THE
AMERICAN EXPRESS OPEN INDEPENDENT RETAIL INDEX

MINNEAPOLIS
SUPPLEMENT

OCTOBER 2011

CIVIC ECONOMICS
CREATIVITY · OPPORTUNITY · PROSPERITY

AMERICAN EXPRESS OPEN

INTRODUCTION

Civic Economics is pleased to present this community supplement to the American Express OPEN Independent Retail Index, a study of market trends in independent retailing and food and beverage service in 15 major American cities. This document is a supplement to the main study report.

The Index is the first longitudinal market share study, charting the success of independent, local proprietors over a 20-year period, from 1990 to 2009. The data source for sales and employment at retail stores, restaurants, and bars is the NETS Database, built from Dun & Bradstreet business data for every year since 1990. The Index itself is a way of scoring communities based on the vitality of the independent business community in Retail Shopping and Eating & Drinking. *The higher the index, the higher the market share captured by independents*. An index of 100 reflects the average market share in that sector in 2009.

The Index additionally provides localized analysis of those trends in fifteen major cities, studies one or more independent business hot spots in each, and reviews trends in those neighborhoods to identify the impact of those successes. We have provided a supplemental document for each of the study communities.

For more information about the Index and the methodology, please review the primary study document. All study documents are available online at ***SmallBusinessSaturday.com***.

MINNEAPOLIS AND THE INDEX

Hennepin County, in which Minneapolis is situated, has a population of 1,152,425, the 11th largest among the 15 study communities; its growth rate of 3.2% over the last decade is below the average for both study communities and the nation. Per capita retail spending is substantially higher than the study group and the nation, even when accounting for its relatively high per capita income. This is likely a function of the city's role as a shopping destination for the upper Midwest and beyond.

Minneapolis ranks 13th in the Combined Index, with individual rankings of 13th in Shopping and 11th in Eating and Drinking out of the fifteen study areas.

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COMPARISON OF STUDY COMMUNITIES

City	Study Area	Combined Ranking	Growth 2000-2010	Per Capita Income 2009	Retail per Capita 2007	Density (per Square Mile) 2010 *
NEW YORK	Five Boroughs	1	2.1%	$ 28,516	$ 9,375	26,980.6
SAN FRANCISCO	San Francisco County	2	3.7%	$ 44,373	$ 15,516	17,246.4
WASHINGTON	District of Columbia	3	5.2%	$ 40,846	$ 6,555	9,800.0
BOSTON	Suffolk County	4	4.7%	$ 53,751	$ 10,381	12,338.1
PHILADELPHIA	Philadelphia County	5	0.6%	$ 20,882	$ 7,299	11,296.2
MIAMI	Miami-Dade County	6	10.8%	$ 22,619	$ 14,074	1,282.8
LOS ANGELES	Los Angeles County	7	3.1%	$ 26,983	$ 12,336	2,417.9
SEATTLE	King County	8	11.2%	$ 37,797	$ 20,002	908.4
ATLANTA	Fulton County	9	12.8%	$ 36,412	$ 13,363	1,741.3
CHICAGO	Cook County	10	-3.4%	$ 29,021	$ 11,571	5,493.1
DETROIT	Wayne County	11	-11.7%	$ 21,691	$ 8,720	2,694.4
SAN DIEGO	San Diego County	12	10.0%	$ 30,705	$ 13,009	737.0
MINNEAPOLIS	Hennepin County	13	3.2%	$ 35,687	$ 19,646	2,070.4
DALLAS	Dallas County	14	6.7%	$ 25,703	$ 13,929	2,692.3
PHOENIX	Maricopa County	15	24.2%	$ 27,185	$ 15,153	414.8
	Study Community Average		5.5%	$ 32,145	$ 12,729	6,540.9
	U.S. Average		9.7%	$ 27,041	$ 12,990	87.3

