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Cover Story

Booming Northeast Minneapolis fights to balance development, character

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Nowhere is the rapidly changing Northeast Minneapolis on display more than Marshall Street.

The 1029 Bar, an institutional dive, is dwarfed by The Julia, a six-story apartment building with \$1,600 monthly rents. An apartment building called The Serene, which advertises Peloton bikes in its fitness center, opened last year just steps from the Northeast Yacht Club, where one patron was wearing a Trump 2020 hat and drinking beer from a plastic cup on a recent Friday.

Developers, restaurateurs and homebuyers are flocking to Northeast, altering a neighborhood that is no stranger to change.

Developers have built more than 800 apartments in the past 18 months; they've broken ground on 1,200 more and there's a pipeline behind those projects that is hundreds of units wide.

Median home prices in that quadrant of the city have increased by 65 percent in the past five years. And the trendiest of restaurants like Young Joni and Hai Hai, led respectively by James Beard-nominated chefs Ann Kim (who won) and Christin Nguyen, have opened in the neighborhood.

In many ways, Northeast is a great Minneapolis success story, but it's also put some people on edge, most notably a community of artists who have helped make Northeast a sought-after neighborhood and are now wondering how long they can afford to live and work in the area.

City officials and neighborhood boosters are hopeful that Northeast Minneapolis can be a shining example of a neighborhood that can grow without pushing out its vibrant arts community, but that's no easy task.

"Northeast has to be a leader to the rest of the nation about how we can create an area that is still a place where artists can afford to be," said Anna Becker, executive director of the Northeast Minneapolis Arts Association, which organizes the annual Art-A-Whirl tour that has been instrumental in introducing people to Northeast for 25 years.

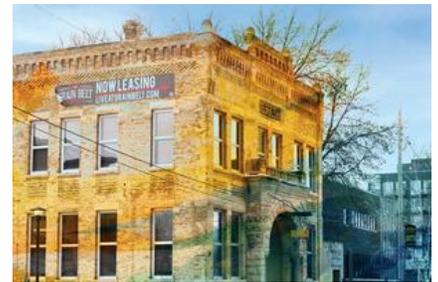


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The old Grain Belt Brewery offered good jobs to immigrants moving to Northeast in the 1900s. Many of the brewery buildings have been turned into apartments as waves of young people move to the neighborhood.

Blue collars, paint brushes, breweries

Michael Rainville has lived in the St. Anthony West neighborhood all of his life and has sat on the boards of the Ritz Theater, Northeast Business Association, Our Lady of Lourdes Church and De La Salle High School.

Rainville, in his 60s now, is a walking encyclopedia of knowledge about the quadrant of the city.

For most of the 20th century, Northeast was an area dominated by industry and immigration. The industry — lumber and rail yards, shingle factories and the Grain Belt Brewery — provided good jobs for immigrants who came first from Poland and Germany, later from Ukraine, Russia and Lebanon, and after the turn of the century, from Ecuador and Somalia.

The kids and grandkids of immigrants tended to move to nearby suburbs in New Brighton and St. Anthony Village, Rainville said. But there was also a new influx in the 1990s as the development of Target Center and redevelopment of the Warehouse District displaced an artist community.

“They came over to Northeast because there were these huge industrial buildings that were abandoned,” Rainville said. “People [again] work in these buildings. They make stuff. They make art. They’re not making light bulbs or tires or beer. So the creative class came in and that’s what saved Northeast for what it is today.”

Rainville was reading the newspaper on a recent afternoon in the Northeast Yacht Club, where years ago, he said, there would be three people on stools at 10 p.m. on a Friday night.

“Now there’s 103 people all under the age of 35 and having the time of their life,” he said. “They want the same thing their parents did — a social community, and that part of Northeast is like a small town. You make friends for life.”

Another more recent factor that has made Northeast attractive is the craft brewery craze. When the state legalized taprooms in 2011, Minneapolis quickly followed suit and startup breweries rushed to Northeast, which was ripe for microbreweries due to an abundance of old warehouses and industrial zoning.

The first wave came from Dangerous Man Brewing Co., 612Brew, Indeed Brewing Co., Sociable Cider Werks, Bauhaus Brew Labs and Able Seedhouse + Brewery, which are all near Central Avenue between Broadway and 18th Avenue.

Today Northeast has 13 breweries and a handful of distilleries.

“I think the taprooms have made a big splash on [making Northeast a popular place to live and visit],” said Matt Schwandt, chief operating officer and co-founder of Bauhaus. “Bar business has been shifting away from the traditional bar to taprooms. ... The fact is, the consumer preferences have changed and taprooms offer something that resonated with people — for us that is an atmosphere of inclusivity, family friendliness and dog friendliness.”

Schwandt and his wife, Lydia Haines, lived a few blocks from where they eventually opened Bauhaus, but they actually didn’t initially target Northeast because so many breweries had already opened by the time they were looking in 2013. They wanted to find a community that didn’t have a taproom, but then Hillcrest Development CEO Scott Tankenoff showed them the old Crown Iron Works site he was redeveloping and they fell in love with the building’s tall ceilings and floor-to-ceiling windows.

“It was absolutely the right decision. We’ve found such a home in Northeast, and we find a lot of support in the community and from the other breweries. It’s such a vibrant area,” Schwandt said.

Developers follow

There are two common complaints in Northeast Minneapolis. The first is that the apartment developers are from out of town, which actually isn’t true. Of the 14 recently completed or under-construction projects in Northeast, only one is being developed by an out-of-town firm: a 331-unit apartment project on the 400 block of First Avenue is being built by Lennar Multifamily Communities, a division of Miami-based Lennar. Sometimes, however, developers sell their property

to out-of-town investors after completion.

