

**Recap of the Joint Minneapolis Downtown Council-
East Town Business Partnership Business Forum on
Downtown Demographics: Who Are We Becoming?**

<https://easttownmpls.org/wp-content/uploads/2018/12/12.18-member-forum-presno-video.pdf>

**Thursday, December 18, 2018, 11:30 a.m. – 1:00 p.m.
Elliot Park Hotel, 823 5th Avenue South, Chestnut Studio
Elliot Park Neighborhood of Minneapolis**

I. Welcome and Announcements

Steve Cramer, President and CEO of the Minneapolis Downtown Council, welcomed the audience to the December joint business forum at the new Elliot Park Hotel, the last project on Kraus-Anderson's full block redevelopment. Then he announced the following MDC member events:

- *Wednesday, January 16, 2019, 7:30-8:45 a.m.:* In partnership with Catholic Charities, Coffee & Conversation|Reflections on a Career in Legislative Lobbying with Rich Forschler of Faegre Baker Daniels and John Knapp of Winthrop & Weinstine at Catholic Charities. Register at <https://www.mplsdowntown.com/registration190116/>.
- *Wednesday, February 13, 2019, 11:30 a.m.-1:30 p.m.:* Annual Meeting at The Armory (<https://www.mplsdowntown.com/event/2019-mpls-downtown-council-annual-meeting/>).
- *Tuesday, February 19, 2019, 4:30-6:30 p.m.:* Happy Hour Presentation|Economic Drivers that will Shape the Future of Minneapolis and the Twin Cities (<https://www.mplsdowntown.com/event/happy-hour-presentation-economic-drivers-will-shape-future-mpls-twin-cities/>).
- *Wednesday, March 6, 2019, 4:30-6:30 p.m.:* Happy Hour Presentation|The Tenant Experience with commercial real estate veteran Jim Damiani (<http://www.ngkf.com/home/about-our-firm/global-offices/us-offices/minneapolis.aspx>). More details to come at <https://www.mplsdowntown.com/event/happy-hour-presentation-tenant-experience/>.
- *Wednesday, February 13, 2019, 11:30 a.m.-1:30 p.m.:* Annual Meeting at The Armory with an overview of 2018 and what will happen in 2019 (<https://www.mplsdowntown.com/event/2019-mpls-downtown-council-annual-meeting/>).
- *Through Sunday, December 23, 2018:* Wrapping up Holidazzle 2018 in Loring Park (<https://www.holidazzle.com/>).
- *Through Sunday, December 23, 2018:* #OnNicollet Jingle Bell Junction and other events (<http://www.onnicollet.com/events>).
- *Daily through early March 2019:* Wells Fargo Mpls WinterSkate in Loring Park (<https://mplsdowntown.com/winterskate/>).
- *Wednesday, December 19, 2018, 6:00-7:00 p.m.:* Military and Veterans Appreciation Night at Wells Fargo Mpls WinterSkate (<https://mplsdowntown.com/event/military-veterans-appreciation-wells-fargo-mpls-winterskate/>).

Dan Collison, Executive Director of the East Town Business Partnership, thanked the audience for attending and noted the partnership between the ETBP and MDC has flourished in helping to spotlight what's happening in the East Town district – comprised of the Elliot Park and Downtown East neighborhoods – as well as the larger narrative of downtown as a whole. The audience's presence here today continues to help drive their sense of purpose. Then he announced the following events:

- *Thursday, January 17, 2019, 11:30 a.m.-1:00 p.m.:* Business forum on “Car Lanes, Bus Lanes, Bikes– Oh My!” at Padilla with Bill Dosset, Executive Director of Nice Ride–Motivate; Mary Morse Marti, Executive Director of Move Minneapolis; Charles Carlson, Director of Bus Rapid Transit at Metro

Transit; and Ward 3 Council Member Steve Fletcher (<https://easttownmpls.org/etbp-january-17-2019-business-forum-at-padilla/>).

