

Summary of Feedback

City Owned Land/COR Marketing Strategy

Developers and Real Estate Brokers

Staff was requested by the EDA to setup interviews with 2-3 developers to discuss strategies for marketing/ selling/ developing The COR, and to provide general feedback. Below are the three developers the EDA interviewed. Each developer was provided the same set of questions (see appendix for list of questions).

1. Kruas Anderson, Jaci Bell
2. IAG Commercial, Jeff LaFavre
3. Oppidan, Drew Johnson

1. Kruas Anderson

<http://www.krausanderson.com/>

1. Jaci Bell led discussion.
2. City should consider a RFP process.
 - RFP should have a reasonable term (long enough to complete required research/preparation).
 - RFP should be broken into sections that allow people to bid on different areas. For example, retail, housing, mixed, office park, etc.
 - City should have a clear vision for The COR before sending out the RFP—it will help set expectations. However, the City should remain flexible, after they get a developer on board, it is entirely likely changes will need to be made. Development processes and market are fluid, always changing, and don't always "fit" zoning, RFPs, etc. The more open Ramsey is to change, they better.
3. In order to have an effective discussion with anyone, the City should have a detailed market study completed. Not having a RFP will create a lot of ambiguity and guess work. It will allow for realistic discussion, and responses from developers. Will also save time in the RFP process. This was by far Kruas Anderson's strongest recommendation—you must know your market before you make decisions/ provide direction.
4. City should have discussions about near-term and long-term goals. They are not always the same. Short term success (i.e. quick development) might not be the same as long-term vision. City needs to be clear on what they want.
5. The amount of land zoned in Ramsey for retail needs to be further researched (i.e. the market study). It is entirely possible there is too much.
6. Kruas Anderson cannot make a specific compensation model now—they need to have the market report in hand, to better understand opportunities, and they need to know what the City's vision is for The COR.

2. IAG Commercial

<http://www.iagcommercial.com/>

1. Jeff LaFavre led discussion.
2. Need to make sure your vision is flexible. The market changes. You cannot create your own demand. You cannot force a product that you want, if there isn't a market. Sometimes you need to rethink your strategy on how to match demand with vision (creative solutions).
3. IAG thinks in many situations, communities might need consulting/ advising beyond just standard real estate broker/ land transactions. For example, financial analysis, cost-benefit analysis, gap analysis, etc. Many times, your staff/ decision makers might need professional consulting (rather than trying to be simply get a commission on the closing of sale).
4. IAG thinks there is a major trend around the corner, that Millennials will drive the demand--that is, urban/ mixed-use centers in the suburbs is a need. Ramsey has it right. Millennials want a strong sense of community (they like "the City"). They will be moving back to the suburbs in large numbers over the next decade. Ramsey is well positioned for this.
5. The COR is a destination. Highway 10 is a strength and weakness. How long before it's funded. Retail demand is not present. The global retail market is changing. Likely won't be strong in Ramsey. Ramsey's perception in the development world is still not 100% recovered from the great recession and fall of Ramsey Town Center.
6. Spirit and cooperation of Ramsey is very unique and positive for Ramsey. Also, the fact that Ramsey has a generally clean slate for their vision, and the physically available land, is very helpful. Medical is an opportunity for Ramsey. Business incubators are an opportunity for Ramsey. IAG recommends the City remain flexible in what they expect/ want for The COR.
7. Ramsey's market for development will come from small/ medium sized developers and investors. Ramsey's market is likely not going to hit the radar for large/ national developers. This requires more work, more hand holding, and more flexibility on Ramsey's part. Also, since the great recession, master developers are not high supply—they will want a project in hand—they don't want to work on speculation. IAG specializes in addressing this situation (i.e. connecting developers, equity, financing, and projects).
8. A good web presence would be helpful for better responding to development demand (including social media campaigns). Also, the City should consider better Highway 10 signage/ visibility/ image. The COR's retail that will work is service oriented. Traditional retail is very challenging. The City might have too much retail zoned land.
9. In order to put together good proposal for Ramsey, IAG needs to better understand what the City's vision is—it needs to be clear (or at least the questions we may have). There need to be structure and definition behind what Ramsey's wants. IAG would pitch a base monthly fee, plus a commission on deals. They are open to negotiation.

