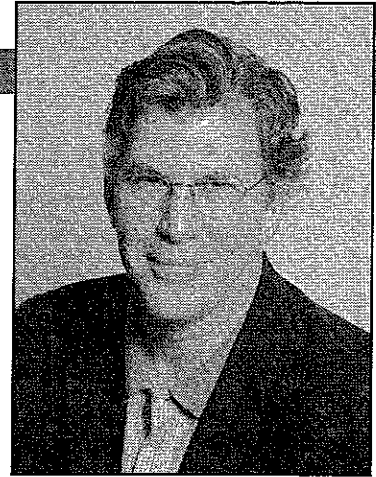


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EDITOR'S NOTE



"I WANT TO RIDE A TRAIN!" PROCLAIMED GOV. JESSE VENTURA at his first State of the State address in 1999. Had he run for re-election a couple of times — and won — he could have caught the Central Corridor line just a few steps outside of his Capitol office.

The proposed light rail track along University Avenue would connect downtown Minneapolis and downtown St. Paul. Enlightened leaders in business and government support the plan, and insiders say it's just a matter of time. In a non-scientific online survey by the *Business Journal* several weeks ago, 81 percent of the respondents said light rail was the best transportation option for the Central Corridor.

One big reason for business support is that the Hiawatha Line has generated a lot of development along its path, and the same is expected of the University Avenue route. But in a

roundtable on the topic hosted by Sarah Sturmon Dale, it is made clear that some businesspeople disagree with proposed regulations for achieving the ideal mix of commercial development and residential density. She notes that the discussion got a little "testy."

Elsewhere in this publication we find general optimism by both office and industrial developers around the Twin Cities. We're starting to see both office and industrial facilities being built on speculation. The two roundtable discussions on these sectors both mention the secondary influence of major corporations, i.e. the vendors. Of special interest is the "seven-minute requirement" of Target Corp. vendors in downtown Minneapolis: They prefer offices where they can walk to Target's HQ in seven minutes!

The pictorial highlight of the publication — apart from the photo illustration on the cover — is a photo essay by Craig Dirkes on the latest trends in office designs around town. Dirkes is a rare and wonderful talent to have in a newsroom. His photos are flashy and informative, while his writing is downright picturesque. He visited three diverse businesses with new office designs and talked with the architects that created them. The common theme is that businesses are compelled to improve their office spaces with light and perks in order to recruit and retain talented (and fussy) employees.

My thanks to the talented people that created this edition: staff writer Sam Black, photojournalist Craig Dirkes, Art Director Eric Johnson, Associate Editor Jenny Woods and contributing writers Sarah Sturmon Dale and Jonathan Eisenthal.

— Steve LeBeau, Managing editor

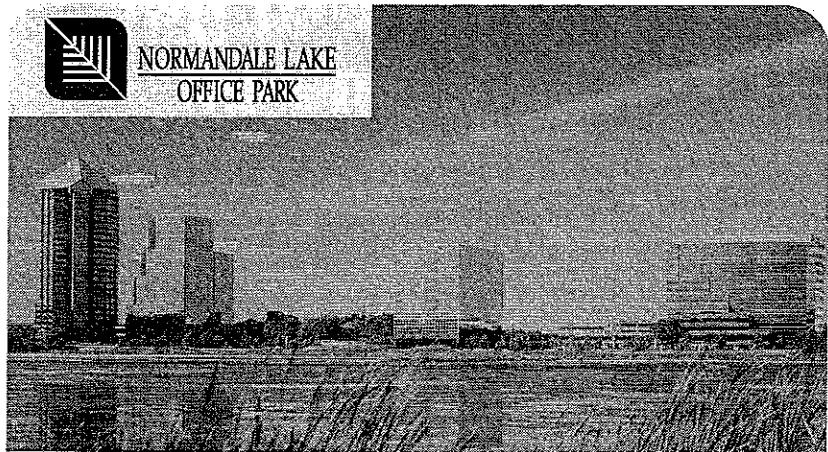
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LE: CENTRAL CORRIDOR

Central Corridor conundrum

The imminent light rail line down University Avenue brings with it the question of how to develop the area. Not all are on the same track. By Sarah Sturmon Dale, Contributing writer



WITH THE OVERWHELMING SUCCESS of the Hiawatha light rail transit line in Minneapolis, public attention is now turning to the Central Corridor light rail transit line.

