SWLRT HOUSING GAPS ANALYSIS

September 2014

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Marquette Advisors

September 1, 2014

Ms. Kerri Pearce Ruch
Principal Planning Analyst
Hennepin County Housing, Community Works & Transit
701 4th Avenue South, Suite 400
Minneapolis, MN 55415

Dear Ms. Pearce Ruch:

We are pleased to present the accompanying Housing Gaps Analysis for the SWLRT corridor. This analysis and related recommendations are based on our review of prior research and data assembly, supplemented by our own primary research and expertise derived through analysis of market conditions, stakeholder interviews, and a detailed review of individual station area land use, development trends, and market conditions. This report contains an assessment of the potential for future residential development for the ½ mile corridor as a whole, and is segmented by station area and by product type. As well, we provide an analysis and discussion of market inefficiencies and expected demand-supply gaps, and strategies for mitigating barriers to development of various housing products along SWLRT over time. Our recommendations are intended to guide future planning and policy related to the corridor-wide housing strategy, development planning, and public investment around each station area in a way that will help to "set the stage" for quality residential and mixed use development which constitutes an optimal mix of housing choices in these areas.

We remain available to answer any questions and for discussion following your review of the document and look forward to finishing our work with you on this important project in the coming weeks.

Sincerely,

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INTRODUCTION

Marquette Advisors was retained by the Family Housing Fund as the fiscal agent on behalf of Southwest LRT Community Works, Twin Cities LISC, and the partner cities of Minneapolis, St. Louis Park, Hopkins, Edina, Minnetonka and Eden Prairie to provide a "Housing Gaps Analysis" in reference to the planned Southwest Light Rail Transit ("SWLRT") Corridor. SWLRT will span approximately 15 miles, with 17 planned stations in Minneapolis, St. Louis Park, Hopkins, Minnetonka and Eden Prairie. The Housing Gaps Analysis is a critical component in developing a corridor-wide housing strategy, the goals and principles of which are outlined below.

SWLRT Community Works Goals:

- Economic competitiveness and job growth
- Promoting opportunities for business and employment growth
- Housing choices
- Positioning the Southwest LRT communities as a place for all to live
- Quality neighborhoods
- Creating unique, vibrant, safe, beautiful, and walkable station areas
- Critical connections
- Improving affordable regional mobility for all users

SWLRT Community Works Guiding Principles for Investment:

- Partner for Effective Planning and Implementation
- Create Great Quality Transit Oriented Development and Achieve Unique, Vibrant Places
- Stimulate Employment and Economic Development
- Provide a full Range of Housing Choices
- Strengthen Communities through Connections and Access to Opportunity
- Maintain and Improve Natural Systems
- Build Healthy Communities
- Enhance Tax Base

The Housing Gaps Analysis utilizes prior research, notably the SW Community Works Housing Inventory, along with station-area plans, maps and related data and research compiled to date through the SW Community Works Corridor Investment Framework.

The primary objectives of the Housing Gaps Analysis are as follows:

The Housing Gaps Analysis provides a review of existing conditions and interprets prior studies, building upon complementary research and data, and engaging a full range of stakeholders in the analysis of the corridor, demographics, land use, growth patterns, and housing market conditions. The Gaps Analysis provides a forward-looking analysis regarding the potential for residential development within the SWLRT corridor, and future housing supply gaps, answering the following key questions:

Work Scope Key Questions

- **Who** will want to live here, and why?
- **How many** households would choose to reside in TOD housing within the SWLRT Corridor?
- What are the **characteristics** of those households, particularly with respect to age, income, household size and employment status?
- What **types of housing** are needed to accommodate this level of growth?
- Furthermore, what are expected future **supply gaps**, comparing what the market is expected to produce with a "full range" of housing choices by affordability level?
- What are **market inefficiencies** and barriers to development (and/or preservation) of a full range of housing choices within the Corridor? And what are some specific **strategies, policies and tools** to mitigate those barriers?
- What is the **impact of SWLRT upon the existing housing stock and resident base?** (i.e. what are risks associated with gentrification?)
- What **tools, policies and strategies** are appropriate in order to set the stage for quality development and the provision of a full range of housing choices for the SWLRT corridor?

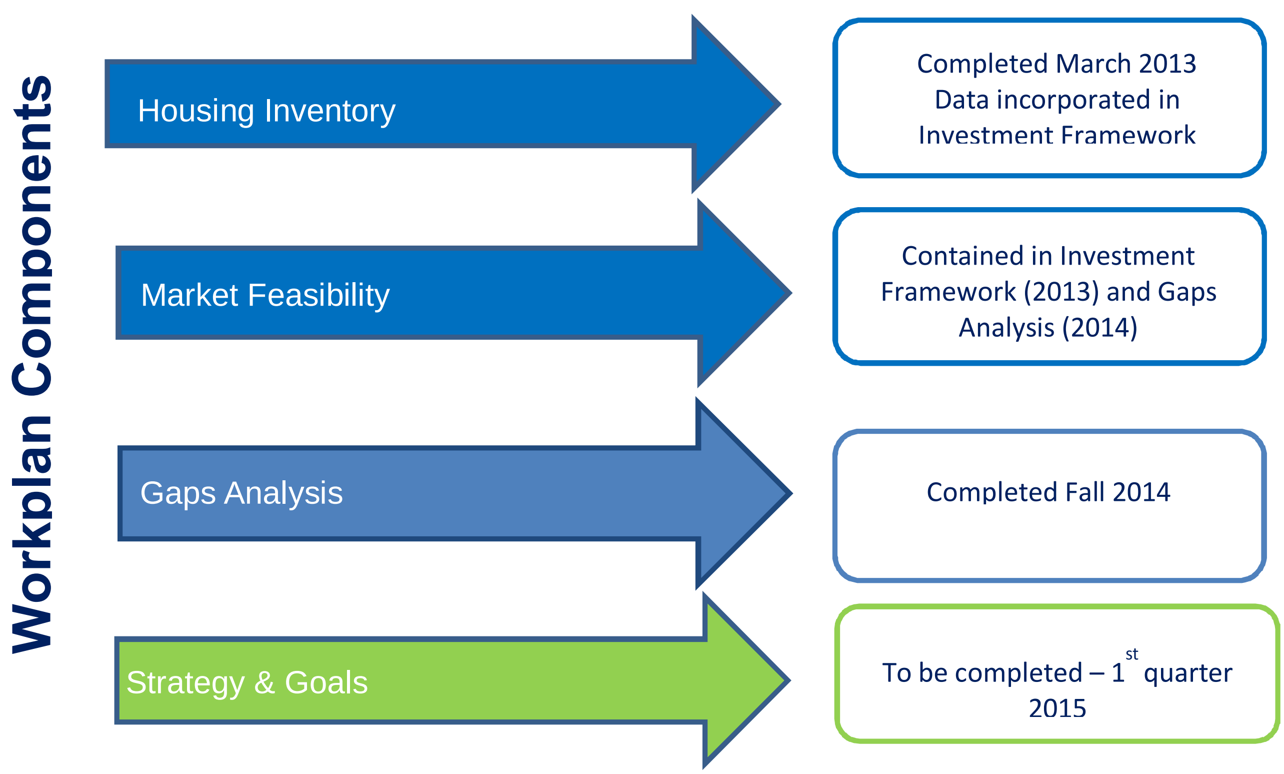
"Corridor" Definition: For this Housing Gaps Analysis, the SWLRT Corridor is defined as that area comprising a ½ mile radius around each of the planned LRT stations.

EXECUTIVE SUMMARY

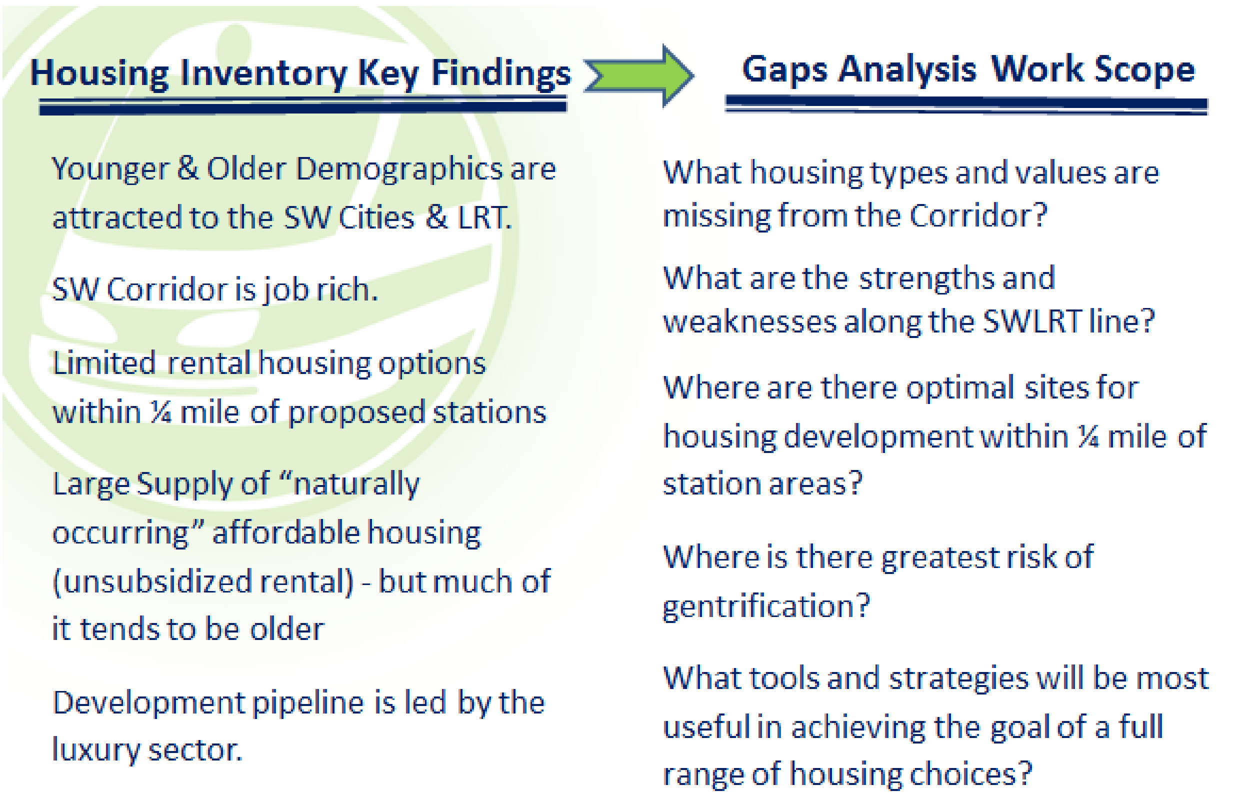
This section describes, in brief, key findings and recommendations derived from the Housing Gaps Analysis. The information presented in this section are meant as a summary of, not a substitute for the body of the report, which contains additional information and detail critical to a full understanding of the analysis, the recommendations provided, and the context within which they were formulated.

Background & Context

Marquette Advisors was retained to provide a Housing Gaps Analysis related to the SWLRT Corridor. The "Corridor" as defined for purposes of this analysis comprises a ½ mile radius surrounding each of the planned LRT stations. The Housing Gaps Analysis is a critical component in the development of a corridor-wide housing strategy by SWLRT Community Works, along with its partner communities (Minneapolis, St. Louis Park, Edina, Hopkins, Minnetonka and Eden Prairie), and a full range of stakeholders. To date, considerable research and planning has already been done, inclusive of the ***SW Community Works Corridor Housing Inventory*** and the ***Investment Framework***. The Housing Gaps Analysis interprets and builds upon these work elements and provides further research and analysis, culminating in recommendations intended to guide future planning that will "set the stage" for a "full range of housing choices" within the corridor.



The Housing Gaps Analysis provides recommendations for new residential development for the corridor as a whole, and for individual station areas, and identifies future supply gaps. The report discusses market inefficiencies and addresses the need for creative public/private partnerships that will help to facilitate the provision of a full range of housing choices in the corridor over the long-term.



Demographics -- Key Findings:

The SWLRT corridor is home to 37,000 residents and 19,000 households. The majority (about 2/3) are renters. Trend is likely to continue, based on demographics, lifestyle, and market factors.

The Twin Cities Metro Area is expected to grow by 11,000 to 13,000 households/year through 2030. 80% of growth is expected to be households without children, and nearly 1/3 of regional growth expected to be single-person households.

Millenials and Baby Boomers are having a major impact on Twin Cities housing market. Both segments are drawn to high-density multifamily housing products which feature "efficiency in living," and connectivity to work, goods/services, public facilities, and entertainment/amenities. We expect that TOD housing products and SWLRT will appeal to both market segments.

Corridor Employment – Key Findings:

107,000 workers in corridor -- The corridor features a strong corporate presence, with a deep and diverse economic base. The corridor provides a "full range" of jobs, ranging from entry-level part time positions up to high-level management and executive positions in a wide range of industries.

Corridor workers a target for new TOD housing -- Less than 4% of the corridor's 107,000 workers also reside within ½ mile of SWLRT presently. New housing products near SWLRT are expected to appeal to corridor workers.

Earnings & housing affordability -- Importantly, we note that a full **20% of the corridor employee-base earns less than $1,250 per month**. A household with a single wage-earner at this level could afford a monthly housing payment of just $375 per month. Two workers at this level could afford a monthly housing cost of about $750. Worker earnings were a key factor considered by Marquette Advisors in developing recommendations for housing construction & preservation in the corridor.

Educational Facilities -- Key Findings:

Expect modest impact of housing development upon local schools – Considering demographic trends and expected development patterns, fueled by growth from single-persons households and households without children, TOD housing developments along SWLRT are not expected to have a substantial impact on enrollment at any one educational facility within the corridor.

TOD may boost open enrollment – The development of SWLRT will improve connectivity of residents with schools and, thus, will create opportunities for open enrollment, with students utilizing SWLRT to commute to/from their place of residence to school.

SWLRT housing will likely appeal to school teachers and other staff – The development of new workforce and market rate rental housing, as well as entry-level for sale housing, may in fact be attractive to teachers and other school staff who presently commute longer distances due to an affordability gap between current salaries and corridor housing costs.

Residential Development Outlook – Key Findings:

Market demand = 13,000 Outlook – Key Fin (2015-2030). This represents a gap between existing housing inventory and the number of households who will want to live along the corridor.

Recommended Development Goal = 11,000 new units. Tempered to reflect development constraints: land availability, land use factors, development cost factors, etc. However, at least 20% of these units still not feasible but for public/private partnerships and gap financing.

SW LRT Corridor -- Recommended New Residential Development by Product Type & Station Area -- 2015-2030

	Rental							Ownership					
Station Area	**0-30% AMI**	**30-60% AMI**	**60-80% AMI**	**80-100% AMI**	**100% of AMI+**	**Total**		**Entry-Level**	**Mid-Mkt**	**High-End**	**Total**		**Total Units**
Royalston	275	275	225	225	800	**1,800**		0	0	0	**0**		**1,800**
Van White	120	120	150	150	260	**800**		150	150	0	**300**		**1,100**
Penn	0	0	0	0	240	**240**		0	0	0	**0**		**240**
21st	0	0	0	0	0	**0**		0	0	**	**		**
West Lake	50	50	80	80	440	**700**		0	0	200	**200**		**900**
Beltline	65	65	115	115	480	**840**		80	80	0	**160**		**1,000**
Wooddale	45	45	45	45	340	**520**		40	40	0	**80**		**600**
Louisiana	0	0	80	120	400	**600**		40	40	120	**200**		**800**
Blake Rd.	45	45	40	40	970	**1,140**		40	40	24	**104**		**1,244**
Downtown Hopkins	0	0	110	110	410	**630**		25	25	0	**50**		**680**
Shady Oak	0	0	75	75	350	**500**		0	0	0	**0**		**500**
Opus	0	0	0	120	340	**460**		70	70	0	**140**		**600**
City West	0	0	0	60	240	**300**		0	0	0	**0**		**300**
Golden Triangle	35	35	35	35	340	**480**		0	0	0	**0**		**480**
EP Town Center	0	0	40	80	400	**520**		30	30	20	**80**		**600**
Southwest	0	0	0	0	200	**200**		0	0	0	**0**		**200**
Mitchell	0	0	0	0	192	**192**		0	0	0	**0**		**192**
Total	**635**	**635**	**995**	**1,255**	**6,402**	**9,922**		**475**	**475**	**364**	**1,314**		**11,236**

** Future development potential for 21st St. Station Area to be determined.

Source: Marquette Advisors

New unit mix - 90% rental, 10% home ownership -- Why? Considers demographics, economics and lifestyle factors. Regional and corridor growth dominated by small households. Market preference for efficient and convenience in housing, with strong connectivity to jobs and "urban" amenities. Approximately 1/3 of new construction recommended affordable up to 100% of AMI.

- **12%** (1,300 units) - <60% AMI
- **9%** (1,000 units) - 61% to 80% AMI
- **12%** (1,300 units) - 61% to 80% AMI

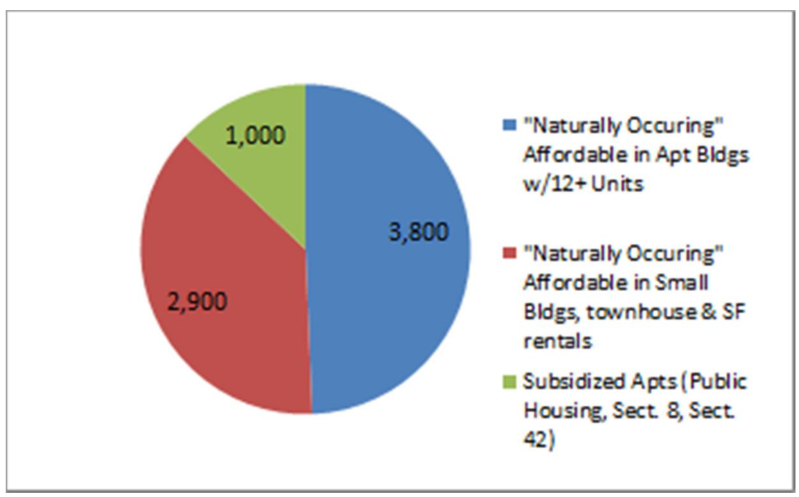
Station Area recommendations for new construction take into account the following factors:

- Current housing inventory, demographic composition and economic base
- Land availability - ownership of undeveloped and/or under-utilized parcels
- Characteristics of surrounding land use (as-is and future expectations)
- Proximity to jobs, types of jobs & incomes levels, proximity to goods/services, public and educational facilities and other modes of transit

Mixed-income residential development a "best practice" related to inclusionary housing in the corridor -- Publicly owned sites present the best short-term opportunity for this type of development.

<u>Housing Preservation – Key Findings:</u>

Affordable housing is a primary asset within the corridor presently – Corridor features an estimated 7,700 units which are affordable to households earning <60% of AMI, representing almost ½ of the existing rental stock.



Limited risk of gentrification – Existing supply includes older product mix (1960's/70's vintage). Rents in many cases are well below 60% of AMI target. Age/quality and market obsolescence limits potential for major rent increases.

Housing preservation far less expensive than construction of new units – Providing new housing at levels which are affordable to households earning <60% of AMI, even up to 80-100% of AMI, is a significant challenge due to cost factors. Barriers to development are significant. Thus, particular focus should be given to preserving and improving the existing housing stock.

Corridor Strengths – Key Findings:

Strong demographics and high-quality real estate – The SW corridor features some of the region's highest-quality and highest-valued real estate. High-quality housing stock, stable neighborhoods, close to parks and recreational opportunities, shopping and restaurants

Strong corporate presence and jobs base -- There corridor features depth and diversity in its employment base, with 107,000 jobs in the corridor. Proximity of the station areas to major employment nodes bodes well for connectivity and desirability of future TOD housing.

City staff are experienced and familiar with development tools – Our analysis and interviews indicates that city planning staff and administration have a firm grasp of redevelopment "tools" and experience in the types of public/private partnerships which will be required to achieve corridor housing goals.

Key Development Challenges:

Limited vacant land supply and shortage of publicly-owned sites – Much of the corridor is already built-out. The limited supply of developable land, paired with expected strong market demand for housing (and commercial forms of development) results in escalating land values. This poses the single-most significant barrier to the development of a full range of housing choices in many station areas.

