Midtown Corridor Alternatives Analysis

Economic Development Potential

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for

Metro Transit

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Executive Summary

New transit-supportive development has the potential to increase ridership on transitways; likewise, transitways can attract new development. Thus, the potential for new development or redevelopment of underused parcels near a transitway is an important criterion for estimating the success of a transitway. This analysis used qualitative and quantitative methods to estimate the potential value of new development in the Midtown Corridor. Qualitatively, the analysis concluded that the neighborhoods encompassing all three alternatives are generally supportive of mixed-use, medium-, and high-density residential development in the project corridor. The analysis used a scenario-based approach to estimate the quantitative potential redevelopment value in the corridor. The results are shown below in Table 1.

The basic assumption of the scenario was that all 'redevelopable' parcels will develop similarly to recent developments in the corridor. Redevelopable acres were defined as vacant parcels (larger than .01 acres) with a future land use designation supportive of transit oriented development. The range of development potential was estimated by assuming redevelopable parcels would develop to the same value per acre as recent developments in the corridor.

Unlike a full market study, this analysis did not have access to more detailed information such as retail, residential, and office demand forecasts, rents per square foot, and vacancy rates. Without these specifics, this assessment of development potential is very basic, and its conclusion is general: local plans and policies support high density, transit-oriented development in the Midtown Corridor, and even assuming a conservative scenario, there is ample space for this development to occur. If the corridor continues in its recent development pattern, growth of the magnitude described in Table 1 will occur.

Table 1: Development and Redevelopment Potential

Alternative	Redevelopable Acres	Range (millions of dollars)	Midpoint of Range (millions of dollars)
Enhanced bus on Lake Street	82.83	$201 - 390	$296
Double/single track rail in the Greenway	98.45	$239 - 464	$352
Dual alternative	98.45	$352 - 464	$408

Methodology

A number of factors will influence the extent and way in which the Midtown Corridor redevelops, one of which is transit service. At this early stage of transitway planning it is not possible to determine how much development will occur, so instead the study team estimated development potential using two measurements: first, a qualitative assessment of local plans and their support of transit-supportive redevelopment in the future; second, a quantitative scenario-based analysis of underused parcels in the study areas to identify how much land is available for redevelopment to higher-value transit-oriented uses.

Local Planning for Development and Redevelopment

Small area and neighborhood plans express the visions for the individual neighborhoods in the Midtown Corridor. These plans are prepared by the City of Minneapolis in close coordination with residents, businesses, and neighborhood associations, or by neighborhood associations themselves, and demonstrate the overall policy support for development and redevelopment in an area.

The qualitative assessment of local plans included a review of land use and development guidance in the following plans:

- *Hiawatha/Lake Station Area Master Plan*, 2001
- *Corcoran Midtown Revival Plan*, 2002
- *Midtown Minneapolis Land Use and Development Plan*, 2005
- *Midtown Greenway land Use and Development Plan*, 2007
- *Minneapolis Plan for Sustainable Growth*, 2009
- *Uptown Small Area Plan*, 2008
- *Lyn-Lake Small Area Plan*, 2009
- *Phillips West Master Land Use Plan*, 2009

In addition to plan review, a list of recent developments in the corridor was assembled. These recent developments show the area's track record of successful development and redevelopment initiatives.

Policy support and development track records were rated by area along the corridor, according to neighborhood boundaries. Ratings were assumed to be consistent whether rail, enhanced bus, or both modes of transit were implemented, and were assessed using a four point qualitative scale, as described in Table 2 below.

