

March 13, 2019

MEMORANDUM

TO: Ms. Kate Thunstrom
City of Saint Francis

FROM: Mr. Matt Mullins
Maxfield Research and Consulting, LLC

RE: Retail Addendum for a Site at 3518 Bridge St. in St. Francis, MN

Introduction/Purpose and Scope of Research

This memorandum is a supplement to the previously completed Retail Assessment completed in February 2018. The scope of this analysis is to provide an assessment of the retail potential for a site located at 3518 Bridge Street in St. Francis. The scope of this analysis comments on the marketability of the site, traffic counts, competitive retail centers in St. Francis, and recommendations on development types for the subject site.

Previous Study Key Takeaways

As previously stated, Maxfield Research & Consulting completed an Initial Assessment for Retail Development in February 2018. This memorandum is intended to supplement the previously completed work; however, the following bullet points summarize the key findings.

- The trade area for retail in St. Francis includes the City of St. Francis, Nowthen, Oak Grove, and Stanford Township. In 2017, the PMA had a population of about 23,600 people and 8,124 households. The PMA is projected to grow by 7% to 25,246 persons by 2025.
- The majority of new construction in the St. Francis PMA occurred last decade between 2000 and 2006 when an average of 274 new housing units were constructed annually. Construction slowed considerably during the recession when only 32 units were permitted annually between 2007 and 2012. Since 2013, about 80 units per year have been permitted and housing growth activity has increased more strongly the past few years. New construction growth should be stronger for 2019.

- St. Francis is an exporter of workers as most residents leave the community for employment in other communities. Most jobs in St. Francis (79%) are filled by non- St. Francis residents. These workers represent potential retail sales from local St. Francis businesses.
- Wages in St. Francis are modest (\$679/week) compared to Anoka County (\$1,008) and the Metro Area (\$1,134/week). Hence, many St. Francis residents commute to other communities for employment.
- The largest age cohort in the PMA is persons aged 45 to 54, representing 16% of the population. This cohort is mainly homeowners in their peak earning years. The strongest growth is projected among the baby boomers and seniors which are projected to experience strongest growth in the short-term.
- The PMA median income in 2018 was strong - \$78,269. Comparatively, the median income in the 7-County Metro Area is just over \$72,000.
- Nearly all major categories of retail goods and services show a “leakage” of retail sales in the PMA. A leakage means area residents are purchasing their retail goods and services outside the PMA. As a result, there is opportunity for new retailers to enter the marketplace to capture these expenditures that are area residents are purchasing in other communities.
- Based on household growth, consumer expenditures, and leakage of retail sales, Maxfield Research found demand for about 31,000 square feet of retail space in the PMA through 2022. We estimate that St. Francis can capture 80% of the retail demand; resulting in demand for 25,000 square feet of retail space.

Site(s) Overview

The subject property was previously several separate parcels; however, the City of St. Francis assembled the individual parcels into one 2.6-acre site. At the same time, we understand the property was rezoned to B-2, General Commercial. The site has been cleared and is presently vacant and is shovel ready for future development.

The subject property is unique because it abuts the Rum River, Rum River North County Park, and features the Rum River Park Trail buffering the site.

Site photos and site location maps are illustrated on the following pages

Subject Site

Table 1 SUBJECT SITE(S) FOR REDEVELOPMENT										
Address	Parcel ID	Acres	Owner	Zoning	Year Built	Market Value in 2018				Notes
						Land	Building	Total	Tax Total	
Redevelopment Site										
n/a	32-34-24-43-0008	0.61	City of St. Francis	Exempt	n/a	\$85,800	\$0	\$85,800	Tax Exempt	Vacant
n/a	32-34-24-43-0009	0.39	City of St. Francis	Exempt	n/a	\$55,800	\$0	\$55,800	Tax Exempt	Vacant
n/a	32-34-24-43-0006	0.53	City of St. Francis	Exempt	n/a	\$75,700	\$0	\$75,700	Tax Exempt	Vacant
n/a	32-34-24-43-0005	0.43	City of St. Francis	Exempt	n/a	\$10,800	\$0	\$10,800	Tax Exempt	Vacant
n/a	32-34-24-43-0004	0.64	City of St. Francis	Exempt	n/a	\$90,200	\$0	\$90,200	Tax Exempt	Vacant
Subtotal		2.60				\$318,300	\$0	\$318,300		\$0