Source: US Census

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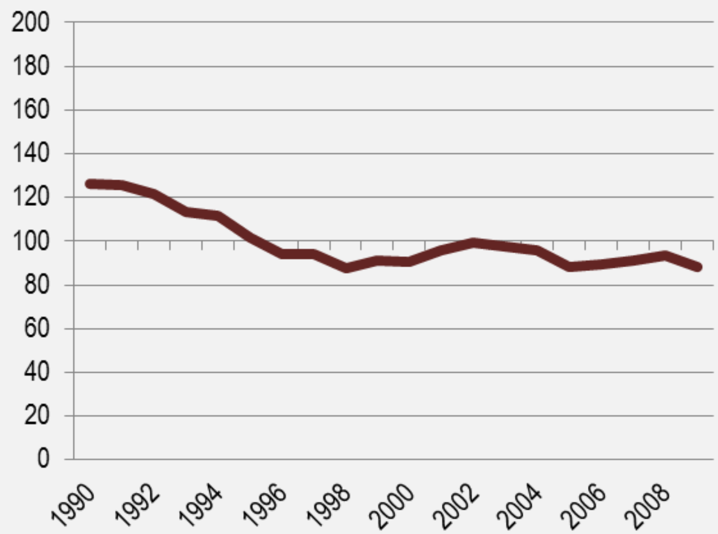
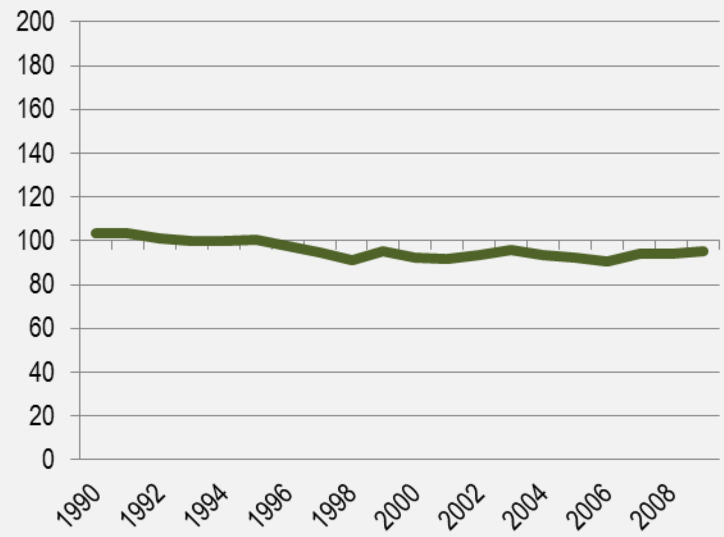
MINNEAPOLIS (HENNEPIN COUNTY)

RETAIL SHOPPING INDEX



EATING & DRINKING INDEX



1990 Index:	126	Rank:	7
2000 Index:	91	Rank:	12
2009 Index:	88	Rank:	13

1990 Index:	103	Rank:	11
2000 Index:	92	Rank:	11
2009 Index:	95	Rank:	11

Combined Ranking, 2009: #13

Source: NETS, Civic Economics, US Census

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OPEN INDEX RANKINGS BY CATEGORY, 2009

SHOPPING RANKINGS

City	Points	Rank
New York	155	1
Miami	125	2
Boston	116	3
Los Angeles	115	4
San Francisco	114	5
Washington	112	6
Philadelphia	105	7
Detroit	100	8
Atlanta	95	9
Seattle	91	10
Dallas	89	11
San Diego	89	12
Minneapolis	88	13
Chicago	82	14
Phoenix	75	15

EATING AND DRINKING RANKINGS

City	Points	Rank
San Francisco	136	1
New York	132	2
Washington	126	3
Philadelphia	119	4
Boston	118	5
Chicago	109	6
Seattle	108	7
Los Angeles	98	8
Miami	98	9
Atlanta	97	10
Minneapolis	95	11
San Diego	95	12
Detroit	84	13
Phoenix	84	14
Dallas	82	15

COMBINED RANKINGS

City	Points	Rank
New York	287	1
San Francisco	250	2
Washington	238	3
Boston	233	4
Philadelphia	224	5
Miami	223	6
Los Angeles	213	7
Seattle	199	8
Atlanta	192	9
Chicago	191	10
Detroit	185	11
San Diego	184	12
Minneapolis	184	13
Dallas	171	14
Phoenix	159	15

Source: NETS, Civic Economics, US Census

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INDEPENDENT BUSINESS IN MINNEAPOLIS

Chart 4, at right, shows the change in employment in Hennepin County Retail Shopping and Eating & Drinking Establishments over the study period.

Collectively, Minneapolis independents provide roughly 55,000 jobs in the county as of 2009, with 29,000 coming in the Retail Shopping category and 26,000 in Eating & Drinking.

