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Southwest LRT Community Works Steering Committee

Thursday, December 20, 2012

1:30-3:00 pm

Council Chambers, St. Louis Park City Hall

Agenda

I.	**Welcome & Introductions**	**1:30 – 1:35**
II.	**September 20, 2012 Meeting Minutes** Chair Gail Dorfman, Hennepin County	**1:35 – 1:40** Action
III.	**Development Scenarios Report** Mark Ruff, Ehlers, Inc.	**1:40 – 2:00** Information
IV.	**Development Workshop Debrief** Caren Dewar, ULI-Minnesota	**2:00 – 2:20** Information & Discussion
V.	**Transitional Station Area Action Plans** Mark Koegler, HGKi, Inc.	**2:20 – 2:40** Information
VI.	**2012 Accomplishments & 2013 Look-Ahead** Katie Walker, Hennepin County	**2:40 – 3:00** Action

The Steering Committee will meet next on Thursday, January 17, from 1:30-3:00 at the St. Louis Park City Hall.

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Southwest LRT Community Works Steering Committee
Meeting Minutes
Thursday, September 20, 2012
1:30 - 3:00 pm
St. Louis Park City Hall

Meeting Attendees
Steering Committee Members & Alternates
Chair Gail Dorfman, Hennepin County Member
Jan Callison, Hennepin County Member
Anne Mavity, City of St. Louis Park Member
Tony Wagner, City of Minnetonka Member
Jason Gadd, City of Hopkins Member
Dick Miller, Minnehaha Creek Watershed District Member
Jeff Casale, Minnehaha Creek Watershed District Alternate
Kathy Nelson, City of Eden Prairie Member
Jennifer Munt, Metropolitan Council Member
Nancy Tyra-Lukens, SouthWest Transit Member
Caren Dewar, Urban Land Institute (ULI) – Minnesota Member
Anita Tabb, Minneapolis Park and Recreation Board Member
Bob Fine, Minneapolis Park and Recreation Board Alternate

Other Attendees
Katie Walker (Hennepin County), Adele Hall (Hennepin County), Kerri Pearce Ruch (Hennepin County), Patrick Connoy (Hennepin County), Julie Wischnack (City of Minnetonka), Kersten Elverum (City of Hopkins), Barry Schade (Bryn Mawr Neighborhood Association), Mark Fuhrmann (Metro Transit), Kathryn Hansen (Metro Transit), Janet Jeremiah (City of Eden Prairie), Farveh Makhssous (City of Eden Prairie), Jack Sullivan (City of St. Louis Park), Meg McMonigal (City of St. Louis Park), Kevin Locke (City of St. Louis Park), Vida Ditter (Bassett Creek Redevelopment Oversight Committee), Kathie Doty (KLD Consulting), Beth Elliott (City of Minneapolis), Charles Decker (Hennepin County), Cara Lee (Hennepin County), Phil Eckhert (Hennepin County), Karen Lyons (Metropolitan Council), Diane Dube (William Mitchell Community Development Clinic), Sean Walther (City of St. Louis Park)

I. Welcome & Introductions
Chair Gail Dorfman (Hennepin County Member) called the meeting to order and asked attendees to introduce themselves.

The freight railroad tracks in the Kenilworth Corridor are currently being replaced. Please visit the website at http://www.hennepin.us/railreplacement. The site has contact information for Phil Eckhert, Director of Housing Community Works and Transit at Hennepin County and Tim Jeske from Twin Cities and Western Railroad. This project is not affiliated with the Southwest LRT project.

II. August 16, 2012, Meeting Minutes
Chair Gail Dorfman (Hennepin County Member) presented the August 16, 2012, Southwest LRT Community Works Steering Committee minutes for review and approval.

Dick Miller (Minnehaha Creek Watershed District Member) moved to approve the minutes; Anita Tabb (Minneapolis Park and Recreation Board Member) seconded the motion, and the minutes were approved on a voice vote.

III. Development Workshop
At the August meeting, the Steering Committee directed ULI to work with the Technical Implementation Committee (TIC)principals to define the scope and participants for the November development workshop. Caren Dewar (ULL-MN member) reported that the workshop is scheduled for Nov 14 and 15 at the Southwest project office. A formal notice will be sent to Steering Committee members. Will Fleissig and Marilee Utter will attend to present a national perspective, Colleen Carey (Cornerstone Group), Jon Breitenger (Cushman & Wakefield Northmarq), Pat Mascia (Duke Realty), and Mark Ruff (Ehlers) will represent the local developer perspective. Funding is from ULI, LISC, and Minnesota Housing. The first day will consist of a tour of the line and a deep look at the station areas: Penn, Beltline, Blake, Golden Triangle, and Mitchell. The panelists will assess critical issues and options to existing land use and infrastructure plans. On the second day the local and national panelists will have a work session, and then policy makers and panelists will have a discussion with Mr. Fleissig regarding the policy implications of the panelists recommendations. Staff will be participating both days. Mr. Fleissig plans to return in December to report back on the panelists' findings. Chair Dorfman (Hennepin County Member) suggested that the November Steering Committee meeting could be canceled so that Steering Committee members can focus on the workshop. The October meeting will likely be canceled, as well, because of the Rail~Volution Conference. Anne Mavity (St. Louis Park Member) commented that as part of the ULI Program "Navigating the New Normal" the St. Louis Park City Council had a similar panel present at their last meeting with great results.

IV. Appointment: Engineering Services Contract Selection Committee
The requests for proposals for Southwest LRT Engineering Services were issued in August and call for 30% design and engineering for two parts of the corridor: the west segment from Mitchell Station to just east of the Shady Oak station and the east segment from just east of the Shady Oak Station to Minneapolis, including a freight rail colocation or relocation evaluation. Preliminary Engineering (PE) procurement follows the Brooks Act where technical evaluation is done without financial considerations to identify the most qualified proposer. After a preferred vendor is chosen, their bid is opened and the contract is negotiated. The evaluation committee has a cross section of representation, including Community Works. The action before the Steering Committee today is to appoint a Community Works representative to the west and east consultant evaluation panels. Proposals are due October 2nd, interviews will be held in November, negotiations will be in December and the consultant will start work early in 2013.

Kathy Nelson (Eden Prairie Member) nominated Dave Lindahl to the west evaluation panel. Mr. Lindahl is the economic development lead for the City of Eden Prairie, who works closely with community and business interests. Chair Dorfman (Hennepin County Member) nominated Jack Byers to the east evaluation panel. Mr. Byers leads the planning division of the City of Minneapolis' Community Planning and Economic Development department and worked on Hiawatha LRT design and construction.

Dick Miller (Minnehaha Creek Watershed District Member) moved the appointments, Nancy Tyra-Lukens (SouthWest Transit Member) seconded the motion, and the appointments were approved on a voice vote.

Chair Dorfman asked if the firms selected for PE will be limited in their future work on the project. Mark Fuhrmann, Metro Transit, responded that due to conflict of interest issues the PE engineering firm cannot be the oversight engineer, nor will the Federal Transit Administration (FTA) let that consultant do the Final Environmental Impact Statement; the firms will be eligible for Final Design work. Jeff Casale (Minnehaha Creek Watershed District Alternate) asked how much of this work is as a result of the Metropolitan Council action this summer regarding URS. Mr. Fuhrmann responded that to ensure public safety the engineering services contract was split in two parts—east and west—and a third oversight technical engineering firm will be hired to review the work of the east and west engineers to ensure they're up to code. URS is not precluded from proposing in the second round.

Chair Dorfman encouraged Steering Committee members to thank Governor Dayton for the $2 million in DEED funds awarded to SWLRT. The Southwest Transitway Draft Environmental Impact Statement (DEIS) will be published in the federal register on Oct 12. There will be a 60 day comment period and at the HCRRA meeting on September 25, the board will take action to set three public hearing dates: Tuesday, November 14 at the Hennepin County Government Center 4:30 pm open house on the public service level, hearing beginning at 5:00 pm; Wednesday, November 14 at St. Louis Park City Hall open house at 5:00 pm, hearing beginning at 6:00 pm; Thursday, November 29 at the Eden Prairie City Hall at 5:00 pm, hearing beginning at 6:00 pm. People are encouraged to email or mail comments, or fill out a comment card or testify at at hearing. The document will be posted on southwesttransitway.org and is searchable. Hard copies will be available for review in city halls and libraries. HCRRA is the responsible governmental unit and will hold the hearings.

Jennifer Munt (Metropolitan Council Member) noted that the Community Advisory Committee requested some training on how to review the document and comment. The FTA cautions against Hennepin County and Met Council providing training, so fellow CAC members with experience with EISs on other projects will lead the session. If you have questions about the DEIS please call Katie Walker at Hennepin County.

V. Station Area Profiles

Cara Lee and Charles Decker, Hennepin County Public Affairs, distributed a draft of station area profiles for the Opus and Hopkins Stations. In response to feedback from the cities, the profiles have evolved from a fact sheet to a sleek informational and promotional piece intended to tell the story and generate excitement about the Southwest corridor. The individual profiles that will be part of a booklet that will provide the full spectrum of what is available along the corridor. The front of the profile is an iconic image of what you can see and experience at the station. The map on the back provides context for its location within the corridor as well as specific location of the station if you want to visit.

The primary audience is wide: developers, community members, marketing opportunities, tours, people that aren't familiar with the project. Steering Committee members noted that connections to other rail lines at the Interchange should be obvious, and that the branding and character of the individual stations, as well as the Community Works branding and tagline, should be included. Staff noted that the goal is to prepare the profile packet for the Rail~Volution Conference in October, and to bring the final product to the Steering Committee and Corridor Management Committee.

VI. Royalston Station Presentation

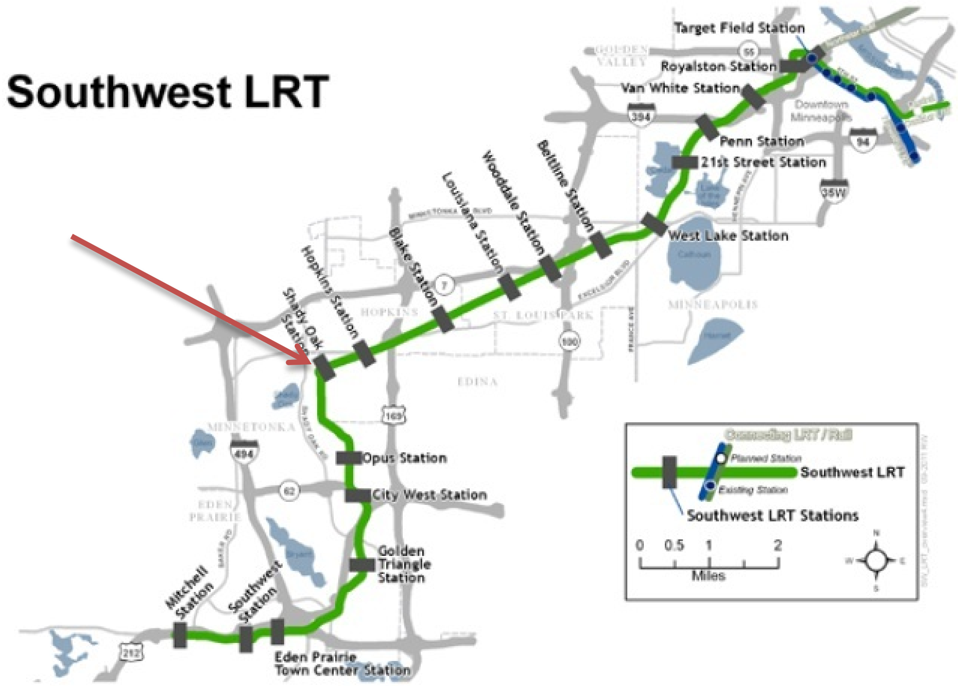
Beth Elliott, City of Minneapolis, presented on the Royalston station area, which is a fairly industrial area very close to the office core, the Farmers Market and Target Field. The City approved 1,600 housing units in Downtown Minneapolis last year; 1,100 are currently under construction. Property ownership is scattered and there are several city properties with major public works investments. A large industrial property immediately adjacent to the proposed station is mostly vacant, but has not redeveloped. It's an eclectic development area: the station is closer to Target headquarters than the LRT station at 5th and Nicollet, but because there are many pedestrian barriers so it's difficult to walk there; supportive housing has a presence in the station area. There is very little character, as this was one of the first urban renewal areas, and employees at the functioning industries aren't visible in the neighborhood. There could be an opportunity for student housing at nearby trade and technical schools. International market square has generated a lot of interest and development, and Southwest LRT will, too.

Because the market study was inconclusive, the City guided the area "transitional industrial". The City didn't want to push out the industry, but also wanted to be ready for what the market would bear. It's a placeholder guidance. Development guidelines are more relevant and the station area falls into the 2-10 story intensity category (lower than the core, higher than the area by the river). There has been a lot of speculation around the ballpark, especially for entertainment, but that is not really the vision of the city. An industrial incubator like CoCo would be an appropriate use in the area. CoCo is a company that allows small businesses to rent their facilities—a business incubator. The City wants to make infrastructure investments that improve connectivity and attract development. There are issues with connecting the station to the farmers market and the City would like to investigate the option of moving LRT to Border Avenue. The City also would like to call it the market station within a Market District and improve the farmers' market to a year-round facility.

VII. Adjournment

The meeting was adjourned at 3:00 pm. The next Southwest LRT Community Works Steering Committee meeting will be held on Thursday, October 18, at 1:30 pm at the St. Louis Park City Hall.

Agenda Item 3: Development Scenarios Report	
Reviewed By: ☐ Chair ☑ TIC Principals ☑ TIC ☐ Hennepin County staff ☐ Other_______________	**Steering Committee Action Requested:** Information
Background/Justification: Southwest LRT Community Works partner agencies' staff met in April to discuss funding and governance issues including corridor-wide funding mechanisms and potential development authorities. As a result of these discussions, many of which centered on parking, Hennepin County invited Ehlers, Inc. to submit a proposal to analyze a hypothetical development with structured or surface parking at the Shady Oak station. Mark Ruff from Ehlers will to present his findings.	
Previous Action on Request: Endorsed proceeding with the study at the May 17, 2012 meeting.	
Recommendation: Information	**Financial Implications?** No **Are These Funds Budgeted?**
Attachments: Ehlers' Report	
Comments:	


Southwest LRT
Target Field Station
Royalston Station
Van White Station
Penn Station
21st Street Station
West Lake Station
Beltline Station
Woodale Station
Louisiana Station
Blake Station
Hopkins Station
Shady Oak Station
Opus Station
City West Station
Golden Triangle Station
Mitchell Station
Southwest Station
Eden Prairie Town Center Station
GOLDEN VALLEY
Downtown Minneapolis
HOPKINS
ST. LOUIS PARK
MINNEAPOLIS
EDINA
MINNETONKA
EDEN PRAIRIE
Connecting LRT / Rail
Planned Station
Existing Station
Southwest LRT
Southwest LRT Stations
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Executive

Without eminent domain a public agency will likely need to land bank the property for several years with very low carrying costs (less than 3% interest per year). Given the scale of the acquisition needs in the development scenarios, we would recommend a bank with a capitalization of at least $50 million and preferably over $100 million.

Issue #2: There exist a multiplicity of voices and government funding sources for TOD, each with its own set of priorities.

There exists a lack of consensus over what TOD in Minnesota should be, including appropriate levels of density, types of development, and amount of affordable housing.

Option 2a: Establish RFP process for TOD projects similar to the "Super RFP" process for affordable housing.

This model, pioneered in the state by the Minnesota Housing Finance Agency, together with the Metropolitan Council, the Family Housing Fund, the Greater Minnesota Housing Fund, and other partners, clearly identifies the funders' priorities for where and what types of housing are constructed using the most valuable funding sources. A similar partnership could also be formed for TOD among the State, Metropolitan Council, Hennepin County, and philanthropic/non-profit partners to agree on priorities, fund projects that augment local government investments, and ensure successful projects.

In addition, other funding opportunities that may not be included in the RFP process could be modified to favor TOD. These include:

Option 2b: Increase scoring for TOD rental housing developments in Minnesota Housing Finance Agency (MHFA)'s allocation of low income housing tax credit application and in state law governing allocations of tax-exempt bonds. Low income housing tax credits are the most potent source of financing for affordable housing by means of generating equity for a rental housing project through the sale of federal income tax credits[2].

