



NEW BUSINESS – DISCUSSION

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**Topic:**                    **Downtown Plan Review**

**Agenda Item:**        **6 (b)**

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**Background Information:** As part of the City’s 2019 Work Plan, the Planning Commission was requested to update the Downtown Plan. Included in this packet you will find the text for the Executive Summary, Background and Downtown Keys to Success.

The complete Downtown Plan is available on the City’s website. We will be conducting the Neighborhood Evaluations this spring and summer.

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**Planning Commission Direction:** The Planning Commission should review the attached material and come prepared to discuss changes, additions, deletions, etc.

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# *Pequot Lakes Downtown Plan*

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## **I. Executive Summary**

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Like nearly every community in the United States today, Pequot Lakes is struggling to figure out how to transition to a set of new economic realities. The hyper-growth of the recent past covered up a lot of the financial imbalances created by the City's development pattern. This pattern – typified by horizontal, decentralized growth with a strong auto-orientation – created a lot of long-term liabilities for infrastructure maintenance that the City will now struggle to meet in a more austere age.

As the City is positioned today, the places where it has the greatest level of public investment – the downtown and its surrounding neighborhoods – are also the places where private-sector investment has lagged the most. Unless there is a dramatic shift in this imbalance, large amounts of public infrastructure will need to be abandoned and/or large subsidies from other property owners (predominantly higher-value lake property owners) will be necessary to meet the City's maintenance obligations.

These are not easy challenges, particularly since they call into question the prosperity and growth the City has experienced over the past two decades. The greatest level of prosperity Pequot Lakes has experienced came in the years prior to the housing collapse, a market correction that began nationwide in 2008. It is difficult to confront the realization that our local prosperity was not “real” financially. It would be comforting to believe that the growth and success experienced locally was the result of wise local decision-making, instead of factors beyond the City's control. And it is difficult to acknowledge today that there is no mix of incentives or local programs that can bring back the conditions of 2005.

In short, Pequot Lakes is in a new, evolving reality. It is unclear precisely what the future will bring, but it is becoming apparent that the City will need to adapt to a new set of local economic realities, including:

- **Inconsistent property values.** Since the City's primary revenue source is a tax on property values, it should be keenly aware that property values can vary as the economy fluctuates.
- **Highway realignment.** With the Highway 371 realignment becoming a reality, it's important to recognize the opportunities, challenges and uncertainties ahead.
- **Reduced state and federal support.** As with most small towns, Pequot Lakes has relied on the state and federal governments to fund and finance major infrastructure improvements. Of course, the state and federal governments have long-term, structural financial problems that make them unreliable sources of future funding. Maintaining the City's sewer and water infrastructure – let alone local roads and streets -- without major state and federal assistance is currently unthinkable, but it is likely to be a reality we have to face.
- **Private sector indebtedness.** In recent decades, the City has grown used to the private sector investing large amounts of leveraged funds to develop, and subsequently purchase, both commercial and residential properties. The emerging economic realities of our time suggest this is not a trend likely to continue, which will have large cash-flow implications for the City.

- **Higher energy costs.** Higher energy costs will dramatically change life in Pequot Lakes. Over 70% of the food consumed in Minnesota comes from outside of Minnesota, so energy costs will dramatically impact the cost of food. Every business in Pequot Lakes currently relies on automobiles to deliver their patrons, so current business models will be challenged. Nearly 40% of Pequot's residents are seasonal and there is still a large transient population during tourist season, all of whom will have their mobility decisions challenged. While it is true that higher energy prices present tremendous opportunities, those will only be realized with a change from the status quo.

To be successful in this new age, the City must reorient its initiatives to focus on obtaining a higher return on the public's investments. Nowhere is the disparity greater between the City's financial obligations and the revenue generated by those investments than the neighborhoods surrounding the historic downtown.

**Revitalizing the downtown of Pequot Lakes and the neighborhoods that surround it is critical to the long-term financial health of the City.**

This plan is an update of an earlier effort that was never formally adopted but was instrumental in shaping City policy over the past nine years. It details the rationale and strategy for renewing downtown Pequot Lakes and the surrounding neighborhoods. It is a practical plan that is in touch with the new realities facing the City.

