

CULTIVATING COMMERCIAL DEVELOPMENT

FROM WEST TO EAST – AND IN THE MILLER HILL AREA – PROJECTS ARE PROGRESSING

By Dana Kazel

Dave Holappa, president of Holappa Commercial Real Estate, sees reason for optimism in certain city segments because of projects in progress: “The new Residence Inn came out of the ground and there’s restaurant activity with Buffalo Wild Wings

and Texas Roadhouse. And that’s all in that same corridor, so the Miller Trunk remains relatively steady.”
Holappa figures the mall area fared best, but recognizes activity elsewhere: “The market, in general, is

improving. You can point to Alex Giuliani and his partnership that bought the old LaFarge cement plant. That’s potentially a huge development partnership. When you look at the Heritage [Sports Center], the LaFarge site, what’s

happening on Miller Trunk, what A&L has done on the corner of Superior Street and Lake Avenue, as well as on London Road – it’s promising.”

“It’s a tsunami that’s yet to hit to shore.” Rob Link doesn’t mince words when describing what’s been happening to speculative development. In other words, the worst is still to come. “It started in 2008, blossomed in ’09 and continues in 2010 and probably for the next 12 to 36 months,” said Link.

“Anything that you see going now was

probably already funded,” said Link, who leads A&L Properties. “There is no ability to get substantial financing for real estate development in the marketplace. And there’s not going to be for the foreseeable future.”

Still, Link figures Duluth will fare better than bigger markets because many projects here are funded through local, traditional commercial banking.

East Superior Street has seen remarkable development. Rand Sola, who is renovating the Fannie Rose Building at First Avenue East and Superior Street, remembers driving through the area a decade ago and feeling as if he was in a ghost town. “Now it’s slowly filling in a way that has character and is an asset to the city,” he said.

Sola cites as examples the Zeitgeist Arts building, Black Water Lounge at the Greyson and Sheraton Duluth Hotel. “I’ve seen a lot of investment made over the past couple

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DEVELOPER RAND SOLA

years even with the economy,” he noted. “And there are a lot of unseen changes, a lot of ownership changes, a lot of people that have acquired a property with the intent to do something in the future. There’s a ton of promise.”

Link agrees: “I like to think the Tech Village provided the genesis for all the other investments east of Lake Avenue on Superior Street. We’ve seen a lot of investment and renovation and that is dragging the core downtown several blocks to the east.”

Investment includes the city of Duluth’s intent to purchase the Temple Opera and NorShor Theater buildings. Plans call for the Duluth Playhouse to take over the NorShor, which would enhance the Old Downtown area’s arts district.

Here’s a progress report on Duluth’s most talked-about projects:

CLYDE PARK

The buzz has been building for months, and at last the Clyde Restaurant & Bar, Bakery and Event Center is opening, with a brewery soon to follow this summer and a hotel planned to open next spring. The

project dates back to 2003, when developer Alex Giuliani bought the historic Clyde Iron Works, beginning what can only be described as a rebirth for the neighborhood.

“I kind of fell in love with the property... I didn’t want to see somebody taking it and tearing it down,” Giuliani said. “I wanted to keep the history going.”

As he planned his food and entertainment venue, he donated a large portion of the land, valued at \$4 million, to become the site of the Heritage Sports Center.

Staying true to Clyde’s roots, the building retains its industrial elegance, using reclaimed materials and displaying murals of workers from the past. Meanwhile, staying true to his own roots guided Giuliani’s vision.

“Being from Mexico, I knew every town had its central location where locals would gather and eat, talk, buy food, and spend time with their neighbors. That’s what I wanted to create,” said Giuliani, “and you can’t get any more centrally located than Clyde. I also wanted something for children, and recreation certainly came through when we were able to get the Heritage Sports Center up and going, and the Boys & Girls Club.”

Clyde Restaurant centers around two wood-fired ovens. Giuliani chose them for the flavor they create.

“We wanted to have the show,” Giuliani said. “At our restaurant, you’re actually going to see us making the pasta in front of you, putting things in the oven and on the grill. You can’t get any fresher than what we’re doing.”

“My intentions were to create something for the community,” Giuliani said. “It wasn’t driven only by profit. I reclaimed as much as I could ... and brought things back to simpler times. Simple is good.”