Table 2: Measurement of Policy Support + Development Track Record

Planning Level		Rating
Redevelopment is currently underway or recently completed; local plan express strong support for transit-oriented development, high densities, and a mix of uses		Very Good
Some redevelopment activity is currently underway; strong expressed interest in creating mixed-use neighborhoods, or recent rezoning for transit-oriented land uses		Good
Moderate interest expressed in creating mixed-use neighborhoods or recent rezoning for transit-oriented land uses		Fair
All other areas		Poor

Development and Redevelopment Potential

A scenario based quantitative process was used to estimate the potential redevelopment value in the corridor. The basic assumption of the scenario was that all 'redevelopable' parcels will develop similarly to recent developments in the corridor. Redevelopable acres were defined as vacant parcels (larger than .01 acres) with a future land use designation supportive of transit oriented development. Future land use designations were taken from City of Minneapolis and the City of Saint Louis Park plans. To estimate the redevelopment potential of each parcel it was assumed that projects would develop similarly to recent projects built in the corridor and therefore have a similar value per acre. These projects are shown in Figure 1 and their values are listed in Table 3. A range of development potential was estimated for each alternative. The detailed, step-by-step quantitative process is presented in Appendix A.

Figure 1: Recent Developments in the Midtown Corridor

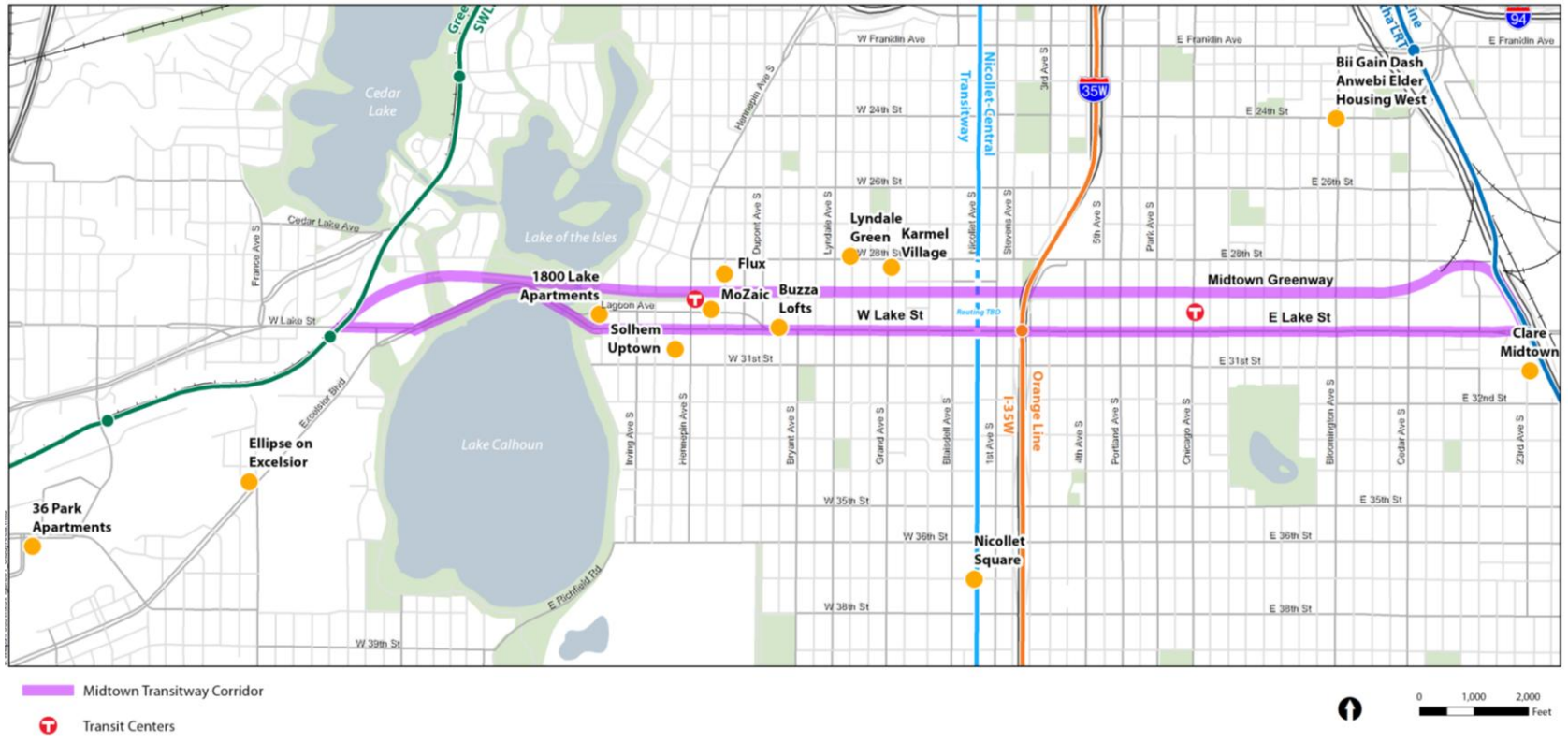


Table 3: Recent Mixed Use and High Density Residential Developments in the Midtown Corridor