Source: Anoka County, Realist Tax, City of Minneapolis Maxfield Research & Consulting, LLC

Aerial View of Site



Site Photos



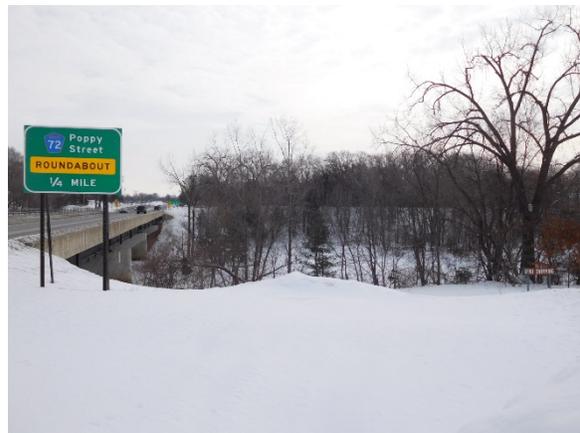
Site (Facing South across Bridge St NW)



Site (Facing South West across Bridge St NW)



Site (Facing South East across Bridge St NW)



Rum River (West of Site)

Surrounding Land Uses

The site is surrounded by a variety of land uses; from commercial, open space, and housing.

The site is surrounded by the following land uses:

- North: Anoka County Library, Single-family home
- South: Single-family home subdivision
- East: Commercial, Casey's General Store, single-family home
- West: Rum River, trail

Surrounding Land Uses



Anoka County Library (North of Site)



Casey's Gas Station (East of Site)



Single-family Home (East of Site)



St. Francis High School (East of Site)

Access and Visibility

Table 2 shows traffic counts for key intersections and roadways near the subject Site. The data was compiled from the Minnesota Department of Transportation based on 2017 and 2012 traffic counts.

Vehicular access to the site will be via Bridge Street only. Bridge Street is the main east-west roadway through St. Francis. Bridge Street has traffic counts of 10,700 vehicles per day between the site and Poppy Street NW. Traffic counts west of the site are slightly lower at 9,500 vehicles per day between the site and Ambassador Boulevard NW.

The site boasts easy ingress/egress and will benefit from signage and visibility along Bridge Street.

Location	2017	2012
Bridge St NW - Between Site & Poppy St NW	10,700	9,600
Poppy St NW - North of Bridge St NW & Poppy St NW Roundabout	3,550	2,600
Bridge St NW - Between Ambassador Blvd NW & Butterfield Dr NW	9,500	8,600
Ambassador Blvd NW - North of Bridge St	6,300	5,200
Ambassador Blvd NW - South of Bridge St	5,800	4,300
County Road 47 - South of 229th Ave NW	10,300	10,800

Source: MNDOT, Maxfield Research & Consulting

Appropriateness of Site for Development

The subject site is located along a commercial corridor that is bounded by the Rum River to the west. The site is vacant and is well positioned for future development that is able to capitalize on the Rum River views and Bridge Street traffic counts and visibility. The site is best suited for commercial uses; however, a multifamily housing concept or mixed-use development could also be explored.

Retail Market Conditions

The following bullet points summarize retail trends in the City of St. Francis. Maxfield Research calculated data on the retail market with data provided by CoStar, a provider of commercial real estate analytics.