And in that context, it is important to note that the difficult economy can actually assist us in our revitalization efforts. For example, the typical family spends \$7,000 per year for each automobile they utilize. Where Pequot Lakes can offer a family a high quality of life that only requires them to own one car, the resulting savings can pay for a \$108,000 mortgage. By focusing on this hypothetical family – and what would allow them to live in the downtown neighborhoods of Pequot Lakes without needing that second car – we can start to see a path to renewed private-sector investment.

Pequot Lakes is already a great place to live, with a downtown area that has much to offer. Building on this will not be difficult in a physical sense. Our greatest challenge is not physical, however, but social. We must collectively adapt to the changing world around us, acknowledging that we can't bring back what we never really had. Instead, we must realize that we have the capacity – here in Pequot Lakes – to build a future that is even better than what we dreamed at the height of our "prosperity". This is our challenge.

## II. Background

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The City of Pequot Lakes was originally built around a railroad stop. The traditional way in which this was done throughout the Midwest was that the railroad company would install the rail line, plat out towns along the line, then sell the platted land to defray their construction costs. The railroad companies used the traditional grid pattern of development, a development style that had been used for human settlement across continents for thousands of years.

The grid layout has its origins with the first cities in ancient Mesopotamia. These places developed a less-rigid block structure within fortified walls. This approach can still be seen in the historic sections of very old towns, such as Paris or Rome.

In the United States, most of the early settlements took advantage of improvements to surveying methods and established along a grid pattern. As settlement went further west, the ease of surveying a grid made it the standard approach to development surrounding railroad stops. Nearly all Midwestern cities established during the 1800's, including Pequot Lakes, have a historic grid layout at their core.



The grid pattern in Athens of Ancient Greece.

The grid approach served cities of this era well. The grid created a fairly dense, walkable development pattern that worked well for people getting off the train and the business owners trying to service them. As the city grew and matured, the grid provided the framework for mixed-use neighborhoods to expand around the commercial district. The entire area was surrounded by farms and hunting areas and was, in nearly every sense, self-sufficient.

Just prior to the Great Depression, as automobiles were starting to become more prevalent, and then following World War II when auto ownership became ubiquitous, the grid design was largely replaced by the curvilinear, suburban design and highway-oriented development. The historic districts of many cities, such as Pequot Lakes, are now surrounded by suburban-style development. The streets in the grid pattern have been subsequently retrofitted for automobile travel. Accommodating automobiles is now the primary design criteria for the public right-of-way in most cities, including Pequot Lakes.

Even so, the core of Pequot Lakes and its surrounding neighborhoods are constructed on the traditional grid. Understanding the strengths and weaknesses of this pattern is critical to understanding how to revitalizing it.

### Sense of Place

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Besides the ease of surveying, the grid pattern provides a number of design advantages that were important in an era prior to automobile-base design. The public realm (the space between buildings now devoted largely to automobiles) provided space for social interaction. The orientation of the homes towards the public realm increased security. Mobility for pedestrians was enhanced by the connectivity

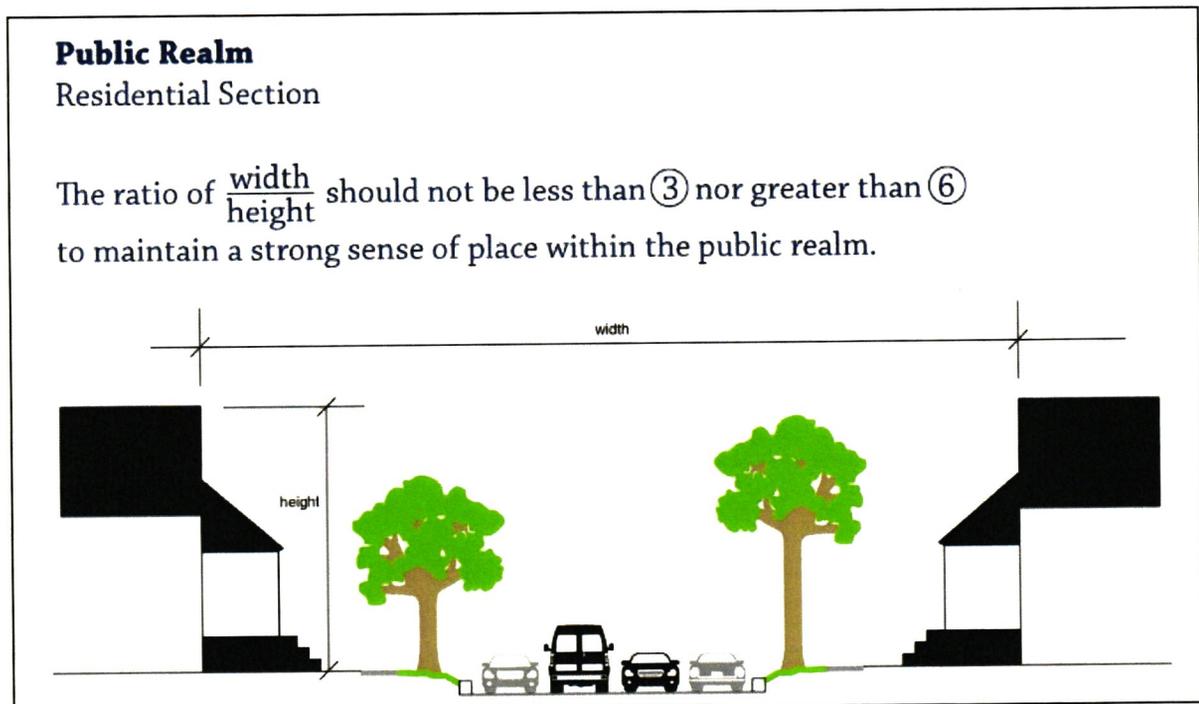
of the grid. Most importantly, the grid provided a platform that could grow over time as the community matured.

