among various retailers against non-alcoholic beverages, wines and spirits, which is one of the key drivers of proliferation. For example, trendy products today that offer an attractive profit opportunity include juices, sport drinks and nutritionals. One advantage for beer is that over the last five years beer has shown a consistent one percent growth rate with little variability, while other beverage categories have been far less predictable.

As the proliferation of beer brands continues, consumers have the choice of sticking with their old standby, or they might be adventurous and try a different

type of beer every time they purchase, or they could find a new preferred beer and begin purchasing that brand as their new standby. The variations of possible consumer behaviors are plentiful and difficult to predict. As a result, producers and retailers face increasingly more difficult business decisions as the number of beer options continue to rise. What does the proliferation of beer brands mean to the operational aspects of a business? Well, in a nutshell, beer production facilities are large, complex and very expensive. The trick is to locate enough facilities (with the capability to produce multiple types of beer) within a given geographical reach to cost-effectively and efficiently serve the desired market segment. Challenges for

Beer Brands on page 6

by Sara Stafford, LandAmerica

Sam Haislet, owner of Sam's Wine Shop, is extremely pleased with store sales since opening in 2005. His shop is located in the urban warehouse district of downtown Minneapolis on Washington Avenue. The building, originally known as the Pacific Hotel, or more recently as Acme Electronics, was redeveloped and renovated in early 2005. Other tenants include Dunn Bros Coffee, Edina Realty and Brian Graham Salon. They are near J.D. Hoyt's and just around the corner from Monte Carlo.

The open floor plan, designed by Sam and Afton Architects, consists of 2,500 sf with a loft office above the first floor. There is also 2,500 sf in the lower level for hosting wine tasting events and special classes, as well as overflow storage.

Sam is no stranger to the wine industry and his wealth of knowledge continues to grow. Early on while attending art school he decided to take a job with The New French Café so that he would have some income to fall back on. That gig lasted 10 years as he worked his way up from Sunday Brunch bus boy to general manager. He became instrumental in ordering all of their wine, creating their wine list and working very closely with New French's owner, Lynn Alpert. Lynn taught him the importance of the French wine model that is used all around the country — how the wine is categorized, classified, thought of, differentiated, etc. He mentioned that the French possess a high level of integrity with their wine and everything on a label means something - not always the case here in America.

In October of 2001, Sam chose to open Solo Vino on Selby Avenue in St. Paul. His original concept was to offer a higher priced selection of wines but changed to more moderately priced wines due to the effects of 9/11. Since he was in an established St. Paul neighborhood, "it was more challenging to earn the customer's trust — St. Paul people are very loyal," he said.

He is now finding his current location very rewarding. He's excited about this brand new neighborhood with numerous residents looking for fun places to fit their lifestyle. He's pleased to service the neighborhood and says that it is easier to earn their trust. Many of the small shop owners bond together because they know what it's like and want to help each other out by supporting the small independent operators.



Sam and his staff of six have an impressive wine background. He and three others have a combined total of over 60 years experience and knowledge. They carry a unique selection of wines, approximately 1,000 different varieties, in addition to five coolers of chilled beer. They also offer a small selection of bottled spirits with very competitive prices. The average sale per ticket is between \$40 and \$60. The month of December is typically their highest volume month due to the holidays. The current trend for summer sales seems to be the light crispy wines, such as Vinho Verde or Pinot Grigio alternatives. The red wine sales will increase once the weather cools down. They offer luxury pinot noirs, high-end Italian wines and Bordeaux wines. Sam mentioned that he's pleased to see that the high-end categories are sticking around, and that they are not just window dressing. He is especially impressed with champagne and sparkling wine sales.

Sam's Wine Shop is customer-service driven and thrives on repeat business. Its foot traffic is high and will only increase with the new Twins ballpark and the potential development of the Pacific Flats project designed by the BKV Group. Sam emphasized "more density attracts more business which attracts more people." When asked about expansion plans, he's definitely open to other opportunities. He prefers the small wine-focused shops in small neighborhoods — possibly Wayzata or Minnetonka. More information can be found on their website at www.samswineshop.com. I encourage you to stop by and check them out. I look forward to opening my bottle of red: Voyageur, from Alexis Bailly Vineyard. ■