Land use issues reduce redevelopment potential - Private ownership; highest and best use issues. Redevelopment is complicated and costly. It requires substantial investment or sale by private land/property owners. The objectives and risk tolerance of current property owners varies substantially.

Auto-oriented areas, lacking pedestrian/bike friendly amenities & connectivity – Several of the station areas are presently auto-oriented. Considerable investment in pedestrian/bike connectivity and public realm elements will be required in order to create the type of lifestyle environment preferred by prospective TOD residents.

Many stations lack street "vibrancy" and supporting commercial/restaurant nodes and public amenities – The region's population base has shown a strong preference for housing in mixed-use neighborhoods which provide walkability and easy access to a variety of amenities – shops, restaurants, parks, trails, and recreational features, and entertainment. These elements should be incorporated in station area planning.

Recommendations & Next Steps:

Consensus, "buy-in" and commitment are critical to success – Joint powers agreements and representation of all corridor communities and stakeholder groups will be paramount to achieving The housing goals set forth by SWLRT Community Works.

Housing preservation strategy needed to invest in quality and sustainability of existing affordable housing stock – The strategy and investment model(s) should include the following elements:

- **Deploys capital which invests in the quality, sustainability and long-term affordability of this aging housing stock.** This will require dedicated funds and creative partnerships with private owners and non-profit development/management partners.
- **Match services with the resident** base -- fostering upward mobility within the community's economy and housing market. Partnerships involving the public sector and varied advocate groups with corporate partners and educational institutions should be developed in order to provide services such as job/life skills education and household economics/financial advisory services and counseling.

Develop "branding" and promotions strategy for SWLRT lifestyle – What is TOD? And what kind of lifestyle will TOD housing and SWLRT provide? Promote market awareness of the benefits to TOD living in SW corridor.

Station area master planning -- Focus on stations with significant public land ownership and near-term development opportunities. This presents an opportunity for a "signature" development on SWLRT which demonstrates all desired "lifestyle" elements and provides a "full range" of housing choices. Success is critical in short-term developments, and sets the stage for future success in other station areas. To ensure success, the master planning process must engage a full range of stakeholders, both public and private. The Corridor Development Initiative (CDI) model is a best-practice and should be an integral component of future station area planning, as it provides a framework for collaboration and consensus building around quality planning.

Develop consensus and adopt housing policy goals – The partner communities should work together to build consensus around the concept of "full housing choice" and preservation and production goals. We suggest the creation of a coordinated SWLRT Housing Policy Overlay Zone, for the area within ½ mile of each LRT station. This area should be established for application of housing goals, policy and oversight. The structure and composition of which should be determined by the stakeholders, as buy-in from all corridor cities is key to success. We recommend that cities maintain development review/approval authority, utilizing their own "toolbox" and strategies which promote housing development and preservation which is consistent with the goals established within the SWLRT housing strategy.

Establish a $200m+ TOD Affordable Housing Fund -- Why? Existing tools/strategies are not enough to have impact at major scale. A dedicated funding source is needed to support construction of 1,300 new units at <60% of AMI and to preserve/improve 7,700 existing units affordable at <60% of AMI.

Fund Structure:
- Independently financed pool of funds that provides a return to investors
- More risk tolerant than traditional financing
- Patient financing with longer term payback

Possible Capitalization:
- Local foundations & intermediaries
- Family funds and partnerships
- Corporate interests (e.g. major businesses in SW corridor)
- Traditional institutional investment sources (insurance companies, etc)

While Marquette Advisors believes a program which provides a return to investors and generates cash flow for re-investment is the preferred structure, some type of public/private alignment might work under certain governing circumstances. While not a charge of this engagement, Marquette believes that some form of overarching authority driving the Fund would enhance achievement of housing policy and development/preservation goals.

A $200 million fund, properly designed and leveraged, should be able to provide key (and currently missing) capital to drive development and preservation which meets stated housing production and preservation goals.

ASSESSMENT OF PRIOR RESEARCH

A primary objective of this assignment is to answer the following key question: What housing types and values are missing from the corridor to capture future market demand? The following points summarize the varied data elements and trends considered in developing our analysis and estimates regarding the potential for housing development (and preservation) within the SWLRT ½ mile corridor. This is followed by a summary of our findings and estimates of household growth and housing development potential for the corridor as a whole and for each individual station area.

Data Sources and Research Considered

We have reviewed and utilized the ***SW Community Works Housing Inventory**,* completed in 2013, which contains extensive data on the existing housing stock, resident and employment base for the corridor. More recently, we were able to review a June 2014 report entitled ***"Twin Cities Metropolitan Council Area Trends, Preferences, and Opportunities: 2010 to 2020, 2030 and 2040,"*** prepared for the Met Council Community Development Committee by Arthur C. Nelson, Ph.D., FAICP. This study presents a timely analysis of demographic trends and household characteristics at the metro level and relates these trends to future housing needs in light of changes ongoing relative to our population base and how future households will live and work in the region. Numerous other research, documents and planning studies were reviewed by Marquette Advisors as part of this engagement and are accordingly referenced throughout this report where relevant.

In assessing the potential for housing development (and preservation) within the corridor, Marquette Advisors has considered all relevant data and market factors, such as economic and demographic data and forecasts by the Met Council and ESRI, a nationally recognized econometric forecasting firm. Importantly, we have analyzed the current economic base and employment conditions within the corridor and metro-wide, together with growth forecasts by industry and occupation from sources including the Met Council and MN-DEED.

As well, we have reviewed land use, commuting patterns, and current residential market conditions in the southwest metro area, utilizing Marquette Advisors proprietary multi-family database along with published data and reporting on Twin Cities housing market conditions. We have also utilized prior research such as the ***SW Community Works Housing Inventory (2013)***, ***The Space Between Report (2013)***, and all station area planning and studies compiled to date, notably the ***SW Community Works Corridor Investment Framework*** (**"*Investment Framework*"**) and related ***Transitional Station Area Action Plans ("TSAAP")*** from 2013.

Based on our review of the Investment Framework planning documents and our own field research and analysis we have taken into consideration current land use, land availability and cost, and the "ripeness" of sites for development (and/or change in use) in each station area. Our recommendations take into consideration Investment Framework recommendations regarding future land use and housing within the context of other uses, inclusive of retail, office, industrial, recreational and institutional components, together with our own assessment relative to market and land use trends.

We have also evaluated TOD development trends throughout the Twin Cities and in other markets such as Seattle, Charlotte, Denver, Washington DC and Dallas. We have analyzed housing construction trends along both the Blue Line (Hiawatha) and the Green Line (Central Corridor). We have evaluated national TOD trends through sources such as the Center for Transit Oriented Development and publications and interviews with TOD analysts and policy experts in other markets, including those at the National Housing Conference, Center for Housing Policy, and Lincoln Institute of Land Policy.

Current Resident Base

The ½ mile corridor is home to approximately 37,000 residents and 19,000 households. The table on the following page, taken from the *SW Community Works Housing Inventory,* shows the population and household composition within ½ mile of each station site.

Key findings are as follows:

- The majority of corridor residents are renters, with 12,425 renter households (66%) and 6,400 homeowners (34%). By comparison, for the Twin Cities Metro Area as a whole, an estimated 70% of households own their homes.

- Approximately 1.3% of Twin Cities Metro Area households reside in the corridor presently. The corridor grew by an estimated 6,800 persons and 3,600 households between 2000 and 2012, capturing only about 3.2% of Metro Area household growth during this timeframe.

- Interestingly, the corridor at this time is somewhat younger, on average, compared to the region as a whole, as 52% of the resident base is under the age of 35, with a relatively large group of persons between the ages of 25 and 34. As well, the corridor features a relatively high concentration of renters, as 66% of corridor households were renters, compared to 36% throughout Hennepin County.

POPULATION AND HOUSEHOLD GROWTH TRENDS
SWLRT STATIONS HALF-MILE RADIUS
2000-2017

	U.S. Census		Estimate	Projection	Change			
					2000-2010		2010-2017	
	2000	2010	2012	2017	No.	Pct.	No.	Pct.
POPULATION								
Royalston	1,716	3,964	4,064	4,265	2,248	131.0	301	7.6
Van White	1,298	1,226	1,186	1,147	-72	-5.5	-79	-6.4
Penn	2,717	2,514	2,525	2,585	-203	-7.5	71	2.8
21st Street	1,692	1,471	1,460	1,460	-221	-13.1	-11	-0.7
West Lake	4,122	4,356	4,361	4,459	234	5.7	103	2.4
Beltline	3,706	3,728	3,765	3,902	22	0.6	174	4.7
Wooddale	1,790	2,355	2,386	2,482	565	31.6	127	5.4
Louisiana	1,986	2,263	2,279	2,343	277	13.9	80	3.5
Blake Road	4,212	5,395	5,331	5,322	1,183	28.1	-73	-1.4
Hopkins	3,476	3,361	3,275	3,193	-115	-3.3	-168	-5.0
Shady Oak	764	859	853	857	95	12.4	-2	-0.2
Opus	1,276	1,105	1,131	1,193	-171	-13.4	88	8.0
City West	568	582	576	576	14	2.5	-6	-1.0
Golden Triangle	230	456	451	451	226	98.3	-5	-1.1
E.P. Town Center	39	1,026	998	968	987	2530.8	-58	-5.7
Southwest	0	1,871	1,819	1,764	1,871	n.m	-107	-5.7
Mitchell	359	255	270	298	-104	-29.0	43	16.9
Total	**29,951**	**36,787**	**36,730**	**37,265**	**6,836**	**22.8**	**478**	**1.3**
HOUSEHOLDS								
Royalston	399	1,526	1,580	1,696	1,127	282.5	170	11.1
Van White	445	697	678	663	252	56.6	-34	-4.9
Penn	1,176	1,059	1,066	1,097	-117	-9.9	38	3.6
21st Street	686	581	577	580	-105	-15.3	-1	-0.2
West Lake	2,539	2,685	2,686	2,742	146	5.8	57	2.1
Beltline	2,307	2,271	2,294	2,373	-36	-1.6	102	4.5
Wooddale	891	1,194	1,211	1,263	303	34.0	69	5.8
Louisiana	1,013	1,120	1,128	1,160	107	10.6	40	3.6
Blake Road	2,115	2,443	2,420	2,434	328	15.5	-9	-0.4
Hopkins	1,818	1,756	1,713	1,677	-62	-3.4	-79	-4.5
Shady Oak	445	475	470	472	30	6.7	-3	-0.6
Opus	759	679	696	740	-80	-10.5	61	9.0
City West	318	356	353	353	38	11.9	-3	-0.8
Golden Triangle	87	234	232	232	147	169.0	-2	-0.9
E.P. Town Center	29	633	615	598	604	2082.8	-35	-5.5
Southwest	0	988	960	933	988	n.m	-55	-5.6
Mitchell	166	137	146	163	-29	-17.5	26	19.0
Total	**15,193**	**18,834**	**18,825**	**19,176**	**3,641**	**24.0**	**342**	**1.8**

Sources: U.S. Census Bureau; ESRI; Maxfield Research, Inc.

Metropolitan Council Regional Forecast to 2040

	2010	*2020*	*2030*	*2040*
Population	2,850,000	3,102,000	3,381,000	3,674,000
Households	1,118,000	1,257,000	1,388,000	1,509,000
Employment	1,548,000	1,819,000	1,953,000	2,097,000

Source: Twin Cities Metropolitan Council

Twin Cities Population & Household Growth Forecasts

We have considered growth forecasts by both the Met Council and ESRI, and data regarding the composition of the population/household base, in developing estimates of future household growth potential for the SWLRT corridor. It is important to understand not only the pace of growth, but also changes in the composition of the area's population base over time.

Long-term forecasts by the Met Council predict that the Twin Cities Metro Area (7 counties) will grow by an average of about 13,000 households per year over the next 20 years. By comparison, short-term forecasts by national econometric forecasting firm ESRI suggest that the region will grow by around 11,000 households per year in the between 2014 and 2019. The ESRI (short-term) and Met Council (long-term) forecasts are complementary and integral to our analysis and recommendations. The forecasts indicate that the pace of household growth will likely increase over the long-term. Meanwhile, the short-term projections by ESRI provide significant detail and segmentation by household income, size, type and tenure which we have used in providing detailed development recommendations for specific station areas in the short-term.

An analysis of short-term household growth by age cohort is presented on the following page. The table depicts projected household growth for the seven-county metro area between 2013 and 2018, according to short term forecasts by ESRI. It is interesting to note where the growth is expected to occur, by age cohort, and the aging of the population base. **The "Millenials" (a.k.a. Generation Y or "Gen Y") is having a major impact upon our society, economy and housing markets, as the size of this generation is considerably larger compared to those preceding it. This group was born between the late 1970s and about 2000. Millenials, also known as the "echo boomers" (children of baby boomers), have generated strong demand for apartments throughout the nation and in the Twin Cities market, and this trend continues to date.**

Twin Cities Metro Area Projected 5-Yr Growth Trend -- Households by Age and Income, 2013-2018								
	Households by Age of Householder							
	<25	25-34	35-44	45-54	55-64	65-74	75+	Metro Total
2013								
Number of Households	47,954	201,626	210,297	242,995	216,170	120,338	101,134	1,140,514
Pct. Metro Household Base	4.2%	17.7%	18.4%	21.3%	19.0%	10.6%	8.9%	100.0%
Median HH Income	$29,358	$58,660	$77,524	$84,842	$74,705	$54,940	$31,117	$63,693
Average HH Income	$38,991	$73,087	$97,129	$108,645	$99,136	$74,806	$44,933	$86,285
2018								
Number of Households	46,625	204,433	219,975	225,952	233,125	153,026	112,378	1,195,514
Pct. Metro Household Base	3.9%	17.1%	18.4%	18.9%	19.5%	12.8%	9.4%	100.0%
Median HH Income	$32,096	$72,389	$94,126	$102,896	$92,720	$67,172	$36,103	$79,052
Average HH Income	$43,503	$88,429	$116,433	$127,892	$120,099	$92,585	$55,450	$103,025
	Projected Growth by Age Cohort, 2013-2018							
	<25	25-34	35-44	45-54	55-64	65-74	75+	Metro Total
Change, 2013-2018								
Number of Households	-1,329	2,807	9,678	-17,043	16,955	32,688	11,244	55,000
Sources: ESRI Business Information Solutions; Marquette Advisors								

Note aging of Millenials and Baby Boomers

Impact of Millenials and Baby Boomers on Housing Choice & Development Trends

Millenials…

Young renters (i.e. mid-20's to early 30's) have shown a strong positive response to multifamily housing products in recent years, particularly in urban neighborhoods and well-sited suburban locations, showing a preference for small, but efficient units in close proximity to their place of employment, with strong "walkability" and connectivity elements and good access to urban amenities (recreational, cultural and shops/restaurants in particular).

It is interesting to note the aging of Millenials and the impact of this trend upon the overall Twin Cities resident composition. Between 2013 and 2018 (and beyond), many of these households will be aging into their mid-30's and 40's. **We expect that TOD (SWLRT included) will appeal to many of these same households who may have recently demonstrated a preference for more urban living (Downtown or Uptown Minneapolis neighborhoods for example, which have seen a major increase in upscale apartment developments).**

In the near future, many of these same renters will consider alternative housing that is no longer in the "middle of the action" but still provides good access (via LRT) to those same urban amenities. As well, as the demand and price of the Downtown and Uptown submarkets continues to rise ($2.10-$2.30+ psf today and rising) (generally $1,200-$2,500+ per unit), we expect that more price sensitive renters (and buyers) will seek "urban" housing opportunities outside the Downtown and Uptown markets.

Boomers…

At the same time, we note the aging of the large Baby Boom generation and this impact on housing needs. Senior housing and care needs are expected to be significant, particularly in the long-term (10-20 yrs), as large numbers of Twin Cities residents age into their 70s and beyond. Meanwhile, already in the short-term, we expect that older adults and "empty nesters" (many in the age 55-64 cohort) will consider alternative housing arrangements. **Many Baby Boomers currently reside in single family homes and will seek out somewhat more "efficient" living arrangements, often times smaller, less maintenance intensive, well-located multifamily housing products in locations which afford them convenient access to amenities and employment. TOD housing products, then, must be sensitive to this trend and the potential to accommodate these groups.** As well, the development of new housing products for this group (and seniors over the long term) will also provide opportunities for home-ownership among younger groups (note the growing age 35-44 group, for example) who will purchase the homes of older adults and seniors.

Key Growth Segments: Households without Children & Single-Person Households

We have also analyzed data and forecasting regarding the size and type of household growth expected to occur in the Twin Cities Metro Area. The table on the following page is extracted from that report, and shows household growth and composition (with children, without children, and persons living alone) for the 2010 to 2020 and 2010 to 2030 timeframes.

According to the Met Council, households without children are expected to account for approximately 80% of the household growth in the Twin Cities Metro Area between 2010 and 2020. The majority of household growth is expected to be comprised of single persons and couples without children. **In fact, 34% of metro area household growth is expected to be single-person households. In the central counties (Hennepin and Ramsey) single-person households are expected to comprise an even greater share of household growth, at 42%.**

These trends have a major implication with respect to required housing products in the region during this timeframe, and through 2030. In fact, the Arthur Nelson report concludes that these growth segments will show a strong preference for urban housing, and primarily high-density multifamily residential configurations. From our analysis of demographic data paired with review of housing supply and demand factors, we concur.

Change in Households by Type, 2010-2020, 2030 and 2040
[Figures in thousands]

Metric	United States	Minnesota	Metro Council	Central Counties	Non-Central Counties
Baseline, 2010					
Households	116,945	2,090	1,118	679	439
HHs with Children	34,814	617	361	195	166
HHs without Children	82,131	1,473	757	484	273
People living alone	31,264	585	330	230	101
Change in Households by Type, 2010-2020					
Households 2020	130,556	2,335	1,257	739	518
Household Growth	13,611	245	139	60	78
HHs with Children	36,657	643	390	205	185
HHs with Children Change	1,843	27	29	10	19
HHs with Children Share	14%	11%	21%	17%	24%
HHs without Children	93,899	1,691	867	534	333
HHs w/o Children Change	11,768	218	110	50	60
HHs w/o Children Share	86%	89%	79%	83%	76%
People living alone	37,773	705	377	255	122
People living alone Change	6,509	120	47	25	21
People living alone Share	48%	49%	34%	42%	27%
Change in Households by Type, 2010-2030					
Households 2030	143,232	2,566	1,388	798	590
Household Growth	26,287	476	270	119	151
HHs with Children	38,358	666	414	214	201
HHs with Children Change	3,544	50	53	19	34
HHs with Children Share	13%	11%	20%	16%	23%
HHs without Children	104,874	1,899	973	584	389
HHs w/o Children Change	22,743	426	217	100	116
HHs w/o Children Share	87%	89%	80%	84%	77%
People living alone	45,299	870	438	289	149
People living alone Growth	14,035	286	107	59	48
People living alone Share	53%	60%	40%	50%	32%

Note: graphic taken from "Twin Cities Metropolitan Council Area Trends, Preferences, and Opportunities: 2010 to 2020, 2030 and 2040." Arthur C. Nelson. June 2014.

Public and Private Educational Facilities

We evaluated educational facilities in order to a) determine the potential impact of these facilities upon housing demand in the corridor, and b) assess the possible impact of new housing developments in the corridor upon these facilities, particularly in terms of enrollment.

The SWLRT corridor spans five K-12 school districts, including Minneapolis, St. Louis Park, Edina, Hopkins, and Eden Prairie. According to the *SW Community Works Housing Inventory*, there are 38 public schools located within the 2-mile corridor. However, only four public schools are located within ½ mile of SWLRT stations, including two in Minneapolis (Bryn Mawr Elementary and Anwatin Middle School) and two in St. Louis Park (Park Spanish Immersion Elementary and St. Louis Park High School). Notably, there are 18 private and charter schools located within ½ mile of SWLRT station sites, including several within a 10-minute "walk-shed" which will be easily accessible for pedestrians and cyclists.

