

Whittier Alliance Business Association Committee- Draft Minutes Wednesday, November 11, 2009 11:30- 1:00pm at Black Forest Inn

Present: Erica Christ (Black Forest), Lisa Vecoli (MIA), Jim Hubble (Edina Realty), Beverly Down (Go Small Biz), David Schuster (Lost & Found), Maurice Battle (Mpls First Seventh Day Adventist Church), Marcy Tollefson (Washburn Center for Children), Kate Hudak (Washburn Center for Children), Angela Piper & Kevin Nichols (Gale Mansion), Ted Levy (Java Properties), (CCP), Tod Jones, Joyce Wisdom (Lake Street Council), Felino de Pena (Felino's Academy), Mary Anne Hoffman (CCP) **Presenters:** Tom Dunn (Terra Ferma Realty), Mark **Last Name** (Java Realty) **Staff:** Marian Biehn, Jessica Rosenberg

Call to Order at 11:40 by Erica Christ, BA Chair, followed by introductions. Erica recognized the Conflict of Interest & Standard of Conduct policies. The agenda was approved with the addition. The BA Committee Minutes of October 14, 2009 were reviewed and approved.

Spotlight on Business- Black Forest Inn is gearing up for holidays events. There will be a Christmas market in the banquet space with local artists. No fee for artist participation, it is a community building event. They are offering a holiday menu, trying to bring in new customers. Black Forest Inn is a German restaurant founded in 1965 by Erica and Annelise's parents. Specialize in German food and, more and more, music and culture. Erich just turned 70 and is still making the brats. BFI makes their own spaetzel and sells it from restaurant and in markets. Recently found organic, local farmer to buy veal from. They make everything from scratch, and are looking to buy more local, organic, sustainable.

Real Estate in Whittier: Terra Ferma Realty – Tom Dunn & Java Realty - Mark

Mark is going to talk about leasing. Banks have money but are not willing to lend it out. With leasing: everything comes down to the buildout. The Nicollet buildings that are available are in good shape, have parking. They track phone calls, get a lot of "tire kickers," (people who like to call and talk about real estate, but never do anything). There are some serious calls, though, and some interest from national tenants. Smaller space = higher rate per square foot. Low-quality restaurant would still be \$100/sq foot. They are going to work with MCAD to do paintings in empty windows over holidays. Challenges: small businesses are having trouble getting financing, they are seeing lots of owner financing of buildout.

Questions & Discussion: Which buildings are you looking to do MCAD art with? On Nicollet, strip mall on the West side. Joyce of Lake St Council: We used to have a fix-and-paint grant with the city which has transferred into a façade only improvement grant. She would suggest that business owners and brokers join n'hood advocates in going back to fix and paint programs, could help with buildout. Mark: This economy is encouraging more people into small business. If they have capital, or small business experience, they're okay, but need at least one. For start ups, if you have neither: trouble. Entrepreneur needs a private investor; that is not the role of a property owner. MB: What are you seeing for interest in the street? Mark: A dentist office, some retail and commercial along Nicollet. Business space isn't going as fast: big supply, small demand. Office space used to go at \$20/ft, now at \$10/ft. A challenge is getting owners to be realistic. **Tom Dunn (Terra Ferma):** Tom's focus had been on sales, but now has moved to leasing, because it is hard to sell empty buildings. Market has been hit with a double whammy: 1. risk up for buyers 2. risk up for banks. Sellers are feeling cash flow pressure: with business down, less income. But they're reluctant to give up perceived value in rental rates, hoping that someone will come along and need space. But with employment situation, it is hard to see growth. People in office space are downsizing, not expanding, lots of risks with moving business (new stationary, will the customers follow?) There is no push from bottom up either. There used to be employees dropping from corporate for green businesses. But now people are hunkering down. Banks are not lending on dreams, need proof of performance. Tom is telling owners to give incentive for people to come to your location: price reduction, etc. Sellers don't want to give anything up, but they're going to have to, or they're going to get hurt more. Occupants paying something are better than empty, particularly when faced with operating expenses, real estate taxes. Tom says you've got to get people excited and energized about your space. Eat Street: Restaurant bus. has taken a hit. Wells Fargo isn't lending to restaurants anymore. There is opportunity on Nicollet: used goods, gift shops. We have to find reasons for this location, and then convince potential entrepreneurs. People who have good credit are being sought after, have lots of opportunities. So Eat Street is being compared to Uptown, Highland, and place they think they can be more successful. It is a challenge for any n'hood to attract new business. There is a gap between what people want in terms of