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MINNESOTA

Marketplace

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

- **Slumberland** purchased roughly 3 acres at Ryan Companies project The Grove, anchored by Super Target and Home Depot. This is Slumberland's newest prototype and will be the first to include sky lights throughout much of the 35,000 sf store.
- **r. Norman's**, owned by Bellanote owner David Koch, will open in mid-November at 7th Street and Hennepin Avenue S., next to Pantages Theater. More than a steakhouse, the multilevel nightspot will feature an upscale sushi lounge called **Seven** on the second floor, with a rooftop lounge above it.
- Did you know there is a **Chick-Fil-A** in Minnesota? It's hidden down in the lower level of the food court at Coffman Union, where you will find it with its famous brand of southern chicken specialties.
- The closing of the French bistro **A Rebours** restaurant in downtown St. Paul has given rise to a new restaurant to fill its spot. Russell Klein, former chef at W.A. Frost in St. Paul, and his wife, Desta Klein, are calling their restaurant **Meritage**. They plan to open around mid-to-late October.
- A scheduled opening in September of a New York-style deli called **Be'wiched** in the old C. McGee spot at 800 Washington Avenue North is anticipated from former **Solera** chef Matthew Bickford and Michael Ryan, former chef de cuisine from **Restaurant Alma**.
- **Otho**, a pan asian restaurant will be going into the new downtown condominium, Skyscape and will be opening the first week of November.
- **Blueskies Wine Bar** will be opening at the corner of University and First. The space is an office conversion to retail.
- After more than two years, the rumors have finally checked out – **CVS/pharmacy** has signed a lease to move into Laurel Village at Hennepin Avenue and 11th Street and is scheduled to open in May 2008.
- **Salad De Fusion**, a new restaurant specializing in Asian-American mix salads, is opening this fall in the skyway level of the Baker Center at 733 Marquette Avenue.
- **Sanctuary**, a new restaurant with a Mediterranean-influenced menu, opened recently at 903 Washington Avenue South.
- Florida-based private equity firm Sun Capital Partners bought the 630-unit **Boston Market** from **McDonald's**.
- **The Shoppes of St. Boni** in St. Bonifacius are scheduled to begin construction this fall. This 17,000 sf, two building, retail project will include Subway, Snap Fitness and FireLight Pizza & Pasta.
- **Dollar Tree** is opening a new 15,331 sf store in the Crystal Shopping Center. It is scheduled to open in October.

OCTOBER

Member News

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

Semsch Joins Diversified

Diversified Construction has recently named Nathan Semsch as a Project Manager. Nathan is an experienced Project Manager with expertise in remodeling and new construction of veterinarian offices and hospitals, industrial facilities and office buildouts.

Arlene Clapp Ltd. Expands

Arlene Clapp Ltd. is pleased to announce an expansion of their executive recruiting team with a new hire. They anticipate a continuation of the Arlene Clapp Ltd. success, as they specialize in the commercial real estate and construction industries.

Great Clips Celebrates Anniversary

This year marks the 25th anniversary of Great Clips, Inc. In that time, it has grown from four salons – the first sprouting aside the University of Minnesota campus – to over 2,600 dotting the landscapes of both the United States and Canada. In 2007, *Entrepreneur* magazine placed Great Clips in its Top 25 "Fastest Growing Franchises." Members include: Margaret Jordan, Marlene Oberste and Dean Wieber.

GOOD READS

Bookmark

Our country, and our daily lives, are affected by the decisions of the United States Supreme Court. As this year's term begins - by law, always the first Monday of each October - here are recent books that share some "behind the scenes" viewpoints:

- **The Nine: Inside the Secret World of the Supreme Court**, by Jeffrey Toobin
- **Supreme Conflict: The Inside Story of the Struggle for Control of the US Supreme Court** by Joe Crawford
- **Greenberg The Supreme Court: The Personalities and Rivalries that Defined America**, by Jeffrey Rosen (PBS)

Contact Deb Carlson at dcarlson@northstarparkers.net or Christopher Naumann at cnaumann@kke.com with your reading recommendation.

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SPONSORSHIP

Committee Chat

Co-Chairs: Ned Rukavina & Stephen Eggert

2008 Sponsorship packages were sent to last year's sponsors on September 13. Our committee members have already started making phone calls regarding renewal of sponsorships. Our goal is to complete all contracts by December 1; however the deadline is January 1. Other member companies should expect a call from one of our committee members to consider sponsorship opportunities.

We have a great time soliciting sponsors each year. Joining our committee would be an excellent way to increase exposure and further develop your network within MSCA.

Thanks to this year's Sponsorship committee members: *Mark Kampmeyer, Mike Melton, Shelly Muelken, Stephanie Dean, Stephani Sundry, Janele Taveggia, Dana Andresen, Sandra Dobbles, Chris Dolan, Katie Provencher, Kurt Stenson and Bill McCrum.*

We appreciate everyone's continued support of MSCA – thank you. ■

2007

Events Schedule

Our monthly program meeting date is the first Wednesday of every month. All meetings will be held at 8:00 a.m. (registration at 7:30 a.m.) at the Doubletree Hotel Minneapolis Park Place unless otherwise noted or publicized before the program. Program topics and location are subject to change.