The social space of the public realm was created by a design that emphasized the value of that space. The layout and spacing of the buildings created what has been called a “sense-of-place”. This is a design technique that also goes back to ancient times.

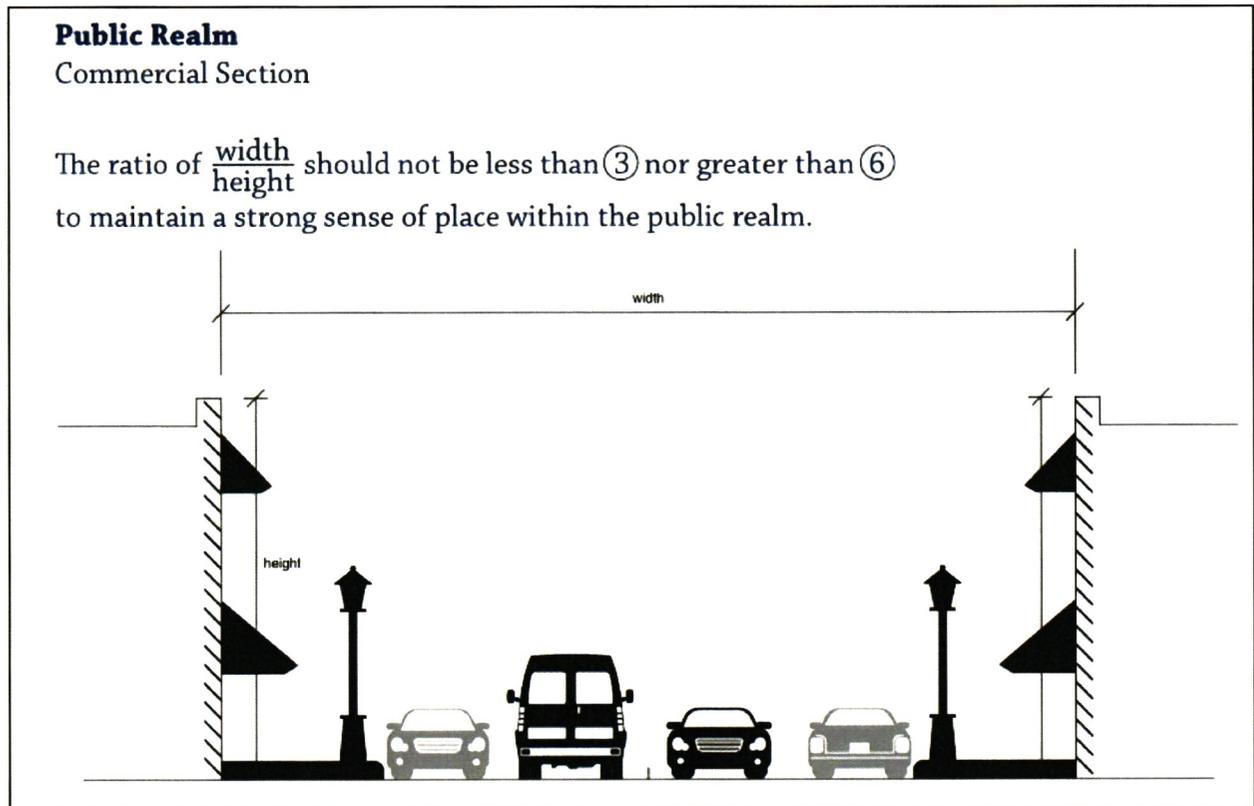
Sense-of-place is easy to understand and identify. A room has a sense-of-place. When you are in a room, it is clear that you are in a place. The feature that gives the room this feeling is the walls. Without walls, the room would not exist and there would be no “place”.