Option 2c: Change the state law for tax-exempt private activity bonds to prioritize the use of housing bonds and the associated 4% tax credits to be used in the TIAs rather than requiring 2 and 3 bedroom minimums for the units.

Issue #3: Parking Ramps are expensive and may be constructed, potentially in the wrong place or with the wrong design for TOD use, before development plans are known

Parking ramps are a key asset to a successful TOD. In the Shady Oak Station, a 350 stall ramp is included in the project budget. Without knowing the potential site layout and adjacent uses, building a ramp

[2] See details of MHFA low income housing tax credit applications and priorities at http://www.mnhousing.gov/housing/tax-credits/allocation/MHFA_012471.aspx.

may impede the development potential in the area. It may be that two smaller ramps may better serve the transit riders and the real estate development than one larger ramp. To avoid these issues, the following could be considered:

Option 3a: Overbuild one ramp as an anchor and assess part of ramp cost to adjacent properties.

To pay for the assessments, legislation to alter Chapter 429 could offer cities the same power as Minnetonka's charter amendment to assess based upon trip generation/demand of parking rather than area of the parcel. These assessment law changes should give clear authority to defer assessments until development occurs, which is currently allowed only for greenfield development.

Option 3b: Enable ramps to be financed with state G.O. Bond dollars, and potentially federal funds, similar to the State of Minnesota's transportation revolving loan fund. These funding sources are usually below market interest rates, administered through the State's Public Facilities Authority, and can be repaid over 20 to 30 years.

Option 3c: Find flexibility to have federal funds to design and build a smaller ramp that can be added to vertically or horizontally be located in two separate places near the station to better serve TOD

Option 3d: Hire ramp operational expertise to fit the design, signage, and entrances to meet the development that is planned or occurring adjacent to the ramp.

Issue #4: When investments are planned to be made in areas surrounding a transit stop, there is no tool to ensure fair and secure methods of spreading and collecting costs of parking ramp maintenance, public space maintenance, and higher levels of service around a transit station.

Option 4a: Renew and expand special service district law.

The special service district (SSD) law enables a group of property owners to petition a city to create a special taxing district. Codified as Minnesota Statutes Chapter 428A, the SSD law is scheduled to sunset on June 30, 2013. The benefit of a SSD is that it allows a private group of landowners to ensure that all fees applied for higher levels of streetscape or extra snowplowing are collected on the property tax bill. This eliminates common problems of fee delinquency that exist in many downtown associations.

We recommend that the SSD law be amended to enable residential, public, and commercial entities to all contribute to the maintenance and potential construction of common area costs that are above and beyond typical municipal services.

Option 4b: Expand use of special assessments.

Special assessments have a benefit test. Chapter 429 requires that the value of the property will increase by at least the cost of the special assessment. A major impediment in redevelopment is the inability to defer assessments until future development occurs. Minnetonka has used a variation on this option in its Bren Road area improvements with its powers as a charter city, which most cities do not enjoy. Minnesota Statutes, Chapter 429 allow communities to defer special assessments on greenfield sites but not for redevelopment sites.

Issue #5: It is difficult to establish TIF districts and to finance TIF bonds due to several uncertainties

Tax Increment financing (TIF) remains a major funding source for redevelopment and TOD by redirecting property taxes from a new development to eligible project costs rather than to the typical jurisdictions. But qualifications for redevelopment TIF districts are often subject to challenge due to a lack of clarity in the existing law. In addition, it often takes 6 to 10 years to fully build out a site. Since 2001, redevelopment has been driven more by residential property than commercial property because the statewide property tax, which cannot be captured by TIF districts, applies primarily to commercial and industrial properties.

Option 5a: Authorize the cities and the county to work cooperatively to establish a single “value capture” zone within ¼ miles of the station area, as a hybrid of a redevelopment TIF district and a property tax abatement area, but automatically include the school’s portion of the tax bill. The maximum term could be 25 years per station area or per parcel. The State’s share of the commercial property tax could be exempted for the first 10 years of the zone to spur development more quickly. The resources from the value capture zone could be used to fund land and infrastructure costs, be used to credit enhance revenue bonds issued to minimize risk, and be used across city borders. The zone could be administered by a joint powers board of the local governments and could be empowered like a port authority or an economic development authority.

Option 5b: Renew the provisions in the 2010/2011 Jobs Bill for Chapter 469 to allow cash from existing TIF districts to be spent in the TOD project. The temporary TIF law change spurred many new developments in a difficult real estate market. Existing TIF districts provides a stable base of income and cash for immediate needs.

If option 5a is not possible, the next best options would be to change authorities on a piecemeal basis, including the following:

Option 5c: Create TOD TIF district only for TIA designated sites as listed in the DEED website. If any area within ¼ mile of a station could be placed in a 26 year district with each development allowed the full 26 years, many of the concerns listed above could be addressed.

Option 5d: Increase the time limit for a redevelopment district’s first increment receipt from 4 to 10 years on a parcel by parcel basis, clarify the blight test, and eliminate the five year rule.

Option 5e: Create a long-term loan fund with the ability to pool risk among all TIF districts along the Southwest LRT. If one development is successful, the TIF from that district could be utilized in another development.

Option 5f: Enable DEED to participate in a redevelopment/TOD "Super RFP" (Option 2a) with more targeted funding of state resources such as the commercial property tax. If a concern is the amount of state revenue lost with a change in the TIF law, DEED could be empowered to approve a certain number of TOD projects with TIF undiminished by the State property tax.

These recommendations are based upon several sources of data, including local and national expertise in development and transit planning. The rationale for identifying the issues addressed above is as follows:

Developer Feedback and Current Situation for TOD and Real Estate Generally

For this study, we interviewed several developers experienced in residential and commercial development in other parts of the country and in Minnesota. The interviews yielded the following opinions:

- ✓ Minnesota is still a car-oriented market. Living near a transit station in the suburbs here is viewed as an amenity, on par with other amenities such as being adjacent to recreation, restaurants, or freeway access.
- ✓ Transit results in, at most, a 10% increase in rents – not a "game changing" factor in today's difficult real estate economy.
- ✓ While the general economy is emerging from a recession, the "built" environment is still slow. There are fewer developers, construction prices remain fairly high, and public and private financing options for redevelopment and TOD have diminished.
- ✓ Today's real estate capital seeks the path of least resistance. Vertical mixed use buildings are extremely challenging in today's financing environment, in addition to the difficulties of renting first floor service/retail.
- ✓ Private capital will seek not only rail infrastructure, but also road, sewer, water, and parking infrastructure that is either in place or it is funded and can start immediately.

Based upon the current market feedback, our position is that it is better to focus on this station site as a redevelopment area rather than solely as TOD for purposes of financing options. The challenges and the economics are the same between redevelopment and TOD. Minnesota cities and counties are well-versed with the challenges, and benefits, of redevelopment. But Minnesota tools are inadequate for today's economics and pale in comparison to other parts of the county. Other states have local sales taxes, tax abatement for all property taxes, and/or significant cash balances to fund acquisition and site preparations. Given the financial condition of the State of Minnesota and most municipalities, it is unlikely that we can reproduce these tools on a large scale here. There can be modifications to redevelopment tools that can be targeted specifically to TOD areas.

TOD Goals

The most important goals of TOD we recommend, without priority attached to the list, are:

1. Boost transit ridership
2. Provide value for new tenants, new owners and existing residents
3. Increase tax base for local governments
4. Create a sense of place

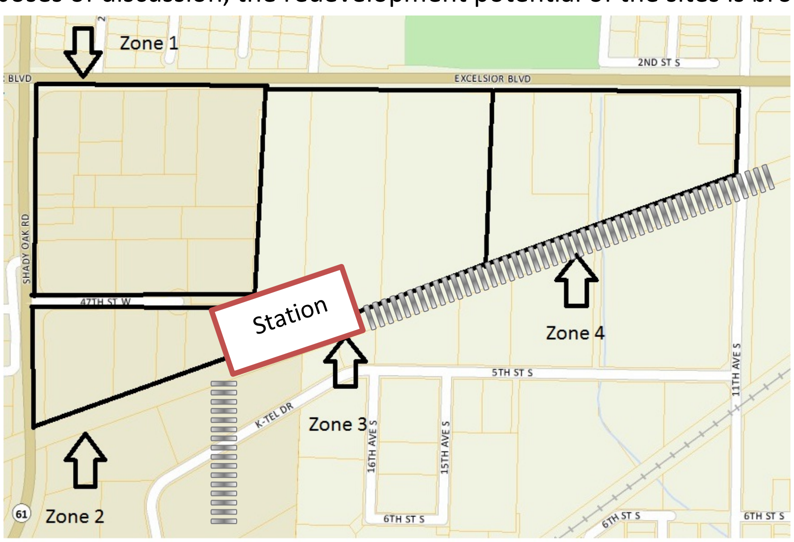
Another goal of most TOD is to construct public parking ramps that are used by commuters during the day and then occupied by a complementary use at night. These complementary uses could be a restaurant/entertainment/institutional development drawing evening patrons. Design and operation of a well functioning ramp is a complex endeavor and requires careful forethought.

Overview of the Shady Oak Road Station

Shady Oak Station contains significant development potential due to the size of the parcels surrounding the station and the age of the existing buildings. Located in the southeast quadrant of the intersection of Excelsior Boulevard and Shady Oak Road on the border of Minnetonka and Hopkins, the existing uses north of the railroad tracks consist predominantly of industrial buildings and older retail/service structures built in the 1950s and 1960s.

In discussions with City of Hopkins and City of Minnetonka staff, it is the consensus that TOD is likely to occur first in the areas north of the LRT tracks. Currently, none of the land near the station is owned by a public entity. The infrastructure does not currently exist for roads or utilities to the station. The access to the station is envisioned to come from the north, but the location of parking serving the site is not yet established. A further challenge is that few of the existing buildings contain functions are well suited to meet the goals of TOD above.

For purposes of discussion, the redevelopment potential of the sites is broken into four zones:



The project budget for the LRT line includes a 350 stall ramp. The scenarios below examine the TOD hypothetical baseline development and a denser development potential to use all or a portion of the ramp to serve both commuters and the TOD. In each zone except Zone 2, the existing tools we have for redevelopment/TOD, including current grant programs and tax increment financing do not cover the basic costs of land assembly, site preparation, associated holding costs, and infrastructure. Tax increment financing is an often used redevelopment and economic development tool that allows a city or county to capture increased property taxes from a new building for up to 25 years[3].

Zone 2 is more viable for a few reasons. First, the site is denser per new residential unit relative to size of the site when compared to Zone 1. Second, the acquisition cost per acre is smaller and the carrying costs are $0 due to the smaller number of parcels to be acquired. Third, the cost of the ramp is largely paid for with grants and does not expect to have complementary parking uses except a minor amount of guest parking for the apartments. Fourth, a primarily residential development produces more TIF and requires less land than a larger commercial facility.

Zone 1: Minnetonka Larger Site

Uses of Costs for Land Development	Lower Density Expected Cost (2012 $)	Higher Density Expected Cost (2012 $)
Acquisition/Relocation	$25,000,000	$25,000,000
Infrastructure	$4,000,000	$4,000,000
Demolition	$2,000,000	$2,000,000
Carrying Costs	$2,000,000	$2,000,000
Parking Ramp (400 spaces)		$9,000,000
Total Uses	$33,000,000	$42,000,000

Sources of Funds	Lower Density Expected Source (2012 $)	Higher Density Expected Source (2012 $)
Developer Land Payments	$14,000,000	$17,000,000
Tax Increment Financing	$10,000,000	$12,000,000
Grants (Existing Programs)	$3,000,000	$6,000,000
Total Sources	$27,000,000	$35,000,000
Land Development Surplus (Gap)	**($6,000,000)**	**($7,000,000)**
Development	550 units housing 175,000 s.f. commercial	600 units housing 225,000 s.f. commercial

[3] Information on the tool can be found at http://www.house.leg.state.mn.us/hrd/issinfo/tifmain.aspx?src=21.

Zone 2: Minnetonka Smaller Site

Uses of Costs for Land Development	Lower Density Expected Cost (2012 $)	Higher Density Expected Cost (2012 $)
Acquisition/Relocation	$9,000,000	$9,000,000
Infrastructure	$1,000,000	$1,000,000
Demolition	$1,000,000	$1,000,000
Carrying Costs	$0	$0
Parking Ramp (350 spaces)		$8,000,000
Total Uses	$11,000,000	$19,000,000

Sources of Funds	Lower Density Expected Source (2012 $)	Higher Density Expected Source (2012 $)
Developer Land Payments	$5,000,000	$5,500,000
Tax Increment Financing	$5,000,000	$7,000,000
Grants (Existing Programs)	$1,000,000	$8,000,000
Total Sources	$11,000,000	$20,500,000
Land Development Surplus (Gap)	**($0)**	**$1,500,000**
Development	300 units housing 20,000 s.f. commercial	400 units housing 20,000 s.f. commercial

Zone 3: Larger Hopkins Site

Uses of Costs for Land Development	Expected Cost (2012 $) Lower Density	Expected Cost (2012 $) Higher Density
Acquisition/Relocation	$17,000,000	$17,000,000
Infrastructure	4,000,000	4,000,000
Demolition	2,000,000	2,000,000
Carrying Costs	2,000,000	2,000,000
Parking Ramp (450 spaces)		10,000,000
Total Uses	$25,000,000	$35,000,000

Sources of Funds	Expected Sources (2012 $) Lower Density	Expected Sources (2012 $) Higher Density
Developer Land Payments	11,500,000	13,500,000
Tax Increment Financing	5,000,000	6,000,000
Grants (Project)	$3,000,000	$11,000,000
Total Sources	$19,500,000	$30,500,000
Land Development Surplus (Gap)	**($5,500,000)**	**($4,500,000)**
Development	325,000 s.f. office/institutional 10,000 s.f. commercial	375,000 s.f. office/institutional 10,000 s.f. commercial

Zone 4 is an area with the largest deficit per acre for redevelopment costs and less likely to develop in the near-term given the age of the buildings. It does remain a key future gateway for the area and does deserve future consideration.

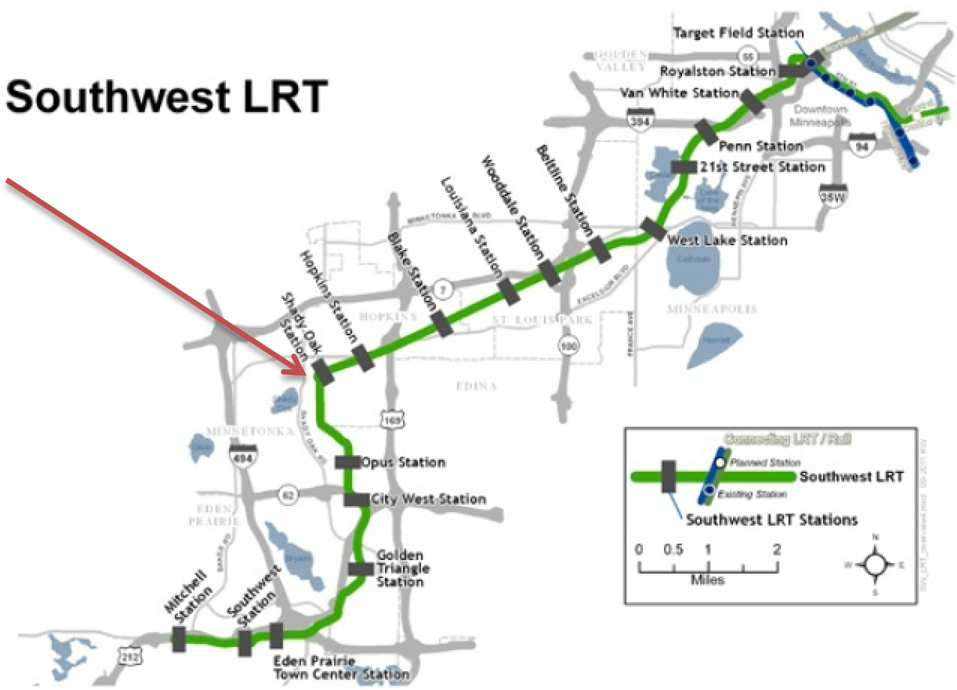
Next Steps

There are several actions that can be taken in the near term to address the options listed above:

1. Draft legislation and work with local legislators and committee chairs to extend the special service district law, modify the TIF law, expand special assessment laws, explore options for eminent domain, and change bond allocation procedures.
2. Explore options with state agencies, the Metropolitan Council, and local foundations to establish a more efficient funding procedure for TOD.
3. Work with area businesses and corporations to establish a land acquisition/land banking fund for immediate purchase of properties.
4. Engage all local governments on the line in cooperative efforts to establish a value capture area including a process for establishing boundaries, parameters of financial contributions to projects along the line, and levels of risk willing to be shared.

