We envision a transformation of Downtown East that forges connections between people and their environment at multiple scales across Minneapolis. We see Downtown East as a dense, urban district enlivened through the spirit of performance. To achieve this we propose three coordinated actions in its redevelopment: 1) the expansion of the Hiawatha Trail, an activity-based corridor that prioritizes the circulation of pedestrians, bicyclists, and light rail users through both the district and the entire regional trail system; 2) the creation of extensive gathering spaces along the Hiawatha Trail that encourage recreation and amusement; and 3) the construction of a welcoming and resilient mixed-use neighborhood designed for all incomes, all ages, and all seasons and achieving a three star rating from the Sustainable Sites Initiative™.

Situated along the west bank of the Mississippi River, Downtown East includes historic mills and the iconic Stone Arch Bridge lining its riverfront. New landmarks have since been established, such as the Guthrie Theatre and the Vikings’ Stadium. Yet, despite these attractions, Downtown East is characterized by its largely empty and lifeless streets. The district is underdeveloped and underpopulated, which, as a consequence, leaves it with no palpable identity or sense of value to the greater community.

Downtown East’s central location and position on the Hiawatha light rail line make it ideal for redevelopment, and thus we propose a three-part strategy to enliven the district. First we connect Downtown East to the rest of the city by creating an urban trail along the existing Hiawatha light rail line. This trail extends an auto-free greenway through the urban core and reconnects to the greater regional system, which reinforces the city’s commitment to cycling, hiking, and skiing as viable options for commuting and recreation. Secondary lines diverging from the trail emphasize connections to the Mill District, Mississippi riverfront, and adjacent neighborhoods.

Second, we create open, civic space along the Hiawatha trail. A plaza outside the new Vikings’ Stadium will include a shallow water feature that freezes in the winter for ice-skating, thaws in the summer for splashing, and steams in the fall to celebrate the beginning of football season.

Visitors will rest and play in the Horace Cleveland Sculpture Park that is lined with trees and tents. Residents and employees will make trips to the local marketplace housed in the historic Armory building.

Third, we densify the blocks to formalize Downtown East as diverse neighborhood for all stages of life. We develop multiple housing options for a range of incomes, including affordable housing units distributed throughout the district. We ensure expanses of shared green space connected by a small urban trail.

Our proposal adheres to the standards set forth by the Sustainable Sites Initiative. Over 60% of the roof surface is covered in vegetation and combined with rain catchment cisterns to collect runoff. A biofiltration swale lines the district to protect the city’s infrastructure and keep pollutants from reaching the Mississippi.

Minneapolis is dedicated to multi-modal transit, green infrastructure, and physical activity, yet Downtown East fails to reflect these virtues. We see its potential to become an asset to Minneapolis through the development of a vibrant, dense, progressive neighborhood that forms the pivotal link in unifying the city.
Our development plan consists of three phases intended to capitalize on the redevelopment of Vikings Stadium and the surrounding area, as we intend to create an urban environment that encourages pedestrian activity and a vibrant atmosphere. During Phase I, the existing Armory will be transformed into a marketplace featuring various food vendors and shops. Additionally, a 300-room hotel will be constructed, as the demand generated from sports fans, employers, and visitors of University warrant the need for additional rooms in the Downtown Minneapolis area. Finally, we have agreed to develop a 542,400 square foot office tower for Wells Fargo, who is looking to further consolidate its surrounding operations into the city. Cumulatively, these developments will begin in 2015 and stabilize by the end of 2017.

During Phase II, a greater emphasis has been placed on increasing the area’s density, as we will build multiple for-rent and for-sale housing complexes. In total, 235 market-rate and fifteen affordable units will be constructed, allowing for a diverse tenant base consisting of young professionals and nearby employees. Additionally, two condominium projects totaling 300 units will be built, with a sell-out projected by 2021. Each of these developments will include ground-floor restaurants and retail, and a small grocery store will be developed on the site to allow for residents to easily purchase their necessary food items.

Finally, during Phase III, the efforts will be continued to increase residency in the Downtown East area, as several live-work type apartment projects will be developed. To accommodate the increased population within the area, both a day-care facility and post office will be built to add to the site’s ever growing amenity base. Additionally, as we are focused on creating a sustainable and environmentally friendly development, several green initiatives have been pushed throughout our vision, including bike trails, green roofs, and a sophisticated infrastructure system that will capture stormwater to prevent any sewer overflow. In total, during the ten-year development period, the area will add over 1,500,000 square feet of rental housing, 300 condominium units, an industry-leading hotel, two-new office towers, and various retail and parking structures.

After acquiring the adjacent land in 2013-2014 (for approximately $68.3 million, or $60.46 per square foot), demolition work will begin immediately to prepare the site for future development. Total construction costs will be $686.9 million, of which nearly $21.0 million is improvements to the site’s existing infrastructure. Except for the condos (which will sell out over a three-year period ending in 2021), the additional buildings will all stabilize either before or in Year 10, at which point a portfolio sale will be completed for approximately $880.0 million (assumes a blended cap rate of 7.07%). Using a 9.00% discount rate, the development creates additional value of $117.6 million, and the project’s leveraged rate of return is 16.60%. It should be noted that to finance the subject development, a 65.00% syndicated construction to mini-perm loan has been provided by a group of lenders led by U.S. Bank and Wells Fargo, with the additional funding to come from a Hines Value-Add Fund. Interest has been assumed using an all-in rate of 6.00%, which given today’s lending environment, appears to be a conservative estimate.

In conclusion, we believe that our vision for the site creates not only an exciting new live-work environment that will attract substantial demand from various tenants/residents, but that it also provides an enticing investment opportunity that generates leveraged returns in line with today’s market expectations. Therefore, we have decided to move forward with the development, creating an exciting new reputation for the Downtown East area through the process.