

Downtown's Potential Market Opportunities

Retail Market Opportunities

Retail development in downtown Chaska faces constraints that will shape new business and development opportunities. New space can be provided in either existing buildings or new buildings.

- » **Existing Buildings:** *In Chaska's historic downtown core area, existing buildings offer mostly small spaces (e.g. less than 2,000 square feet) and may not offer high visibility, preferred configurations, or off-street parking. Nonetheless, they may be able to offer historic character and – in some cases – inexpensive rents. These spaces do not necessarily offer preferred locations for retailers seeking to derive business from the convenience of their locations. Rather, these spaces will appeal to businesses seeking to capitalize on the character of the experience provided in their establishment and in the downtown Chaska environment. Such properties offer potential opportunities for businesses seeking an environment in an historic small-town setting. Much of this activity will consist of small-scale businesses, and this will be consistent with the scale of the downtown buildings and blocks.*
- » **New Buildings and Development Formats:** *While existing buildings define the character of downtown Chaska, many retailers that might be attracted to downtown Chaska may require new retail space. Within the context of the street grid in the historic core, however, new developments face challenges involving parking, building size, and visibility.*

In general, developers and tenants are familiar – and comfortable with – standardized, suburban-model developments located close to shopping destinations or highways. In pursuing small-scale retail developments of this nature, developers face relatively few obstacles in constructing new space with ample off-street parking on small “strip” lots near suburban thoroughfares.

In downtown streetfront environments, however, even small development projects (e.g., 15,000 square feet) must pursue land assembly, demolition, parking arrangements,² and other such issues. As a result, rather than pursuing downtown redevelopments, developers typically pursue simpler opportunities involving standard strip retail developments.

Consequently, in creating new retail space on downtown streetfronts, in recent years multi-family residential projects have provided the most efficient vehicle, with new dwelling units situated above ground-floor retail space. Thus, while some stand-alone retail development may be feasible and easily constructed on large lots near Highways 41 and/or 61, new retail space in the historic core will most likely rely on a multi-family residential development component.

²Parking issues will be specifically addressed in a subsequent part of this Master Planning process. For the purposes of the present discussion, it is noted simply that, while it should not be necessary for every business to provide its own off-street parking lot, retailers would benefit if they can identify accessible, reliable and convenient parking arrangements for their customers.

Office Market Opportunities

While downtown Chaska is not likely to attract large-scale corporate office tenants, as the City and County continue to grow, small-scale businesses (typically occupying 1,000-3,000 square feet) are likely to seek an increased supply of office space in downtown Chaska.

Office space in downtown Chaska currently features ample vacancies and low rates; at this time the market is not likely to support new office development downtown.

Despite this, as Chaska and Carver County grow – and as downtown revitalization proceeds – professional service businesses serving new households and businesses will increase as well. If downtown Chaska can provide an attractive environment, with services for office tenants as well as destinations such as City Hall and the County Courts, such businesses are likely to supply an increased supply of office space. While large-scale office developments (e.g., 50,000 square feet or more) will most likely seek sites in corporate office parks, small business tenants are likely to seek space in renovated existing buildings as well as new buildings in the downtown core.

Residential Market Opportunities

Multi-Family Residential Opportunities: Revitalization of downtown Chaska will offer opportunities for multi-family residential development. Downtown Chaska’s prospects will improve over time, but downtown does not currently offer a value premium over other locations.

Notwithstanding the current economic slump, over time, Chaska’s anticipated demographic and employment growth (discussed previously) is likely to support ongoing housing development.

In downtown Chaska, market-rate apartment buildings near downtown report high occupancies – generally in the range of 95 percent – with rents ranging from approximately \$800 to \$900 for one-bedroom and \$900 to \$1,050 for most two-bedroom units.

These rent levels, however, fall below those at some newer properties located outside of downtown. In addition, brokers report that for apartments as well as for-sale homes, downtown Chaska does not command premium price points. At the same time, downtown Chaska does not contain a substantial supply of large historic warehouses or other such buildings that offer historic (or other) character sufficient to create their own premiums.

