

## 2006 Trends in Real Estate: *What's Hot*

By Bill Griffith



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**W**ith the help of a little research, the Internet and a cup of coffee, it's not too difficult to spot trends in real estate. And there seems to be a lot of activity right in our backyard. From retail to healthcare, projects are vying for construction workers, building materials and tenants. Here's a look at a couple of sectors in an active market.

### HEALTHCARE GROWS AS THE POPULATION AGES

USA Today recently projected that healthcare spending would rise to 20 percent of gross domestic product by 2015. This increase nearly doubles spending in 20 years. Around the metropolitan area most hospitals have some expansion project in planning or under construction. The trend goes way beyond traditional hospitals: clinics, specialty hospitals, day surgery centers and teaching facilities are all underway in the area. In fact, one official at Mayo Clinic said the state will need 60,000 allied health professionals in the next 10 years. To meet this demand, the Minnesota State Colleges and Universities (MNSCU) has established a training center for technical professionals providing a simulation center and related training in northwestern Minnesota.

*2.9 million square feet of new retail will be constructed in the coming year.*

### OFFICE RATES RISE AS VACANCY RATES FALL

For the first time in five years, the overall office vacancy rate will fall below 20 percent. A slow economy, business retrenchment and consumer concern after 9/11 led to a glut of office space and sublease space for several years. However, the slack started coming out of the market about 12 months ago, and the market continues to improve. Target Corporation has leased additional space downtown, and office developers in the southwest market are racing to build two to three new Class A office towers along the 494 strip between France Avenue and East Bush Lake Road.

### HOTEL DEVELOPMENT PICKS UP: A WESTIN ON EVERY BLOCK

It may seem that Westin is trying to become as ubiquitous as Starbucks. Well, not quite, but in the last three months, hotel developers have announced a Westin hotel at the Galleria in Edina, in a planned renovation of the F&M Bank building downtown Minneapolis and in the Bridges project across the river from downtown St. Paul. Two of the projects incorporate high-end condos drawing on hotel services. In addition, a new Hilton was recently approved in Bloomington at I-494 and France Avenue, three new hotels are planned for Phase II of Mall of America and a waterpark hotel has opened on the old Decathlon site.

# WHAT IT MEANS TO GO GREEN: *Green Building and Sustainable Design in the Twin Cities*

By Joey Vossen

Slowly, but surely, we are starting to hear about green building and sustainable design in the Twin Cities: the new green roof at the Minneapolis Central Library; the Phillips Eco-Enterprise Center in Minneapolis, which was named among the top ten green buildings in 2000 by the American Institute of Architects and houses the Green Institute; and the Green Guide recently ranked the City of St. Paul fourth among the nation's green cities. Despite hearing about these projects and awards, there are still questions as to what is green and what is sustainable design.

## BUILDING GREEN

Today, painting your house green is more than deciding between Kelly and Forest Green paint, it means opting for low VOC (volatile organic compound) paint. Members of the US Green Building Council (USGBC) developed a voluntary, green-building rating system for sustainable buildings called LEED (Leadership in Energy and Environmental Design). According to the USGBC, green building is design and construction practices that significantly reduce or eliminate the negative impact of buildings on the environment and its occupants through sustainable site planning, safeguarding water and water efficiency, energy efficiency and renewable energy, conservation of materials and resources and indoor air quality.

There are a few examples of how that definition works with development projects around the Twin Cities. The roof at Minneapolis Central Library will have a green roof planted with low-

growing succulent and prairie plants. The roof is designed to reduce storm water runoff and sewer overflows as sources of water pollution. The Phillips Eco-Enterprise Center features active day-lighting systems, native landscaping, on-site storm water management, an energy management system and has one of the largest photovoltaic arrays – solar panels – in the northern Midwest, all in addition to a green roof. The Green Guide, an environmentally-conscious consumer guide, has ranked St. Paul fourth among the country's green cities based on air quality, recycling and the city's environmental policy.

