

City of East Bethel
Economic Development Authority Agenda
Regular Meeting – 7:00 p.m.
Date: February 23, 2015



AGENDA

Item

- | | |
|---------|---|
| 7:00 PM | 1.0 Call to Order |
| 7:01 PM | 2.0 Adopt Agenda |
| 7:03 PM | 3.0 Approve January 26, 2015 Meeting Minutes |
| 7:05 PM | 4.0 Open for Business |
| 7:15 PM | 5.0 Future Service roads |
| 7:30 PM | 6.0 Business Development Report |
| 7:35 PM | 7.0 Chamber Report |
| 7:40 PM | 8.0 City Council Report |
| 7:45 PM | 9.0 Other Reports |
| 7:50 PM | 10.0 Adjourn |

EAST BETHEL ECONOMIC DEVELOPMENT AUTHORITY MEETING

January 26th, 2015

The East Bethel Economic Development Authority (EDA) met for a regular meeting on January 26, 2015 at 7:00 P.M at City Hall.

MEMBERS PRESENT: Dan Butler* Brian Bezanson Steve Voss Julie Lux
Brian Mundle Doug Welter

MEMBERS ABSENT: John Landwehr – excused

ALSO PRESENT: Colleen Winter, Community Development Director
Jack Davis, City Administrator

* Chairperson

Call to Order Mr. Butler called the meeting to order at 7:00 pm.

Introduction of New Members Mayor Steve Voss and Council Member Brian Mundle Jr. were introduced and welcomed as new members of the Economic Development Authority.

Oath of Office Dan Butler and Brian Bezanson repeated the Oath of Office.

Adopt Agenda **Mr. Bezanson motioned to adopt the January 26, 2015 agenda. Ms. Lux seconded; all in favor, motion carried unanimously.**

Elect President, Vice President, and Treasurer At the February 24, 2014 EDA meeting, EDA officers were elected effective until January 2015. A new President and Vice President need to be elected to serve from January 31, 2015 through January 31, 2016. It should be noted that under the current EDA by-laws the Treasurer should also be elected. This position, by definition, is the City Administrator.

Mr. Bezanson nominated Mr. Butler to remain as President and Ms. Lux to remain as Vice President. Mr. Welter seconded the nomination. No other members were nominated. All members were in favor. Motion carried.

Appoint Assistant Treasurer and Secretary According to the EDA by-laws the Assistant Treasurer and Secretary should be appointed. These are staff positions. The Assistant Treasurer is the Finance Director, and the Secretary is the Recording Secretary. The current Finance Director is Mr. Mike Jeziorski and the City has contracted with Sue Irons as Recording Secretary.
Mr. Butler made the motion to appoint Mr. Jeziorski as Assistant Treasurer and Ms. Irons as Secretary. Mr. Bezanson seconded the motion and all members were in favor. Motion carried.

Approval of Meeting Minutes - November 17, 2014 **Mr. Bezanson motioned to approve the minutes as written. Mr. Mundle seconded; all in favor with Mr. Voss and Mr. Mundle abstaining due to not being a member of the EDA at that time. Motion carried to approve the minutes.**

**Presentation by
Michael Darger –
Business Retention
and Expansion
program**

Mr. Michael Darger from the University of Minnesota Extension Service gave a presentation on the Business Retention and Expansion (BR&E) program. Informational material is attached.

Financial Impact:

The cost of the program is \$12,000.00. Connexus Energy will pay up to \$5,000.00 for a community BR&E program, and they are very interested in working with us on this program. The remaining funds - \$7,000 would need to come out of the EDA project budget and/or the East Bethel Chamber can be asked to participate. Besides the financial commitment, it is important that there be a strong volunteer commitment in order for the program to be successful.

Mr. Bruce Sailor from Connexus Energy shared that his company fully supports the BR&E program. They have provided funding to help locations that they serve with economic development assistance. Connexus would be willing to assist with funding for East Bethel as well.

Our program (established 1990) is a proven approach for involving the community and building consensus to move forward. University of Minnesota Extension provides facilitation, technical assistance, training, and applied research to help communities assess business concerns, understand the structure of the local economy, set priorities, and implement projects that will help make communities more vibrant.

Resources offered through the program include coaching sessions, facilitated meetings, and trainings. Research services, Web resources and a BR&E Course are also available to assist communities in the process.

A Leadership Team introduces and promotes the program in the community, coordinates task force meetings, and organizes immediate follow-up.

A Local Task Force engages a broad-based group of local leaders, including representatives of economic development organizations, chambers of commerce, business, government, and educational institutions.

Business Visitation Teams are leaders from the task force and community. Each team has two members and visits two to four businesses.

Steps in the program:

Research

- Community leaders form a team that plans and conducts the BR&E Strategies project.
- Visitation Teams learn how to use a proven survey instrument to interview businesses in order to learn about their needs, concerns and plans.

