

# EAST HOPKINS LAND USE & MARKET STUDY

JULY 24, 2003

PREPARED FOR:

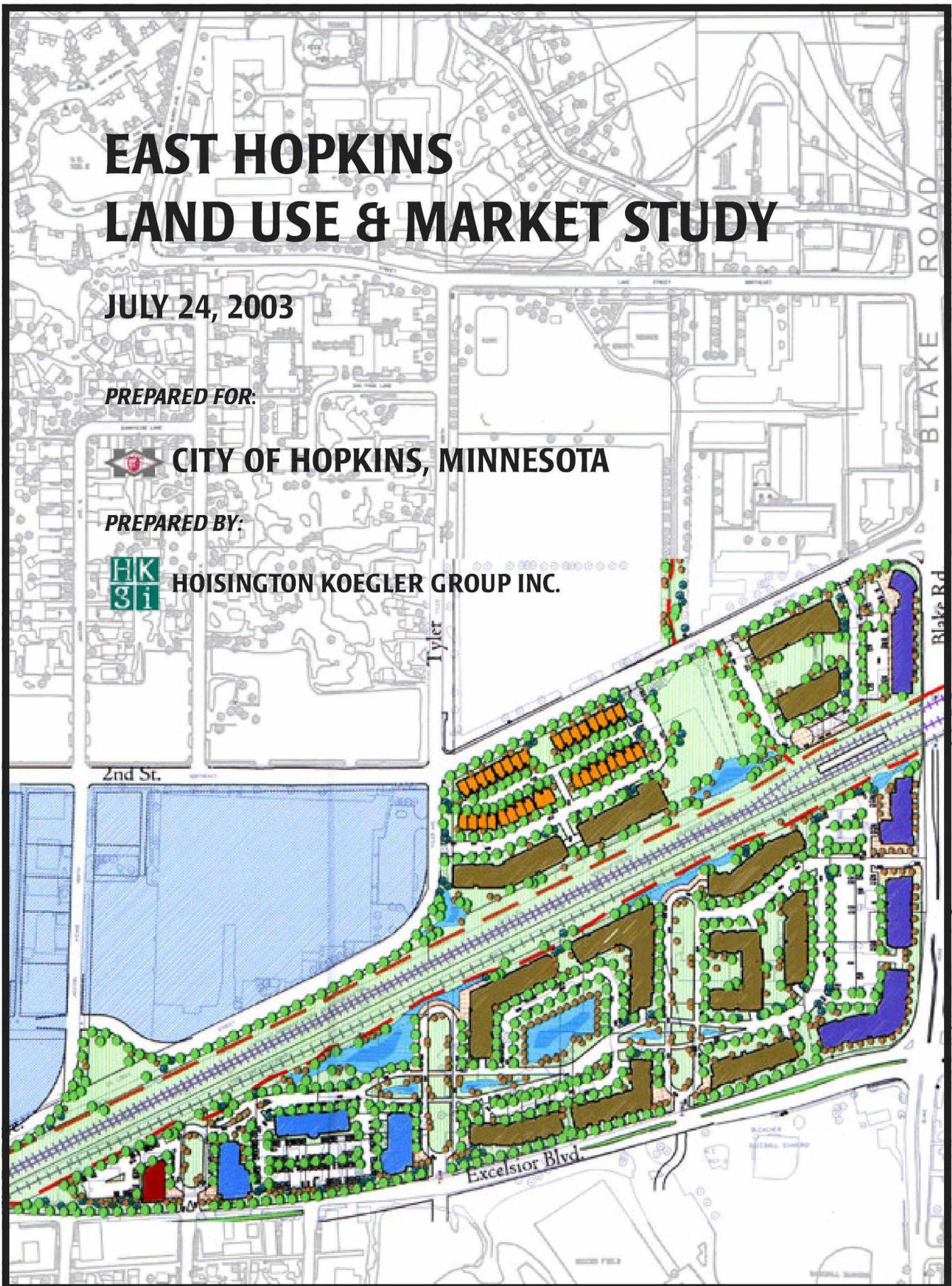


**CITY OF HOPKINS, MINNESOTA**

PREPARED BY:



**HOISINGTON KOEHLER GROUP INC.**



# Table of Contents

CHAPTER 1: INTRODUCTION .....	1-1
CHAPTER 2: SITE CONTEXT .....	2-1
CHAPTER 3: MARKET SUMMARY .....	3-1
CHAPTER 4: TRANSIT IMPLICATIONS .....	4-1
CHAPTER 5: LAND USE ALTERNATIVES .....	5-1
CHAPTER 6: REDEVELOPMENT CONCEPT .....	6-1
CHAPTER 7: IMPLEMENTATION/NEXT STEPS .....	7-1

## CONSULTANTS



HOISINGTON KOEGLER GROUP INC.

*123 NORTH THIRD STREET, SUITE 100  
MINNEAPOLIS, MINNESOTA 55401*

*612.338.0800*

*WWW.HKGI.COM*

**Bonz / REA, Inc.**  
REAL ESTATE ADVISORS

**BONZ/REA**

*67 BATTERYMARCH STREET  
BOSTON, MA 02110*

*617.478.2090*

*WWW.BONZREA.COM*

EAST HOPKINS LAND USE  
AND MARKET STUDY  
Hopkins, Minnesota

# Table of Contents

EXECUTIVE SUMMARY .....	SUM-1
CHAPTER 1: INTRODUCTION .....	1-1
CHAPTER 2: SITE CONTEXT .....	2-1
CHAPTER 3: MARKET SUMMARY .....	3-1
CHAPTER 4: TRANSIT IMPLICATIONS .....	4-1
CHAPTER 5: LAND USE ALTERNATIVES .....	5-1
CHAPTER 6: REDEVELOPMENT CONCEPT .....	6-1
CHAPTER 7: IMPLEMENTATION/NEXT STEPS .....	7-1



## CONSULTANTS

HOISINGTON KOEGLER GROUP INC.

*123 NORTH THIRD STREET, SUITE 100  
MINNEAPOLIS, MINNESOTA 55401*

*612.338.0800*

*WWW.HKGI.COM*

**Bonz / REA, Inc.**  
REAL ESTATE ADVISORS

**BONZ/REA**

*67 BATTERYMARCH STREET  
BOSTON, MA 02110*

*617.478.2090*

*WWW.BONZREA.COM*

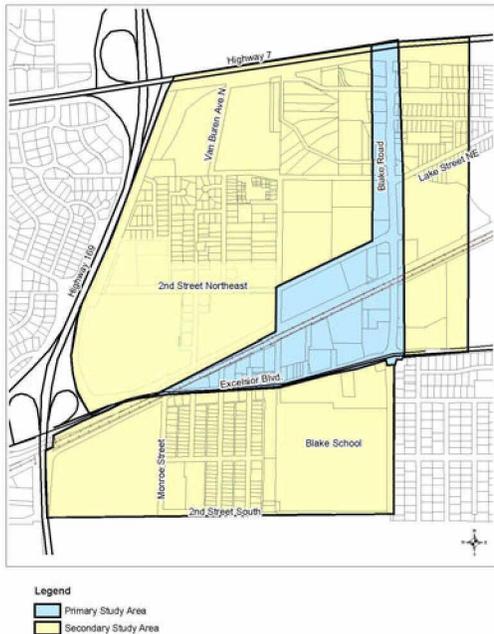
EAST HOPKINS LAND USE  
AND MARKET STUDY  
Hopkins, Minnesota

# Executive Summary

In 2001 Hoisington Koegler Group and the City of Hopkins began a study of “East End” area of the city. This is an area that has experienced ongoing changes and has been heavily influenced by changes in industry, transportation and in residential living patterns in recent years. In recent years the area lost two major industrial employers. A 1994 corridor study for Excelsior Boulevard initiated a series of roadway upgrades; the second phase, which lies within the study area, is now under construction. Finally, in the late 1990s, sixty-two new single-family homes were constructed in the area, the biggest single non-attached housing project to occur in Hopkins in decades.

Each of these changes has focused attention on the east end of the city and helped prompt this effort to take a more proactive look at future land use and market opportunities in this portion of Hopkins.

## STUDY AREA



The East Hopkins Land Use and Market Analysis focuses on an area of the community that lies just east of TH 169, within about a mile of downtown. The boundaries of the study area generally include Excelsior Boulevard on the south, Blake Road on the east, TH 7 on the north and TH 169 on the west. The primary portion of the study area (indicated in blue in the diagram at left) is the segment of the overall project area that is likely to see change in the short-term due to roadway improvements and property acquisitions (Excelsior Boulevard). The secondary portion of the study area (yellow) immediately surrounds the primary area.

## PLANNING AND REGULATORY CONTEXT

The study area is included in a variety of plans that will help shape its future. At the local level, Hopkins' Comprehensive Plan designates a pattern of future land use for the area and the Hopkins Zoning Ordinance further delineates the specific business and residential uses that are allowed on all of the parcels within the project boundary. Neither of these local tools was considered "an absolute" in assembling this study. The planning process and the land use concepts that emerged from this analysis were not constrained by present plans and ordinances, but were rather assembled based on an assessment of market conditions and a consideration of emerging development trends that encourage new, more flexible zoning provisions. Current plans were considered as background information in the preparation of this study. **Existing Land Use, Future Land Use, and Zoning** plans each impacts the study area and establishes a current direction.

## MARKET STUDY

In seeking to inform the planning processes for the study area, a market analysis was included. This market analysis was intended to provide: (1) an understanding of local development outlooks; (2) an identification of the area's most promising development niches; and (3) a general identification of the challenges for planners in seeking to maximize the area's development potential. Among the factors most directly contributing to redevelopment potential in the study area are the reconstruction/realignment of Excelsior Blvd., relocation of Alliant Tech, and SuperValu's vacation of a large parcel. Other important factors include a positive regional economic outlook and a strategic location.

From this detailed market analysis it was concluded that office development is the strongest market niche for the study area. And while the office market may not currently be as strong as it's been in recent years, this will remain the strongest market niche in the study area in the foreseeable future. Residential redevelopment is also viewed to have strong potential in the study area. Commercial redevelopment could potentially work here, but only as part of a mix that includes either, or both of the aforementioned uses.

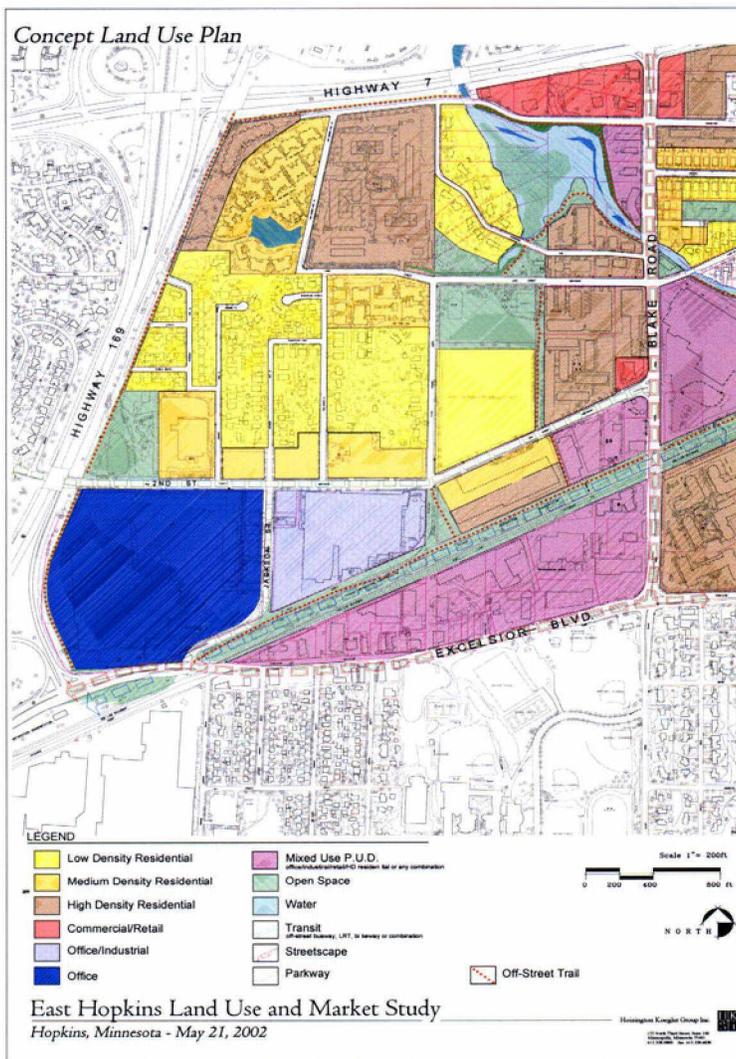
## TRANSIT IMPLICATIONS

The Southwest Transit Corridor passes through the study area and this fact contributed strongly to the Metropolitan Council's initial interest in this study. Alternately identified as corridor for Light Rail Transit, designated Busway, or Diesel Motor Unit, the rail line that slices through the study area is controlled by the Hennepin County Regional Rail Authority and remains a piece of the future regional transit puzzle. The potential of transit-oriented development was a contributing factor that impacted plan concepts throughout this study.