## GREEN DEVELOPMENT

Now the real question: So what does "green" mean for the land developer, the builder, or your city? Minnesota is arguably behind other east coast states and California when it comes to the number of LEED certified buildings. However, because of the climate shifts throughout the year, there already is a high-level of demand for energy efficiency compared to other states. Additionally, local and state laws support the development of green design. In 2001, the Minnesota Legislature directed the Departments of Administration and Commerce to

create sustainable building design guidelines for all new state-funded buildings. The City of Minneapolis provides storm water utility fee credits for practices that reduce storm water quantity and improve quality. The Bloomington Zoning Code provides for sustainable design floor area bonuses in the City's HX-R Zoning District as measured by the LEED standards.

The next step may be cities providing green design land development opportunities as well as standards. While most of the discussion surrounding green buildings and LEED is based on site and building

development, the USGBC is currently developing standards for LEED Neighborhood Development. The Congress for New Urbanism and the Natural Resources Defense Council are developing the Neighborhood Design rating system with the USGBC. This program will be launched in late 2007.

In creating such land development standards, both cities and developers alike need to be aware of the impact of those standards and whether or not they are adopted into the city zoning and subdivision codes or if they are simply a set of preferred guidelines.

## GREEN LAW

Under Minnesota law, subdivision development standards must be sufficiently precise. Moreover, if a

development satisfies such standards, then the subdivision must be approved as a matter of law. The reason being that in developing the zoning code, the city predetermines what permitted uses are allowed and if a property owner proposes to develop a permitted use that use must be allowed to be developed within the context of the city's standards.

Green building and design standards give cities and developers an opportunity to provide sustainable choices, as long as they are established within the context of Minnesota law. While green building will continue without sustainable development subdivision regulations, its future could be stimulated as well as hindered based on implementation of such standards. Within that balance, property owners, developers, builders and cities alike have the opportunity to support a growing market that keeps the grass green both under our feet and on our roof. ■

Find more information on Minnesota examples of green buildings at Minnesota Office of Environmental Assistance — Building Greener: [www.moea.state.mn.us/greenbuilding/examples-mn.cfm](http://www.moea.state.mn.us/greenbuilding/examples-mn.cfm)

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## CONDO DEVELOPMENT BEGINS TO SLOW

More condominium projects have been built in the Twin Cities over the last few years than in the previous two decades. Low interest rates, aging residents and booming downtowns have attracted residents back to the City. Still, the suburbs have enjoyed their share of this market boom as projects have opened in new urbanist enclaves in St. Louis Park, Burnsville, Woodbury, Maple Grove and Maplewood. Many more are planned to anchor projects as cities attempt to replicate village life with walking communities, shops, amenities and parks. All of the condo development has left the rental market soft as traditional renters are drawn into owner occupied housing.

## LIFESTYLE CENTERS CHALLENGE REGIONAL MALLS

It's hard to imagine an outdoor mall presenting a serious challenge to enclosed regional malls in Minnesota, the land of wind chill and weather change. Nonetheless, Woodbury Lakes opened this fall as the fourth major lifestyle center constructed in the metropolitan area in recent years. Similar projects in Maple Grove, Coon Rapids and Blaine are attracting shoppers in big numbers. Retail of all kinds is going strong. According to a report in *Twin Cities Business*, 2.9 million square feet of new retail will be constructed in the coming year. That is the equivalent of opening all the retail space in Mall of America in one year. ■

## Profile



Joanna L. Vossen

## Vossen's Practice Merges Land Use Planning and Law

JOANNA "JOEY" VOSSEN is an associate with Larkin Hoffman and a member of the firm's land use and development practice group. Her practice focuses primarily on land use, development and municipal law.

Prior to joining Larkin Hoffman, Joey was the development director for Ameregis, a public policy firm focused on land use planning and governance. She also worked as a law clerk at Lockridge Grindal and Nauen P.L.L.P. and the Minnesota Public Interest Research Group (MPIRG). Joey's experience includes working with senators, lobbyists and community groups to build consensus and facilitate decisions regarding land use policy and law

and she has served as a Legislative Assistant to State Senator Leo Foley.

