



THE RISE OF DOWNTOWN

Area went from dilapidated buildings, high vacancy to the city's most profitable property

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Downtown Sioux Falls was empty when Jeff Danz moved to town in the early '80s.

Historic quartzite buildings were torn down to make way for parking lots. Shops along Phillips Avenue stood bare and boarded up. It felt empty to Danz, who opened Zand-

broz Variety in 1989 despite it all.

It's a stark contrast to the downtown of today, bustling with retail shoppers, diners and late-night music lovers nearly every night of the week.

It took about 50 years, generations of city leaders and millions of dollars of public and private investment to make downtown Sioux Falls to what it is today: the crown jewel of the city, teeming with the promise of more development

and becoming Sioux Falls' most profitable area.

Downtown's downfall: Competing with the malls, urban renewal

The demise of downtown Sioux Falls began in 1968.

The Western Mall opened in

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"I wanted to clean up downtown. I wanted to have something unique."

Craig Lloyd
Investor

The Arc of Dreams sculpture is seen Wednesday over the Big Sioux River in downtown Sioux Falls. ERIN BORMETT/ARGUS LEADER

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southern Sioux Falls, offering a more convenient shopping experience without having to step into the harsh summer heat or the chilling South Dakota winters. Business owners could rely on more consistent clientele and customers took advantage of the acres of free parking instead of plugging meters on sidewalks.

Then, the Empire Mall opened in 1975, introducing more national brands to the area and enticing shoppers to remain on the city's edge.

Businesses followed their customers outward, and downtown buildings began to lose tenants. The buildings fell into disrepair, because owners couldn't keep up with costs as revenues declined.

City leaders' response, like with many struggling downtowns across the nation at the time, was a mix of urban renewal, which included tearing down old buildings to encourage new development in their place, and to create a pedestrian mall on Phillips Avenue.

The loss of parking essentially killed what remained of the downtown shopping scene, said Danz, who moved to Sioux Falls in 1983. The Phillips Avenue pedestrian mall was torn out by 1988.

"In most people's opinion, that was the final nail in the coffin," he said.

Downtown Sioux Falls vacancy rates skyrocketed by the '80s, and a stroll down Phillips Avenue meant glancing past boarded-up buildings instead of window shopping. Mornings started with the blare of fire sirens, responding to fires started by homeless people squatting inside those vacant buildings, Danz said.

When Gov. Bill Janklow loosened usury laws in the state in the early '80s, it ushered in the beginning of the financial services industry in Sioux Falls. Several banks relocated to downtown, filling some office spaces.

But by the end of the '80s, enough city leaders were concerned about the downtown economy that they invested in a new organization called Main Street Sioux Falls, now called Downtown Sioux Falls, which advocates and acts as a resource for downtown businesses.

Danz and his brother believed downtown was on the cusp of revival, and through the help of Main Street Sioux Falls, established a business plan for Zandbroz Variety store after buying a building at 209 S. Phillips Ave. in 1988. The building had been vacant for nearly 30 years.

But the city's focus was still on the developing suburbs instead of its core, choosing to cover up the historical facades. The city wanted the brothers to cover the building with new brick and remove the signature plaza in front of the store's entryway, Danz said.

"We had to fight the City of Sioux Falls on that," Danz said.

They spent a year renovating the building before opening up the store and coffee bar. While they had hoped downtown would turn around, and several other downtown leaders and business owners were determined to see downtown succeed, it struggled to attract visitors for another decade.

"The businesses down here were just keeping our heads above water," Danz said.

Investing in public spaces as economic development

Falls Park wasn't a tourist attraction 30 years ago.

Littered trash was almost as common as the weeds that grew between the quartzite rocks and homeless people regularly setting up tents to sleep.

"Falls Park was a place you didn't go alone after dark, let's just say," recalled Joe Batcheller, executive director of Downtown Sioux Falls, who grew up in the city.

By the early '90s, the city decided it was time to reinvest in the city's name-sake and clean up the park. By 1994, work started on new roads, parking, sidewalks and lights to make Falls Park a visitor destination. The improvements continued over the next five years.

The revitalization of Falls Park was the beginning of Sioux Falls' city leaders reinvestment in public spaces in downtown Sioux Falls, which turned the tide of downtown Sioux Falls as a whole.

After a failed public vote in 1985 to approve the construction of a downtown convention center, a new convention center was built near the Sioux Falls Arena in 1996, redirecting entertainment traffic away from downtown.



Pedestrians walk down Phillips Avenue on July 7. PHOTOS BY ERIN BORMETT / ARGUS LEADER



Customers walk in and out of Zandbroz Variety.