**“WE’VE SEEN A LOT
OF INVESTMENT AND
RENOVATION...”**

ROB LINK - A&L PROPERTIES

FANNIE ROSE BUILDING

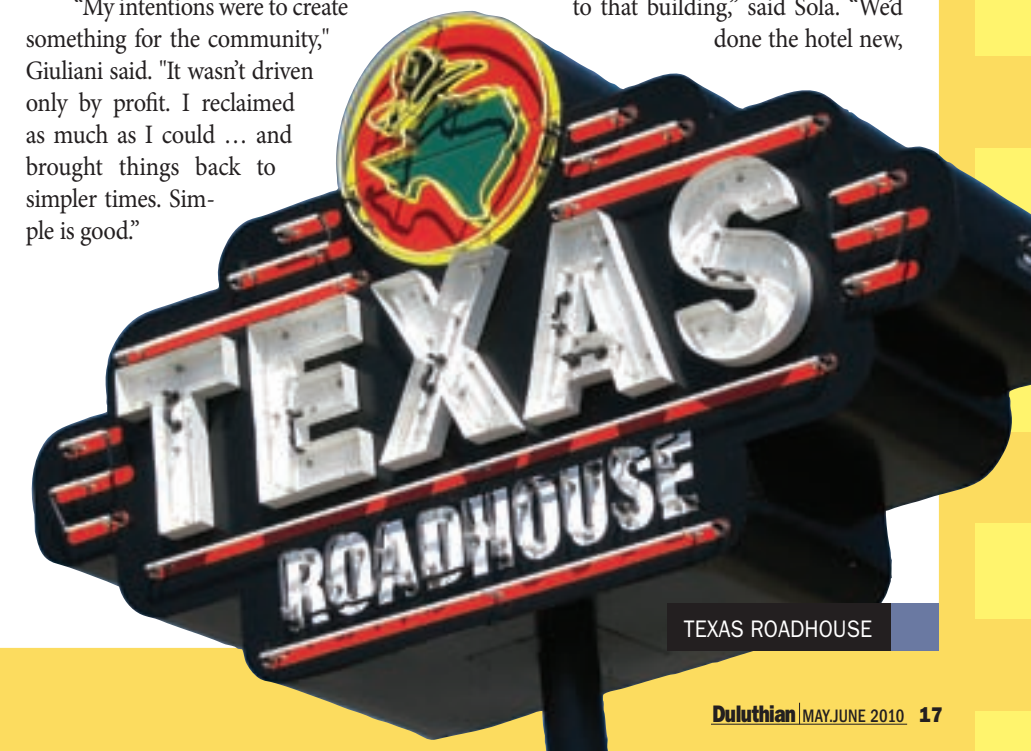
The Fannie Rose Candy Shop opened in April, offering candy and popcorn. Located at 103 East Superior Street, it shares a name with the 103-year-old building that houses it. Previously, it was known as the Coney Island Building, but developer Rand Sola found a historic reason to rename it.

“It’s named after a woman we found in old city directories that ran a rooming house upstairs, and it was kind of questionable what she might have done for a living up there,” said Sola, “so we named it after her.”

Sola purchased the building and Coney Island Restaurant a year-and-a-half ago with his brother and another partner. “We did a complete exterior re-do, new roof, new storefront, new mechanical-electrical, new parking lot, two new stores,” he noted.

He envisions a third food vendor for the main floor, perhaps a deli, to give the building an identity as a place to grab a bite to eat. Meanwhile, Sola plans to develop the upstairs into office space.

Prior to the Fannie Rose project, the Solas were best known for new development, specifically the South Pier Inn and South Pier Shores condominium complex on Park Point. “I’ve always had kind of a sense of history; that’s what brought us to that building,” said Sola. “We’d done the hotel new,





WIELAND BLOCK



FANNIE ROSE CANDY SHOP



BUFFALO WILD WINGS



FIVE GUYS BURGERS & FRIES

“IT’S A TERRIFIC TIME TO BE BUILDING RIGHT NOW.”