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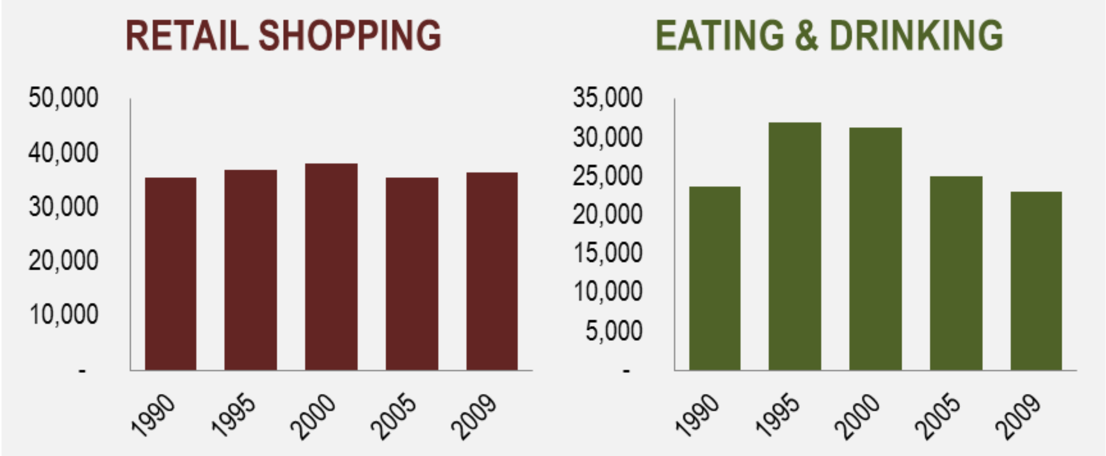
EMPLOYMENT AMONG INDEPENDENT BUSINESSES, 1990-2009



Source: NETS, Civic Economics

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LOCAL INDEPENDENT BUSINESS HOT SPOTS

The Index set out to quantify the health of independent businesses in major American cities over time and in comparison with one another. However, this study would be incomplete without a look within those major cities at the independent business districts that help to define the character of the community and contribute mightily to the vitality of nearby neighborhoods.

For each of the 15 study communities, Civic Economics tied the NETS database of independent retailers, restaurants, and bars to a map produced in Geographic Information System (GIS) software. From the broadest map of the county, we identified a number of hot spots of independent businesses, and zoomed in on them to find each city's most indie-driven business districts.

A note on data: Within the 60 million data points from which Civic Economics built the Index, there are undoubtedly errors and omissions. At progressively small geographic levels, such as the neighborhoods discussed below, those may become apparent. However, despite the occasional misplaced business on a map, we believe the data provides a unique and reliable view of the trends at the national, county, and neighborhood level.

When Americans think of Minneapolis and shopping, one thing comes to mind: the Mall of America in adjacent Bloomington. Indeed, Minneapolis' relatively low index score is undoubtedly due to some degree to the powerful draw of the Mall, which draws tourists from beyond the region. However, despite that powerful retail anchor, Minneapolis remains a city of diverse and thriving neighborhoods. The contiguous areas of Uptown and Lyn-Lake illustrate that point.

Uptown/Lyn-Lake, Minneapolis

Uptown and Lyn-Lake (in small box on Map A at right) are adjacent business districts south of the city's downtown area. At the Lake Street intersections with Hennepin and Lyndale Avenues, there have emerged thriving corridors of independent businesses. The area is served by a range of transportation options, including two high-frequency bus routes and the Midtown Greenway. Adjacent residential areas encompass a wide range of both historic and contemporary housing choices.

Map B on the following page depicts the evolution of the business districts at Hennepin and Lake (Uptown) and Lynwood and Lake (Lyn-Lake) since 1990. It shows an ever increasing number of independent businesses in the area (represented by dots), filling corner spots and spreading further along the cross streets.