## LAND USE

While the primary study is the area likely to see the most immediate change, the broader secondary study area is where much of the change in the area converges and exerts the most force. The transit corridor mentioned above, Minnehaha Creek, and regional trails are all included within the secondary area, as are the sites recently vacated by the two major industrial employers. An understanding of the forces at work in the larger area as well as a picture of what the land uses should be in the future was an essential component in the creation of a redevelopment plan for the study area.

After several preliminary plans explored a broad range of ideas, a final Future Land Use Plan was created. A reflection of comments from City Staff and direction provided by the market analysis, the final Land Use Plan varied slightly from the City's current Land Use Plan, most notably in the creation of several parcels designated as "Mixed Use" in an effort to provide maximum flexibility for future redevelopment efforts within the area.



## REDEVELOPMENT CONCEPT

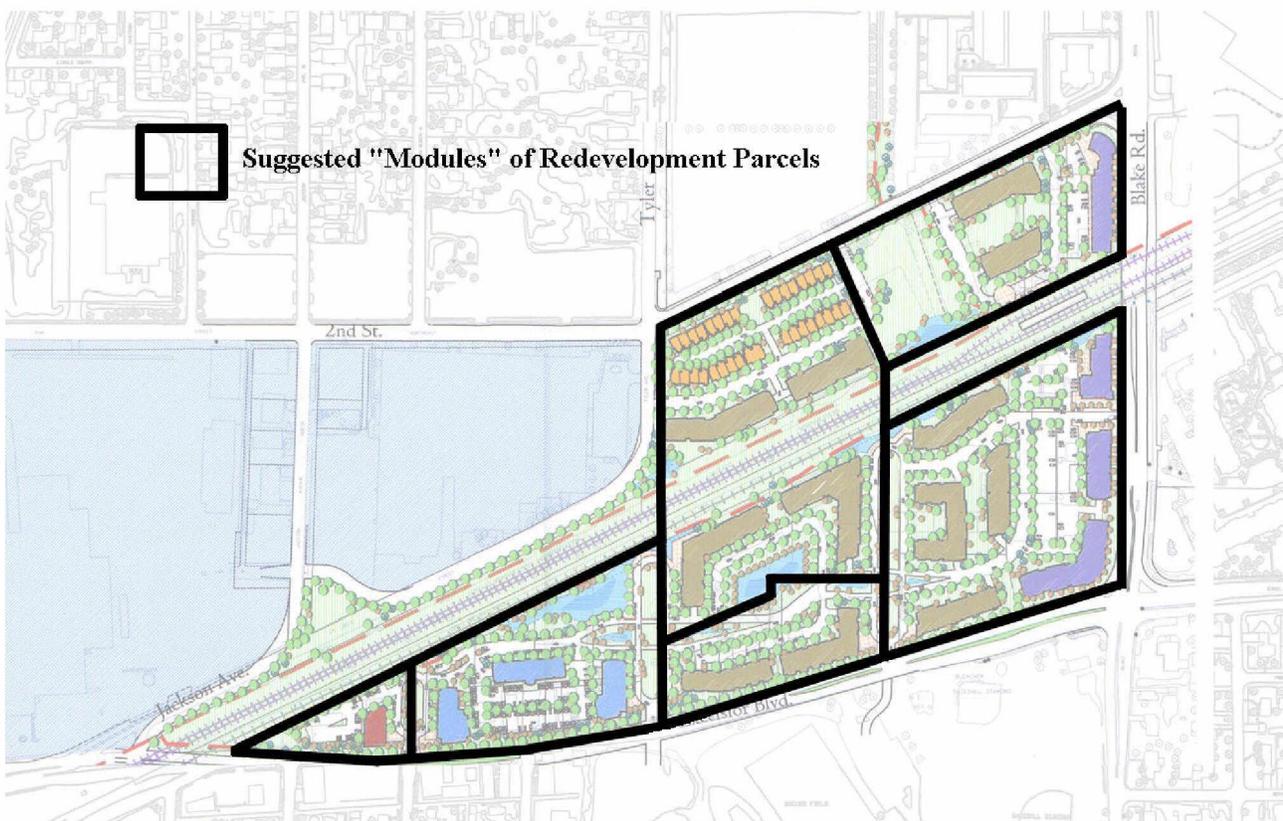
A closer look at the primary study area, the redevelopment concept focuses on detailed site planning and land use patterns within their urban physical context. Again a wide range of concepts were initially explored and again these concepts were reviewed with City Staff and refined to produce a single preferred alternative. Certain “givens” were included in each concept and eventually worked their way into the final concept. For example: each concept considered transit implications, but none was entirely dependent on this unknown commodity; each included a mix of uses that focused on providing density, a component critical to transit ridership and the financial realities of redevelopment; each sought to create open space amenity, contributing to an identity that the area currently lacks.

The final “Revised Redevelopment Concept” includes a mix of uses that reflects what were concluded to be the market realities for the study area. Redevelopment is clustered into “modules” of office, residential, or mixed uses that can ultimately be implemented in whole, or be phased in over time. More dense and urban in character than the area exists today, the plan reflects an urbanization that is consistent with a broader regional vision, and creates a strong identity for Hopkins that the area lacks today.



## IMPLEMENTATION/NEXT STEPS

It's true that several barriers to redevelopment exist: there is a lack of economic incentive for redevelopment, there are a lack of catalysts to promote redevelopment, the current layout of land uses and associated lack of any large parcels make it difficult to engage in any large-scale redevelopment, and the costs of redevelopment are significantly greater than development of "new" land on the urban fringe. All of these barriers point to a need for greater density if any sort of redevelopment is going to be financially realistic. Regardless, there are strategies that will help implement these changes over time. Adopting land use controls, working with current land owners likely to remain (e.g., Edco.) facilitating the SuperValu redevelopment, guiding transit planning, and phasing are all strategies that can incrementally contribute to the ultimate success of the planning efforts undertaken in this study. And lastly, the plan for redevelopment of the study area cannot materialize without public financial participation, necessary to assemble the sites and reduce the land costs to a point at which development is financially feasible. The final plan reflects a pattern of redevelopment "modules" that can be phased in over time as parcels become available or external pressures contribute to the need for redevelopment.



# 1

## Introduction

The Hopkins “East End” area has experienced ongoing changes and has been heavily influenced by changes in industry, transportation and in residential living patterns. In recent years, the area lost two major industrial employers when the Alliant Tech plant and the SuperValu North Annex warehouse facility closed their doors. A 1994 corridor study for Excelsior Boulevard initiated a series of roadway upgrades; the second phase, which lies within the study area, is now under construction. Finally, in the late 1990s, sixty-two new single-family homes were constructed in the area, the biggest single non-attached housing project to occur in Hopkins in decades.

Some of these changes were planned by the city of Hopkins and Hennepin County; some were the unforeseen results of a changing economy. All of them, however, focused attention on the east end of the city and helped prompt this effort to take a more proactive look at future land use and market opportunities in this portion of Hopkins.

### STUDY AREA

The East Hopkins Land Use and Market Analysis focuses on a diverse area of the community that lies just east of TH 169, within about a mile of downtown. The boundaries of the study area generally include Excelsior Boulevard on the south, Blake Road on the east, TH 7 on the north and TH 169 on the west. Figure 1 identifies the project area and also identifies both the primary and secondary portions of the overall study area. The primary portion of the study area is the segment of the overall project area that is likely to see change in the short-term due to roadway improvements and property acquisitions (Excelsior Boulevard). The secondary portion of the study area immediately surrounds the primary area. It is not as directly impacted by roadway improvements, but is significant in its own right due to the presence of the former SuperValu North Annex site, existing residential neighborhoods, and natural amenities.

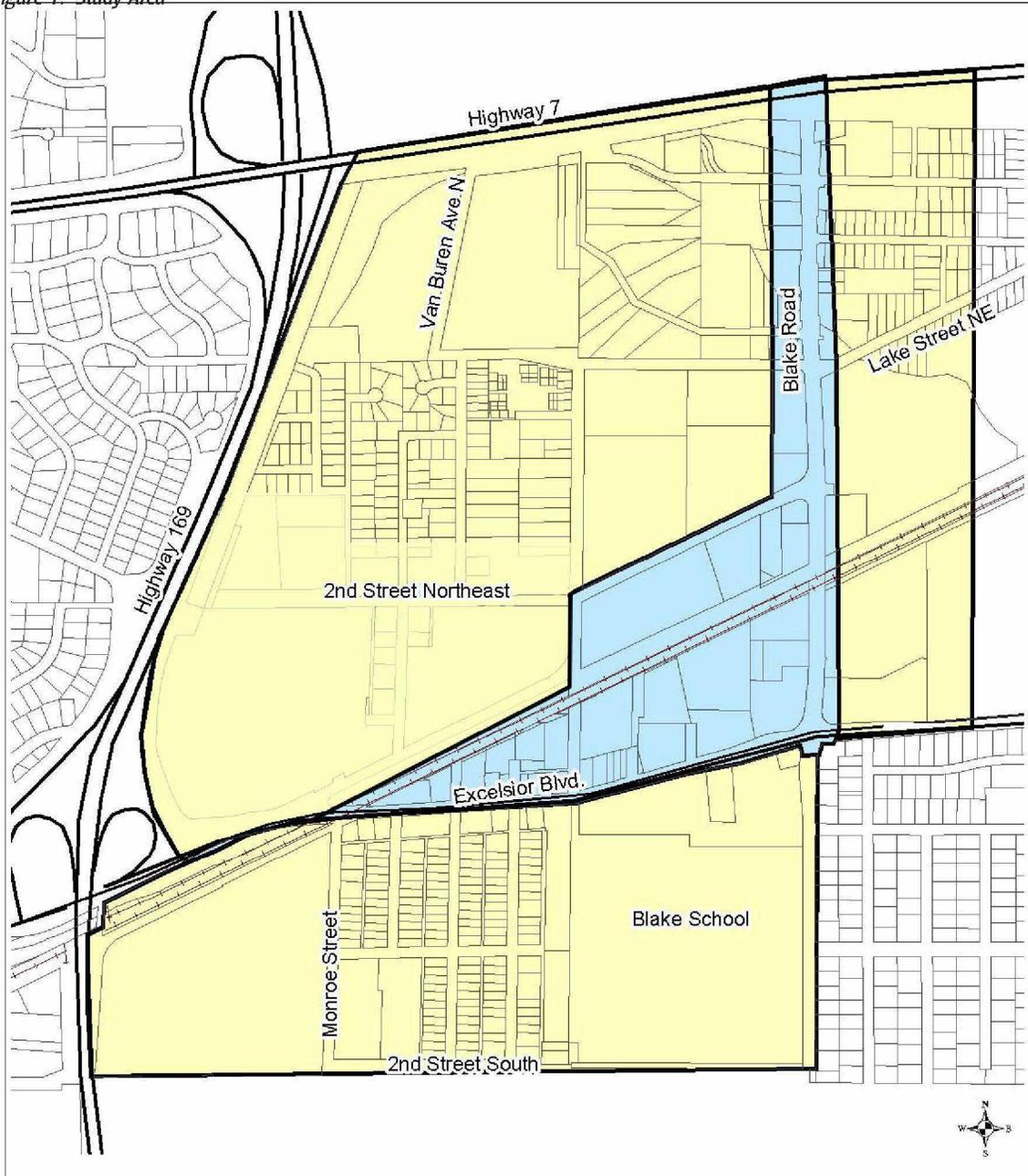
### INFLUENCING FACTORS

As noted above and illustrated in Figure 2, the east end of Hopkins has been influenced by a number of factors. An overview of these influencing factors helps provide a background for the study effort.