Prioritize

- Surveys are reviewed, and trustworthy individuals respond to businesses' immediate needs, including linking businesses to economic development programs and services.
- A panel of University faculty and other economic development experts offer suggested projects to address business needs identified in the survey.
- Survey results are analyzed and documented in a written research report.
- The Task Force uses the report and their knowledge of the community to develop a strategic action plan.
- Implement
- Local teams carry out priority projects identified in the strategic plan.

- Task Force evaluates results and decides how to sustain BR&E work.

Members viewed a video of the program and were given the chance to ask questions. Other communities already participating include Blaine, Roseville, Faribault and Belle Plain.

Ms. Winters stated that there are other groups who offer their own BR&E programs such as the Greater MSP group, Grow Minnesota and DEED.

Mr. Mundle asked if the program had been implemented in a community like East Bethel. Mr. Darger stated that they have had several fairly small communities as well as Hugo who received an award for their program. He described the program implemented in Columbus for comparison.

Mr. Bezanson noted Mr. Darger's comment that one community did not do well due to lack of resources. He questioned what type of resources these might be and noted that he did not notice citizen involvement in the program. Mr. Darger stated that there is a high correlation of success with the number of public staff involved.

Mayor Voss commented that he liked the program idea to help the city move forward without forgetting what has been accomplished in the past. He felt the interview with business owners was a very valuable part of the program. Mr. Voss asked what might be warning flags that business owners might be unhappy in the community. Mr. Darger related that some companies have been considering moving out of the state but decided to stay due to the program's influence.

Mr. Welter asked about long term monitoring and communication once the program is completed. Mr. Darger related a study they had done to follow up with communities from several years ago and found that most reported positive ongoing results. Mr. Welter asked about common goals for communities using the program noting that networking seemed to be frequently addressed. Mr. Darger stated other goals include city and business community interaction, workforce issues, increased outreach.

Ms. Lux asked for examples of how the funding is used. The U of M program charges fees for their program because of the time and effort they put into working with the community. They bring in experts in many areas to assist.

Next steps include recommendation of funding for the project and completion of the application. Ms. Winter suggested the information be shared with the Chamber at the meeting of the Board and the general membership meeting as well. The City Council will need to be made aware. There are currently funds available for the program.

The application requires the identification of a task force to show community readiness to participate in the program. Mr. Darger stated that they are short staffed and if the City decides to move forward with the program it would not begin until 2016. There are some preparation steps that could be done this year. The next BR&E course will be next year. It is helpful if a community can send more than one person to attend the course as well as less cost per person to attend.

Mr. Butler thanked Mr. Darger for his presentation.

Mr. Butler made a motion to recommend approval to City Council to fund the BR&E program for the City of East Bethel to commence in FY2016 in partnership with the East Bethel Chamber of Commerce.

Mr. Davis commented that the funding should be requested for the FY2016 budget. He suggested making this part of the motion. Mr. Bezanson stated that he felt most members wanted to move forward with the program and that Mayor Voss and Mr. Mundle would present the program to the City Council in a positive manor. Mr. Davis stated that there are two goals for the EDA – to attract new business and to keep and expand the businesses currently operating in the city. Although the first goal is important, he felt it is also very important to ensure that current businesses felt their best interests were a priority for the City.

Mr. Voss stated he thought it would be helpful to get response from the Chamber before making a funding decision.

Mr. Butler withdrew his motion.

City Council Report

Mayor Voss stated there have been two Council meetings in January and a date has been set for the spring town hall meeting on April 23rd. They approved a change in the GIS for community development. Nordin Estates is still a topic with some funding for the resolution of the drainage problem.

Mr. Mundle reported that the Council meetings will begin at 7pm starting in March. East Bethel received an award for water fluoridation – one of only 119 cities in 2013.

Other Business

Ms. Winter reported that the City Council approved a Geographic Information System (GIS) system which she will present to the EDA when it goes live. She anticipates that it will be a tremendous economic development tool for East Bethel. It will give people the ability to go to the website and see property with multiple layers to see where wetlands are and zoning. There will be information on septic systems as well as a better complaint tracking system.

Chamber of Commerce Report

Mr. Butler reported that there is a board meeting of the Chamber on January 27th and a membership drive on February 3rd. The Board members will gather at Aggressive Hydraulics to engage in a telephone drive for membership. On February 12th the monthly meeting for membership will be at the Senior Center with a presentation from the City Finance Director and the new Mayor. Another meeting will also occur with MnDOT and Anoka County Highway Dept. as a result of the previous meeting they had with the Chamber last November. This meeting will occur on January 29th.

Adjournment

Mr. Welter made a motion to adjourn the meeting at 8:30 p.m. Mr. Bezanson seconded; all in favor, motion carried.

Submitted by:
Susan Lori Irons
Recording Secretary



City of East Bethel Economic Development Authority Agenda Information

Date:

February 23, 2015

Agenda Item Number:

Item 4.0

Agenda Item:

Open for Business

Requested Action:

For Information Only

Please find in your packet information on Anoka County’s new Open to business program. This program is designed to help entrepreneurs and small business owners grow in the communities where they live and work. As a community in Anoka County we are able to participate in this program at no cost to the City for the first year. Business service specialists are deployed out in the communities and are able to provide one on one assistance customized to meet individual business needs. Kathleen DuChene is our local contact. She has extensive experience both as a small business owner/entrepreneur and working for large corporations.