3. Oppidan

<http://oppidan.com/>

1. Drew Johnson led discussion.
2. The driver (or incentive) for developers and investors are tenants (i.e. end users, businesses, etc.). Credit tenants are ideal (i.e. tenants that have a good track record of success and financial backing). Without tenants at the table, it would be very challenging to lure outside developers and investors to Ramsey.
3. Tenants are lured into a development by customer demand (i.e. demographics such as population within 5-10 minute drives, median income, and average daily trip counts). If sufficient customer demand cannot be displayed or justified, it is very challenging to entice end users/ tenants to come to Ramsey. The best strategy Ramsey can deploy to getting more customer demand is (1) adding more rooftops, and (2) adding destination users.
4. The world of retail is drastically changing. In fact, since the mid 2000's retail has been very weak, and unstable, not only in Ramsey, or the Twin Cities, but across the County. Nobody is certain about where it will go moving forward. Online shopping is drastically impacting the marketplace, and the lasting impact is yet to be known. Retail is very risky. Grocery still appears to have a place in new development projects. Most retail development over the past decade has been infill or redevelopment—greenfield is very rare. This is not a Ramsey issue.
5. Ramsey has about 150 acres of land available for retail. It is highly likely that is too much for Ramsey to absorb in the foreseeable future, or perhaps ever. Ramsey may want to reduce the amount of land they have available for retail. In order for the COR, or land located near The COR, to obtain demand from major retail users, better signage and visibility is needed. The COR is located off Highway 10, not on Highway 10.
6. If Ramsey want's someone to purchase their land on speculation, that will be challenging. Ramsey would likely need to seek out larger firms such as United Properties or CMS. These groups are okay with obtaining a large land portfolio, and sitting on it for speculation. However, they will want a very low purchase price. Land "eats" every day (i.e. there are fixed costs to holding land). Most developers, especially since the recession, are very sensitive to buying land without tenants in mind.
7. It appears Ramsey is on the right track with The COR. There has been lots of great projects and successes. The City should continue to build out residential and destination users. Restaurants and retail will follow when they are ready, and when the demand pushes. The City should consider interviewing John Hoinstien the former City Administrator of Eagan.
8. In order to get developers interested in The COR right now (via the City's proposed RFP)—it would likely take giving away land for very cheap or free. Or, placing multi-year option agreements on land with very little compensation to the City. Oppidan is concerned that might not be a strategy Ramsey would be interested in pursuing—or the public would be okay with. However, that would likely be the realistic approach (based on the market).

9. Parking ramps are very expensive. Market rent rates and returns in the suburbs don't justify parking ramps. If the City want's parking ramps, they will likely need to pay for them. Most developers will resist.

Appendix

List of Questions for Master Developer/ Real Estate Broker

INTRODUCTION

The purpose of informational interviews is to allow for a free-flowing conversation to take place RE The COR, between you and the EDA. The EDA wants to get a better general understanding of what options exist to market/ sell The COR (and provide master developer services), and to gather your thoughts on The COR. They want to have these conversations to get better educated/ become more informed. They prefer this method, rather than simply doing a standard blanket RFP process (with expectations not clearly defined by the City). The outcome of these interviews will be a basis in which the EDA can create a “scope” for how they want to market/ sell The COR (i.e. define their expectations).

We will have 3-4 informational interviews. We expect each informational interview to last 30-40 minutes.

1. **Background** (ideally something we can attached to staff report ahead of time)
 - a. Contact Person, Company (area of expertise, service offerings, strengths)

2. **Example Projects** (could be one project that covers all)
 - a. Projects that included multiple sites/ large sites/ master planning
 - b. Projects that included consulting a land owner and/or city

3. **The COR** (from a development perspective)
 - a. What is your general perception of The COR (as a development project). What are Ramsey’s Strengths and weaknesses?

4. **Marketing/ Sale/ Master Developer Services Strategies**
 - a. What strategies do you *RECOMMEND* for Ramsey?
(i.e. broker listing agreement, financing partnerships, option-to-buy agreements with master developers, professional service agreements for master developer services, upfront land sale to master developer, partnership agreements with master developers, marketing campaigns, websites, construct speculative buildings, etc.)
 - b. Are those options your company can help with? If yes, from a high level, what might those options look like (i.e. basic deal parameters).

5. **Three specific questions**
 - a. About 150 acres of available retail land is located within/adjacent to The COR today. Is it realistic for Ramsey to absorb that much retail land? For example, by comparison, Riverdale is just shy of 200 acres.
 - b. Ramsey currently owns about 85 acres of greenfield land located within The COR (multiple zoning districts). Is it realistic for the City to create a single RFP for all of the City’s land holdings in The COR at this time—would developers be interested in purchasing all land upfront?
 - c. What can the City do to better entice developers/ investors in wanting to come to The COR? (specifically for retail and restaurants) Are there any specific strategies we should consider?