Full Report and Its Purpose

With 17 planned stations from downtown Minneapolis to west of I-4949, the Southwest Light Rail Transit (LRT) line will be the first light rail line outside the central cities. Stations will be located in Minneapolis, St. Louis Park, Hopkins, Minnetonka, and Eden Prairie, a diverse collection of communities with unique submarkets around each stop. Many of the stations are to be located areas of very high job growth while other stations are expected to attract high valued and high density housing. More than any other previous Minnesota fixed rail transit line, the public sponsors of the Southwest LRT are intentionally focusing on the development potential along the line well before the line begins to operate. All of the cities along the line are experienced in development and redevelopment. All have been working cooperatively with Hennepin County to optimize transit oriented development (TOD) adjacent to the line's station locations for over a decade[4]. Hennepin County's Housing, Community Works, and Transit Department retained Ehlers[5] in 2012 to evaluate current market conditions for TOD and to identify existing tools, enhancement to tools, or new tools which would encourage private investment in the corridor. This report uses one of the planned stations, known as Shady Oak, as a case study for the challenges and opportunities for development along the LRT line and offers recommendations for policy changes that will further assist the line's sponsors with maximizing ridership, housing choices, services, and employment opportunities.



Source: Metropolitan Council

[4] For more information on the SW LRT line, please see http://www.southwesttransitway.org/
[5] Ehlers is a regional public finance firm based in the Twin Cities, see http://www.ehlers-inc.com/

Twin Cities' Real Estate Market and TOD Market

Planning for and executing real estate development is always a function of the current environment. Eight years ago, most of the housing projected to be built along this line would have been proposed as owner-occupied condominiums buildings with retail on the first floor. Today's forecasts are different. We remain mired in a real estate slump. While the general economy is emerging from a recession, the built environment is still slow. There are fewer developers, construction prices remain fairly high, and public and private financing options for redevelopment and TOD have diminished. These factors influence any projection (including this study) regarding the speed and density of real estate development. Thus, any projections done today for new development in the future are, as a function of the today's market, likely to be conservative. There are signs of life for new development, particularly for multi-family residential projects. Owners of regional malls are reinvesting. The commercial sector in the Twin Cities area is struggling.

Many public staff and elected officials have worked together to form partnerships and to streamline approval processes to improve development processes in the face of this difficult market. The Urban Land Institute in Minnesota and the Regional Council of Mayors have led several efforts to address new realities of development in today's economy.[6]

While real estate markets have been and always will be cyclical, public sector investment of infrastructure is permanent. Light rail lines are a major public infrastructure investment. However, infrastructure alone does not automatically generate major private sector development in adjacent real estate, particularly in areas that are already developed, in a market with few solid TOD examples outside the core cities, and particularly in a post "real estate bubble" market.

We do not yet have significant numbers of residents and businesses willing to pay dramatically more to live or work near a transit station. For this study, we interviewed several developers experienced in residential and commercial development in other parts of the country and in Minnesota. The interviews yielded the following opinions:

- ✓ Minnesota is still a car-oriented market. Living near a transit station in the suburbs here is viewed as an amenity, on par with other amenities such as being adjacent to recreation, restaurants, or freeway access.
- ✓ Transit results in, at most, a 10% increase in rents – not a "game changing" factor in today's difficult real estate economy.
- ✓ Vertical mixed use buildings are extremely challenging in today's financing environment, in addition to the difficulties of renting first floor service/retail.
- ✓ These economics will likely evolve in the next two decades as the transit system becomes larger and more integrated; as Gen Y workers become decision-makers; as freeways become more congested; and as the economic benefits of owning one or no cars and of living closer to the core, or with closer to access to the core, become clearer.

[6] For more information on ULI documents see http://69.18.196.201/minnesota/wp-content/uploads/2012/06/ULI-MN-ReDevelopment-Ready-Guide-May-2012.pdf

Denser urban areas in the United States have different economics than we do in Minnesota. In reality, the TOD market in Minnesota is still nascent. Even without transit, the rent structure of markets such as Chicago, Washington DC, New York or Los Angeles are 50% to 100% higher than here. For example, our general office market may only support rents of $18 per square foot, while other parts of the country may have a general office market at $30 per square foot or more.

And in other parts of the country, businesses and residents are willing to pay even more with transit adjacent to their homes and workplaces, often 25% to 35% more than non-transit sites according to our developer interviews. This means the office rent could be as high as $40 per square foot in other parts of the country for an office site near a transit station. Meanwhile, in certain parts of suburban Twin Cities markets, our office market, even for TOD, will in the short-term be only 10% higher than non-transit areas. This means $20 per square foot rents rather than $40 in other parts of the county. Any building with a rent potential twice as high will draw more scarce capital, even that market has higher acquisition prices and higher construction costs. These figures are merely meant to illustrate the scale of the difference between TOD here and other parts of the country.

Policy Challenges

Transit investments such as the Southwest LRT are not enough to maximize private investment for TOD. Some private investment will occur with little or no public assistance if the stations exist within real estate submarkets that are already in high demand. We believe that most of the stations will encounter significant challenges to development over the next few decades. The questions at hand are what tools exist, and which are necessary, to enable local governments to encourage private sector investment in TOD in a shorter period of time and in a manner that maximizes the return on the public investment in infrastructure along the line. Return on investment is not just measured in aesthetic virtues or density per acre. Return on investment also means increased ridership along the line and more jobs as transit makes the labor pool larger and more efficient. As our transit network matures, companies are likely to locate near the stations, thereby increasing employment in the state as businesses are attracted to the Twin Cities.

Cities, with the County and the Metropolitan Council, need to create a vision for each station area. However, plans and visions will likely stagnate without the tools to assure reasonable land prices, streets, public spaces, and utilities necessary to motivate private investors. Today's real estate capital seeks the path of least resistance. Transit in Minnesota alone is not going to motivate national developers to redirect capital from other major metropolitan markets. Least resistance means developers will look for sites that do not require long periods of time to purchase and hold. It means private capital will seek not only rail infrastructure, but also road, sewer, water, and parking infrastructure that is either in place or it is funded and can start immediately. Without proper tools to spur more intensive development, warehouse buildings in the area of the station stops may offer their buildings for sale for a year or two. Without offers, they may remodel, find a tenant, and remain for another 50 years. The question if this type of status quo for real estate around station areas is an adequate return on the public investment.

Based upon the current markets, our position is that it is better to focus on this station site as a redevelopment area rather than solely as TOD for purposes of financing options. The challenges and the economics are the same between redevelopment and TOD. Minnesota cities and counties are well-versed with the challenges, and benefits, of redevelopment. But Minnesota tools are inadequate for today's economics and pale in comparison to other parts of the county. Other states have local sales taxes, tax abatement for all property taxes, and/or significant cash balances to fund acquisition and site preparations. Given the financial condition of the State of Minnesota and most municipalities, it is unlikely that we can reproduce these tools on a large scale here. There can be modifications to redevelopment tools that can be targeted specifically to TOD areas. To highlight both the financial challenges, and the potential opportunities for redevelopment along station areas, this report will focus on the Shady Oak Station, a key regional station straddling the border of Minnetonka and Hopkins.

What is Transit Oriented Development?

TOD is most often described as development that contains a mix of uses within walking distance of a transit station, usually ¼ to ½ mile. The term transit orient development, implies a connection between the development and the transit. For example, those who live near the station may use the transit to commute to work, or the reverse for the jobs located in buildings near the station. TOD is also often envisioned as denser development, both to bring more people within the walking distance of the station and to take advantage of infrastructure such as structured parking (parking ramps) associated with the development. A discussion of parking ramps is below. The most important goals of TOD we recommend, without priority attached to the list, are:

5. Boost transit ridership
6. Provide value for new tenants, new owners and existing residents
7. Increase tax base for local governments
8. Create a sense of place

In today's real estate economy and financing environment, TOD is difficult to do even in the best of markets. TOD often contemplates vertically integrated mixed use buildings (such as housing over retail). Most lenders strongly prefer to focus on one sector of the real estate market, such as apartments only or office only. The lenders hesitate, or more often flatly reject, a building with multiple uses unless it is fully leased with highly rated commercial tenants and/or a history of occupancy. TOD often contemplates shared parking arrangements, most often with public parking where little or no reserved parking is allowed. Lenders prefer defined areas of ownership and control of all aspects of the project and eschew shared parking.

Several places near or along the Southwest LRT already exist that meet the TOD goals defined above, especially when contemplating the idea of creating a sense of place: The Uptown area of Minneapolis, centered by the intersection of Hennepin Avenue and Lake Street; downtown Hopkins; Excelsior and Grand in St. Louis Park; and the Glen Lake area of Minnetonka. Three of these four examples were born of, and originally prospered due to, an earlier form of transit – street cars and even railroads of over 100 years ago. All of them have been served by transit bus lines over the last several decades. All of them are "places" unto their own. Most importantly, all of them[7] have been sustained by public financing tools of various types including special service districts, tax increment financing, and federal/state/county grants. However, none of them have been immune from recent changes in the real estate economy, most noticeably the decline in housing values and the disinvestment in retail "bricks and mortar".

These four examples are helpful to frame the potential development for the Shady Oak Road station along the future Southwest LRT. Notably, only one of the above, Excelsior and Grand, was a swift and dramatic change, if almost 15 years from plan to completion is considered swift. This rapid change was a function of the City of St. Louis Park's very intentional action of creating a town center. The other three locations have evolved over several decades.

Parking Ramps

Parking ramps (also known as parking garages or structured parking) are common in the examples above in existing TOD in Minnesota and throughout the country. One of the goals of TOD is to maximize the efficiency of land use through increased density of buildings as measured by square feet or units per acre. Density is enhanced by the construction of parking ramps. Parking ramps can be privately or publicly owned. They can be free of charge or can be metered by the hour or month. They can serve multiple properties or be limited to only one. The goal of most TOD is to construct public parking ramps that are used by commuters during the day and then occupied by a complementary use at night. These complementary uses could be a restaurant/entertainment/institutional development drawing evening patrons. Feedback from developers indicates that parking ramps should be no more than one city block from the transit station or private commercial.

Our interviews with developers pointed to parking ramps as one of the most important components and one of the main complications for TOD. In the worst case, TOD with parking ramps can result in competitive uses, rather than complementary uses. If an office is located adjacent to a public, unregulated ramp, commuters parking to ride on the transit station may compete for spaces with those driving directly to their job next to the transit station. One Twin Cities suburb found that apartment residents unwilling to pay the underground monthly fees in their own building were parking all day and night in the adjacent free ramp intended for transit.

In suburban Minneapolis locations, parking ramps are typically free, for both commercial and transit purposes. Most residential properties such as apartments or condominiums, provide their own

[7] For more information on TOD, see the Center for Transit Oriented Development at http.www.ctod.org

underground or climate controlled ramps for tenants and use parking lots for guest parking. There is a TOD project currently under construction in the City of Ramsey, Minnesota adjacent to the new Northstar Commuter Rail station which will use exterior parking as primary tenant parking. The number of parking spaces per unit of housing does vary in TOD. For residential properties outside of TOD, the norm for underground parking is one space per unit plus one space per five units for exterior, reserved parking for guests. Condominiums or luxury apartments designed for more affluent purchasers/tenants may design for two underground spaces for each unit plus guest parking. The goal of a TOD can be to provide all guest parking in the parking ramps and potentially to encourage developers to be able to increase density of units by only requiring .5 parking stalls underground for each unit. Some developments in very urban areas around the country are as low as .3 spaces per unit. Lower parking requirements work better when units are smaller, when tenants can walk or bike to essential services, when tenants do not own cars (and have easy access to short-term rental cars), or when couples share a vehicle.

For office and most retail developments, structured parking is expensive, but required to maximize density on a site. Locations do exist in Hopkins and Minnetonka where office development rents support adjacent structured parking such as the Cargill offices on Highway 169 in Hopkins. Structured parking typically increases rents between $5.00 and $10.00 per square foot depending upon cost of the parking and cost of the land.

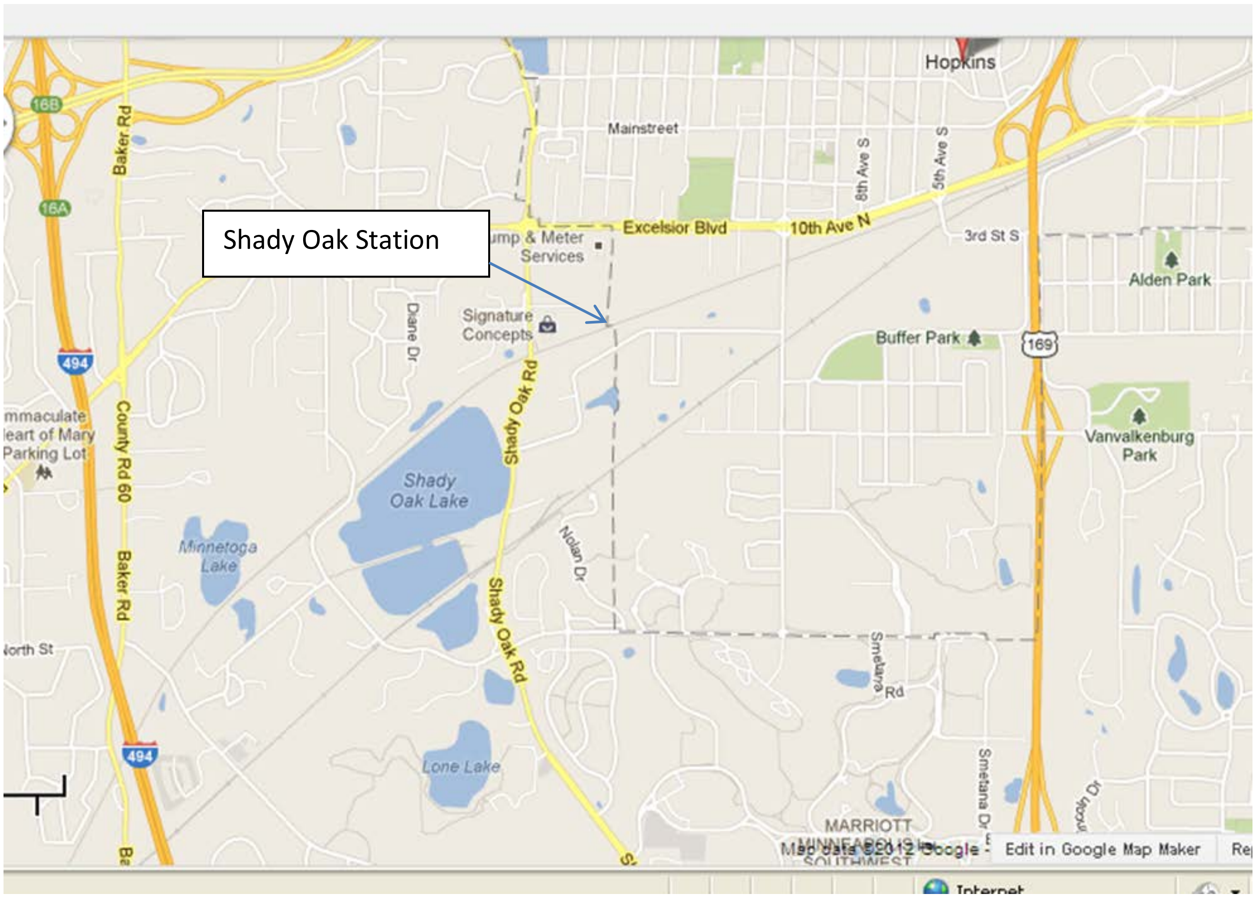
Planning and executing an efficient, shared parking ramp is very complicated. Ramps can be impediments when they block views for residential units. An apartment developer said that shared parking should be within one block but not “on top of” it. Reserved parking with a ramp can cause issues. If residents are forced to drive by empty spaces on several floors of a ramp that are reserved for commercial tenants, units can be difficult to lease. If commuters cannot find spaces, they will not utilize the transit station. Further, public financing with tax-exempt bonds often prohibits reserved or private spaces

There are solutions to the problems of financing and operating ramps, but the solutions are best discovered before a ramp is built. The first solution is to clearly understand what uses will share the ramp and what modifications to the physical structure are necessary before it is built. Other solutions may be smaller ramps in two locations. Separate entrances, better machines, enhanced signage will all increase the efficacy of a ramp. Public ramps rather than private ramps for TOD attract more grants and have lower cost, tax-exempt financing.