And with the attention come debates — like what development along the corridor should look like, how it should be controlled, and even where the station stops should go and how many there should be.

With that as a background, the *Minneapolis/St. Paul Business Journal* convened a roundtable of some of the players on the issue to discuss the future of the 11-mile line along University Avenue that would connect Minneapolis and St. Paul.

Participants included: LaVerne Hanson, executive vice president and architect of St. Paul-based MetroPlains Development; Brian McMahon, executive director of University United; Ellen Watters, senior vice president of economic development for the St. Paul Area Chamber of Commerce; and Stephen Wellington, president of St. Paul-based Wellington Management Inc.

While the four all backed construction of the line, there was decided disagreement over other issues like how development along the line should be controlled, how planning for that eventual development should be handled, how much say neigh-

bors should have and what role government, residents and private developers should take in the project.

What follows is a portion of their wide-ranging, sometimes testy conversation.

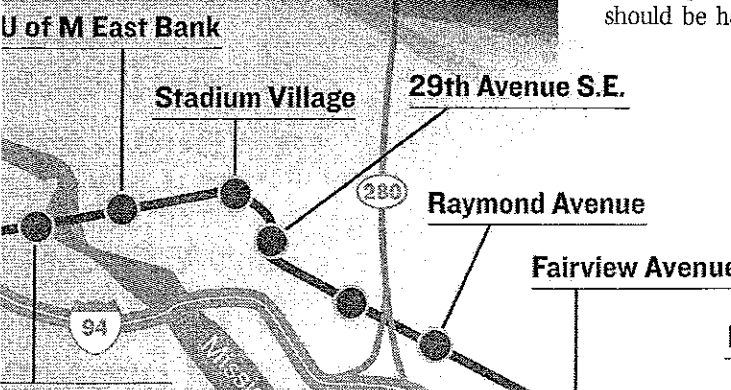
Business Journal: What are the chances the Central Corridor light rail transit line is going to be built?

Watters: It is not a question of “if,” it is a question of “when.” And I would say we would be in the ground as early as 2008 and for sure by 2009. There is incredible momentum behind the project right now. We got bonding money last year. We received indications from the feds — which are required because they provide half of the match for an \$840 million project — that we’re very competitive. The governor has put it in this year’s bonding bill.

Business Journal: What are the best kinds of near-term opportunities for development along the corridor?

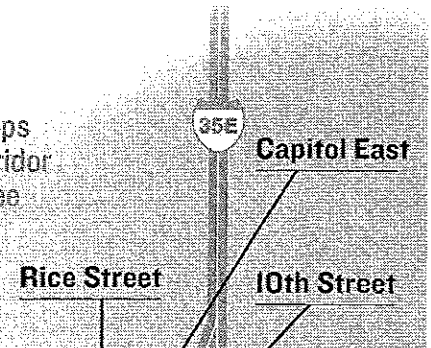
McMahon: I think that light rail is an important factor that developers are looking at, but I think there are some other larger trends that propelling some of the interest in

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THE PATH

Proposed route and stops according to Central Corridor Coordinating Committee



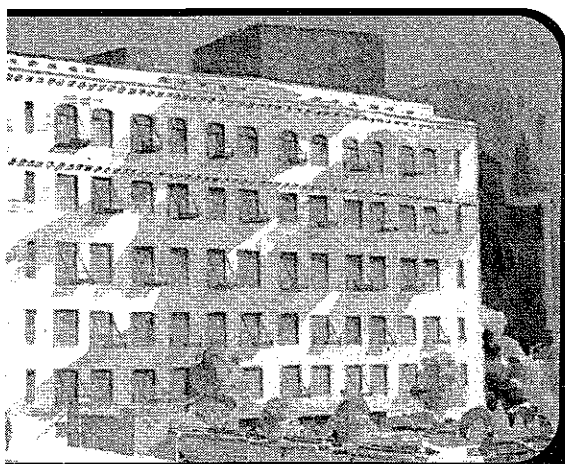
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the corridor

Wellington: The residential development, particularly condominiums, have received a boost from light rail already, even though it's a virtual light rail line.