Promoting entrepreneurship. Entrepreneurs are starting and growing small businesses in your community. By helping them gain access to financing and other business assistance, you can encourage small business development that grows your tax base, creates local jobs and increases community vitality.

How we can help. MCCD's Open to Business program brings on-site business services specialists to your city that can expand your community development staff's expertise in such areas as start-up financing and business plan development. We can respond to requests for business assistance when those requests are beyond the range of the services normally provided by your municipal agencies.

How we work. Our staff can provide one-on-one assistance customized to meet the needs of your small business owners and operators. Many of our clients receive help in planning and organizing their business ventures. We can also assist with financial management, marketing and regulatory compliance.

Accessing capital for your businesses. MCCD operates a small business loan fund that can help your entrepreneurs access the capital they need to grow their businesses. We can also draw on our long-standing partnerships with area banks to help your businesses obtain bank loans and revolving lines of credit. As a participant in MCCD's "Open to Business" program, your community development agency can help promote more effective access to capital for your local businesses.

How we partner with you. MCCD will work with city staff to develop materials that brand this as a program of your city and assist with outreach ideas to the business community. Or staff can meet clients at our office or their place of business. In addition, we can schedule on-site hours at your city hall or other public venue for walk-in consultations. This fee-for-service arrangement can provide you with a cost-effective alternative to an "in-house" business development program staffed and funded by your agency.

Who we are. The Metropolitan Consortium of Community Developers is an association of 48 non-profit community development agencies that work to improve housing and economic opportunity throughout the Twin Cities metropolitan area. During this past year, our team of business development specialists has provided access to more than \$2 million in business capital for our clients and technical assistance services for more than 400 area businesses. You can find our Web site at www.opentobusinessmn.org.

For more information, contact:

Rob Smolund
Metropolitan Consortium of Community Developers
rsmolund@mccdmn.org
612-789-7337, ext 260





City of East Bethel Economic Development Authority Agenda Information

Date:

February 23, 2015

Agenda Item Number:

Item 5.0

Agenda Item:

Service Road Needs

Requested Action:

For Information Only

Jack Davis, City Administrator will be discussing future service roads projects and the latest developments as it relates to MNDOT and Met Council.



City of East Bethel Economic Development Authority Agenda Information

Date:

February 23, 2015

Agenda Item Number:

Item 6.0

Agenda Item:

Business Development Report – January 2015

Requested Action:

For Information Only

- Shaw Trucking has begun the preliminary grading work at Viking preserve.
- Classic Commercial Construction applied for and received an Interim Use Permit for a major mining operation (black dirt) at 1965 Briarwood LN NE
- Rivard Companies, 19801 Hwy 65 NE constructed a new 5,400 ft. storage facility
- MN Fresh Farm, 20241 Hwy 65 NE is constructing a new storage building, and refacing their existing barn for the expansion of their operations
- Issued an Interim Use permit, home occupation to Justin Donnell, 3601 228th Ave NE for a hydrographics business
- Issued a Conditional Use permit to Dan Schulz (dba: Builders by Design) for the relocation of their business to 21058 Davenport St (former Flex Fitness Bldg).

FOOD Insight

Why does everyone want a seat at the low-margin grocery table?

By Burl Gilyard

Woodbury may seem like a typical suburb with the usual share of coffee shops, retail outlets and grocery stores. But the east metro enclave is one of the emerging battlegrounds in the intensifying store wars between grocery retailers in the Twin Cities.

From the windows of Kowalski's Markets headquarters, chief operating officer Kris Kowalski Christiansen overlooks Radio Drive, one of Woodbury's main arteries. A couple of miles up the road, a new Whole Foods Market is slated to open in the spring of 2017. Two miles to the south, a Jerry's Foods will open this spring. Just about every player in the industry is, or soon will be, in the city. "Trader Joe's is already here. We're here, Byerly's is down the road: [They] took over the old Rainbow site," she says from her office above Kowalski's 48,000-square-foot store.

"I don't know that there's a current grocer in the market that's not looking or working on a site," says Deb Carlson, a veteran commercial retail real estate broker with Bloomington-based Cushman & Wakefield/NorthMarq.

Kowalski's leaders, from left: Mike Oase, vice president of operations; Deb Kowalski, administrative director; Mary Anne Kowalski, co-founder; Kris Kowalski Christiansen, COO; Boyd Oase, director of meat and seafood; Terri Bennis, vice president of perishables.



Phil Lombardo, chief marketing and merchandising officer for Lunds/Byerly's, estimates that there has been a 50 percent increase in local retail space dedicated to selling groceries over the last 10 years. His tally includes the burgeoning grocery square footage at Target and Wal-Mart. "We added six stores last year," he says, "that's significant growth for us."