- *Month of April 2019:* Chameleon Consortium, a recently formed private-public group seeking to drive meaningful diverse retail activity in downtown Minneapolis, is seeking pop-up vendors for the NCAA Men's Final Four 2019 pilot project (<http://www.startribune.com/minneapolis-retail-pop-up-pilot-aimed-for-final-four-weekend/502738442/>). Invitations have been sent to small businesses, sponsors, building owners and managers to gauge their interest in participating. If interested, please let him know asap via email at DCollison@mplsdowntown.com.
- *Tuesday, February 12, 2019, 7:00-8:30 a.m.:* Save the date for the “We ♥ Elliot Park Neighborhood Breakfast.” More details to follow.
- *Wednesday, December 19, 7:30 a.m.-9:30 a.m.:* Good Morning with Ward 3 Council Member Steve Fletcher, 2018 Year in Review at Kramarczuk's (<https://northloop.org/event/good-morning-ward-3-council-member-steve-fletcher/>).
- *Wednesday, December 19, 5:00-6:00 p.m.:* Coffee with Ward 3 Council Member Steve Fletcher at Maeve's Café (<https://www.facebook.com/events/1001723580011383/>).
- To learn more about and attend the neighborhood organizations' meetings:
 - Visit <http://www.thedmna.org/> for the DMNA Land Use Committee (January 8) and Board (January 28) meetings; and
 - Visit <http://elliotparkneighborhood.org/> for EPNI Building, Land Use and Housing Committee (January 17), Livability Committee (January 3), and Annual (May 13) meetings.
- *Through January 16, 5:00-8:00 p.m.:* Minnesota Indoor Stadium Running at U.S. Bank Stadium (<https://runmdra.org/programs/indoor-stadium-running/>).
- For help in navigating City Hall with your business questions, visit the Minneapolis Business Portal at <https://business.minneapolismn.gov/> designed to connect entrepreneurs and small business owners to the information and resources needed to plan, launch and grow a business. He noted they are part of the Chameleon Consortium.

Lastly, Collison extended a warm thank you to the Elliot Park Hotel for hosting and sponsoring today's event and then ran a promotional video about this Marriott Autograph Collection® hotel (<https://vimeo.com/299077742/4b188e0eb8>).

II. Presenting Host and Sponsor: Elliot Park Hotel

Dana Orlando, General Manager at the Elliot Park Hotel (<https://www.linkedin.com/in/dana-orlando-94b388a>), expressed pleasure in hosting today's event. When she learned the topic would be about market trends and the future growth of Minneapolis, she jumped at the opportunity. The excitement of being a part of the revitalization of Elliot Park is why she took this position and the opening success of EPH is because the community welcomed them with open arms. Tavola Italian Kitchen + Bar has been frequented by many of the locals and reservations for the hotel have been made by many staycationers thanks to word of mouth.

One of their core pillars is giving back to the community and providing a sense of belonging for their team members which they have manifested through a partnership with House of Charity, a nonprofit homeless housing provider. Under this partnership, neighborhood residents can receive a 10 percent discount that they can either keep or donate to HOC.

Every Autograph Collection hotel is unique which is brought to life via the market craft hygge (<https://en.wikipedia.org/wiki/Hygge>), shown on the video as moments of contentment, warmth, coziness,

conviviality. They try to make these moments of hygge unique for each guest, whether a business or leisure traveler or wedding party, and each guest upon arrival is greeted with a bite and a brew – a featured snack from their Italian restaurant and a brew from Finnegans next door – at a station next to the front desk (<http://www.journalmpls.com/news/biz-buzz/2018/09/comfort-or-hygge-is-the-theme-of-new-elliott-park-hotel/>). Since there are many hotels in Minneapolis, they all try to differentiate themselves, EPH's being hygge, and there is room for all to flourish.

Orlando concluded by advising tours will be conducted immediately following the forum and wishing everyone Happy Holidays.

