



REQUEST FOR COUNCIL ACTION

DATE: 04/12/2010

ITEM NO: 12.c

Department Approval:
Approval:

City Manager

Item Description: **Approve Development Activity Extension for Rainbow Foods**

1 **1.0 REVIEW OF REQUEST**

2 1.1 On April 14, 2008, the Roseville City Council approved Roundy's request for a Planned
3 Unit Development for the reconstruction and redevelopment of the Rainbow Foods at
4 1201 Larpenteur Avenue.

5 1.2 The condition stated in section 6.1 of the Planned Unit Development reads as follows:
6 *The DEVELOPER shall commence and undertake site and structure development*
7 *activities in accordance with the attached plans and maps as identified in Section 4 of*
8 *this AGREEMENT and the terms and conditions identified in Section 8 and 9 of this*
9 *AGREEMENT. Failure to commence an anticipated activity within 24 months after the*
10 *City makes a decision regarding a storm water management project related to the*
11 *property shall constitute a breach and be deemed a violation of this AGREEMENT.*

12 1.3 Per the stipulation above, the decision date for any storm water management project has
13 been determine to be the building permit issuance date or May 12, 2008, since the
14 Public Works Department decided not to pursue additional storm water management on
15 the Roundy's site separately or in cooperation with Roundy's (see attached permit).

16 1.4 Since the approval of the project and subsequent completion of the Rainbow Foods
17 store and the open-air structure in the southwest corner of the suite referred to as the
18 "farmers market", Roundy's has been seeking an appropriate tenant for the vacant
19 outlot area. However, that commercial rental and construction market conditions have
20 made it difficult and Roundy's is seeking an extension to the 6.1 (clause See attached
21 letter and leasing information).

22 1.5 In review of the options available, it was determined, through the assistance of the City
23 Attorney, to process the Roundy's extension request to City Council in support of an
24 extension to the structure development activities clause contained in section 6.1 of the
25 PUD Agreement.

26 1.6 The Planning Division recignizes that the commercial leasing market has been difficult
27 for nearly two years, let alone the challenges of finding a tenant willing the construct a
28 new facility. Given these circumstances and the efforts by Roundy's to find a tenant for
29 the second outlot area (southeast corner of the site), the Planning Division recommends
30 extending the requirement for commencement of any/all structure development

31 activities an additional 24 months.

32 **2.0 SUGGESTED CITY COUNCIL ACTION**

33 **BY MOTION, APPROVE** a 24 month extension to the commencement of any/all
34 structure development activities for Rainbow Foods.

35 **Prepared by: City Planner Thomas Paschke (651-792-7074)**

36 Attachments: A: Building Permit

37 B: Roundy's request letter and leasing information

CITY OF ROSEVILLE
2660 CIVIC CENTER DRIVE
ROSEVILLE, MN 55113-651
(651) 792-7080 FAX: (651) 792-7070

PERMIT NO.: 2008-00579

DATE ISSUED: 05/12/2008

Attachment A

REPRINTED ON 04/07/2010

ADDRESS : 1201 LARPENTEUR AVE W
PIN : 152923440066
LEGAL DESC : KRANNAK
: LOT BLOCK
PERMIT TYPE : BUILDING
PROPERTY TYPE : COMMERCIAL
CONSTRUCTION TYPE : NEW CONSTRUCTION
VALUATION : \$ 8,100,000.00