In addressing the absence of a “value premium” in downtown Chaska, the Downtown Master Plan recommends a wide range of improvements involving the physical environment (pedestrian amenities, streetscape amenities, traffic issues, reconfigured properties, etc.). The market potential for more retailers provides an opportunity for downtown to provide an identifiable concentration of desirable stores that collectively create the value premium. The means for capitalizing on this potential and overcoming various development challenges is addressed in the Implementation Strategy chapter.

In the context of the historic downtown core area, some form of public sector assistance would be required for prospective multi-family development to overcome substantial challenges involving site assembly and parking.

Absent a substantial “value premium” for locations in Chaska’s historic downtown core, prospective multi-family developers will find it easier and more profitable to build on undeveloped land outside of downtown. In pursuing such development, the City must consider two countervailing factors:

- » *Multi-family residential development may offer the best means for creating new street-front retail space.*
- » *On the other hand, as revitalization proceeds, downtown Chaska can gain the “value premium” necessary to support higher-end multi-family development. The City should not preclude such higher-end development by promoting less desirable developments on its prime redevelopment opportunity sites.*

Downtown Market Positioning Objective & Primary Strategies

Based upon Chaska’s overall vision for downtown and this downtown market analysis, the downtown market positioning objective is to establish downtown Chaska as the primary community destination and gathering place for the Chaska community and its environs, including a “Main Street”-oriented business district.

The strongest market strategies for strengthening downtown’s business environment consists of the following:

- » **Expanding Retail for an Underserved Market:** *Given the existing and future household growth and affluence throughout Chaska and eastern Carver County, Chaska is currently underserved by the retail market. Expanding downtown’s retail market offers the strongest opportunity for attracting new development in downtown.*
- » **Creating a Downtown Niche for Restaurants:** *The overall City of Chaska – and much of Carver County – is also relatively underserved by businesses offering leisure-oriented goods and services – most notably restaurants. This business gap is most pronounced in downtown Chaska, which offers few establishments providing casual or moderately upscale dining experiences. Moreover, no business district in all of Carver County has established itself as a significant eating and drinking destination. This niche represents a major opportunity for downtown and should be a focus of the City’s downtown revitalization efforts.*
- » **Targeting a Mix of Independent as well as “Chain” Businesses:** *Despite the underserved market, several restaurants have failed in recent years. While these failures are most likely attributable to a broad range of factors, the City’s demographics and growth outlook are sufficient to attract and support businesses targeting the relatively affluent “mainstream” suburban market. Downtown Chaska is likely to attract and support recognized regional chains, and some “casual dining” national chains, as well as unique, independent restaurants. Introducing established, recognizable businesses can play a key role in establishing successful, sustainable restaurants downtown, and more importantly, in attracting local customers to downtown Chaska.*

Market Opportunity Focus Areas

Concentration in Downtown Core

Chaska's downtown area, as defined today, occupies approximately 50 city blocks with a traditional street grid. The City does not envision this entire area becoming a thriving commercial district. Due to downtown's relatively large spatial size, no single project, building or block will be able to exert substantial impacts on the entire downtown area. In pursuing an objective of efficiency, revitalization efforts should focus on a more concentrated, walkable area, encompassing an area of roughly 10 blocks along Chestnut Street from Second Street on the south to the Firemen's Clayhole and Brickyard districts on the north.

Clear Connections & Orientation

In general, when businesses are physically or visually isolated from one another, they cannot generate positive synergies. In a downtown district, connections and pedestrian orientation must be clear and convenient, so that a collective district is unified; new successes within the district can benefit the whole. This approach is similar to the benefits that retailers derive from locations in malls, or along the skyway system in downtown Minneapolis. In Chaska, the downtown core should feature clear signage, physically visible cues and directories, safe crossings, and pedestrian amenities. In creating a clear sense of orientation, downtown Chaska's key connections must clearly link Second Street, the blocks surrounding City Square Park, and the intersection of Chestnut Street (MN Hwy 41) and Chaska Boulevard (County Road 61).