LARRY VOGEL - THE KOEHLER ORGANIZATION

we’d done the condos new, so we decided – my brother and I have ties to Duluth, a historic family that’s been around for a while – let’s do something on Superior Street, and then found another partner and found a building that was available that we’d been talking about for years.”

Coincidentally, while researching the building’s history, Sola discovered a family tie: “Learning that our great-grandfather had worked in the building back in 1932 was kind of fun.”

WIELAND BLOCK

The artfully revitalized Wieland Block just welcomed its second major tenant: the P.S. Rudie Medical Clinic has joined a hair styling salon on the Superior Street level.

Coinciding with the clinic’s arrival is the building’s skywalk across Superior Street to the Tech Village, the cost of which was covered by developer A&L Properties. Upstairs, 14 condominiums are for sale. The one- and two-bedroom condos range from 1,000 to 1,450 square feet and feature large windows with incredible lake views and spacious rooms. Buyers will be able to customize all finishes within their condos. Besides the convenience of its downtown location,

the building offers underground parking and 24-hour security, plus a gated courtyard on Superior Street.

It was a complex project combining renovations with new construction, which Link explains as, “Basically, you have two renovated buildings: a two-story and a four-story building, and then you have a brand new building that fits between the renovated buildings and Electric Fetus.”

RESIDENCE INN BY MARRIOTT

Under construction for more than a year, the Residence Inn by Marriott is slated to open this summer on Central Entrance. The goal is to be ready for Grandma’s Marathon, said Larry Vogel, regional manager for The Koehler Organization (TKO), developer of the extended stay property. Interested guests and people interested in employment can call (218) 279-2885.

The Residence Inn includes 92 rooms: a mix of two-bedroom, one-bedroom and studio suites, each featuring a kitchenette or full kitchen, plus other amenities for the comfort of long-term guests, such as a pool and hot tub, fitness center, free hot breakfasts, evening

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CINDY RODENHIZER - MILLER HILL MALL

receptions during the week and an outside gathering area with a fire pit.

The average guest stay is two weeks, but, said Vogel, “It’s not uncommon to have people stay for a month at a time. It’s basically your home away from home. Where we build is somewhat the edge of a residential area, and it’s to make you feel at home.” Vogel said TKO sensed a need for an extended stay property in this area and is confident the region’s travelers will give them success.

And he sees a silver lining in the slow economy: “It’s a terrific time to be building right now. Things are a bit cheaper to build right now than when the economy was stronger.”

GREENDALE

After a three-year battle, the 29.4 acres on either side of Sundby Road behind Kohl’s is now rezoned for commercial development – and with last year’s work along Highway 53, including service road realignment, the site has great visibility and easy access. What it doesn’t have is a tenant.

“Most of the players have really cut back,” said Marshall Weems of Mission Development, who’s worked hard to get this far with his vision for a distinctive commercial setting.

“We want to develop an environmentally friendly commercial campus that takes advantage of natural amenities on the site,” said Weems. “We think it has the ability to look, act and feel different than any place else in Duluth. And so we’re interested in LEED design for the site, for instance, so we can do the things you ought to do: protect the creek, minimize wetland impacts and use storm water retention areas as improvements to the site, and encourage public transportation into the area. It’s easily the biggest and best piece of commercially developable property in Duluth, and it’s actually sort of a natural extension of retail or commercial areas right around Miller Hill!”

MILLER HILL MALL

The Miller Hill Mall has remained extremely busy, said Cindy Rodenhizer, director of mall marketing and business development: “We have several new market-exclusive retailers lined up for 2010 and are very excited to make those announcements as soon as we can.”

New tenants includes Dress Barn and

“IT’S EASILY THE BIGGEST ... PIECE OF COMMERCIALLY DEVELOPABLE PROPERTY IN DULUTH...”

MARSHALL WEEMS - MISSION DEVELOPMENT

Five Guys Burgers & Fries. Another five stores have remodeled or moved within the mall.

“Miller Hill Mall has continued to be successful at attracting new businesses and investment in the center by adding stores that our shoppers desire,” said Rodenhizer,

who recognizes that mall success benefits the entire mall corridor and vice versa. “Many of the commercial developments and investments provide more opportunities and options for customers.” **D**

Dana Kazel is a Duluth-based writer.

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