Instead, residents approved a \$33 million sales tax revenue bond with a 51% majority a few years later to renovate the former Washington High School into the Washington Pavilion. The Pavilion opened in 1999.

"That was one mistake we made," Danz said. "If we had built a convention center downtown, then I think downtown would have turned around a lot faster."

The next major public investments into downtown Sioux Falls didn't come until 2002 and 2003. City officials started a facade easement program in 2002, which allowed the city to buy and maintain the facades on downtown buildings while business owners and developers updated and remodeled the remainder of the buildings.

The program was the complete opposite in attitude toward restoration and preservation from what Danz experienced in the '80s, and it was a welcome shift that kept the character and charm of downtown alive.

By 2003, the Sculpture Walk began and encouraged visitors interested in the arts to not only attend shows or concerts at the Pavilion, but to wander downtown sidewalks and into retail spaces.

"We've seen that investing in the arts is economic development," Batcheller said.

Dissuading progress: Loopers hampered investment, traffic

Despite those investments into public spaces and the growth as an office and financial hub, downtown remained an 8 a.m.-5 p.m. workplace, leaving the streets to a different crowd at night.

That crowd was the Loopers, a tidal wave of teenagers driving through the downtown Loop with their stereos blasting nearly every night.

The Loop, which extended 10th and 11th Streets between Second and Menlo Avenues, had been a common Sioux Falls pastime for teens going back to the '50s. But between the late '80s and early 2000s, the Loop became more than a nuisance for downtown business owners and more of a dangerous extracurricular for teens, Danz said.

He recalled seeing drug deals and men in their 20's and 30's flirting with teenage girls. Several business owners who picked up trash left overnight would be greeted with the stench of urine in their doorways or find flower planters ripped up outside, according to Argus Leader reporting at the time.

Business owners, such as the Hardee's at 908 W. 11th St., would put chains across their parking lot entrances after closing because Loopers would park and vandalize the entrances, business owners told the Argus Leader in May 1988.

As public investments started to reshape downtown and Falls Park in the '90s, it was still hard to attract people to the area to live or go downtown for date night because of the noise and traffic.

By the end of the '90s, a 17-year-old was shot in the face on The Loop. Several ordinances were passed in the following years to crack down on Looping, including an 11 p.m. curfew for minors, increased police patrolling and banning loitering and looping.

The result was less vandalism to stores, fewer cars clogging the streets and a new kind of nightlife by 2005. Chairs and tables were left outside for guests to enjoy supper or a few drinks without business owners fearing they'd be stolen or vandalized.

Some business owners expected it to take years after closing the Loop for downtown to become a hot spot, but people filled the streets almost instantaneously, taking advantage of the investments made in the '90s.

"It's happened so fast," late Rehfeld's Art and Framing owner Larry Rehfeld told the Argus Leader at the time. "Just go back to the Loop issue. When it was solved, it created a vacuum, and people filled it."

The turning point: Drawing on private investment

Craig Lloyd's first investment in downtown Sioux Falls was simple: a partnership in the River Tower Apartments in 1986.

Now, Lloyd Companies has grown to become one of the biggest owners of downtown property, with Lloyd's hands



Patrons visit the shops at 8th and Railroad Center.



The old facade of the Sioux Falls Multicultural Center.

in the CNA building at the former lumber yard, several renovated buildings along Main Avenue, the Phillips Avenue Lofts, the Cascade at the Falls and more.

Lloyd Companies' latest development at the former Sioux Steel site, now called the Steel District, intends to tie the upper falls to the lower falls with an hotel and convention center, nine-story office tower, parking ramp, condos, retail and restaurant space.

Lloyd, 74, attributes his heavy investment into downtown to the people who convinced him that downtown was worth investing in.

Those people included Main Street Sioux Falls' Carol Pagones, an outspoken advocate for downtown businesses; Sioux Falls' visionary city planner Steve Mett; and several mayors, including Gary Hanson, Dave Munson and Mike Huether, among others.

State congressmen, such as Tom Daschle and John Thune, were also instrumental in clearing the east bank railroad out for development.

In particular, Pagones and Mett played Lloyd against a competitor, Don Dunham, who'd already started paving the way for developments, to convince him to invest in downtown.

And it worked. Even though each of those investments have cost him significantly more time and money to develop than expected because of the blighted downtown landscape, it was worth it, he said.

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Clouds pass over Falls Park. PHOTOS BY ERIN BORMETT / ARGUS LEADER

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Lloyd would find old toilets and buggy tires at the current CNA site, which was a former lumber yard and dumping ground. His workers even found an oil drum with oil in it still while preparing the site for an underground parking lot.