Development	Address	Year Permitted	2012 Total Value (Land + Building)	Acres	Value Per Acre
Bii Gain Dash Anwebi Elder Housing West	2400 Bloomington Ave. S	2010	$ 139,400	.34	$ 410,000
Solhem Uptown	3017-3027 Holmes Ave.	2008	$ 7,880,800	.39	$ 20,207,179
1800 Lake Apartments	2915 Knox Ave. S	2009	$ 8,550,000	.51	$ 16,764,706
Lyndale Green	610 W 28th St.	2010	$ 8,417,500	.90	$ 9,352,778
Nicollet Square	3700 Nicollet Ave.	2008	$ 1,481,600	1.02	$ 1,452,549
Flux	2838 Fremont Ave. S	2008	$ 18,501,200	1.81	$ 10,221,657
Karmel Village	2825 Grand Ave. S	2008	$ 6,900,000	1.61	$ 4,285,714
MoZaic	1320 Lagoon Ave.	2008	$ 13,140,000	2.60	$ 5,053,846
Clare Midtown	3105 23rd Ave. S	2009	$ 4,000,000	.77	$ 5,194,805
Buzza Lofts	1006 W Lake St.	2011	$ 5,150,000	1.36	$ 3,786,765
36 Park Apartments[1]	3601 Park Center Blvd.	2005	$ 1,655,000	1.91	$ 866,492
Ellipse on Excelsior	3920 Excelsior Blvd.	2005	$ 6,000,000	7.99	$ 750,939
TOTAL			**$81,815,500**	**21.21**	**$3,857,000**

[1] Several redevelopable properties on the western end of the Midtown Corridor are located in St. Louis Park. In order to account for the potential redevelopment of these sites, two representative projects were selected in the city of St. Louis Park: 36 Park Apartments and Ellipse on Excelsior, which are High Density Residential and Mixed Use developments, respectively.

