

**Brooklyn Park: old Park n Ride lot (Noble Pkwy/HWY 610)  
Corridor Development Initiative**

**Workshop 3: Panel Discussion**

March 4, 2020

Woodland Elementary, 4501 Oak Grove Parkway, Brooklyn Park

**Panel Discussion**

Facilitated by Barbara Raye, Center for Policy Planning and Performance

**Panel Members:**

- David Wellington, Wellington Management, Inc.
- Tom Hoffman, Colliers International – Minneapolis | St Paul

***Opening Questions:***

1. What is your development or market expertise?
2. Do you have any feedback on the block exercise development scenarios?
3. How would you redevelop the old Park n Ride lot at Noble/HWY 610?
4. What would you consider to be the greatest challenges and opportunities for the site?

**Tom Hoffman, Colliers (TH)**

I work with retail companies, specializing in medical devices, office markets, and also industrial. My work involves understanding what companies are looking for in their corporate move.

**David Wellington, Wellington Management (DW)**

Over the past five years I've worked with my father to run Wellington Management, a mid-sized commercial management firm that provides over 450 units of housing (market rate and affordable), mixed use projects, and three office buildings. In Blaine we have a 185 acre commercial/residential property.

***What do developers and businesses look for when deciding where to invest?***

**DW** Connectivity is the most important thing. Freeway access – this site has key access to major arteries. Flat grade. Large site – contiguous land. Visibility to freeway could be detriment depending on the use. Retail would be good, residential not. Would need to design around the connection to homes to the east which will be most impacted. Design will be important to address.

**TH** Commercial office concerns me. The cost of office in regard to net rents in Brooklyn Park doesn't make a lot of sense to build new office. Need to land a pretty

big user to come out to the suburbs. Most are moving toward density, access to other things nearby. \$22 - \$23 per square foot rents would justify a speculative office building.

I like residential for the site. I'm on the board of Aeon, a regional affordable housing provider, and see the looming problem around affordable housing for seniors. Many seniors are still active and working. The problem involves back-filling senior housing and the lack of affordable housing.

Concern – Co-worker space (e.g. WeWork). WeWork gives me heartburn – my nemesis. Especially given the net rents needed for a new building (often three times the amount of general office use) shared among the users.

This is a great site – good to be preemptive.

***There is strong interest in a sit-down restaurant in the area. What would they be looking for? What about a sports bar?***

**DW** We have 25 restaurants in our portfolio. There is a significant challenge for larger restaurants (format of 5,000 – 7,500 square feet), primarily with the cost of labor. We have a mixed use project in Maple Grove where one of two restaurants have struggled to keep going. They are on their fourth restaurant in four years. Brand is important – consumers respond to names we know. Smaller restaurants with smaller ticket items (1,500 – 2,000 square feet, possible chain) would be a better anchor for the site.

**TH** Fast, casual, quick service in a smaller bay (e.g. Chipotle, Subway) – these restaurants have more proven staying power. Most customers will be drawn from Hwy 61, not from the neighborhood.

***There is a gap of bagel shops in the community***

**DW** Businesses like Brueggers provide an older business model, and haven't updated their brand. Einstein is not seeing any growth.

**TH** Coffee shops have usurped that market. Customers can get sandwiches, snacks, bagels, etc, and music at night!

***There is a variety of longstanding restaurants in the community that are packed and not fast casual.***

**DW** For most of these places the real estate has long been spent. To open a new restaurant today is a different world and difficult to make ends meet (include costs of land, construction, and labor). The great staples in the community will stay filled, smaller places will compliment them. New development is good for people to see.

***Can this be a site for a water park (destination)?***

**DW** I don't know the family destination market well. It could increase the city's image, and warrant investment of public resources into the endeavor. Access is good, density of housing, younger demographic.

**TH** There are concerns, even though there is a young demographic. The long-term staying power is at risk – young people age fast. In other markets, like New Hope, where the city put a lot of money towards a water park, the project is now collecting dust. Within five years the demographic shifted.