A

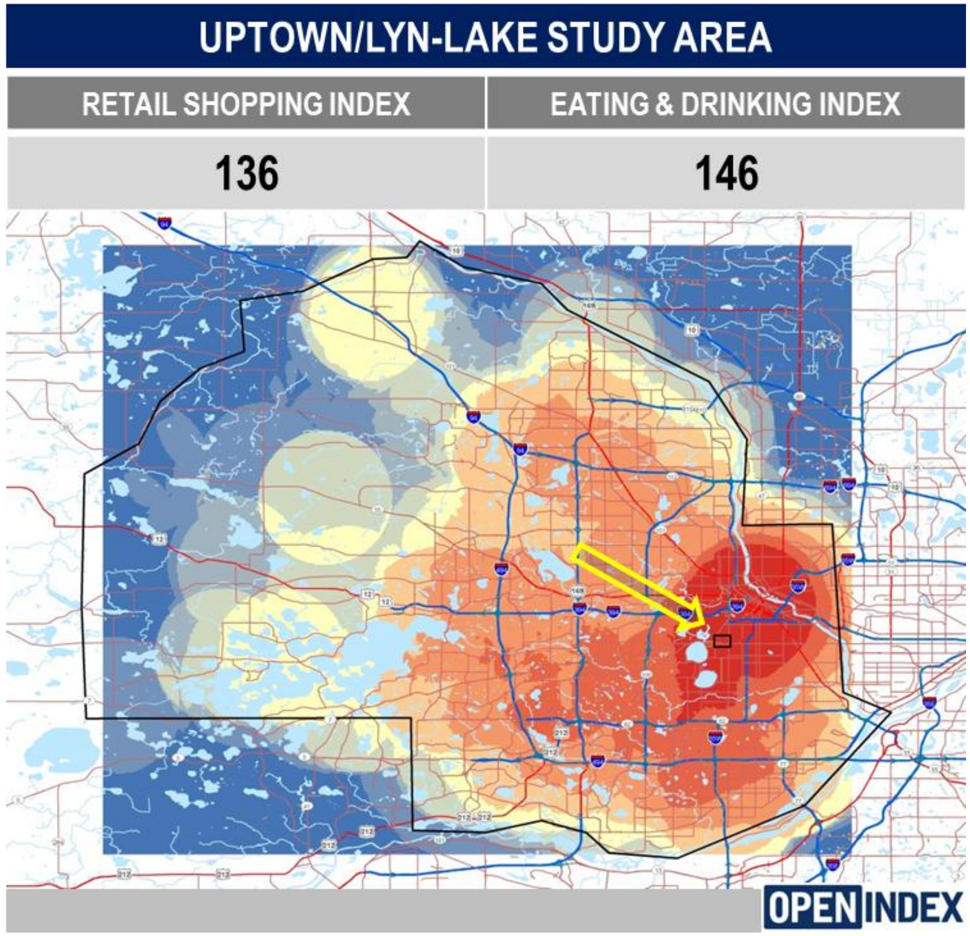
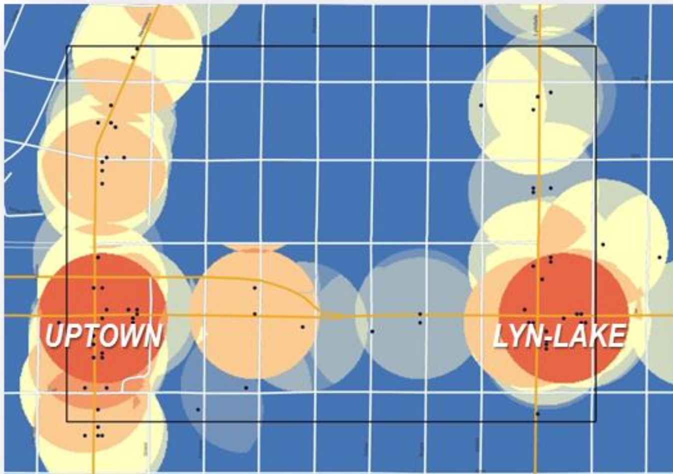


Chart 5 (on page 9) compares the retail and food & beverage markets in Uptown/Lyn-Lake with the broader Hennepin County market. Most notably, independents enjoy a substantially higher market share in the neighborhood than in the County. Beginning in 2004, the neighborhood also began a notable shift from retail establishments to restaurants and bars, a transition frequently seen in similar districts in other cities.