Meanwhile, grocers across the Twin Cities are bracing for the arrival of Hy-Vee, which boasts annual sales topping \$8.7 billion. The company, based in West Des Moines, Iowa, operates 235 stores in eight Midwestern states, including 17 in southern Minnesota. At the end of 2014, Hy-Vee was on track to open in New Hope and Oakdale in the second half of 2015 and Lakeville in 2016.

"Our proposed expansion into the

Twin Cities would add several stores over the next several years. There are more new store projects in various stages of research and development," says Hy-Vee spokeswoman Tara Deering-Hansen via email. The company won't reveal how many stores it plans to open in the Twin Cities.

In addition, several smaller players are looking to pitch a tent here. Fresh Thyme Farmers Market, based in the Chicago suburbs, is set to open its first Twin Cities store in Bloomington this coming fall and is scouting more locations. Other chains, including Boulder, Colo.-based Lucky's Market and Fletcher, N.C.-based Earth Fare, are also looking for locations here. Hometown co-op grocers are expanding as well. Eden Prairie-based Lakewinds Food Co-op opened its third location in

2014, in Richfield. Carlson, who represents Lakewinds, is already looking for a site for a fourth location.

Kowalski's is flexing its own muscles. A new 17,000-square-foot Kowalski's store opens in Excelsior in June, its first in the affluent western suburbs. The store will feature concepts new to the company—made-to-order pasta and restaurant-style sushi. It's Kowalski's 10th location and its first since Eagan in 2008. Kowalski Christiansen says that the company is scouting other sites west of the Mississippi.

Experts naturally anticipate an eventual saturation point. "There are going to be some losers in this battle," Carlson says, "there just has to be."

But for now, it's an all-out food fight.

A looming grocery glut?

Three factors appear to be fueling the recent feeding frenzy:

➤ First is that the region had a slight shortage of stores compared with national averages. "You look at where we were even five, six years [ago], and our market had fewer grocers than just about any market in the country," says Sara Martin, a retail broker with the local office of Colliers International. "I think maybe we're playing catch-up rather than going overboard."

The most recent statistics from the Metropolitan Council show that the Minneapolis-St. Paul area grew by 3.6 percent between the 2010 census and 2013, adding more than 101,000 people

Who's Who in the Grocery Business

Kowalski's Markets

Woodbury-based Kowalski's Excelsior store will be its 10th. Christiansen says revenue for 2014 will end up at \$200 million to \$250 million.

Lunds/Byerly's

Edina-based Lund Food Holdings Inc. operates 28 local stores: 13 Lunds locations, 13 Byerly's stores, one Rainbow (Plymouth) and Lunds & Byerly's Kitchen in Wayzata.

Jerry's Enterprises

The privately held Edina-based Jerry's Enterprises operates two local Jerry's Foods in Edina and Eden Prairie, with a third soon to open in Woodbury. Jerry's also is a large Cub Foods franchisee.

Never Mind Hy-Vee: Grocery Veteran Opens New Independent

There seems to be little room left in the market for a small, independent grocer. But Joel Ahlstrom isn't discouraged: He opened Longfellow Market on East Lake Street in south Minneapolis in 2014.

Ahlstrom, 70, has been in the grocery business for a mere 53 years and also operates Riverside Market in Isanti. He says that business is improving, but acknowledges he's already changed his business model from a conventional grocery store to that of a natural and organic retailer.

"That's what the neighborhood is looking for," Ahlstrom says. "I've had this thing in the works for years. It's kind of a dream to do a store and do it right. I want to re-create the old-fashioned neighborhood grocery store. That was my goal."

Ahlstrom says he isn't worried about the big dogs taking a bite out of business at his 18,000-square-foot store. "This is not a Hy-Vee neighborhood. It just has a nice feel to it, it's a more friendly place," Ahlstrom says. "A lot of my shoppers would never darken the door of a Cub or a Wal-Mart."

in just three years to boost the population of the core seven-county metro area to 2.95 million. But stores are opening at a much faster clip. Lunds/Byerly's counted 7.9 million square feet of grocery retail space across the Twin Cities in 2002; that number had climbed to 11.9 million square feet in 2013.

Still, some major Twin Cities suburbs are without grocery stores despite high population densities. New Hope officials, for example, are excited to be getting a Hy-Vee store later this year.

➤ Second is a national trend for shoppers to spread their loyalty around.

In 2014, 9 percent of shoppers indicated they had no single regular grocery store—triple that of recent years, according to the Food Marketing Institute's (FMI) 2014 Grocery Shopper Trends Report. The trend is driven by changing shopping patterns of millennials.

"What appears to be driving these shifts is the dynamic of diversification; shoppers are becoming less likely to choose any one store to satisfy all their needs," says the report. "Shoppers are optimizing their satisfaction store by store and department by department."

➤ The third factor is a convergence of demographic, employment, housing and values changes in recent years. The result: Despite ever-busier lifestyles, more grocery shoppers purchase what they need for the day, or the next day, instead of for a week or two at a time. They're also looking for more perishable fresh produce and healthy pre-made foods they can buy and eat on location.