Results

Local Planning for Development and Redevelopment

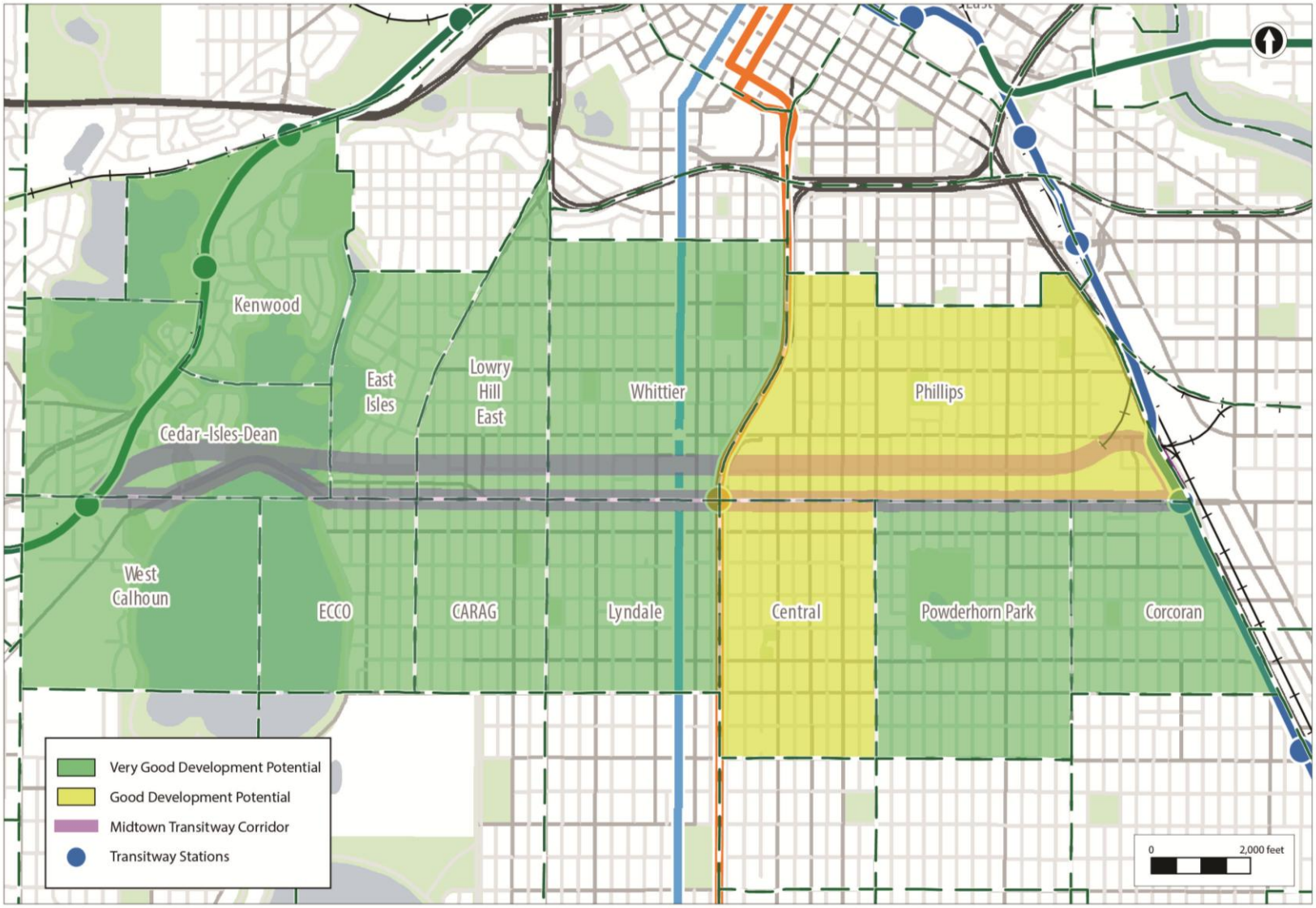
Existing plans, policies, and tools which apply to the enhanced bus on Lake Street, double/single track in the Greenway, and dual alternatives are generally supportive of mixed-use, medium-, and high-density residential development in the project corridor. Notably, mixed-use and commercial development surrounding the commercial nodes and activity centers throughout the study area is widely supported, as well as support for rezoning existing industrial land uses on the eastern end of the corridor to support increased transit-supportive development and urban design. Ratings for each segment are listed in Table 4 and shown in Figure 2.

Table 4: Local Receptivity to Redevelopment

Corridor Segment	Neighborhoods	Local Receptivity to Development
Abbott Avenue to East Calhoun Parkway	West Calhoun, Cedar Isles Dean	Very Good Recent developments include: Dwell-Bigos Calhoun Greenway Expansion
East Calhoun Parkway to Hennepin Avenue	East Isles, ECCO	Very Good Recent developments include: 1800 Lake Apartments, Edgewater Condos, Solhem
Hennepin Avenue to Lyndale Avenue	Lowry Hill East, CARAG	Very Good Recent developments include: Flux, Elan, Track 29, Buzza Lofts, Lyn-Lake Apartments, and City Walk
Lyndale Avenue to I-35W	Whittier, Lyndale	Very Good Recent developments include: Lyndale Green, Karmel Plaza, Murals of Lynlake
I-35W to Chicago Avenue	Phillips West, Central	Good No recent developments
Chicago Avenue to Bloomington Avenue	Midtown Phillips, Powderhorn Park	Very Good Recent developments include: Abbott Northwestern Expansion, Spirit on Lake, Midtown Exchange
Bloomington Avenue to Hiawatha Avenue	East Phillips, Powderhorn Park, Corcoran	Very Good Hi-Lake Triangle senior housing, Corridor Flats

Multiple plans, including the Midtown Greenway Land Use and Development Plan, the Uptown Small Area Plan, and the Phillips West Master Land Use Plan, call for increased residential development along the Greenway corridor; t his support of residential development is captured by the ⅓ mile radius surrounding all of the build alternatives. Overall support for transit-oriented development in the corridor neighborhoods is very strong.