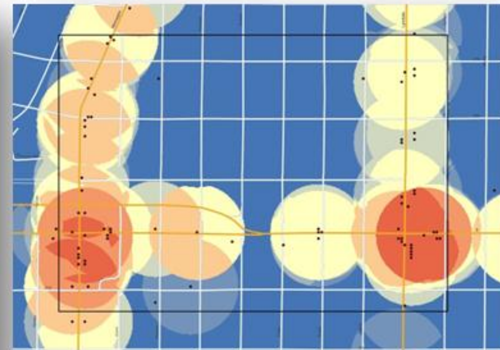
B EVOLUTION OF AN INDEPENDENT BUSINESS DISTRICT

UPTOWN/ LYN-LAKE

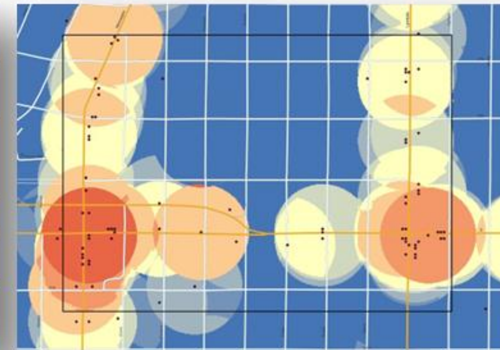
1990



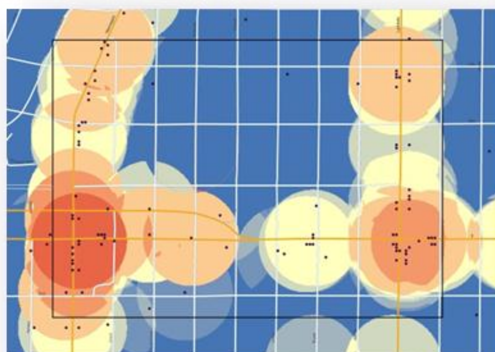
1995



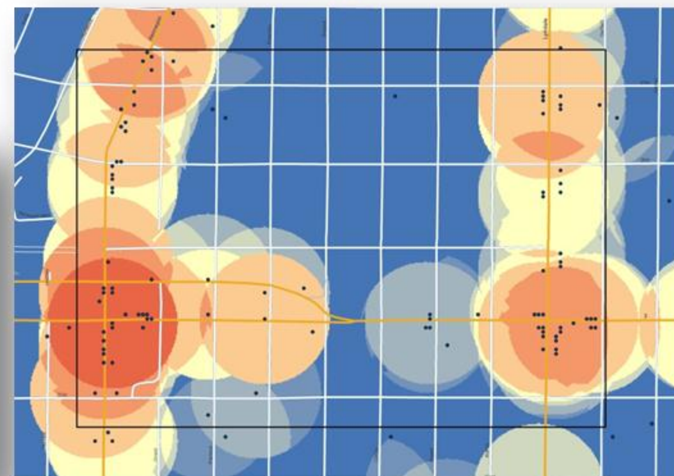
2000



2005



2009



KEY

One “dot” = one independent business

Colored rings indicate intensity of independent sales relative to the region

Source: NETS, Civic Economics

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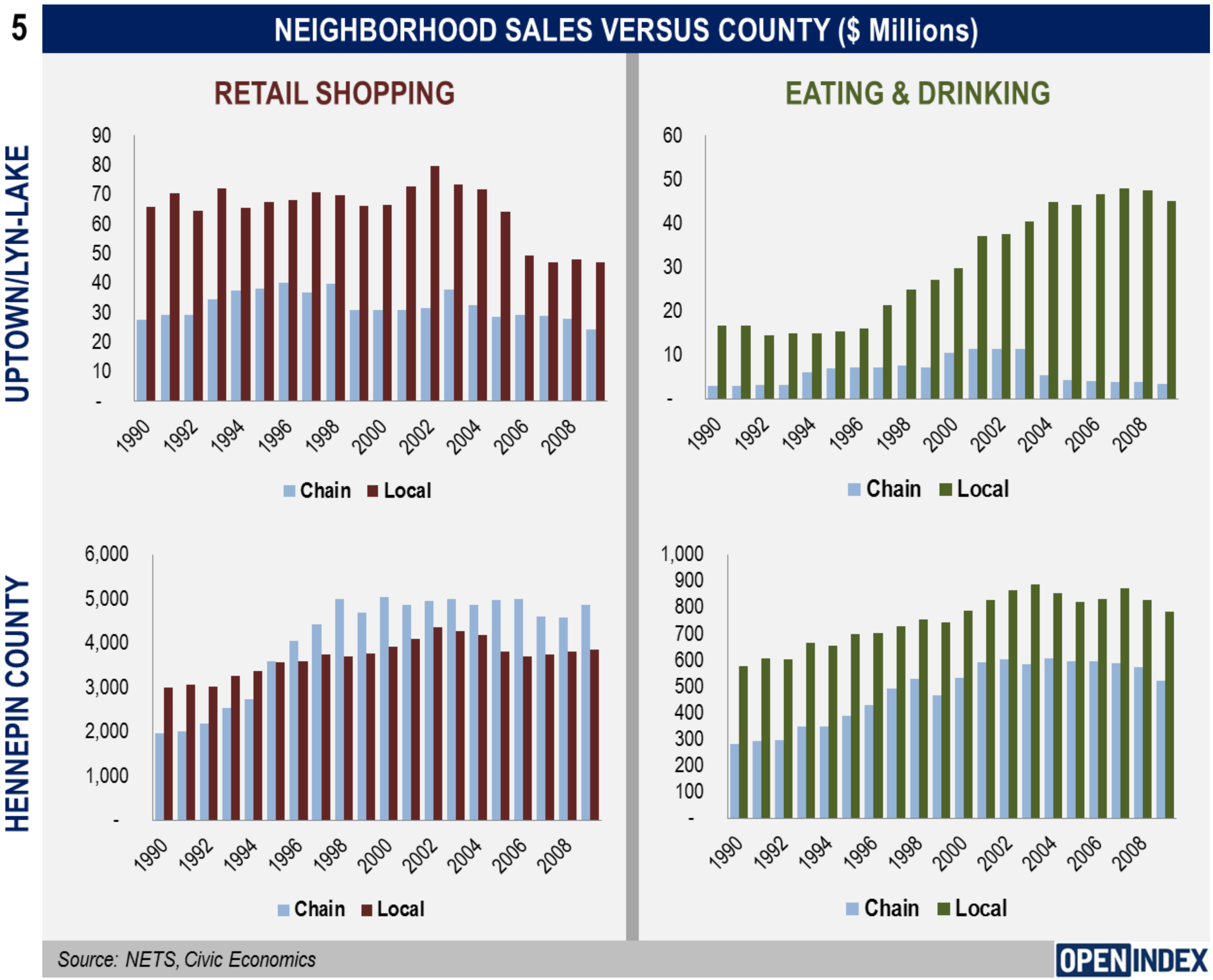
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NEIGHBORHOOD SALES VERSUS COUNTY ($ Millions)
RETAIL SHOPPING
EATING & DRINKING
UPTOWN/LYN-LAKE
HENNEPIN COUNTY
Chain
Local
Source: NETS, Civic Economics
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The Economic Impacts of Uptown/Lyn-Lake

To measure the economic benefits provided by a thriving independent business district, Civic Economics studied two questions in each local business district analyzed.