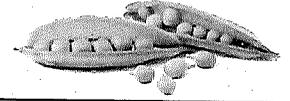
"Consumers still talk fondly about once-sacred rules and rituals—three distinct meals a day, the family dinner, etc.—but modern eating culture has changed these rules," says FMI. "In today's eating culture, the only thing that is certain is that eating can happen anywhere, everywhere and anytime."

One trip to the grocery store says a lot about the way the once-staid business is changing. As diets shift, stores are ramping up organic and natural food options. Food is a staple for everyone, but good food often feels like one of life's small, affordable luxuries.

"Half the grocery shoppers [think] it's a convenience factor," says Kowalski

Coborn's... delivers

St. Cloud-based Coborn's Inc. is one of the largest Minnesota-based grocery retailers, with 120 food, gas, convenience and liquor stores (80 in Minnesota), with revenue of \$1.3 billion to \$1.4 billion in 2014. Its market focus is mainly rural and small towns, but it operates stores as close to the metro as Elk River, Hastings and Buffalo. Coborn's main Twin Cities presence is through its CobornsDelivers grocery delivery service.



Christiansen, "and I think half are driven by products, quality and service."

Salad days: Carving out a niche

In some ways, Kowalski's timed things just right: Its approach seems to perfectly fit the growing percentage of shoppers who want smaller-format stores offering high-quality fresh produce, meat and ready-to-eat products.

When Jim and Mary Anne Kowalski started Kowalski's in 1983, their vision was simply "to make our mortgage payment and get Kris through college. That really was it," says Mary Anne matter-of-factly. (Jim Kowalski died in an accident in 2013.) At the time they had a single store on Grand Avenue in St. Paul and no big plans for growth.

Three decades ago, she says, they saw little maneuvering room among traditional grocery stores, but little competition among upscale grocers (a niche dominated by Byerly's and Byerly's alone). "The only plan we ever made was to transition from a conventional to an upscale market. That was a strategic move," she says, in part because they

Cub Foods
Eden Prairie-based Supervalu Inc. owns Cub Foods, which has 66 corporately owned and franchised locations in the Twin Cities. Supervalu paid approximately \$35 million to acquire 10 former Rainbow stores, which became 10 new Cub locations.

Whole Foods
Fortune 500 retailer Whole Foods Market Inc., based in Austin, Texas, will grow to seven metro locations when it opens its Woodbury store in 2017.

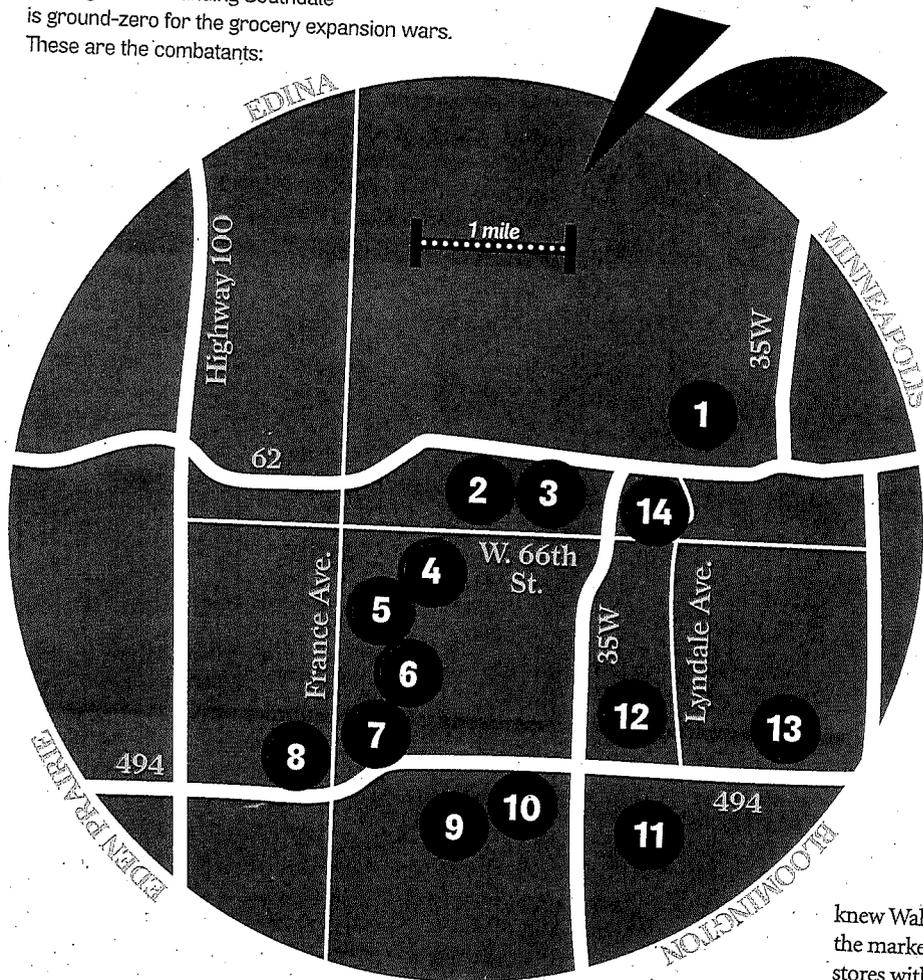
Aldi
Deep-discount chain Aldi, based in Batavia, Ill., opened its first local store in Inver Grove Heights in 2003 and now has 25 across the metro.