#### EXCELSIOR BOULEVARD IMPROVEMENTS

The 1994 corridor study for Excelsior Boulevard established a new roadway alignment that would change the face of the project area. Because of tight building setbacks on both sides of the road and the need for expanded right-of-way, a decision

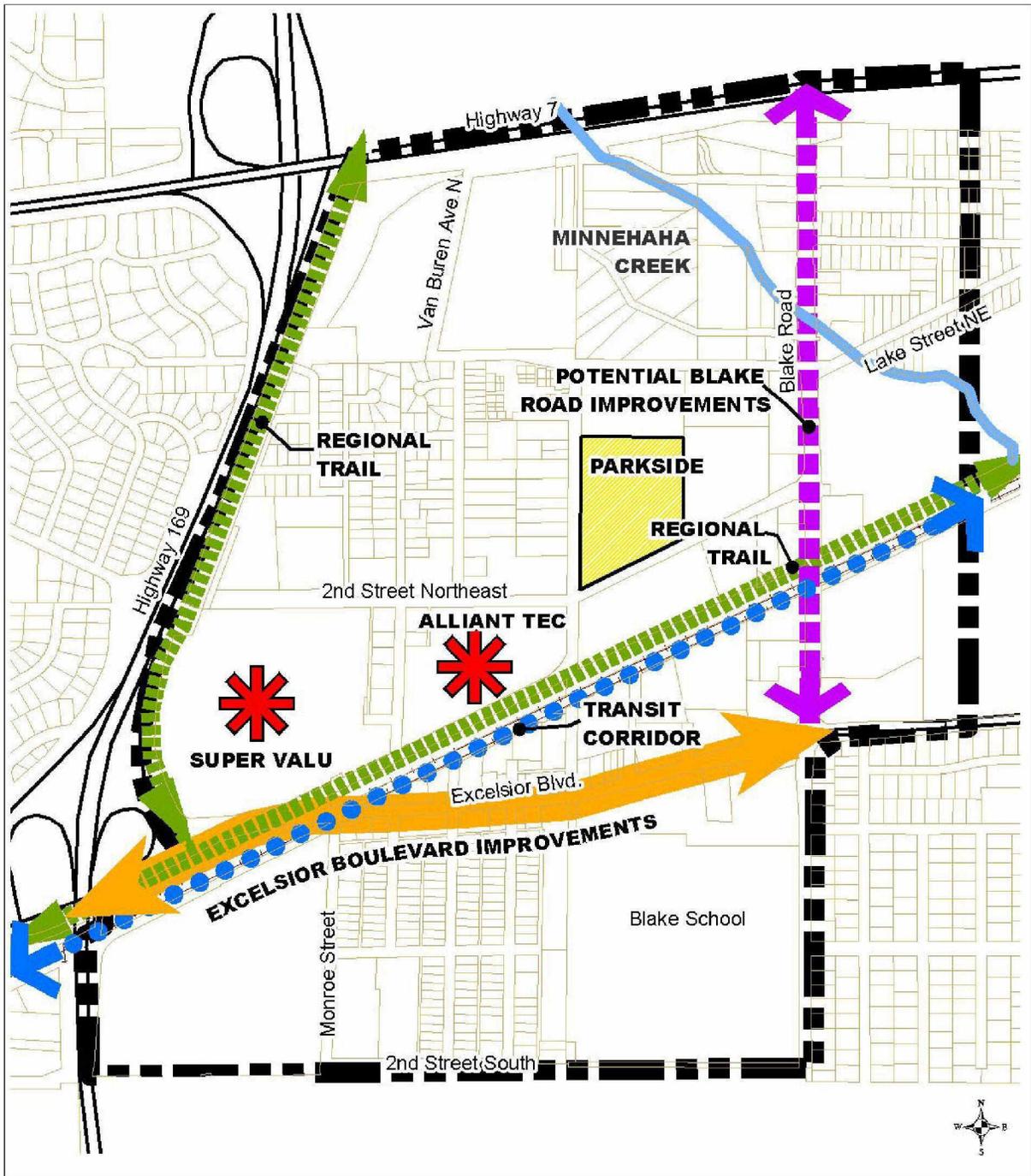
Figure 1: Study Area



Legend

-  Primary Study Area
-  Secondary Study Area

Figure 2: Factors influencing the Study Area



was made to remove the first tier of commercial buildings along the south side of the road from Monroe Street to Blake School. Removal of these buildings, which began in 2000, allowed the road to be shifted to the south and created an expansive landscaped area separating Excelsior Boulevard from the single-family neighborhoods to the south.

Shifting the roadway to the south also created additional land on the north side of the road that could possibly be attached to existing properties to either encourage aesthetic improvements, or be used for future redevelopment purposes. Since some of the buildings along the corridor are aging and have need for substantial upgrades, the latter option, the properties' potential for redevelopment, became one of the primary focuses for this study.

### ALLIANT TECH

Alliant Tech, a defense contractor, operated a 537,000 square foot plant on an 11-acre site at the corner of Jackson Avenue and Second Street NE. Closure of the plant resulted in the loss of local employment and also left a large, very visible vacant structure behind. Substantial parking areas serving the plant were located on the north side of Second Street. Consistent with preliminary land use recommendations that evolved as part of this planning process, these areas were converted to housing during the assembly of this study. The former plant building is currently undergoing improvements that will allow the building to house offices, an indoor mini-storage facility, and other industrial uses.

### SUPERVALU NORTH ANNEX

The SuperValu North Annex site sits at the highly visible intersection of TH 169 and Excelsior Boulevard. The site, which totals almost 29 acres, contains a largely vacant 600,000 square foot warehouse and dry goods storage building. The property is presently zoned as Business Park and is currently on the market.

In 2001, the North Annex site was the proposed location for a new office campus that was to be the new corporate home of Medica. Although the project was cancelled, it helped call attention to the property's potential to become a signature development site for a major office complex or corporate headquarters. Attracting such a use to the area would significantly boost employment and further support area commercial developments, both along Excelsior Boulevard and in downtown Hopkins.

### PARKSIDE

The Parkside residential area was developed in the late 1990s as a small lot, single-family detached neighborhood. The project was significant because it was Hopkins' first major, single-family development project in decades. The project has also provided an example of how successful infill housing could be in east Hopkins. As a result of the Parkside development's success, former Alliant Tech parking areas north of Second Street are currently being converted to medium density housing consisting of a mix of small lot, single-family detached homes, and attached townhomes. The



*Parcels on the north side of Excelsior Boulevard are expected to redevelop in the future.*



*Buildings on the south side of Excelsior Boulevard have been removed to accommodate roadway improvements.*



*Parkside was a pioneering residential development in the study area.*

project, known as the Regency, is again proving to be very successful in the marketplace.

### REGIONAL TRAILS

Hopkins enjoys a unique position as the confluence and hub of three major, regional recreational trails extending from a location along Excelsior Boulevard to the southwest, northwest and east to downtown Minneapolis. This eastern leg of the regional trail network passes through the study area. Accordingly, the study area offers excellent trail access for recreational use and non-motorized vehicle commuting.

### REGIONAL RAIL CORRIDOR

The Hennepin County Regional Railroad Authority owns the rail line that passes through the southern end of the project area. Over the past 15 years, the rail line has been considered for long-range transit improvements, either as an LRT line, or to accommodate some other form of mass transit. Additional discussion of the rail line and its impact on planning in the area occurs later in this report.

### MINNEHAHA CREEK

Minnehaha Creek is one of the Minneapolis area’s most recognizable natural features. However, as the creek passes through the study area, it is largely concealed from public view by existing commercial buildings. Despite its current underutilized and hidden condition, it could potentially provide a stronger visual element for the northeast portion of the study area.

### REGIONAL SMART GROWTH INITIATIVES

“Smart Growth” has become a common planning principle throughout the country in recent years. While smart growth can be defined in different ways, it generally implies the creation or maintenance of livable communities, places in which people have opportunities to work, live and shop in close proximity to one another.

The Hopkins Land Use and Market Study is a smart growth initiative. Funded in part by the Metropolitan Council, the study examines the project area for future development opportunities that integrate places of employment, places to live, places to shop for goods and services, and transit amenities.

### POTENTIAL BLAKE ROAD IMPROVEMENTS

The phased improvement of Excelsior Boulevard has drawn attention to the appearance of Hopkins’ major roadways. Blake Road on the east side of the study area is a primary north/south link between Excelsior Boulevard and Highway 7. Responding to interest by the City of Hopkins in examining potential aesthetic improvements along Blake Road, the Blake Road Streetscape Concept was assembled as part of this planning study. The Streetscape Concept is documented in a separate report.



*Views of Minnehaha Creek are largely obscured by commercial development.*

## STUDY OBJECTIVES

Assembly of the East Hopkins Land Use and Market Study was guided by a series of objectives formulated at the beginning of the planning process. They include:

- **Conduct an Overall Market Analysis** – Understanding market potential was viewed as an important consideration in examining future growth potential. Bonz/REA completed a market analysis for the project that is summarized later in this report.
- **Review Current Regional Development Trends** – Residential and commercial development patterns have been changing in recent years. Mixed-use projects incorporating both residential and commercial development have proven successful in the Twin Cities marketplace. Regional development trends were examined in the early portion of this study in order to determine appropriate development patterns for the project area.
- **Improve Connections to Other Parts of Hopkins** – The study area offers excellent roadway access due to its proximity to Excelsior Boulevard, TH 169 and TH 7. One of the objectives of the study is to further explore non-roadway connections, through either off road trails or improved transit opportunities.
- **Examine Potential Changes in Land Uses** – The upgrading of Excelsior Boulevard is a catalyst for land use change. One of the primary objectives of this effort is to examine appropriate long-range land uses for the study area, considering both the short-term implications of roadway improvements, and other changes that may evolve more incrementally over time.

# 2

## Site Context

### PLANNING AND REGULATORY CONTEXT

The East Hopkins Land Use and Market Analysis study area is included in a variety of plans that will help shape its future. At the local level, Hopkins' Comprehensive Plan designates a pattern of future land use for the area. In addition, the Hopkins Zoning Ordinance further delineates the specific business and residential uses that are allowed on all of the parcels within the project boundary.

Neither of these local tools was considered “an absolute” in assembling this study. The planning process and the land use concepts that emerged from this analysis were not constrained by present plans and ordinances. Rather, they were assembled based on an assessment of market conditions, and a consideration of emerging development trends, such as mixed-use, that challenge traditional zoning regulation and mandate new, more flexible zoning provisions.

Despite the fact that current plans were considered as background information in the preparation of this study, it is important to understand their impact on the study area and the direction that they currently establish. Accordingly, information on each of these is presented as follows:

### EXISTING LAND USE

Existing land use is shown on Figure 3. The study area consists of a mix of commercial, industrial and residential uses. Commercial uses are generally clustered along Excelsior Boulevard and Blake Road, while concentrations of retail uses occur on the corners at the intersections of Blake Road and Excelsior Boulevard, and Blake Road and Highway 7. Industrial uses can be found on either side of the railroad tracks generally south of Second Street NE. Major industrial users include Edco Company, the former Alliant Tech building and the SuperValu North Annex site.

The northern portion of the study area contains a mix of residential uses. Single-family homes are located in the western portion of the area and higher density townhomes, and apartments are in the northern and northeastern portions of the study area. Housing within the area generally is in good condition, with the exception of some higher density buildings needing improvements and renovations.

The project area is also the location of Oakes Park, which is a 5-acre neighborhood park. Oakes Park contains active recreational facilities such as ball fields, a hockey

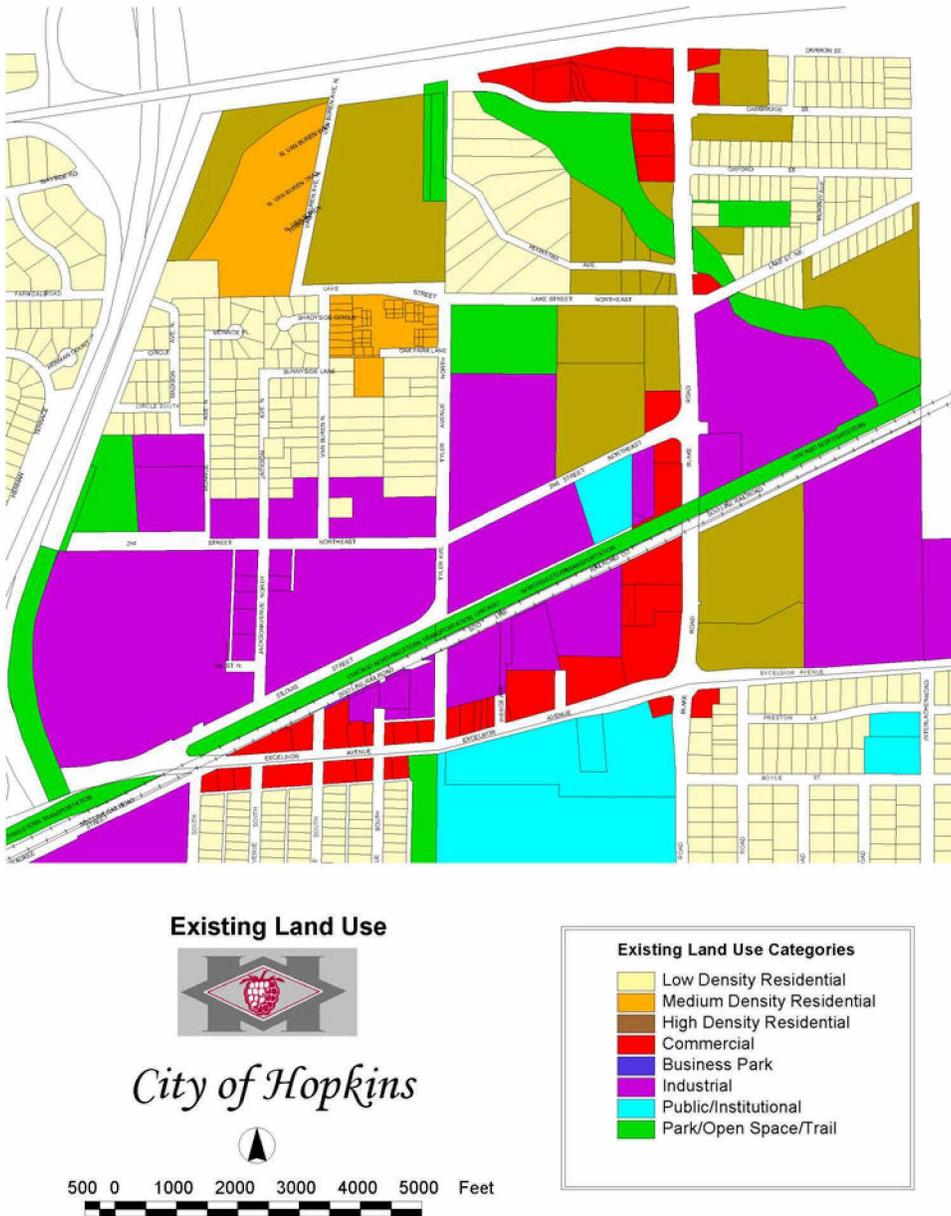


*Commercial uses are concentrated at intersections and along major roadways.*



*The new Regency neighborhood under construction across the street from the former Alliant Tech plant.*