Public improvements that enhance the sense of orientation and connectivity include:

1. Aesthetic treatments (e.g., pavers, streetscaping);
2. Public safety improvements (major road crossings, traffic lights, sidewalks);
3. Wayfinding amenities (e.g., signage, maps);

It should also be noted that the key downtown blocks are large enough to accommodate several of the small-scale buildings that characterize downtown Chaska. In creating a pedestrian-friendly environment, block-interior circulation (i.e. alleys) can enhance the connectivity of the district while creating additional store-front opportunities. The above-listed types of improvements as well as parking located in the blocks' interior alleys can thus enhance connections as well as the density of commercial opportunities in the district.

Priority Catalyst Redevelopment Sites

In addition to needing market support, the feasibility of future downtown revitalization opportunities relies on the availability of suitable, competitive locations. In downtown Chaska, opportunities for targeting new development for recognizable mainstream retailers must at a minimum offer high visibility and access for vehicular traffic. In addition, to create a feasible development opportunity, developers must be able to gain control of developable properties without extending unreasonable efforts. Downtown Chaska offers several such sites for new development or redevelopment as shown in Figure 5-4.

Given downtown's strong retail market potential – based on current retail undersupply and future community/regional household growth – and given suitable sites, redevelopment of priority catalyst sites provides an effective strategy for strengthening downtown's business environment as a vibrant community retail destination for local (Chaska and its surroundings) households, and thereby drawing more customers downtown.

The City should prioritize these types of projects. The typical catalyst redevelopment process requires the following steps:

1. *Select preferred uses;*
2. *Identify site(s);*
3. *Gain control over the site;*
4. *Set forth conceptual development guidelines; and*
5. *Solicit a developer and reach a public/private development agreement.*

This market analysis recommends two priority catalyst redevelopment sites:

- » *Firemen's Clayhole District*
- » *City Square West Block*

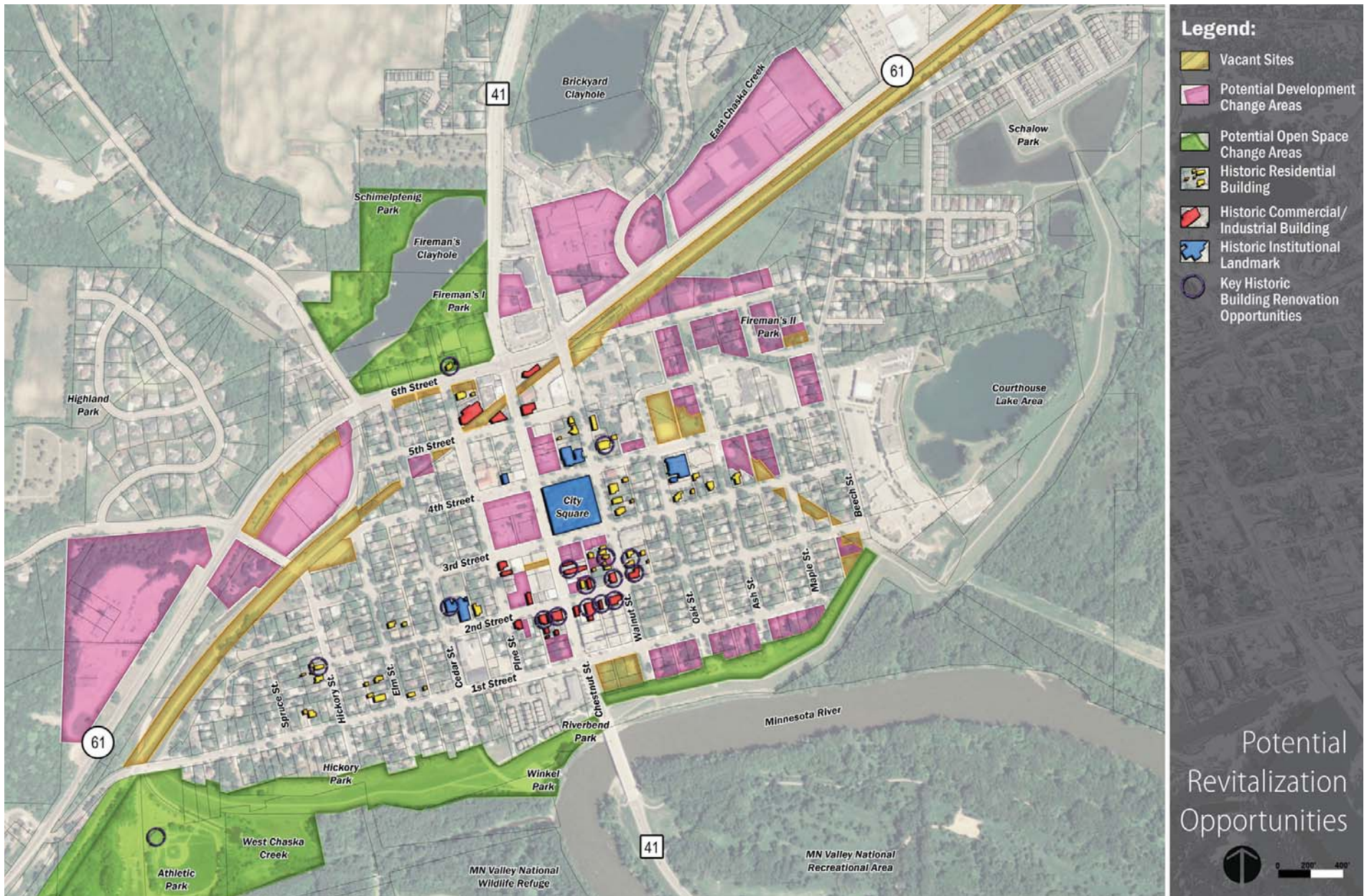


Figure 5-4. The Potential Revitalization Opportunities map above shows vacant sites, as well as potential sites for redevelopment, property improvements, or historic building renovations.

Firemen's Clayhole District

Site(s): Firemen's Clayhole District offers downtown Chaska's strongest location for attracting the regional and/or national tenants that high-profile developers will target. This site lies close to the central downtown core, offers a high visibility location, leverages a key water/park amenity, would not disrupt the fabric of established historic blocks.

Site Control: In addition to its amenities and strategic location, Firemen's Park provides assembled, undeveloped and readily transferable land. This distinguishes the site from other well-situated properties in the general region.

Development Guidelines: The prospective development should seek to integrate the park as a recreational asset with compatible commercial uses. This integration should result in a unique, "signature" destination park. While some developers may prefer a single commercial building on the corner, the site's potential would be maximized by integrating commercial with recreational uses.

Notwithstanding its assets, the site will face competition (for development interest) from other locations along Highway 212 and at other high-traffic intersections in nearby growing communities. To distinguish the area from competitive locations, the City's ownership of the park land provides a key advantage. Examples of beneficial arrangements made possible by City ownership involve:

- » *Land costs: In conveying a portion of park land for development, the City can explore alternative land conveyances such as leasing, seller financing with low initial payments, options, etc.*
- » *Public property arrangements: In addition to the private development footprint, the City may permit the park's businesses to lease adjacent public lands and facilities (e.g. stage areas, waterfront boardwalks, etc.) for outdoor seating or for their own programmed entertainment. The City may also arrange to reserve, lease or license such properties to cart vendors as well as other downtown (or other) businesses and private groups.*
- » *New property: The City and/or private developer or business could create new usable property over the existing lake; such property could be used for outdoor seating, entertainment, or other amenities.*