III. **Downtown Demographics Panel Discussion**

Collison introduced each panelist and framed the conversation by advising we know a lot is being built in downtown and the residential population is surging; it's almost 44,000 which is a national benchmark that is to be celebrated. Because downtown is not an island and designed to be a place of connectivity, how the wards, neighborhoods and everything we see growing connects to one another is a human scale proposition at its bottom level. Today's conversation is trying to understand larger demographics as it meets with market advancement and growth.

We'll begin with the development of the East Town area – why, how and where it's going; then receive some key market and demographic analysis; and finish with broad brushes of City policy and points of focus for the elected officials.

A. Growth and Development of East Town. Erik Hansen, Director of Economic Policy & Development at Minneapolis CPED (<http://www.ci.minneapolis.mn.us/news/employees/WCMSP-215033>) advised this is his second stint with the City after a 3-1/2 year hiatus with the City of Brooklyn Park, and one of the things he's been asked is what has changed since he's been gone. He replies the neighborhood has grown up; all of the parking lots that were here are gone, all of the projects that were concepts have come to fruition, and the EPH, which was in consideration but not fully formed, is now a reality. There's been this remarkable boom on this side of downtown in Elliot Park and Downtown East that it feels like he works in a neighborhood again and everyone seems excited about it.

It's amazing what's happening in Minneapolis, we're past \$1.6 billion in permits this year and that's 6 to 8 years in a row of billions of dollars. Back in the recession we were able to hide our inability to build because of the development of U.S. Bank Stadium and Target Field, but now things around them are being built and most acutely on this side of town. We broke past that wall of 5th Avenue South and we're seeing all of these remarkable buildings being built. This means there are more people downtown, the demographics of which Bujold will present, but the data is tough to suss out until we get the census data. Even in Elliot Park which is mostly developed, and downtown as a whole, we're seeing a more significant amount of people moving into the downtown community.

We, at the City, have to do something about it because with more people living and more businesses moving downtown we're confronted with new things to think about, e.g., not seeing a mix of local versus national chains. As real estate specialists know, brand new space is the most expensive on the market which can easily be underwritten by a national chain like Starbucks, but not a local coffee shop, so we have to come up with strategies to make sure we have a vibrant and unique business mix within downtown.

Minneapolis 2040, the Comprehensive Plan, was adopted on December 7th (<https://minneapolis2040.com/overview/>) and we have to now figure out what to do about that. The City is seeing people with few means and people with many means living downtown and not a lot of those in the middle, so one of the important things around business development is human capital development, i.e., how are they helping those who are potentially facing displacement issues get the job skills to move up the economic ladder for all those amazing jobs that are coming downtown in order to have a more complete neighborhood as found throughout Minneapolis.

Hansen commented it's great to be back at CPED, he's excited about walking around the neighborhood where his work takes him, and talking with many in the audience who have made the amazing transformations here come about.

B. Market and Demographic Analysis. Mary Bujold, President of Maxfield Research and Consulting (<http://maxfieldresearch.com/about-us/meet-the-team/mary-c-bujold/>), advised she moved to Loring Park in 1993 where redevelopment began in the mid 1980s. Successive redevelopment expanded over time in the CBD and moved around the city due to different economic conditions at different periods of time and now they're seeing tremendous development in East Town. It's nice to see that all of our downtown neighborhoods are starting to fill out and have their own sense of identity.

They saw a build up to the recession with a tremendous amount of condominium development, then that dropped off and a tremendous amount of rental development post recession. They're starting to see some condominium development come back again which is wonderful. Early on, almost all of the development in downtown has largely been rental which was balanced out with condominium development and now rental has surged again, but it's still heavily weighted toward rental.

Demographics in downtown was a barbell, i.e., heavily weighted toward the very young, and a smaller barbell on the over 65, and now they're seeing a lot more of the middle (35 to 54 age) group fill out as people choose to live downtown.

They are seeing more of a balance on the income spectrum, but still have a way to go. They also still have a way to go in addressing the housing mix, i.e., more of the middle and lower versus the upper end.