Figure 3: Existing Land Use for the Study Area

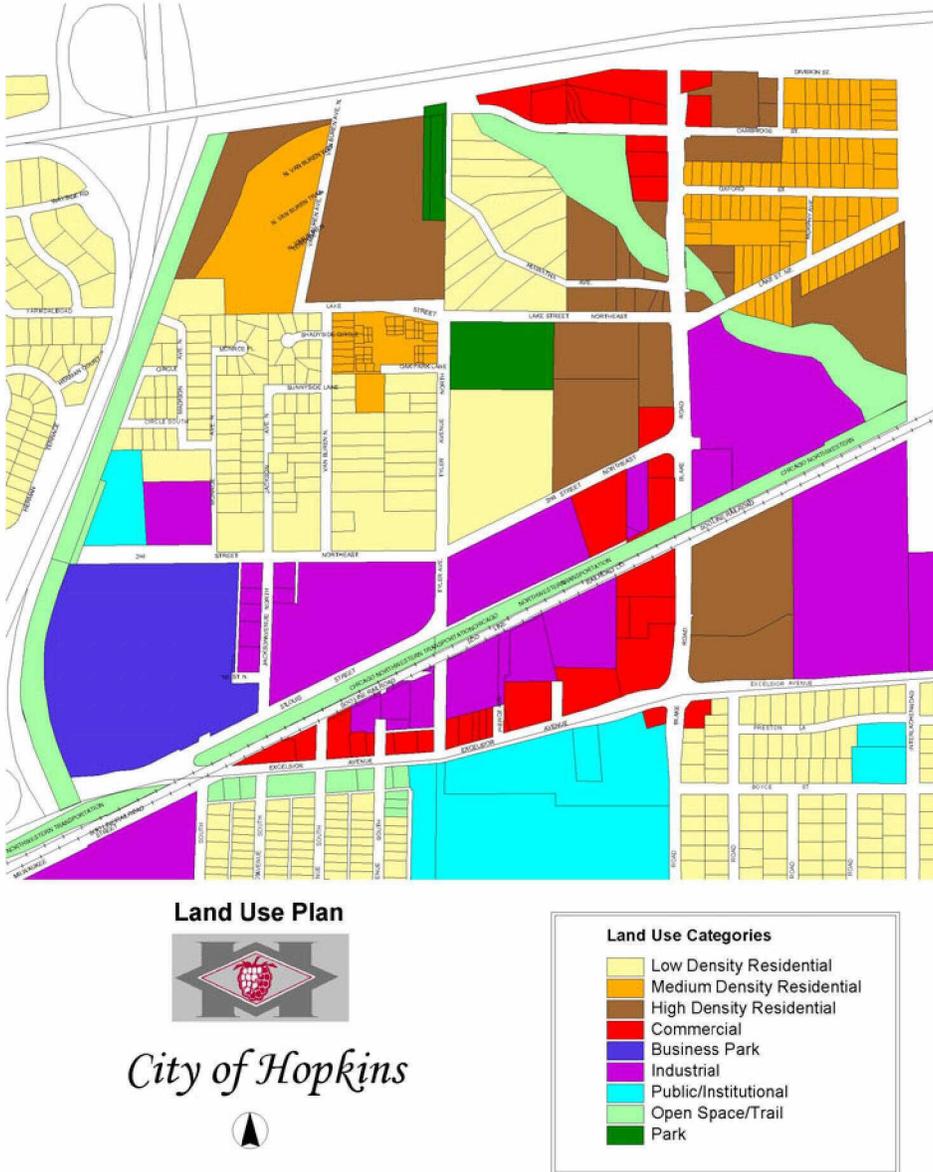


rink, tennis courts and a sledding hill. The park also contains a play area and picnic shelter. The park’s central location makes it convenient and accessible for much of the study area, particularly some of the higher density housing.

## FUTURE LAND USE

Figure 4 contains Hopkins’ Future Land Use plan. The future land use plan designations are largely reflective of the existing land use pattern, however, two recent changes are noteworthy. First, the SuperValu North Annex site is designated as the location for a business park. This land use designation allows some flexibility in future uses, but is focused on attracting a large scale, office and/or corporate

Figure 4: Future Land Use Plan for the Study Area



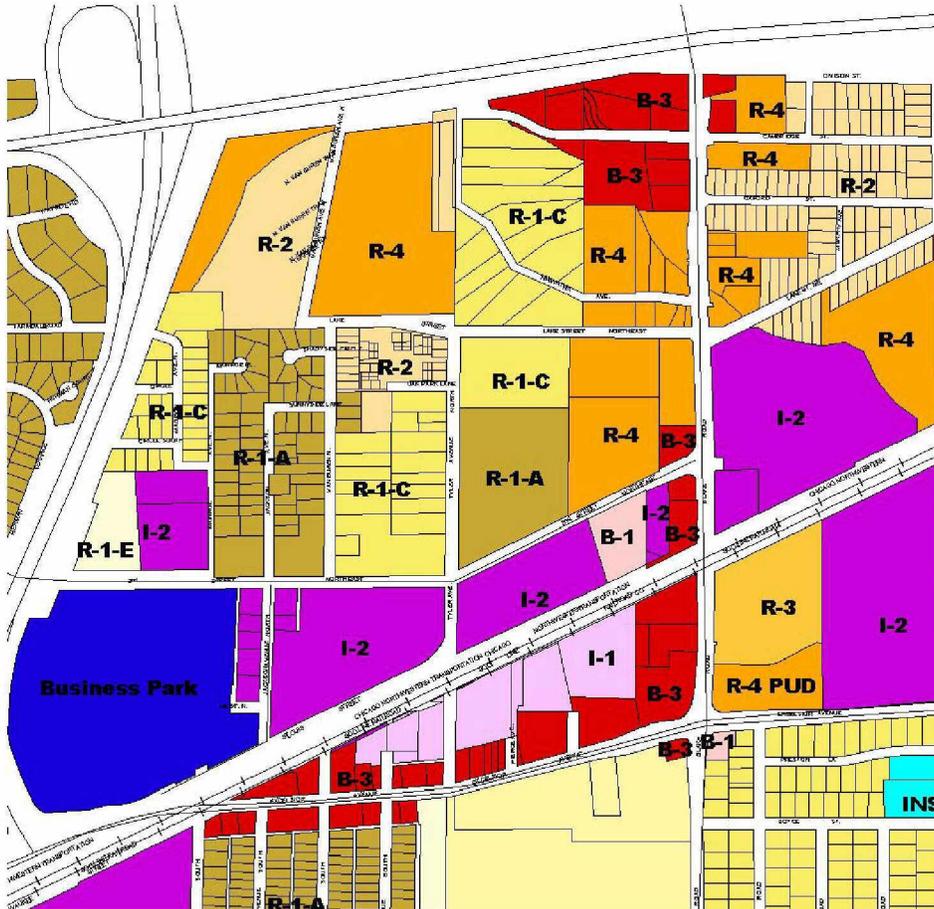
headquarters user. It is viewed as a signature development site, one of the only sites of such size in the Twin Cities metro area within the 494/694 beltway.

The second change in the land use pattern involves new residential development. The Parkside and Regency projects along the north side of Second Street NE have been very successful. They have established new single-family and townhome living opportunities. Because of their success in the marketplace, similar projects could occur elsewhere in the study area if suitable sites can be found through future redevelopment efforts.

# ZONING

Existing zoning is shown on Figure 5. Zoning designations parallel land use designations. The zoning map generally stipulates varying residential classifications in the northern portion of the study area and industrial and commercial classifications are found in the south, generally south of Second Street NE.

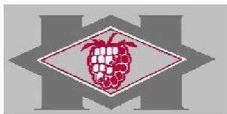
Figure 5: Zoning Map for the Study Area



### Zoning Districts

- R-1-A Single and Two Family High Density
- R-1-B Single Family High Density
- R-1-C Single Family Medium Density
- R-1-D Single Family Low Density
- R-1-E Single Family Low Density
- R-2 Low Density Multiple Family
- R-3 Medium Density Multiple Family
- R-4 Medium High Density Multiple Family
- R-4 Planned Unit Development
- R-5 High Density Multiple Family
- R-6 Medium Density Multiple Family
- B-1 Limited Business
- B-2 Central Business
- B-3 General Business
- I-1 Industrial
- I-2 General Industrial
- INS Institutional
- Business Park

### Zoning Map



City of Hopkins

# 3

## Market Analysis Summary

### INTRODUCTION

In seeking to inform the planning processes for the study area, the market analysis contained herein provides: (1) an understanding of local development outlooks<sup>1</sup>; (2) an identification of the area's most promising development niches; and (3) a general identification of the challenge for planners in seeking to maximize the area's development potential.

This document contains a summary of the market analysis that was completed as part of the planning process. The full market analysis can be found in Technical Memorandum #1 which was produced as a companion to this report.

Redevelopment potential in the study area arises as a result of:

- The proposed realignment of Excelsior Boulevard between Highway 169 and Blake Road. Reconstruction will move the roadway approximately 40 to 50 feet to the south of its current alignment. This movement will add a commensurate amount of land to the parcels along the north side of the road, possibly freeing available land for new development;
- The relocation of Alliant Tech from its site in the southwest quadrant of the Second Street and Tyler Avenue intersection, where it has occupied approximately 11 acres; and
- SuperValu's vacation of a 29 acre parcel located between the Alliant Tech campus and Highway 169.

### SUMMARY OF KEY FINDINGS

*Positive Regional Economic Outlook:* Hopkins derives its market development potential from the ongoing growth in the Twin Cities economy. The metropolitan area economy is characterized by a diverse economic base with a growing professional services component and stable growth patterns. While local and regional economic conditions have declined along with the ongoing downturn in the national economy, the regional economy maintains a positive long-term outlook.

*Strategic Location:* The study area occupies a strategic location, offering proximity to downtown Minneapolis and direct access to the regional freeway system and Excelsior Boulevard, a major suburban traffic carrier. Western suburban Hennepin

County offers few if any substantial developable land parcels at such strategic locations; this gives the study area an increasingly important development asset.

*Development Constraints and Challenges:* The study area’s low-end, industrial image constrains its potential for development targeting the economy’s higher-end growth sectors. Under these conditions, development prospects face two challenges:

1. Until new developments give new identity to the area, new commercial developments in the area will not target high-end tenants or markets;
2. To the extent that desirable upscale development does occur, under current conditions such developments would seek to minimize their relationships with their immediate surroundings, rather than maximizing their potential influences.

*Planning Challenge:* Given these assets and constraints, the study area’s prospects for attaining its maximum development potential – and recouping the public investment in street realignments along Excelsior Boulevard – are contingent upon public as well as private investments that will enhance the overall study area’s image and physical environment.

*Emerging Changes and Development Forms:* In seeking high-quality development that will enhance the image and property value of the study area, several emerging factors will help generate a level of market support that has not been available in the past. One of the more prominent changes involves the emerging popularity of “New Urbanist” development forms featuring mixes of complementary uses in clustered, pedestrian-oriented centers. In order to succeed in the study area, New Urbanist developments should: (1) focus on one or more “anchor” uses based on market-driven demand; and (2) provide convenient access to amenities such as recreational facilities, entertainment destinations, and/or a mix of uses that can be of mutual benefit to one another.