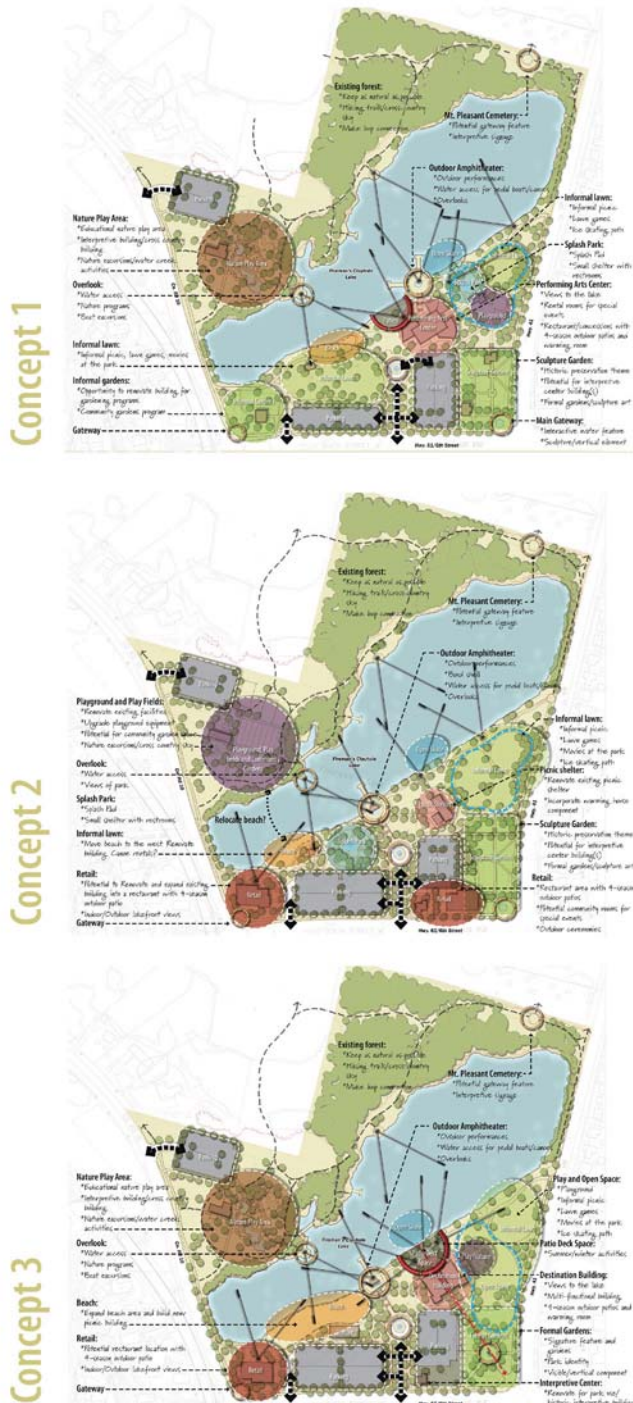


Figure 5-5. Illustrative redevelopment concepts for Firemen's Clayhole District.

Developer Solicitation: In order to secure an appropriate developer(s), the City’s outreach to the development community typically involves developer forums, developer solicitations (requests for proposals, or RFPs), and/or broker contacts.

Among the various forms of outreach, in an RFP the City must contact a selected list of developers, present desired development concepts, and set forth rules, guidelines and deadlines. While successful in some contexts, the RFP process is not recommended for the Firemen’s Park development. This is because this project must invoke unique visions and creative approaches. The magnitude of the opportunity will not likely attract institutional investors and national-profile developers; at the same time, its uniqueness will limit its appeal to innovative developers that are interested in pursuing new and potentially complex issues.

Consequently, the City must engage in a process that will enable it to identify a select range of potentially interested developers. These parties should then be engaged in discussions – individual meetings and/or organized forums – to explore concepts such as amenities, parking needs, orientations, and other such concepts. This approach enables the private development community – as well as the City – to gain information in a relatively informal, low-pressure context. It also provides time for information to circulate within an expanding pool of brokers and developers. In conducting this type of event(s), the City should first target innovative developers throughout the Twin Cities metropolitan area. While Chaska is most familiar within southwest suburban Minneapolis-St. Paul, the City should not focus simply on local developers, but rather, on developers interested in creative concepts in unique, downtown environments.

City Square West Block

Like Firemen’s Park, the historic City Square is situated on the City’s “Main Street” and the primary traffic street in the downtown core, and serves as the City’s traditional community gathering place. In seeking to capitalize on this amenity, the site adjacent to the park on the west offers the following attributes:

- » **Strategic location:** *in addition to its high-traffic location along Chestnut Street and the adjacent park amenity, this property sits midway between historic Second Street and potential commercial activity centers at Sixth Street. A vital redevelopment at this location would serve as a link between the north and south ends of the downtown core.*
- » **No historic structures:** *Catalyst projects seeking substantial amounts of new space would be able to proceed without disturbing Chaska’s existing small-scale historic buildings.*
- » **Limited number of property owners:** *In seeking control over a potential redevelopment site, just two property owners control this block, covering sufficient area for a substantial building footprint as well as parking areas.*

Given these attributes, the block to the west of City Square offers another good location for a potential commercial catalyst redevelopment project.

