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Response-able Development - The Next Five Years

As the production of new housing slows down, many of us within the industry are searching for clues regarding development trends that we may see over the next few years. Trade associations such as the Minnesota Real Estate Journal, Builders Association of the Twin Cities and others continue to search for data to help identify primary submarkets and niches that meet ever-changing demands during this slowdown. In summary, it does not appear that many new residential developments will emerge until at least 2008 as existing inventory continues to limit new growth opportunities.



Donald Jensen

A review of Met Council projections on the communities likely to see growth of over 500 housing units during the next decade reveals a transition from growth in larger (inner-ring) suburbs to the smaller (third-ring and beyond) growth centers. These communities will be tested for their acceptance of growth and moratoriums, or other restrictions may be considered for modifying growth rates without proper planning. Some cities will want residential growth in order to fuel job growth of small businesses, while silently confirming to bigger business that they are development friendly. Developers and builders will continue to be tested and contested when the build out of proposed projects goes slower than initially

forecasted.

The next three years of build out will occur primarily on streets and developments already approved through phase one plats. Many of these developments are already partially in the ground. However, future phases are now being re-examined and often modified to meet volatile market demands. This is an adjustment period where developers and builders are re-evaluating how to create valuable products within increasingly challenging price points. In order to meet these demands, our industry will certainly be asking questions. Can we use new products and construction techniques to reduce long term maintenance costs? How much decorative lighting is needed on a home? Does silt fencing on uphill slopes measurably protect the environment? What is an adequate buffer distance and what are the most needed neighborhood amenities? This is a good time to evaluate which short term and long term approaches to building neighborhoods are working best.

The greatest opportunities for short term adjustments may well be in the styles and square footage of dwelling units since many home buyers are becoming less willing to pay the same price as years past. (According to NAHB, the average size of a house has increased from 2,095 sq. ft. in 1995 to 2,434 sq. ft. in 2005.) It will be up to our regulators at the municipal level to modify acceptable minimum size standards that respond to market demands

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Industry Leader Spotlight: Colleen Carey

In 1993, Colleen Carey started The Cornerstone Group, a development company with special expertise in affordable housing and mixed-use developments. She has 23 years of experience in real estate development and has completed more than \$200 million in housing and mixed-use developments. Prior to establishing The Cornerstone Group, Ms. Carey served for seven years as the Executive Director of Twin Cities Housing Development Corporation, during which time the organization participated as a developer in housing developments worth over \$130 million with projects ranging in size from five



Colleen Carey

to 1,300 units. Ms. Carey serves on the Board of Directors of the Minnesota Land Trust and on the Urban Land Institute (ULI) Executive Committee for Minnesota. She is also on the Board of Directors for The Illusion Theater.

1. What do you do in your current job?

I lead a real estate development company made up of a team of people who are working together to accomplish community redevelopment projects in socially responsible and sustainable ways. I spend much of my time identifying and analyzing new opportunities as well as supporting the project management activities of the team as we execute our projects.

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What a Land Development Consultant can bring to a Commercial Development

There are usually several questions a buyer will want to understand prior to completing a purchase agreement for new land. What are the constraints of the site, as well as the opportunities? What is the net developable acreage versus the gross? What is the political approval process at the city, township or county? Are there issues with the zoning, infrastructure accessibility and availability of services? Will the street system adequately handle the needs of this new development? There are many considerations buyers must assess as they consider the development potential of a property.



John Dietrich



Vernon Swing

and performance will be representative of the budget considerations needed to successfully undertake the project. Avoiding potential oversights prior to purchasing a site enables the developer to minimize risk and help maximize the value of the property through identifying realistic development potential. This is important for any development, but is even more critical for the master planning of a shopping complex or retail center where there may be a multitude of property owners. An outline of RLK's typical constraint analysis report is included in Table One.

There are several important factors to consider for maximizing site marketability, ensuring easy access and minimizing unnecessary construction costs. For example, landscape architects will maximize the visibility of the site by creating a vibrant sense of place that accentuates the natural environment and meets setback requirements. Civil engineers will identify the need, size and location of stormwater ponds and utilize the topography to efficiently connect with necessary services. Traffic engineers will identify limitations in roadway capacity, acceptable access criteria, and traffic control considerations given various potential land uses.

