

Erin Fitzgerald and the Minneapolis Renaissance Coalition are leading an effort to revitalize the city's heart.



Image: Minneapolis/St. Paul Business Journal

A new age for downtown Minneapolis

Erin Fitzgerald is leading the Minneapolis Renaissance Coalition, an organization aiming to revitalize downtown.

Nancy Kuehn | MSPBJ

Erin Fitzgerald has worked on the front line of the downtown Minneapolis office market and knows many of these buildings are in deep trouble. Instead of retreating though, she's leading a push to find a fix for downtown's real estate dilemma.

The aftereffects of the Covid pandemic and the rise of hybrid work hit downtown Minneapolis hard, as it did downtowns nationwide. Some of Minneapolis' biggest office buildings saw their assessed values drop between 20% and 24%.

And values are expected to drop even further.

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Sensing what was to come early last year, Fitzgerald met with Minneapolis Mayor Jacob Frey to warn him. He encouraged her to take action, leading to the formation of the Minneapolis Renaissance Coalition.

The group, which Fitzgerald leads, seeks to be a catalyst to bring vibrancy back downtown. The group now has a coalition of over 150 individuals from the public and private sectors, like the city of Minneapolis, Sherman Associates Inc. and Hempel Real Estate.

In essence, the philosophy of the group is that reinvention of many office buildings and office-centered districts will be necessary, but the costs of doing so are often too steep for the private sector to accomplish on its own. The group is starting out by targeting one area of downtown to develop as an entertainment district, while pressing the public sector for incentives that make building conversions more affordable.

"We have a once-in-a-lifetime opportunity right now to reimagine, redesign and redevelop downtown into a more vibrant and expansive community," Fitzgerald said.

How it started

The downtown Minneapolis office sector is in deep trouble. Property owners face hardships ranging from high vacancy rates and lowered property values to heightened interest rates and looming loan maturities.

Take the three tallest buildings in downtown Minneapolis as examples. The owner of the IDS Center last year missed its deadline for its \$153 million mortgage, though it was able to secure a three-year extension later in 2023.

Also, last month, Capella Tower went back to the lender, while the Wells Fargo Center, which last sold for \$314 million, is on the market and could sell for less than \$120 million.

After Frey encouraged Fitzgerald to come up with a plan, she called together about a dozen developers to help brainstorm how to revitalize the properties downtown.

Through a series of meetings, the group named itself the Minneapolis Renaissance Coalition and pulled together a list of recommendations for public incentives that could help spur private investment, such as encouraging a tax credit for projects seeking to convert underused buildings.

"The Minneapolis Renaissance Coalition grew really organically from people who care about the revitalization of downtown," Fitzgerald said.

Warehouse District as entertainment hub

The coalition envisions the Warehouse District as an entertainment hub, building on amenities that are already there, such as Target Center and First Avenue. The district is generally defined as the area around Hennepin Avenue and First Avenue on the western edge of downtown. The coalition decided it needed the most immediate help after analyzing areas of downtown against three criteria:

- the highest concentration of buildings that were likely to be taken over by the lender;
- the highest concentration of buildings that could be converted from office use; and
- areas of high crime.

The coalition also chose the area because it can feed off the close proximity to the North Loop neighborhood and could recover more quickly than other

areas of downtown, Fitzgerald said. Establishing the area as an entertainment hub will be the first step to spur more revitalization.

This idea is based on a 2005 report by The Brookings Institution, a nonprofit public policy organization, that said the most effective strategy to help revitalize a downtown is entertainment. "It starts with urban entertainment, which creates a 'there there,' the initial reason people want to live downtown," the report said.

That's followed by enhancing these real estate uses in the target area: rental housing, for-sale housing, retail, and then, office.

As part of this focus, the group seeks to make the area a place where more types of people can spend time, such as families and children, Fitzgerald said. There already are examples of vibrancy building in the area, like a new sound bath studio in the Kickernick Building, which recently sold at a significant discount.

With an aligned vision and continued conversations, developers, owners and city leaders will be able to work together to take action, but it's "atmospheric" and hard to measure, said Dan Collison, senior director of business development and public affairs at Sherman.

"The impact of this group [is] that you've got real estate professionals — not by themselves, not talking in a closed group circle — alongside elected [officials], alongside multiple organizations, challenging the real estate community to stay engaged, take risks and change the narrative."

The cost of reusing office buildings

The Minneapolis Renaissance Coalition is urging the public sector to help with office building conversions, a key priority among several of its recommendations for public incentives to boost investment downtown.

Conversion projects can be quite expensive. For example, on average, office buildings would have to sell at a decreased value of 30% to 40% to [make sense as an apartment conversion](#). However, even converting offices acquired at a low price may be cost-prohibitive when factoring in new plumbing needs or reconfigured floor plans.

The coalition plans to launch its own advocacy efforts at the state Legislature while also asking the city to support the tax credit for the conversion of underutilized buildings. The request, which seeks a 30% tax credit for conversion projects, is expected to be reintroduced in the Minnesota Legislature in 2025 after it didn't move forward this year.

Collison, at Sherman, is part of the team leading such efforts, and plans to make it clear to legislators the financial impact of the credit to help it pass next year.

Apart from the tax credit, the group has suggested other public incentives, such as reducing taxes in the retail and entertainment tax district and passing special legislation to change tax-increment financing restrictions to encourage repurposing buildings.

Key facts about the Minneapolis Renaissance Coalition

Founded: 2023

Number of members: Over 150

Led by: Erin Fitzgerald

Notable entities involved:

- Bridgewater Bank
- Building Owners and Managers Association Greater Minneapolis
- City of Minneapolis

- Colliers
- CoStar
- Gensler
- Greco
- Hempel Real Estate
- Hines
- JLL
- Meet Minneapolis
- Minneapolis Downtown Council
- New History
- Ryan Cos. US Inc.
- Sherman Associates Inc.
- Transwestern

Source: Minneapolis Renaissance Coalition website and interviews

Keith Schubert contributed to this story.