So it is with the public realm. When the buildings on either side of the public space line up and form walls, the public space feels like a room and there is a sense-of-place. The primary design element is to make sure that buildings are properly spaced. If the public space is too narrow because the buildings are too close, the space will feel cramped and the sense-of-place will be lost. If the public space is too vast because the buildings that bound it are too far apart, the effect of the walls will be gone and there will be no sense-of-place.

There is a standard design ratio to obtaining sense-of-place. That ratio of the width of the public realm to the height of the buildings must fall between 3:1 and 6:1. This is how that looks in a predominantly residential neighborhood.

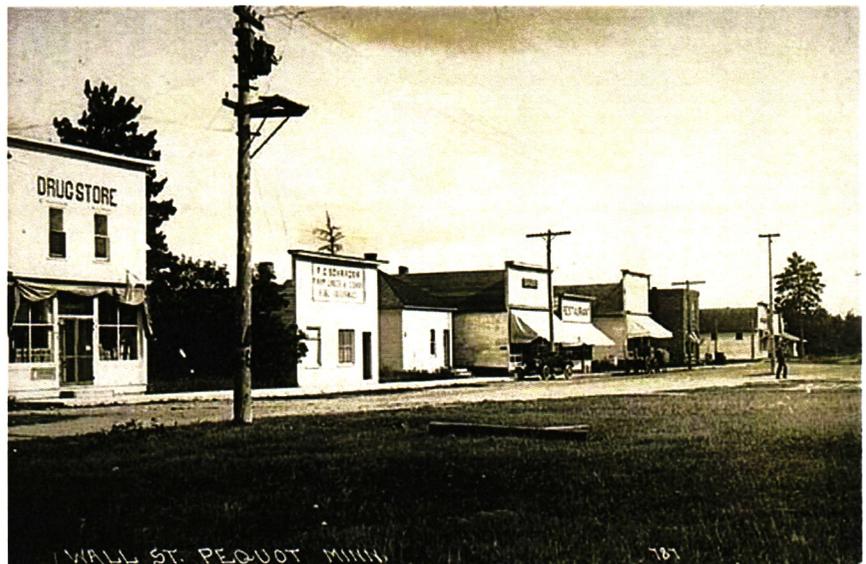


This is how the ratio is applied in a predominantly commercial neighborhood.



In the historical parts of Pequot Lakes, the public realm was scaled and the buildings placed with the intention of creating this sense-of-place. This would not have been a special design criteria – it was simply the standard approach for the period.

Pequot Lakes was still a very small town as the transition was made to a design based on accommodating the automobile. This cut short the maturing process of Pequot's original development pattern. If we are to reactivate these areas, it is important to understand how a historical neighborhood grows and evolves over time.



## Evolution of an Historical Neighborhood

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The underlying economics of the development pattern of most small towns today differs greatly from the assumptions of the traditional development pattern they were founded upon. As opposed to horizontal growth – which is very expensive to maintain – the underlying economics of the traditional small town was based on the concepts of infill and vertical growth. This was how capital investments were paid for and major infrastructure was maintained over time.

A neighborhood established on a traditional grid would initially have modest private-sector investments. Originally these would not even be served by public utilities.



Over time, new development would fill in between these modest investments. With each new building, the public realm would become more complete and, based on the established pattern, more valuable.



In successful neighborhoods – those that attracted more private-sector investment demand than could be sustained with infill – there would begin to be redevelopment pressure. Over time, structures would be torn down and replaced with structures of higher value.



The neighborhood would continue to mature on the same grid framework. While a small town context would preclude the construction of skyscrapers and other very intense development, mature small-town neighborhoods have a mix of uses (residential and commercial) that together create places of high value. These neighborhoods would surround a central core whose value was based on its proximity and access to the surrounding neighborhoods.