NOTE: CONSTRUCTION OF NEW RAINBOW GROCERY STORE FOR ROUNDY'S - PLANS ATTACHED- 60,000 SQ/FT

NUMBER OF SAC UNITS 0

APPLICANT																					
KRAUS ANDERSON CONSTRUCTION CO. 525 S. EIGHTH ST. MINNEAPOLIS, MN 55404- (612) 332-7281 Minnesota State License #: S8368	<table border="0"> <tr> <td>BUILDING PERMIT FEE</td> <td align="right">35,719.06</td> </tr> <tr> <td>STATE SURCHARGE, VALUE</td> <td align="right">1,655.00</td> </tr> <tr> <td>FIRE SURCHARGE, BLDG</td> <td align="right">2,857.52</td> </tr> <tr> <td>PLAN REVIEW FEE, COMM</td> <td align="right">23,217.39</td> </tr> <tr> <td>CERT OF OCCUPANCY FEE</td> <td align="right">18.00</td> </tr> <tr> <td>SAC CHARGE</td> <td align="right">0.00</td> </tr> <tr> <td>CONSTRUCTION DEPOSIT, COMM</td> <td align="right">3,700.00</td> </tr> <tr> <td align="right">TOTAL</td> <td align="right">67,166.97</td> </tr> <tr> <td>PAID WITH CHECK #</td> <td align="right">182528</td> </tr> <tr> <td>RECEIPT NUMBER:</td> <td align="right">131378</td> </tr> </table>	BUILDING PERMIT FEE	35,719.06	STATE SURCHARGE, VALUE	1,655.00	FIRE SURCHARGE, BLDG	2,857.52	PLAN REVIEW FEE, COMM	23,217.39	CERT OF OCCUPANCY FEE	18.00	SAC CHARGE	0.00	CONSTRUCTION DEPOSIT, COMM	3,700.00	TOTAL	67,166.97	PAID WITH CHECK #	182528	RECEIPT NUMBER:	131378
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AGREEMENT AND SWORN STATEMENT																					
<p>The work for which this permit is issued shall be performed according to: (1) the conditions of this permit; (2) the approved plans and specifications; (3) the applicable City approvals, Ordinances and Codes; and (4) the State Building Code. This permit is for only the work described and does not grant permission for additional or related work which requires separate permits.</p> <p>This permit will expire and become null and void if construction authorized is not commenced within 180 days, or if construction is suspended for a period of 180 days at any time after work has commenced. The applicant is responsible for assuring all required inspections are requested in conformance with the State Building Code.</p>																					

SEPARATE PERMITS REQUIRED FOR WORK OTHER THAN DESCRIBED ABOVE.

ROUNDY'S SUPERMARKETS, INC.
PICK 'N SAVE • COPPS • RAINBOW FOODS

Max D. Dickman
Real Estate Development Manager
PO Box 473
MS 3300
Milwaukee, WI 53201

414-231-5887

VIA ELECTRONIC MAIL
thomas.paschke@ci.roseville.mn.us

April 7, 2010

Mr. Thomas Paschke
City Planner
City of Roseville
2660 Civic Center Drive
Roseville, MN 55113

RE: Rainbow Foods
1201 Larpenteur
Roseville, Minnesota

Dear Thomas:

As part of the PUD between Roundy's Supermarkets, Inc and the City of Roseville, certain construction activity was anticipated on the site within 24 months of approval. While the grocery store as well as the farmer's market type structure were completed, construction has not commenced on the proposed outlot building.

Roundy's has procured the services of CBRE, a well established commercial real estate firm in the Twin Cities market and nationwide, to procure an occupant for this premises. Unfortunately, the current retail leasing environment has resulted in an inability to find a user for this location.

Attached please find a list of contacts recently made by CBRE as well as a report from the thirds quarter of 2009 outlining market activity.



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PO Box 473
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Roundy's hereby formally requests a 24 month extension to Section 6.1 of the PUD with regard to the timing of building the final outlot structure. Roundy's will provide marketing updates as requested by the City and requests that the City reevaluate further extensions if marketing efforts continue.

Thank you for your consideration.

Sincerely,
ROUNDY'S SUPERMARKETS, INC.



Max D. Dickman
Real Estate Development Manager

Enclosures, via electronic mail

Cc: Mr. Pat Trudgeon, via electronic mail pat.trudgeon@ci.roseville.mn.us



Comments

562 pieces, fielded four call from independents. No credit.
Might look at again in '10
Want to be by regional mall
Sent mailer to all chain cleaners
No franchisee
Not expanding
562 pieces, fielded several inquiries. Dunn Brothers may look at.
No interest, slowed expansion
May look at in 2010. No expansion for now
Need a franchisee
562 pieces, no responses-very quiet market for tenants.
Concentrating on California acquisitions for now
Wants only to own
Will look at again in 2010
Won't do that small of store
No interest, slowed expansion
Sent after Jan 1, 2010 562 pieces
Won't do freestanding.
Sent mailer to over 80 clinics.

The market continues to be very slow with few new concepts entering the market. Restaurant concepts are looking for 2nd generation space and cheap deals. No new developments on the horizon which will create a space shortage in 2-3 yrs. The site has a very limited universe of projects because a small building is expensive to build creating very high rents in a depressed market. Small tenants usually cannot afford a free standing building because of all the costs associated with it. They rarely go it alone. This is a great site that will require patience because of downturn in the market.