Ms. Vossen received her J.D. from the University of Minnesota Law School in 2002, and her M.A. degree in Urban and Regional Planning from the Hubert H. Humphrey Institute of Public Affairs in 2002. She graduated with her B.A. from the University of Wisconsin-Madison in 1996. She is an adjunct professor at the University of St. Thomas School of Law teaching Land Use Law. Ms. Vossen is a member of the Minnesota American Planning Association (MnAPA), Urban Land Institute (ULI), Sensible Land Use Coalition (SLUC) and Minnesota State Bar Association. ■

# IN BRIEF

## STOLTMAN PROJECT A FINALIST FOR THE BEST IN REAL ESTATE 2005

■ Congratulations to **TIM STOLTMAN**, president of Larkin Hoffman, for his work with Zeller Realty on the MNSCU Office of the Chancellor Consolidation. The project was a finalist in the "New Lease - Office/Industrial" category for the Business Journal's 2005 Best in Real Estate Awards.

## HOFFMAN ADDRESSES COLLEGE GRADUATES

■ Firm founder, **BOB HOFFMAN**, addressed the Class of 2006 at Normandale Community College's Commencement Ceremony Friday, May 12. After the ceremony, he left for Las Vegas, Nevada, as the firm's representative for the International Council of Shopping Centers Convention.

## HANS HAGEN HOMES WINS IN COURT OF APPEALS

■ **GARY VAN CLEVE**, assisted by associate **JESSICA RIVAS**, won a 60-Day Rule court case in the Court of Appeals for the firm's client Hans Hagen Homes. *Hans Hagen Homes, Inc. v. City of Minnetrista* was decided May 16, 2006.

## LARKIN HOFFMAN GOVERNMENT RELATIONS GROUP AT THE CAPITOL

■ Larkin Hoffman's Government Relations Group represented the Builders Association of the Twin Cities (BATC) at the Minnesota Legislature this year to secure passage of legislation relating to plat approvals, park dedication, environmental review and financial

security deposits. They also assisted BATC in connection with adopting legislation authorizing Notice and Opportunity for Repair (NOR) in response to construction defect claims. The group also represented the Outdoor Advertising Association at the Minnesota Legislature in supporting passage of eminent domain reform legislation.

## COYLE AND GRIFFITH DEBATE EMINENT DOMAIN

■ **PETER COYLE** and **BILL GRIFFITH** debated whether we need to reform the state laws that define the government's ability to take private property for public purpose. Their views are featured in the May 1, 2006 *Star Tribune Business Forum*. For more information contact 952-896-3322.

## LARKIN HOFFMAN ELECTS O'NEILL MORELAND AS SHAREHOLDER

■ **TAMARA O'NEILL MORELAND** was recently elected as a Larkin Hoffman shareholder. Tamara has been a part of the firm for over seven years. She is a member of the Real Estate Litigation practice group concentrating on litigation involving commercial and residential construction matters and fraudulent real estate transactions. She also has extensive experience in telecommunications law and environmental issues.

## ALEXANDER RECERTIFIED AS A REAL PROPERTY SPECIALIST

■ Real estate attorney, **TOM ALEXANDER**, successfully completed the requirements for recertification as a Minnesota State Bar Association Board Certified Real

Property Specialist. Of the 2000 attorneys registered as members of the Real Property Law Section, only 345 attorneys are currently certified as MSBA Real Property Specialists.

## KORSTAD AND TWINWEST CHAMBER TAKE ACTION FOR BUSINESS AT THE STATE CAPITOL

■ **GREG KORSTAD**, chair of Larkin Hoffman's real estate and land use group, was the featured speaker at the TwinWest Chamber of Commerce legislative breakfast meeting. At the breakfast, the group emphasized the need for individual members to carry the business community's message to the Capitol during the 2006 Minnesota Legislative Session. Greg is also chair of TwinWest Chamber's government affairs committee.

## Larkin Hoffman ATTORNEYS

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