Since 2008, vacancies have remained low across the Twin Cities even though there has been a lot of building, but rents continue to increase at an annual rate of 3.5%. In downtown, there have been some blips in the vacancy rates as we've gotten ahead of ourselves with new products, but that got absorbed, and now in the Q3 2018 have leveled out again at 3.5%. The annual increase in rents since 2018 has been 4%, but over the past 3 to 4 years it's been higher at 5-6%. Quite a pit of product has been brought online recently, there'll be a lull through 2019, and then there'll be more brought online in 2020.

Looking at what amount of product has been brought online in the metropolitan area, not much occurred in the 1990s, but since the recession it's been astronomical. Remembering when baby boomers left their parents' homes in the 1960s and 70s and the job market was robust, there were a huge amount of apartments built in the Twin Cities that are still out there. Bujold sees the eco boomers/millennials as the new baby boomers and needing a lot more housing.

They are also seeing more people choosing rental as a lifestyle, and mid-age and baby boomers saying I'm done with owning. Also, some choosing urban over suburban, and some of the new suburban products going in are going out, i.e., they are seeing a lot of everything.

Development is accelerating in the suburban areas; it was previously concentrated in downtown Minneapolis and St. Paul. They will continue to see development in downtown Minneapolis, but as the surface parking lots are being developed the issue will be where the next site will be. Nevertheless, there will be more product coming online.

One of the surges of 2018 was due to developers wanting to get financing secured on their projects before the Fed raised rates. Now with all the other trade and economic issues, the Fed has agreed to temper the rate increases which Bujold believes will help with the new development push in Minneapolis and other locations.

There's been a little bit of hopping among some of the newest properties to take advantage of moving concessions, but because there's been a lot of outside investment into the Twin Cities recently, they

have been willing to deal with higher vacancy rates than local ownership was years ago, so Bujold believes vacancy rates will have to rise to 10% or more before people start becoming concerned.

We continue to have a robust job growth and the unemployment rate is at an all time low, but we really need to put people into unfilled jobs.

C. City Policy and Focus. Andrea Brennan, Director of Housing Policy and Development at Minneapolis CPED (<https://www.linkedin.com/in/andrea-brennan-85597417>), gave an overview on how the City is approaching the demographic and development trends described earlier. There are three approaches the City is embracing: policy, resources and partnerships.

- 1. Policy.** As Hansen mentioned earlier, the City just adopted *Minneapolis 2040*, aka Comprehensive Plan, the planning tool to guide the City through its adopted goals and policies to meet the needs of the projected population in 2040. It is required by state statute, Metropolitan Land Planning Act (§473), and must be consistent with regional policies, i.e., *Thrive MSP 2040* (<https://metro council.org/Planning/Projects/Thrive-2040.aspx>).

The City experienced a lot of tension for this plan due to, among other reasons, the extensive amount of community engagement in developing the policies. It spent 2 years going to hundreds of community gatherings and engaging in conversations with residents about how they perceive their neighborhood and city in meeting their needs now and projected forward. Housing was one of the main topics they heard about at these community gatherings, i.e., affordability, difficulty in finding, securing and keeping quality affordable housing, and a strong desire for more diverse housing options – a lot of residents are looking for something other than an apartment or single family home. There is a lot of concern among long-time residents who find it challenging to be able to continue to afford to live here as we grow and development, so the Comprehensive Plan establishes the policy framework to expand the diversity of housing options that can be supported in communities through the city.

- 2. Resources and Investment in Housing.** Another historic step the City has taken is adopting a budget in 2019 establishing high levels of affordable funding, i.e., \$47 million compared to the \$25 million budget in 2018, almost doubling the housing budget for the City and tripling the amount of actual City money invested.