Trader Joe's
Boutique grocer Trader Joe's, based in Monrovia, Calif., opened its first local outpost in 2006 in St. Louis Park and now has seven metro stores.

Roundy's
Roundy's Inc., a \$4 billion grocer based in Milwaukee, announced in May 2014 that it was selling 18 Rainbow stores in the Twin Cities for \$65 million. It's still trying to land subleases for nine closed stores.

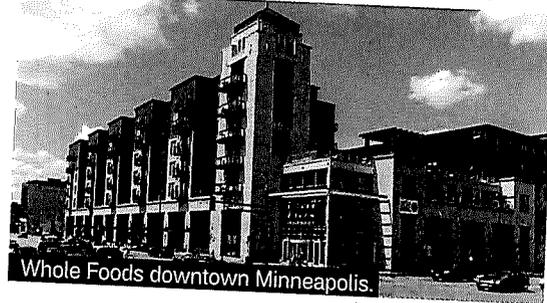
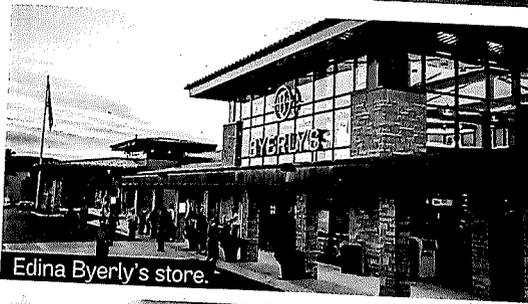
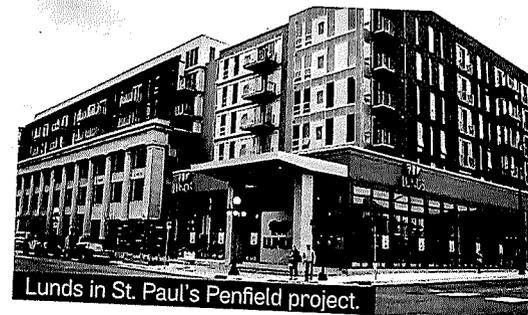
Orange You Glad You're In Edina?

The region surrounding Southdale is ground-zero for the grocery expansion wars. These are the combatants:



- 1 **Kowalski's Market**
5327 Lyndale Ave. S.
Minneapolis
- 2 **Aldi**
6310 Penn Ave. S.
Richfield
- 3 **Lunds**
6228 Penn Ave. S.
Richfield
- 4 **Cub Foods**
6775 York Ave. S.
Edina
- 5 **SuperTarget**
7000 York Ave. S.
Edina
- 6 **Byerly's ***
7171 France Ave. S.
Edina
New store opened September 2014
- 7 **Whole Foods Market ***
7401 France Ave. S.
Edina
Opened April 2012
- 8 **Trader Joe's ***
4270 W. 78th St.,
Bloomington
Opened October 2012
- 9 **Target**
2555 W. 79th St.
Bloomington
- 10 **Fresh Thyme Farmers Market ***
8001 Penn Ave. S.
Bloomington.
Slated to open fall 2015
- 11 **Cub Foods**
8421 Lyndale Ave. S.
Bloomington
- 12 **Sam's Club**
200 American Blvd. W.
Bloomington
- 13 **Wal-Mart**
700 American Blvd. E.
Bloomington
- 14 **Lakewinds Food Co-op ***
6420 Lyndale Ave. S.
Richfield
Opened June 2014

* New stores



knew Wal-Mart would soon be entering the market. Since then, other big-box stores with groceries have expanded throughout the Twin Cities, including Sam's Club and Costco.

As the years passed, other retailers started selling groceries, including home improvement chain Menards, Target, Holiday gas stations and pharmacy retailers Walgreens and CVS. Back in the 1980s consumers bought groceries at a grocer; today, basic selections of packaged food, beverages, and grab-and-go hot snacks and sandwiches are just about everywhere.

While groceries have typically been a low-margin business that worked on high sales volumes, it continues to be an attractive sector for companies such as Target and Wal-Mart. According to Wal-Mart's annual report, 56 percent of the company's sales are groceries. For Target, food and pet supplies amount to 21 percent of U.S. sales, which translates into nearly \$15 billion in sales in FY2013; Target sells more groceries than the \$14.2 billion sold in FY2014 at Whole Foods.

While everyone theoretically competes with everyone, not all retailers are chasing the same customer. Big-box players offer shoppers a value proposition, while hoping to sell them other higher-margin goods in the process, such as medications or bedding. Stores

like Whole Foods, Kowalski's, Lunds and Byerly's cater to an upscale customer with a foodie sensibility. A chain such as Aldi competes with rock-bottom prices.