Ramps are a major capital investment, and in many ways, are best viewed as a piece of infrastructure in TOD, similar to roads and utilities.

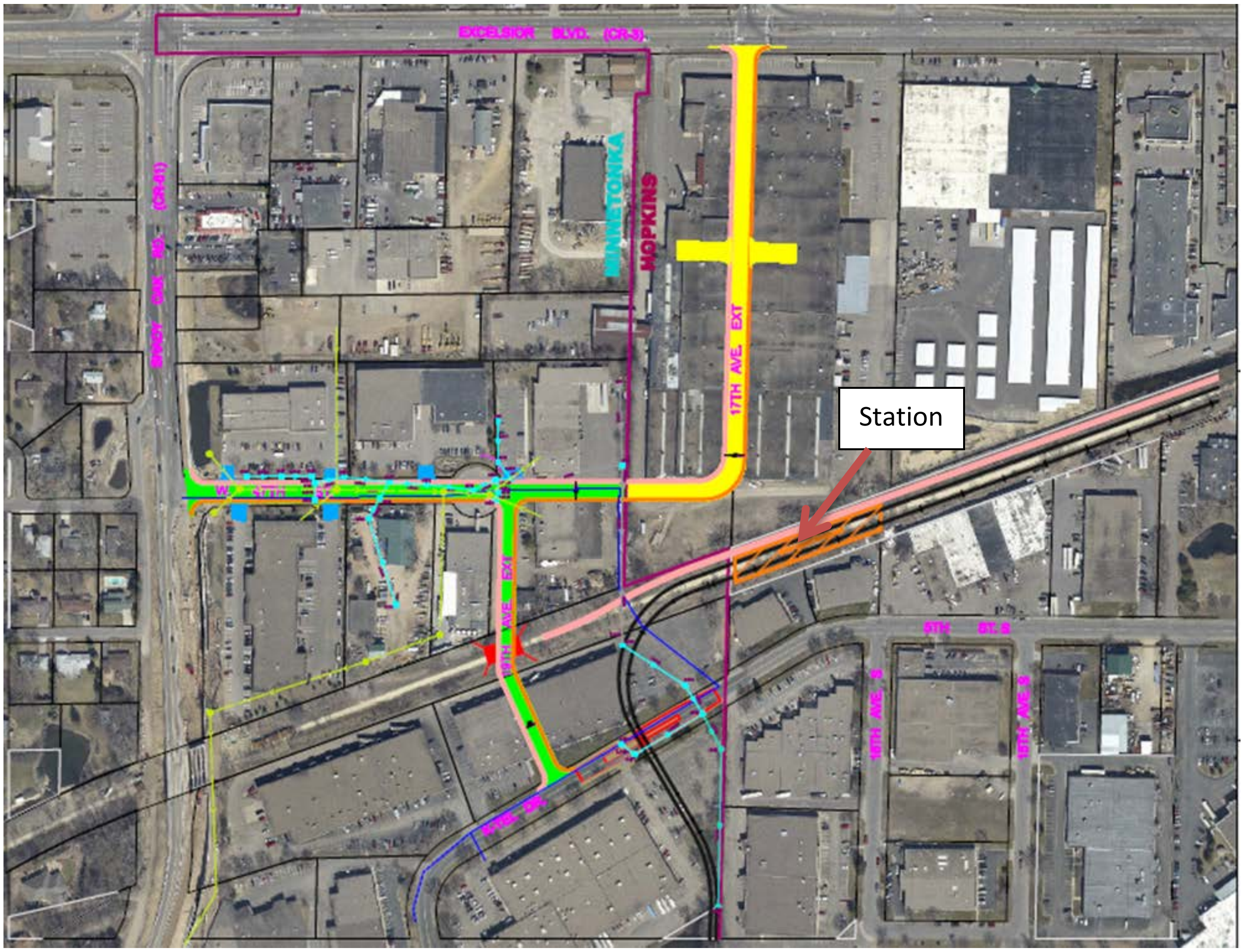
Overview of the Shady Oak Road Station

Shady Oak Station contains significant development potential due to the size of the parcels surrounding the station and the age of the existing buildings. Located in the southeast quadrant of the intersection of Excelsior Boulevard and Shady Oak Road on the border of Minnetonka and Hopkins, the existing uses north of the railroad tracks consist predominantly of industrial buildings and older retail/service structures built in the 1950s and 1960s.



At the same time, the station site is a challenging one. The area is fully developed and divided into mostly smaller parcels. No roads currently connect to the proposed station site. The cities of Minnetonka and Hopkins have anticipated at least two new roadway connections. One would be a new street: an extension of 17th Avenue south of Excelsior Boulevard. The second is an extension of the existing 47th Street from Shady Oak Road (the 2010 station area plan indicates that this extension would not meet County guidelines for a new signalized intersection). The third future extension could be a new road over the rail tracks south of 47th, known as the 19th Avenue extension.

Shady Oak Road Station Potential Infrastructure Improvements



Prior studies have indicated that existing roadway capacity feeding the site has sufficient capacity, with the exception of 5th Street west of 11th Avenue, south of the station site, which is projected to be over capacity in 2030. This road, however, is not a critical initial access to the site.

The eastern end of the area is located on top of a former solid waste landfill. Other environmental challenges are known, but the full scope is unknown.

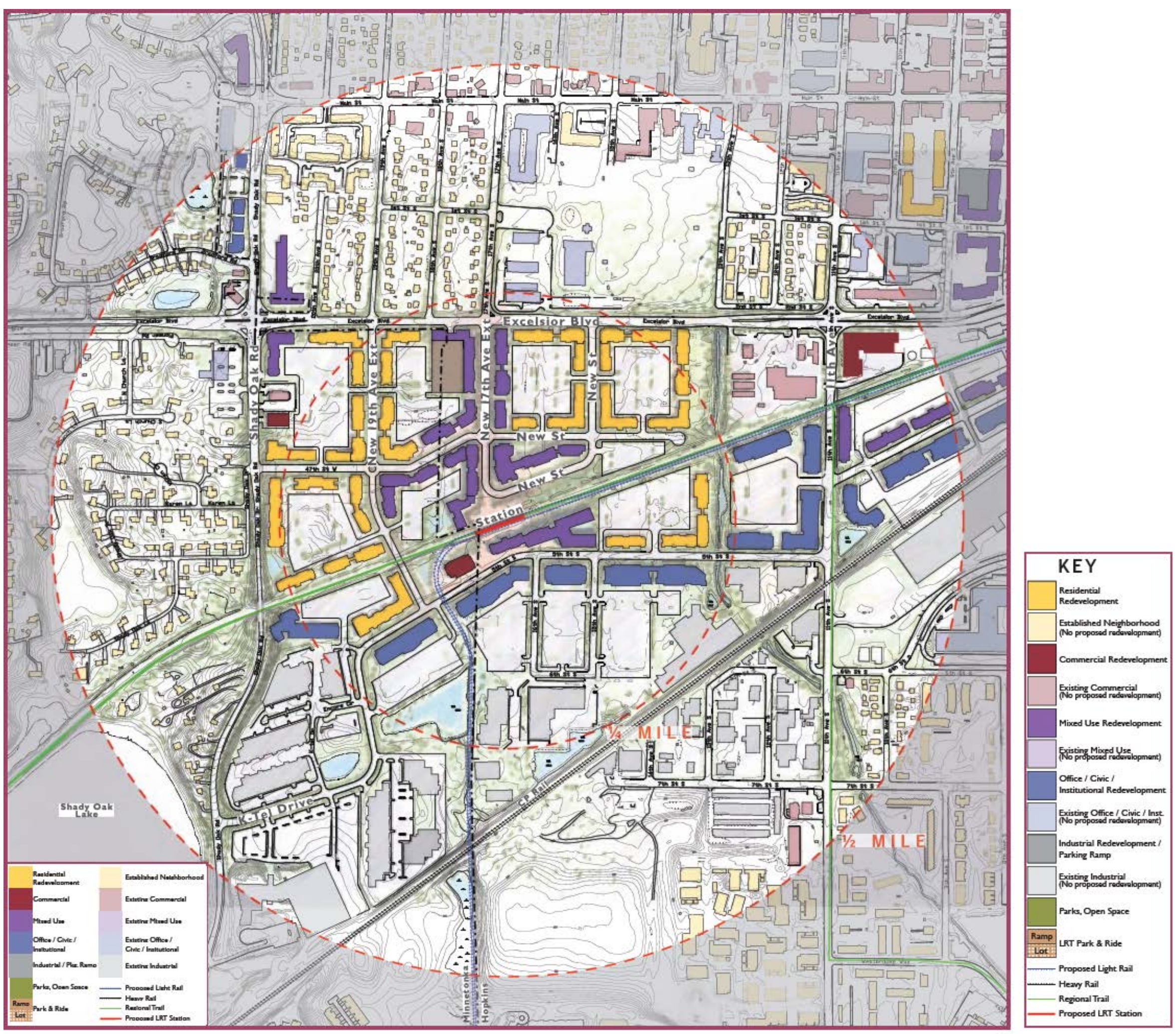
The site is adequately served by utilities, including stormwater capacity. A regional biking trail is adjacent to the line and feeds in from the west of the station.

2009 Station Area Plan

Hennepin County commissioned a preliminary station area plan for all potential stops as a part of the application for federal funding of the Southwest LRT. The 2009 station area design for the Shady Oak Station focused on development within ¼ mile of the station, both north and south of the tracks. The square footage and heights of forecasted buildings included:

Residential Development	2,170,320 s.f.	4 stories
Commercial	47,546 s.f.	2 stories
Mixed Use	1,789,200 s.f.	Mostly 5 stories up to 8 stories
Office/Institutional	848,175 s.f.	3 stories

In the 2009 concept plan, the mixed use and residential square feet added up to 2,554 new housing units. The station area plan is not the basis for development expectations in this report. It is mentioned as background.



SHADY OAK CONCEPTUAL SITE DEVELOPMENT PLAN

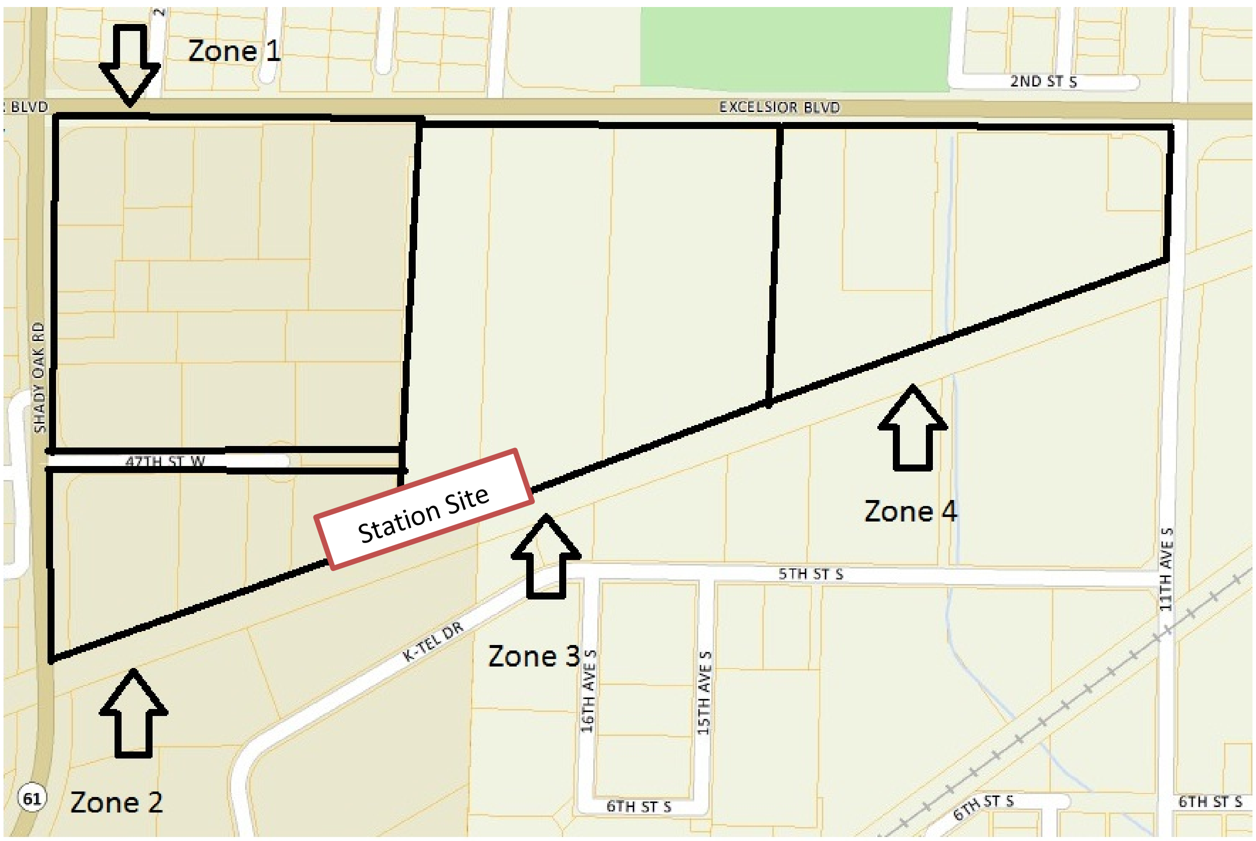
0' 400' 800' N

Development Scenarios

In discussions with City of Hopkins and City of Minnetonka staff, it is the consensus that TOD is likely to occur first in the areas north of the LRT tracks. Currently, none of the land near the station is owned by a public entity. The infrastructure does not currently exist for roads or utilities to the station. The access to the station is envisioned to come from the north, but the location of parking serving the site is not yet established. A further challenge is that few of the existing buildings contain functions are well suited to meet the goals of TOD above.

For purposes of discussion, the redevelopment potential of the sites is broken into four zones shown below:

Study Development Zones

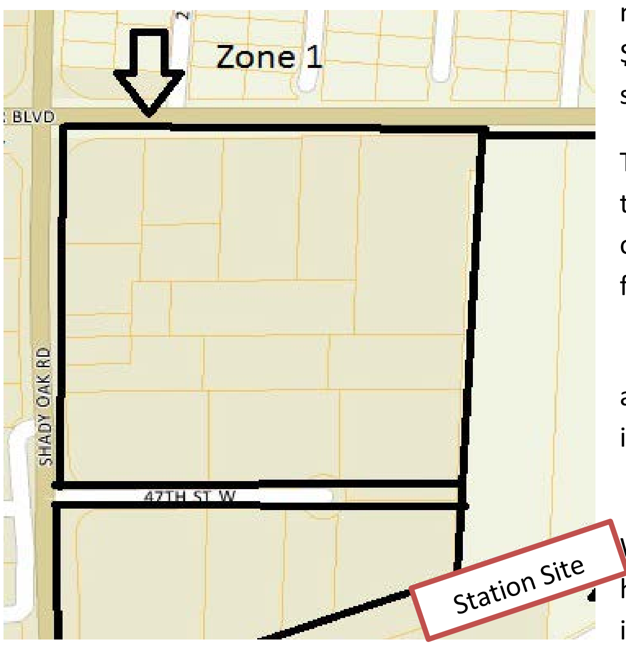


One important component of the Shady Oak station is its designation as a regional draw, because it is the last station before the line turns south. The station budget includes a 350 car parking ramp, expected to draw many riders from areas to the north and west. Parking ramps (or structured parking) are also a key component to TOD. Parking ramps, whether public or private, offer an opportunity to increase the density and cost-effectiveness of transit ridership. It is important to remember that complementary uses of real estate around a parking ramp do not materialize without careful forethought and planning. The development potential scenarios described below highlight the opportunities for structured parking in the various zones.

We have produced hypothetical development scenarios below for each of the four zones. None of these development scenarios have been formally approved by the Cities or the County. The costs below are general estimates only and will need to be refined. They may be high or low, depending upon the particular group of parcels, the number of tenants in each building, and the particular development eventually proposed. The scenarios are only being utilized to demonstrate the potential for use of existing public and private financing tools, and gaps in those tools. A primary tool for cities and counties mentioned below is tax increment financing, or TIF. Tax increment financing is an often used redevelopment and economic development tool that allows a city or county to capture increased property taxes from a new building for up to 25 years. Information on the tool can be found at http://www.house.leg.state.mn.us/hrd/issinfo/tifmain.aspx?src=21.