- Retail users in St. Francis are generally located along two corridors; either along Highway 47 (Saint Francis Boulevard) or Bridge Street where the subject property is located.
- Our previous study identified a total of 27 retail properties in Saint Francis, totaling approximately 242,000 square feet. Various retail property types are included among these 27

properties, such as; neighborhood and convenience centers, day care centers, banks, bowling alleys, and auto repair shops. As of March 2019, there is about 12,100 square feet of retail space currently available for lease in the City, representing a 5% vacancy rate.

- There are few actively marketing retail spaces in St. Francis. The St. Francis City Center would be the main retail center that had available space for lease. The retail center was built in 2001 and has just over 5,000 square feet vacant. The retail is marketing for an estimated \$13 PSF to \$16 PSF (NNN) with taxes and expenses making up \$5.50 PSF. National tenants in this retail center include Verizon Wireless, Great Clips, and Dominos' Pizza. The center is anchored by County Market and has other fast food restaurants such as Dairy Queen and McDonald's.
- In addition to a lack of retail centers marketing, there are few commercially zoned retail parcels marketing. Retail land near the retail concentration along Highway 47 is marketing for about \$5 PSF. Commercial/Industrial land on the outskirts of St. Francis is marketing for about \$1.75 PSF to \$2.00 PSF.

Recommendations

Based on consumer expenditures the previous retail found there are significant retail opportunities given the leakage of consumer spending that is not being captured in St. Francis. Nearly every sector of the retail market shows leakage; indicating residents have historically purchased goods and services outside St. Francis. New retail space in St. Francis will be able to keep a portion of these retail expenditures back into the community.

Because the site location is on Bridge Street and not on Highway 47 with higher traffic counts, it will be difficult to attract national, credit-worthy tenants to the subject site. However, the property is unique given the site's proximity to the Rum River and the potential to capture water views.

The following concepts are should be explored for the site:

Destination-oriented Restaurant/Bar

The previous study found the St. Francis PMA has severe retails sales leakage for food services and drinking establishments. Given the population of St. Francis, recent building permit trends, and projected growth; St. Francis has demand for additional food and beverage concepts to meet demand.

The site would be well-suited for a land use that is able to maximize the river views and capitalize on the recreational amenities such as the Rum River Park Trails that provide access to the

Rum River North County Park. Pending the topography of the site on the river bank and water-front access; the potential to provide access to the site should be explored (i.e. snowmobile traffic, canoes, kayaks, boats, etc.).

A variety of restaurant-style themed concepts could be explored on the site, including:

- Destination-oriented restaurant w/bar
- Micro-brewery and/or distillery that offers a full-service kitchen
- Meeting/banquet style restaurant that has the ability to cater and host large group functions (meetings, wedding receptions, etc.)
- Seasonal drive-in restaurant concept w/recreational amenities (i.e. mini-golf, batting cages, picnic tables, etc.)

Regardless of the concept; outdoor seating and large windows with river views should be incorporated into the design. National chains will not target the site given the traffic counts; hence any restaurant user will be an independent or locally-owned format. The site is also best targeted for an owner-operator vs. a leased space.

Multifamily Housing/Mixed-Use Development

St. Francis lacks newer, contemporary rental housing that today's renters desire. The bulk of the rental housing stock is older and there is strong demand today for both market rate and affordable rental housing. The site would also be attractive for a market rate apartment development or senior housing concept taking advantage of the river views. However, a private-public partnership may be needed to attract developers given the achievable rents and construction costs.

In addition, a mixed-use development could also be explored on the site. The first-floor would should target a restaurant user and the upper two-to three floors would be dedicated to housing. Mixed-unit developments are financially challenging hence a private-public partnership would likely have to occur to attract this development type.

Stand Alone/Freestanding User or Small Multi-Tenant Development

The site could also accommodate a variety of stand-alone real estate users that would also consider a site along Bridge Street. Various users may include:

- Professional service office/retail (Realtor, mortgage banker, title company, insurance, financial planners, dentists, chiropractors, etc.)
- Bank
- Medical clinic
- Community or public uses