Watters: I think you're right that the market is already there in many respects. If you look at the avenue, well over half of the blocks have had some investment in the past five years. Residential has probably been the most significant. But you also see a lot of in-fill projects.

The market in general is paying a lot more attention to the avenue. And those people are making an investment today not based on whether light rail is there or not, but because they figure it is a good location.

Business Journal: So are companies out there making speculative deals for land near stations?

Wellington: I think the answer is no. People are making lots of speculative real estate deals every day. That is what happens. But they are making them in downtown

They are making them in the suburbs. And they are making them along University Avenue.

Watters: And I think they are doing it for

shorter-term reasons. They are doing it because they might make a buck in the next couple of years. They are not worried about whether it happens in 2009 or 2010.

McMahon: As we look back on both Hiawatha and Central Corridor 20 years from now, people are really going to be kicking themselves that they didn't invest the \$5 million purchase price for what [will be] worth \$100 million.

That way we could have shaped this thing to protect our investment on the transportation side.

Watters: As we've looked at other cities around the country, they have had successful public-private partnerships, but they have largely been private-sector driven. In Dallas, for example, there is a very successful station named Mockingbird Station where the city played its appropriate role through zoning and regulations and put in some tax increments, and the private sector did the rest. And now they've got a very successful project that incorporates housing, which incorporates retail, that incorporates park-and-rides. So we're less concerned that we need



"If you look at the avenue, over half of the blocks have had some investment in the past five years."

**- ELLEN WATTERS,
 ST. PAUL CHAMBER OF COMMERCE**

to be land banking at this point.

From the Central Corridor Partnership perspective, we're more concerned that this thing gets done. Done on budget. Gets done.

on time, that we address existing businesses through a business mitigation plan and we deal upfront with issues

We're not going to be able to see the types of projects that I think are in everyone's best interest.

Hanson: It is one thing to put the light rail in from Point A to Point B. It is another thing to take it to that extra degree of being a streetscape friendly, pedestrian orientation so it is just not another mass-transit hub. There has to be an emphasis on that, so it creates an environment when it is finished that contributes something greater than what one may have achieved had it been just a mass transit or a light rail corridor. That whole corridor needs to have that kind of gentle hand that government participates in.

McMahon: Our coalition has adopted the criteria of what is known as transit-oriented



“People are just not going to go into a more heavily regulated environment.”

- STEPHEN WELLINGTON,
WELLINGTON MANAGEMENT

development, which prescribes certain job densities, certain housing density, certain floor-area ratio levels. These are measurable, objective tools that we can start to think about as we're looking at particular developments up and down the corridor. These criteria are fairly flexible but have a certain level of expectations at a key transit stop vs. something that is mid-block or mid-light rail station.

Wellington: I think that is hopelessly flawed. I think it will lead to encouraging the private-sector developers to invest in suburban areas where there is less regulation. People are just not going to go into a more heavily regulated environment. People can choose where to put capital. The real down-

side to Brian [McMahon's] efforts — which are very genuine in terms of their objectives and we're on the same page of what we're trying to get — is that it deludes the politicians into thinking there is a free lunch. It makes them think that if we can just pass some laws, we actually don't have to raise taxes or appropriate money or find some federal grant. We can force the private sector to build density. And the private sector doesn't — it just goes to Bloomington.

McMahon: I do respectfully disagree. The point is that the developers that are going

out to the suburban and exurban areas are building the kinds of urban projects that are more appropriate on a corridor like University Avenue.

Watters: They are doing it there because the market is taking them there. The costs to do it in the city are too high.