Prospects

MNCAR Mailer

Noodles

Five Guys

Cleaners & Photo Stores

Papa Murphys

Papa Johns

MNCAR Mailer

Chipotle

Starbucks

Dunn Brothers

MNCAR Mailer

US Bank

MI Bank

Well Fargo

Panera

TCF

MNCAR Mailer

Anderson Cleaners

Chiropratic Clinics

Minneapolis/St. Paul Retail

Third Quarter 2009

www.cbre.com/research

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Total Vacancy	8.1%	↑	↑
Absorption	(37,105)SF	↓	↑
Lease Rates	\$17.09	↓	↓
Construction	448,000 SF	↓	↓

*The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Landlords are attempting to backfill big box space with different uses.
- Bellanate, Smith & Hawken close stores.
- Gamestop, Noodles, Massage Envy Little Caesar's continue to look for new sites.
- Panda Express, H&M, Planet Fitness, Savers all opened new stores.
- Columbia Sportswear & Northface enter the uptown area.
- Blockbuster announces closing 200 stores nationally
- Trader Joe's opens in Minnetonka
- Famous Dave's announces it will open 13 stores nationally

While the economy has not yet recovered from the recession, many signs suggest it has flattened out. The stock market has rallied significantly over the past few months and has yet to see much of a pull-back. Consumer confidence rose to 54.1 in August from 47.4 in July. While still at historic lows, the consumer confidence level rose much higher than economist expectations of 48.0 (a reading of 90 indicates a solid, stabilized economy).

Locally, unemployment has dropped in the Metro area despite rising nationally. Employment numbers are the largest indicator of future consumer spending which means the Minnesota retailers should be in a better position than other cities nationally. Going forward, holiday season sales will be a good indication of truly how consumer spending trends have changed due to the recession.

Capital market activity remains modest as many investors search for the illusive quality asset from distressed sellers at a deep discount. There are still some investors in the market capitalizing on the decrease in values to acquire quality

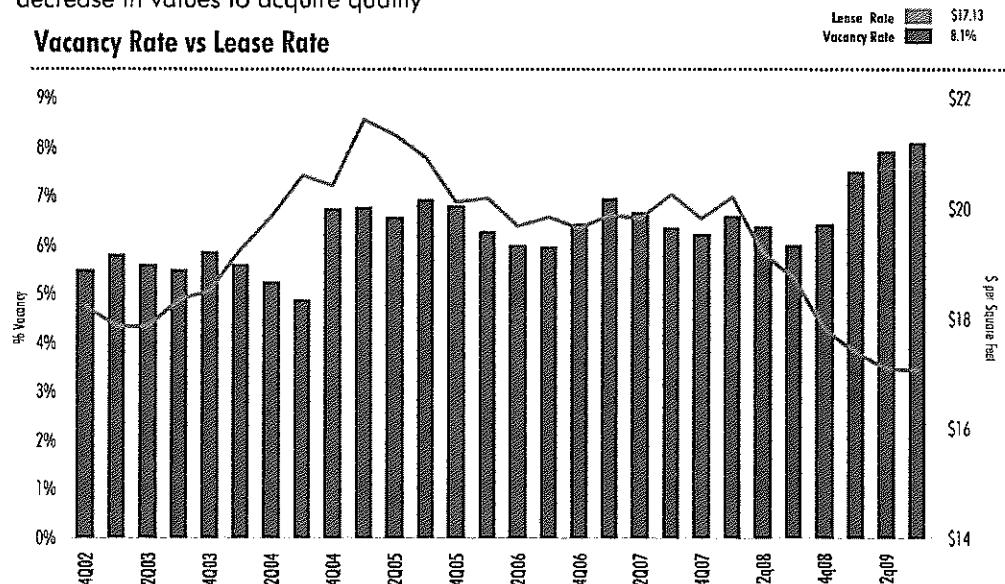
properties at depressed prices.

Despite the overall downturn, some retailers continue to look for sites. Expanding food concepts include Dunkin' Donuts, Noodles, Five Guys Burger and Fries, Panda Express, Smashburger, Little Caesar's, and Sonic. Toys R Us is making an attempt to ramp up holiday toy sales by opening seasonal stores for the holiday season.