Four post-secondary institutions are located within the two-mile corridor. This includes two schools within a ½ mile of stations: Dunwoody College of Technology (Minneapolis) and Minneapolis Community and Technical College. Others within two miles include Hennepin Technical College and ITT Technical Institute, both in Eden Prairie.

The following are key findings from our research:

The proximity of educational facilities within close range of the LRT stations is without question appealing and compatible with residential and mixed-use development nearby. However, **considering household growth trends as discussed herein, the composition of household growth (smaller household sizes and predominately households without children), and the suggested housing product mix presented later in this report, we do not expect that TOD housing within ½ mile of the SWLRT stations will have a substantial impact upon student enrollment within any school district or upon any individual school.** The development of SWLRT could provide additional opportunities for open enrollment based upon new access by others due to LRT; however, we do not expect that LRT will have a significant impact upon enrollment in any one district or any specific educational facility in the corridor.

Interestingly, **we have learned our market research, interviews and assessment of school staffing and salaries, that teachers and school support staff represent a significant potential market for TOD housing in the corridor.** By comparing teacher salaries with the cost of housing in the various communities, we note a considerable affordability gap, particularly for younger teachers. From our interviews we are aware that teachers often commute considerable distances to schools in Edina, Minnetonka and Eden Prairie in particular, because they are not able to afford housing in close proximity to their place of employment. Because of this, we expect that workforce and market-rate apartment products, as well as entry-level priced for-sale housing units will appeal to teachers and other school staff working in the SWLRT corridor.

Corridor Employment

There is a strong corporate presence along the corridor, with a deep and diverse mix of jobs. According to U.S. Census data, total employment within ½ mile of SWLRT is estimated at 107,000 workers, comprising approximately 6.7% of total employment (by place of work) in the 7-county Twin Cities Metro Area.

It is also interesting to note that, according to the *SW Community Works Housing Inventory*, only 3.7% of the 107,000 workers within ½ mile of SWLRT also reside within this same area. This presents a significant opportunity. It is reasonable to expect that a considerably larger share of persons currently employed at businesses located within ½ mile of the line would consider new TOD housing options here in the future. We expect that many of these workers would utilize SWLRT to travel to-from their place of employment. This assumes, however, that an adequate supply of attractive and appropriately-priced housing products are developed within proximity of SWLRT.

COMMUTING PATTERNS (INFLOW/OUTFLOW) SWLRT CORRIDOR -- within 1/2 mile of SWLRT Line * 2010											
	Total Employed in Station Area					Total Living in Station Area					
		Living and Employed in Station Area		Employed in Station Area but Living Outside			Living and Employed in Station Area		Living in Station Area but Employed Outside		Net Job Inflow (+) or Outflow (-)
	Total	No.	Pct.	No.	Pct.	Total	No.	Pct.	No.	Pct.	
Royalston	10,208	32	0.3%	10,176	99.7%	1,371	32	2.3%	1,339	97.7%	8,837
Van White	1,550	6	0.4%	1,544	99.6%	524	6	1.1%	518	98.9%	1,026
Penn	513	3	0.6%	510	99.4%	1,391	3	0.2%	1,388	99.8%	-878
21st Street	211	0	0.0%	211	100.0%	832	0	0.0%	832	100.0%	-621
West Lake	2,426	36	1.5%	2,390	98.5%	2,285	36	1.6%	2,249	98.4%	141
Beltline	3,155	33	1.0%	3,122	99.0%	2,547	33	1.3%	2,514	98.7%	608
Wooddale	2,973	39	1.3%	2,934	98.7%	1,163	39	3.4%	1,124	96.6%	1,810
Louisiana	8,469	77	0.9%	8,392	99.1%	1,400	77	5.5%	1,323	94.5%	7,069
Blake	1,808	30	1.7%	1,778	98.3%	1,838	30	1.6%	1,808	98.4%	-30
Hopkins	5,386	79	1.5%	5,307	98.5%	1,729	79	4.6%	1,650	95.4%	3,657
Shady Oak	3,058	18	0.6%	3,040	99.4%	623	18	2.9%	605	97.1%	2,435
Opus	3,018	0	0.0%	3,018	100.0%	95	0	0.0%	95	100.0%	2,923
City West	7,629	5	0.1%	7,624	99.9%	286	5	1.7%	281	98.3%	7,343
Golden Triangle	5,649	3	0.1%	5,646	99.9%	100	3	3.0%	97	97.0%	5,549
E.P. Town Center	5,438	1	0.0%	5,437	100.0%	23	1	4.3%	22	95.7%	5,415
Southwest	2,885	10	0.3%	2,875	99.7%	875	10	1.1%	865	98.9%	2,010
Mitchell	3,080	1	0.0%	3,079	100.0%	99	1	1.0%	98	99.0%	2,981
Corridor *	**107,236**	**3,975**	**3.7%**	**103,261**	**96.3%**	**24,240**	**3,975**	**16.4%**	**20,265**	**83.6%**	**82,996**
Sources: US Census; Maxfield Research Inc.											

Notes:

- Graphic taken from *SW Community Works Housing Inventory*
- "Corridor" as defined for purposes of the *SW Community Works Housing Inventory* comprises the full ½ mile corridor, including ½ mile from each station area, plus all other areas lying ½ mile from any point along the LRT line.

We have also completed an analysis of the types of jobs and employee earnings in the corridor and throughout the region. The SWLRT corridor features a heavy concentration of well-paying jobs in the information, finance, and professional services sectors (often referred to as "knowledge"-based jobs). As shown below, according to data from the U.S. Census, 15,312 workers are employed within ½ mile of SWLRT in the Professional, Scientific and Technical Services Sector, representing a full 14% of employment within ½ mile of the line. By comparison, this sector accounts for just 7% of employment region-wide.

CORRIDOR-WIDE WORKER PROFILE
CORRIDOR-WIDE 1/2 AND ONE-MILE BUFFER
2010

Corridor-Wide Worker Profile	Half-Mile		One-Mile		Hennepin County		Metro Area	
	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.
Total Jobs								
Total All Jobs	107,236	100%	243,385	100%	834,405	100%	1,566,200	100%
Monthly Earnings								
$1,250 or Less	22,083	21%	38,498	16%	179,553	22%	359,870	23%
$1,251 to $3,333	28,937	27%	58,736	24%	240,173	29%	464,298	30%
More Than $3,333	56,216	52%	146,151	60%	414,679	50%	742,032	47%
Worker Ages								
Age 29 or Younger	25,827	24%	54,453	22%	205,217	25%	384,595	25%
Age 30 to 54	64,368	60%	150,037	62%	487,359	58%	908,922	58%
Age 55 or Older	17,041	16%	38,895	16%	141,829	17%	273,683	17%
Worker Race and Ethnicity								
Race								
White Alone	93,518	87%	211,481	87%	716,604	86%	1,368,014	87%
Black or African American Alone	6,225	6%	14,913	6%	59,178	7%	93,194	6%
American Indian or Alaska Native Alone	478	0%	1,043	0%	4,535	1%	8,196	1%
Asian Alone	5,733	5%	12,939	5%	43,305	5%	78,017	5%
Native Hawaiian or Other Pacific Islander Alone	58	0%	145	0%	631	0%	1,101	0%
Two or More Race Groups	1,224	1%	2,864	1%	10,152	1%	17,678	1%
Ethnicity								
Not Hispanic or Latino	103,877	97%	236,292	97%	804,638	96%	1,510,577	96%
Hispanic or Latino	3,359	3%	7,093	3%	29,767	4%	55,623	4%
Worker Educational Attainment								
Less Than High School	4,922	5%	9,614	4%	39,042	5%	74,089	5%
High School or Equivalent, No College	17,736	17%	36,389	15%	140,388	17%	276,930	18%
Some College or Associate Degree	25,937	24%	57,224	24%	200,036	24%	384,984	25%
Bachelor's Degree or Advanced Degree	32,814	31%	85,705	35%	249,722	30%	445,602	28%
Educational Attainment Not Available	25,827	24%	54,453	22%	205,217	25%	384,595	25%
Jobs by NAICS Industry Sector								
Agriculture, Forestry, Fishing and Hunting	7	0%	13	0%	665	0%	2,595	0%
Mining, Quarrying, and Oil and Gas Extraction	2	0%	4	0%	213	0%	416	0%
Utilities	5,962	6%	5,968	2%	6,863	1%	8,125	1%
Construction	1,721	2%	3,490	1%	18,642	2%	46,507	3%
Manufacturing	12,277	11%	16,487	7%	71,975	9%	160,590	10%
Wholesale Trade	8,622	8%	11,153	5%	51,584	6%	86,770	6%
Retail Trade	7,508	7%	14,024	6%	76,925	9%	152,341	10%
Transportation and Warehousing	1,816	2%	2,338	1%	13,240	2%	35,661	2%
Information	3,121	3%	13,016	5%	23,119	3%	41,037	3%
Finance and Insurance	5,817	5%	39,365	16%	68,732	8%	97,031	6%
Real Estate and Rental and Leasing	2,093	2%	8,914	4%	20,517	2%	32,046	2%
Professional, Scientific, and Technical Services	15,312	14%	33,031	14%	71,397	9%	104,141	7%
Management of Companies and Enterprises	2,084	2%	17,876	7%	56,819	7%	88,240	6%
Admin & Support, Waste Mgmt and Remediation	4,837	5%	11,213	5%	51,802	6%	90,255	6%
Educational Services	3,956	4%	9,084	4%	68,480	8%	143,082	9%
Health Care and Social Assistance	13,262	12%	20,496	8%	113,667	14%	218,579	14%
Arts, Entertainment, and Recreation	6,115	6%	7,756	3%	13,622	2%	25,965	2%
Accommodation and Food Services	7,621	7%	13,762	6%	60,290	7%	116,833	7%
Other Services (excluding Public Administration)	3,514	3%	7,009	3%	27,149	3%	54,710	3%
Public Administration	1,589	1%	8,386	3%	18,704	2%	61,276	4%

Source: U.S. Census Bureau; Maxfield Research, Inc.

Note: graphic taken from *SW Community Works Housing Inventory*

The Health Care and Social Assistance sector is also an important sector within the corridor, accounting for 12% of employment within ½ mile of SWLRT. Manufacturing accounts for 11% of corridor employment, also similar to the Metro Area employment distribution. Our analysis indicates that the SWLRT corridor includes a diverse mix of public and private-sector employment, with workers employed in many industries and at a full range of pay levels.

According to U.S. Census data, the distribution of jobs by monthly earnings within ½ mile of SWLRT is similar to that of the Metro Area as a whole. However, it is interesting to note that the larger 1-mile corridor features a somewhat higher concentration of well-paying jobs, as more than 60% of workers within the 1-mile corridor earned more than $3,333 per month ($40,000+ per year), compared to 52% at the ½ mile buffer and 47% Metro-wide.

Our housing recommendations for the SWLRT corridor, both in aggregate and for individual station areas, are based in part on our examination of both household income data and also the business mix, employment counts and employee earnings. The graphic below and on the following pages shows the number of workers by income level (monthly earnings) for a ½ and 1 mile radii surrounding each station area, and for a ½ and 1 mile buffer surrounding the line for 2005 and 2010. Data is from the U.S. Census.

EMPLOYMENT BY EARNINGS
SWLRT STATIONS -- 1/2 and 1 Mile from SWLRT
2005 to 2010

	Half-Mile				One-Mile			
	# jobs based in local area		Change		# jobs based in local area		Change	
	2005	2010	2005-2010		2005	2010	2005-2010	
Royalston	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	2,334	2,844	510	21.9%	20,034	15,526	-4,508	-22.5%
$1,251 -$3,3333/mo.	2,828	3,090	262	9.3%	40,144	26,696	-13,448	-33.5%
More than $3,333/mo.	3,088	4,274	1,186	38.4%	73,429	85,176	11,747	16.0%
Total	**8,250**	**10,208**	**1,958**	**23.7%**	**133,607**	**127,398**	**-6,209**	**-4.6%**
Van White	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	399	284	-115	-28.8%	5,714	3,920	-1,794	-31.4%
$1,251 -$3,3333/mo.	615	359	-256	-41.6%	5,732	5,004	-728	-12.7%
More than $3,333/mo.	712	907	195	27.4%	4,935	6,446	1,511	30.6%
Total	**1,726**	**1,550**	**-176**	**-10.2%**	**16,381**	**15,370**	**-1,011**	**-6.2%**
Penn Station	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	178	154	-24	-13.5%	1,606	945	-661	-41.2%
$1,251 -$3,3333/mo.	112	135	23	20.5%	2,792	1,507	-1,285	-46.0%
More than $3,333/mo.	167	224	57	34.1%	1,348	2,289	941	69.8%
Total	**457**	**513**	**56**	**12.3%**	**5,746**	**4,741**	**-1,005**	**-17.5%**
21st Street	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	53	50	-3	-5.7%	1,601	1,388	-213	-13.3%
$1,251 -$3,3333/mo.	52	71	19	36.5%	2,345	1,989	-356	-15.2%
More than $3,333/mo.	62	90	28	45.2%	1,516	2,490	974	64.2%
Total	**167**	**211**	**44**	**26.3%**	**5,462**	**5,867**	**405**	**7.4%**
West Lake	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	1,051	720	-331	-31.5%	1,909	1,566	-343	-18.0%
$1,251 -$3,3333/mo.	690	825	135	19.6%	1,943	1,911	-32	-1.6%
More than $3,333/mo.	650	881	231	35.5%	2,044	2,362	318	15.6%
Total	**2,391**	**2,426**	**35**	**1.5%**	**5,896**	**5,839**	**-57**	**-1.0%**
Total	**2,647**	**1,808**	**-839**	**-31.7%**	**6,940**	**6,532**	**-408**	**-5.9%**

Sources: U.S. Census Bureau; Maxfield Research, Inc.

Note: graphic taken from SW Community Works Housing Inventory

EMPLOYMENT BY EARNINGS
SWLRT STATIONS -- 1/2 and 1 Mile from SWLRT
2005 to 2010

	Half-Mile				One-Mile			
	# jobs based in local area		Change		# jobs based in local area		Change	
	2005	2010	2005-2010		2005	2010	2005-2010	
Beltline	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	848	662	-186	-21.9%	4,269	2,468	-1,801	-42.2%
$1,251 -$3,3333/mo.	1,182	884	-298	-25.2%	7,162	4,828	-2,334	-32.6%
More than $3,333/mo.	1,407	1,609	202	14.4%	2,090	1,979	-111	-5.3%
Total	**3,437**	**3,155**	**-282**	**-8.2%**	**13,521**	**9,275**	**-4,246**	**-31.4%**
Wooddale	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	1,810	772	-1,038	-57.3%	5,053	3,273	-1,780	-35.2%
$1,251 -$3,3333/mo.	1,624	978	-646	-39.8%	7,734	6,364	-1,370	-17.7%
More than $3,333/mo.	1,333	1,223	-110	-8.3%	8,069	8,167	98	1.2%
Total	**4,767**	**2,973**	**-1,794**	**-37.6%**	**20,856**	**17,804**	**-3,052**	**-14.6%**
Louisiana	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	1,172	793	-379	-32.3%	3,583	2,337	-1,246	-34.8%
$1,251 -$3,3333/mo.	3,125	3,144	19	0.6%	5,487	5,016	-471	-8.6%
More than $3,333/mo.	3,773	4,532	759	20.1%	5,854	6,325	471	8.0%
Total	**8,070**	**8,469**	**399**	**4.9%**	**14,924**	**13,678**	**-1,246**	**-8.3%**
Blake	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	1,145	460	-685	-59.8%	2,286	1,915	-371	-16.2%
$1,251 -$3,3333/mo.	1,019	656	-363	-35.6%	2,758	2,374	-384	-13.9%
More than $3,333/mo.	483	692	209	43.3%	1,896	2,243	347	18.3%
	2,647	1,808	-839	-31.7%	6,940	6,532	-408	-5.9%
Hopkins	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	2,365	2,318	-47	-2.0%	4,128	3,456	-672	-16.3%
$1,251 -$3,3333/mo.	1,688	1,743	55	3.3%	3,808	3,410	-398	-10.5%
More than $3,333/mo.	1,891	1,325	-566	-29.9%	4,320	4,128	-192	-4.4%
Total	**5,944**	**5,386**	**-558**	**-9.4%**	**12,256**	**10,994**	**-1,262**	**-10.3%**
Shady Oak	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	1,926	530	-1,396	-72.5%	3,894	3,247	-647	-16.6%
$1,251 -$3,3333/mo.	1,848	1,021	-827	-44.8%	3,664	3,367	-297	-8.1%
More than $3,333/mo.	1,865	1,507	-358	-19.2%	3,946	3,999	53	1.3%
Total	**5,639**	**3,058**	**-2,581**	**-45.8%**	**11,504**	**10,613**	**-891**	**-7.7%**
Opus	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	269	214	-55	-20.4%	1,821	4,278	2,457	134.9%
$1,251 -$3,3333/mo.	1,031	465	-566	-54.9%	6,127	5,904	-223	-3.6%
More than $3,333/mo.	3,248	2,339	-909	-28.0%	12,034	18,969	6,935	57.6%
Total	**4,548**	**3,018**	**-1,530**	**-33.6%**	**19,982**	**29,151**	**9,169**	**45.9%**
City West	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	523	2,595	2,072	396.2%	2,052	4,315	2,263	110.3%
$1,251 -$3,3333/mo.	1,225	1,751	526	42.9%	7,320	6,283	-1,037	-14.2%
More than $3,333/mo.	2,353	3,283	930	39.5%	13,244	19,621	6,377	48.2%
Total	**4,101**	**7,629**	**3,528**	**86.0%**	**22,616**	**30,219**	**7,603**	**33.6%**
Golden Triangle	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	607	507	-100	-16.5%	2,416	3,806	1,390	57.5%
$1,251 -$3,3333/mo.	2,337	1,518	-819	-35.0%	5,739	4,786	-953	-16.6%
More than $3,333/mo.	2,929	3,624	695	23.7%	8,498	10,478	1,980	23.3%
Total	**5,873**	**5,649**	**-224**	**-3.8%**	**16,653**	**19,070**	**2,417**	**14.5%**

Sources: U.S. Census Bureau; Maxfield Research, Inc.

Note: graphic taken from SW Community Works Housing Inventory

EMPLOYMENT BY EARNINGS SWLRT STATIONS -- 1/2 and 1 Mile from SWLRT 2005 to 2010	Half-Mile				One-Mile			
	# jobs based in local area		Change		# jobs based in local area		Change	
	2005	2010	2005-2010		2005	2010	2005-2010	
E.P. Town Center	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	889	798	-91	-10.2%	2,884	2,794	-90	-3.1%
$1,251 -$3,3333/mo.	2,299	1,473	-826	-35.9%	4,639	3,450	-1,189	-25.6%
More than $3,333/mo.	2,438	3,167	729	29.9%	5,855	7,486	1,631	27.9%
Total	**5,626**	**5,438**	**-188**	**-3.3%**	**13,378**	**13,730**	**352**	**2.6%**
Southwest	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	495	683	188	38.0%	1,817	2,117	300	16.5%
$1,251 -$3,3333/mo.	926	804	-122	-13.2%	3,524	2,563	-961	-27.3%
More than $3,333/mo.	1,198	1,398	200	16.7%	4,903	5,770	867	17.7%
Total	**2,619**	**2,885**	**266**	**10.2%**	**10,244**	**10,450**	**206**	**2.0%**
Mitchell	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	460	313	-147	-32.0%	1,819	1,873	54	3.0%
$1,251 -$3,3333/mo.	798	600	-198	-24.8%	3,064	2,472	-592	-19.3%
More than $3,333/mo.	2,289	2,167	-122	-5.3%	5,426	6,069	643	11.9%
Total	**3,547**	**3,080**	**-467**	**-13.2%**	**10,309**	**10,414**	**105**	**1.0%**
Corridor	**No.**	**No.**	**No.**	**Pct.**	**No.**	**No.**	**No.**	**Pct.**
$1,250/mo. or less	23,544	22,083	-1,461	-6.2%	45,663	38,498	-7,165	-15.7%
$1,251 -$3,3333/mo.	33,625	28,937	-4,688	-13.9%	80,424	58,736	-21,688	-27.0%
More than $3,333/mo.	47,873	56,216	8,343	17.4%	124,155	146,151	21,996	17.7%
Total	**105,042**	**107,236**	**2,194**	**2.1%**	**250,242**	**243,385**	**-6,857**	**-2.7%**
Sources: U.S. Census Bureau; Maxfield Research, Inc.								