Figure 2: Qualitative Development Potential Ratings



Development and Redevelopment Potential

Development potential was assumed to be sensitive to transit mode and is presented in a range. A precise development potential figure would imply precision in the data used for this study; a range more accurately reflects the methodology and data used to arrive at these estimates of development potential. Table 5 presents the development potential for the each alternative's study area.

Table 5: Development and Redevelopment Potential

Alternative	Redevelopable Acres	Range (millions of dollars)	Midpoint of Range (millions of dollars)
Enhanced bus on Lake Street	82.83	$201 - 390	$296
Double/single track rail in the Greenway	98.45	$239 - 464	$352
Dual Alternative	98.45	$352 - 464	$408

These estimates of development potential were generated using only 2012 assessed values. There are many other data and indicators, often used in a full market study, that give a much more complete picture of both redevelopable land and conditions and likelihood of redevelopment. Information such as demographic trends, retail, residential, and office demand forecasts, rents per square foot, and vacancy rates can provide a much more reliable estimate of demand for new development. Information on the availability of capital, lending rates and trends, and subsidies for development describe the development climate and the possibility of realization in a given time frame. Without these specifics, this assessment of development potential is very basic, and its conclusion is general: local plans and policies support high density, transit-oriented development in the Midtown Corridor, and even using these conservative measurements, there is ample space for this development to occur. If the corridor continues in its recent development pattern, growth of the magnitude described in Table 5 will occur.

Appendix A

Development and Redevelopment Potential Methodology

A multi-step quantitative process was used to estimate the potential redevelopment value in the corridor. The steps used for this analysis are described below.

1. A database of parcels was created using 2012 Hennepin County parcel data and City of Minneapolis Future Land Use. The data included each parcel's Property Identification Number, address, acreage, assessed land value, assessed building value, current zoning, and future land use classification.
2. Study areas were developed for each alternative:
    a. Double/single track in the Greenway alternative: to account for rail preference and for the positive impact that rail has on development potential, established a study area of all parcels within ½ mile of each station along the double/single track in the Greenway alternative.
    b. Enhanced bus on Lake Street alternative: bus improvements were assumed to have a slightly lesser effect on development potential as compared to rail; established a study area of all parcels within ⅓ mile of each station along the enhanced bus on Lake Street alternative.[2]
    c. Dual alternative: because the Greenway study area encompasses the Lake Street study area, the double/single track in the Greenway alternative and the dual alternative have the same study area. However, under the dual alternative parcels that fall in both the Greenway and Lake Street study areas would have access to both alignments and modes of transit. In order to account for this superlative access, we assume that redevelopment potential with the dual alternative will be higher than either alternative independently.
3. City of Minneapolis and City of St. Louis Park Future Land Use classifications were used to assign future land use designations for purposes of measuring redevelopment potential.

    <u>City of Minneapolis Methodology:</u>

    a. Parcels with a future land use designation of Mixed Use, Industrial, Parks and Open Space, and Public and Institutional retained their classification.
    b. Parcels with a future land use designation of Transitional Industrial[3] and Commercial[4] were reclassified to Mixed Use.

[2] A half-mile radius is commonly used by transit planners to represent the distance transit users are willing to walk to access a rail station. A quarter-mile radius is commonly used for bus service, however the walking distance for enhanced bus has been extended to ⅓ of a mile for this analysis, since the enhanced bus alternative will provide premium service at established stations.

[3] The City of Minneapolis' Land Use Policy defines "Transitional Industrial" uses as those "located outside of Industrial Employment Districts that may eventually evolve to other uses compatible with surrounding development. Although they may remain industrial for some time, they will not have the same level of policy protection as areas within industrial districts." Because of the flexibility in land use inherent in this definition, parcels designated "Transitional Industrial" are categorized as "Mixed Use" and retained as potentially redevelopable property.