Once the feasibility of a development scenario is scoped, the developer's vision can be created and communicated to local regulators to help them see the value of the final product. Graphics, computer simulations, scale models, videos and three-dimensional visuals can be very effective presentation tools to illustrate potential developments and gain consensus.

In conclusion, identifying the most realistic expectation of development potential up front can be a critical tool for minimizing risk, establishing a more accurate development budget, and identifying a workable timeframe for transitioning raw land into a successful, vibrant retail development.

*John Dietrich, ASLA
Principal Landscape Architect*

*Vernon Swing, P.E.
Principal Transportation Engineer*

 Typical Constraint Analysis Categories	
<ul style="list-style-type: none"> Identify secondary clients Existing Conditions <ul style="list-style-type: none"> - Use - City Limits - Site Area Land Use <ul style="list-style-type: none"> - Comprehensive Plan Analysis - Zoning Analysis - Local Requirement Review Transportation <ul style="list-style-type: none"> - Roadway Capacity Limits - Site Access Analysis - Traffic Control Utility Analysis <ul style="list-style-type: none"> - Sanitary Sewer - Watermain - Storm Sewer - Electrical Service - Natural Gas Service 	<ul style="list-style-type: none"> Stormwater Management <ul style="list-style-type: none"> - Water Quality - Rate Control Anticipated Off-Site Improvements Analysis of Trees Wetlands <ul style="list-style-type: none"> - Identify Local Governing Unit Floodplain Analysis <ul style="list-style-type: none"> - Is Site in FEMA Floodplain? Watershed Requirements <ul style="list-style-type: none"> - Identify Watershed - Identify Stormwater Requirements Federal Aviation Administration Building Height Requirements Agency Contact Information

Table One

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while meeting basic public health, safety and welfare needs. There should certainly be room to see if the creation or "manufacturing" of places to live can be enhanced through response-able review.

Developers and city staff may need to work closer to look for cost trade-offs associated with infrastructure design and construction methods. This pause for examination does not necessarily mean a loss of quality to neighborhood products. Rather, it should be entirely appropriate to ask future residents if they really want to pay for the many items of their neighborhood up front in their lot and home cost, or later through future construction programs undertaken by the city or a homeowner's association. It is in both the residential development company and homebuilder's interest to build out. Without residential build out, the next slowdown will likely occur in the commercial sector as this development pattern is typically based on population and household growth. Just as residential developers have shelved phases, commercial developers may be more cautious as this industry assesses the impacts caused by residential slowdowns.

Although a high inventory of phased developments has slowed the pace of new residential development, this is a great time to re-evaluate the market needs of the home



buyer, as well as the design and construction process that is used by the industry to create extraordinary communities. Developers and builders whom proactively address these ever-evolving new market demands will continue to find tremendous opportunities to design, build and create a quality sense-of-place that appeals to the market.

*Donald Jensen
Senior Land Development Specialist*

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2. What are you currently working on?

We have just completed construction on The Mist, a 116-unit luxury condominium project on Lake Minnetonka. We are about to embark on a new project in Missoula, Montana a large, mixed-use project that will be done over a period of five to eight years. We are in the process of securing other new opportunities as well.

3. Where did you attend school?

I attended the University of Wisconsin-Madison where I received an MBA in the Real Estate program.

4. Tell me about your family.

I have a life partner, Pam Endean, and two daughters, Lily (21) and Lark (18).

5. What was the very first job you ever had?

Selling Christmas cards door-to-door to earn enough money to buy a guitar. It turned out that I did NOT enjoy door-to-door sales and wasn't particularly good with a guitar either.

6. What motivated you to start your company?

I am passionate about the idea of using business to accomplish important social change in the world. I have tried to structure my business to reflect my personal values.

7. What is the one thing you would most rather do instead of working on a Monday morning?

My first choice would be to stay at our lake place in Northern Wisconsin for one more day! I enjoy lots of outdoor recreational activities like skiing, biking, hiking, etc. and I have a reading list a mile long of books I want to read.