Note: graphic taken from SW Community Works Housing Inventory

The base of employees working near each of the planned SWLRT stations varies considerably throughout the corridor, not only in terms of the number of workers, but also by type of job and by level of earnings. While there are large concentrations of high-paying jobs in several of the station areas, notably the various Eden Prairie station areas, as well as Louisiana (Methodist Hospital, for example) and Royalston (Downtown Mpls), in these areas and throughout the corridor there is also considerable employment in lower paying positions. This includes entry-level support, clerical and maintenance positions, as well as lower-level service workers which service the various businesses along the corridor (e.g. office cleaning, grounds maintenance, and retail/restaurant workers who serve the businesses which serve area employees and residents).

As well, it is important to remember the connectivity enhancement that SWLRT will provide, linking workers in all industries and all occupations with jobs throughout the corridor and in primary job centers such as the Downtown Minneapolis CBD and even beyond, by way of an integrated LRT network (with connectivity to the Hiawatha and Central Corridors, and other modes of transit). **As such, we do <u>not</u> suggest that high-end housing products be situated only near those station areas which feature a high concentration of upper-income employment. Rather, the connectivity and lifestyle efficiencies that SWLRT will provide are expected to create strong market demand for a <u>full range</u> of housing product types at all affordability levels, at various stations along SWLRT.** We note that while we expect that housing affordable at <60% of AMI will garner a strong positive market response at any/all LRT station areas, the economic viability of constructing such units will be a challenge in all station areas due to development costs. This will be particularly challenging in station areas with a limited land supply and/or high land costs. In fact, the provision of housing products affordable at or below 100% of income will in many cases require public subsidy for this same reason.

Presented below is an analysis of worker earnings for persons employed within ½ mile of SWLRT. The table shows the number of workers by monthly earnings (according to 2010 US Census data), as well as estimates of monthly housing costs affordable to them. Note the calculations show the "affordability range" based on 1 or 2 workers per household. Our analysis of demographic data indicates that the majority of corridor households feature just a single worker.

Employment - Monthly Earnings / Housing Affordability Calculations
Employment within 1/2 mile of SWLRT (per 2010 US Census)

Jobs by Monthly Income - 1/2 Mile from SWLRT line	# of Workers by Monthly Earnings	% of Workers	Monthly Housing Cost Affordability Range (based on # of workers per household) (1 worker per household)	(2 workers per household)
$1,250/mo. or less	22,083	20.6%	$0-$375	$0-$750
$1,251 -$3,3333/mo.	28,937	27.0%	$375-$1,000	$750-$2,000
More than $3,333/mo.	56,216	52.4%	$1,000+	$2,000+
Total	107,236	100.0%		

* Affordable monthly housing cost based on 30% of monthly income.

Sources: US Census (employment data); Marquette Advisors (housing affordability calculations)

Key Point -- A full 20% of persons presently employed within ½ mile of SWLRT would require housing priced at $750 per month or less, based on their current monthly earnings. (This assumes up to 2 workers per household with a similar job, with each of those workers earning less than $1,250 per month).

The Family Housing Fund (FHF) has also conducted considerable research in the areas of housing cost, employee wages and housing affordability. The graphic on the following page, published by FHF in May 2014 effectively demonstrates the gap in housing affordability and worker earnings for a number of key essential employment positions in the Twin Cities region. The table shows the median wage by type of position, and their maximum monthly housing cost at 30% of income, along with the % of income required to rent an average two-bedroom apartment or purchase a median-priced home. In the case of all workplace positions shown, a single-earner household would have considerable "excess housing cost burden," in contributing well in excess of 30% of their income toward housing cost.

Percentage of Income Needed for Housing in the Twin Cities Metropolitan Area (2014)

Workplace Position	Median Yearly Salary for Full-Time Worker [1]	Monthly Amount Can Afford for Housing [2]	Percentage of Income Required to Rent 2-BR Apartment [3]	Percentage of Income Required to Own a House [4]
Assembly Worker	$31,054	$776	42%	50%
Cashier	$19,635	$491	66%	79%
Child Care Worker	$22,152	$554	59%	70%
Counter & Rental Clerk	$20,696	$517	63%	75%
Dry Cleaner	$26,582	$665	49%	59%
File Clerk	$29,037	$726	45%	54%
Home Health Aide	$23,816	$595	55%	66%
Host/Hostess	$18,158	$454	72%	86%
Janitor, Cleaner	$24,003	$600	54%	65%
Landscaper/Groundskeeper	$27,997	$700	46%	56%
Maid/Housekeeping Cleaner	$21,882	$547	59%	71%
Nursing Assistant	$28,891	$722	45%	54%
Parking Lot Attendant	$21,902	$548	59%	71%
Receptionist	$29,786	$745	44%	52%
Restaurant Cook	$22,838	$571	57%	68%
Salesperson, Retail	$20,717	$518	63%	75%
School Bus Driver	$33,779	$844	38%	46%
Taxi Driver	$26,562	$664	49%	59%
Teacher Assistant	$30,201	$755	43%	52%
Telemarketer	$27,726	$693	47%	56%
Teller	$25,605	$640	51%	61%

[1] Source: MN Dept. of Employment & Economic Development

[2] Based on 30% of income

[3] Based on 1st Quarter 2014 Marquette Advisors average rent of $1,083 for two-bedroom apartment in the Twin Cities Metro Area.

[4] Based on Minneapolis Area Association of Realtors Median Sale Price of $185,000 for a single family home sold in the Twin Cities metropolitan area for the year-to-date 2014 (as of March).

Source: "Working Doesn't Always Pay for a Home" -- Family Housing Fund, Public Education Initiative, updated May 2014.

Review of SW Community Works Corridor Investment Framework & Key Findings

We have reviewed the Investment Framework, finalized in 2013, in regards to the development/redevelopment potential for land surrounding each of the planned 17 stations. **Based on our review of Investment Framework planning documents and our own field research and analysis, we find that the supply of land (and cost) will be a primary challenge with respect to the provision of full and optimal housing choice along the line going forward.** This varies by station area, of course. However, we note from our work that in the case of many stations there is a very limited supply of developable land.

Further, many of the parcels identified through the Investment Framework for potential future development/redevelopment are privately held and in many cases currently in a productive use, other than housing. Development of housing at SWLRT station areas will in many cases require a change in land use, and it is likely that in many cases housing will simply not be the highest-and-best use due to land value/cost, as continuation in current use or more intensive commercial uses become viable.

Still, we believe there are significant opportunities for housing near multiple stations along SWLRT. However, the residential development potential as identified herein has been tempered due to the issues noted related to land availability, land cost, redevelopment complexity, and highest-best-use challenges.

Based on our analysis to date, we believe there will be a very strong positive market response to new housing products along SWLRT over the next several years. Market economics continue to improve, and infill development is already starting to occur within several of the SWLRT corridor communities. Much of our region's housing development recently and ongoing is comprised of luxury apartments being constructed in Downtown and Uptown Minneapolis. Suburban development deals are just starting to "pencil out" from a feasibility standpoint, in some locations, due to increasing market demand and rising rental rates. New apartments completed recently or in development now in the corridor communities generally feature rents in the $1.60-$1.90 psf range ($900-$1,900+), compared to $2.10-$2.30+ psf in Downtown Minneapolis ($1,200-$2,500+), which is presently the most active construction market in the Twin Cities region, and one of the busiest in the Midwest region.

From our analysis and expertise, we expect that SWLRT housing will appeal to a diverse group of both renters and home buyers in the future.

- **"Gen Y" and empty nesters are likely short-term demand drivers**, although we believe "aging" Gen Y renters and Gen X singles, couples and young families also provide substantive target markets in the near term – we note that far fewer new housing options are being provided at the present time for these groups in the region.

- **Senior housing demand will also be significant, particularly in the long-term** (10-15+ years out) as more of the Baby Boomers age into their late 70s and 80s.

SWLRT CORRIDOR RESIDENTIAL DEVELPOMENT OUTLOOK

Based on this analysis and our professional experience we have developed estimates of ***"pure market demand"*** for new housing units within ½ mile of the planned station areas over the long-term (approximately 15 years). The "pure market demand" estimate is the number of units that would be marketable within ½ mile of the LRT stations, prior to consideration of issues such as land availability, land use and highest and best use factors, and development cost constraints.

Next, we developed ***"suggested residential development goals"*** for the SWLRT corridor (comprising ½ mile surrounding each station). The development goals are tempered to reflect our detailed analysis of each station area in terms of land availability, land ownership and current use structure, and development cost factors. It is important to note that while the suggested residential development scenarios do account for development/redevelopment challenges, the creation of these unit totals will still require a "heavy lift," inclusive of significant public subsidy and creative public/private partnerships.

Our discussion and estimates of "pure market demand" and "suggested residential development goals" is presented as follows:

Pure market demand: 13,000 – 15,000 units. Based on our review of demographic/economic factors, growth forecasts, and our assessment of housing market conditions, we believe that it is very reasonable to expect that there will be market demand for between 13,000 and 15,000 units (or more) within the SWLRT corridor by 2030. This represents about 7% to 8% of projected Metro Area household growth over the next 15 years; which we believe to be a reasonable capture rate based on all factors analyzed. The SWLRT corridor benefits from strong underlying demographics and market dynamics, a deep and diverse economic base, quality public facilities and schools. Further, the connectivity and lifestyle features resulting from development of SWLRT greatly enhance the appeal of housing near the planned stations.

However, while this potential exists, there are significant challenges and barriers to the development of housing along SWLRT and therefore have developed tempered housing development targets for SWLRT station areas.

Suggested residential development goal: 11,000 units. We have completed an analysis of each submarket and station area. The following section provides detailed recommendations regarding new housing construction within ½ mile of each station area over the next 15 years. This includes recommendations for new units by product type, affordability level, and approximate timing. Note that the recommended unit count at 11,000 assumes that sufficient gap financing will be available to support a full range of housing products. We estimate a need for at least $65 million in gap financing to support 1,300 new housing units as suggested at price points affordable households earning <60% of AMI. Another $20 million in gap financing could be required to support the recommended new unit inventory affordable to households earning between 60%-100% of AMI. We also opine on the strengths and challenges of each of station area from a housing standpoint and offer suggestions for investment in public realm elements which will enhance livability and the appeal of these locations for housing.

Presented on table on the following page are suggestions regarding a market-appropriate housing product mix by station area. This is followed by a discussion of each station area. For purposes of this analysis we have segmented our product type recommendations by product type and affordability level as follows:

	Income Range & Max. Housing Cost (based on 2 persons per household) -- 2014	
	Household Income Range	Max. Monthly Housing Cost
0% to 30% of AMI	< $19,920	$0 - $560
30% to 60% of AMI	$19,921 - $39,840	$560 - $1,120
60% to 80% of AMI	$39,841 - $51,150	$1,121 - $1,280
80% to 100% of AMI	$51,151 - $66,400	$1,281 - $1,660
100% of AMI +	> $66,400	$1,660+
Source: MN Housing Finance Agency		

Our recommendations include a mix of rental housing by affordability range, inclusive of general occupancy and senior rentals, along with homeownership products including for-sale condos, townhomes (including row homes) and single-family "Pocket Neighborhood" product types, which are suggested in the case of multiple station areas.

SW LRT Corridor -- Projected Phased Residential Development Potential by Station Area				
	Short Term (3-5 Yrs)	**Mid-Term (6-10 Yrs)**	**Long Term (10+ Yrs)**	**Total**
Royalston	1,000	400	400	1,800
Van White	300	380	420	1,100
Penn	240	-	-	240
21st St.	-	-	** (to be considered)	** (to be considered)
West Lake	340	160	400	900
Minneapolis Subtotal	**1,880**	**940**	**1,220**	**4,040**
Beltline	140	440	420	1,000
Wooddale	120	240	240	600
Louisiana	-	340	460	800
St. Louis Park Subtotal	**260**	**1,020**	**1,120**	**2,400**
Blake	500	244	500	1,244
Downtown Hopkins	250	160	270	680
Shady Oak	200	-	300	500
Hopkins Subtotal	**950**	**404**	**1,070**	**2,424**
Opus	-	260	340	600
Minnetonka Subtotal	**-**	**260**	**340**	**600**
City West	-	300	-	300
Golden Triangle	180	300	-	480
EP Town Center	160	260	180	600
Southwest	-	200	-	200
Mitchell	192	-	-	192
Eden Prairie Subtotal	**532**	**1,060**	**180**	**1,772**
SW LRT Corridor Total	**3,622**	**3,684**	**3,930**	**11,236**

Source: Marquette Advisors

SW LRT Corridor -- Recommended New Residential Development by Product Type & Station Area													
	Rental							Ownership					
Station Area	**0-30% AMI**	**30-60% AMI**	**60-80% AMI**	**80-100% AMI**	**100% of AMI+**	**Total**		**Entry-Level**	**Mid-Mkt**	**High-End**	**Total**		**Total Units**
Royalston	275	275	225	225	800	**1,800**		0	0	0	**0**		**1,800**
Van White	120	120	150	150	260	**800**		150	150	0	**300**		**1,100**
Penn	0	0	0	0	240	**240**		0	0	0	**0**		**240**
21st	0	0	0	0	0	**0**		0	0	**	**		**
West Lake	50	50	80	80	440	**700**		0	0	200	**200**		**900**
Beltline	65	65	115	115	480	**840**		80	80	0	**160**		**1,000**
Wooddale	45	45	45	45	340	**520**		40	40	0	**80**		**600**
Louisiana	0	0	80	120	400	**600**		40	40	120	**200**		**800**
Blake Rd.	45	45	40	40	970	**1,140**		40	40	24	**104**		**1,244**
Downtown Hopkins	0	0	110	110	410	**630**		25	25	0	**50**		**680**
Shady Oak	0	0	75	75	350	**500**		0	0	0	**0**		**500**
Opus	0	0	0	120	340	**460**		70	70	0	**140**		**600**
City West	0	0	0	60	240	**300**		0	0	0	**0**		**300**
Golden Triangle	35	35	35	35	340	**480**		0	0	0	**0**		**480**
EP Town Center	0	0	40	80	400	**520**		30	30	20	**80**		**600**
Southwest	0	0	0	0	200	**200**		0	0	0	**0**		**200**
Mitchell	0	0	0	0	192	**192**		0	0	0	**0**		**192**
Total	**635**	**635**	**995**	**1,255**	**6,402**	**9,922**		**475**	**475**	**364**	**1,314**		**11,236**
** Future development potential for 21st St. Station Area to be determined.													
Source: Marquette Advisors													

Key points regarding housing development recommendations:

90% Rental -- The recommended total unit mix includes approximately 90% rental units, representing a strong majority of the product mix. We believe this is in fact appropriate and will be consistent with market demand in proximity to each of the LRT stations, considering the characteristics of the station areas and expected future resident profile in terms of age, income, household size and lifestyle factors. Households in today's real estate market continue to show a preference for renting, rather than home ownership, due to both economic and lifestyle factors. Renting provides flexibility and efficiency in living and mobility, which is a paramount consideration for a growing segment of our household base, particularly Millenials. We expect that TOD residents will be somewhat younger and more transient for a variety of reasons related to lifestyle and career factors.

Small Households Drive Demand -- Demographic data assembled by our firm and others relative to SWLRT and regional planning studies indicates that approximately ½ of the projected future household growth will be comprised of single-person households, with the majority of remaining household growth comprised of couples without children. Thus we expect a strong preference for well-designed and efficient housing within multifamily configurations, including a primarily rental product mix. As well, we believe there are target opportunities to provide unique home-ownership opportunities within a relatively dense configuration, inclusive of detached housing within pocket neighborhood design formats as discussed later in the report. We expect that these products will be attractive especially to "aging Millenials" and empty nesters in the years ahead.

Full Range of Housing Choices -- We note that the recommended new-construction mix includes approximately 1,300 units out of the total 11,200 (12% of the total mix) affordable to households earning <60% of AMI, with another 2,250 units (20% of the total) affordable to households earning between 60% and 100% of AMI.

Locational recommendations for new construction of housing products at varying affordability levels within the corridor take into account the following primary factors:

- The current housing inventory surrounding each station area, as well as the current demographic composition and economic base.
- Land availability and ownership of undeveloped and/or under-utilized parcels.
- Characteristics of surrounding land use (existing and future)
- Proximity to jobs, the types of jobs and income levels in the area, proximity to goods/services, public and educational facilities and other modes of transit.
- In particular, we believe that the Royalston and Van White station areas present the best opportunities, currently, for constructing large numbers of housing units which are affordable to households earning <60% of AMI in the relatively short-

term, considering the amount of undeveloped land and public ownership of sites. Still, we acknowledge that complexities and challenges exist with respect to both public and privately owned sites at this location (e.g. relocating current tenants/building uses elsewhere, environmental clean-up, etc.).

- Other stations present smaller-scale possibilities. Certainly we would expect additional demand for new affordable apartments in other locations as well; however, added barriers to development exist which necessitates even greater subsidy levels, likely creating fewer units.

Key Finding: In all cases, mixed-income residential development is considered a "best practice" related to inclusionary housing in the corridor. Publicly owned sites present the best short-term opportunity for this type of development.

SWLRT STATION AREAS – Residential Development Assessment

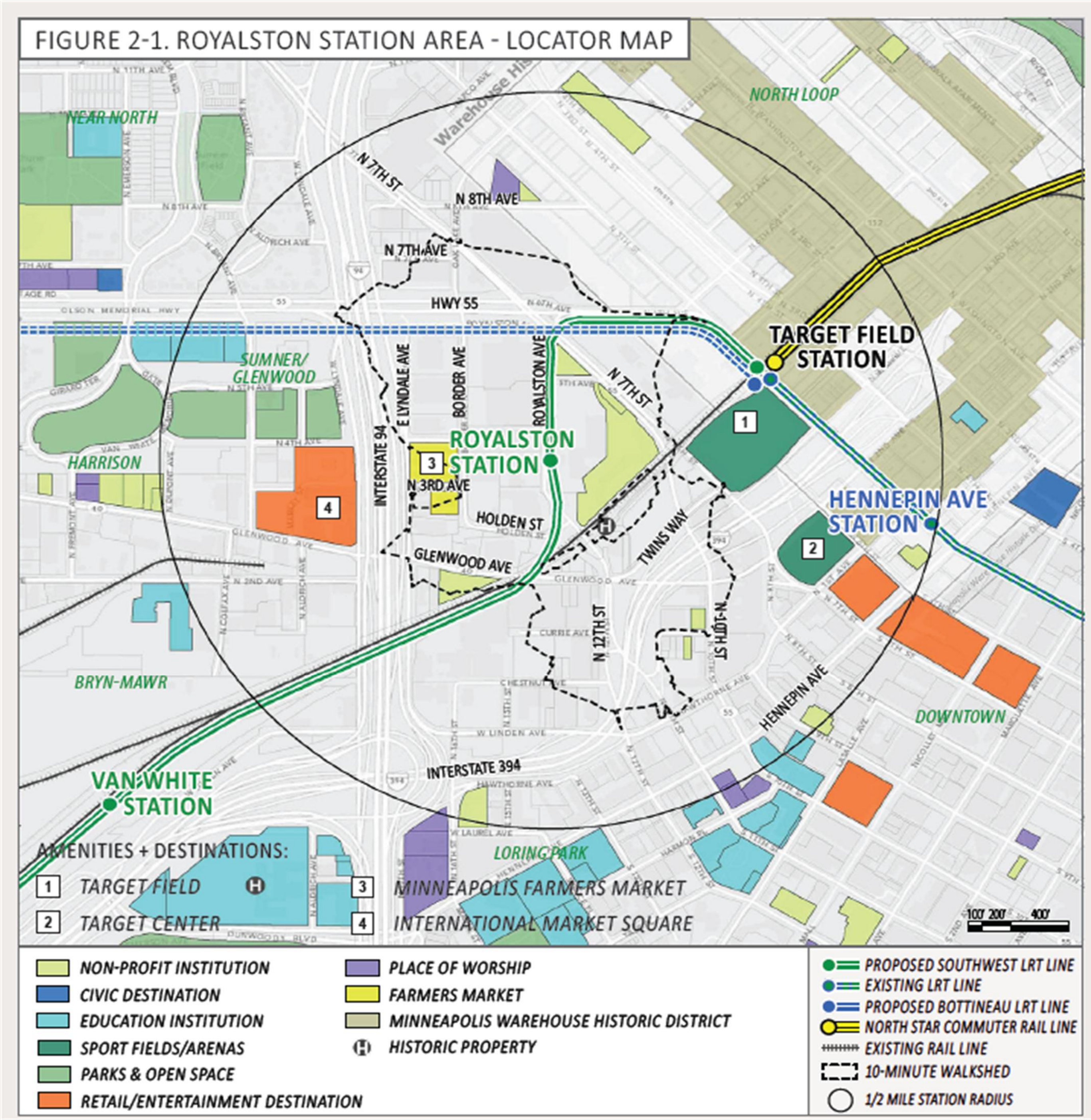
Marquette Advisors conducted a review of each of the planned station areas in order to assess the potential for residential development within a ½ mile. From this analysis, we developed a set of short-, mid-, and long-term recommendations for housing development near each station, segmented by price/rent level and by product type. These recommendations are presented herein, along with a clear overview of the strengths and weaknesses of each station area, and its potential for residential development and suggestions for the public sector to improve development viability, and set the stage for quality residential development.