*Strongest Niche: Commercial Office Development:* In seeking to realize the study area’s maximum development potential, the City should target commercial office development. This represents the study area’s strongest market niche. Notwithstanding currently prevailing weak regional market conditions, the Study area’s location offers three key advantages:

- Location in the metropolitan area’s prime suburban office region(s). The West and Southwest suburban office markets contain more than one-third of the metropolitan area’s office inventory and contain its largest suburban concentrations of corporate office tenants;
- Proximity to the region’s high-quality office labor;
- A strategic location offering excellent access to the metropolitan area freeway system as well as downtown Minneapolis.

Given these advantages, over time the study area will offer an attractive location for new large-scale office development.

*Long-Term Office Development Potential:* As regional market conditions improve over approximately the next five years, developers and/or corporate tenants will seek new office development in the western/southwestern parts of the Twin Cities, and are likely to target the SuperValu site at the northeast quadrant of Highway 169 and Excelsior Boulevard. Following the introduction of a new high-quality catalyst project at this location, additional office development would follow. Applying reasonable annual growth rates of 2.5 to 3 percent, total new office development in the study area would amount to roughly 370,000 square feet over the next ten years and 735,000 to 755,000 square feet over the next twenty years.

**OFFICE MARKET POTENTIAL  
EAST HOPKINS MARKET AREA: 20 YEARS**

	<u>Low</u>	<u>High</u>
Growth Rate <sup>1</sup>	2.50%	3.00%
Initial Catalyst <sup>2</sup>	325,000	325,000
10-Year Growth	368,000	377,000
Avg. Annual	36,800	37,700
20-Year Growth	736,000	754,000
Avg. Annual	36,800	37,700
Annual Avg. Multi-tenant office absorption in combined West and SW markets: 1991-2002	450,000	450,000

<sup>1</sup> Range of growth rates based on various economic projections furnished by MN Dept. of Economic Security, Metropolitan Council, [economy.com](http://economy.com).

<sup>2</sup> Initial office development at NE quadrant of Highway 169 and Excelsior Boulevard. Figure based on Allina Medica proposal; project assumed to open in Year 5.

*Source: Metropolitan Council; MN Dept. of Economic Security; economy.com; Colliers Towle; United Properties; CB Richard Ellis; Bonz/REA, Inc.*

*Opportunity for Residential Development in Attached Formats:* In recent years, Hopkins and its neighboring communities have attracted new rental housing as well as for-sale developments in townhouse, duplex and midrise formats. These have targeted the local and regional market's younger (age 20 to 29) and older (50 and older) householders. Recent apartment developments have included luxury units; for-sale projects have successfully targeted a middle-tier, \$180,000 - \$300,000 price range. Apartment and townhouse development may offer short-term opportunity in the study area, but given an environment enhanced by additional public- and private-sector investments (e.g., nearby office development, a well-planned, mixed-use environment, aesthetic amenities, recreational amenities, etc.) the study area may also be able to target increasingly upscale residential development niches.

*Retail Sector:* Prospective retail development in the study area would suffer from (1) ample competition in local as well as regional niches, (2) market weakness at existing competitive properties, and (3) limited prospects for local demographic growth. Retail development in the Study area could benefit from convenient access to new high-end office, residential and/or lodging development; absent such development, the retail market will not offer an attractive market opportunity for developers.

*Lodging Sector:* Prospective lodging development in the study area would face ample competition from properties located throughout Minneapolis’s western and southwestern suburbs. The recent performance of these properties does not indicate strong demand for additional properties. New office developments and high-quality restaurants in the Study area would improve its market prospects for hotel development, but without such improvements, lodging would not offer an attractive development opportunity.

*Optimum Mixed-Use Opportunity:* Overall, the office market offers the greatest potential for attracting high-quality development that can contribute to an improved image for the study area. In targeting quality development (and redevelopment) throughout the study area, the City may be able to use developer interest in office development as a lever to attract developments offering a mix of uses in a mutually beneficial, planned environment. Given this character of development, the City and the new development can help promote additional opportunities for residential and possibly retail development, thus further enhancing the character and vitality of the Study area.

*Limitations on Retail Components in Mixed-Use Development Projects:* A critical mass of new residential households can create new demand for retail space. Given the significant market constraints to new retail development in the area, however, substantial new retail development in the study area would most likely follow the introduction of nearly 2,000 new residential units.

As shown in the table below, a smaller, 1,000-household scenario (even this scenario would represent a 12 percent increase in the number of Hopkins’ households) would offer limited potential, as this would require that a typical new grocery-anchored shopping center capture more than two-thirds of the new households’ total retail spending. This is unlikely. Therefore, new retail developments would be considerably smaller than 80,000 square feet. Given a smaller, unanchored center, however, the achievable capture of local (as well as non-local) retail spending declines commensurately. As a result, new retailing opportunities would most likely focus on expansions to existing competitive retail centers; new retail space in the study area would most likely fall in the category of small (e.g., 5,000 to 12,000 square feet) convenience-related ground-floor components.

Under a longer-term, 2,000-household scenario, given relatively high household income levels, a new retail center would have to capture roughly one-third of

households' retail spending. Under this scenario, development may be feasible for 80,000 square feet of new retail space. This scenario, however, would require the introduction of new households amounting to nearly 25 percent of Hopkins' current total, and would not occur within even a twenty-year time span, if ever.

**RETAIL DEVELOPMENT POTENTIAL**

	1,000 households		2,000 households	
	Low	High	Low	High
Household Growth	1,000	1,000	2,000	2,000
Avg. Household Income	\$60,000	\$80,000	\$60,000	\$80,000
Household Retail Sales @ 40% gross income	\$24,000,000	\$32,000,000	\$48,000,000	\$64,000,000
Sales/sq. ft.	275	275	275	275
Supportable Space w/100% spending capture	87,000	116,000	175,000	233,000
Grocery-Anchored Shopping Center	80,000	80,000	80,000	80,000
Required Retail Spending Capture	92.0%	69.0%	45.7%	34.3%

*Potential Influences:* New stimuli may be required to attract high-end development and generate desirable images for the study area. Potential stimuli include:

- *Market-driven office development:* Upscale office development and high-profile tenants, if supported by other improvements in the area's physical environment, would help position the study area among a limited number of desirable development locations in the inner ring of Minneapolis's western suburbs. Such development is most likely to occur on study area parcels offering direct proximity to the Excelsior Boulevard/Highway 169 interchange.
- *Public improvements:* As private investors seek development opportunities in the study area, concurrent public investments would enhance market opportunities while increasing the study area's visibility as a location for additional private investment. Potentially appropriate public investments would address issues such as aesthetic appearances, recreational amenities, access (to and within the study area), and others. In addition, the potential introduction of a light rail transit corridor and station in the study area would further enhance interest in new commercial and residential development opportunities.

**(FOOTNOTES)**

<sup>1</sup> Much of the market research for this analysis was conducted prior to September 11, 2001.

# 4

## Transit Implications

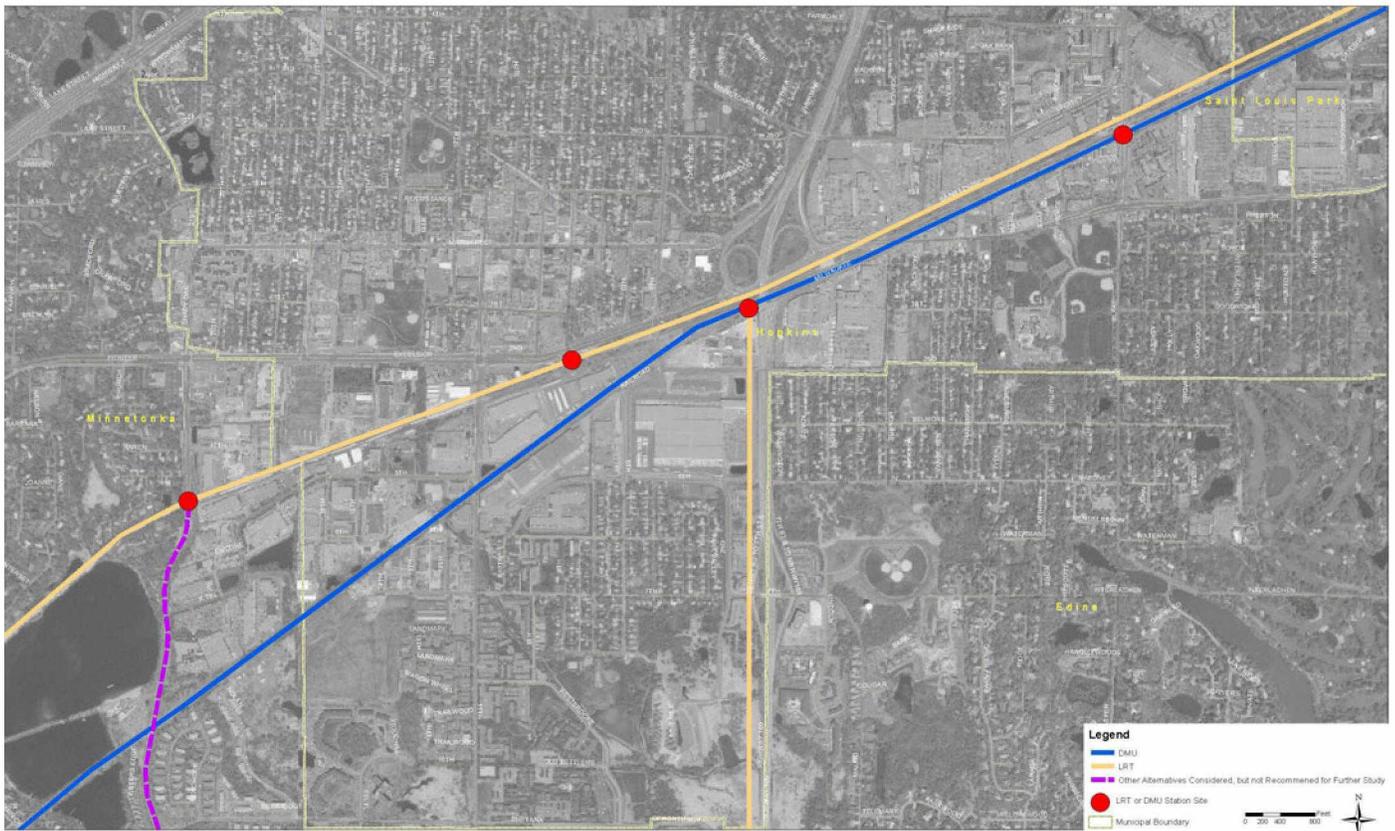
The Southwest Transit Corridor passes through the study area providing a potential future link to a variety of destinations outside the city of Hopkins. As noted in the July 2002 edition of the Southwest Corridor News, “the corridor was first identified for transit use in the 1998 Comprehensive Light Rail Transit (LRT) System Plan for Hennepin County. In the early 1990s, the HCRRA purchased the Southwest Corridor right-of-way to preserve it for future transit use. In 1999, Hennepin County partnered with the Metropolitan Council/Metro Transit to conduct the 29<sup>th</sup> Street and Southwest Busway Feasibility Study. The Southwest Corridor was also identified in the Metropolitan Council’s Transit 2020 and Mn/DOT’s Busway Study as an exclusive busway candidate prior to 2010.

In 2001, the State Legislature acted to prohibit the Metropolitan Council from expending funds to study, plan, design, or construct an exclusive busway in the cities of Eden Prairie, Minnetonka, Chanhassen, and Chaska as well as in the Kenilworth and Midtown Corridors in Minneapolis. Late in 2001, the Metropolitan Council changed the designation of the Southwest Corridor from “exclusive busway” to “transitway technology unspecified.

In early 2002, the HCRRA initiated a study to revisit earlier plans to develop light rail transit along this corridor.” That study which is currently nearing completion looks at a variety of alignments for routes from Minneapolis to Eden Prairie and focuses on two primary modes, either Light Rail Transit (LRT) or Diesel Motor Unit (DMU).

Regardless of the mode selected, the construction of a transit line passing through the study area could significantly enhance the attractiveness of the area as a business and residential setting. Accordingly, this study examines a number of potential station locations and their impacts on surrounding land use. It should not be construed as a definitive station study. That effort will take place after the Southwest Corridor Rail Transit Study is completed in 2003.

Figure 6: Transit Corridor Map



# 5

## Land Use Alternatives

### LAND USE CONCEPTS

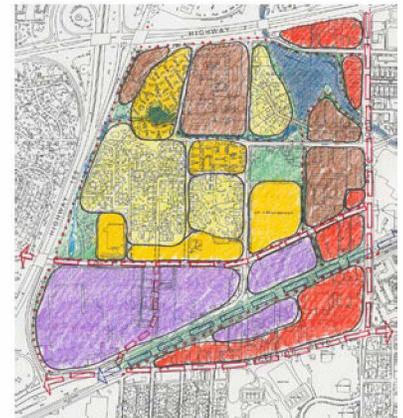
While the primary study area is the area likely to see the most immediate change, it is in the broader secondary study area where many of the influencing factors mentioned previously converge and exert the most force. Although Excelsior Boulevard and the Southwest Transit Corridor (and its regional trail) are included in the primary study area, their importance is related more to their significance as part of a regional transportation system. Minnehaha Creek is one of the most important waterways in the Metropolitan Area. A regional trail parallels TH 169, a major state highway, and new residential development of a traditional scale and pattern is being added to the existing neighborhood. Understanding these various forces as well as other regional trends is important in helping to understand how East Hopkins fits into its community and its region. The Concept Land Use Plan is a tool to help shape this understanding, a road map of where the neighborhood wants to be as it moves into the future.

