

**HOPKINS CITY COUNCIL
WORK SESSION
AGENDA**

Tuesday, March 9, 2021

6:30 pm

Hopkins City Hall – Council Chambers

6:30 p.m. Planning & Development Discussion; Elverum

Other

Adjournment

Planning & Economic Development

MEMORANDUM

TO: Honorable Mayor and Hopkins City Council Members
FROM: Kersten Elverum, Director of Planning & Development
DATE: March 9, 2021
SUBJECT: Planning & Development Discussion

Purpose

At the January 12, 2021, City Council meeting staff presented an overview of the Planning and Economic Development Department. During the discussion with the City Council several issues were raised for further discussion. At the March 9, 2021, work session staff will be prepared to further the conversation around these issues that include:

- Downtown commercial vacancies
- Underutilized City-owned property
- Alternative uses of the closed landfill
- Senior housing and accessory dwelling units
- Shady Oak Station design

Summary

The following is an overview of these topics:

Downtown Commercial Vacancies

There was concern raised about Hopkins' downtown having a high vacancy rate. It is difficult to provide an accurate vacancy rate for commercial property in the downtown, as that information is not compiled. Several factors complicate the issue including that a vacancy does not always mean the property is available.

According to Hennepin County Assessing, there is approximately 1,165,000 square feet of commercial square footage in the downtown area – Mainstreet from 5th to Shady Oak Road and 1st Street North to 1st Street South. The chart below includes property that is being actively marketed for lease and identifies a total of 48,195 square feet currently available. That would indicate a vacancy rate of 4%. The actual vacancy rate is likely higher due to the lack of a comprehensive data source.

Downtown Commercial Properties Available for Lease on 1/28/21

Property Address	Commonly Known As	Primary Use	SF Available	\$/SF
901 1st St N	Hopkins Professional Bldg	Office	735	\$9.80
4-18 Shady Oak Rd	Suburban Square	Office/Warehouse	1400-9400	varies
50 8 th Ave S	Gallery Flats	Office/Live-work	850	\$22.00
11 10 th Ave S	Fowler Bldg	Office/Retail	826 1,670	\$18.44 \$20.77
1901 MS	Invisible Fence	Office	3,180 700	\$18.00
712-786 MS	Marketplace Lofts	Retail	1,247 1,587	\$18.00
1010 MS	Baby Grand	Retail/Office/Warehouse	11,000	\$15.00
	Marketplace & Main	Retail/Office	Unknown	unkown
821-823 MS	Express Personnel		3,000	\$17.60
1011 1 st St S	Wells Fargo	Office	18,000	\$12-13.00
41 12 th Ave N		Office	4,000	\$26.66

Sources: MNCAR.ORG and Redi

In a normal year, vacancy rates below 5% indicates a very strong market and often result in increasing lease rates. Vacancy rates of 9% or greater may indicate a soft market. That being said, Covid-19 has had a significant impact on both the retail and office market and vacancy rates will likely be unusually high for the near term.

The question for the Council and staff to discuss is what is the City's role and how can we help fill vacant commercial space. Staff currently provides support in leasing activity in the following ways:

- Meet with prospective tenants to answer their questions and promote all the assets of the downtown
- Provide helpful information on the City's website
- Refer prospective tenants to owners with vacant space and the free business consultation services of Open To Business
- Market the City through Think Hopkins
- Cold call businesses that may be a good fit in Hopkins
- Create the environment for businesses to thrive

The single most impactful role the City of Hopkins can play is in creating the environment for businesses to be successful. Amenities such as municipal parking, green space, plazas and trails, bike infrastructure, public art and street cafes all add to the attraction of Mainstreet. These are often mentioned in commercial property listings – in addition to the proximity to the LRT Green Line.

Hopkins downtown is an ideal environment for independent and start-up businesses. City staff have joined in a conversation with other metro area cities that have concerns around commercial property gentrification and is optimistic that some new ideas of how to strengthen our commercial districts by providing opportunities for small businesses to succeed.

Staff is interested in hearing the City Council's thoughts about ways the City can be more proactive in attracting new businesses to Hopkins – both in the downtown and in other commercial areas of the City.