Construction activity remains slow as the notable developments consist primarily in the Uptown area and the West End in St. Louis Park which will open in October. Walgreens and CVS continue their battle for market share in the metro as each continues to open new stores .

Third quarter indices showed negative net absorption of (37,105) SF compared to (599,452) SF in the first quarter of 2009. The negative net absorption was spread across all center types but particularly hit hard have been non-grocery anchored and smaller centers without convenience stores such as Walgreens and CVS.

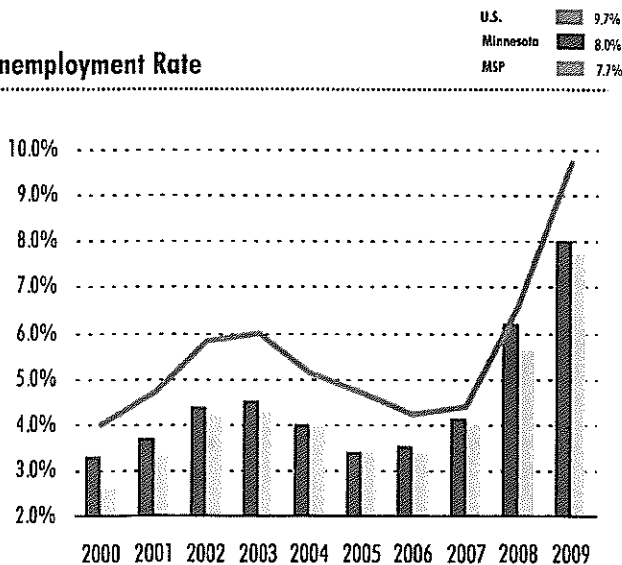
Vacancy Rate vs Lease Rate



Submarket Statistics

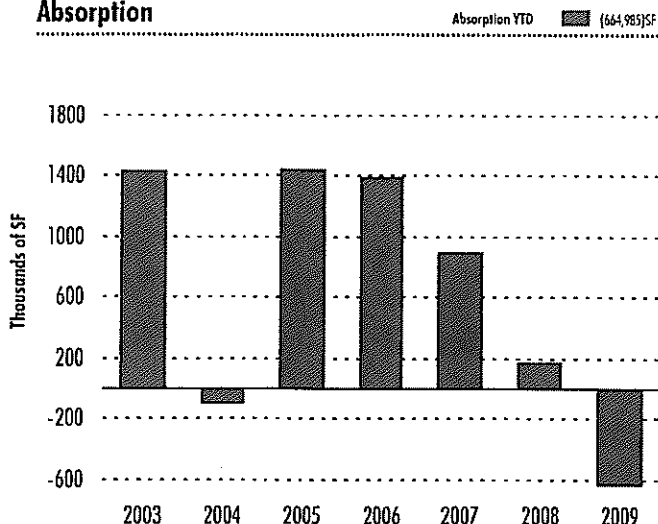
Market	Rentable Area	Vacancy Rate	Absorption SF	Under Construction SF	Avg. Asking Lease Rate \$ SF/YR	Availability Rate
A.V.-Lakeville	3,499,383	5.9%	(8,867)	0	\$17.13	12.5%
Brookdale	3,780,561	15.5%	(3,609)	0	\$14.05	21.9%
Burnsville	3,486,605	10.4%	(8,459)	0	\$19.05	12.1%
Calhoun	887,636	3.4%	700	400,000	\$15.56	3.9%
Coon Rapids	4,321,506	5.3%	(3,730)	0	\$14.05	7.6%
Eagan/IGH/H	1,934,232	7.5%	(1,220)	0	\$15.01	10.5%
Eden Prairie	3,727,148	3.8%	(3,013)	40,000	\$16.62	4.8%
Maple Grove	5,331,416	7.8%	(2,871)	0	\$15.30	8.0%
Maplewood	3,563,352	5.9%	(990)	0	\$20.38	6.8%
Mpls CBD	2,297,199	10.9%	(4,311)	0	\$24.53	11.7%
Northtown	3,128,679	11.2%	(9,957)	0	\$11.35	11.9%
Ridgedale	5,652,096	4.1%	37,905	0	\$19.20	6.0%
Rosedale	5,206,953	6.3%	2,891	0	\$14.90	6.4%
Southdale	9,553,570	7.2%	14,624	8,000	\$22.56	7.8%
St. Paul	1,413,147	8.1%	(2,000)	0	\$12.55	8.9%
West St. Paul	1,197,154	8.9%	(17,040)	0	\$13.59	9.9%
Woodbury	4,684,062	14.7%	(18,481)	0	\$17.91	15.9%
Total	63,659,237	8.1%	(28,428)	448,000	\$17.13	9.7%