rent, and what they can get (are willing to pay). Eat Street hasn't been hurt as badly as places whose rents have gone way up, and now have to reduce rents at a higher percentage. Rents here didn't escalate as much. Clients with vacant buildings here, still over priced, not talking to anyone about filling the space.. There is a 2-teered market: 1. property for sale by the banks, who will take whatever it takes to get out of it. 2. People who don't need to sell but want to sell: elderly. They have prices at market rate, which is good if you find someone who needs it. Buyers have problems with financing. Lenders have increased underwriting requirements, less aggressive about funding new businesses. There hasn't been enough sales action for accurate appraisals, have been low-ball. Tom's message: Fill up buildings and ride it out. Take what you can get today and hope for a better future. Tom feels there is going to be significant inflation: gov't spending, stimulus money. Advice to owners: Do short term deals, increase when market rebounds, so that you can recover the discount. MB: What can WA and BA do to foster sales/leases? If you're saying get anybody in there, at any cost, to mitigate expense, that's not a comfortable position for the neighborhood. Mark: Identify uses that can be complimentary to the street. Approach people you think will be compatible, show them the opportunity to be successful. Jim: When you bring clients in, what do you tell them are the pluses of Whittier? Mark: Lots of diversity, lots of income here. B/c it's a majority non owner-occupied homes, people think there isn't income, but we can convince them that there is more disposable income. More people are coming here to visit. We could expand retail and entertainment on Nicollet to hold people here before/after eating. They're here, without options. Joyce has also seen property owners not wanting to reduce costs. Wants to see n'hood alliances, business assoc and real estate partnering. It is hard to get entertainment built out of downtown. That's a big part of revitalizing n'hoods. Mark: The perspective from outside the market has been that the city is easier to work with. He is trying to get out message that Mpls is welcoming to businesses, wants their successes. Looking at Whittier n'hood as a whole, what is the appraisal? Mark: Because I rep sellers, I try to minimize the decrease in value to potential buyers. But has been at least 30% decrease in values. Cap rates turning to 9-10+. 9% would be lucky. Is city lined up with those cap rates? No. They are struggling, don't want to give up any value. If they find a property that is successful, they are quick to pounce. Lots of special assessments, that's added burden. When clients hear about working with city, they think it is going to cost them money, not help them. Owners abhor any outside influence on them, with mindset of: 'it is mine, I own it, I should be able to do what I want.' There's been reluctance to get help, 'the market is going to take care of it, we just have to ride out the storm.' They're hitting bottom, don't have anywhere to go. Sentiments are changing, talking more about working together, making compromises. It is hard to find organizations that are into growth mode, that are interested in opportunities. But there are still deals getting done: not at the volume we hoped, but it is going up. After 1st bank bailout everyone froze for 3 months. This is over correction; it will come back.

Eat Street Excursion Report David: Eat Street Excursion was a two evening event on the 29th and 30th of October, 5-10pm coordinated along Nicollet, with retail and restaurants. Special deals, marketing together. Good turn out. In the future: better weather. MB: Blacklist vintage, Old Arizona, Azia had good nights, Lost and Found had uptick in business. On raffle slips we saw a variety of zip codes, not just from Whittier. Erica: Bigger bump on Thursday. Lots of people tried new. Age? Erica: Primarily 25-35. Most ads were in electronic media. Sense that everyone would do it again? Yes.

BA – CPED Grant City gave us \$6,000, we will adjust our budget in December.

Old & New Business Whittier Fall Fundraiser: Our funding comes from NRP which sunsets in 2011. We're building our reserves, so that when the city takes over we can sustain and be responsive to the neighborhood. We ask everyone to be as generous as possible. Take a card or donate online through paypal. **Whittier Green Fair:** Free event, great vendors, workshop. This Sat at 1st Christian Church. **Graffiti Removal:** Ongoing graffiti removal fund, grant covers 1/3 of long term solutions. In office we have free chemical removal for brick, stucco, etc. City will fine if they see it first and you don't remove it quickly. **Need Volunteer for December BA Meeting.** Please contact WA.

Meeting adjourned at 12:44. Minutes submitted by Jessica Rosenberg

Next meeting: Dec 9, 2009