In Pequot Lakes, as in most small towns in the United States that were founded in the railroad era, the natural evolution of places on the traditional development pattern has been disrupted by the great American experiment of suburbanization. Financially, this has left both the traditional neighborhoods and the new areas of suburban development financially fragile, in need of ever-increasing amounts of new growth to maintain long-term infrastructure commitments.

That model is financially unsustainable. To reach a stable economic situation, Pequot Lakes needs to reactivate the natural evolutionary processes that will allow these neighborhoods to grow and mature over time on their historic framework.

### III. Downtown Keys to Success

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The City has identified the following guiding principles for the future of downtown Pequot Lakes. These principles were developed with the input of residents, business owners and other downtown stakeholders to protect the character of Pequot while promoting growth in downtown.

*Key #1: Maintain the character of the downtown while also preserving the individuality and variety of the buildings located there. Continue quality while resisting uniformity.*

Downtown Pequot Lakes was not created with a grand centralizing theme. Despite this, or perhaps because of it, the buildings in the downtown have a charm and seem to belong in their surroundings. There is a desire to maintain the high quality of the investments made in the downtown, but there is also strong resistance to any type of uniform standard (whether imposed or voluntarily adopted) that would unnaturally alter the character of downtown.

*Key #2 Continually strengthen the “destination” of downtown, ensuring that it is a place that will naturally draw people year round.*

Studies of the Pequot Lakes downtown have demonstrated that retail shoppers tend to park and then visit all of the available businesses. This “destination effect” – with Pequot Lakes as a destination as opposed to one specific store - is made possible by the number of quality businesses that are located in Downtown. Each time a new quality business is added, the overall draw of the downtown expands, so accelerating the growth of new businesses will create success for all Downtown businesses.

The “destination effect” is further enhanced by how public spaces are designed. Walkways and thoroughfares that are inviting to pedestrians, along with shops that are pedestrian-oriented and scaled, create an atmosphere that is conducive to destination shopping. Public spaces provide extra value when they encourage shoppers to wander from business to business, or to experience the downtown in an enjoyable way that makes them want to return another day.

*Key #3: Look to compete regionally where the downtown can offer a specialized and unique experience. Look to compete locally where the downtown can offer a convenient and satisfying experience.*

There is sometimes a desire to try and provide everything to everyone and, in a sense, compete with a regional center like Baxter for customers. Giving in to this desire is a losing strategy, while keeping focused on what Pequot Lakes does best is a key to long-term success.

Businesses in Pequot Lakes are most competitive when offering either a unique experience or a custom and high-quality service. These are the things that bring people to town over and over again and capture both a tourist and a local market. The Downtown will struggle over the long run to sustain offerings that directly compete with those offered in the Brainerd/Baxter Regional Center. The large retailers such as Wal-Mart, Target, Best Buy, Cub Foods, Super 1, Home Depot and Menards have agglomerated in Baxter along the TH 371 corridor. These places are highly accessible to the residents of Pequot Lakes. That fact will stifle the size and scale of non-specialized offerings the Pequot Lakes neighborhood can support.

The downtown, when fully developed, will be a significant regional attraction if the experience is different, and more pleasant, than the experience of shopping in other downtowns. The small, locally-owned shops currently provide a unique mix of products and services. This uniqueness should be capitalized on to capture a larger share of the regional market.

Pequot Lakes will not be able to compete regionally for some offerings. In these instances, the convenience of Downtown, combined with the personalized service, can help retain local shoppers that may be enticed to go other places.

The Downtown must maintain a mix of unique offerings that appeal to a regional market as well as convenience and quality service offerings that will retain local customers.

*Key #4: Reduce the seasonality of the downtown by increasing the number of residents living within the city's traditional neighborhoods with convenient access to downtown.*

In a tourism-based economy, the strong summer months can sometimes be augmented with Holiday shopping and an occasional winter festival. Frequently this isn't enough to support a business. Promoting some offerings that would cater to local needs, while at the same time creating opportunities for more housing units within walking distance of Downtown along with better connections, creates a supply/demand relationship that will generate more opportunity for growth in the downtown.

*Key #5: Understand that the highest return investment for the City over the long-term is to improve the use of existing infrastructure, not the expansion of horizontal growth on the periphery of town.*