Zone 1 - Shady Oak Road and Excelsior Boulevard Intersection – Minnetonka Larger Site

The first zone is the northwest area of the site and lies completely in the City of Minnetonka. It is the site with the most development potential site, but also one with complications. It consists of 17 parcels totaling 22 acres. There are 11 owners and a wide range of existing uses. The assessor's estimated market value for taxes payable in 2012 is over $15M. The site has already experienced one large scale development proposals in the recent past[8].



The City of Minnetonka has indicated an openness to both housing and retail/commercial development on the site. For hypothetical purposes, the following development scenario is presented:

- 550 units of rental housing, of which 20% is affordable to those at 50% or less of median income.
- Commercial space of 175,000 s.f.

We have assumed that the 110 units of affordable housing would be paid for through the typical low income housing tax credits and associated funding sources. The grants below are for site costs and not specifically for affordable housing costs.

[8] http://www.startribune.com/business/131109828.html?refer=y

All of the estimates are not today's reality. The developer's land payments are optimistic. Today's market shows that the most active portion of the real estate market, apartments, would support rents in the $1.50 to $1.75 per square foot of a unit. Given construction costs, these types of units are able to support only $5,000 per unit of land. The analysis above assumes $15,000 per unit of land payment of market rate and slightly less per unit for affordable housing. Even with the higher land payment, this project shows a gap of $6,000,000 given traditional sources of financing for redevelopment.

Assuming that structured parking of 400 spaces is constructed to serve the guest units of the housing and a portion of the commercial development, density on the site theoretically could be increased to 600 units and 225,000 s.f. of commercial. The uses of costs and sources of funding for the land development portion of the project would be:

Zone 1: Minnetonka Larger Site

Uses of Costs for Land Development	Lower Density Expected Cost (2012 $)	Higher Density Expected Cost (2012 $)
Acquisition/Relocation	$25,000,000	$25,000,000
Infrastructure	$4,000,000	$4,000,000
Demolition	$2,000,000	$2,000,000
Carrying Costs	$2,000,000	$2,000,000
Parking Ramp (400 spaces)		$9,000,000
Total Uses	$33,000,000	$42,000,000

Sources of Funds	Lower Density Expected Source (2012 $)	Higher Density Expected Source (2012 $)
Developer Land Payments	$14,000,000	$17,000,000
Tax Increment Financing	$10,000,000	$12,000,000
Grants (Existing Programs)	$3,000,000	$6,000,000
Total Sources	$27,000,000	$35,000,000
Land Development Surplus (Gap)	**($6,000,000)**	**($7,000,000)**
Development	550 units housing 175,000 s.f. commercial	600 units housing 225,000 s.f. commercial

Counter-intuitively, this project shows a greater gap with higher density. The gap is mainly due to the high cost of the ramp relative to the resources available. But it is also a function of many other factors. First, TIF proceeds for higher levels of commercial are not the same as higher levels of housing, mainly because of fiscal disparities and the state property tax being removed from the TIF cash flow in most cases. Second, TIF revenue bonds carry high interest rates. A local government issues G.O. TIF bonds without an election, but it is difficult for a City to take the risk of buying a large area of land and then double the risk by issuing G.O. TIF bonds for parking or infrastructure costs. Third, a greater share of the ramp costs would need to be paid from transit sources. We have assumed that only 1/3 of the ramp spaces would be shared with transit. A higher number of shared parking spaces is possible if the commercial use is compatible with transit funding for evening use.

Zone 2 - Area South of 47th, North of Tracks and West of New Station – Minnetonka Smaller Site

In this zone, there are a total of eight acres in southwest area north of the tracks. There are four owners and properties total $5M in assessor's estimate market value. Development potential is expected as:

- 300 units of rental housing, of which 20% is affordable to those at 50% or less of median income.
- Commercial space of 20,000 s.f.

Carrying costs are not factored in because the site is small enough that acquisition and construction could occur within a year or two of each other.

Assuming that structured parking of 350 spaces is constructed to primarily serve commuters and could also be counted as parking for the guest units of the housing, density on the site could be increased to 400 units. The uses of costs would be:

Zone 2: Minnetonka Smaller Site

Uses of Costs for Land Development	Lower Density Expected Cost (2012 $)	Higher Density Expected Cost (2012 $)
Acquisition/Relocation	$9,000,000	$9,000,000
Infrastructure	$1,000,000	$1,000,000
Demolition	$1,000,000	$1,000,000
Carrying Costs	$0	$0
Parking Ramp (350 spaces)		$8,000,000
Total Uses	$11,000,000	$19,000,000

Sources of Funds	Lower Density Expected Source (2012 $)	Higher Density Expected Source (2012 $)
Developer Land Payments	$5,000,000	$5,500,000
Tax Increment Financing	$5,000,000	$7,000,000
Grants (Existing Programs)	$1,000,000	$8,000,000
Total Sources	$11,000,000	$20,500,000
Land Development Surplus (Gap)	**($0)**	**$1,500,000**
Development	300 units housing 20,000 s.f. commercial	400 units housing 20,000 s.f. commercial

Zone 2 is more viable for a few reasons. First, the site is denser per new residential unit relative to size of the site when compared to Zone 1. Second, the acquisition cost per acre is smaller and the carrying costs are $0 due to the smaller number of parcels to be acquired. Third, the cost of the ramp is largely paid for with grants and does not expect to have complementary parking uses except a minor amount of guest parking for the apartments. Fourth, a primarily residential development produces more TIF and requires less land than a larger commercial facility.

Potentially some of the extra TIF or grant funds could be utilized for adjacent sites. This type of sharing of TIF is not unusual for typical redevelopment projects.

Zone 3 - Western Edge of Hopkins Property Including Hopkins Tech Center and Storage Units – Hopkins Larger Site

There are 25 acres between both the Hopkins Tech Center and adjacent parcel to east. Assessors estimated market value is $11.5M. It is likely, but not certain, that 17th Avenue Extension as well as the station itself will be constructed on this parcel.

The Hopkins Tech Center property immediately borders the planned station. In this scenario, retail development is expected to be served by riders and is limited to 10,000 s.f. of building area. The remainder of the property is planned by the City of Hopkins for office/institutional uses. In summary, the less dense scenario includes:

- 325,000 s.f. of office/institutional.
- Commercial space of 10,000 s.f.

Assuming that structured parking of 450 spaces is constructed to serve commuters with 350 stalls and the facility with 100 stalls plus evening parking for the office/institutional space, density on the site could be increased to 375,000 square feet. The uses of costs would be:

Zone 3: Larger Hopkins Site

Uses of Costs for Land Development	Expected Cost (2012 $) Lower Density	Expected Cost (2012 $) Higher Density
Acquisition/Relocation	$17,000,000	$17,000,000
Infrastructure	4,000,000	4,000,000
Demolition	2,000,000	2,000,000
Carrying Costs	2,000,000	2,000,000
Parking Ramp (450 spaces)		10,000,000
Total Uses	$25,000,000	$35,000,000

Sources of Funds	Expected Sources (2012 $) Lower Density	Expected Sources (2012 $) Higher Density
Developer Land Payments	11,500,000	13,500,000
Tax Increment Financing	5,000,000	6,000,000
Grants (Project)	$3,000,000	$11,000,000
Total Sources	$19,500,000	$30,500,000
Land Development Surplus (Gap)	**($5,500,000)**	**($4,500,000)**
Development	325,000 s.f. office/institutional 10,000 s.f. commercial	375,000 s.f. office/institutional 10,000 s.f. commercial

As we have stated earlier, commercial property does not yield the same amount of land price or TIF proceeds as housing. An ideal situation would be if an institutional use could be found to increase the number of square feet used and pay for its own structured parking. For example, a complementary use would be a college with a significant emphasis on evening classes or a business with more employees after 6 pm than during the day. However, it is difficult to attract such tenants.

Zone 4: Future Redevelopment on Eastern Portion of Site North of the Tracks

These parcels consist of two owners. The property is approximately 15 acres and has an assessor's estimated market value of $11,000,000. One parcel contains buildings built in 1999. These parcels are not likely to develop quickly. If they do, they would be a smaller version of the parcels to the west. This property is not likely to share parking with the transit station due to its distance from the site.

We have undertaken projections assuming a 225,000 square foot building dedicated to an office/institutional use for illustration purposes.

Zone 4: Smaller Hopkins Site

Uses of Costs for Land Development	Expected Cost (2012 $)
Acquisition/Relocation	$17,000,000
Infrastructure	$500,000
Demolition	$1,000,000
Carrying Costs	$1,000,000
Total Uses	$19,500,000

Sources of Funds	Expected Sources (2012 $)
Developer Land Payments	8,000,000
Tax Increment Financing	2,000,000
Grants (Project)	$2,000,000
Total Sources	$12,000,000
Land Development Surplus (Gap)	**($7,500,000)**

Due to the value of the existing property as well as likely environmental issues, the feasibility of this site redeveloping in total is difficult given today's environment. A stronger possibility is that the lumberyard parcel on the east side of the site may redevelop independently, which could be a key intersection for the image of the area.

Summary of Issues Raised in Analysis of Four Zones

Cities, as regulators of real estate development, set out their visions for a specific area of land through comprehensive plans, zoning, and in some cases, small area plans/design guidelines for the specific buildings. This is often enough for 98% of the land area of a community.

When the market is not able to produce results in the 2% of a community that are gateways or key intersections, citizens and business owners often become concerned about the value of their own property. Communities have choices in that situation. They can wait and hope that either rents increase sufficiently to justify the higher costs of land acquisition or owners of the existing buildings become willing to sell at a reasonable price. As is demonstrated above, the Shady Oak Station area is not a place that rents are high enough for new developments to pay for existing land. The buildings are still being rented and the buildings have not degraded to the point of being "cheap".

Then communities may go further than the regulatory role to employ financial tools or higher density allowances than the normal zoning allow to assist developers to achieve further community goals such as affordability, higher quality finishes, or elimination of underutilized buildings.

When the private market is not able to undertake redevelopment, even with financial tools such as TIF, due to larger market forces, communities often go further and take on the role of a land developer. There are several cities across the metropolitan area which have undertaken land development in major redevelopment efforts. Some of them were undertaken in concert with a private developer. Centennial Lakes in Edina is a prime example. Others were accomplished prior to finalizing any development contract. These include Eagan's efforts around the former Cedervale Mall east of Cedar Avenue, New Brighton's acquisitions in the northwest quadrant of 35W and I-694, and St. Louis Park's Excelsior and Grand. Land development is fraught with risk. We do not recommend to any client that they undertake major land acquisitions without either patient money in the form of an internal loan from its own funds or secondary sources to pay debt service, such as surplus TIF from another district, if a development takes longer than possible.

For the Shady Oak Station site, the Cities and/or the County will need to evaluate land development carefully. Our experience is that no one situation is the same. There is no formula for success. What is important is to provide a range of options and tools for communities to consider. In addition, other public partners can join together to help reduce the risk of land development. Unfortunately, the tools have been diminished during the past dozen years and we have public and non-profit entities often working at odds with each other.

Risk is a continuum. Risk is neither bad nor good. It can be evaluated and quantified for decision makers to evaluate. The good news is that all of the cities and Hennepin County along the Southwest LRT are sophisticated and experienced in redevelopment. But a lack of tools and partnerships may result in property surrounding many transit stations to remain underutilized or may take decades to reach their full potential.

Impediments to TOD and Suggested Tools or Enhancement to Tools

The future success of TOD adjacent to the Shady Oak Station, and other transit areas, will depend upon the tools available for private and public partners to afford to build and maintain enhancements built around the station areas. Below is a list of impediments and potential means to mitigate those impediments. It is important to mention that the Family Housing Fund, ULI MN and Corridors of

Opportunity at the Saint Paul Foundation convened work sessions in May of 2012 on the topic of TOD finance. A portion of the options below are drawn from those discussions. The options for addressing each impediment are not mutually exclusive.

Issue #1: Land acquisition process is expensive and cumbersome, especially when adjacent to a valuable piece of infrastructure.

In today's world, it is common for local governments to assess adjacent landowners for improvements to infrastructure. Assessments such as these have been done to pay for a part of for freeway interchange improvements in the past. However, LRT is not assessed to properties adjacent to the stations.

Each line has its unique circumstances. Certainly businesses along the Central Corridor have paid a price for construction. However, along the Southwest LRT, the construction of the line is on an existing railroad right of way and should have minimal impact on adjacent properties. Therefore, property owners will realize an increase in the value of their land asset without paying for it. In the short-term, the value of the asset may not be large. However, landowners may perceive that the value is substantial and may raise the price of their land in the short-term to match their expectation.

Unless a private or public entity is willing to undertake an acquisition strategy that spans five to 10 years and properties can be purchased when a seller is willing, land acquisition for large scale redevelopment will be too expensive and/or too cumbersome for a profit motivated private developer without some form of public intervention.

The days of a developer buying large swaths of land and holding for several years are gone. The vast majority of developers are not able to finance these holding costs and, even if they did, the returns on equity to justify such an investment do not exist in today's marketplace. The real estate market could be different in five or ten years, but the private market's resistance to land banking is not a new trend. Very few large scale master developer projects have not occurred for the past 12 to 15 years in similar locations. Land acquisition is also a time consuming process. Negotiations are long and arduous. As one developer stated in an interview "If there are more than three land owners on a potential redevelopment site, I am going to look elsewhere".

These challenges can be overcome if the site is high quality and "checks all the boxes" for a developer. For a residential developer, these boxes include similar developments with a track record of rents/sales; proximity to jobs; proximity to recreation including trails, lakes, rivers, parks and community centers; proximity to amenities such as bars, restaurants, and grocery shopping; and proximity to transportation links. As it exists today, the grades for the Shady Oak Road site as a commercial and residential site is a "C" to a "B-", according to the developers we interviewed. Its main asset is proximity to jobs. Freeway connections, amenities, and recreation are not close enough to demand a premium for this site. The industrial uses surrounding the area dominate the market and discourage other types of development.

The question may arise: "why not redevelop on smaller parcels of property rather than take on a large scale redevelopment?" Piecemeal redevelopment may occur without public intervention. However, it has impediments. In a redevelopment situation, it is difficult to create high value property when the future of the neighborhood is uncertain. This is particularly true for sites such as The Shady Oak Road Station which is not located in an area in which other development is achieving high rent levels. Sites closer to Minneapolis or to other large, established retail area will be more likely to develop on a piece meal basis without adjacent land already planned and under site control of a development entity.

The feedback from developers in our interview is that Shady Oak Road Station site must be carefully planned to be successful in the future. Developers will not invest where quality development is not assured for adjacent sites. Development of the property will be hindered by inadequate screening of industrial property to the south of the tracks. The local government must be supportive of density and redevelopment of the entire site to attract quality developers.

In the past, cities (including Hopkins and Minnetonka) and counties used the threat of eminent domain to either buy property themselves or to bring down the costs of acquisition to affordable levels. A public agency could use the tool for the station or infrastructure as the law stands today because these are public uses.

To address the land acquisition challenge, we suggest the following considerations:

<u>Option 1a: Narrowly Targeted Eminent Domain.</u> Eminent domain was a key tool for many redevelopment projects in the area before it was restricted to only public use and to very blighted property. New legislation could restrict the use to within ¼ mile of transit stations and only for Transit Improvement Areas (TIAs) pursuant to 2008 legislation (in 2010, DEED designated 53 areas as TIAs.) [9] There is no question that this is a controversial topic. However, if TOD is necessary for enhancing the efficacy of a public infrastructure investment like light rail, a narrowly defined tool would be effective in speeding redevelopment and ensuring that public dollars to assist development will not simply be spent on high acquisition costs. As a first step, this tool could be used only for the SW LRT, and later expanded to the TIAs.

<u>Option 1b: Create A Large and Low Cost Land Bank</u>. It will be very difficult for the private sector to assemble property at reasonable prices given the expectations of TOD and the realities of the market. Without eminent domain a public agency will likely need to land bank the property for several years with very low carrying costs (less than 3% interest per year). Given the scale of the acquisition needs in the development scenarios, we would recommend a bank with a capitalization of $100 million to $200 million. Investors in the bank could be local governments, private companies located in the area, and philanthropic institutions.   Land banking is necessary for many reasons:

a. Acquire at a reasonable price when a seller is willing.