Unemployment Rate



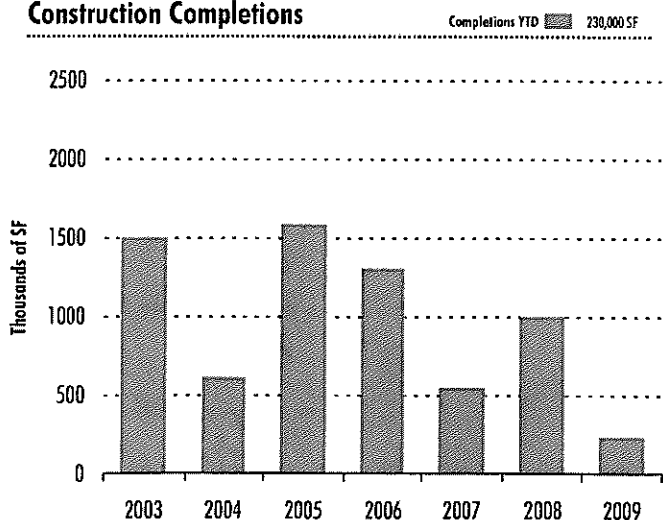
The Minnesota seasonally-adjusted unemployment rate was 8.0% in August 2009, versus 5.4% during August of 2008. The national unemployment rate was 9.7% in August 2009, compared to 6.1% in August of 2008. The Minneapolis/St. Paul metro area unemployment rate was 7.7% during August 2009, compared to 5.3% in August of 2008. On a quarterly basis, the unemployment rate has dropped in Minnesota despite increasing nationally.

Absorption



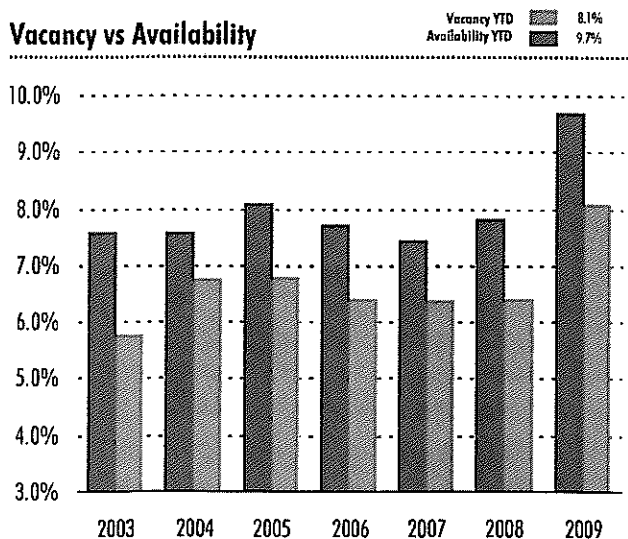
The 3rd Quarter posted a negative net absorption of 37,105. 2009 year-to-date net absorption, however, is a negative 664,985 SF compared to a positive 174,000 SF throughout all of 2008. Asking rates have continued fall as a function of increased vacancy.

Construction Completions



A total of 60,000 SF of space has been delivered in the third quarter of 2009, with 448,000 SF under construction. The largest project in the area remains the West End Development in St. Louis Park with 350,000 SF scheduled to open in October 2010. The Life-style Development includes a 2nd floor movie theatre, a Rainbow Foods grocery (open), Noodles & Company, various retail shops and Restaurants and over one million SF of office space.