Hy-Vee differentiates by operating stores that are larger than a typical Cub Foods. Within its 90,000-square-foot format it aims to feel like a Lunds store but offer prices more on par with Cub, based on what Hy-Vee officials told New Hope city officials when announcing plans there.

Somewhere over the Rainbow

But how much depth does the market have? Might the Twin Cities already be reaching a saturation point for grocery retailers?

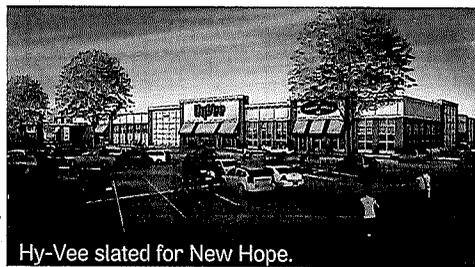
Last fall, Hy-Vee and local developer Opus Development Co. dropped plans for a store in Maple Grove after city staffers expressed concern about the number of grocery stores already in the area.

Last May, Milwaukee-based Roundy's Inc. announced it was pulling out of the Twin Cities, selling 18 Rainbow stores for \$65 million and closing its nine other locations. Roundy's statement was blunt: "The economic downturn over the last few years, coupled with an increased competitive footprint in the Minneapolis/

The Grocer List

Store	MN Locations	Total U.S. Locations	Avg. Square Footage
Aldi	37	1,283	15,000
Co-ops	16	n/a	varies
Cub Foods	76	77	60,000
Hy-Vee	3 (planned)	235	90,000
Jerry's	21	43	60,000
Kowalski's	9	9	20,000-50,000
Lunds/Byerly's	28	28	20,000-60,000
Target	75	1,801	135,000-175,000
Trader Joe's	7	402	11,000-14,000
Wal-Mart	84	4,203	181,000
Whole Foods Market	6	399	20,000-60,000

SOURCES: COLLIER'S INTERNATIONAL; MINNEAPOLIS SHOPPING CENTER ASSOCIATION; NIELSEN.



Hy-Vee slated for New Hope.

St. Paul market, has made it difficult for Roundy's to keep the Rainbow banner competitive."

The question is whether Rainbow's troubles were a sign of such saturation or merely an opportunity for other retailers to grab market share. "I can't speculate when the saturation point is going to hit," says Kowalski Christiansen. "Typically if it's oversaturated, someone shakes out."

Cub Foods is hardly sitting still, completing 13 store remodels and acquiring 10 Rainbows in 2014. Cub is also planning a new store in White Bear Lake.

Veteran industry analyst Todd Hale, formerly senior vice president of Consumer and Shopper Insight for New York-based Nielsen, says growth potential exists for retailers catering to the upper and lower ends of the market. Traditional middle-market grocers—the landscape where Rainbow fought and lost in the Twin Cities—are finding it a tougher go.

"About 70 percent of the expansion that we've seen from supermarkets in the last eight years or so has come from niche [retailers]," says Hale, now an independent consultant. He sees that growth divided between "natural gourmet" play-

ers like Whole Foods Market and "limited assortment/deep discount" retailers such as Aldi at the other end of the spectrum. "It's the extremes, I think, where we're seeing the winners."

Retail broker John Johannson, senior vice president with the local office of Colliers International, isn't losing sleep about the influx of new grocers. In his read of the market, Rainbow simply lost the war to Cub, so it picked up its carts and left town.

"The consumer votes by where they spend their dollars and they're telling you constantly what they want," says Johannson. "It's not an easy market."

But Johannson says that competition among grocers means that the average consumer has many more options than they did 20 years ago. He expects Hy-Vee to carve out its own corner of the market.

"I think they're really good and I think they'll find their niche," Johannson says. "The grocery market has never ceased to amaze me. There's something for everybody, that's the way I look at it." **TCB**

Burl Gilyard is senior writer for TCB.

MIDDLE MARKET FORUM

Twin Cities BUSINESS

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WEDNESDAY, MARCH 4

GOLDEN VALLEY GOLF AND COUNTRY CLUB

Join *Twin Cities Business* for a panel discussion featuring leaders from local middle-market companies providing insights, solutions, and advice on key issues facing middle market companies.



Paul Lidsky
President & CEO
Datalink



Gary Maharaj
CEO
SurModics



Maureen Steinwall
President & CEO
Steinwall, Inc.