***What is the square footage of Panera?*** (4,300 square feet – and they have bagels!)

***Another food trend is the market place food court (new mini-mall). You find them in airports – mini cluster of things. Could that concept be part of this site?***

**TH** Modern day food court = food hall. It's a great concept – I'm a big fan. The format allows for turnover, backfill of vacant bays can be easy. The problem is the shared cost to build it out. Fast casual -> forward thinking.

**DW** Putting on my “neighbor hat” – I would be excited for a food hall. Wearing a “developer hat” I would not be happy. The concept loses money but creates a draw for a loss-leader mentality. It only makes sense if you have a lot of money and land. The most expansive part of the build out is plumbing and HVAC. The developer would need to get it set up individually for small start-ups, which are continually back-flowing. People are doing it at higher value locations.

***How does this site compare with your past project sites? This area thrives on new businesses like Panera.***

**TH** There is a similar project site in Eagan and Blaine – small strip center. Fast casual is a successful trend. Noodles is closing in West End (St. Louis Park). People today are pulling orders by phone.

**DW** We own Creekside Rental Center on Noble. This location is stronger. 35 acre (109 Lexington) in Blaine – the process is lengthy, may hamper development. Because the city owns the land here, there likely will be a development agreement that will respond to what the community needs, will dictate what the development will be. The demand for real estate drives the tenor of a development agreement. What's in demand right now? Housing is in huge demand, need to get it back in equilibrium. It's unlikely that a development will have the latitude to wait for retail. The city will have a duty to build in a timely way. There isn't demand today for speculative retail. The market may not match the aspirations of people in this room. The city has the option of selling a portion of the site for uses that are tied to the current market, and hold onto a portion for when the market demand shifts to other uses (patient seller).

***Loved the ability to wear both the Neighbor and Developer hat. You mentioned that homes to the east will be most greatly impacted. How? How will a developer work collaboratively with the neighbors?***

**DW** I lived in Japan for a while, which is a much denser place. In Prospect Park (Minneapolis) where I live now, a developer proposed building next to a neighborhood landmark – the witch’s tower. The perception was that the new development would impact the view corridor. Does that mean we should never build anything in the neighborhood again?

For a mixed use project that includes housing, height will be needed – massing is a mismatch to lower height housing nearby. There are ways for design to shift the perspective. Underground parking creates extra dirt, which needs to be put somewhere. It could be mounded to create a hillside or buffer/visual barrier for privacy for the single family homes.

***Traditional offices – it sounds like rents will be too high for small office uses in a new office building. There are many businesses along Hwy 610, looking for something different. What about satellite offices with a lunch/breakfast options – creating activity during the days?***

**TH** The concern with new construction is the square foot leasing rates. Companies are consolidating – not creating satellites. Small businesses – in one-storied buildings, condoed, shared office – need 5,000 – 10,000 square feet. To fill a 30K SF building the lease rates will be north of \$18/SF. Class B office space at \$18/SF are 20% vacant. Businesses have historically used 250 SF per person for office space (including break rooms, conference, etc.). The world is changing – went down to 135 SF per person (no HVAC meant that people got sick), and is now at around 175 SF per person today. Businesses are consolidating toward density – moving to areas with other amenities nearby. Transit can help with that – wait and see.

**DW** A distinction will be if it is a single user or multi-tenant project. Pay attention to vacancy rates:

- Office – 15 – 22% vacancy
- Industrial – 5 – 6% vacancy
- Apartments – 2 – 4% vacancy
- Retail – 12 – 15% vacancy

Rents increase when vacancy hits 10% or below (more supply is needed for the demand).

Sprawl doesn’t constrict development. Target found 20 acres and moved out of downtown Minneapolis. They are buying speculative office space in North

Minneapolis, trying to catalyze the district, charging rents that local businesses can't afford.

