

MEDICAL DEVELOPMENT OR REDEVELOPMENT

~ winner ~

Lake Street Office Center

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STAFF WRITER

Real Estate Recycling replaced a lead-polluted former industrial site with the Highway 7 Corporate Center. But when the ribbon was cut a year and a half ago, St. Louis Park officials could see there was more to do.

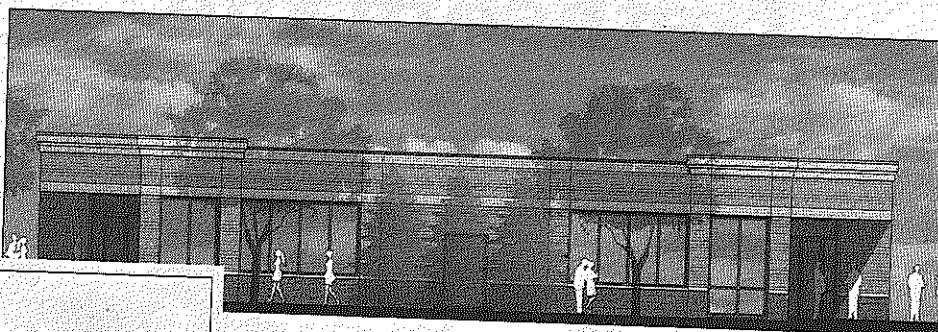
"Everybody stood out there at our ribbon-cutting and said, 'Boy, that building across the street looks terrible.' And nobody noticed it before because it was so little and there were so many crummy buildings around it," said Paul Hyde, a partner in the Minneapolis-based firm.

Thus began a \$2 million project for Hyde and Real Estate Recycling, which, as of the time of this writing, had three medical clinics bidding to buy the brand-new, 4,000-square-foot Lake Street Office Center on the site.

Real Estate Recycling's niche involves taking polluted industrial sites, cleaning them up and building something better. It's redeveloped more than 1.6 million square feet over 15 years — and become a regular Best in Real Estate Award winner in the process.

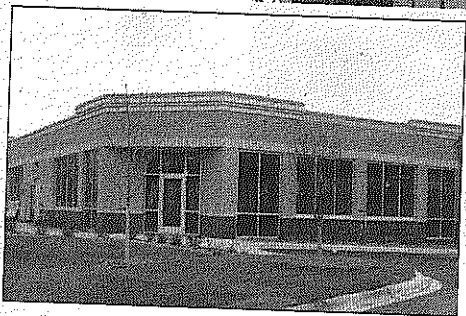
With the Lake Street Office Center, challenges included buying out an area businessman who was using a former repair shop for storage and leasing two billboards on the roof.

Hyde said St. Louis Park ended up spending \$400,000 to help Real Estate Recycling



SUBMITTED ART

Real Estate Recycling transformed an old garage building site with billboards into a medical office center.



buy the site. "It was important for them to clean up that Highway 7 corridor visually and they've been interest-

ed in getting rid of blighted buildings and the billboards along that main highway through the city," Hyde said.

Luckily for Hyde, the leases on the billboards were running out, so he dodged what could have been a legal headache. However, there were other headaches to deal with during the redevelopment project.

Like the Corporate Center site across the street, the area had once been part of a lead-smelting operation. Before general contractor Opus Northwest could tear structures down and build something new, there was the need to remove contaminated soil, capping what was left. There also was a layer of peat that created some unstable geology, so a lot of soil had

to be removed and replaced with earth that was stable enough to support a larger structure.

Then there was the debate about what the new site should be. Hyde was initially thinking of getting a chain restaurant to move in, but St. Louis Park wanted to get some high-paying jobs onto the property in return for its troubles. So they settled on building a structure to attract a medical office — a decision Hyde is now glad was made in light of the present recession.

"There are many small-office uses it could be, but medical is where we're seeing interest right now," he said.

All the challenges Real Estate Recycling faced in building the Lake Street Office Center made it worthy of a Best in Real Estate honor, said Arvid Povilaitis, chief operating officer of Minneapolis-based Meritex Enterprises Inc. and one of the contest's judges.

"The developer overcame challenging obstacles to get a very successful development completed," he said.

[STATS]

Value: \$2 million
Location: 7102 Lake St. W., St. Louis Park
Size: 4,000 square feet
Groundbreaking: May 1, 2008
Completed: October 2008

[PLAYERS]

Owner: Real Estate Recycling
Leasing agent: Welsh Cos.
Tenant: Medical office
Developer: Real Estate Recycling
General contractor: Opus Northwest
Architect: Opus Architects & Engineers
Design architect: Opus Architects & Engineers
Landscape architect: Opus Architects & Engineers
Engineer: Opus Architects & Engineers
Legal representation: Gray Plant Mooty
Finance provider: First National Bank of Omaha
Title company: Commercial Partners
Other key parties: City of St. Louis Park, Minnesota Department of Employment and Economic Development, Metropolitan Council, Hennepin County, Geomatrix Consultants

Greg Hunt, St. Louis Park's economic development coordinator, said the city is extremely pleased it's gotten rid of an "old garage building with billboards," and is replacing it with something more desirable. "Now we've got a first-class medical office building there. We think it's a great use for the property."