Our analysis takes into consideration the stated goals related to the provision of a full-range of housing choices within the corridor, paired with the unique characteristics of each station area. In particular, we have considered all relevant factors inherent to each location and surrounding market conditions, the primary of which are as follows:

- Current housing supply
- Station area demographics, business mix and employment dynamics
- Immediate neighborhood environment and land use compatibility
- Connectivity elements: LRT access, proximity to supporting goods/services and amenities, and "walkability." Connectivity was evaluated both as-is and post- SWLRT construction.
- Land availability and site size & configuration issues
- Land ownership (public/private) and related redevelopment potential.
- Highest and Best Use considerations for nearby parcels (physical, legal and economic factors)
- Current and projected future land use patterns

The following pages contain a summary of our analysis and development suggestions for each station area. Note that the aerial maps are from the Investment Framework and are presented here only as a point of reference.

Royalston Station Area



SW Community Works Corridor Investment Framework, 2013

Current Station Area Housing Supply:

Royalston Station Area (1/2 Mile Radius) Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	0%-30%	30%-60%	60%-80%	80%-100%	100%+	Total Units
Royalston						
# of Units	102	751	281	220	1,181	2,535
% of Unit Inventory	4%	30%	11%	9%	47%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- Proximity to Downtown Minneapolis and the area's considerable employment base
- Access to Downtown area amenities, notably Target Field and the Mpls Farmers Market
- Availability of publicly-owned parcels, presenting the opportunity for planned redevelopment
- Low-rise industrial and low-intensity industrial uses in the area also enhances the opportunity for future redevelopment, although challenges inherent to block sizes and fractured ownership will persist

Development Challenges:

- Large block sizes and limited roadway network
- Streetscape character (industrial and auto-oriented) and poor lighting
- Poor connectivity and walkability inherent to the immediate neighborhood (particularly east-west) and distance from prime North Loop and Downtown amenity areas
- Presence of major highways, large parcels/block sizes and industrial character of the area weaken the appeal as a residential neighborhood presently

Residential Develpoment Recommendations – Royalston Station Area:

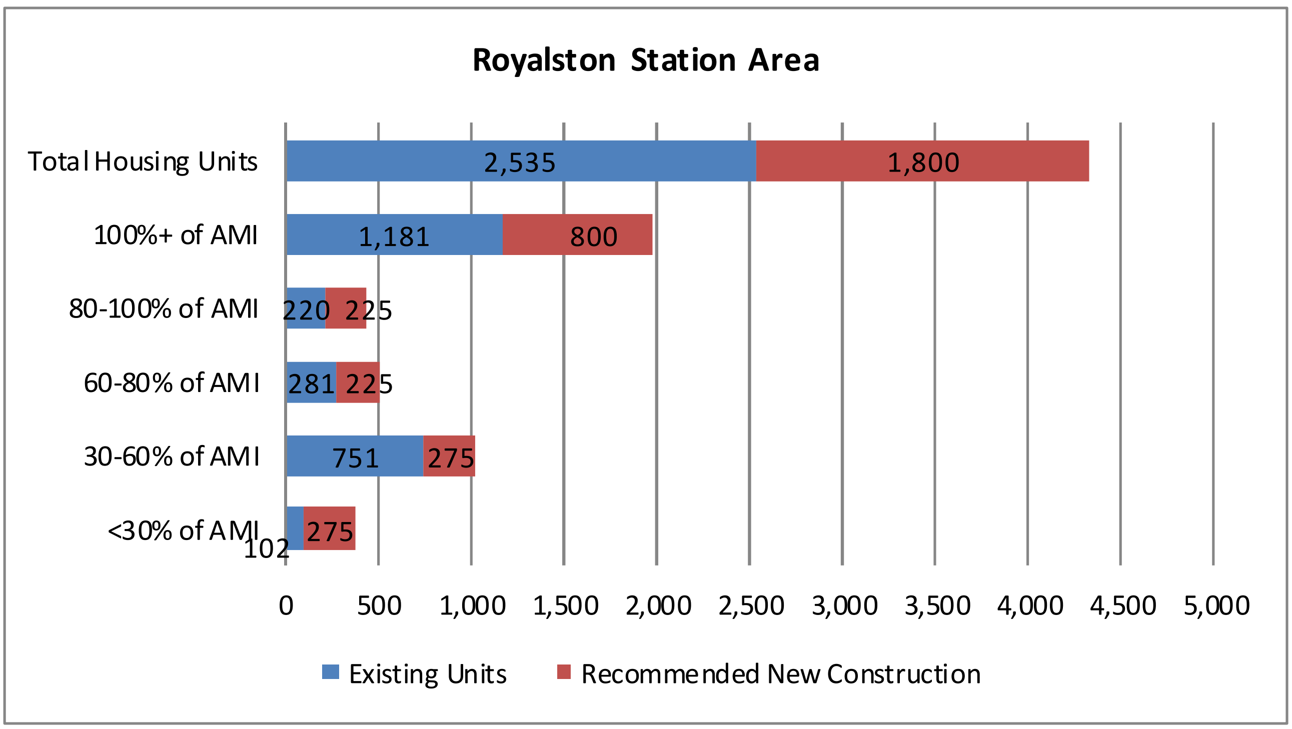
We estimate that approximately **1,800 units** of multifamily housing are viable near Royalston over the next 10 to 15 years. We recommend a mix of housing products as follows. The graphic below also shows the current housing supply by affordability range, in relationship to the recommended new construction totals.

Royalston Station Area -- Recommended Residential Development

Product Type/Afforability Range	Short Term (3-5 Yrs) *	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	175	50	50	**275**	**15.3%**
Rental 30-60% AMI	175	50	50	**275**	**15.3%**
Rental 60-80% AMI	75	75	75	**225**	**12.5%**
Rental 80-100% AMI	75	75	75	**225**	**12.5%**
Rental 100%+ AMI	500	150	150	**800**	**44.4%**
For-Sale (entry level)	0	0	0	**0**	**0.0%**
For-Sale (high-end)	0	0	0	**0**	**0.0%**
Total Units	**1,000**	**400**	**400**	**1,800**	**100.0%**

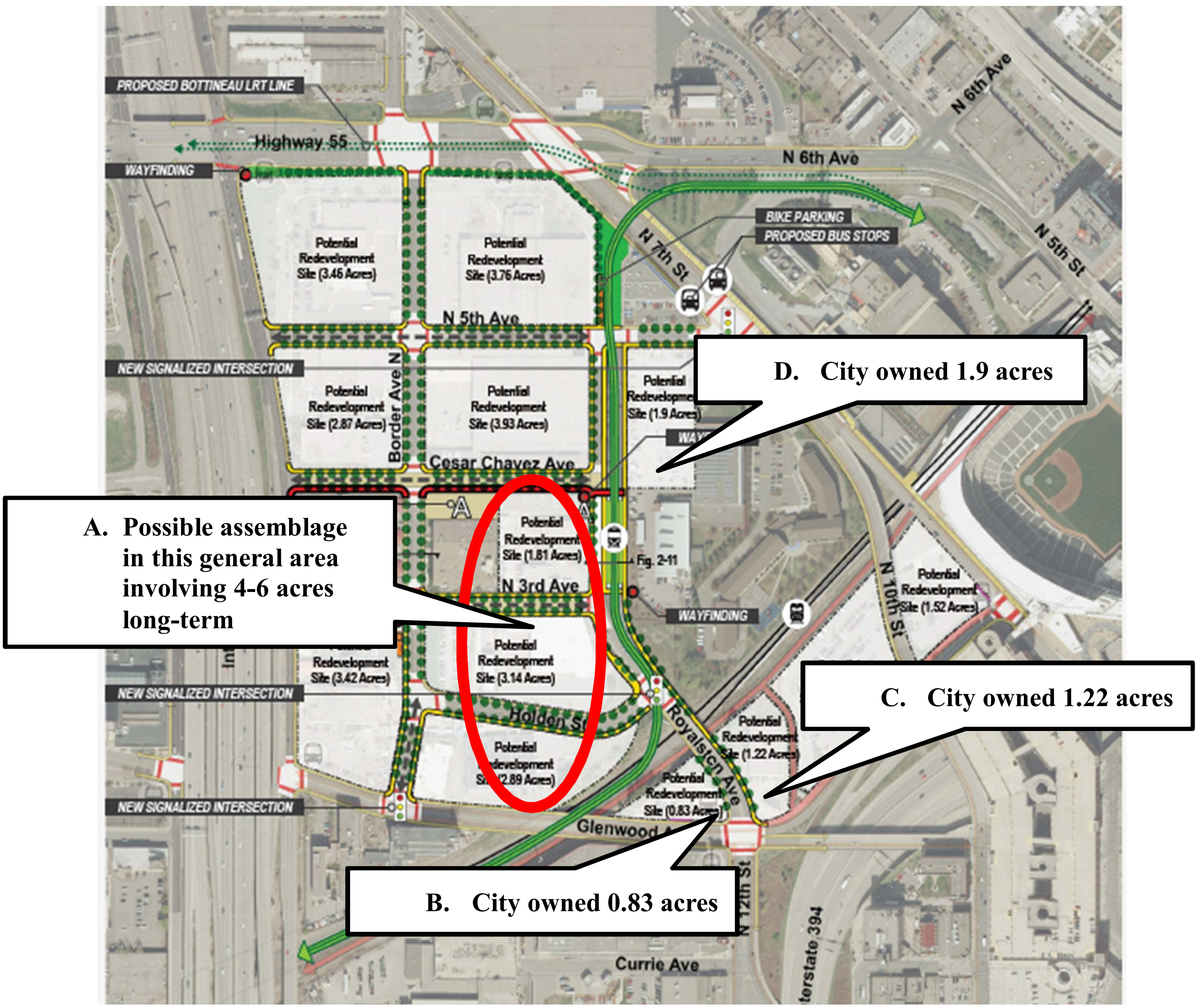
* Note that the short-term development potential includes approximately 500 units of market rate apartments currently in development approximately 1/2 mile east of Royalston Station in the North Loop neighborhood.

Source: Marquette Advisors



The Royalston Station Area presents a unique opportunity within the SWLRT Corridor due to City ownership of significant parcels in very close proximity to the station. As well, the site provides good access to jobs (and transit, obviously). Accordingly, we recommend that Royalston plans for new development should include a wide range of housing units at a full-range of price/rent levels.

The City owned parcels noted on the map below as A, B and C should be considered for short to mid-term development of mixed-income apartments. Mid- to long-term potential should be evaluted for an assemblage of parcels idenfiied generally below as area D for a possible redevelpoment area comprising roughly 4 to 6 acres.



SW Community Works Corridor Investment Framework, 2013

Investment in Public Realm:

- Large block sizes and poor east-west connectivity create challenges to accessing the station. The City and County should plan for and seek out opportunities to "introduce a finer grain of streets and block sizes to enhance station area mobility and set up a framework for more compact, transit-oriented development," as noted in the Investment Framework.

- Provide direct pedestrian connection to the Farmers Market

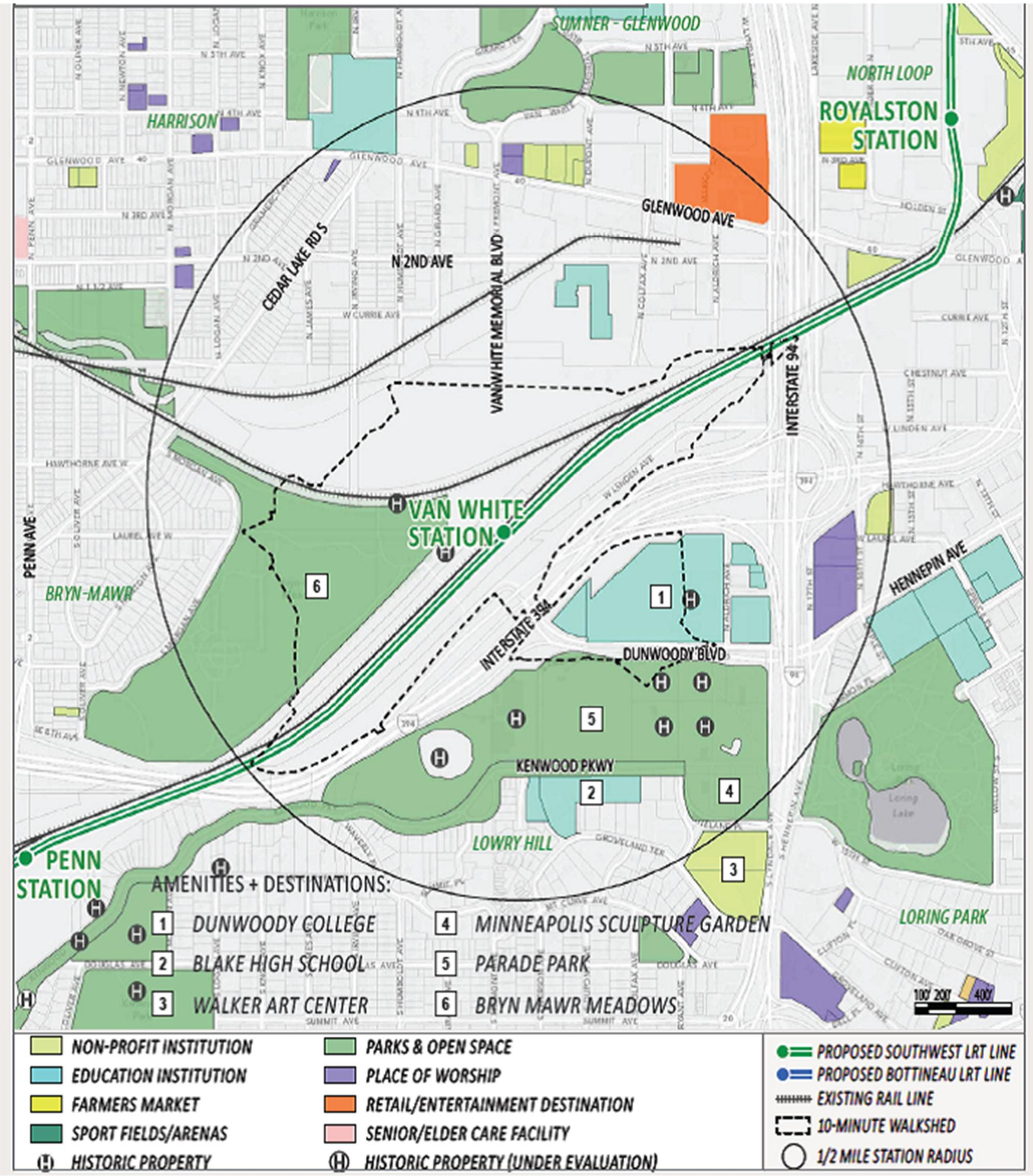
- Improve walkability and pedestrian/bike accessibility and through streetscape improvements

- Investment in way-finding/signage, improved street lighting and introduction of green space

- Generally, the Royalston Station Area will benefit from investment which improves connectivity and the pedestrian experience.

- Public investment as noted above will not only enhance the redevelopment potential, but will also enhance the street environment and connectivity/walkability elements that residents show a strong preference for.

Van White Station Area



SW Community Works Corridor Investment Framework, 2013

Current Station Area Housing Supply:

Van White Station Area (1/2 Mile Radius) Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	**0%-30%**	**30%-60%**	**60%-80%**	**80%-100%**	**100%+**	**Total Units**
Van White						
# of Units	0	189	85	50	442	766
% of Unit Inventory	0%	25%	11%	7%	58%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- Major City land holdings in area, including 30 acres to the north, both west and east of Van White Boulevard, and approximately 19 acres immediately east and west of the planned LRT station, between the LRT line and I-394
- Area is guided for significant mixed use development in accordance with 2007 Bassett Creek Valley Master Plan. Local Ryan Companies is the selected private developer.
- Opportunity to provide a wide range of mixed-income rental and for-sale housing products due to City's land inventory in this area
- Proximity to diverse residential neighborhoods including Bryn Mawr, Harrison, Heritage Park, Lowry Hill, and Kenwood.
- Proximity to public park land and Cedar Lake Trail
- Proximity to educational facilities, including Dunwoody Institute and The Blake School.
- Proximity to Walker Art Center, Minneapolis Sculpture Garden/Conservatory, and Parade Park

Development Challenges:

- Existing street network and limited connectivity. Area is isolated, as I-394 cuts off neighborhood from significant amenities to the south (Dunwoody, Blake School, Walker Art Center, Sculpture Garden)
- Current streetscape and lack of immediate neighborhood retail and restaurants
- Large block sizes and limited roadway network to the north of the station

Shallow block sizes between LRT and I-394. City-owned parcels in this area ripening for development, although residential appeal limited due to proximity/impact of LRT and freeway.

- Contamination of some sites within the area pose an obvious problem, in terms of the level of clean-up required for housing standards, and the associated costs which may in fact be cost prohibitive to new residential development as recommended herein, at least in the short term.

- Market dynamics, limited potential for high-end housing. Potential exists for housing which is affordable to lower income market segments, although public participation in development will likely be required in many cases due to development cost dynamics.