***What is possible (we've heard a lot about what is NOT possible)?***

**DW** Look at 109 Blaine and Prospect Park – focal point destination. Destination retail or single tenant that wants to be at this location. Need to appeal to a user.

***How does that work?***

**TH** That's what I do. A developer invites brokers (like me) to attract tenants (e.g. Aldi, HyVee, etc.). The developer needs to make the case for why the location is a good fit for the business, or demonstrate the housing need if they are wanting to do residential. Are there supplemental or complementary retail in the area?

I see the need for assisted living, senior 55+, turn-around retail. Fast casual dining, medical/dental is also increasingly going into retail spaces rather than office. What is complementary to the neighborhood businesses and housing?

***What's the value of transit near the site? Housing – if people can't walk across Noble, will they use transit to jobs elsewhere? Office must provide access to a pool of potential employees. Bike-walk connections is important to the site.***

**DW** There are certain uses that need to check the transit box. Single user tenant needs transit to provide greater mobility options for their employees. More likely that transit will play a larger role in the future than it currently does. You can also make the case for limited parking to drive toward transit options. It is definitely an amenity to sell the site.

**TH** There's a great video on YouTube that depicts the lower East Village in 1905 (find the carriage among a sea of horses), and then 15 years later (find the horse among a sea of autos). In 15 years transportation will look very different than it does today. A lot of what drives business locations is where the CEO lives. They mostly think about their own experience, and what is convenient for them. That's why 494 became so built out – because it's seven minutes from the CEO's home.

***In the near future 252 will turn into a freeway. There is limited east-west access across the city.***

***Residents that I met at the last workshop, who live in the area, are thinking about safety. They had good ideas about restaurants and breweries. It's a concrete jungle along Hwy 610. We want more options for food – so we don't have to travel to Maple Grove. What about the Trader Joe concept? In St. Louis Park and Shoreview there is a compact version with other tenants that surround it. What about new restaurants, such as Sweet Tomato? I know of three grocery stores within a mile of each other, and they are all doing well. What happens to***

***property values when higher density is built nearby? What about traffic and parking?***

**DW** Data tends to show that there is no relationship to property values going up or down when rental is built nearby. Among the studies there is consensus that there is no correlation up or down, yet anecdotal stories are also useful to appreciate the ways that areas change more globally. Data oriented findings may not pay attention to all the ways areas change.

***Are developers more conscientious today?***

**TH** The development community is shifting away from old models, and I think it has to do with the changing social consciousness. B Corporations invest profits back into the community. Developers are looking through different lenses. Sustainable building will become everyday lexicon in California. Not seeing it yet here. Many developers today have a social consciousness, recognize impacts on the community, and want to leave a good footprint.

We don't need more strip malls – the neighborhood one has turned over a few times. What do you think about the design of twin townhomes, with flat levels for seniors? I'm hearing that solely commercial is not an option.

**DW** There is a massive demand for single family townhomes in Blaine – I'm shocked if it's not the same here. If there is a healthy market here for \$325 - \$385K home, they can be built successfully. This site is too small for a larger home builder (needs 25 – 30 acres), and it wouldn't be the best location for single family/townhomes so close to the freeway (needs a buffer). The city could take a hit and do something less dense, or maximize the value for tax benefit.

***Is there a way for the city to partner to make the right project work? What can the community do to attract the right businesses? Promote itself to attract the right developer?***

**TH** To attract retail – show me where people live and work. Fast casuals draw youth, families, people that fun down Hwy 610 for a good fast meal. With office it's about the numbers, and whether it's close to the CEO's home. A developer doesn't want a poorly operating strip mall, either. It's best to find a developer that is tied to the community.

**DW** The best way to get there is through a highly professional city staff and leadership – and Brooklyn Park has that. Brooklyn Park is easier to work with – I've had a very positive experience. Larger cities are more complicated, and often impose confusing rules and difficult politics that put on the brakes.

**Thanks were given to the panel - ADJOURN**