McMahon: It is an economic thing, and I'm not discounting the need for economic realities here, but there is a lot that goes into economics. When you have the zoning in place as we do on most of the key intersections on University Avenue, which prohibits

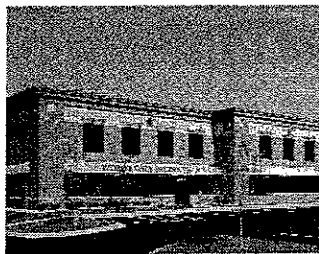
the kind of small urban-transit-oriented development and allows national chains, you will obviously have a significant pressure on the value of land, because only national chains are able to make these kinds of investments. Whereas, if you had zoning in place — as you should along the entire Central Corridor, which would basically start to move away from the national chains — we would have a lot more opportunities for developers who want to do these types of projects

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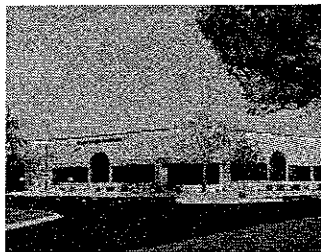
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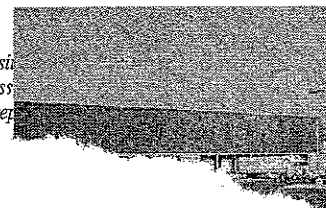
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Panelists shared their views on how to best foster appropriate development along the Central Corridor Light Rail Line. From left: Brian McMahon, Ellen Watters, LaVerne Hanson and Stephen Wellington

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Business Journal: What lessons from the Hiawatha Line can be applied to the Central Corridor?

Wellington: They did a lot of the planning and it was done by very capable people with a genuine interest in a collaborative process. But, the plan was wrong and it raised neighborhood expectations inappropriately. I am generally a very big advocate; planning is always a good idea. But in this case, I think people's hopes about what the neighborhood could be and their expectations of how rapidly the private market could and should respond, tended to push the professional planners to come up with schemes that are just a little on the outer edge of reality.

I think we have an opportunity with the Central Corridor to do good planning. But I'm not an advocate of a master plan for University Avenue despite what the St. Paul paper is suggesting and what the newly elected mayor has suggested. I'm actually an advocate of about four or five smaller-scale plans. I think there are big differences between different aspects of the avenue. I think it is better to discuss University and Dale and what should be in the three or four square blocks around that intersection. The same thing at University and Raymond.

Hanson: Some of the experiences have been that the plan — when it is out there in the public eye — tries to encompass all that would be idealistically good. And the reality is what you can put there is what you can bring to the table in terms of economics.

McMahon: I think it would be a mistake to envision University Avenue developing large projects from the top down. The history of nearly all urban developments is just the opposite of that. It is bottom up. It is small businesses that tend to provide the strength. It also raises the challenge of how do you

keep the small businesses that are there as the corridor is being transformed.

Hanson: What you are talking about is not unique to the Central Corridor. You see this played out in just about any small town that has been consumed by the ring. This nexus is only going to occur when somebody has something to bring to the table that can benefit them.

Watters: The Central Corridor Partnership is putting together a business advisory council that is made up of property owners and tenants up and down the avenue. The whole

purpose of that — and this is something we learned from other cities — is to ensure that each area has a representative who knows what is going on so that there is daily communication during construction so that the impact of construction on individual businesses is addressed and mitigated as much as possible. That is a really important lesson from other cities that we have picked up on.

Business Journal: Are there debates already about the route, the stops? Is any of that being started yet?

McMahon: Yes there are. There are some serious questions being raised.

Watters: Now everyone wants one because they think it might actually happen.

McMahon: In the heart of the Midway, the stations are spaced about a mile apart and people are sensing there are winners and losers. We certainly are sensing the need to re-look at that issue. It is ridiculous to have a light rail route with stations a mile apart through a densely populated urban area. If we're going to reap the benefits of this public investment, I believe we are going to need stations no farther apart than half a mile.

Watters: But the bottom line is that if we increase the number of stations, then the odds of getting it built will go down. The primary purpose of building this, after all, isn't development. The primary purpose is to move people, get people to jobs, so they can shift around. Ultimately, the number can't increase or it will not get built.

McMahon: If you are going to put stops that are half a mile apart, you're going to generate a lot more redevelopment at those areas. The development will occur — as it should — around the key station areas. This is not a race from one downtown to another. This is a real world, a real city that we are talking about coming through the Central Corridor.



“It’s a mistake to envision University Ave. developing large projects from the top down.”

- BRIAN MCMAHON,
UNIVERSITY UNITED