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[9] For information on DEED TIA, see http://www.positivelyminnesota.com/Government/Financial_Assistance/Site_Cleanup,_Redevelopment,_Transit_Funding/Transit_Improvement_Areas_2.aspx

b. As a redevelopment site, the first entity to construct needs assurances that the project will be completed in full. It is very difficult to market a site that is adjacent to an industrial use that may stay for the next 20 years.
c. It is better to install infrastructure at one time, when property adjacent to it is ready for development and when the needs of the developments are known. Land banking allows for more complete integration of roads and utilities with the adjacent land ownership.
d. It is likely better for non-FTA funds to be used for acquisition of a potential transit station /development site and then sell only the land necessary for the station to the sponsoring agency to avoid significant restrictions on the use of the property as private development. These federal rules are evolving, but they do pose a significant challenge at the current time.

Issue #2: There exist a multiplicity of voices and government funding sources for TOD, each with its own set of priorities.

There exists a lack of consensus over what TOD in Minnesota should be, including appropriate levels of density, types of development, and amount of affordable housing. This inconsistency will lead to inefficient processes for cities and developers to apply for funds, hesitation on the part of local governments to land bank for property without assurance of future funding, and inconsistent voices at the Legislature as new bills for new tools are debated. The Metropolitan Council has started to focus on TOD with its recent designation of LCDA funds for projects in the TIA areas.

<u>Option 2a:</u> Establish RFP process for TOD projects similar to the “Super RFP” process for affordable housing.

This model, pioneered in the state by the Minnesota Housing Finance Agency, together with the Metropolitan Council, the Family Housing Fund, the Greater Minnesota Housing Fund, and other partners, clearly identifies the funders’ priorities for where and what types of housing are constructed using the most valuable funding sources. A similar partnership could also be formed for TOD among the State, Metropolitan Council, Hennepin County, and non-profit partners to agree on priorities, fund projects that augment local government investments, and ensure successful projects. For example, both funds for loans to acquire a 20 acre area and hold 15 of the acres as well as grant funds for the 5 acres to be immediately developed in conjunction with a new parking ramp for the transit could be an ideal situation to target all funds available for that year. The loan funds could be matching that particular city’s investment in land banking. Funds included in this process could include brownfield funding, redevelopment grants, and MnDOT funding sources.

In addition, other funding opportunities that may not be included in the RFP process could be modified to favor TOD. These include:

<u>Option 2b:</u> Increase scoring for TOD rental housing developments in Minnesota Housing Finance Agency (MHFA)’s allocation of low income housing tax credit application and in state law governing allocations of tax-exempt bonds.

Low income housing tax credits are the most powerful tool in the State for generating new affordable housing. The credits produce equity for a rental housing project through the sale of federal income tax credits. For 2013, TOD developments are given a relatively small amount of 3 points in the MHFA application for the most powerful tool for affordable housing, federal low income housing tax credits. We recommend a change in priority to make TOD a threshold priority and to increase the number of points to at least 15 to 25 to encourage funding of these projects[10]. In addition, a similar change could be enacted in the allocation of tax-exempt bonds and associated low income housing tax credits.

Option 2c: Change the state law for tax-exempt private activity bonds to enable housing bonds and the associated 4% tax credits to be used in the TIAs rather than requiring 2 and 3 bedroom minimums for the units.

Tax-exempt bonds for private owners of property was a significant tool in the 1990s and 2000s. This resource has been underutilized in recent years due to changes in the bond market. One of the main advantages of these bonds is the automatic low income housing tax credits received with the allocation. Finance markets, like real estate, are cyclical. The Chapter 474A allocations could be changed at the Legislature to give TIA's the first opportunity for housing bonds, potentially with smaller bedroom sizes. Currently, unused allocation is allowed for senior housing after a certain date each year. More background on the allocation can be found at the Minnesota Management and Budget website[11].

Issue #3: Parking Ramps are expensive and may be constructed, potentially in the wrong place or with the wrong design for TOD use, before development plans are known

As was discussed above, parking ramps are a key asset to a successful TOD. In the Shady Oak Station, a 350 stall ramp is included in the project budget. Without knowing the potential site layout and adjacent uses, building a ramp may impede the development potential in the area. It may be that two smaller ramps may better serve the transit riders and the real estate development than one larger ramp. To avoid these issues, the following could be considered:

Option 3a: Overbuild one ramp as an anchor and assess part of ramp cost to adjacent properties.

To pay for the assessments, legislation to alter Chapter 429 could offer cities the same power as Minnetonka's charter amendment to assess based upon trip generation/demand of parking rather than area of the parcel. These assessment law changes should give clear authority to defer assessments until development occurs, which is currently allowed only for greenfield development.

Option 3b: Enable ramps to be financed with state G.O. Bond dollars, and potentially federal funds, similar to the State of Minnesota's transportation revolving loan fund. These funding sources are

[10] See details of MHFA low income housing tax credit applications and priorities at http://www.mnhousing.gov/housing/tax-credits/allocation/MHFA_012471.aspx

[11] http://www.mmb.state.mn.us/bond-allocation

usually below market interest rates, administered through the State's Public Facilities Authority, and can be repaid over 20 to 30 years.

Option 3c: Find flexibility to have federal funds to design and build a smaller ramp that can be added to vertically or horizontally be located in two separate places near the station to better serve TOD

Option 3d: Hire ramp operational expertise to fit the design, signage, and entrances to meet the development that is planned or occurring adjacent to the ramp.

Issue #4: When investments are planned to be made in areas surrounding a transit stop, there is no tool to ensure fair and secure methods of spreading and collecting costs of parking ramp maintenance, public space maintenance, and higher levels of service around a transit station.

The sense of place mentioned in the developer interviews for TOD is partially produced through quality investments in infrastructure and enhanced services in the area. Special service districts have worked well in other redevelopment projects at the beginning of the development process, when the developer and the City are negotiating costs for both the short-term and long-term. Funding for public space investments is often difficult to coordinate among surrounding properties unless it is a part of an initial lease or sale. To address these issues, two options are offered:

Option 4a: Renew and expand special service district law.

The special service district (SSD) law enables a group of property owners to petition a city to create a special taxing district. Codified as Minnesota Statutes Chapter 428A, the SSD law is scheduled to sunset on June 30, 2013. Under current law, 25% of the landowners can petition to establish a SSD. It will not become effective if 35% of the landowners veto the ordinance. The benefit of a SSD is that it allows a private group of landowners to ensure that all fees applied for higher levels of streetscape or extra snowplowing are collected on the property tax bill. This eliminates common problems of fee delinquency that exist in many downtown associations.

We recommend that the SSD law be amended to enable residential, public, and commercial entities to all contribute to the maintenance and potential construction of common area costs that are above and beyond typical municipal services.

Option 4b: Expand use of special assessments.

Special assessments have a benefit test. Chapter 429 requires that the value of the property will increase by at least the cost of the special assessment. A major impediment in redevelopment is the inability to defer assessments until future development occurs. As mentioned above, Minnetonka has used a variation on this option in its Bren Road area improvements. Minnesota Statutes, Chapter 429 allow communities to defer special assessments on greenfield sites. It would seem logical to allow all cities to defer special assessments for TOD/redevelopment sites as well to avoid burdening existing uses and to enable a secure means of financing such improvements.

Issue #5: It is difficult to establish TIF districts and to finance TIF bonds due to several uncertainties

TIF remains a major funding source for redevelopment and TOD. But qualifications for redevelopment are often subject to challenge due to a lack of clarity in the existing law. In addition, it often takes 6 to 10 years to fully build out a site. Both the 26 year maximum term of a district for all the parcels in the TIF district and the five year rule in TIF heavily restrict its effective use in a multi-phase development because time often expires before a development is fully built out.

Once a TIF district is established, the options to finance the future TIF stream can be expensive unless a City is willing to issue a G.O. TIF Bond. Unlike land acquisition financing which is short-term, TIF is usually financed over 25 years. Cities have encountered difficulties with G.O. TIF bonds, especially when the legislature changes the property tax system. The changes in 2001 which reduced class rates for all types of property and the more recent elimination of the market value homestead credit are two examples of reductions that materially affected cities that had previously issued debt for redevelopment. TIF revenue bonds are very expensive for the same reason. For HUD insured rental housing projects, the federal government will finance the TIF as a part of the first mortgage. Other choices are limited.

Since 2001, redevelopment has been driven more by residential property than commercial property because the statewide property tax, which cannot be captured by TIF districts, applies primarily to commercial and industrial properties.

Option 5a: Authorize the cities and the county to work cooperatively to establish a single "value capture" zone within ¼ miles of the station area, as a hybrid of a redevelopment TIF district and a property tax abatement area, but automatically include the school's portion of the tax bill. The maximum term could be 25 years per station area or per parcel. The State's share of the commercial property tax could be exempted for the first 10 years of the zone to spur development more quickly. The resources from the value capture zone could be used to fund land and infrastructure costs, be used to credit enhance revenue bonds issued to minimize risk, and be used across city borders. The zone could be administered by a joint powers board of the local governments and could be empowered like a port authority or an economic development authority.

Option 5b: Renew the provisions in the 2010/2011 Jobs Bill for Chapter 469 to allow cash from existing TIF districts to be spent in the TOD project. The temporary TIF law change spurred many new developments in a difficult real estate market. Existing TIF districts provides a stable base of income and cash for immediate needs.

If option 5a is not possible, the next best options would be to change authorities on a piecemeal basis including the following:

Option 5c: Create TOD TIF district only for TIA designated sites as listed in the DEED website. If any area within ¼ mile of a station could be placed in a 26 year district with each development allowed the full 26 years, many of the concerns listed above could be addressed.

Option 5d: Increase the time limit for a redevelopment district's first increment receipt from 4 to 10 years on a parcel by parcel basis, clarify the blight test, and eliminate the five year rule.

Option 5e: Create a long-term loan fund with the ability to pool risk among all TIF districts along the Southwest LRT. If one development is successful, the TIF from that district could be utilized in another development.

Option 5f: Enable DEED to participate in a redevelopment/TOD "Super RFP" (Option 2a) with more targeted funding of state resources such as the commercial property tax. If a concern is the amount of state revenue lost with a change in the TIF law, DEED could be empowered to approve a certain number of TOD projects with TIF undiminished by the State property tax. This would also further maximize the State's investment in the infrastructure of LRT.

There are several actions that can be taken in the near term to address the options listed above:

1. Draft legislation and work with local legislators and committee chairs to extend the special service district law, modify the TIF law, expand special assessment laws, explore options for eminent domain, and change bond allocation procedures.
2. Explore options with state agencies, the Metropolitan Council, and local foundations to establish a more efficient funding procedure for TOD.
3. Work with area businesses and corporations to establish a land acquisition/land banking fund for immediate purchase of properties.
4. Engage all local governments on the line in cooperative efforts to establish a value capture area including a process for establishing boundaries, parameters of financial contributions to projects along the line, and levels of risk willing to be shared.

Agenda Item 4: Development Workshop Debrief

Reviewed By:	Steering Committee Action Requested:
☑ Chair ☑ TIC Principals ☑ TIC ☑ Hennepin County staff ☐ Other________________	Information & Discussion

Background/Justification:

Steering Committee members and corridor staff participated in the Development Workshop with consultants, and national and local developers on November 14 and 15, 2012, at the Southwest Project Office. Consultants and developers returned to present their recommendations on December 5.

Previous Action on Request: Discussed at the September 20, 2012, Steering Committee meeting.

Recommendation:	**Financial Implications?** No **Are These Funds Budgeted:**
Attachments: Presentation with panel results	
Comments:	

SW Corridor Development Scenarios Workshop

INTRODUCTION

The Development Scenarios Workshop will draw upon the insights of an independent panel of local and national developers, market specialists, and urban designers to collaborate with the Southwest Corridor Community Works and other key public/private partners in order to provide high-level infrastructure, development and phasing strategies for five selected SW Corridor station areas:

Mitchell Road
Golden Triangle
Blake
Beltline
Penn

The intended outcome is to identify key development opportunities, barriers and strengths related to land use and station location, and identify critical links to amenities, neighborhoods, housing and jobs. After feedback from the stakeholders, the panel will recommend next steps to the cities, county and Metro Transit, along with phasing strategies to best position certain properties proximate to the station area in order to realize the optimal private investment opportunities for jobs growth, services and a full range of housing choices.

ACKNOWLEDGEMENTS

We graciously acknowledge the following individuals and organizations for their contributions to the SW Corridor Development Scenarios Workshop.

WORKSHOP HOSTS:

ULI MN/Regional Council of Mayors
Caren Dewar
Cathy Bennett

on behalf of the
Southwest LRT Corridor Community Works

FUNDING SUPPORT:

Corridors of Opportunity
Minnesota Housing
Twin Cities LISC
Family Housing Fund

DATA SUPPORT:

Cushman Wakefield/Northmarq
Marquette Advisors

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Julian Pancoast – TransACT
Marilee Utter – Urban Land Institute
Colleen Carey – The Cornerstone Group
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Pat Mascia – Duke Realty
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CONSULTANTS:

Rick Williams – Van Meter William Pollack
Chris Sensenig – Van Meter William Pollack

SW LRT Corridor TOD 3.0

Station and Infrastructure
Recommendations to Accelerate Private Investment
Summary

Southwest LRT Community Works / ULI MN Panel
TransACT

December 5, 2012

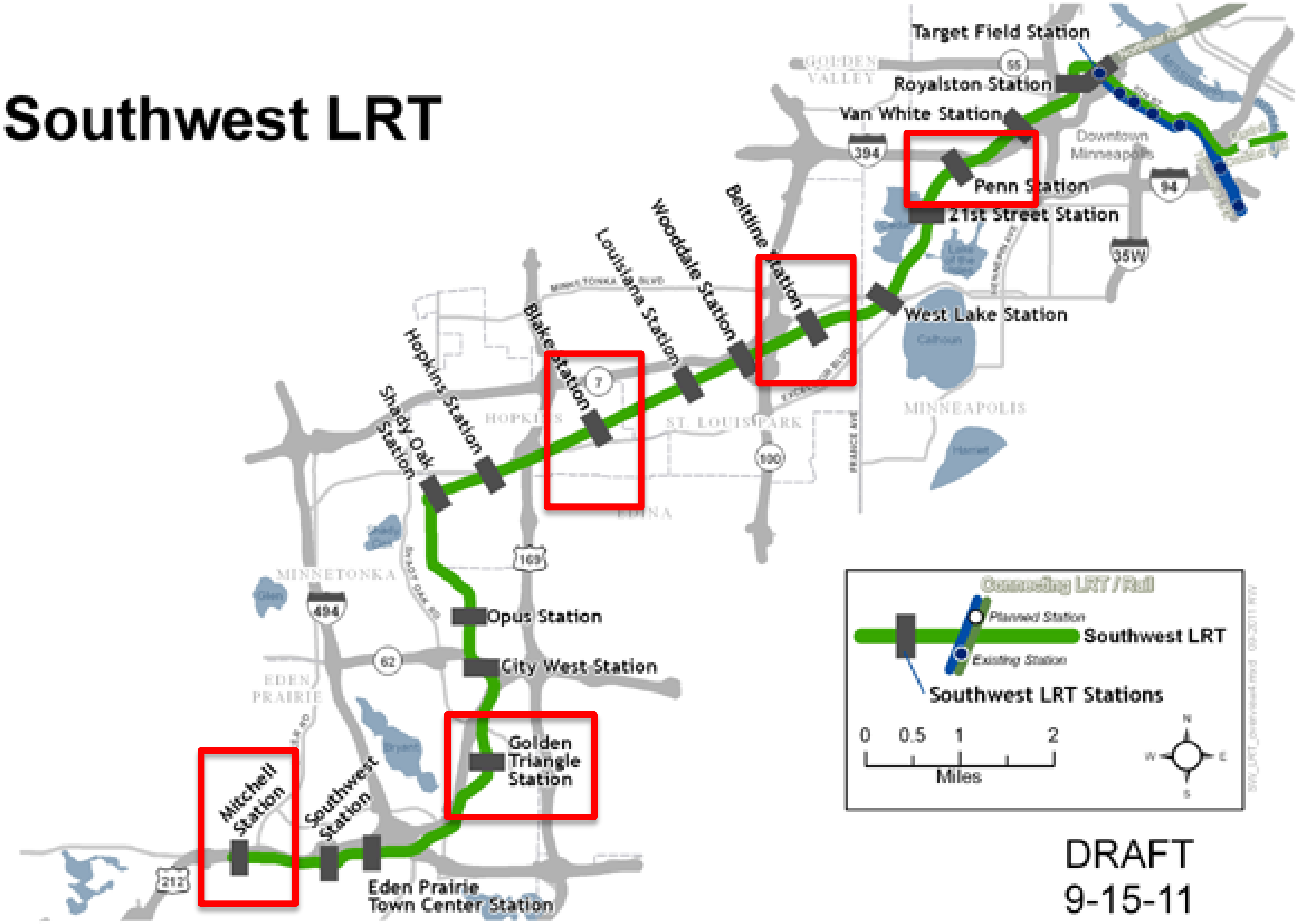
Purpose

Southwest LRT Corridor Community Works and ULI Minnesota engaged an independent panel of local and national developers, economists, and designers to work with the Technical Implementation Committee and provide corridor and station recommendations with a particular focus on five key SW LRT Corridor station areas:

– Penn
– Beltline
– Blake
– Golden Triangle
– Mitchell Road

The intended outcome is to identify key development opportunities, barriers and strengths related to land use and station location, and identify critical infrastructure improvements for consideration by the Cities and SW Project Office linking land use and engineering with market knowledge.