In preparing development guidelines for this prospective catalyst redevelopment site, the following issues arise:

- » **Library Amenity:** *The potential for a new County library building on this site substantially augments redevelopment potential. This would serve the needs of the growing community and create a new, strategically located amenity and traffic generator. In general, a catalyst development involving a new library – like the Firemen’s Park catalyst – could provide a mixed-use development that draws on significant public amenities to enhance commercial development prospects and thereby generate additional leisure-oriented visitation from within Chaska and its environs.*
- » **Library Financing Issues:** *a new County library facility would require the public sector to participate in development and contribute to development costs. Other development possibilities might involve the Carver County Land Trust. While such possibilities will have to be explored as issues arise, the Trust might play roles as a tax-favored conduit for securing, conveying and/or holding property.*
- » **Library Development Concept:** *Preliminary discussions between the City and the County indicate that a new state-of-the-art County library might occupy as much as 30,000 square feet. Ideally, this non-retail use should not occupy all of the building’s prime street-level frontage on Chaska’s “Main Street”. As a redevelopment site with existing buildings, this site presents more challenges than the Firemen’s Park site for attracting credit-worthy commercial tenants. Accordingly, the prospective library should serve as an amenity that can enhance market prospects for the prime high-visibility street-level spaces. Library uses should include some street-level space, but should mostly occupy upper levels.*
- » **Site Control and Development Process:** *Since this property is not owned by the City, the City’s first steps are to engage current property owners in discussing transactions, as well as development potential and possible partnership arrangements. As noted, Carver County and/or the Carver County Land trust may also play a role.*

While the City should begin site acquisition discussions at this time, the major efforts regarding this prospective project will most likely follow the Firemen’s Clayhole District project. This is because (1) the Firemen’s Clayhole District site offers some stronger retail locations and therefore offers stronger potential for success -- which can enhance future market prospects for this project; and (2) given the private ownership of this site versus the City-owned Firemen’s Clayhole District site, development timing is more fortuitous for the Firemen’s Clayhole District project.



Option 1: City Square West

- Parking ramp
- Retail/residential vertical mix - liner for parking ramp
- Paseo - between Bldg A and B
- Retail/library/post office/bank/restaurant/residential mix on Chestnut

Building A:

- Ground Story: Retail (14,600 sf)
Library (4,550 sf)
Post office (2,250 sf)
Live/work (6 units)
- 2nd Story: Residential (34 units)
- 3rd Story: Residential (34 units)
- 4th Story: Residential (12 units)

- Underground parking: 56 spaces
- Courtyard parking: 14 spaces
- Parking requirement = 209 spaces**

Building B:

- Ground Story: Retail (4,000 sf)
- Ground/2nd Story: Residential (2 st. townhomes) (10 units)
- 3rd/4th Story: Residential (2 st. loft apts) (10 units)

Parking requirement = 46 spaces

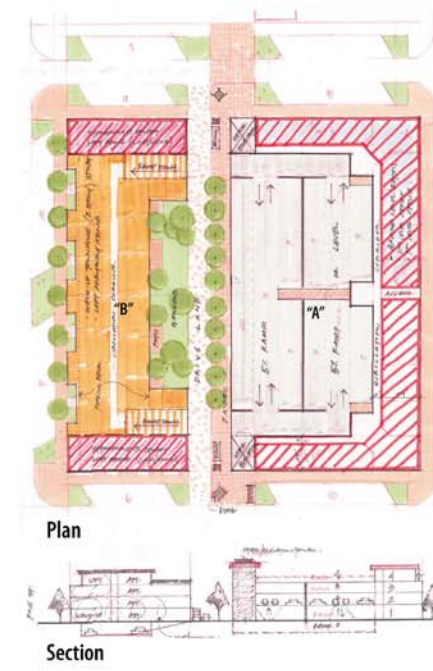
Parking Ramp (part of Bldg B):

- Level 0 (below grade): 70 spaces
- Level 1: 70 spaces
- Level 2: 70 spaces
- Level 3: 70 spaces
- Level 4: 70 spaces
- Total spaces: 280 spaces**