Vacancy vs Availability



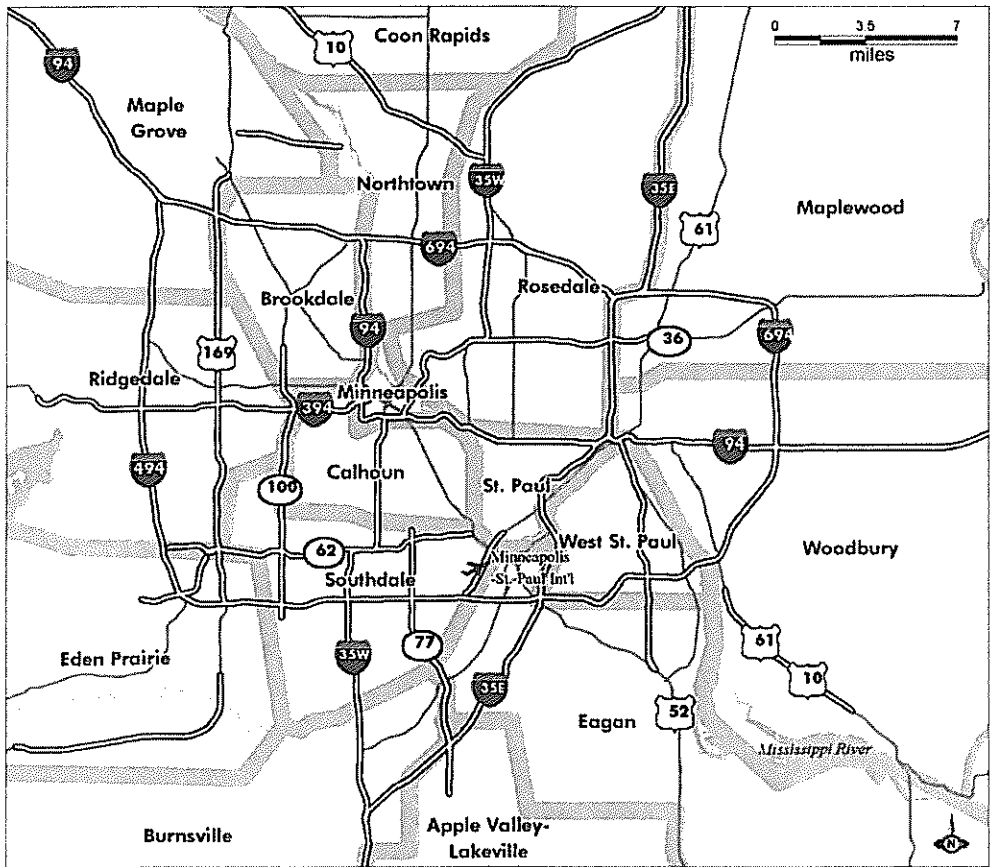
Vacancy rates increased in the third quarter to 8.1%. Availability has increased to 9.7% in the third quarter of 2009 from 9.4% in the second quarter of 2009. Larger, grocery anchored centers have fared best and smaller 2nd-tier buildings have had trouble filling vacancies. Vacancy and availability rates should stay level due to halted new construction; however, the disparity between 1st and 2nd tier buildings will continue to increase.

MarketView Minneapolis/St. Paul Retail

Top Minneapolis/St. Paul Transactions

Size (Sq. Ft.)	Type	Tenant/Buyer	Location
97,000	Sale	Madison Equities	Hastings Marketplace
55,000	Lease	Rainbow Foods	West End, St. Louis Park
25,500	Sale	Baceline Investments, LLC	Apple Valley Shopping Center
20,000	Lease	H&M	Southdale, Edina
13,000	Lease	CVS	2650 Rice Street, Little Canada
10,000	Lease	Health East Clinic	Grand Avenue, St. Paul

Submarket Map



Average Asking Lease Rate

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage

Includes all competitive retail buildings 30,000 square feet and greater in size.

Net Absorption

The change in occupied square feet from one period to the next.

Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Square Feet

Building area not considered vacant.

Under Construction

Buildings which have begun construction as evidenced by site excavation or foundation work.

Direct Available Square Feet

Available Building Area which is either physically vacant or occupied. Does not include sublease space.

Total Availability Square Feet

Available Building Area which is either physically vacant or occupied. Includes sublease space.

Direct Vacant Square Feet

Existing Building Area which is physically vacant or immediately available. Does not include sublease or shadow space.

Total Vacant Square Feet

Existing Building Area which is physically vacant or immediately available. Includes sublease and shadow space.

Normalization

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the

MarketView, please contact:

Jeff Budish, Research

CB Richard Ellis

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