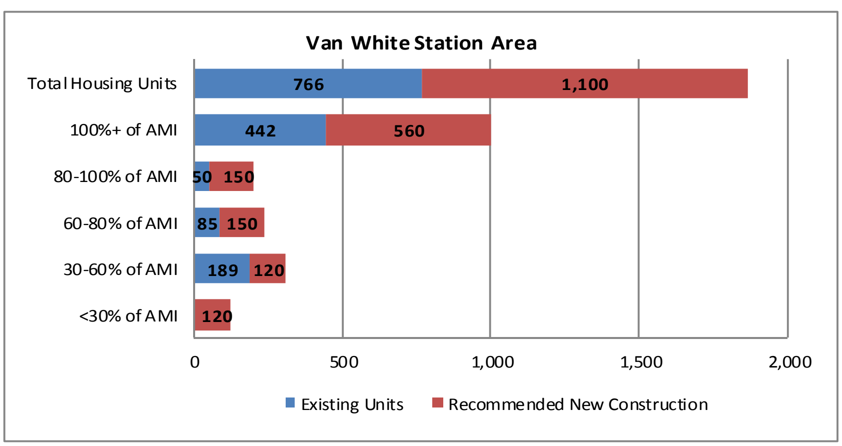
Residential Develpoment Recommendations – Van White Station Area:

Marquette Advisors recommends approximately **1,100 new housing units** near Van White Station over the next 10-15 years, including a mix of multifamily rental and for sale attached and detached housing products as follows:

Van White Station Area -- Recommended Residential Development

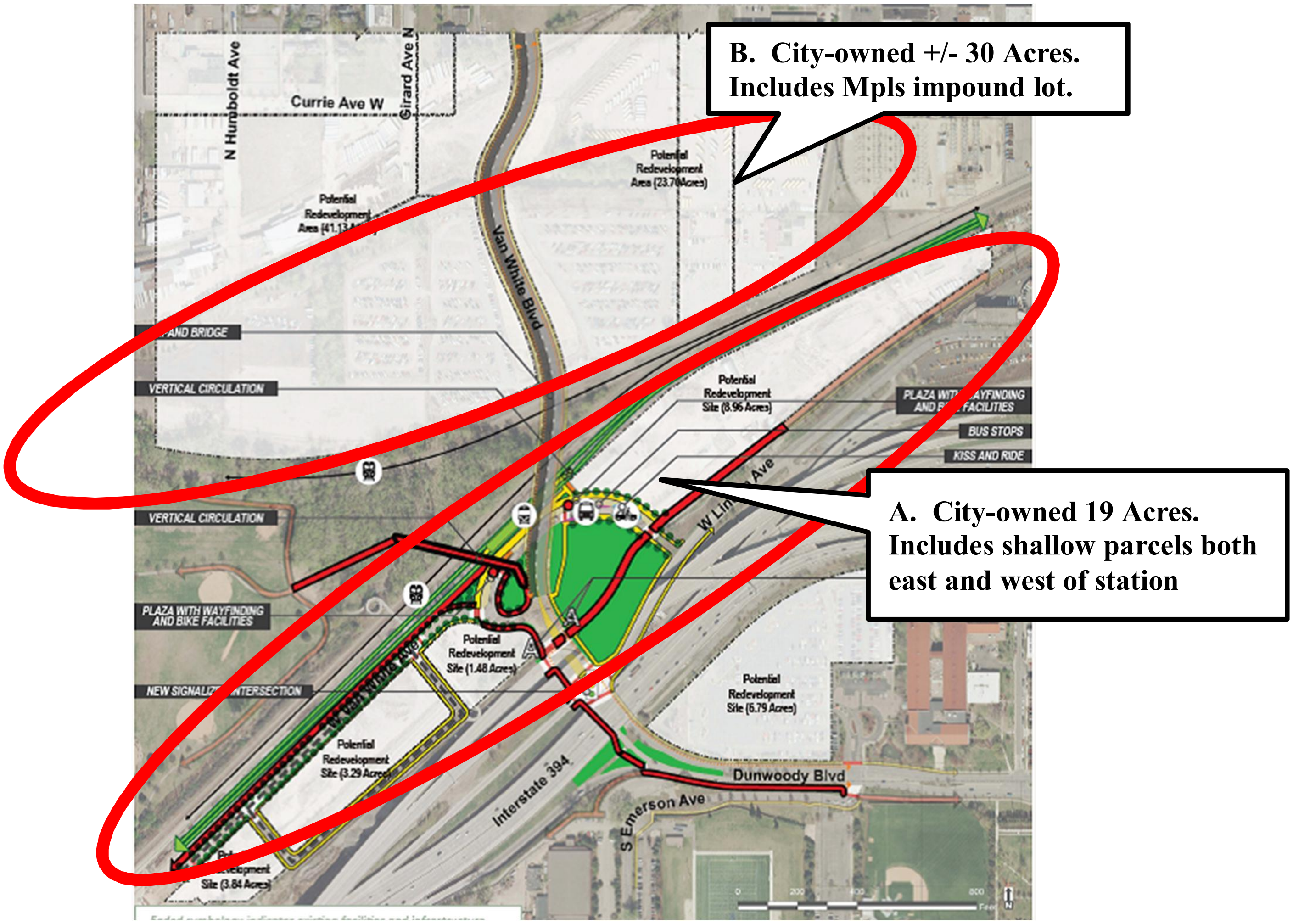
Product Type/Afforability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	60	60	0	**120**	**10.9%**
Rental 30-60% AMI	60	60	0	**120**	**10.9%**
Rental 60-80% AMI	90	60	0	**150**	**13.6%**
Rental 80-100% AMI	90	60	0	**150**	**13.6%**
Rental 100%+ AMI	0	140	120	**260**	**23.6%**
For-Sale (entry level-mid-market)	0	0	300	**300**	**27.3%**
For-Sale (high-end)	0	0	0	**0**	**0.0%**
Total Units	**300**	**380**	**420**	**1,100**	**100.0%**

Source: Marquette Advisors



The areas west and east of the planned station (depicted on the map on the following page as area "A") include City of Minneapolis-owned parcels totaling approximately 18 acres. These sites are generally shallow and bordered by the LRT line on the north and I-394 on the south. We concur with the Investment Framework that these areas are appropriate for multifamily housing, and suggest that a mix of affordable and workforce apartment units be constructed here over the short and mid-term. Market rate apartments are likely to become more viable mid-term in this area as well, as the area develops and the pedestrian and transit orientation continues to improve, and as neighborhood commercial develpoment is added.

The area north of the station (identified as areas "B" on the map on the following page) includes approximately 30 acres owned by the City of Minneapolis. This area includes the Minneapolis impound lot and borders to primarily low-rise industrial properties. Long-term development potential exists within this area, inclusive of City-owned and adjoining properties. Considering the availability of land, and the nature of nearby existing residential neighborhoods, we believe that a mix of rental and for-sale housing products should be considered for this area. This should include a mix of for-sale and rental townhouse product, as well as entry-level priced detached single family housing on very small lots. We recommend the consideration of small single-family clustered housing around common green space, in line with *"pocket neighborhood"* design principles (see www.pocket-neighborhoods.net). We expect that reasonably priced and well designed cottage-style homes will be attractive to a mix of young singles, couples and also older buyers, including empty nesters. This will include Downtown workers along with faculty and staff of nearby educational institutions, for example. A diverse unit mix should be considered with small, but very efficient floorplans designed for singles, couples and parents with one or two young children. Shared structured parking could also be considered.



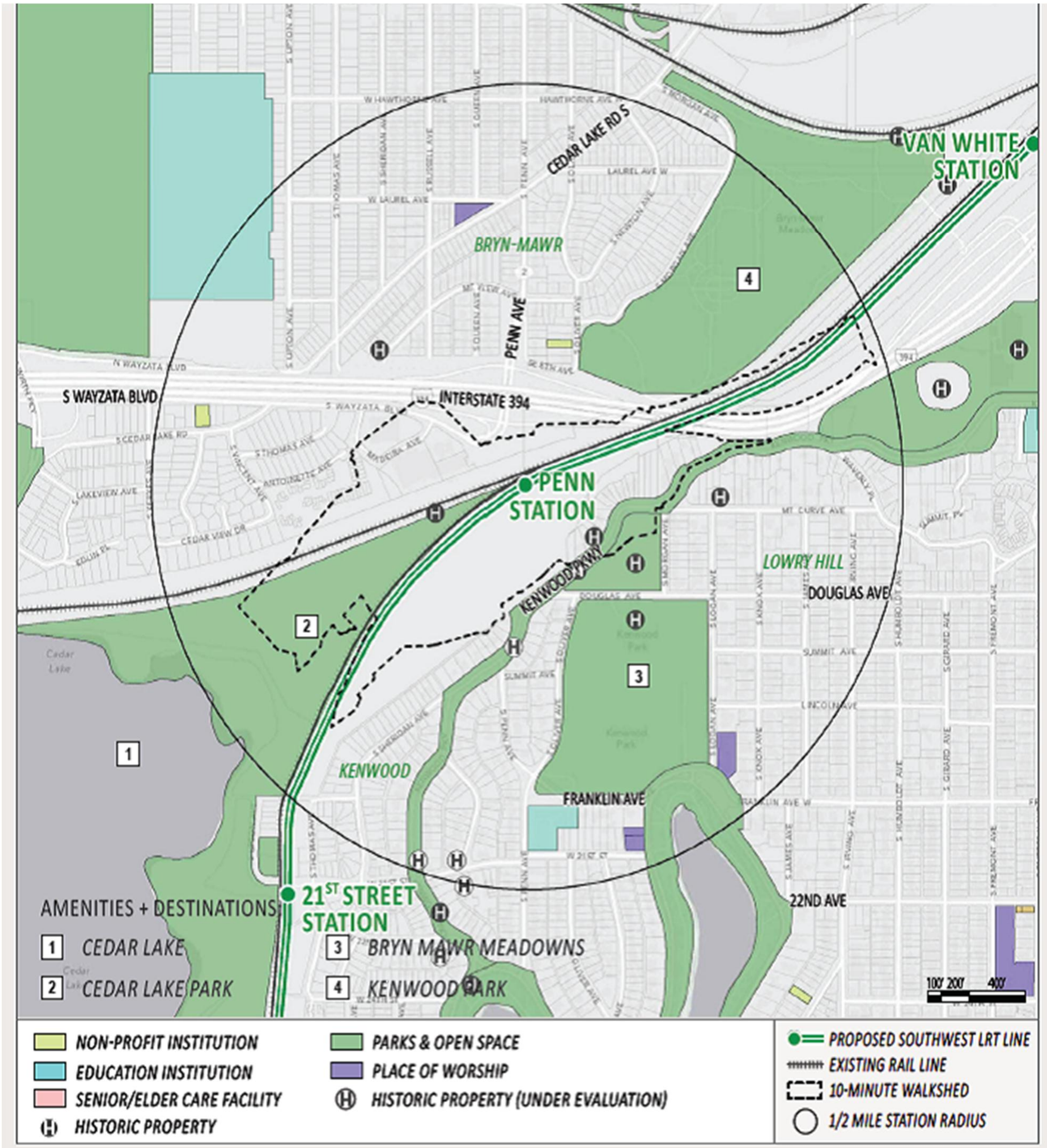
SW Community Works Corridor Investment Framework, 2013

Investment in Public Realm:

- We concur with the Investment Framework and Bassett Creek Valley plans which call for a mix of residential along with significant office development and also neighborhood-oriented retail and restaurants, which we believe will enhance the appeal of the immediate neighborhood as a place of residence.

- Improve connectivity to the south of I-394, with investment in pedestrian and bike connections and improvements to the overall pedestrian experience and safety.

Penn Station Area



SW Community Works Corridor Investment Framework, 2013

Current Station Area Housing Supply:

Penn Station Area (1/2 Mile Radius) Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	0%-30%	30%-60%	60%-80%	80%-100%	100%+	Total Units
Penn						
# of Units	0	119	95	140	768	1,122
% of Unit Inventory	0%	11%	8%	12%	68%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- Much of the land use in the Penn station area is comprised of quality single-family residential development, including the Bryn Mawr neighborhood to the north and west of the station. The Kenwood and Lowry Hill neighborhoods lie to the east and south of the station.
- Good connectivity to Downtown Minneapolis and the west metro suburbs via LRT and auto due to I-394 accessibility.
- Bike access is also good, with the proposed station platform situated in the valley floor near the place where the Cedar Lake and Kenilworth Trails merge.

Development Challenges:

- Lack of connectivity to supporting commercial development.
- Absence of walk-to amenities, shops and restaurants.
- Limited supply of developable land

Residential Develpoment Recommendations – Penn Station Area:

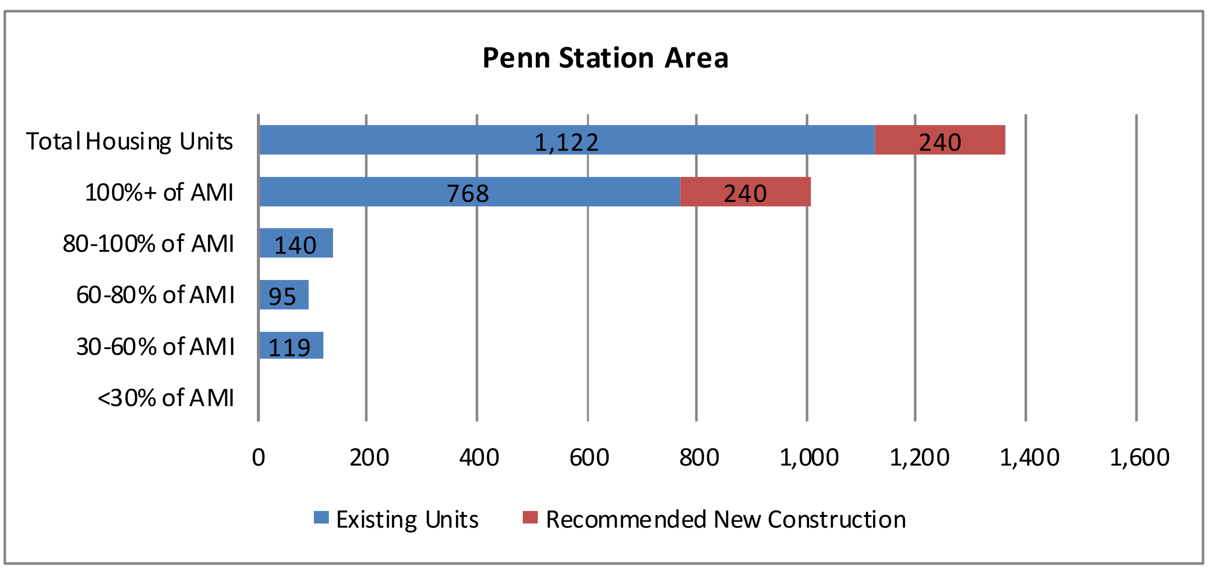
There is limited potential for residential development near Penn Station, particularly given the limited availability of development sites.

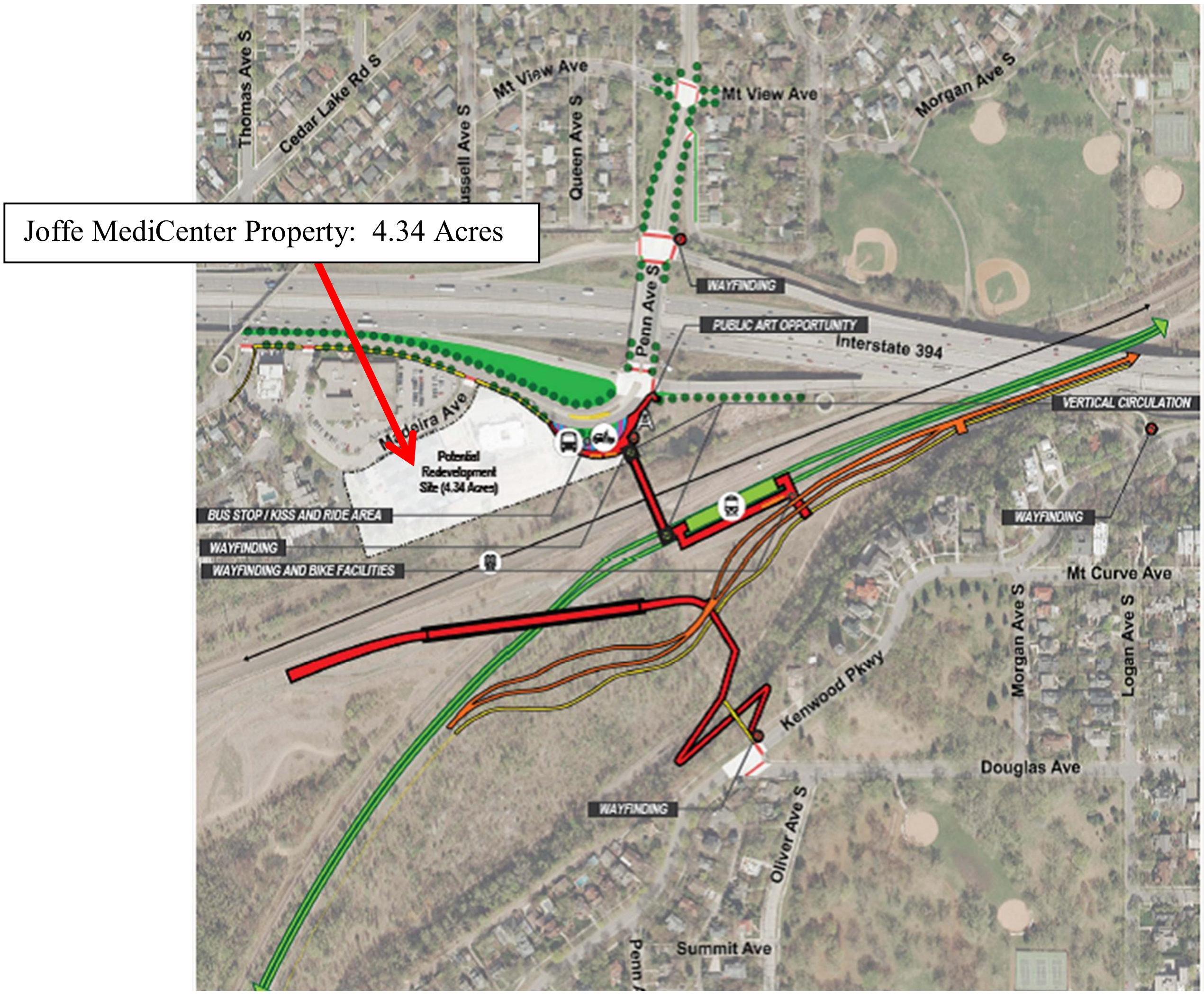
The Investment Framework identifies the 4.3 acre Joffe MediCenter property as a site for future mixed use development with residential and a small amount of commercial space. A new development with **200+ units** could be viable here over the next 3-5 years, incroporating rental housing along with street-level commercial. However, the site is privately owned and brokering a deal can be challenging with a successful business on site.

Nonetheless, considering the location and attributes of the station area we believe that there is potential for a single market rate apartment development at this location in the mid-term, perhaps inclusive of the Joffe site or another property in the area, although any development will require a change in land use and is also dependent on a private land owner making the decision to do so.