Southwest LRT



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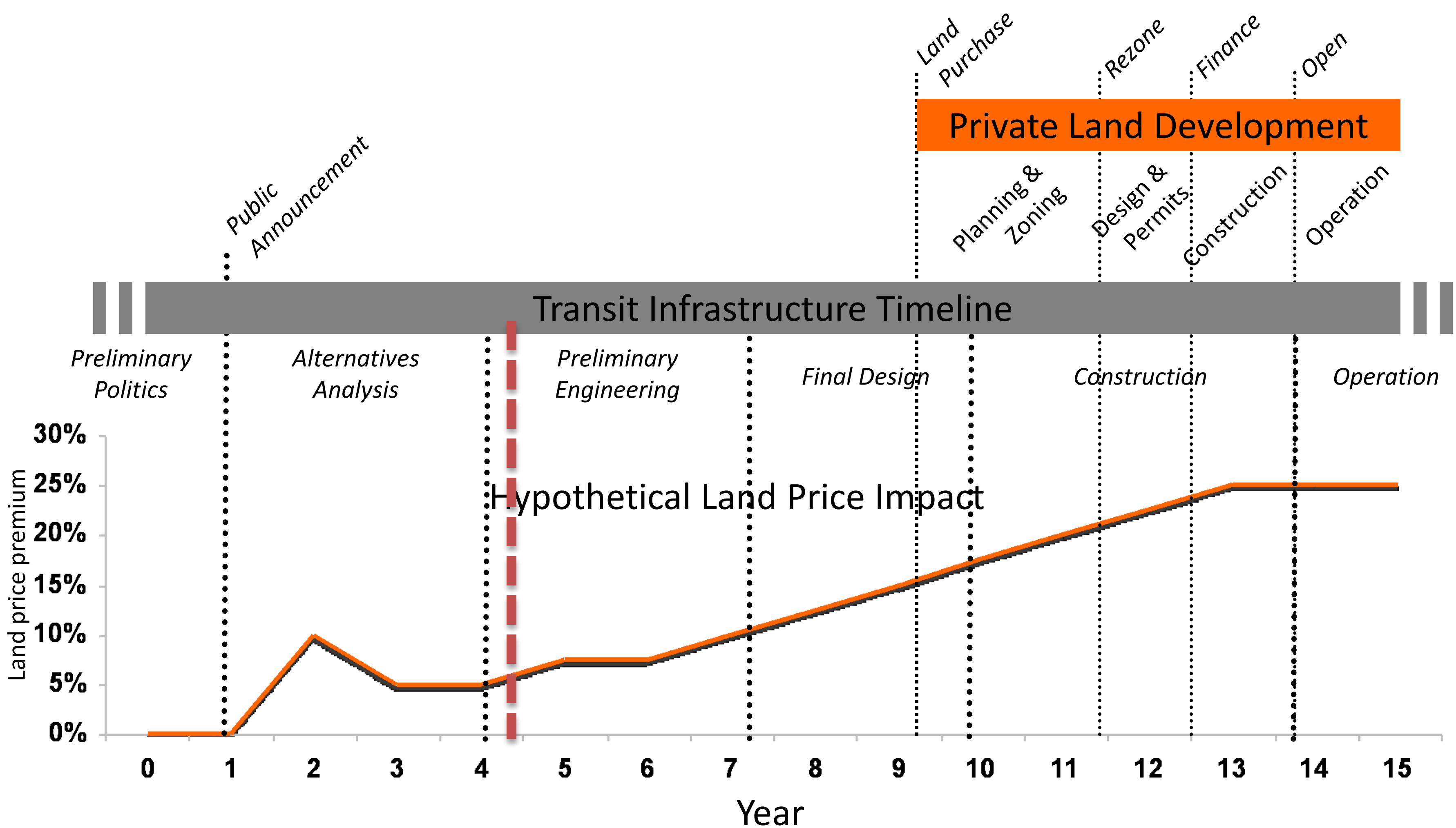
Timing Disconnect Between Transit and Developer Decisions



Source: Emerson, Donald; “Successfully Navigating the FTA New Starts Process”; PB Consulting, 2006

TOD 3.0 Strategies

1. **Identify specific corridor-wide targets for both community benefits and economic development** – avoid forcing mixed use and higher densities into each station stop if not supported by long-term market trends, significant city funding and/or special entitlements;

2. **Incorporate market and development criteria** when determining station platform locations, master plan goals, road networks, and zoning standards;

3. **Extend mobility/access/connections to places** using local bus and shuttle services to serve where people live, work, recreate, learn and are entertained;

4. **Derive the station influence area and specific boundaries** in order to achieve equity and sustainability goals, typically beyond the half-mile circle – even if this creates strangely shaped and irregular districts;

5. **Enable market metrics to shape station area land uses –** not every location will become a mixed-used, dense development. OK for districts to emphasize workforce housing, employment, major shopping or education/recreation facilities;

TOD 3.0 Strategies

6. **Street designs, pedestrian networks and open spaces** are equally as important as the transit infrastructure and building development in achieving overall community and development benefits;

7. **Avoid over planning specific development design** – use building typologies to help identify essential infrastructure that can support the future density over time;

8. **Phase incremental infrastructure improvements** that can be funded over time incorporating transit agency, city, district and project-sourced revenues;

9. **Emphasize parking facilities that can be shared** by transit riders, shoppers, visitors and diners;

10. **Create a long-term district organization** comprised of property owners, business operators, resident organizations and other stakeholders in order to achieve a vibrant transit oriented place.

For Discussion

- Process for Metro Transit to provide operating and capital cost data for alternatives early in the PE process;
- Ability to gain control of potential workforce housing sites;
- Legislative enabling language and seed funding to establish infrastructure district(s)
- Coordinating entity to focus on infrastructure and placemaking system wide.

Agenda Item 5: Transitional Station Area Action Plans

Reviewed By:

- ☑ Chair
- ☑ TIC Principals
- ☑ TIC
- ☐ Hennepin County staff
- ☐ Other___________________

Steering Committee Action Requested:

Information: Update on the Transitional Station Area Action Plans

Background/Justification:

Hoisington Koegler Group, Inc is now under contract to carry out the Transitional Station Area Action Plans. Staff and consultants will provide an update on the work.

Previous Action on Request: Discussed at the September 20, 2012 meeting.

Recommendation:

Attachments: Schedule

Comments:

Financial Implications? No

Are These Funds Budgeted:

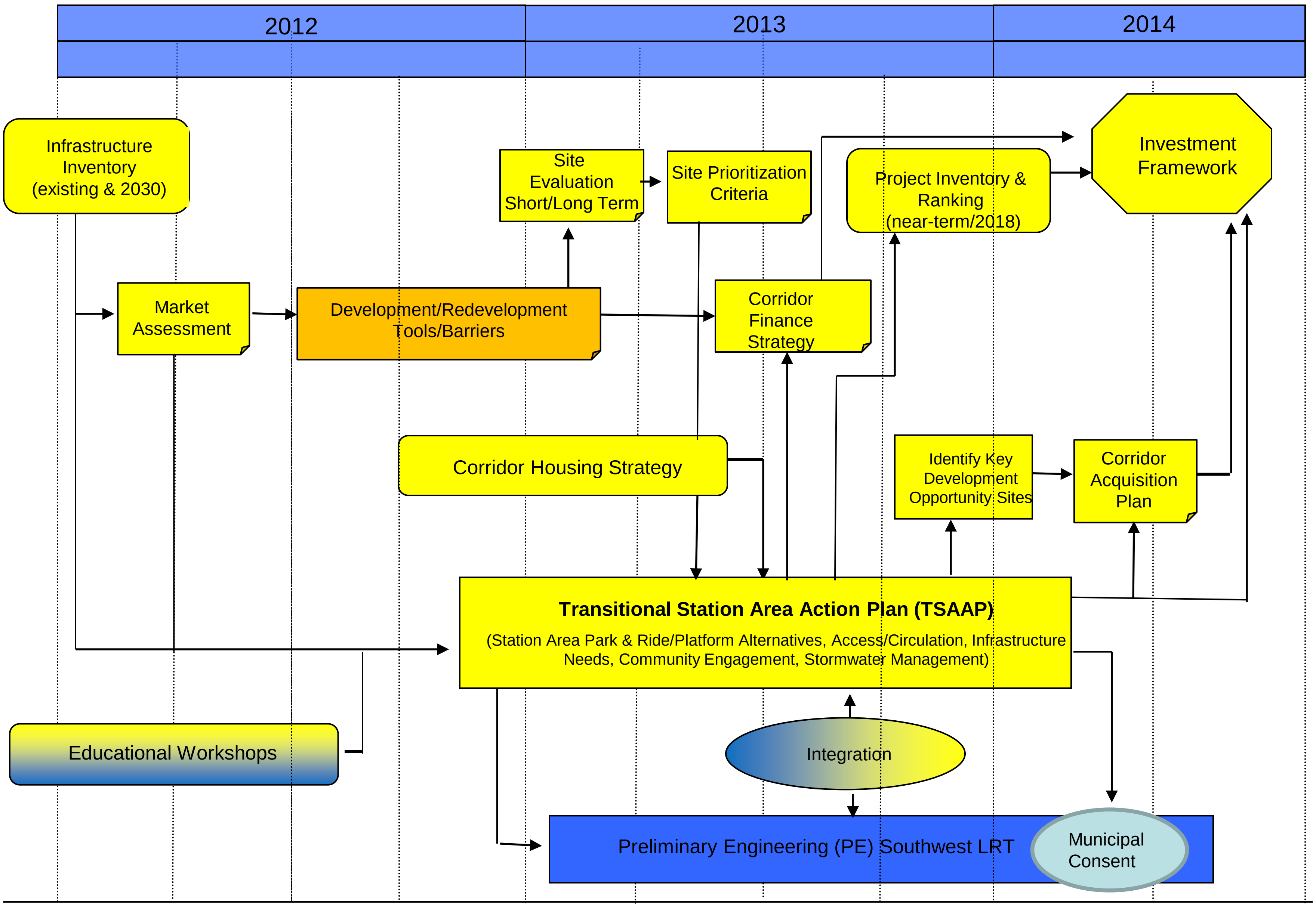
SOUTHWEST LRT community works

green means go.

Agenda Item 6: 2012 Accomplishments & 2013 Look-Ahead	
Reviewed By: ☑ Chair ☑ TIC Principals ☑ TIC ☐ Hennepin County staff ☐ Other_______________	**Steering Committee Action Requested:** Action: Review 2012 accomplishments and approve a general workplan for 2013.
Background/Justification:	
Previous Action on Request: None.	
Recommendation: Approval	**Financial Implications?** No **Are These Funds Budgeted:**
Attachments: None-to be brought to meeting.	
Comments:	

Southwest LRT Community Works

Adopted Workplan Activities



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MEMORANDUM

TO: SOUTHWEST CORRIDOR COMMUNITY WORKS - TECHNICAL IMPLEMENTATION COMMITTEE

FROM: CATHY BENNETT, ULI MN

SUBJECT: SURVEY RESULTS: DEVELOPMENT AUTHORITIES

DATE: 3/1/2012

Background:

Each city with station locations (Minneapolis, St. Louis Park, Hopkins, Minnetonka, Eden Prairie) and Hennepin County were asked to complete a survey detailing the current development powers they have in place and the activities they have entered into using those powers. Metropolitan Council was also asked to complete the survey but no response has been received to date. The survey was drafted by ULI MN and reviewed by the SW Corridor Community Works - Technical Implementation Committee. The following is a summary of the results of the survey. Refer to the attached matrix for additional detail.

Key Survey Results:

1. **Development Authority Powers:**

- All Cities (with the exception of Minnetonka) and Hennepin County have HRA powers.
- St. Louis Park, Minnetonka and Minneapolis have EDA Powers.
- In addition, Minneapolis has Port Authority Powers along with other special powers provided by Minn Laws 2003, c 127, art 12, sections 31-34 for the City, Minneapolis Community Development Agency; Minneapolis Public Housing Authority, Minneapolis Park and Recreation Board. The City also participates in various joint powers entities, e.g., Thinc.Green MSP . The Twin Cities Community Land Bank operates in Minneapolis.

2. Activities Completed using Development Authority Powers:

- There was a wide range of activities that the cities and county have entered into using their development authority powers.
- Minneapolis checked that they have used all of the activities listed as allowed by state statute with the exception of providing assistance for "non-residential" construction.
- After Minneapolis, St. Louis Park then Hopkins have conducted more activities using their development authority powers than others.
- All of the cities and county have done the following:
    - acquired property
    - sold or leased property
    - operated rehabilitation loan or grant program for housing
    - entered into contract for economic development purposes
    - studies housing and redevelopment needs of the city
    - joined other organizations to further economic development
    - issued revenue bonds
- In addition, all of the cities but not the county have done the following:
    - used tax increment financing to facilitate economic development
    - established a redevelopment district
    - established a housing district

3. Levy of Funds:

- All of the cities and the county have used their development authority powers to levy and collect property tax for between 4-10 years. No specific detail was provided for Minneapolis regarding the term that they have been collecting levy funds.
- For the suburban cities, St. Louis Park collects the most annual levy funds at an estimated $1 million. No specific detail was provided for Minneapolis regarding the amount of levy funds collected.
- Uses for the funds range from infrastructure to housing programs, economic development and administration.

4. Other Results:

- For all the cities the development authority powers are governed by the city council only.
- Most cities have a business subsidy policy with the exception of Minnetonka and Hennepin County.
- All of the cities, except Minnetonka, felt that they were proactive in their use of development authority powers. However, Minnetonka felt that there is more interest in exploring the options available to take advantage of opportunities.
- All of the suburban cities use Ehlers as a financial consultant.
- St. Louis Park and Minnetonka both use Kennedy & Gravin as development attorney.

Next Step:

1. Review and discuss results as a group.
    - Is the summary information accurate? If not, what should be modified and/or expanded upon. Discuss ways to collaborate. Collect information from Metropolitan Council and add to summary.