The City of Hopkins most recently updated its Comprehensive Plan in 1999, but since that time there have been changes that the plan did not anticipate. As part of this study, several concept land use plan alternatives incorporating subtle changes to the existing Comprehensive Plan were explored.

#### OPTION 1

The development focus of this concept is minimal, focusing instead on improvements to the public realm. While the SuperValu North Annex site would be redeveloped in uses consistent with the business park zoning with a preference for office uses, an office and industrial redevelopment would happen within the existing Alliant Tech building, the remainder of the study area (including the primary study area) would only see spot redevelopment.

Attention would instead be focused on improvements to what the City directly controls—public land, streets and rights-of-way. A small parcel north of the SuperValu site would be converted from little-used City storage space to an open space amenity and a trail head for the regional trail. Other trails would find their way through the neighborhood and connect with the regional trails. Public access to Minnehaha Creek would be created along Hiawatha Avenue and trails along both sides of the wetland would increase public opportunities to connect with the creek. Streetscape improvements on Blake Road and Second Street NE would create a public amenity and identity for the area, and would improve pedestrian circulation both within the



*Option 1 emphasizes improvements to the public realm, such as streetscape, trails, and open space.*

site and connecting to areas beyond, such as Knollwood Mall and Downtown Hopkins.

Public transit in this option would take the form of a regional busway with a stop at Blake Road and another at Excelsior Boulevard that would include more transit-oriented commercial redevelopment. The same corridor would also be shared by a regional commuter trail, and pedestrian connections to this transit corridor would be enhanced throughout the study area.

### OPTION 2

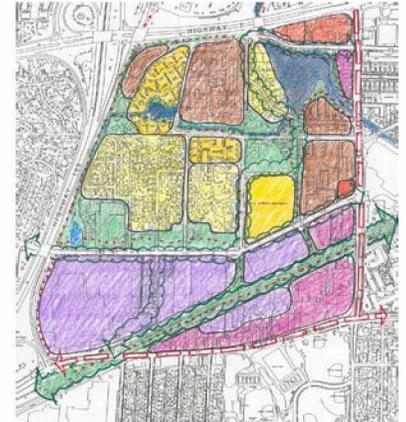
Although this concept is primarily concerned with maximizing open space and creating a “green infrastructure,” it is focused more strongly on development and redevelopment than Option 1. Again, the SuperValu site would be redeveloped as business park uses and again, part of the Alliant Tech building would see new industrial development, although part of this building would be removed in this concept, creating space for parking on site and eliminating the need for parking north of Second Street NE. With parking removed north of Second Street NE, a linear park would be created as a permanent open space buffer between the existing residential neighborhood to the north and the industrial uses south of Second Street NE. East of Alliant Tech, Edco would remain, but the uses east of it would eventually redevelop as a mix that would include commercial. The primary study area would redevelop with a mix of uses, but the current industrial uses within this area would remain as part of the future mix. Access points to this area would be reduced and an interior circulation system would be created to help organize the site. This concept also suggests creek-oriented, mixed use redevelopment of the site on the west side of Blake Road immediately north of the creek where there currently exists a somewhat marginal mix of uses including two vacant restaurants.

The open space characteristics that distinguish this concept include creation of parkways along Jackson and Second Street NE, streetscape improvements along Blake Road that would be more green and less urban, a realigned interior street and reconfigured park adjacent to the south side of Minnehaha Creek, and various trails connecting to the regional trails.

Public transit would not specifically be a part of this concept plan other than the regional trail and the creation of a regional greenway along the rail corridor that would also function as a commuter trail.

### OPTION 3

This concept was shaped by an optimistic office market view that if a big “splash” occurs on the SuperValu site it would create ripples throughout the study area. A constant in all three concepts, the SuperValu site is again redeveloped as office in this concept. The Alliant Tech site is redeveloped as industrial (or office) within its current site, eliminating the need for parking north of Second Street NE and opening that land up for residential redevelopment. All of the remaining parcels east of Alliant between Second Street NE and the rail corridor would eventually be redeveloped as office under this scenario. The primary study area would be wholly



*Option 2 emphasizes public open space, connections to Minnehaha Creek, and connections to regional trails and transit.*



*Option 3 assumes the “big splash” of office redevelopment at the SuperValu site creates ripples of further office development within the immediate area.*

redeveloped with office uses, and the entire site would be organized around a new internal system of circulation with limited access to Blake Road and Excelsior Boulevard. The exception to office development within this area would be the westernmost corner where the proximity of a transit station would create the opportunity for small scale neighborhood commercial. The parcel north of the SuperValu site would also be developed as a small office site, as would the site north of the creek along the west side of Blake Road.

This concept addresses open space primarily through streetscape improvements and the creation of a parkways at Jackson and Second Street NE. It also creates a small amount of open space at the south side of Minnehaha Creek providing public access, and establishes various trail links to the regional trail throughout the neighborhood.

In this concept the rail corridor would become a regional public transit corridor, either BRT or LRT, and commuter trails would share the corridor as well.

### FINAL LAND USE CONCEPT PLAN

Through workshops with Hopkins Zoning and Planning, two public meetings, and input from City staff, the initial concept land use options were refined into a single preferred Land Use Concept Plan that combined many of the most desirable features of each. Following is a brief description of how the plan addresses several key issues.

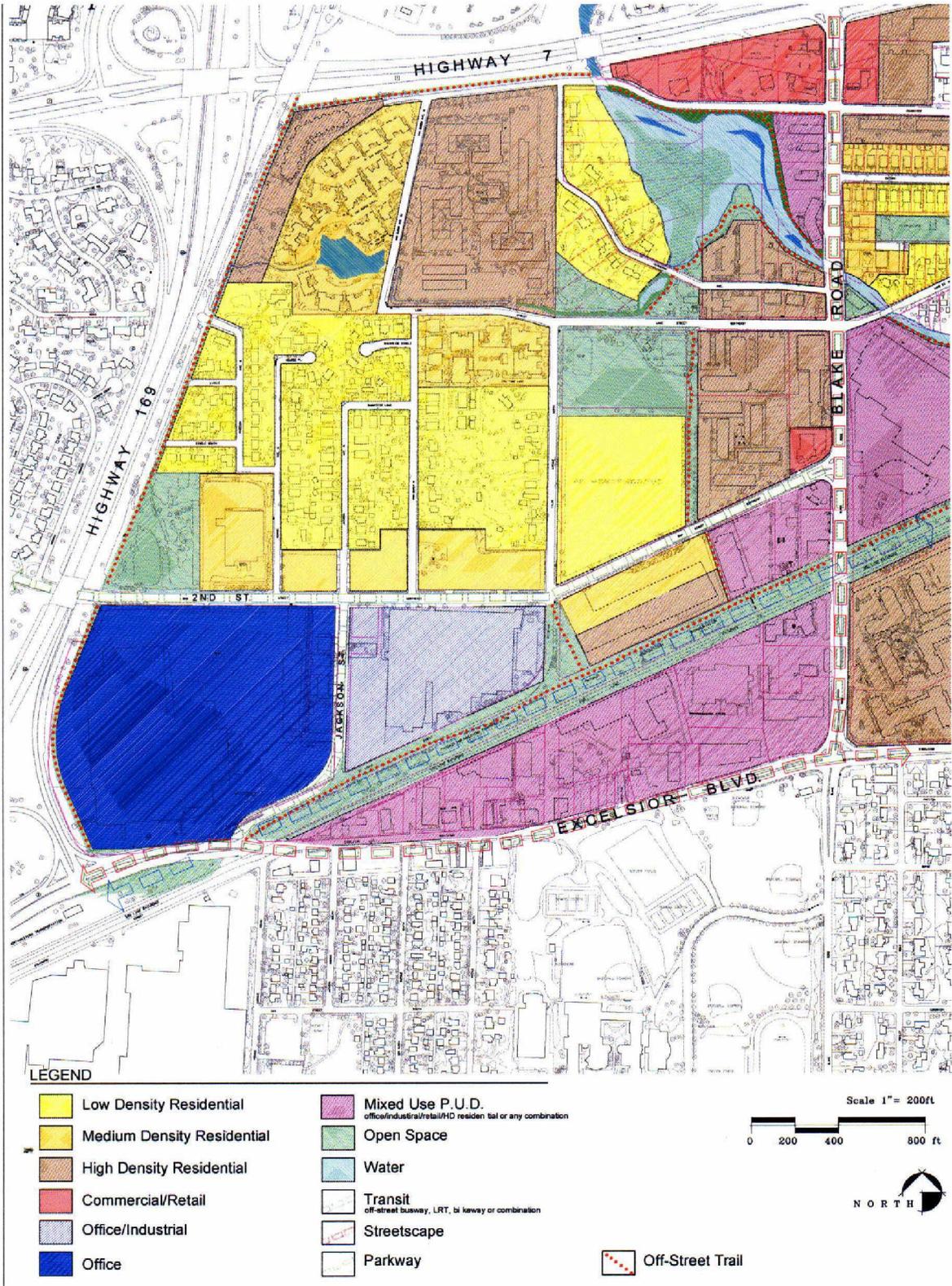
#### *DEVELOPMENT/REDEVELOPMENT*

The SuperValu North Annex site will eventually be redeveloped as business park uses, a view that was consistently reflected in each of the preliminary concept options. The Alliant Tech site immediately to its east will continue to be an industrial site, possibly incorporating office development, and it will be contained on the site south of Second Street NE. The land north of Second Street NE that was formerly used as parking for Alliant Tech becomes medium density residential, as will the industrial site immediately to the west of this parcel, north of Second Street NE and west of Monroe. The site north of Minnehaha Creek on the west side of Blake Road would become a mixed-use redevelopment site that takes better advantage of its proximity to the creek, while at the same time opening up an opportunity for the public to make a better connection with the creek. East of the Alliant Tech site and south of the rail corridor, within the primary study area, all of the land will ultimately be redeveloped to include a mix of uses that take better advantage of the many opportunities presented in this changing area. Various scenarios for redevelopment of the primary study area are explored later in this document.

#### *OPEN SPACE/PUBLIC REALM*

The City-owned parcel north of Second Street NE and adjacent to TH 169 would become a more developed regional trailhead that the City could continue to use for its snow storage needs. City-owned land north of Lake Street that is currently used for storm ponding would be cleaned up and an amenity created that connects with

Figure 7: Final Land Use Concept Plan



the south side of the wetland and Minnehaha Creek. A trail would be created around the north side of the wetland/creek and would extend westward along the south side of TH 7 to connect with the regional trail to the west. The Southwest Transit Corridor would become a regional greenway with various connections to the neighborhood. Jackson and Second Street NE Streets would become parkways and Blake Road and Excelsior Boulevard would see streetscape improvements added, to create an identity for the neighborhood and strengthen its connections to important activity centers beyond the immediate study area.

*TRANSIT IMPLICATIONS*

The Southwest Transit Corridor would become either a BRT or LRT corridor and there would ultimately be a transit station within the primary study area, probably at Blake Road. The corridor would continue to be shared with a regional trail within what the plan identifies as a regional greenway.

This plan would become a guide for exploration of redevelopment opportunities within the primary study area and would serve as a constant reminder of the broader forces at work in the area.

