

Radical Renewal

Minneapolis Mayor R.T. Rybak loves economic development. He just wants to do it his way.

[Josh Goodman](#) | February 1, 2009

At the Midtown Global Market in Minneapolis, you can pick up a gyro from Holy Land Grocery or, if you prefer, sushi and bubble tea from Pham's Deli next door. A few feet away is Taquerea Los Ocampo, which is adjacent to Safari Express, the place to go for Somali stew.

That's just the dining. The global market is home to grocers, butchers, clothing stores, gift shops and a wide array of other merchants, all on the first floor of what, until quite recently, was a vacant Sears office building and department store in Phillips, which 15 years ago was the most crime-ridden area in the entire city of Minneapolis.

In any city, this would be a neat place to eat and shop. But the Midtown Global Market is more than that. It's one of the city's key economic development projects. That says a lot about Minneapolis and the city's mayor, R.T. Rybak.

It's only a slight exaggeration to say Rybak is trying to rewrite the rules of urban economic development. He is trying to prove that it's possible to be a left-leaning mayor of a left-leaning city and still be both a fiscal conservative and a friend to business and development. Of course, what he defines as friendliness isn't always the kind of relationship the CEOs would prefer. But it's changing the face of the city.

What Rybak does is subsidize struggling commercial districts and locally owned businesses -- there isn't a single national chain in the Midtown Global Market. What he doesn't do is use the tool most big-city mayors employ routinely: handing out large tax incentives to lure big businesses.

You can drive around Minneapolis and see the results pretty quickly. Businesses are opening in depressed neighborhoods. Parts of town where no one lived in the 1990s are suddenly hot condo locations. The long-neglected Mississippi riverfront is undergoing a transformation.

But there also are doubts. Some say this sort of progress would have occurred even without action from the city. Retail is struggling downtown, and there's some thought that the city's center would benefit from a more conventional approach. Rybak insists the only route to genuine growth and progress is to stick to the methods he's chosen.

Man of Contradictions

Midtown Global Market may be the best example. In 1994, Sears departed its South Minneapolis complex, a cluster of buildings anchored by a 13-story tower. For a decade, the buildings were vacant, as one redevelopment idea after another fell through. One proposal would have brought a national Hispanic grocery chain to the property, but local Hispanic entrepreneurs objected, fearing the supermarket would put them out of business.

Shortly after Rybak took office in 2002, the city tried a different strategy. It partnered with nonprofits to bring in the Global Market, which is modeled after Philadelphia's Reading Terminal and Seattle's Pike Place. But, the Global Market never would have been possible in Minneapolis if the city hadn't also lured Allina, a health care provider, to set up its national headquarters in the former Sears complex. That effort involved some of the same kinds of public subsidies Rybak tends to disparage elsewhere. But it created a mixed-use project that now includes condos and a new Sheraton Hotel.

It all sounds like a strange combination of conventional and unconventional thinking. But, then, it's rather fitting, because R.T. Rybak is a bundle of contradictions himself.

The son of a Minneapolis drug store owner, Raymond Thomas Rybak Jr. graduated from Boston College in 1978, then returned to his hometown to pursue what would turn out to be an eclectic career. For a time, he was a reporter for the Minneapolis Tribune, then the city's leading daily paper. Later, he worked on development projects for the Minneapolis Downtown Council. Then he became publisher of an alternative weekly newspaper, before finally starting his own Internet consulting firm.

When he sought the mayoralty in 2001, Rybak ran more on his reputation as an activist than on any platform of entrepreneurship. He criticized the incumbent, Sharon Sayles Belton, a fellow Democrat, for relying heavily on subsidies, in the form of tax-increment financing, to help big businesses such as Target expand downtown. That message worked. Rybak upset Belton, who was running for a third term, and other anti-subsidy candidates won seats on the City Council.

Despite that campaign, it is Rybak the entrepreneur and cost-cutter who has been running Minneapolis for the past seven years. When he took charge, the city faced a financial crisis, due to a recession and reductions in state aid. Rybak slashed spending, cutting tough deals with public employee unions, most of which opposed his 2005 reelection. In making those cutbacks, he reduced the city's debt payments. "He's definitely not been a friend of organized labor," says Jim Niland, a former Minneapolis city council member who now works for the American Federation of State, County and Municipal Employees. "He hasn't lifted a finger for union members."

Many of the city's recent endeavors have been funded largely by the private sector. One example is a new Business Improvement District that's set to begin operations this year in the hopes of making downtown cleaner and safer. Minneapolis was late to the BID game in part because of debates over whether city procurement and prevailing-wage rules would apply to the privately run operation. Rybak pushed through support for a BID that wouldn't need to abide by those rules.

Rybak has done other things to make city government more responsive to business. One of his first acts was to consolidate the planning and economic development departments. At the time, working with the city on development was considered a nightmare for private developers because different departments would bring forward conflicting demands. The new Department of Community Planning and Economic Development didn't instantly solve the problem, but the situation has slowly improved.

