Conne+ Minneapolis strives to rethink the urban fabric of the Downtown East neighborhood. The site is situated in the middle of three major urban attractors: a vibrant downtown to the West, the up-and-coming Mill District to the North, and the new Viking Stadium development to the East. Conne+ Minneapolis creates a link between these three areas by remaking the existing thoroughfares from desolate car corridors into inviting, active and walkable transportation links. The lynchpin of the proposal centers around the transformation of Portland Avenue into a linear park that connects the existing trails along the river to the reinvented Armory District. An adaptive reuse strategy will repurpose the Armory as a local microbrewery and food emporium that serves both the crowds of fans on game day as well as the local residents the other 355 days of the year.

The new Downtown East district caters to young professionals, many of whom are recent graduates of the neighboring University of Minnesota, and allows them to work in the city without having to drive home to the suburbs every night. This user is looking for an active, urban environment with ground floor commercial and retail that activates the streetfront and creates a destination right outside of their front door. To facilitate this, all of the blocks incorporate a mixed-use development typology with limited parking embedded in the middle. All of the buildings include both interior and exterior bike parking to accommodate the pervasive network of off- and on-street dedicated bike lanes that connect to the city’s existing system. Building use and scale transitions gradually from the existing neighborhoods around the edge of the site to the dense core surrounding The Armory.

Conne+ Minneapolis’s streetscape design rejects the dominant skyway model in favor of sheltered “greenhouse sidewalks” that ensure year-round pedestrian comfort without abandoning the street level. These “greenhouse sidewalks” generally line the southern and western sides of retail and commercial streets, and are lined with staggered glass panels and plantings that provide shelter from the wind during the winter. Dense planting along the northern and eastern sides of the street maximizes solar exposure and creates a clustered canopy that shades the ground and breaks down the scale of the adjacent buildings. Sidewalks flank each of the street typologies and feature generous dimensions on retail and commercial streets, as well as streets connecting north to the amenities along the river. The planting strategy blends a mix of native prairie grasses and tree species from the North Woods to achieve the maximum ecological benefit with the minimum maintenance requirement.

FINANCE PLAN SUMMARY:

Overall, we propose the project’s development financing be handled entirely privately, with the only “subsidy” being a $45 million public investment in improved public streetscapes and related green infrastructures as described in the design panels.

Private Financing Structure

Debt
Debt is provided by an 8% construction loan, provided by a group of real estate lenders headed by the Goldman Sachs Real Estate Group and the China Development Bank. The maximum total debt balance is a collateralized $1.04 billion over the 10 year hold. The draw period is the first 7 of the 8 years of construction, with all positive cash flow in Years 8, 9 and 10 paying down the debt balance, and with full repayment of the remaining balance occurring at sale at the end of Year 10. Although it would be expected that the development entity would take out a permanent amortizing loan at a lower interest rate at stabilization, cash flows are modeled conservatively as a construction-to-perm loan, continuing of these initial loan rates during the projected stabilization period before sale.

Equity
Equity is furnished as 30% of each annual draw during predevelopment and development, pro rata with each necessary draw during the cash demands over those 8 years. The equity partnership is provided from Baupost Group, to the amount of $305.6 million. Baupost’s institutional equity goals are well-aligned with the project, as this is a major capital project in a core real estate market which is well-collateralized, despite the long investment horizon. That being said, despite the conservative structuring, the anticipated BTIRR for Baupost is over 25%.

Public Assistance

Roads
Congruent with each phase of development, the public sector (assumed to be the City of Minneapolis) is asked to complete $45 million in improvements related to the public rights-of-way surrounding the project’s site. We believe that this is reasonable request given the significant tax revenue increase to the entire surrounding area, moreover will be a catalytic precedent for roadway design implementation in Minneapolis and nationwide. Furthermore, this is ultimately a public asset that we are requesting be financed publicly to demonstrate municipal support in such an ambitious neighborhood development project.

Secured Financing
In the event the loan sources require security, we would also ask the public sector to be open to demonstrate its partnership in that as well.

Parking
After testing various scenarios, we feel it is not necessary to have direct assistance with our parking structures. Instead, we ask that the City work with us to improve the roads and greenscapes in the project area to a demonstratively high quality that can be enjoyed by the public.