City-Owned Property

501 & 525 Mainstreet/15 6th Avenue North

The Hopkins HRA currently owns two parcels on Mainstreet: 501 and 525 Mainstreet, and one at 15 6th Avenue North. These properties were purchased in 2009 and 2013 as part of a redevelopment plan for the surrounding area. 525 Mainstreet was purchased in 2009 from the owner who operated a used-car lot. 501 Mainstreet and 16 5th Avenue North was purchased from Doran in 2013.

The redevelopment project did not move forward and the City, through the HRA, has retained the properties to help assist a future redevelopment project on this block. The properties were used as a staging location during the Mainstreet reconstruction project, but otherwise have just provided green space. The properties are tax exempt, and as such have not been assigned a current value by Hennepin County.

The properties are relatively small in size. 501 Mainstreet is .4 acres and 525 Mainstreet is .3 acres, and 15 6th Avenue North is a single family lot of 50'x187'. The parcels are not located within the Central Business District so they would need to provide for parking onsite. This limits the density for a commercial building on the Mainstreet sites. The size of the parcels also limits the use for residential as structured

parking would likely not be feasible. They are not contiguous so they cannot be combined into a larger site without additional property acquisition.

Municipal Parking Lots

The City owns several parcels that are currently part of the municipal parking system. Most lots are utilized on a fairly regular basis and provide value to the downtown. The one lot that has been discussed as underutilized is Lot 800 on 1st Street North. It is currently being used by Metro Transit as a park and ride location, temporarily replacing the park and ride that was located on Excelsior Boulevard. When LRT is operational in 2024, the use of the lot will be further reduced as park and ride functions will move to the Shady Oak Station. Today it operates as a free lot with no permit required.

The zoning for the property is currently being revisited as part of the larger zoning code revision work but would potentially be a candidate for moderate density development, often referred to as the missing middle. The neighborhood had voiced concern over density but has suggested that a townhome development may be a viable option.

If the City Council is interested in selling any of the property held by the City, staff would ask for a discussion of the preferred development outcomes and disposition process the Council would like to follow.

Use of the Closed Landfill

Hopkins has a closed landfill in south Hopkins that is under the control of the Minnesota Pollution Control Agency (MPCA). Several years ago, the landfill was recapped using State bonds. The use of State bonding dollars prohibits any private use of the property.

There has been an interest in being able to use closed landfills for some productive use and solar energy creation is one viable option. There is a bill currently being proposed that would fund a demonstration project to repay the state bonds and install solar panels on a closed landfill in Ramsey. It would also give the MPCA the ability to dedicate staff to a Brightfields' program. State staff is hopeful about the prospects for success with the demonstration program and that it could be expanded and offer an interim solar use of 20 to 30 years which would allow more time to study more complete redevelopment options for landfill sites.

Prior to the work that was done with state bonding dollars, the MPCA was exploring a more extensive project that would have removed the waste from the closed Hopkins landfill and transport it to another landfill. That initiative was not pursued and the recapping alternative was chosen. It is very unlikely that the MPCA would be willing to undertake a complete remediation of the site in the near term.

Staff is looking for direction from the City Council regarding if the City should support the proposed legislation or pursue other options.

Senior Housing/Accessory Dwelling Units

Another issue that was raised in our previous conversation was the interest in senior housing and Accessory Dwelling Units (ADU's). Staff would like to clarify what information would be beneficial for the City Council on this topic.

Staff has reached out to a senior co-op housing developer and there is interest in Hopkins, based on feedback from the community around the need for more owner-occupied senior housing options. Finding an available site is the challenge and greatest barrier to realizing independent, owner-occupied senior housing. Until a site can be identified, a conversation with a developer would likely focus on basic information rather than a site-specific discussion.

ADU's and allowing more duplex and possibly triplex construction in some neighborhoods is being discussed as part of the zoning code revision. It is anticipated that a robust community conversation around these uses will happen this spring. Staff would be interested in hearing from the Council about specific thoughts you have around circumstances where you think they work well.

Shady Oak Station Design

Staff has requested a meeting with SW LRT project representatives, Hennepin County, and the City of Minnetonka to work towards a better design for the Shady Oak Station. That meeting has yet to be scheduled, however, Jim Alexander from the SW LRT project will be at the March 9th work session and will present a construction update and clarification of the current station area design for the Shady Oak Station.

Next Steps

The intent of the discussion on March 9, 2021, is to provide information to the Council, clarify concerns and learn what issues the City Council would like to advance for further discussion.