FORUM
3:00PM-4:30PM

COCKTAIL RECEPTION
4:30PM-6:00PM

FOR TICKETS, VISIT: TCBMAG.COM/MIDDLEMARKET15

January 2015 Piwik Analysis

Most frequently viewed webpages this month

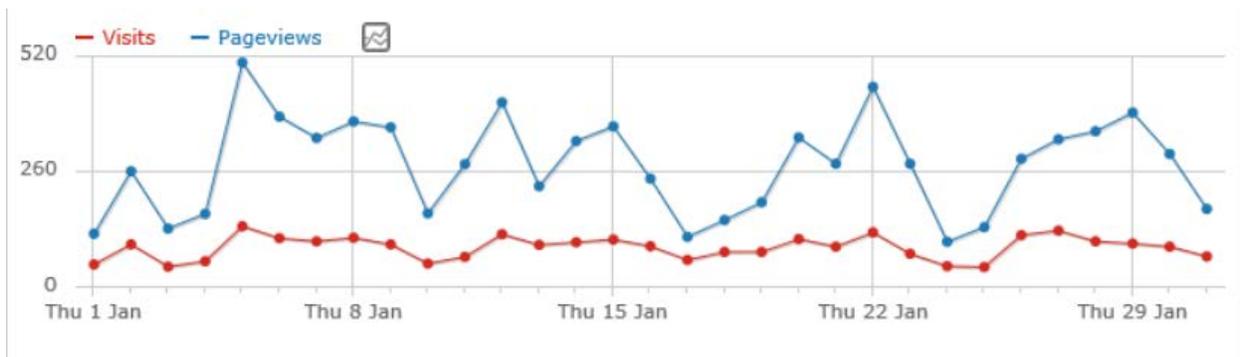
Label	Total Pageviews	Bounce Rate
East Bethel, MN - Official Website	3796	31%
East Bethel, MN	1675	50%
City Council	393	35%
City Code	224	41%
Building Inspections & Permits	210	26%
Residents	133	50%
City Maps	193	57%
Fire	114	50%
Agendas & Minutes	90	0%
Parks & Recreation	89	66%
Planning Commission	101	0%
Administration	51	75%
Government	62	0%
Building Permit Applications	49	0%
Planning Division	58	0%
Trash Collection	36	60%
Community Development	35	33%
Public Utilities	42	14%
Public Works	33	57%
Finance	31	0%
Police	31	42%
Road Commission	57	0%
About East Bethel	28	0%
Building Dept. FAQ	29	0%
Garbage & Recycling	28	0%

Searches within our Site this month

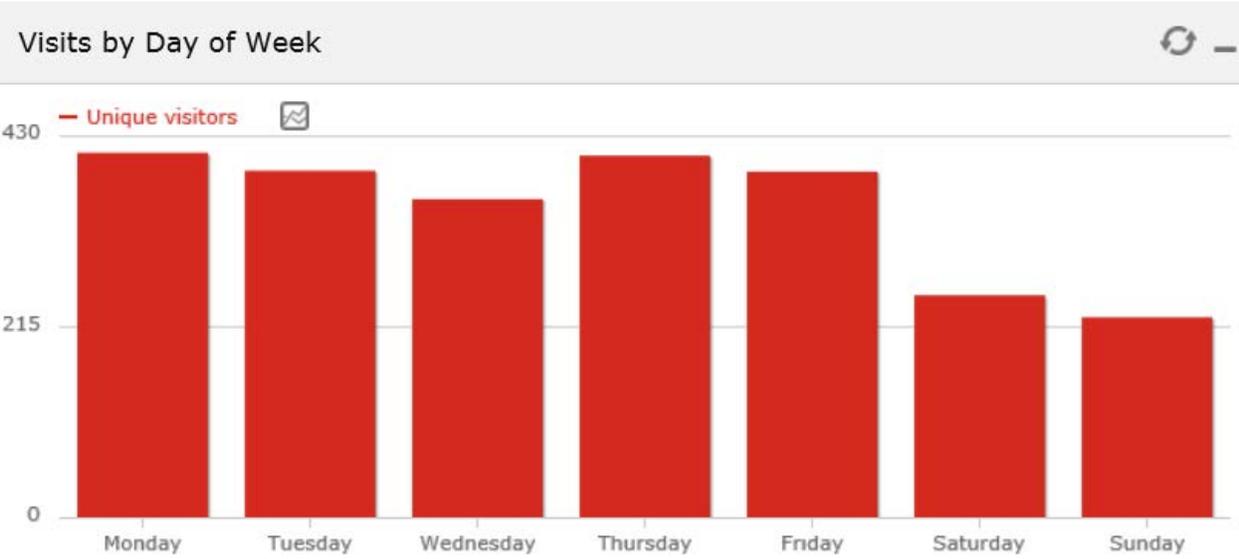
Searched	# of searches
Riding horse	3
Burning permit	2
Capital outlay	2
Chicken	2
City Hall hours	2
Colleen Winter	2
East Bethel Ice Arena	2
Fees	2
Fence	2
Flat Rock Geographic	2
Garage	2
Holmes Council Violation	2
Holmes law	2
Home Business	2
Horse Permit	2
Shaw	2
Well Drilling	2
41110 deroche	2
"Payments for council"	1
4825 viking blvd	1
41110	1
"office hours"	2
Amy Norling	1

28% of users viewed our site via mobile devices this month.

Visitors and Pageviews for the Month of January



Most Downloaded Document from our Website	
Document	# of times downloaded this month
East Bethel Resident Guide	126
Official Zoning Map of the City of East Bethel	69
Septic System Ordinance	28
Electrical Permit Fee Calculation Guide	22
Detached Accessory Structure Pamphlet	21
Official Map of the City of East Bethel	21



This report was generated using data from 2015-01-01 – 2015-01-31.