There are multiple strategies to meet the housing needs, no one-size-fits-all solution, and the investments reflect that:

- a.** Leveraging City assets, e.g., the 400 vacant lots most of which are in Minneapolis and building more affordable homes;
 - b.** The Affordable Housing Trust Fund (<http://www.ci.minneapolis.mn.us/news/WCMSP-215415>), which the Mill City Quarter is a recent recipient;
 - c.** The Naturally Occurring Affordable Housing (NOAH) Preservation Fund (<http://www.ci.minneapolis.mn.us/www/groups/public/@cped/documents/webcontent/wcmssp-191816.pdf>), relevant for neighborhoods like Elliot Park; and
 - d.** The 4d Affordable Housing Incentive Program (<http://www.minneapolis.mn.gov/cped/housing/WCMSP-214366>) to partner with owners/operators of private nonsubsidized housing.
- 3. Partnerships.** This is important because no city can address the housing needs of the community alone. One of the major sources of funding is property taxes and this is not a problem or challenge we can property tax our way out of, so developing creative partnerships across sectors and jurisdictions of government is really important. Reflective of that fact is in the 20 years she's worked in housing and community development, Brennan has never seen this level of focus on housing needs by such a broad set of stakeholders, particularly those who haven't been among the usual suspects in the affordable housing discussions, e.g., Governor Dayton's establishment of the

Task Force on Housing (<https://mnhousingtaskforce.com/>) which was incredibly staffed and resourced and a ton of involvement from many sectors. Through this process they identified and narrowed down to 6 goals and 30 recommendations – the campaign for which is FrontDoor Campaign (<https://frontdoorcampaign.org/>) – most of which also apply to Minneapolis, but front and center was the need for more housing.

The projections that came out of the TFH’s work are in Minnesota we need 300,000 more new homes across the continuum by 2030. Currently, production in Minnesota is about 20,000 new homes per year, so in order to build what is needed production needs to increase by 10,000 units per year. This highlights the fact that a huge part of this is a supply issue, but also not establishing land use policy and zoning regulation in the Comprehensive Plan that limits the supply of housing that be done.

The TFH is continuing thanks to support from the McKnight Foundation which has agreed to fund a staff person who is in charge of highlighting the work of all organizations involved and ensuring the work moves forward.

This is a huge opportunity and we need to take advantage.

Collison then asked the panelists to talk about the misunderstandings surrounding the word “gentrification” noting his mentor Tom Fisher, Director of the Minnesota Design Center, compared it to how tricky the word “sustainability” was 25 years ago, but has not created a whole new model the business community embraces.

Brennan stated they prefer using terminology like “equitable community economic development” because the real fear expressed by residents through their extensive community engagement is being displaced from their home, neighborhood and community, so the City’s focus is, as they grow and develop and as investments come in, ensuring residents who contributed significantly to these communities to make them great have affordable housing options to stay. Gentrification is used a lot, but their focus is on inclusive development and anti-displacement strategies.

Hansen explained in his experience, if you ask five people about gentrification you’ll get five different definitions. This equitable development Brennan mentioned is also addressing intentional public policies we’ve decided on to organize our communities. He noticed when looking at the demographic profile, the average income between Elliot Park and Downtown East was right, but if you asked people what is the dividing line between the two neighborhoods, most wouldn’t know despite there being a \$50,000 income difference. However, Elliot Park is typically where we decided to put poor people and people of color. The way he looks at gentrification is what are we doing to invest in the people in the neighborhood; it’s not all about a supply issue, it’s also about a skills gap and deliberate approaches to how we’re allowing people opportunities. He would look more at displacement strategies versus gentrification and how we’re going to invest in the people who are here so they can get jobs because as Bujold noted there is a labor shortage in this state that will not stop in the next 5 years and a labor pool that is underutilized. Prices will go up and we can’t stop that inflationary impasse, but wages have not gone up.

What you’ll see in the Comp Plan and policies from the City Council is a repudiation of what we’ve done forever, i.e., ignore the problem. We love top ten lists in Minneapolis and St. Paul, and one list we’re on is the disparities between whites and nonwhites, so what are we doing to address this? Not doing what we’ve been doing. We don’t know the answers, but we know what we’ve been doing has created what we have now.

Responding to an inquiry from the audience about the effect inclusionary zoning regulations has on the marketplace, Brennan explained there are a lot of communities with these regulations and they haven’t stopped housing development, but each development is different which she believes is attributable to how it’s implemented. She hasn’t had a lot of time to study it but is in the process of working with a colleague on

the East Coast with more experience to review a lot of information over the next 6 months, therefore, right now she's not sure of its effect, but stay tuned.