Penn Station Area -- Recommended Residential Development

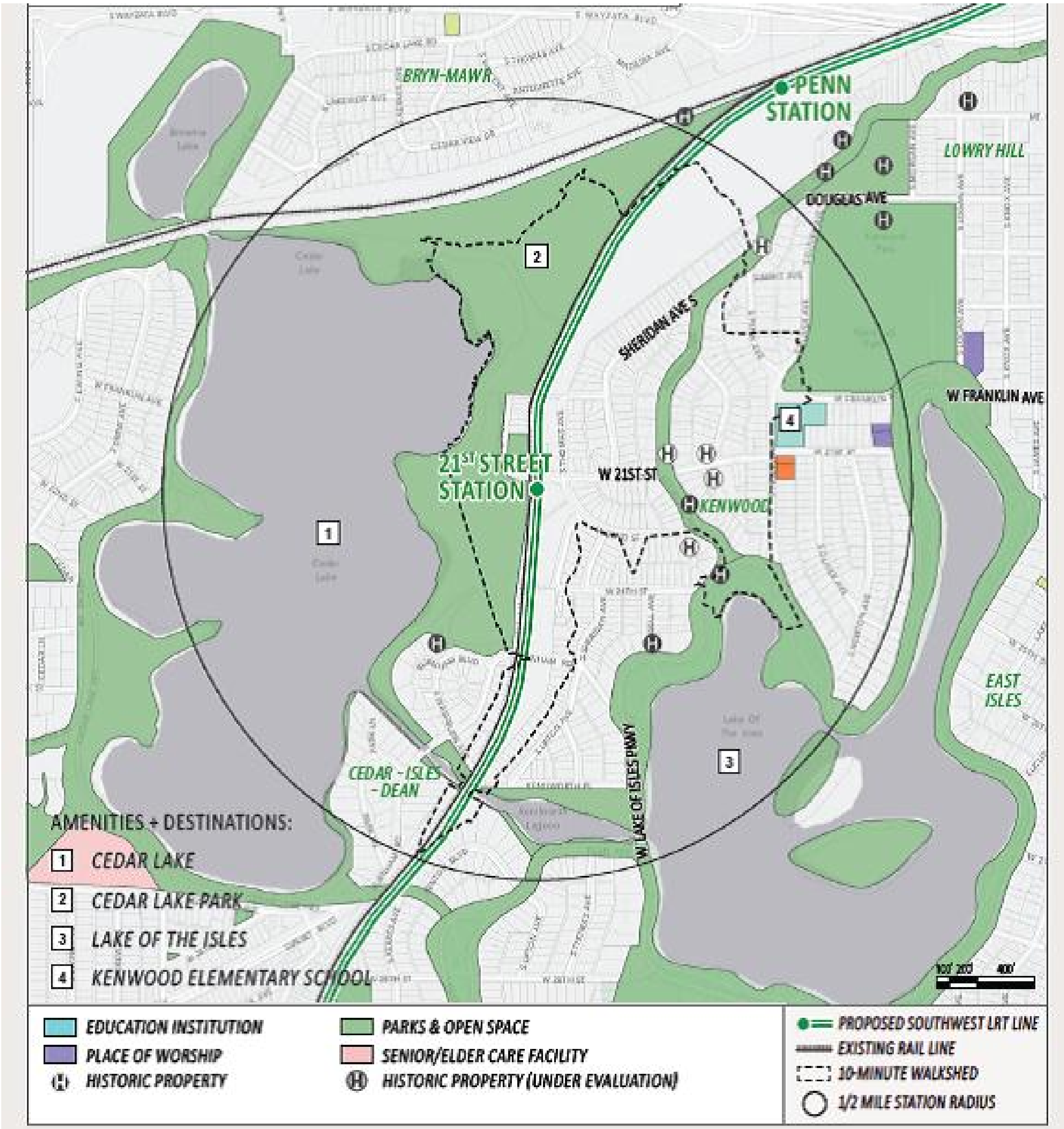
Product Type/Afforability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	0	0	0	**0**	**0.0%**
Rental 30-60% AMI	0	0	0	**0**	**0.0%**
Rental 60-80% AMI	0	0	0	**0**	**0.0%**
Rental 80-100% AMI	0	0	0	**0**	**0.0%**
Rental 100%+ AMI	240	0	0	**240**	**100.0%**
For-Sale (entry level)	0	0	0	**0**	**0.0%**
For-Sale (high-end)	0	0	0	**0**	**0.0%**
Total Units	**240**	**0**	**0**	**240**	**100.0%**
Source: Marquette Advisors					





SW Community Works Corridor Investment Framework, 2013

21st Street Station Area



SW Community Works Corridor Investment Framework, 2013

Current Housing Supply:

21st Street Station Area (1/2 Mile Radius) Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	**0%-30%**	**30%-60%**	**60%-80%**	**80%-100%**	**100%+**	**Total Units**
21st						
# of Units	0	0	0	0	612	612
% of Unit Inventory	0%	0%	0%	0%	100%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- The station borders the Kenwood neighborhood, which consists of mainly single-family housing. The area features very strong demographics, with an affluent resident base and some of the region's highest valued single family homes.

- Excellent connectivity to parks, lakes (Isles, Calhoun, Cedar and Harriet) and bike/pedestrian trail system, as well as Kenwood Park, Kenwood Community Center and Kenwood Elementary School.

- High level of "walkability" and proximity to popular shops and restaurants within five to ten minutes.

Development Challenges:

- Limited supply of developable land.

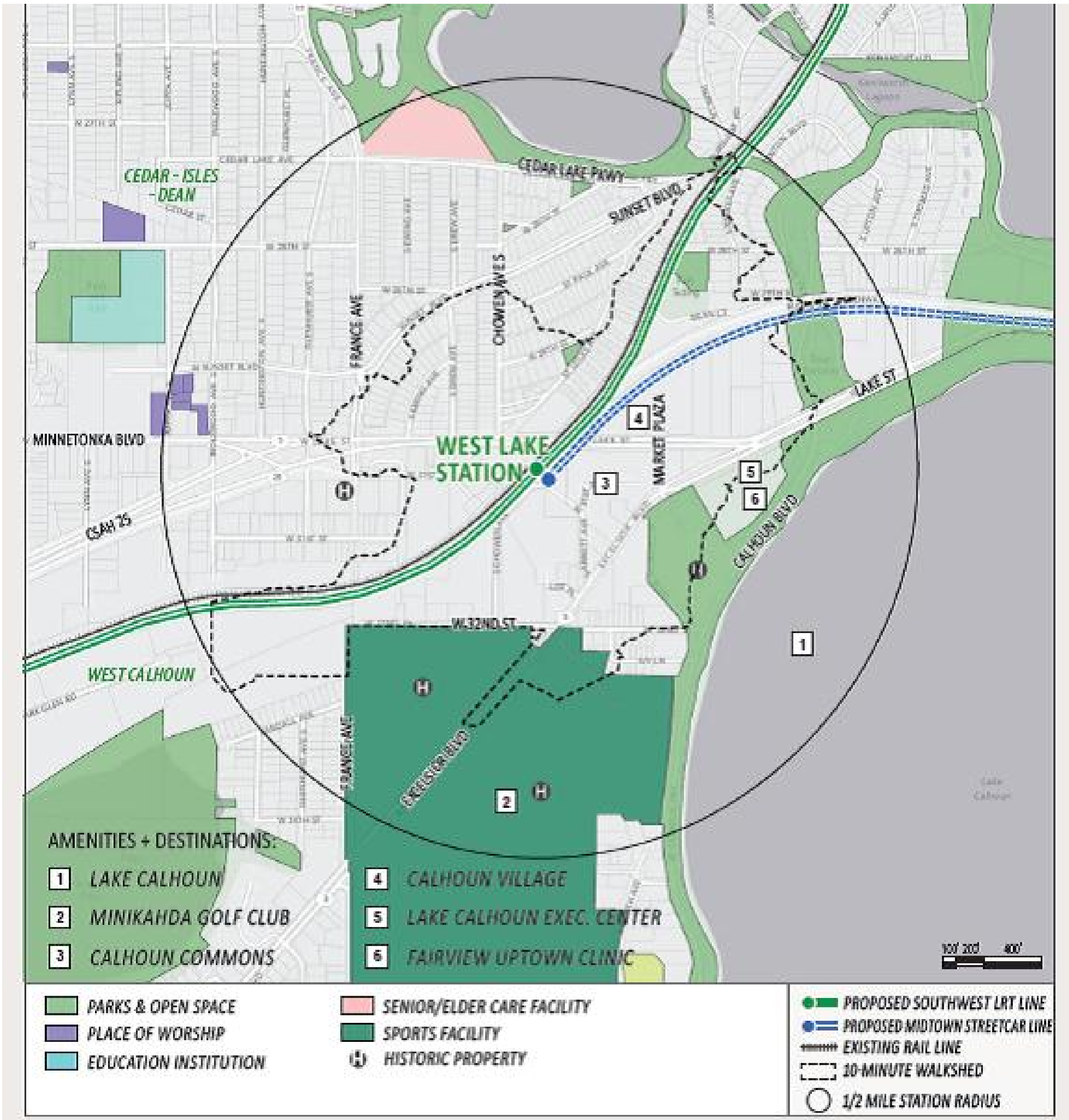
Residential Develpoment Potential – 21st St. Station Area:

The Investment Framework does not identify any of the 21st Street Station Area for future residential development, as much of the land area here is privately held, with the balance being owned by Hennepin County Regional Rail Authority to be used for Station Area improvements. The remaining land west of LRT and the Kenilworth Trail is public park land.

Following construction of the station, there may in fact be residual public land which, depending on the choice and objectives of the jurisdictions, could be considered for future residential development. We expect that there would be strong market support here for high-end row homes or detached housing products in small pocket neighborhood design format. If residential development occurs at the station, we suggest that homes should be of very high quality and would achieve sale prices in excess of $700,000. Housing here would appeal to a variety of buyers, such as families and affluent singles and couples, including empty nesters. A variety of development and ownership structures could be considered, including sale of land to a private developer(s), or structuring of a ground lease(s) for the land underlying new homes to be constructed. Proceeds from the sale or lease of land for new development at 21st Street Station could potentially be used to support construction of affordable and workforce housing elsewhere in the corridor.

SW Community Works Corridor Investment Framework, 2013

West Lake Station Area



SW Community Works Corridor Investment Framework, 2013

Current Housing Supply:

West Lake Station Area (1/2 Mile Radius)						
Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	0%-30%	30%-60%	60%-80%	80%-100%	100%+	Total Units
West Lake						
# of Units	150	997	373	398	1,360	3,278
% of Unit Inventory	5%	30%	11%	12%	41%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- Proximity to Lake Calhoun, Midtown Greenway, and Grand Rounds Trail System
- Vibrant mixed use neighborhood environment
- Strong connectivity to commercial development, shops/restaurants and high walkability
- Availability of small publicly-owned parcels, presenting the opportunity for planned redevelopment
- Strong demand for multifamily housing at this location, at all price/rent levels

Development Challenges:

- The area is fully developed with commercial space and related parking areas (primarily auto-oriented commercial centers). Redevelopment will be challenging due to the current land use, private and fractured ownership structure, and high land values.
- Commercial nature of this area makes change in use to future residential very challenging. Example: Calhoun Commons and Calhoun Village commercial centers – successfully operating as commercial use with extensive and diverse tenant mix means future redevelopment to alternate use inclusive of residential would be very complicated and costly, and thus challenging.
- This is a high traffic area, which is important to the success of commercial development here. However, the pedestrian environment in many portions of the Station Area could use strengthening in order to improve walkability and pedestrian/resident connectivity to goods/services, public amenities in the area such as lakes/trails, and LRT.

Residential Develpoment Potential – West Lake Station Area:

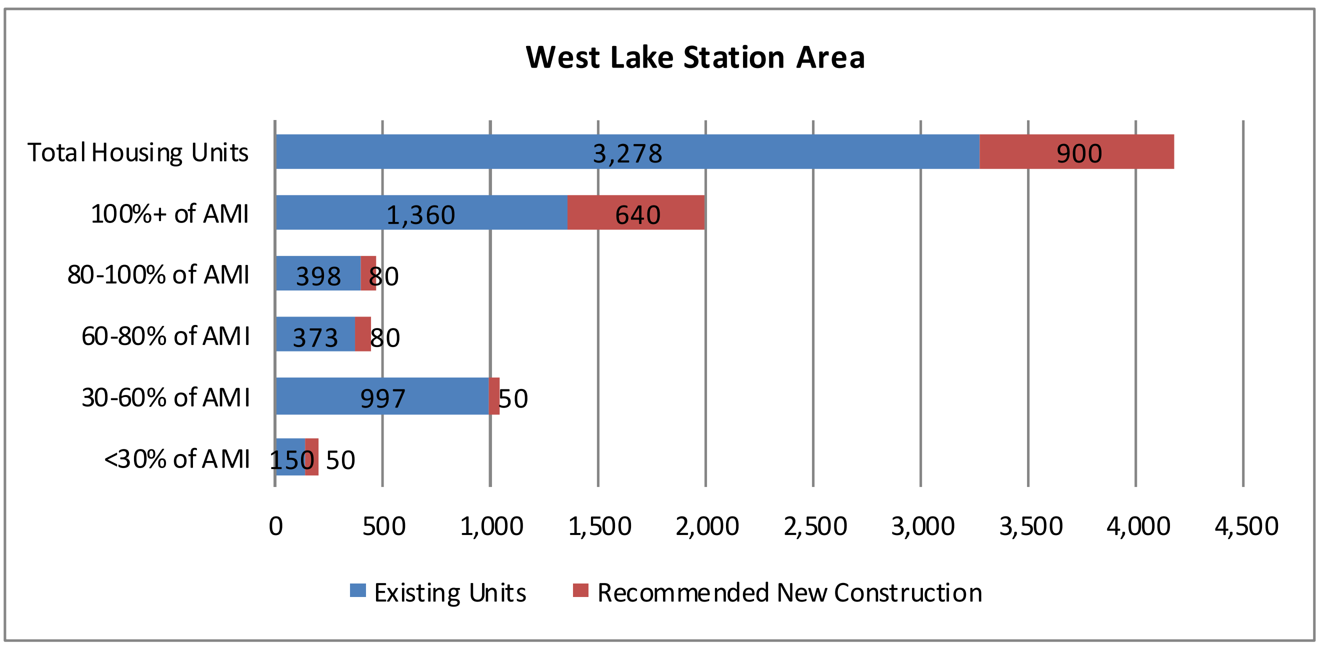
Marquette Advisors estimates that approximately **500 units** of multifamily housing are viable near West Lake Station over the short- to mid-term (+/- 3-10 yrs). As well, we estimate that there is long-term potential for another **400+ units**. We recommend a mix of housing products as follows:

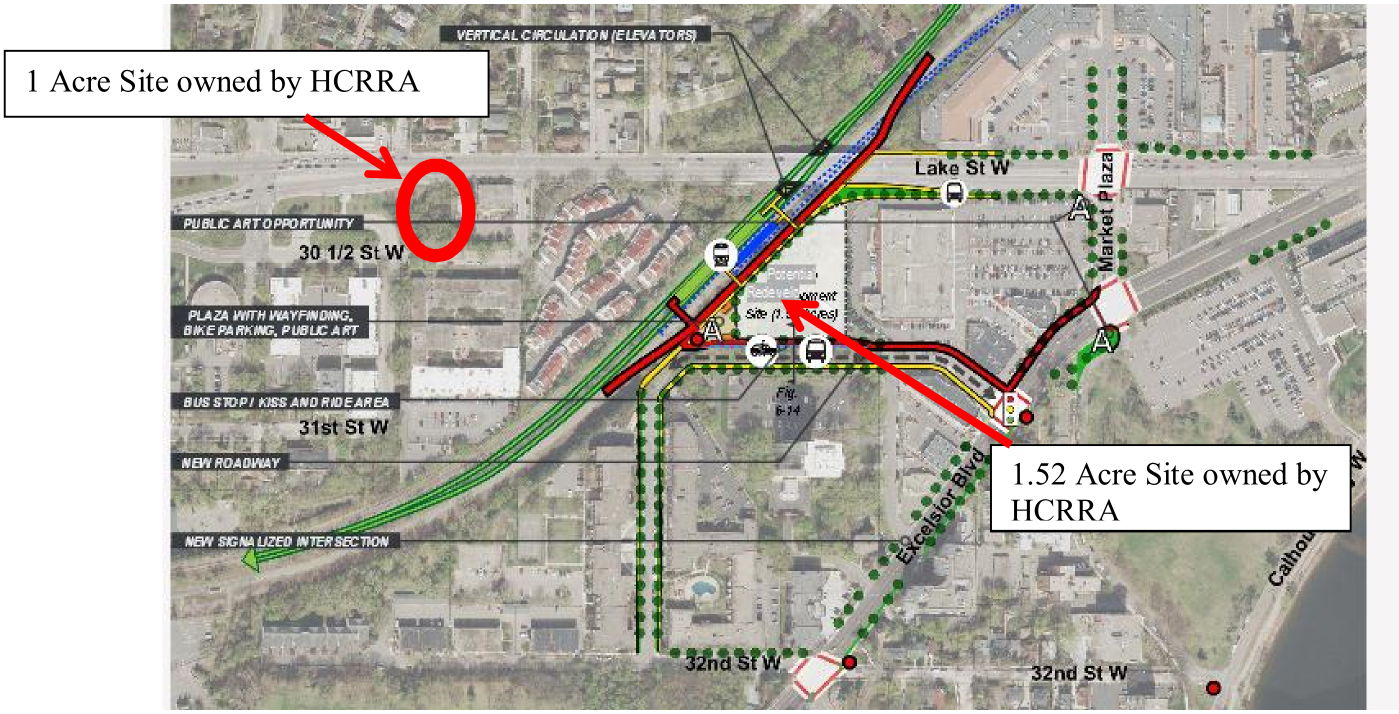
West Lake Station Area – Recommended Residential Development

Product Type/Afforability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	50	0	0	50	5.6%
Rental 30-60% AMI	50	0	0	50	5.6%
Rental 60-80% AMI	0	80	0	80	8.9%
Rental 80-100% AMI	0	80	0	80	8.9%
Rental 100%+ AMI	240	0	200	440	48.9%
For-Sale (entry level)	0	0	0	0	0.0%
For-Sale (high-end)	0	0	200	200	22.2%
Total Units	**340**	**160**	**400**	**900**	**100.0%**

* Note short-term 340 units includes 240 market rate apartments currently in development in the area.

Source: Marquette Advisors





SW Community Works Corridor Investment Framework, 2013

Approximately 240 units of upscale rental apartments are currently in development within ½ mile east of the proposed West Lake Station, in two separate developments by Trammell Crow and Greystar. We expect that both develpoments will be completed in the 2016-2017 timeframe, prior to completion of LRT.

The Hennepin County Regional Rail Authority (HCRRA) owns an approximately 1.0-acre site fronting Lake Street just west of Drew Avenue, which could potentially be augmented with an adjacent 0.3-acre privately owned parcel. This area presents an opportunity for short- to mid-term development. We suggest the development of approximately 100 units of rental housing at this location, inclusive of units affordable at <60% of AMI. This will require gap financing to support affordability, due to land and construction costs. We note that public investment to new housing units affordable at <60% of AMI at the West Lake Station would not generate the highest return on public sector financial contribution, as those resources could support larger numbers of units eleswhere were land costs are not as significant and public support can be spread over a greater number of units.

HCRRA also owns a 1.5 acre site south of LRT, north of Abbott and west of the Calhoun Commons commercial center. We note that Investment Framework calls for long-term redevelopment of this site along with Calhoun Commons; however, we do not believe that this change in use/development will occur given the success of the privately-owned commercial center in its current use. Still, the 1.5-acre site should be planned for a project with approxiamtely 160 mixed-income or market rate apartments along with a small amount of commercial develpoment.

Mixed-use redevelopment over the long term should also be evaluated, with added density in the form of 400+ units of rental apartmetns and for-sale attached housing, possibly incorporating existing commercial centers and related surface parking areas. This redevelpoment will be challenging, expensive, and will require creative public-private partnerships.

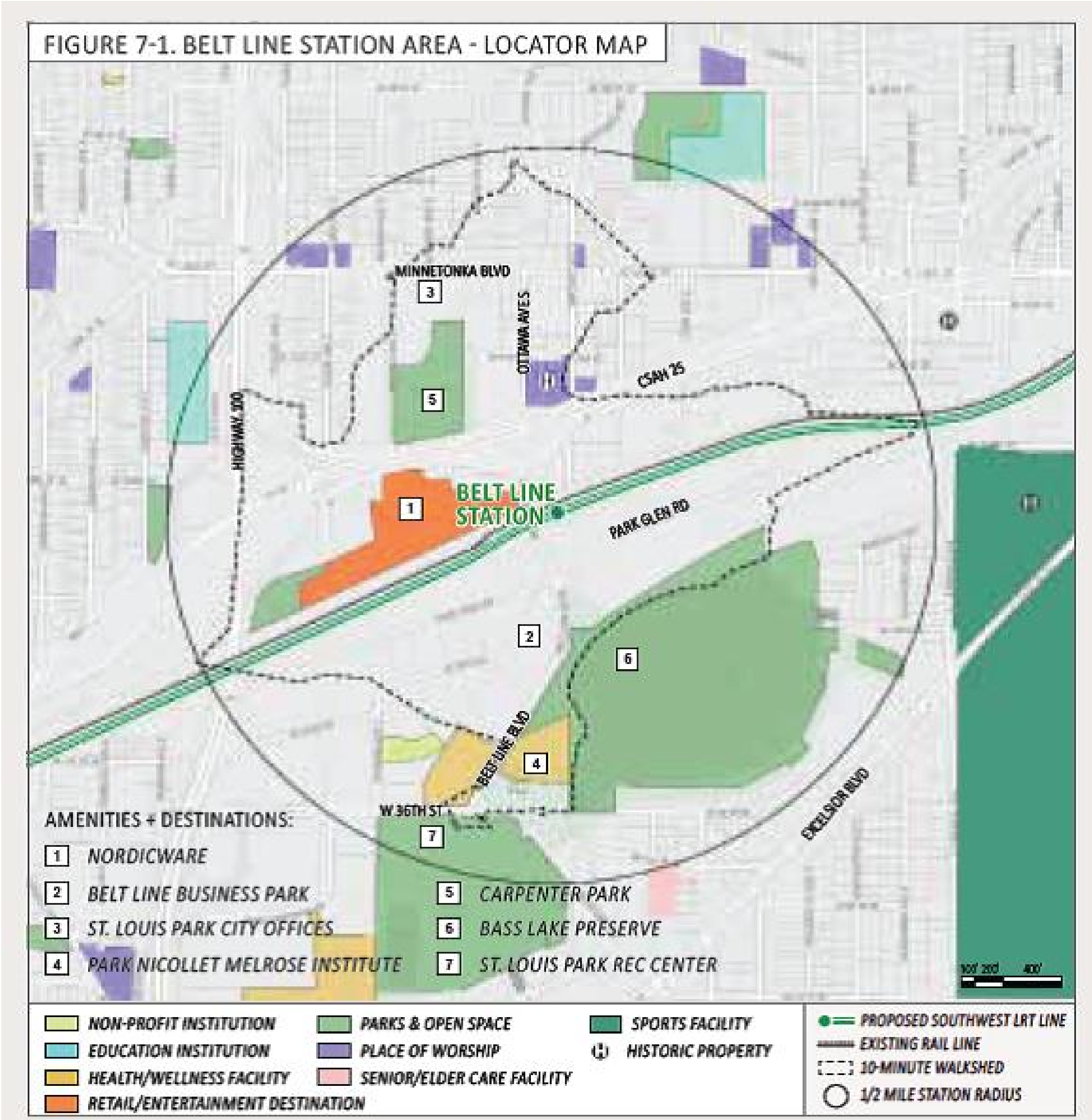
Investment in Public Realm:

- Pedestrian environment and access to the Station can and should be improved. Presently, the pedestrian connection from both potential development sites to the Station area is unpleasant and at times unsafe.