Wednesday, November 7 – Retail Report, *Afternoon Program*

Tuesday, December 4 – Year End Ceremonies / STARRSM Awards / Holiday Party, *Golden Valley Country Club*

Watch for the 2008 Program Schedule coming soon!

MSCA

Member Profiles

DANA ANDRESEN



Company: Chuck & Don's Pet Food Outlet

Primary Career Focus: Business Management

Education: I am in the final stages of earning my Bachelor's Degree in Business Management

Family: Married to Christopher for 9 years with a 5 year-old daughter Sydney

Hobbies: Pets, drawing, painting, bowling, gardening, piano

Dream Job: Concert pianist

Secret Talent: I make a mean latte or mocha (iced or hot)!

MSCA Involvement: Entering second year on the Program Committee, recently joined the Sponsorship Committee, Chuck & Don's will be a Corporate Sponsor in 2008, Chuck & Don's was one of the sponsors of The Caring Tree Riverboat Event on September 27th.

STEPHANIE DEAN



Company: Stahl Construction Company

Primary Career Focus: Marketing & Business Development

Education: University of Wisconsin-Stout in Interior Design

Family: Husband, Joe, and two children, Madison (5) and Parker (4)

Very First Job: Papergirl, back in the days when we collected the money house by house for the Star & Tribune

Dream Job: Professional athlete

Favorite Food: Any gourmet dinner my husband makes; this is one of my husband's secret talents

MSCA Involvement: Sponsorship Committee

EMERGING MARKETS

Retailers are playing leapfrog when it comes to expanding in emerging markets by entering smaller cities. This is one of the findings of the sixth annual Global Retail Development Index (DRDI), a study of retail-investment attractiveness among emerging markets conducted by management consulting firm A.T. Kearney. For the fourth consecutive year, India and Russia occupied the top two spots of the GRDI, followed by China, Vietnam and the Ukraine.

Source: Chainstore Age

BEER BRANDS *continued*

producers also stem from predicting market shifts and simultaneously adjusting operations and marketing efforts to sustain the company's long-term health.

In many markets, beer has become somewhat commoditized so retailers are having to work more closely with producers to adjust marketing efforts that generate more excitement about their products. Some innovative ideas being seen in the market today include more convenient packaging, such as Heinekens' portable draught keg and interesting packaging such as Coors Light's cold activated label. Flying Dog brewery out of Denver, Colorado, hired Ralph Steadman, an artist who, among other things, has been successful at designing DVD packaging. In addition, the quality of beer offerings is increasing, perhaps as a way for producers and retailers to explore the "indulgence potential" of beer. Premium product offerings are hot right now and these types of products, which are being sold at a premium price, offer luxuries such as better ingredients and flavors, metal bottles, imports and craft brews. Studies have shown that a retailer's in-store marketing strategy is becoming increasingly important and this trend is likely to continue. Nearly all of a consumer's purchase decisions are made in the store while they are standing in front of the point of purchase – that is, late in the process and spontaneous. The same type of phenomenon is occurring in bars and restaurants as well, which means everything a restaurant does to sell a product or products at the table will have a direct impact on profitability. Note that while premium beer brands are a hot trend right now, the low value-added beer brands are here to stay. In this realm consumers are looking primarily at price, and variety is typically not a consideration.

Finally, with the recent proliferation trend of beer brands, there is also a resurgence of interest in beer being seen around the world. With microbrews and premium beers becoming more and more popular, and with increasing competition to create better beer, the beer industry definitely has a profitable future. ■

ICSC/MSCA NORTH CENTRAL STATES RETAIL FORUM

Program Recap

by **Natina James**, KKE Architects, Inc.

The ICSC/MSCA Retail Forum began on Monday, September 10th with a rain-free golf tournament at the Hazeltine National Golf Club in Chaska. A beautiful fall day ended with a cocktail reception in the evening.

Tuesday's sessions were held at the Minneapolis Convention Center. The day began with Eric Kapitulk, a retired U.S. Marine who spoke of "leadership and adversity" drawn from his experiences as a Special Operations Officer for the U. S. Marine Corps, and from racing in the world's longest endurance races. His racing and speaking engagements have helped to raise over \$125,000 for the children of six Marines who died in a helicopter accident while serving under his command.

Roundtable discussions followed where attendees participated in two 25-minute discussions in topics ranging from Challenges Confronting Retail Development, Regional Markets in Omaha, Fargo and St. Cloud, and Shopping Center Repositioning. This year's Retailer Runway highlighted business and expansion plans for the North Central Markets from several retailers and franchises.