Battling Blight

To say that R.T. Rybak governs in large part as a pro-business mayor isn't to say that he always behaves like one. In fact, he rarely does. This is, after all, the same man who briefly endorsed Ralph Nader for president in 2000, who crowd-surfed at his victory party when he was reelected in 2005 and who is famous for wearing mismatched socks.

The old left-leaning Rybak comes out clearly whenever you bring up the subject of dealing with poverty in Minneapolis. "We're not going to treat everyone equally," he says. "We're going to disproportionately invest where there's disproportionate need, not just because it's the right thing to do but the smart thing to do. We won't be judged by just what happens in skyscrapers downtown but by what happens in North Minneapolis."

North Minneapolis is now the most troubled area of the city. Crime spiked upward there halfway through Rybak's first term. Recently, the city used tax-increment financing to bring the headquarters of Coloplast, a medical device maker, to the North Minneapolis neighborhood. Rybak and Council President Barb Johnson were personally involved in closing the deal and the city effectively served as the developer for the project. The message: Tax subsidies are available for businesses that locate in the poorest parts of the city.

Most downtown projects haven't been getting the same kind of help. "I've been working for four years to get a Best Buy store downtown," Rybak says. "We're eventually going to get it, but it's not going to be because we wrote a check. I'm not using the tax dollars of the elderly woman on a fixed income to support that business."

All of this is very different from the way economic development has been handled in recent years in most cities that have been successful at it. Mayors such as Richard M. Daley in Chicago and Kay Barnes in Kansas City generally have been willing to cut big-money deals and hand out a lot in subsidies to bring in businesses. The thinking is that the jobs and property taxes that come along with new businesses make the concessions worthwhile. "I'm not aware of any other town similar to Minneapolis where retail development is being done

without government assistance in the program," says Jim McComb, a Minneapolis retail consultant.

One kind of project that Rybak does want to put money into is public transit. Minneapolis' first light-rail line debuted in 2004 and Rybak has never ceased to push for more. When the interstate highway bridge over the Mississippi River collapsed in 2007, Rybak insisted that the bridge built to replace it be capable of supporting a future light-rail line. He eventually got his way.

There has been a simultaneous push for downtown housing. Condos have been popping up throughout the center of the city, to the point that 34,000 people now live downtown. They have plenty to do near to home, whether it's to see an exhibit at the new Walker Art Center (opened 2005), check out the collection at the new downtown Central Library (opened 2006) or attend a play at the new Guthrie Theater (also opened 2006).

It's a matter of city policy to do these things in blighted neighborhoods, such as Phillips and North Minneapolis, as well as healthier ones. "You need the transitional uses," says Mike Christenson, who heads the city's Department of Community Planning and Economic Development. "The arts organizations have to reclaim the street. The employment agencies have to take up some of the office space. The right non-profits need to take up a role in the corridor to restore confidence. What we do is move those uses in first."

Fit and Hip

When you drive around the city with Christenson, you see multiple examples of what he's talking about. On a December afternoon, he starts his tour in the Mill District, where lofts and cultural attractions are taking hold. "This was a locomotive going down a set of train tracks in the 1980s," Christenson says, in front of the MacPhail Center for Music. "Seven people lived here. They were all homeless."

The North Loop, a warehouse district on the edge of downtown, was equally uninhabited at the time. Many of the warehouses are now being turned into residential buildings. Christenson excitedly points to a dog park, citing it as tangible proof that this formerly industrial neighborhood is turning into one of the hottest places to live in Minneapolis.

Further north on the banks of the Mississippi is the \$35 million Coloplast headquarters, which will open this year. But Christenson is nearly as enthusiastic about a dance studio across the street. "They train Minneapolis dancers for Broadway," he says. "Isn't that cool?"

Then, he turns south. That's where several hospitals have been expanding, and rebuilding the local economy with them. Eventually, he reaches Phillips, where, Christenson says, police recorded 21 murders in a single precinct in 1994. "This is not going to look like a tough neighborhood," he says. "Do you know why? Because it isn't." Businesses are open and people are walking on the streets.

Not all of this is Rybak's doing. Some changes began before he took office. And Minneapolis is constitutionally a weak-mayor city, so much of what he does has to be accomplished through the power of persuasion, rather than the administrative authority that a Michael Bloomberg in New York City possesses. "I love the mayor," insists Lisa Goodman, who heads the City Council's Community Development Committee. "I think he's great. But the people that do the work here are the City Council."

Still, it's hard not to see a reflection of Rybak's values -- in favor of small businesses, the arts and public infrastructure -- in almost all of the city's development policies. The mayor, whose wife once described him as "pathologically social," is the public face of almost everything the city does. He travels across it on his bicycle or in his plug-in hybrid car. "He matches Minneapolis' self-image," says Mike Temali, who runs the nonprofit behind the Midtown Global Market. "Fit and hip."

Retail Struggles

There are lingering doubts in Minneapolis, however. In the quest to be hip, has the city neglected some of the basics of growing an urban economy?

For example, the jury is still out on the Global Market. The number of people visiting the market is exceeding expectations. Sales, though, aren't. Some businesses have closed, to be replaced by others. That's not surprising

for a collection of small businesses, many of which are run by first-time entrepreneurs, but it means that the project can't be described as an unqualified success.