# 6

## Redevelopment Concept

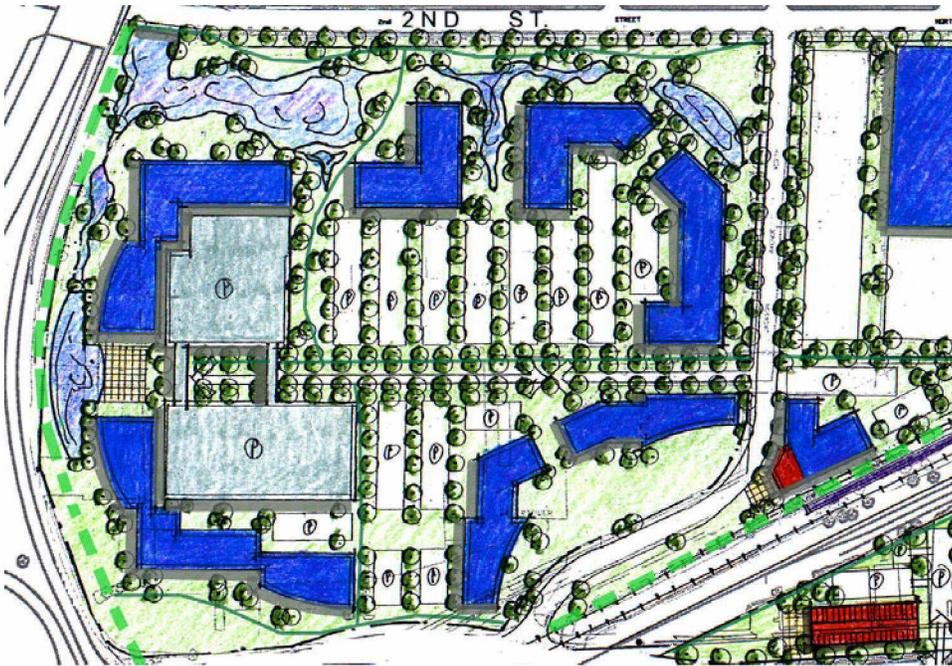
A wide range of outside influences creates an equally wide range of redevelopment possibilities for the primary study area. Depending on the City’s intent, these possibilities might range from doing very little other than improving City property and circulation all the way up to a more aggressive approach that combines parcels and redevelops very large areas. While the final picture will almost certainly lie somewhere in between, these extremes marked a good starting point for the creation of preliminary redevelopment concepts.

Several alternatives were explored and several different areas within the primary study area were examined in detail. As various ideas were tested and alternative concepts brought before the City, the concepts and ideas were refined. Eventually two concepts emerged for redevelopment of the main body of the primary study area—the triangle bounded by the rail corridor, Blake Road and Excelsior Boulevard. The concepts presented each of the extremes mentioned above, the “Redevelop” concept of making major changes to the whole area, and the “Facelift” concept of improving circulation and public areas and leaving redevelopment to the private sector. At the same time as these concepts were evolving, so too were various pictures of what might happen in the rest of the primary study area north of the rail corridor.

With freight traffic likely to continue for the foreseeable future and the possibility of an LRT line being located in the northern part of the rail corridor, it was determined that, while relationships exist between the two sides of the tracks, what ultimately happens on either side isn’t completely dependent on what happens on the other. What happens on the north side of the tracks really depends more on how transit evolves within the rail corridor and what eventually happens on the SuperValu site than it does on what happens within the triangle. And redevelopment within the triangle relates more to Excelsior Boulevard and general market trends than it does to development north of the tracks. With that in mind, two preliminary concepts emerged for the area south of the tracks, and each was tested with the three different redevelopment scenarios on the north side of the tracks.

### **NORTH OF THE TRACKS**

Constant in both of the redevelopment concepts, the redevelopment potential of three separate areas within the primary study area north of the tracks was examined. Each site was studied with regard to its potential relationship to a future transit stop, and since there will most likely be only one stop within the primary study area, there was validity in looking at the implications of each of three potential station locations.



*Office redevelopment of the SuperValu North Annex site*

Of the three redevelopment scenarios north of the rail corridor, the SuperValu North Annex site is the least dependent on a future LRT line, it's potential being strong regardless. This site was looked at as an office complex, primarily to explore site plan alternatives that create enough mass without creating a sea of parking. Redevelopment of this site also must have a strong TH 169 presence and a strong orientation toward Excelsior Blvd., without turning it's back on the residential neighborhood across Second Street NE. The type of signature development that the City wants to see here must also have an attractive campus that relates strongly to the natural amenity of the regional trail and any storm ponding that will need to be created. Such a concentration of jobs would potentially be a large supporter of public transit, so this concept looked at a transit stop toward this end of the primary study area, near the intersection of Jackson and Excelsior Boulevard.

If a transit stop were to locate instead at the east end of the site, on the west side of Blake Road, market forces might eventually push redevelopment of the adjacent parcels. These redeveloped parcels would likely include a mix of uses that include small neighborhood commercial, as well as possibly jobs and probably housing, which is the land use most supportive of public transit.



*Redevelopment associated with a transit station west of Blake Rd. includes a mix of uses that can be phased in over time.*

A third potential location for a transit station is across Blake Road on the east side of the street. If this were to happen, the market might eventually push the industrial use out of this piece of land and open it up for a larger scale redevelopment that would have not only a strong orientation to public transit, but would also have a very strong relationship with Minnehaha Creek. Again commercial and a mix of housing densities were included on this site.



*Redevelopment associated with a transit station east of Blake Rd. includes a mix of uses with a strong relationship to Minnehaha Creek.*



## CONCEPT 1 – “FACELIFT”

This redevelopment concept reorganizes the circulation pattern within the triangle, preserving buildings for the most part while creating an understandable network of interior streets. The east end would continue to be commercial and one building would be removed to create a common parking court. The two existing strip malls would be reconfigured to face this parking court, and their Blake Road and Excelsior Boulevard frontages would become pedestrian-oriented front doors, capitalizing on the newly improved Excelsior Boulevard streetscape and the green space of Blake School across the street. The two big industrial uses would remain, each anchoring a new “pod” of office and industrial organized around its own parking court. Out at Excelsior Boulevard, each of these “pods” would have new small office buildings oriented toward Excelsior Boulevard where footprints of buildings are currently, creating the opportunity to phase spot redevelopment into the new pattern. The far west end would be a small commercial pad, taking advantage of additional right-of-way created by the reconstruction of Excelsior Boulevard. An interior drainage way, located in land that is today low and often wet, would create an open space amenity that provides a pedestrian linkage through the site. Curb cuts along Blake Road and Excelsior Boulevard would be reduced to a few points that would be intersections with the new interior streets, cleaning up what is presently a very disorganized, messy, and confusing pattern of development.

The advantage to a redevelopment strategy such as this is that it’s incremental and could therefore begin immediately. Land acquisition would be minimal, but the City would need to get several property owners to collaborate on shared parking arrangements, reconfiguring of buildings, and easements for new streets. The major question is, would such an investment by the City be enough incentive for property owners to invest in their properties, or enough incentive to cause redevelopment to happen? Is it a wise investment to remove a viable business and building to create a surface parking lot? And does this even go far enough, given the condition of many of the properties within the triangle.



## CONCEPT 2 – “REDEVELOP”

This is the more aggressive concept previously mentioned and it represents a major initiative that seeks to create enough critical mass and momentum to make the project work. Everything within the triangle is redeveloped and an entirely new pattern of mixed use development is created. Commercial development again occupies the busy intersection and most visible frontage at Blake Road and Excelsior Boulevard. These would be buildings with pedestrian front doors along the streets and vehicular front doors oriented toward parking on the interior of the blocks. Further west along Excelsior Boulevard there would be small office buildings oriented toward Excelsior Boulevard with their parking located on the interior of the blocks again. The far west end of the site would again get a small pad of commercial with its parking located behind. And on the interior of the triangle, along the greenway/rail corridor, would be high density residential that would presumably support both the transit and the new neighborhood commercial. The entire site is linked by an interior parkway and drainage network, creating an open space amenity for workers, shoppers, and residents alike.

While this concept was well received, its obvious drawback is economics. This might be a great picture of what the future East Hopkins should look like, but the financial realities of making something like this happen are daunting at best. There are many different landowners that would have to be relocated and parcels that would have to be assembled and prepared for construction before a developer would even look at this area. And the market study that was prepared as part of the overall study doesn't indicate the market potential is particularly strong here at the present, with the possible exception of residential development.



Revised Redevelopment Concept

## REVISED REDEVELOPMENT CONCEPT

From the beginning of the study it was clear that a long-term redevelopment plan would lie somewhere between doing nothing and complete redevelopment. With additional input from the City and key stakeholders and more detailed study of the financial implications associated with redevelopment concept alternatives, a revised redevelopment concept was created. It was clear that doing nothing, or even the idea of a “facelift” were not ideas that enjoyed any support, and that wholesale redevelopment would be desirable if realistic implementation strategies could be attached to a final plan. The feeling is that East Hopkins is a high visibility area at the community’s edge, a key entry. It will one day likely be home to a significant population of workers and will possibly be a station stop on a regional transit system. To do anything less than planning for the long-range redevelopment of this area would be doing the community a disservice. What had to be created was a plan similar to Concept 2, but more grounded in reality and assembled in such a way that it could be incrementally phased.

While the Revised Redevelopment Concept is similar to the earlier Concept 2, its various pieces fit more closely into the present day pattern of land ownership. The interior network of streets includes north-south streets at Pierce and Tyler Streets, making it possible to develop pieces of the overall project on one side of the street or the other as parcels become available or developers show interest. The east-west interior parkway similarly bisects the site and makes it possible for businesses such as Edco to remain indefinitely without significantly upsetting the long term vision of the overall development pattern. Open space is distributed evenly throughout, as is storm water treatment in an effort to spread out the amenities and make each component as feasible as the overall development.

Mixed use at the eastern end, or block, would include commercial on the ground floor with a pedestrian orientation toward Blake Road and Excelsior Boulevard and vehicular orientation toward an interior network of streets and parking areas. Some high density residential would be located on the interior streets. A central block would be high density residential again, but could be phased between the north and south halves depending on Edco’s long-term plans. The western block would be primarily office, with the exception of one small commercial pad at the western tip. This is based on the assumption that eventually the SuperValu site is going to develop and that influx of office space will create a market “splash” of sorts, creating need for more office space in the proximity of the big office concentration. The overall increase in amount of residential is a direct reflection of more in-depth market study, the conclusion being that a certain amount of residential density is needed to financially drive this project. It also supports regional goals of providing transit ridership and increasing density within the 494-694 loop.

North of the tracks this plan illustrates a transit station with “kiss-n-ride” and mixed use including small transit-oriented commercial development on the west side of



*Small scale office development such as this is suggested along Excelsior Blvd.*



*Pocket parks and village greens provide open space amenities that add to the value of new development.*



*High density housing under 4 stories tall guarantees activity and “eyes on the street” at all times of day. A mix of rentals and owner-occupied units provides diversity the market requires.*

Blake Road. If this were to happen, it's reasonable to assume that the uses in this area, with the exception of Edco, would eventually be forced out by market pressures. Again, the plan took an incremental approach and looked at how the Edco site could independently redevelop at such a time as this business decides it might want to relocate, and eventually more residential of a character similar to new development north of Second Street NE would be created.

This Redevelopment Plan is no less grand in its vision of East Hopkins than earlier concepts, yet it is more realistic in that it can be done incrementally. As pieces begin to fall in place, momentum builds and subsequent projects become easier to make happen. It won't happen overnight, and some things like the LRT might never happen. But it is realistic to assume that a development pattern such as this can happen regardless of future transit development, regardless of significant office development on the SuperValu site, simply because of the other amenities that East Hopkins has to offer.



*Mixed use, with office or residential above neighborhood commercial uses, would line Blake Rd. from Excelsior to just north of the tracks.*



*Multi-family residential and on street parking contribute density and character supportive of transit-oriented development.*



*Medium density residential would be urban in character--row houses or townhouses such as these.*

# Implementation/Next Steps

## **BARRIERS TO REDEVELOPMENT**

In broad terms, the Concept Plan seeks to define the form and a path for redevelopment in the study area. To understand the strategies for implementing the plan, the barriers to redevelopment must be identified. These barriers represent the factors that impede the private and public investments envisioned by this Plan. Efforts to implement this Plan should focus on removing these barriers to redevelopment.

### **LACK OF ECONOMIC INCENTIVE**

Current businesses appear to have a successful operating environment in the existing setting. This success provides little incentive for redevelopment; therefore, it is unlikely that a significantly improved setting would generate enough new revenues to support the improvement costs.

### **CURRENT LAYOUT**

In some circumstances, taking an incremental approach to redevelopment in which projects can occur on a parcel-by-parcel basis is possible. However, the configuration of parcels and uses in the Study Area limits the opportunities for an incremental approach. Edco controls the middle group of parcels, and the redevelopment potential of this site is linked to the long-term plans of Edco to operate at this location. Parcels along Excelsior Boulevard between Edco and Blake Road are linked together for redevelopment purposes because it would be difficult to provide improved access, parking or site design without clustering these parcels. A housing development (as proposed in the plan) could not fit in this location without a complete redesign of the site. Other locations in the Study area offer slightly better prospects for smaller, incremental changes, but other factors may limit the ability to undertake such projects.

### **COST OF REDEVELOPMENT**

Redevelopment faces costs not present with comparable development on vacant land. For example, the cost of land acquisition is higher. This statement does not mean that the land itself is more expensive; instead, it reflects the reality that the cost of preparing sites for redevelopment includes both land and buildings. Also, redevelopment often requires some form of compensation for the relocation of existing businesses. This compensation may appear in the price of the land or by direct payments to the property owner. Finally, redevelopment may also require the demolition and removal of existing buildings.