*Surplus parking: 25 spaces (ramp)
58 spaces (on-street)
14 spaces (courtyard)*

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Option 2: City Square West

- Parking ramp
- Retail/office vertical mix - liner for parking ramp on Chestnut
- Restaurant/post office/bank
- Paseo - shifted west of alley centerline
- Residential on Pine Street - mix of housing types

Building A:

- Ground Story: Retail (15,100 sf)
Office (15,100 sf)
- 2nd Story: Office (15,100 sf)
- 3rd Story: Office (15,100 sf)
- 4th Story: Office (7,200 sf)

Parking requirement = 172 spaces

Building B:

- Ground Story: Retail (6,000 sf)
Live/work (8 units)
Residential (apts/townhomes) (14 units)
- 2nd Story: Residential (apts/townhomes) (14 units)
- 3rd Story: Residential (apts) (12 units)
- 4th Story: Residential (apts) (12 units)

Underground Parking: 54 spaces
Parking requirement = 114 spaces

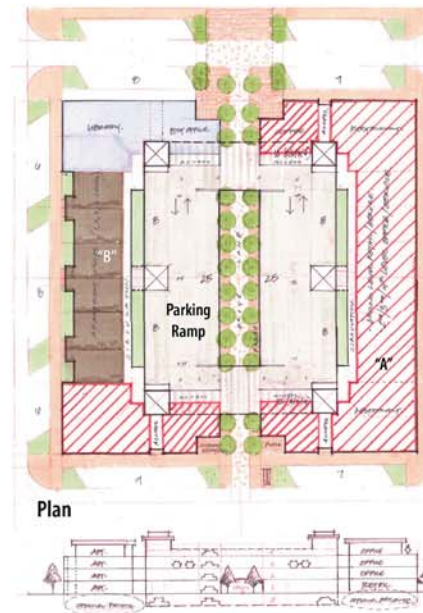
Parking Ramp (part of Bldg A):

- Level 0 (below grade): 88 spaces
- Level 1: 72 spaces
- Level 2: 72 spaces
- Level 3: 72 spaces
- Level 4: 72 spaces
- Total spaces: 376 spaces**

*Surplus parking: 144 spaces (ramp)
48 spaces (on-street)*

Plan

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Option 3: City Square West

- Central parking ramp, split by paseo
- Library and post office at ground level facing City Hall
- Plaza/outdoor seating @ paseo
- Detached, free-standing ramp
- Retail/bank/restaurant along Chestnut Ave.

Building A:

- Ground Story: Retail (20,500 sf)
Office (19,900 sf)
- 2nd Story: Office (19,900 sf)
- 3rd Story: Office (19,900 sf)
- 4th Story: Office (10,400 sf)

Parking requirement = 257 spaces

Building B:

- Ground Story: Retail (6,040 sf)
Library (4,240 sf)
Post office (1,800 sf)
Residential (6 units)
- 2nd Story: Residential (14 units)
- 3rd Story: Residential (14 units)
- 4th Story: Residential (6 units)

Parking requirement = 103 spaces

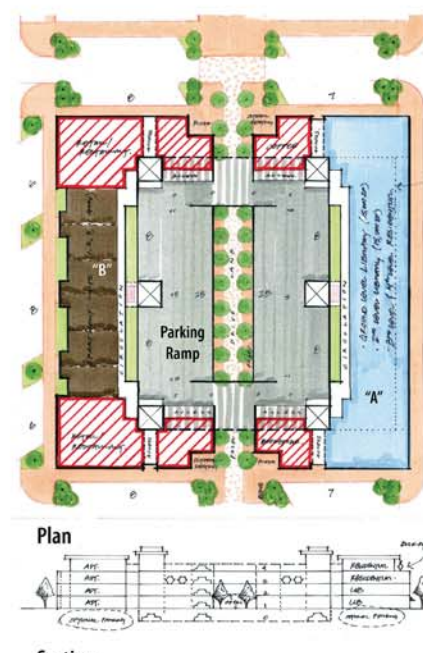
Parking Ramp:

- Level 0 (below grade): 106 spaces
- Level 1: 82 spaces
- Level 2: 106 spaces
- Level 3: 106 spaces
- Level 4: 106 spaces
- Total spaces: 506 spaces**