The place where the doubts are most pressing is downtown. Sam Grabarski, president of the Minneapolis Downtown Council, describes the last decade as a golden era for downtown Minneapolis -- light rail has arrived, people are moving into the city center, a new ballpark for the Minnesota Twins is under construction. But there is one big exception: retail.

This is a problem that everyone acknowledges. The gargantuan Mall of America opened in suburban Bloomington in 1992. Ever since then, the city has had to fight for shoppers. "We're really slow on retail now," Christenson admits. "We're about a third of the retail strength of the Mall of America, which we're not happy about at all. At all."

Grabarski says that when it comes to helping downtown, Rybak talks a good game. But, he adds, "Nothing makes up for tax incentives." Grabarski acknowledges that Rybak's predecessors may have relied too heavily on tax-increment financing, subsidizing projects that would have happened without public help. But he says things have swung too far in the opposite direction. "I think that he still doesn't always know how incentives may be necessary for certain projects to occur," Grabarski says. "There are times we don't have the tools that other cities have."

It's unlikely those tools will be put in place anytime soon. Rybak is adamant about subsidies to big companies. "I believe the city should partner with the private sector," he says, "but the city can't be a chump. We're no longer negotiating on our knees."

One key tenet of Rybak's philosophy is that, in the age of globalization, corporate leaders don't have the same importance they once did in local urban life. Non-profit leaders and civic activists have a much bigger role to play. "We needed to build broader coalitions for a different period of time," Rybak, says, "which is why any of our initiatives that have mobilized the civic community have been so much more broad-based than just disappearing into the confines of the Minneapolis Club with five rich white guys who have their name on the company. That was a great time, but it's gone. Now, our coalition is much broader."

Skyway Dilemma

In most respects, Rybak is a dyed-in-the-wool New Urbanist. He believes that if he can make Minneapolis a place where people live, walk and work, the businesses will follow. Rather than spend millions on luring new employers, he believes in trying to reshape it into a place that businesses and residents won't be able to resist.

One of the most controversial features of downtown Minneapolis is the network of second-floor glass walkways known as skyways. The skyways are filled with restaurants, coffee shops and all manner of businesses, giving downtown denizens a comfortable place to shop even during the cold, snowy Minneapolis winter.

The skyways, however, are a problem. Critics see them as strangling street life in Minneapolis. Many of the skyway businesses start closing in the mid-afternoon. No one is seriously talking about getting rid of the skyways, but getting more people on the street level is viewed as a key priority. "You have a downtown that's actually a suburban office park," says Steve Berg, a journalist and consultant to the mayor. How do you transform that into the city center that Rybak and his allies dream about, one where people don't just work for eight hours and go home, but where tens of thousands of them -- far more than the current downtown residential population -- live, work, shop and walk?

Rybak believes it can be done without subsidies to big corporations. He has lots of ideas. He wants to bring streetcars back to Minneapolis streets. He wants to bring bike lanes to Nicollet Mall, the place with the most active street-level shopping downtown. He's even excited about water fountains designed by artists. "They're small things," Rybak says, "but they send a message that we're a city that gets it. That we will always be on the cutting edge and any list of new innovations in the country, people in Minneapolis should assume they'll see their city there."

If you really want to see where Minneapolis is going, you might want to take a look at Washington Avenue, although, truth be told, it requires a bit of imagination. Washington Avenue is a major thoroughfare that bestrides many of the major landmarks of the city: the University of Minnesota, the Metrodome arena, downtown and the

new Twins baseball park. Yet, for a long time, Washington Avenue has been completely nondescript, much of it lined by parking lots and obsolescent industrial buildings.

"I don't think there's ever been anyone in this city, including the mayor, who's ever said to a visitor, 'Gee, you have to walk down Washington Ave.,'" Rybak declares. "But they should. We have settled for too little. We've set the bar too low. Washington is a perfectly fine street, but one of the main thoroughfares through the heart of this incredible city should not be mediocre. Too often we use streets as a way to get to a destination, but my philosophy is every street is a destination in itself."

Rybak has charged groups of architects and urban planners with reevaluating roads all around Minneapolis. The first place one of these "Great City Design Teams" looked was Washington Avenue. Their plan calls for wider sidewalks, more trees, traffic-calming steps -- everything that, they hope, will make Washington Avenue into Washington Boulevard -- a road bustling with pedestrians and storefronts. The Great City Design Teams have equally ambitious plans for neighborhoods all over Minneapolis. The unstated logic is that good urban design can trump tax subsidies as a development tool.

There's an irony to the transformation Rybak is looking for on Washington Avenue and throughout Minneapolis: No one is more nostalgic for the way Minneapolis used to be than he is. In 2001, he ran on the slogan: "I was born in a great city and I don't want to die in a mediocre one." It's clear now that, for better or for worse, tomorrow's Minneapolis will scarcely resemble the one in which he was born. "The old Minneapolis I grew up in was a wonderful place," the mayor says. "This is a different place, that has to be successful for different reasons."

This article was printed from: <http://www.governing.com/topics/economic-dev/Radical-Renewal.html>