Lastly, Bujold described the type of new products on the market; it is almost all multistory. Developers are maximizing amount of density on parcels because land and construction costs are so high. They started at 4 stories and now with construction improvements they are almost up to 7 stories, and once you get to concrete construction the costs increase exponentially again. They're seeing small infill buildings but they are multistory too, not duplexes, triplexes, quadplexes. Hopefully, they can develop some tools to address how to move forward in getting alternative types of products at an affordable cost into the market.

IV. Closing Remarks. On behalf of the MDC and ETBP, Collison thanked the Elliot Park Hotel for hosting, the panelists for their insights on today's topic, and the audience for attending.

For those interested, a tour of the EPH followed immediately thereafter.

V. Audience Attendees

Carina Aleckson, Catholic Charities
Kathleen Anderson, North Star Lofts
Dennis Bakken, Proverus Inc.
Joshua Beccera, Augurian
Bailey Beckman, The Hotel Ivy
Adam Benjamin, Bridgewater Bank
Marc Berg, J Selma Law
Rachel Blumer, Residence Inn Downtown at The Depot
Jeff Bouck, AC Hotel Minneapolis Downtown
Sarah Brouwer, Westminster Presbyterian Church
Kathy Buggy, The Advertising Federation of MN
John Campobasso, Kraus-Anderson
Robert Clapp, Independent Consultant
Garfield Clark, Garfield Clark Commercial
David Clausen, Take Flight Media
Jordan Conlin, The Hotel Ivy
Chris DeLaurentis, 9th Street Historic Brownstones
Jerry Dustrud, Elliot Park Neighborhood Inc.
Kim Forbes, Elliot Park Neighborhood Inc.
Lucy Galbraith, Metro Transit
Meghan Gage-Finn, Westminster Presbyterian Church
Heather Gasper, Residence Inn Downtown at The Depot
Rebecca Green, Sonder Inc.
Jennifer Haferbeck, HGA
Vanessa Haight, Elliot Park Neighborhood Inc.
Roger Halverson, Matrix Resourcing
Cyndy Harrison, Sawatdee Thai Restaurant
Timothy Hart-Anderson, Westminster Presbyterian Church
Tom Hayes, Hennepin Healthcare
Daniel Jacobson, Unleashed Displays
Nancy Jacobson, Radisson Blu Minneapolis Downtown
Gena Janetka, Allied Parking, Inc.
Cory Johnson, Mill City Summer Opera
Megan Leith, Abittan Mill City
Brian Maupin, Allied Parking, Inc.
John McCarthy, Saint Paul Development Corp
Linda McCarthy, Saint Paul Development Corp
Ixchel McKinnie, Impact Hub MSP

Paul Mellblom, MSR Design
Sara Michael, Radisson Blu Minneapolis Downtown
Molly Minell, Saint Paul Development Corp
Robin Mooney, Allsteel
Roger Raina, National Item Processing
Michael Rainville, Meet Minneapolis
Rick Recker, Minnesota Distance Running Association
Rdonn Robinson, Best Western Plus Normandy Inn & Suites
Christie Rock Hantge, East Town Business Partnership
Braden Scheeler, Bobby & Steve's Auto World
Thomas Schmid, Downtown Minneapolis Neighborhood Association
Dan Schmitt, Accenture
Ken Searl, Friends of the Mill District
Kara Sherman, The Ivy Hotel
Hope Slusar, Radisson Blu Minneapolis Downtown
Anne Snyder, Allied Parking, Inc.
Nicole Sperry, 500 East LLC
Kirsten Spreck, Thrivent Financial
Carletta Sweet, Downtown Minneapolis Neighborhood Association
Albert Swintek, CenterPoint Energy
Claire VanderEyck, Newport Partners Midwest
Marybeth Weisberg, Minneapolis Downtown Council