The keynote speaker was John Bucksbaum, CEO of General Growth Properties, Inc., who discussed "Shopping Center Industry Trends." He spoke of trends he sees in the shopping center industry such as the consolidation of traditional department stores, the tendency for department stores to leave regional centers, junior anchors that relocate in regional malls left void by department store anchors, high-end retailers leaving regional centers to locate in lifestyle centers, the inclusion of public space and amenities into regional malls, and the incorporation of more mixed-use into retail projects. Jordan Creek Town Center in West Des Moines, Iowa, best exemplified the current trends experienced by the industry and General Growth. Its plan includes an open-air lifestyle center, mixed-use and entertainment components, and recreational activities such as pedestrian walkways, trails and an amphitheater.

The two-day seminar would not have been complete without the Deal Making/Trade Show. Participants ranged from retailers, construction companies, product vendors, developers and state Department of Commerce organizations. ■

WHAT NOW? THE BRIDGES OF ST. PAUL

by **Ross Dahlin**, Itasca Funding Group, Inc.

Despite Jerry Trooien's best efforts and tremendous support from numerous local residents, businesses, and organizations, last month the proposed Bridges of St. Paul development failed to win city council support. In a 5-2 vote the city council rejected the development. The City did not support the zoning change or the approximately \$125 million in Tax Increment Financing (TIF) needed to move the project forward. Supporters of this project have voiced their frustration with Mayor Chris Coleman and the City Council in failing to recognize the thousands of jobs and future sales tax dollars created by the development, which would include 1,000 housing units,

400,000 sf of retail, a signature Westin Hotel, two botanical gardens and a movie theater. ■

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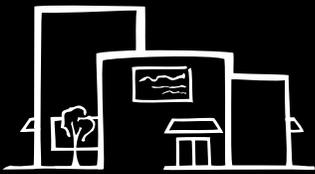
HOLIDAY SALES CONCERNS

The National Retail Federation released its forecast for the upcoming 2007 holiday season, predicting that sales will rise 4% this year to \$474.5 billion*. The 2007 holiday sales increase is expected to fall below the ten-year average of 4.8%. It would represent the slowest holiday sales growth since 2002, when sales rose 1.3%.

Luxury retailers once again appear to be a bright spot as their customers have demonstrated the ability to maintain high levels of spending. Clearly the retailers most affected by the economy will be those catering to the low to middle income consumer. This could spell trouble for discounters and some department stores whose shoppers may be looking to trade down.

* NRF defines "holiday retail sales" as retail industry sales which occur in the months of November and December.

Source: National Retail Federation



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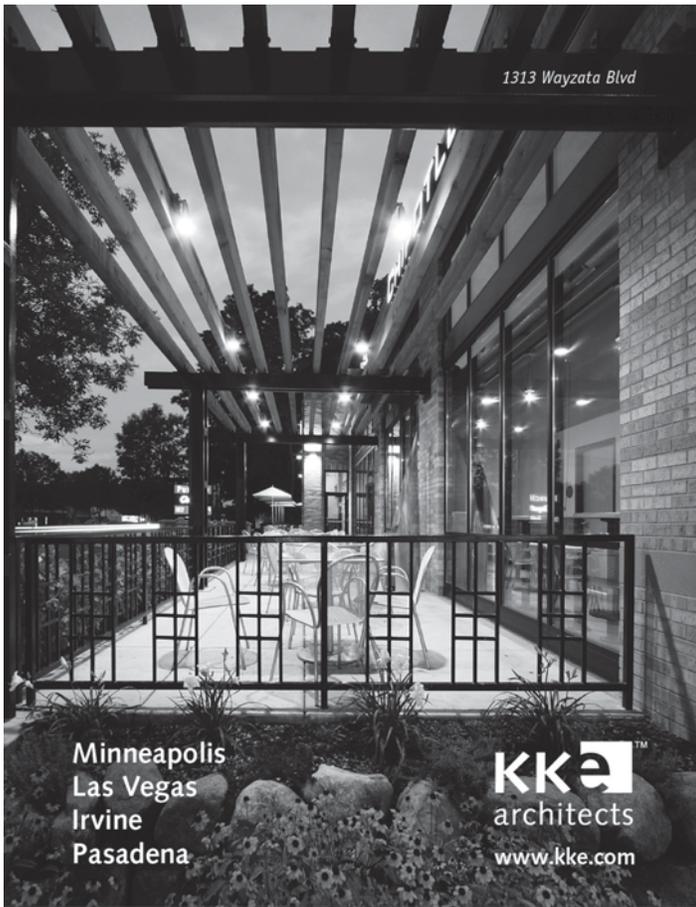
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Watch for the release of the 2007
Retail Report on November 7th.

RETAIL REPORT

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