

Engineering News Record

Suburban downtown projects suffering: Burnsville a case in point as economy slumps

February 10, 2008

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Feb. 10--EAST METRO -- Office and retail spaces are staying vacant in the suburbs. Many plans for condos have been scaled back to apartments. Developers have deserted or downsized projects.

Quaint, pedestrian-friendly city centers that seemed like a good idea five years ago run the risk of tanking along with the real estate market. From Burnsville to Lino Lakes, suburban downtowns are costing some cities millions of dollars, hundreds of hours in staff time and ramped-up voter scrutiny.

Critics say city leaders are too attached to their projects to abandon them. But when should cities walk away from a struggling project in a bad market?

"Sometimes governments do it, pull it off, and it works well," said Gary Krueger, professor and chairman of the economics department at Macalester College in St. Paul. "It's really a lottery."

It's one that Burnsville's Heart of the City -- a 54-acre area long envisioned by city planners as a place to shop, work and live -- is looking less and less likely to win.

Developers have backed out of deals, refused to fund projects and struggled with empty properties.

An investment company last year advertised a clearance sale on condos after the building went into foreclosure. Today, eight of the 37 units remain vacant.

City leaders last year also promised \$20 million in tax money to build a public performing arts center after three developers in the past five years bailed out of plans to build a private one.

In the latest setback, a developer last month asked to break a deal to build two office buildings and a parking deck to share with the arts center on one of the last vacant sites in the Heart of the City. The city now will spend up to \$4 million for the parking deck.

A Changing Trend / Main Street success stories in suburbs including Hopkins, St. Louis Park and Wayzata quickly became the model for other cities, said David Lanegran, a Macalester geography professor who specializes in commercial strips and downtowns. "New Urbanism" was born.

The suburbs -- once criticized as wastelands with no identity -- could now market their own specialized Main Streets with sidewalks, shops, parks, offices and homes.

"There was extra money to do them," Lanegran said.

But that was more than five years ago. Today, downtowns are struggling.

Plans are diminishing for the Central Village in Apple Valley. Condos may switch to apartments. The project also is making room for more senior housing with less office space.

The laundry list of troubled suburban downtowns stretches from the \$1.3 billion Ramsey Town Center that went into foreclosure to the scaled-back Core Block East in Rosemount. Lake Elmo's Old Village project has slowed as well.

"As I look ahead, things don't seem to look good any time soon," Krueger said.

In Burnsville, the city center is attracting some new retail businesses, including a coffee shop-wine cafe.

"The facts are there are people investing in Burnsville," Mayor Elizabeth Kautz said.

But dozens of residential condos in the area await buyers. Handfuls of offices remain empty. And the downtown project hasn't attracted the hotel or high-end restaurant city planners had hoped it would.

"Burnsville is on a path that others have gone on before, but right now, the path is falling off the mountain," Lanegran said. "Most people have a feeling that bad things happen to other people. 'It didn't work for you, but it will work for us.' "

A Pricey Decision / Some say the risks taken for the Heart of the City could cost some Burnsville leaders their seats on the City Council this year. The group NoPerformingArtsCenter, made up of a handful of residents, is actively recruiting others to run for mayor and two council seats.

Kautz and Council Members Liz Workman and Dan Gustafson, who are up for re-election this year, have routinely supported building a public performing arts center in the Heart of the City -- a controversial topic among the community.

"They use the Heart of the City to justify the arts center," said Cliff Volkmann, a longtime Burnsville resident and an active member of the group opposing the theater. "We're just trying to get somebody (elected) to be basically honest. Somebody with common sense."

Volkmann doubts the arts center will resurrect the downtown. He also believes the public facility will cost the city more than \$20 million in the long run.

Before the Heart of the City, Kautz said, the land generated about \$166,000 in property taxes. When the project is complete, it will generate an estimated \$3 million in taxes.

The city has reached its vision for a suburban downtown, she said.

Kautz, who plans to run for re-election, said "it becomes a controversy when people want to make it a controversy and when they want to unseat those already in office."

Council Member Dan Kealey said he wanted the city to fundraise for the performing arts center or find a developer to pay for it. He did not want the city to put up \$20 million in a poor economic market.

"I do believe there was a prevailing wind to move forward with the project," he said. "In a way, we had a bit of a 'Field of Dreams' approach to the performing arts center."

Kealey said the city now is rushing to build a parking deck without a developer.

Workman, who will give up her seat on the City Council to run for Dakota County commissioner, said she regrets none of her decisions when it comes to the Heart of the City -- even if they end up costing her in the next election.

"I have to look at what's best for the city," she said.

The downturn of the market also means it's a good time to build. Workman said the city is saving hundreds of thousands in building costs for various city projects.

"It's a double-edged sword," she said. "Three or four years ago, we probably wouldn't be getting the low bids we are getting. Everything's coming in less than we anticipated."

Gustafson said the city made several decisions for the arts center before the economy soured but the city can't stop the project in the middle of construction.

"At some point, you have to make a decision and move forward," he said.

When Gustafson ran for City Council four years ago, he campaigned with the message that he would support building a performing arts center in Burnsville, he said. When he runs for re-election, he plans to point out that he accomplished that goal.

"If someone wants to slam me for getting the job done that I said I would get done, I'd say: 'What do you want in an elected official?' " Gustafson said. "It's unfortunate the economy shifted in the last 90 to 100 days, but it did."