The other complaint, which is true, is that the new development isn't affordable.

Nearly all of the recent projects have been market rate. A search for one-bedroom units at some of the new projects reveals advertised rents of \$1,500 to \$1,700 a month for the five- and six-level buildings along Broadway and Marshall; and \$1,800 to \$2,200 for units in the luxury high-rise towers near Central and Hennepin avenues.

If you want to know why developers are going to Northeast, look no further than Mezzo, a 110-unit apartment building at 1331 Marshall St., where rents are \$1,430 for a 550-square-foot, one-bedroom unit.

Developers Roers Cos. of Minnetonka, Minneapolis-based Reuter Walton Development and Minneapolis-based North Bay Cos. sold the building for \$24.5 million 22 months after starting the project, which Roers Cos. said netted its investors a 45 to 48 percent return.

"When we looked at those projects, we were like, 'Why would we build in Northeast Minneapolis? That's not the greatest part of town,'" Roers co-owner Kent Roers said in an interview not long after the sale. "But a couple associates in our office said that is where everyone is moving to."

It's not just apartments that are expensive. Home values are, like in much of the Twin Cities, skyrocketing. But in some Northeast neighborhoods, the values are rising even faster.

Citywide, median home values have increased by 27 percent since 2010, according to data from Zillow. But median prices in the neighborhoods of Holland and Sheridan have increased by 52 percent over the same time period.

According to MLS data, the median price of a home in Northeast has gone from \$167,800 in 2014 to \$274,900 at the end of 2019.

Nate Pentz, a Realtor with Keller William Classic Realty Northwest and head of Pentz Homes, said every area of Northeast has become competitive for homebuyers.

"I had a client buy a home on Benjamin Street [in the Audubon Park neighborhood]," he said. "It was a fixer-upper, five-bedroom, two-bathroom and it sold for \$315,000. ... When that sort of house is going for over \$300,000, it says a lot about what the market is like."

Those getting priced out of Northeast might go across the river to North Minneapolis, Columbia Heights or Robbinsdale, which has its own abundance of popular restaurants and a brewery, he said.

There is some relief coming to Northeast. Newport Midwest, a joint venture between Irvine, Calif.-based Newport Partners and St. Paul-based Landon Group, recently completed a 118-unit affordable apartment project at 2318 Jefferson St. NE, and St. Paul-based CommonBond Communities just broke ground on a 128-unit affordable housing project at the corner of Lowry Avenue and Marshall Street.

Next week, Minneapolis-based Schafer Richardson will break ground on a 175-unit apartment project at Central Avenue and 14th Avenue. That income-restricted project will include 25 three-bedroom voucher units in partnership with the Minnesota Public Housing Authority and a handful of four-bedroom units, which are rare, said Maureen Michalski, vice president of development for S-R. The project also will include a 5,700-square-foot "maker space" and public art gallery.

The city recently passed an inclusionary zoning ordinance that will require 8 percent of units to be affordable in new buildings with 20 or more apartments.

"We are going to get some units that way — 10 units here and 12 units there," said City Council Member Steve Fletcher, who represents half of Northeast. "We will get some affordability that way."

More affordability, Fletcher said, will come as the city sells off land it owns in Northeast near the Grain Belt complex along the Mississippi River and can set a high affordability threshold for potential developers.

Becker, the arts association leader, said affordable housing is a hot topic in Northeast, and she has a message for developers.

“What we tell them is that the artists are what make Northeast a very unique, desirable place to be, and you are capitalizing off of that,” she said. “If you are going to build here, if you are going to maintain properties here, don’t kill the thing that makes this neighborhood unique.”

Big win at Northrup King

The Northeast arts community was tense when longtime developer Jim Stanton died in 2017. As his family sold his assets, one of them was the Northrup King building, where around 350 artists worked in studios.

Luckily, his daughter, Debbie Woodward, who managed the building, had an affinity for the artists and made sure a buyer was committed to keeping it an art building.

In came Artspace, the national nonprofit developer of artists’ live and work spaces that happens to be based in Minneapolis. Artspace bought the complex for \$11 million and has promised to keep rents affordable.

“Selling to Artspace was pretty much the best possible thing to do,” Becker said. “I know a lot of developers were eyeing that property as a place where they could make condos.”

In January, Artspace said it would turn several of the vacant buildings on the site into around 100 live-work apartments for artists and add more commercial space in a \$42 million project.

But as Becker noted, Northrup King is one of about 12 studio buildings in Northeast, and only one has been preserved. There are other owners who could sell.

“Each building is different, but each building has either owners or managers who really care about the community and the neighborhoods,” Becker said.

But there are only so many Artspaces around to buy, and Artspace itself only has so many resources.

Artspace Senior Vice President Greg Handberg said he’s hopeful that a successful Northrup King acquisition will provide a blueprint for others.

“Whether it’s Artspace or someone else, what I hope is that if those other buildings come up for a transition, I hope that [what we do with] Northrup King shows that it is possible to achieve a transition with a commitment to keep the artists in place,” he said.

Hillcrest Development CEO Scott Tankenoff, whose company has been developing in Northeast for decades, said the artists are critical to the area.

“Having the artists in Northeast will only make Northeast Minneapolis stronger,” he said.

A common phrase in Northeast is “Don’t Uptown my Northeast,” a reference to the way Uptown has become filled with pricey apartments and national retailers.

But Rainville sees things differently. He points to other former blue-collar areas of the city that have changed for the worse.

“As this development happens, the dynamic is that some people accept the change, because it’s for the better,” Rainville said. “Older people have a hard time grasping that. They want it to be the Mayberry it was that nobody knows about.”



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