2. Provide additional detail regarding business subsidy policies to identify shared and conflicting policies.

3. Learn more about Minneapolis special powers.

4. Reconvene larger city group; along with financial consultant and development attorney.

Agenda Item 4: Development Authorities

SW LRT Corridor Development Authorities Survey

Last Updated: February 28, 2012 DRAFT

		St. Louis Park		Hopkins		Minnetonka		Eden Praire		Minneapolis		Hennepin County		Metropolitan County	
		CityWide	W/in 1 mile	CityWide	W/in 1 mile	CityWide	W/in 1 Mile	CityWide	W/in 1 Mile	CityWide	W/in 1 Mile	CityWide	W/in 1 Mile	CityWide	W/in 1 Mile
Type(s) of Development Authority Powers															
DAP_1	Housing and Redevelopment Authority (Minnesota Statutes 469.001 to 469.0	X	X	X	X			X		X		X			
DAP_2	Economic Development Authority (Minnesota Statutes 469.090-108)	X	X			X	X			X					
DAP_3	Port Authority (Minnesota Statutes 469.058 to 469.068)									X					
DAP_7	Other (please list)									Minn Laws 2003, c 127, art 12, sections 31 34 grant the foregoing powers to the City of Minneapolis. The City also has related entities with various powers, e.g., Minneapolis Community Development Agency; Minneapolis Public Housing Authority, Minneapolis Park and Recreation Board. The City participates in various joint powers entities, e.g., Thinc.Green MSP . The Twin Cities Community Land Bank operates in Minneapolis					
Type(s) of activities taken place using the above development authority															
DAA_1	Acquired property	X	X	X		X		X		X	X	X			
DAA_2	Sold or leased property	X	X	X		X		X		X	X	X			
DAA_3	Signed options to purchase, sell or lease property	X	X	X				X		X					
DAA_4	Use eminent domain to acquire property			X - attempt		X				X					
DAA_5	Provided relocation payments	X	X	X		X				X					
DAA_6	Leased or rented dwellings, accommodations, lands, buildings, structures or facilities in any project			X		X		X		X					
DAA_7	Acquired tax forfeit lands	X	X	X				X		X		X			
DAA_8	Compiled and maintained a catalog of vacant, open and undeveloped land, or land which contains substandard buildings and improvements	X	X	X - informal						X					
DAA_9	Carried out a Section 8 program	X	X	X-subcontract						X					
DAA_10	Operated rehabilitation loan and grant programs for housing	X	X	X		X	X	X		X		X			
DAA_11	Created and maintained an interest rate reduction program for housing	X	X	X				X		X					
DAA_12	Provided down payment assistance to homebuyers	X	X			X	X	X		X		X			
DAA_13	Maintained, operated and improved port facilities									X					
DAA_14	Made loans to businesses	X	X	X						X					
DAA_15	Entered into contracts for economic development purposes	X	X	X		X	X	X		X		X	X		
DAA_16	Became a limited partner in an economic development partnership														
DAA_17	Received rights and easements for economic development			X						X					
DAA_18	Received public land, property, money or assistance	X		X				X		X	X				
DAA_19	Operate and manage a foreign trade zone									X					
DAA_20	Operate and maintain public parking facilities or other public facility to promote economic development or prevent slum and blight	?	?	X						X					
DAA_21	Act as agent for federal or state government	X	X	X						X					
DAA_22	Studied economic needs in the city	X	X	X				X		X		X	X		
DAA_23	Studied housing and redevelopment needs on the city	X	X	X		X	X	X		X		X			
DAA_24	Determined where blight exists or there is unsafe, unsanitary or overcrowded housing	X	X	X				X		X					
DAA_25	Joined other organizations to further economic development	X	X	X		X	X	X		X		X	X		
DAA_26	Joined another development authority in a Joint Powers Agreement									X					
DAA_27	Used Tax Increment Financing to facilitate economic development	X	X	X		X		X		X					
DAA_28	Used tax abatement to facilitate economic development							X		X					
DAA_29	Established an Economic Development District		X							X					
DAA_30	Established a Redevelopment Project	X	X	X		X		X		X					
DAA_31	Established a Renewal and Renovation District	X	X			X				X					

		St. Louis Park		Hopkins		Minnetonka		Eden Praire		Minneapolis		Hennepin County		Metropolitan County	
		CityWide	W/in 1 mile	CityWide	W/in 1 mile	CityWide	W/in 1 Mile	CityWide	W/in 1 Mile	CityWide	W/in 1 Mile	CityWide	W/in 1 Mile	CityWide	W/in 1 Mile
DAA_32	Established a Housing District	X	X	X		X		X		X					
DAA_33	Established a Soils Conditions District	X	X			X				X					
DAA_34	Established a Compact Development District														
DAA_35	Established an Industrial Development District									X					
DAA_36	Established a Municipal Development District									X					
DAA_37	Issued General Obligation Bonds	X	X	X				X		X					
DAA_38	Issued Revenue Bonds	X		X		X		X		X		X			
DAA_39	Operated and managed a Revolving Loan Fund (RLF)	X	X	X				X		X					
DAA_40	Provided assistance for "non-residential" construction	X	X	X											
DAA_41	Other (please list)		TIA's		TIA's		TIA's				TIA's				
Does the City levy funds using its development authority															
CLV_1	Yes	X		X		X		X		X		X			
CLV_1.1	Annual Levy Amount	$ 1 Mill		$175,000		$175,000		$200,000				$5.6 Mill.			
CLV_1.2	Number of Years Using Levy	10 yrs		4-5 yrs		4 YRS		5-6 YRS				4 yrs			
CLV_1.3	For what purposes?	Infrastructure		Economic Development		Housing rehabilitation and first time homebuyer programs - village center master planning		portion of staff salaries for work on housing & ED		The HRA levy has been used for public housing purposes and the MCDA levy was used for economic development and other purposes.		Foreclosure prevention counceling, administration, housing and TOD capital funding.			
CLV_2	No														
Governing Board Structure															
GBS_1	City Council Only	X		X		X		X		X		X - County			
GBS_2	City Council + Appointed														
GBS_3	Appointed Only														
Does the City have a business subsidy policy?															
BSP_1	Yes	X		X				X		X					
BSP_1.1	When last updated?	2-21-08		?				2000		City Council adopted Living Wage Ordinance 11/4/05; Administrative Guidelines were last updated 8/1/08					
BSP_2	No					X						X			
In your opinion, is the city proactive in use of its development powers															
UDP_1	Yes	X		X				X		X		X			
UDP_2	No					X									
UDP_2.1	Why Not?					In the past the city has not been as proactive as others. There is more interest now to take advantage of opportunities that may arise.									
Financial Consultant															
		Ehlers		Elhers (Stacie Kvilvang)		Ehlers (Mark Ruff)		Ehlers/Springsted							
Development Attorney															
		Kennedy & Gravin		Robert Dieke		Kennedy & Gravin (Steve Bubul)		Gregerson, Rosow, Johnson & Nilan (Ric Rosow)		Nikki Newman		Chuck Salters			

Southwest LRT Community Works Steering Committee Updates
Preceding the December 20, 2012 meeting

Business Advisory Committee
Contact: Katie Walker, Hennepin County katie.walker@co.hennepin.mn.us

- September agenda included presentation on station are profiles, project updates and committee and member reports.
- October agenda included project reports and presentation by Eden Prairie staff on the work the City has done to date on planning activities around the Mitchell and Golden Triangle Stations as well as committee and member reports.
- November and December meetings cancelled.

Community Advisory Committee
Contact: Katie Walker, Hennepin County katie.walker@co.hennepin.mn.us

- September agenda included a presentation and tour of Central Corridor.
- October agenda included LRT and SWLRT "101" presentations, a DEIS update and committee and member reports.
- November meeting cancelled.
- December agenda included a presentation on project funding and budget and a discussion on future topics and priorities.

Corridors of Opportunity (CoO)
Sustainable Communities
Contact: Lisa Middag, Hennepin County lisa.middag@co.hennepin.mn.us.

- Challenges of Transit-Oriented Development
  The November Corridors of Opportunity Policy Board Meeting included a session on unlocking private capital to support TOD, which included an update by Julie Wischnack on Southwest corridor development projects and the Ehlers study. David Frank offered a few lessons from Minneapolis' experience: 1) plans are not enough, 2) a lot of this is about timing, and 3) TOD-supportive infrastructure needs to be in place if we want to lead the market. Donna Drummond gave a presentation on the range of development and the policies put in place along Central Corridor in St. Paul, including 1) market is strongest west of Snelling, 2) there are too few resources for the planned affordable housing projects, 3) there is insufficient funding for infrastructure improvements, and 4) the costs of structured parking are still a significant barrier to development.
- Strategic Acquisition and Affordable Housing
  Tom Fulton from the Family Housing Fund updated the Policy Board on the Affordable Housing/TOD Loan Fund financed with Living Cities resources (the $14 million plus loan and finance tool fund). He talked about the importance of strategic acquisition of sites for affordable housing in our transit corridors.

Family Housing Fund is proposing to add $2 million of their program-related investments (PRIs) from their "Home Prosperity Fund" to the Living Cities capital stack in order to bolster the ability of the fund to cover higher risk loans, such as land acquisition.

- Value Capture/TIF for TOD
  Mayor Rybak challenged the Policy Board to approach the legislature in support of value capture strategies that would support development in our transit corridors. The Chair suggested that rather than a direct lobbying effort by the Policy Board, one strategy may be to develop a coordinated approach, where each participating organization works through their traditional lobbying channels, but with a consistent message.

Living Cities

Contact: Cathy Bennett, ULI-MN cathycbennett@frontiernet.net

- SW LRT Corridor Development Scenario Workshop was a valuable exercise: Three national and four local development experts worked with Southwest Community Works on November 14-15th at the Southwest Project office.
  - Forty City, County and Metro Transit planners, engineers, and policy leaders came together to review and discuss critical issues, opportunities and suggested station area and infrastructure modifications.
  - The workshop was an opportunity to evaluate station locations, access and connections to employment and area amenities from a private market perspective.
  - Preliminary recommendations and land use feasibility along with an outline of the development potential, timeframe and private sector response were provided for Penn, Beltline, Blake, Golden Triangle and Mitchell Road. This work will be further evaluated as part of the TSAAP process in the coming months.
- On December 5th, over 80 people participated over lunch where a summary of the workshop, along with updates from the Southwest Investment Partnership, Minneapolis/St. Paul Regional Chambers of Commerce and Locus MN were provided. A copy of the presentation for the Chambers and Locus MN are attached along with the following links from local news articles covering the event.
  - The workshops were hosted by ULI MN/Regional Council of Mayors and supported by Corridors of Opportunity (Living Cities), Twin Cities LISC, Minnesota Housing and Family Housing Fund.
  - http://finance-commerce.com/2012/12/developers-weigh-in-on-southwest-light-rail/
    http://minnesota.publicradio.org/display/web/2012/12/06/business/more-transit-needed/
    http://hopkins.patch.com/articles/does-light-rail-need-its-own-tax

Community Engagement

Contact: Susan Hoyt, Metropolitan Council susan.hoyt@metc.state.mn.us

- The Community Engagement Team of the Corridors of Opportunity completed the bridging meetings between the new grantees in Round 2 of the grants. The purpose of the meetings is to connect the grantees with the government staff working along the transitway corridors so they know each other and can connect during their work. The grantees described their work (funded by the Corridors of Opportunity grant) to the government staff from the city, county and Metropolitan Council. Grantees answer questions for the government staff and the staff provide the grantees with information about the status of the transitway decision making process.

- The Metropolitan Council Corridors of Opportunity staff attended a HUD Sustainable Communities conference in early December. There were lots of opportunities to share this community engagement work being done on the corridor with other HUD grantees as well as to learn about the other innovative ways other regions and communities are connecting with new immigrant communities, communities of color, persons with disabilities and low income persons.

Housing Inventory

Contact: Cathy Bennett, ULI-Minnesota cathycbennett@frontiernet.net
OR Lisa Middag, Hennepin County lisa.middag@co.hennepin.mn.us

- Maxfield Research is nearing completion of the data collection phase of the Southwest Corridor-wide Housing Inventory. The Inventory, which is being funded through a Corridors of Opportunity Local Implementation Capacity Grant with additional resources from Hennepin County's Corridor Development fund, should be complete in early 2013. The Inventory includes a range of demographic information (including school and employment data) as well as an inventory of existing and planned housing for a full-range of incomes in the Southwest corridor.

Southwest LRT Project

Contact: Craig Lamothe, Metro Transit craig.lamothe@metc.state.mn.us

- Evaluating Preliminary Engineering Consultant proposals.
- Preparing an RFP for the Peer Review Consultant.
- Awarded contract for the Phase I/Limited Phase II Environmental Site Assessment.
- Completed the Phase I Archaeological Survey fieldwork and draft report.
- Preparing an RFP for FEIS consultant.
- Other Outreach Events:
  - Attended Safety in the Park and Kenilworth Tours, Presented at City of Hopkins Business Forum, St. Louis Park's Bronx Neighborhood Board Meeting, a joint meeting of the Hopkins City Council and Hopkins School District
  - Shared information at City of Eden Prairie's Citywide Open House
  - Provided a "LRT 101" presentation and tour of the Franklin LRT Operations and Maintenance Facility to the SWLRT Communications Steering Committee
  - Provided a tour of stations within the Hopkins School District to School District Board members
  - Attended Corridors of Opportunity New Grantee Meet and Greet

- Staffed DEIS public hearing open houses on Nov. 13, 14 and 29
- Hosted Urban Land Institute's Developer Workshop at SPO Nov. 14 and 15
- Added staff to the project since last written report in August:
  - Sarah Ghandour – Station, Streetscape Lead
  - Cedrick Baker - Project Auditor
  - Tom Hillstrom – Manager, Environmental
  - Ryan Kronzer – Manager, Design
  - Darrell Washington – Manager, Agreements
  - Kelly Ritter – Management/ Grants Analyst
  - Bojan Misic – Traffic Lead
  - Tatsuhiko Tanaka – OMF Lead
  - Marla Jean Huisman – Sr. Admin. Specialist

Legislature

Contact: Bill Schreiber, Messerli & Kramer bschreiber@MesserliKramer.com

- House committee appointments were announced on December 13, Senate Republicans will be announced soon.
- Legislative session begins at noon on January 8th.
- House Committee Appointments
  - Capital Investment: Chair: Alice Hausman, Vice Chair: John Ward, GOP Lead: Matt Dean, Tony Albright, Joe Atkins, Lyn Carlson, Karen Clark, Greg Davids, Raymond Dehn, Bob Dettmer, Ron Erhardt, David FitzSimmons, Steve Green, Bob Gunther, Leon Lillie, Tim Mahoney, Jay McNamar, Carly Melin, Kim Norton, Chris Swedzinski, Dean Urdahl
  - Transportation Policy: Chair: Ron Erhardt, Vice Chair: Sandy Masin, GOP Lead: Linda Runbeck, Mark Anderson, Mike Beard, Zachary Dorholt, David FitzSimmons, Frank Hornstein, Jim Newberger, John Petersburg, Paul Rosenthal, Mary Sawatzky, Yvonne Selcer, Erik Simonson, Mike Sundin
  - Transportation Finance: Chair: Frank Hornstein, V. Chair: Connie Bernardy, GOP Lead: Mike Beard, Mike Benson, Raymond Dehn, Ron Erhardt, Rod Hamilton, Alice Hausman, Mary Liz Holberg, Jeff Howe, Tim Mahoney, Sandy Masin, Jason Metsa, Terry Morrow, Marion O'Neill, John Petersburg, Mike Sundun, Lyn Carlson (ex officio)
- Senate Committee Appointments
  - Capital Investment: Chair: LeRoy Stumpf, Vice Chair: Bev Scalze, Bobby Joe Champion, Dick Cohen, Kent Eken, Jeff Hayden, Jim Metzen, Sandy Pappas, Matt Schmit, Katie Sieben, Dan Sparks, David Tomassoni
  - Transportation Division: Chair: Scott Dibble, Vice Chair: Susan Kent, Jim Carlson, Bobby Joe Champion, Melisa Franzen, Vicki Jensen, Roger Reinert, Ann Rest, David Tomassoni, Chuck Wiger

Urban Land Institute
Minnesota

Share This:

Register Now!

Value Capture: Funding Infrastructure

Date	Thursday, January 17, 2013	
Time	3:30 p.m.	Registration
	4:00-5:15 p.m.	Program
	5:15 - 6:00 p.m.	Reception
Location	Dorsey & Whitney 50 S 6th Street, 15th Floor-Minnesota Room Minneapolis, MN 55402 (MapQuest Directions)	
Credits	1.0 hours CRE and AICP applied for	

More details at **minnesota.uli.org**

Scott Polikov
Gateway Planning Group, President

Value capture can offer a new model for funding infrastructure.

Attend this program to learn:

- Innovative ways to fund infrastructure by leveraging new development.
- Strategies for creating and capturing value; and
- How value capture is being used to finance the build out of the 62-Mile Cotton Belt Rail Transit System, linking 13 cities, 3 Universities and DFW Airport in the Dallas-Fort Worth Metroplex.

Scott Polikov is a national leader advancing the New Economics of Place. His firm's work is well known for implementation, focusing on public-private partnerships.

President of the Gateway Planning Group, Scott is a town planner and innovative finance consultant. Scott established a national town planning practice focusing on the marriage of urbanism and the economics of transportation. Scott's town planning work includes leading the design and implementation of walkable urban neighborhoods in rural and suburban communities as well as downtowns, with a focus on transit oriented development.

Registration fee	$ 45 $ 35 members $ 10 student
Credits	1.0 hours of CRE/AICP credits applied for

Click here to register or call 1.800.321.5011
Event code 8117-1309

Bike	Maps
Transit	http://www.metrotransit.org/ or call 612-373-3333
Park	Ramp and surface parking available.

Learn more at minnesota.uli.org

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