These additional costs often present economic barriers to redevelopment because the revenue potential from the resale or lease of a developed project cannot cover the development expense. A simple example illustrates this situation. The redevelopment site on the northwest corner of Blake Road and Excelsior Boulevard consists of six parcels. Assuming that this property could be acquired (with relocation) for 170% of the estimated market value, the site assembly cost would equal \$17.35 per square foot. Demolition and site clearance would mean additional expenses. The proposed development for the Study area cannot support this level of investment in initial site expense.

### NEED FOR GREATER DENSITY

It is unlikely that redevelopment will result in a substitution of like uses because the costs of redevelopment make such options impractical. Redevelopment requires the acquisition of multiple parcels, the demolition of existing structures and the construction of new internal infrastructure. Keeping the same form of development would not produce enough revenue capacity. Additional density, however, would add to the private and public revenue capacity from redevelopment. This additional capacity creates the resources needed to finance redevelopment.

The redevelopment site at Blake and Excelsior helps to illustrate the implications of changing density and land use. The table below estimates the net land cost assuming acquisition of the site at 170% of current estimated market value, current property tax laws and use of TIF for 25 years. The value of the annual stream of TIF revenues is discounted to a current (present) value using an interest rate of 8%.



*Sample redevelopment scenario at Blake Road and Excelsior Boulevard.*

	<u>Commercial</u>	<u>Owned</u>	<u>Rental</u>	<u>Owned</u>	<u>Rental</u>	<u>Owned</u>	<u>Rental</u>
Development Ratio/Density	30%	6	6	15	15	30	30
Development Capacity (SF)	132,483	61	61	152	152	304	304
New EMV/SF	65	250,000	250,000	200,000	200,000	160,000	160,000
New EMV	8,611,420	15,207,000	15,207,000	30,414,000	30,414,000	48,662,400	48,662,400
New Tax Capacity	171,478	152,070	273,726	304,140	547,452	486,624	875,923
Lost Base Value	(55,987)	(55,987)	(55,987)	(55,987)	(55,987)	(55,987)	(55,987)
Captured Value	115,491	96,083	217,739	248,153	491,465	430,637	819,936
Tax Rate	127%	127%	127%	127%	127%	127%	127%
Annual Tax Increment	146,674	122,025	276,529	315,154	624,161	546,909	1,041,319
PV of Cash Flow	1,565,713	1,302,594	2,951,880	3,364,202	6,662,774	5,838,131	11,115,847
	25 8.00%						
Net Land Cost	6,095,507	6,358,626	4,709,340	4,297,018	998,446	1,823,089	-3,454,627
Net Cost Per SF	13.80	14.40	10.66	9.73	2.26	4.13	-7.82

With low density (both commercial and housing), the net land cost remains too high for redevelopment. The Plan calls for additional housing to increase the density of development at this location.

This table shows how tax laws influence the financial feasibility of redevelopment. At a density of 15 units per acre, both owned and rental housing created the same amount of estimated market value. The rental housing option, however, translates into more taxable value, more TIF capacity and lower net land costs. This difference is due to the statutory rates used to convert estimated market value into tax capacity (taxable) value. Under current laws, rental housing creates more taxable property valuation and, therefore, more public funding capacity. The negative number for net land cost under the rental housing option at 30 units/acre indicates that this form of development provides more TIF funding capacity than needed to pay all estimated acquisition costs.

### LACK OF CATALYSTS

Redevelopment is successful when public and private parties work together to undertake change and create a sustainable setting for new development. The Study area, though, lacks the short-term catalyst necessary to spark that change and put the Plan into action. The planned roadway improvements enhance the setting, but do not create a significant impetus for change. Potential sources of redevelopment catalysts are, however, on the horizon. Changes that could become a trigger for redevelopment in the Study area include:

- Redevelopment of the old SuperValu site.
- Enhanced transit service and the construction of a transit station or hub in the area.
- A future decision by Edco to relocate.

Each of these factors enhances the Study Area’s attractiveness to private investment sources.

## IMPLEMENTATION STRATEGIES

As stated earlier, implementation of some redevelopment plans involves a series of incremental actions focused around one or more initial projects that jump start the process of reshaping the physical and economic environment of an area. Again, the Study area is not well suited to this approach because the area consists of a series of redevelopment sites rather than individual parcel-oriented projects. There is no clear-cut project to initiate redevelopment. Instead, the implementation strategy for this plan will focus on removing the barriers to redevelopment and laying the ground work needed to capture opportunities when they occur.

### ADOPT LAND USE CONTROLS

Adopting this plan and making related modifications to the zoning ordinance are important steps in preparing for redevelopment. These land use controls lay the

foundation for the land use pattern illustrated in this plan. Through the Comprehensive Plan and the zoning ordinance, the City is able to prevent new land uses that are inconsistent with redevelopment objectives. Without appropriate land use controls, the City faces the risk of small, new development projects that add further impediments to the redevelopment objectives for the Study area.

Since redevelopment efforts are likely to occur over a long period of time, it is suggested that the City consider an overlay ordinance approach for key portions of the study area. An overlay zone could be established for properties immediately north of Excelsior Boulevard and south of Second Street NE that allows the current uses to remain in place but prescribes another zoning and use classification should properties discontinue their present usage patterns. Such an approach would preserve existing usage rights but establish a pattern for eventual redevelopment.

### WORK WITH EDCO

This plan does not advocate the removal of Edco from the Study area. Over time, this manufacturing use will become increasingly out of place in this location. The ideal solution would be to coordinate the relocation of Edco to a new location in Hopkins in conjunction with a specific plan to redevelop this site. This approach keeps employment and tax base in Hopkins and facilitates the redevelopment objectives for the Study area.

Timing becomes an important element in this strategy. Edco could decide to leave the area prior to redevelopment, which would mean the city would either need to acquire the property, or allow another manufacturing user to occupy the facility. Past experience suggests that a new user will complicate future redevelopment initiatives for the site, but acquiring the site creates financial issues for the city. These issues include:

- using city reserves for interim funding.
- acquiring the property through a contract for deed or similar transaction.
- using lease purchase financing to acquire the property.
- placing the property in a tax increment financing district and issuing bonds to finance acquisition.

When borrowing for land acquisition, the financial issue becomes revenue support for the debt. The long-term finance plan will involve a combination of city support (TIF or abatement) and the sale of land to a developer. Revenues from a redevelopment project will support the debt, but interim revenue support will be needed between acquisition and redevelopment.

Initial land acquisition may not involve the entire site. Current property tax records show Edco Products as the owner of 11 parcels in the Study area. The City should negotiate the right of first refusal for the acquisition of these parcels. The potential to assemble the site in smaller pieces would require less financial commitment and

would also prevent the redevelopment of pieces of this site in a manner not consistent with the plan.

### FACILITATE SUPERVALU REDEVELOPMENT

The redevelopment of the SuperValu site is an important and on-going objective of the city. This plan encourages the City to view redevelopment options for the SuperValu site because new activity here would provide a significant catalyst for redevelopment in the Study area. In planning for redevelopment of the SuperValu site several questions should be asked to explore linkages with the Study Area:

- What additional development may occur?
- Do these opportunities fit in the Study Area?
- What actions can the City take to channel this catalyst into the Study Area?
- Does the redevelopment of the SuperValu site provide financial resources for initiatives in the Study Area?

The market research conducted for the Plan suggests that the SuperValu site will promote new office opportunities in the Study Area. Other forms of spin-off development will depend on the nature of redevelopment at SuperValu

### GUIDE TRANSIT PLANNING

Excelsior Boulevard and the adjacent rail corridor are likely routes for enhanced mass transit in the southwest portion of the Twin Cities. The next phase of transit planning is likely to examine the potential location of transit stations in more detail. This planning must be coordinated with the redevelopment objectives of East Hopkins as well as the balance of the community. Implications of enhanced transit for the Study Area include:

- Access to enhanced transit supports residential redevelopment in the Study area.
- Enhanced transit would improve the potential for reverse commuting and support employment uses at the SuperValu site and in the Study area.
- The design and location of a transit station may be an asset or a liability for the Study Area. A well designed facility complements the objectives for the Study Area, but a large park and ride lot conflicts with the Plan.

### PLAN FOR PUBLIC PARTICIPATION

The plan for redevelopment of the Study Area cannot materialize without public financial participation. This participation is needed to assemble the sites and reduce the land costs to a point at which development is financially feasible. Under current State Law, tax increment financing (TIF) provides the most funding capacity. The City of Hopkins has made extensive and effective use of TIF. This experience eliminates the need for this Plan to provide an overview of TIF. Instead, implementation strategies focus on specific steps to prepare for the use of TIF.

The use of TIF relies on the ability to meet the statutory criteria for establishing a district. For the Study area, the single most important criteria is the presence of structurally substandard buildings. These buildings form the basis for establishing both redevelopment and renewal and renovation types of TIF districts. An assessment of the Study Area building stock was beyond the scope of the planning process; therefore, a preliminary assessment is an initial implementation task. The objective of the preliminary assessment would be to provide an informed basis for evaluating the potential for establishing a TIF district:

- Which buildings appear to fit the structurally substandard criteria?
- How does the location of these buildings match the layout of potential redevelopment sites?
- What potential TIF district configurations are possible?

A complete analysis (sufficient to meet statutory requirements) seems premature at this stage in the process because redevelopment projects and the need for a TIF district do not appear imminent. Building conditions could change over time and negate the findings of earlier building analysis. Nevertheless, planning for future use of TIF is important for several reasons. First, a lack of structurally substandard buildings would show that TIF is not a viable tool for the Study Area. However, this planning work could point to statutory changes that would allow TIF to be used to implement the plan. Acting in advance of redevelopment would allow for the time to seek necessary legislative action. In addition, identifying barriers to the use of TIF allows the City to explore other funding options such as tax abatement. This proactive approach provides the opportunity to explore the potential for County and School District participation in an abatement program.

## PHASING

The East Hopkins redevelopment area is appropriate for a modular pattern of implementation. Existing land ownership patterns combined with recommended land uses establishes a series of modules, any one of which might be an independent candidate for redevelopment in the future. Of the modules that are identified, some clearly are more likely to be implemented in the long-term. The majority of the property owned by Edco, for example, is not expected to redevelop in the short term. Longer term, if business conditions change and Edco decides to relocate, their land could be redeveloped consistent with the plan. At the same time, portions of Edco's land holdings could see more immediate redevelopment. Parcels along Excelsior Boulevard could be redeveloped into housing uses as shown on the plan without displacing any of Edco's prime business operations.

Short of the City taking a strong role in facilitating redevelopment consistent with the plan, phasing will occur based on the interests and opportunities of the private sector. Two public investments are likely to influence the private market. First, the

upgrading of Excelsior Boulevard that is currently under construction will significantly improve the appearance of the area making it a more attractive area for potential investors. This action may help advance the phasing of redevelopment of Edco's frontage on Excelsior Boulevard. Second, the implementation of planned transit improvements (LRT) could be a major catalyst for change. The concentrations of housing and retail uses shown on the plan would be complementary to transit and would support redevelopment adjacent to the station area along the tracks, just east of Blake Road.

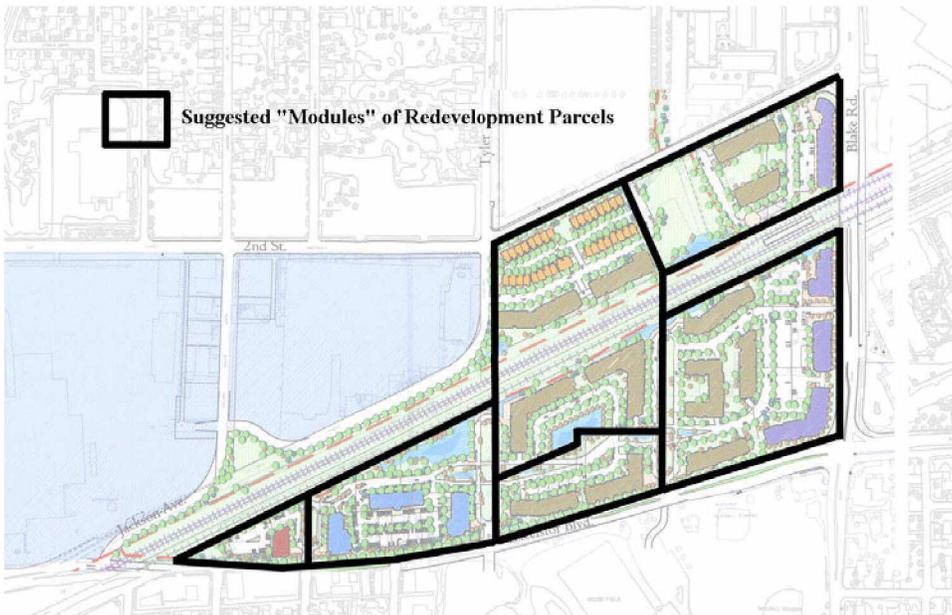


Figure 17: Modules of redevelopment parcels