[4] The City of Minneapolis' Land Use Policy regarding commercial uses is to "Develop and maintain strong and successful commercial and mixed use areas with a wide range of character and functions to serve the needs of current and future users."

c. Because the Urban Neighborhood land use designation allows for a wide range of densities, parcels with a future land use designation of Urban Neighborhood were cross referenced with the current zoning code. Urban Neighborhood classified parcels with a current zoning of high density residential (R5 or R6) were reclassified as High Density Residential.

d. Urban Neighborhood classified parcels with a current zoning of C3A or C3S Community Activity or Shopping Center Districts, were reclassified as Mixed Use.

e. Urban Neighborhood classified parcels with lower density zoning retained their Urban Neighborhood designation.

City of St. Louis Park Methodology:

a. The portion of the study areas within the City of St. Louis Park is very small. To maintain consistency in the analysis, some City of St. Louis Park future land use designations within the study area were reclassified to match City of Minneapolis Future Land Use designations.

b. Identified St. Louis Park's future land use designations using the Metropolitan Council's regional Planned Land Use data[5].

c. Similar to the City of Minneapolis method, parcels designated Single Family Residential, Industrial, Institutional, Park and Recreation, Open Space, and Mixed Use retained their land use designation.

d. Parcels designated Multi-Family Residential were reclassified to High Density Residential.

e. Parcels designated Commercial were reclassified to Mixed Use.

4. Using the newly assigned future land use classifications from each city, all parcels that would not change or redevelop were removed from the analysis. These include:

   a. Parcels classified Urban Neighborhood. The *Minneapolis Plan* notes that, with the exception of areas around identified nodes and corridors, areas designated Urban Neighborhood are not generally intended to accommodate significant new growth, other than replacement of existing buildings with those of similar density.

   b. Parcels classified as Single-Family Residential.

   c. Parcels classified as Public and Institutional, which include public and semi-public uses such as museums, hospitals, civic uses, stadiums, airports, and college and university campuses.

This policy encourages the mix of commercial uses with other uses and does not limit the density of commercial uses. Thus for the purposes of this analysis parcels designated "Commercial" are appropriately categorized as "Mixed Use" and retained as potentially redevelopable property.

[5] http://giswebsite.metc.state.mn.us/landuse/planned.asp

   d. Parcels classified as Open Space and Parks, which apply to land or water areas generally free from development.

   e. Parcels classified as Industrial, which are generally found within Industrial Employment Districts with a high level of policy protection and an emphasis on job retention and creation.

   f. Parcels smaller than .01 acres. Small lots are not redevelopable without larger site assembly.

5. Using the newly assigned future land use classifications, all parcels that could potentially change or redevelop were retained. These include:

   a. Parcels classified as Mixed Use

   b. Parcels classified as High Density Residential

6. Identified Mixed Use and High Density Residential parcels with an assessed building value of zero, which indicates that the land is unimproved and does not have a structure on it.

7. To account for irregularities in the parcel and land use data sets, aerial imagery was used to check the redevelopable parcels. Parcels were removed from the analysis if they were found to be incompatible with redevelopment. Removed parcels included a cemetery, public institution, light rail right of way, and recently redeveloped land.

8. Several recent Mixed Use and High Density Residential development projects in the corridor from the City of Minneapolis' and City of St. Louis Park's were selected from databases of recently developed projects to serve as examples of the value of new development. The average value of these projects is $3.8 million per acre. These projects are listed in Table 3 in the report.

9. To establish a range of the value of potential development in the Midtown Corridor, it was assumed that the redevelopable parcels would develop to plus or minus 30% the average value of recent projects in the area, or between $2.7 million and $4.9 million per acre.

10. A development potential premium was assumed to account for the superlative access provided by the dual alternative. The premium was calculated based on the double/single track rail in the Greenway development potential range and midpoint values. The high end of the double/single track rail in the greenway range was $4.6 million per acre. The midpoint was $3.5 million per acre. These two values were used to set the development potential range for the dual alignment.

Table 6: Development and Redevelopment Potential

Alternative	Redevelopable Acres	Range (millions of dollars)	Midpoint of Range (millions of dollars)
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