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Hillcrest Development plans to renovate a midcentury warehouse building at 641 Fairview Ave. N for industrial or destination retail uses. (Submitted photo: CoStar Group)

## Hillcrest swaps buildings with St. Paul church

By: William Morris | January 30, 2019 3:47 pm

Hillcrest Development Managing Partner Scott Tankenoff sees an opportunity at 641 Fairview Ave. N in St. Paul: a prime property in a booming neighborhood that could be a magnet to office and commercial users.

The office-warehouse building on the site, built in the 1940s and '50s, offers nearly 340,000 square feet for what Minneapolis-based Hillcrest is branding the "Fairview Business Center." The site has ready access to transit, including the Fairview Avenue light rail station several blocks south on University Avenue, and the surrounding Midway neighborhood is seeing a wave of development such as the expansion of the nearby Menard's store.

"We look at this as a neighborhood on the rise. It's in demand," Tankenoff said in an interview. "It's in demand from the standpoint of all different property uses."

The building has long been owned by Living Word Church and World Outreach Ministry, which met in a portion of the building and leased out portions of the rest. Senior Pastor Lesley Ford said his church also sees an opportunity for a new home in a Hillcrest-owned building at 3255 Spring St. NE in Minneapolis.



Living Word Church, formerly located in St. Paul, plans to renovate an office warehouse building purchased from Hillcrest to serve as its new home. (Submitted photo: CoStar Group)

“It’s a perfect location, and it’ll give us a perfect chance, instead of managing debt, to start building the kingdom of God again,” Ford said in an interview.

On Monday, the two parties each got what they wanted. Minneapolis-based Hillcrest and Living Word Church closed on a deal for Hillcrest to acquire the church’s St. Paul building in a swap for the Spring Street building in northeast Minneapolis. Living Word plans to convert the 61,800-square-foot flex office building into a new church, complete with sanctuary, offices and education space.

No certificates of real estate value for the sales were available as of Wednesday, but Ford said the church sold the Fairview building for \$6.4 million and bought the Spring Street building for \$3.4 million.

The Fairview building has not seen much investment in the past few decades, Tankenoff said, and needs considerable work, including at least several million dollars in asbestos abatement, roof repairs, heating and electrical work, bathrooms, new windows, lighting and parking lot fixes. State and Metropolitan Council grants will help cover some of Hillcrest’s expenses.

Several existing tenants, including Element Gym, are being moved to new spots in the building as part of the renovation. Having closed the deal, Hillcrest is wasting no time, and Tankenoff hopes to be ready to add new tenants as early as May. The full scope of the repairs will vary depending on who leases the space and for what purpose.

Tankenoff envisions anything from industry and warehouse users to brew halls and bouldering gyms on the property, which Hillcrest considers to be a long-term hold. Portions of the building will be offered as flexible space for small and startup businesses to grow and develop. The company will continue investing in the site as the tenant base and surrounding neighborhood evolve, he said.

“Not just the first three to five years look bright, but I really think down the road this is a very good location for business,” he said.

As for Living Word, which has a weekly attendance of about 400, the church will move out by Feb. 28 and occupy temporary quarters for several months while its new building in Minneapolis is renovated, Ford said. He hopes to be fully moved into the Spring Street building in five to six months.

“It’s going to be a grand opening and a mortgage burning all in one day,” he said.

Living Word bought the St. Paul building in 2005 as it looked for room to grow, but found the space too large and the maintenance needs too expensive for it to keep up. Still, Ford doesn’t look at the past 14 years as a bad investment, seeing instead a divine plan bringing the church he leads to its new home.

“It was the direction of the Lord Jesus Christ to bring us here to where we can eventually, now, come to having a building that is completely debt-free,” he said.

Even before the sales closed Monday, Hillcrest has been marketing the property for potential tenants. Companies can rent anything from 1,500 to 250,000 square feet, according to a marketing brochure.

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## ABOUT WILLIAM MORRIS

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