"I wanted to clean up downtown. I wanted to have something unique," he said. "If you wouldn't have had Don Dunham willing to grab the bull by the horns and do what he did, I probably wouldn't have gone through with it."

But he wasn't able to do it without the city's help. Thought the TIF process, he was able to make up for the expensive costs associated with cleaning the site and soil, among other costs.

One of Lloyd's most notable investments and developments in downtown started in the early 2000's with Mayor Gary Hanson's Phillips to the Falls initiative, where Lloyd and a group of investors renovated buildings and developed land along uptown Phillips Avenue through the end of 2019.

The development eventually connected uptown Phillips Avenue to Falls Park with The Cascade at Falls Park and Phillips Avenue Lofts, attracting visitors not only to the city's namesake but to the restaurants and stores in downtown Sioux Falls.

The city's skyline was significantly altered by another Sioux Falls business man, Jeff Scherschligt, in 2005, as the Zip Feed Mill Tower on the river's east bank, which was the state's tallest building at the time, was demolished. The demolition cleared the way for the development of Cherapa Place and soon-to-be Cherapa II.

"Connecting downtown to Falls Park led to Cherapa on the other side of the river and opened the door to the Arc of Dreams and Sioux Steel," Danz said. "Those things wouldn't have happened without the river walk and having Falls Park and downtown being invested in. It made downtown a more inviting place to put a business and live."

How downtown Sioux Falls was shaped is because of incremental pieces and movements throughout the past several decades. It takes time, but it ensures the long term success of the downtown area, said Jeff Eckhoff, the city's director of planning and development services.

The latest private investment announced for downtown is the Jacobson Plaza at Falls Park, a \$4 million project, including a \$2 million donation from the Jacobson family, to build a refrigerated ice skating ribbon and all-inclusive playground.

Eckhoff gives credit to past city mayors who invested in downtown in addition to other city leaders. Those leaders had vision and confidence to support early developments.

"It takes both private and public risks to make downtown what it is," Eckhoff said. "None of these projects would have happened without public investment or happen without that private promise."

The cost of downtown's rise

Hundreds of millions of dollars — both taxpayer money and private investors — have gone into the revitalization of the 450-acre sector — and it's not stopping.

Over 10 TIFs have been given to develop areas of downtown, which has been about \$45 million in investment, not including Cherapa II. There's been over an additional \$560 million private investment overall in those projects, Eckhoff added.

"When you make an investment with a TIF, the private investment that follows is 10 times that," Eckhoff said.

Downtown Sioux Falls is one of the most productive areas of town, producing some of the highest amounts of property taxes and sales taxes per square foot, Batcheller said.

"From a cost-benefit analysis, down-



A sculpture stands outside a building on 8th Street.

towns are the most productive neighborhoods in cities," Batcheller said. "When you're able to generate more revenue per acre, you're able to invest in more quality of life investments and amenities in another part of town — like a library or schools or a park."

What Batcheller wants to see next is a formalized mural program to solidify the image of community within Sioux Falls, and continue to invest in arts and culture as an economic development strategy. He believes Sioux Falls has the potential to become a music city to support musicians and artists.

"It's the three pillars of arts and culture, mixed use and quality public spaces," Batcheller said. "We're going to have to continue to invest in those three areas. It's not like once Sioux Steel and Cherapa II will be done that's the finish line."

The next step: seeing downtown 'spread out'

The next step to downtown's evolution is reevaluating the space, use and profitability of different areas — specifically surface parking lots that remain largely empty throughout the day.

Batcheller is ready for the city to tear some parking lots up and develop them.

"I think it's a great thing because we need to create that infill and bread crumbs that draw people from one part of downtown to the next," Batcheller said.

One example is the surface parking lot on the corner of Second Avenue and 12th Street near Ace's Hardware. The lot had formerly been a residential area before urban renewal bulldozed the houses. And as the 12th Street corridor continues to grow and become a popular area of downtown, both Batcheller and Eckhoff envision a new building in place of the parking lot to fit the needs of the changing area.

Areas Eckhoff expects to develop next include more growth along Eighth Street up until Cliff Avenue, where the Bishop Dudley Hospitality House and Jacky's Restaurant reside. Nearly 4.5 acres of prime developable land is available on the gravel lot right next to the railroad tracks on Eighth Street, Eckhoff said. Once that's developed, downtown will begin to grow past the railroad tracks.

There's also 1.5 acres of open land near the Lutheran Social Services building along the river and space along Weber Avenue.

The development along Weber Avenue is years out though, Eckhoff said.

"We'll see downtown not just be Phillips Avenue as it spreads out," he said. "In another five years, all of a sudden after a few hundred more people move downtown and have new energy, it'll be where Weber Avenue doesn't look as far away as it used to."