The first is whether the presence of the district produces strong neighborhoods around it. The left side of Chart 6 below provides one answer to that question, tracking the median sales price in the zip code most closely associated with the district.

The 55408 Zip Code encompasses the entire business district and adjacent residential areas. Through most of the study period, Uptown homes outpaced the city median. Then, after the neighborhood market stagnated ahead of and through the recent recession, it rebounded strongly in 2010 to again outpace the broader market. Given the small size of the neighborhood, the apparent slowdown ahead of the recession may be the result of a limited number of sales.

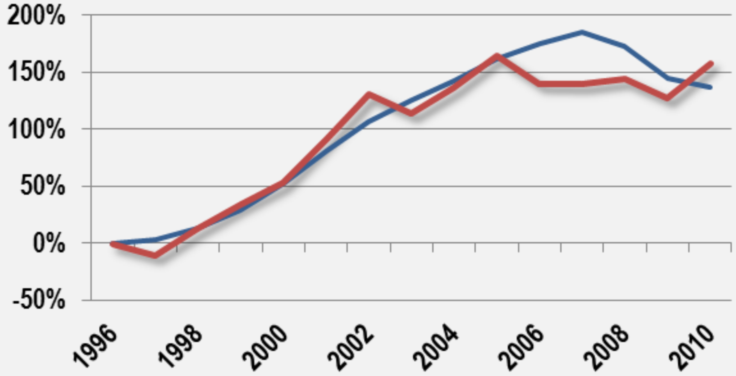
The second question is how many jobs are created by the presence of the district. The right side of Chart 6 below shows job creation at both independent and chain businesses.

From 1990 to 2003, Uptown and Lyn-Lake businesses increased employment by more than 600 workers to a peak of 2,500. With the transition to restaurants and bars and the recent economic slowdown, employment has returned closer to where it began.