*Surplus parking: 146 spaces (ramp)
50 spaces (on-street)*

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Option 4: City Square West

- Central parking ramp, split by paseo
- Library at ground level along Chestnut Ave.
- Plaza/outdoor seating @ paseo
- Detached, free-standing ramp
- Retail/post office/bank/restaurant

Building A:

- Ground Story: Library (15,500 sf)
Retail (3,800 sf)
- 2nd Story: Library (15,500 sf)
- 3rd Story: Residential (24 units)
- 4th Story: Residential (12 units)

Parking requirement = 180 spaces

Building B:

- Ground Story: Retail (12,200 sf)
Residential (6 units)
- 2nd Story: Residential (24 units)
- 3rd Story: Residential (24 units)
- 4th Story: Residential (12 units)

Parking requirement = 116 spaces

Parking Ramp:

- Level 0 (below grade): 106 spaces
- Level 1: 82 spaces
- Level 2: 106 spaces
- Level 3: 106 spaces
- Level 4: 106 spaces
- Total spaces: 506 spaces**

*Surplus parking: 210 spaces (ramp)
50 spaces (on-street)*

Plan

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Figure 5-6. Illustrative redevelopment concepts for the City Square West block.

Secondary Market Positioning Strategies

Expanding Downtown Industry/Employment: In addition to new restaurants and shopping experience-oriented businesses, the City of Chaska has an opportunity to re-establish downtown's position as a location for industry and employment. As noted previously, the entire "footprint" of downtown Chaska will not likely be filled with thriving commercial businesses. Therefore, the areas on the edges of the downtown core should be available for industrial uses, provided that they (1) do not exert noxious impacts on their physical surroundings or (2) are primarily industrial and do not emphasize inexpensive small-scale office space in competition with downtown locations. The resulting increase in local employment will help support local downtown businesses.

Retaining Anchor Institutions and Critical Uses: In addition to redevelopment and new tenants, critical existing businesses and uses in downtown Chaska include its: grocery store and its array of civic uses (including library, government offices, courthouse and court-related functions, post office), as well as any other single uses (cinema, drugstore) that can serve as "anchor" destinations for the overall district. At a policy level, the City must maintain a clear position that it will assist in retaining these businesses and amenities.

Preserving and Using Historic Buildings: Downtown's historic buildings provide a unique advantage that cannot be replicated in other districts. Continued profitable use is the key to preservation of these buildings. Where such buildings remain in use, they are more likely to be maintained and less likely to fall into disrepair. In maintaining and preserving these properties, historic preservation ordinances – for buildings as well as for districts -- are appropriate. In such ordinances, the City must consider:

- » *Scale: In addressing an overall district (as opposed to individual buildings), in addition to historic features, the scale of buildings and facades influences the character of the environment. Consequently, new buildings should present streetfront façades and storefronts that are consistent with the (primarily small-scale) character of the district's historic buildings.*
- » *Parking: The City should embrace parking in the interior portions of City blocks. Also, while the City need not require all small businesses and developers to provide off-street parking, new developments (as opposed to building rehabilitation projects) in the core area should be able to provide such parking in order to ensure that their customer parking does not compromise parking availability on nearby streets.*

Market Positioning Priorities

In summarizing the market-based findings related to downtown Chaska revitalization, the key elements are an underserved local retail market, disconnected downtown destinations, and existing businesses, institutions and historic sites, which give rise to the following priorities:

- » *Promote and support unique retail/restaurant redevelopment catalyst projects along Chestnut Street, Chaska's "Main Street", at Firemen's Park and City Square West sites;*
- » *Create a more cohesive, compact and convenient downtown district, strengthened by amenities, connections, parking and clear orientation;*
- » *Encourage industrial employment growth opportunities for redevelopment sites on the edges of downtown, as a means for generating additional customers for businesses in the downtown core and strengthening downtown as an employment center;*
- » *Retain key downtown businesses, institutions and historic buildings, which are important existing assets of downtown's economy and character.*

In general, while a broad range of downtown revitalization measures may prove useful, all should target the fundamental market positioning objective of establishing downtown Chaska as the primary community destination and gathering place for the Chaska community and its environs.