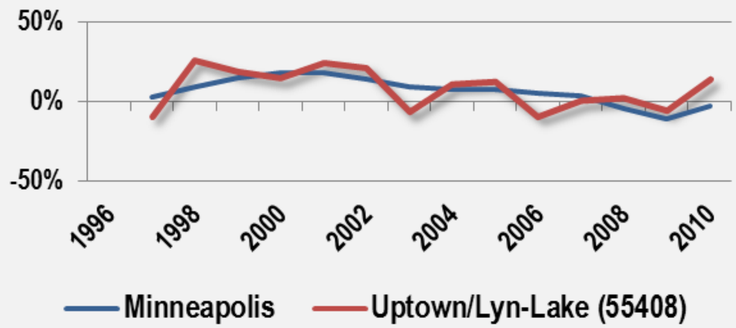
6 THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT

MEDIAN HOME SALES PRICES

CUMULATIVE % CHANGE FROM 1996 VALUES

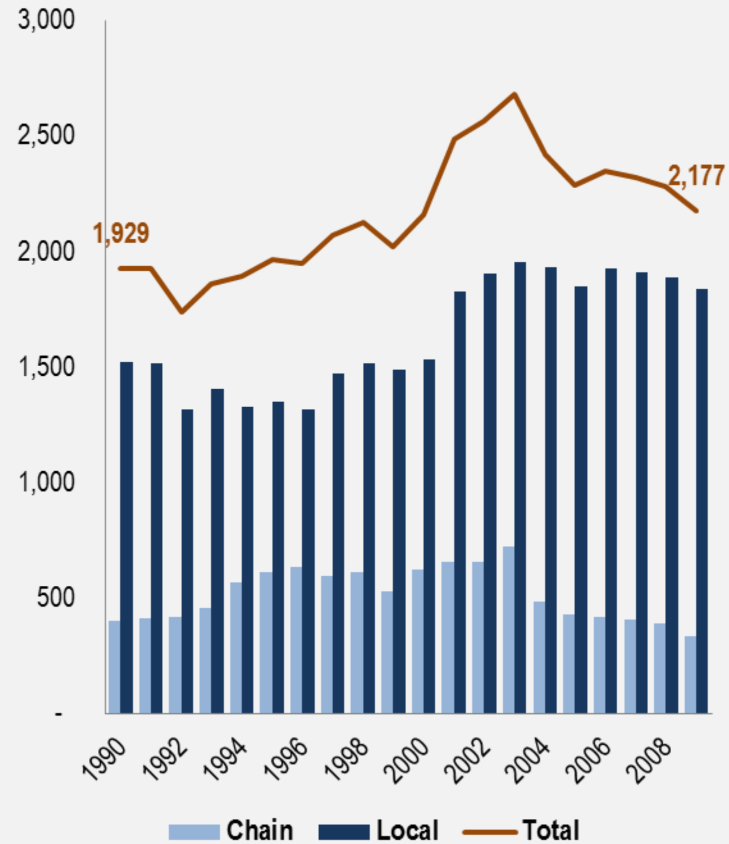


ANNUAL % CHANGE



Source: Zillow.com, Civic Economics

JOB CREATION IN THE NEIGHBORHOOD



Source: NETS, Civic Economics

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CONCLUSION

Minneapolis is known worldwide as a shopping destination. For many, that means the Mall of America. Uptown and Lyn-Lake, though, present another side of the Minneapolis experience, one more indigenous and organic. These business districts anchor a thriving residential area and, increasingly, provide an evening destination for the Twin Cities Region. With more than 2000 employees in the shops, restaurants, and bars of the neighborhood, moreover, Uptown/Lyn-Lake has emerged as a regional employment center and tax generator.

All these benefits are driven by the mix of independent, locally-owned businesses in the neighborhood. Without these entrepreneurs, Uptown, Lyn-Lake, and similar districts all over America would face declining fortunes.

CONTACTS

To learn more about the OPEN Index and to download study documents, please visit ***SmallBusinessSaturday.com***.

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Civic Economics is an economic analysis and strategic planning consultancy with offices in Austin and Chicago. Founded in 2002 by Matt Cunningham and Dan Houston, the firm has earned a national reputation for innovative approaches to economic development challenges. Learn more at *www.CivicEconomics.com.*

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