- The Investment Framework recommends, and we concur, that a public plaza should be constructed immediately east of the platform. This area will act as a gathering and receiving point for persons accessing the Station on foot or by bike. It could also be used for formal events such as exhibits, entertainment and perhaps a small farmers market.

- Improve pedestrian and bike connection to Calhoun Parkway and Lake Calhoun to the south, as well as to Calhoun Village located north of Lake Street.

Beltline Station Area



SW Community Works Corridor Investment Framework, 2013

Current Housing Supply:

Beltline Station Area (1/2 Mile Radius) Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	**0%-30%**	**30%-60%**	**60%-80%**	**80%-100%**	**100%+**	**Total Units**
Beltline						
# of Units	181	1,021	594	465	492	2,753
% of Unit Inventory	7%	37%	22%	17%	18%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- More than 2,700 jobs in station area. Major employment centers include Nordic Ware, St. Louis Park City Hall, Park Nicollet Melrose Institute, and the Beltline Business Park.
- Existing housing stock features more than 2,700 units, with nearly 45% of those units affordable to households earning <60% of AMI.
- Nearby trails, parks and recreational facilities including Cedar Lake Trail, Bass Lake Park Reserve and the St. Louis Park Rec Center.
- Grade-separated bike/pedestrian bridge crossing CSAH 25.
- Availability of publicly-owned parcels both south and north of the planned station

Development Challenges:

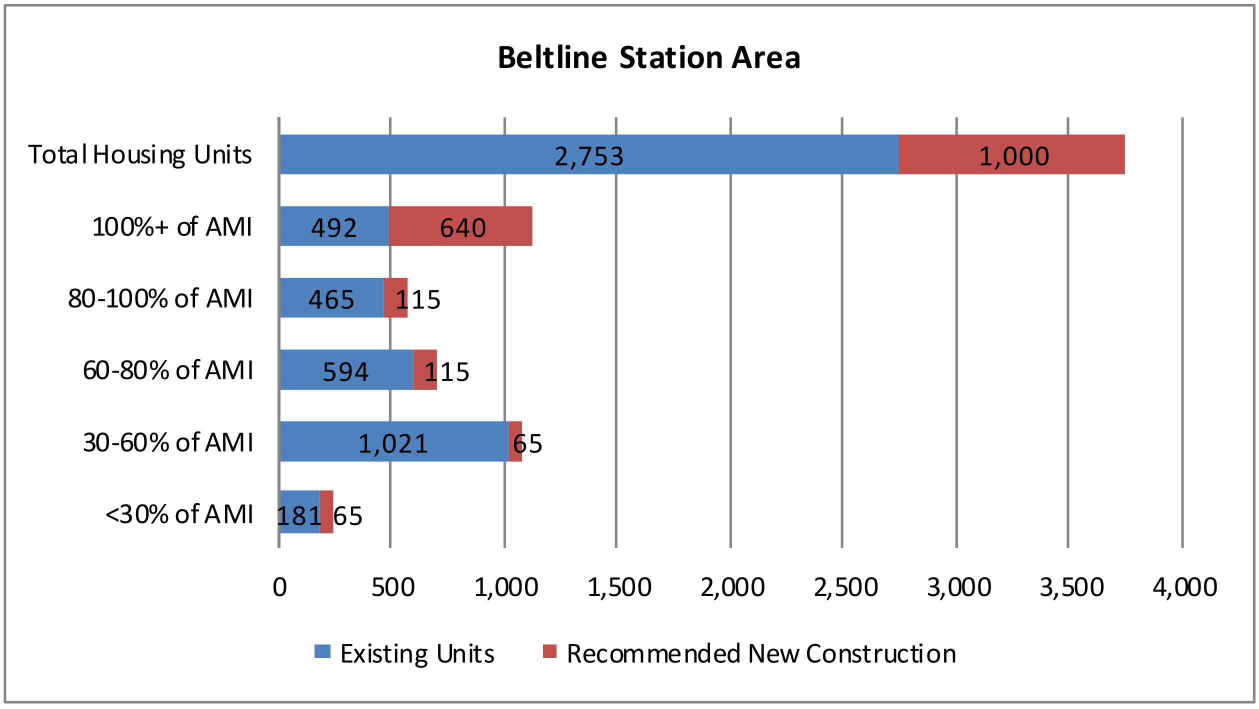
- Limited north-south pedestrian connectivity (other than pedestrian bridge over CSAH 25) and generally non-pedestrian friendly environment north of the platform
- Large block sizes and industrial character of much of this area, paired with private and fractured ownership limits redevelopment potential.
- Successfully operating industrial properties, both single-user and multi-tenant buildings, in the area and private ownership structure makes redevelopment in the short-term unlikely.

Residential Develpoment Recommendations – Beltline Station Area:

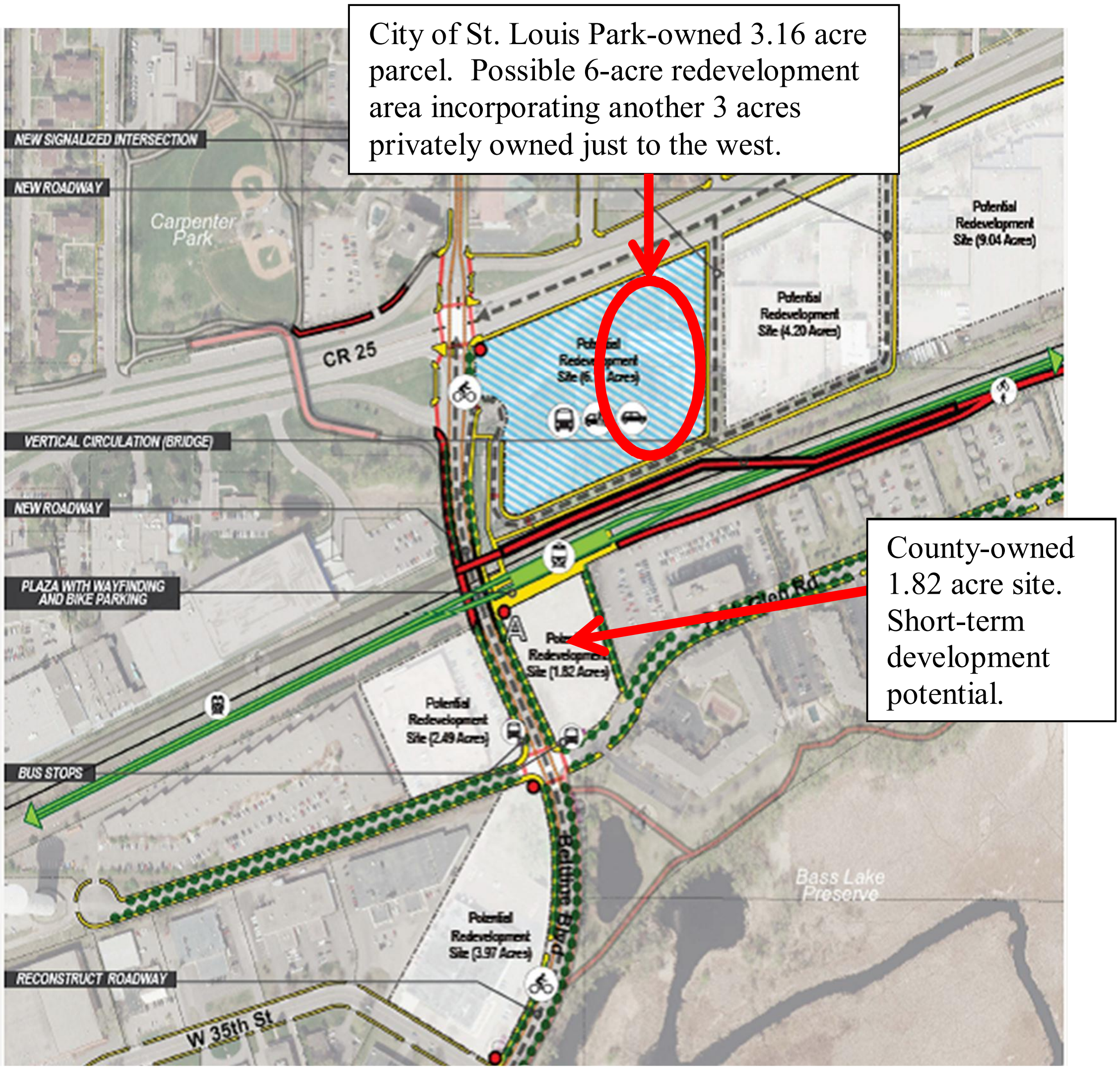
Marquette Advisors estimates that approximately **1,000 units** of new multifamily housing are viable near Beltline Station over the next 10 to 15 years. We recommend a mix of housing products as follows:

Beltline Station Area -- Recommended Residential Development

Product Type/Afforability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	35	30	0	65	6.5%
Rental 30-60% AMI	35	30	0	65	6.5%
Rental 60-80% AMI	35	30	50	115	11.5%
Rental 80-100% AMI	35	30	50	115	11.5%
Rental 100%+ AMI	0	240	240	480	48.0%
For-Sale (entry-level to mid market)	0	80	80	160	16.0%
For-Sale (mid-market to high-end)	0	0	0	0	0.0%
Total Units	**140**	**440**	**420**	**1,000**	**100.0%**
Source: Marquette Advisors					



Hennepin County owns a 1.82 acre site immediately south of the planned platform area, east of Beltline Boulevard. This property presents an opportunity in the short-term for construction of affordable and/or workforce rental apartments, potentially along with a small amount of commercial space.



SW Community Works Corridor Investment Framework, 2013

The City of St. Louis Park owns a 3.16-acre parcel north of the LRT line and east of Beltline Boulevard. The property at the immediate souteast corner of Beltline and CR-25, however, is privately owned. A mid-term redevelopment inocrporating a total area of about 6 acres should be pursued. Affordable, workforce and market rate rental housing should be planned for this area, perhaps in a mixed-use configuration incorporating park & ride and neighborhood commercial space.

A 3.97-acre area south of the Station on the west side of Beltline Boulevard (se map above) should also be considered for redevelpment in the mid- to long-term. The property is directly across from the Bass Lake Park reserve and should support a development with market rate multifamily units, most likely apartments, although condos may be viable in the mid- to long-term as well. However, this parcel is privately held and presently features a good quality industrial use, so change in use may become more viable in the mid- to long-term.

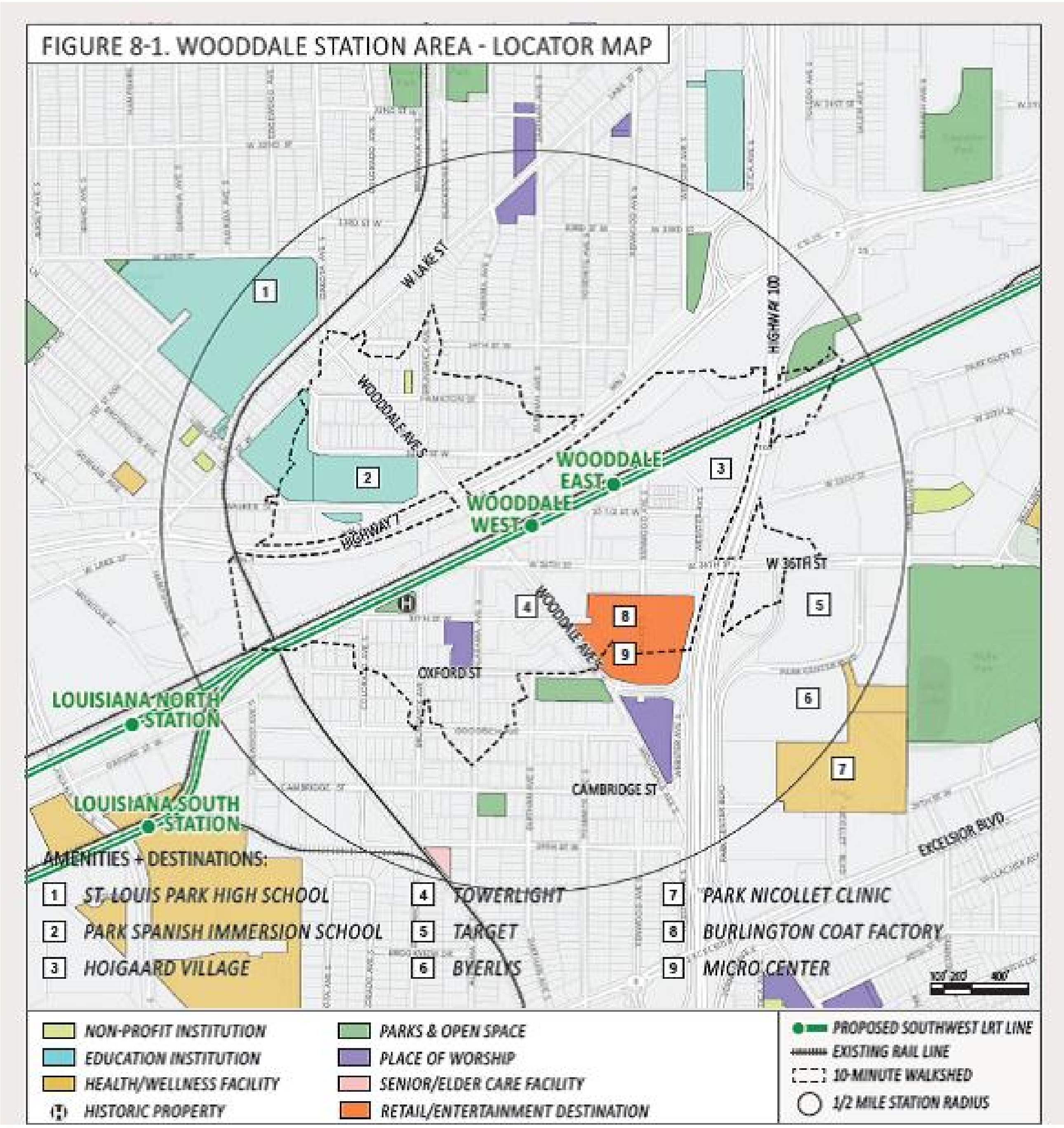
A long-term redevelopment may become possible incorporating an assemblage of several privately owned, underutilized parcels east of Beltline Boulevard on the south side of CSAH 25. This could yield a significant redevelopment area of 13+ acres. However, considering the current status with several private owners, this will be a complicated and long-term assemblage and redevelopment effort. Mixed-income housing could be successful here long-term, although we note that this area presently features poor connectivity to the planned LRT platform. Connectivity would/could be improved with redevelopment.

Within ½ of the Beltline Station site there exists 1,200 units of housing which is affordable to households earning less than 60% of AMI, including 770 units which are non-contract based and privately owned. Planning and focus of resources is reqiured that will result in the preservation of these units at affordable levels and improvement in the maintenance and quality of these aging properties.

Investment in Public Realm:

- Improve pedestrian connectivity to the platform area, particularly from the north.
- Provide streetscape improvements and added connections to Bass Lake Park Reserve and the St. Louis Park Rec Center.

Wooddale Station Area



SW Community Works Corridor Investment Framework, 2013

Current Housing Supply:

Wooddale Station Area (1/2 Mile Radius) Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	**0%-30%**	**30%-60%**	**60%-80%**	**80%-100%**	**100%+**	**Total Units**
Wooddale						
# of Units	0	437	236	238	516	1,427
% of Unit Inventory	0%	31%	17%	17%	36%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- Availability of small city and county-owned parcels immediately adjacent to Station presents short-term development opportunity.
- Already developing as transit supporting neighborhood with 732 recently developed housing units ranging from medium to high-density products, both rental and owned. This includes Hoigaard Village (420 units) along north side of 36th St. west of Hwy 100, as well as Tower Light senior housing (115 units) and Village in the Park, with 197 ownership condos and townhomes along Wooddale.
- Supply of more than 400 units of housing affordable to households earning 30%-60% of AMI, representing nearly 30% of the station area's current housing stock.
- Proximity to Cedar Lake Trail
- Proximity to Hwy 7 and Hwy 100 creates vehicular access and convenience
- Short driving distance to schools (St. Louis Park High School and Park Spanish Emersion School) north of Hwy 7.
- Short driving distance to shopping, east of Hwy 100.

Development Challenges:

- Poor pedestrian connectivity to schools north of Hwy 7 and shopping east of Hwy 100.
- Shallow depth of parcels north of SWLRT and south of Hwy 7 limits redevelopment potential and attractiveness for some housing products
- Industrial character of some land use immediately east of Wooddale along 36th. Fractured ownership in this area makes redevelopment a complex, expensive and long-term prospect.

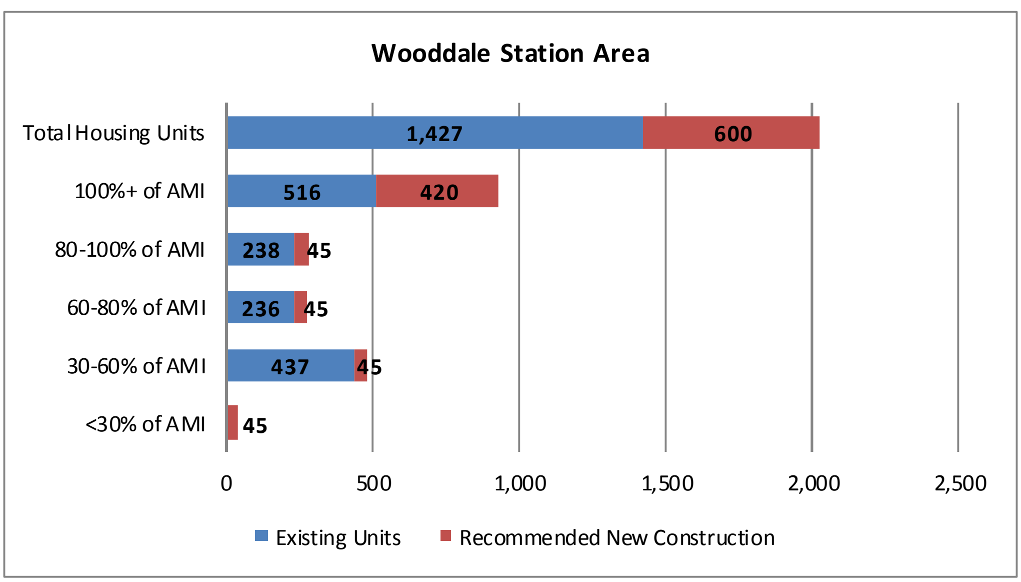
- Slow absorption of rental apartment product within Hoigaard Village. Conditions are improving, however. This recent trend relates to considerable recent supply additions and competition from developments in nearby neighborhood locations, both in St. Louis Park and Minneapolis.

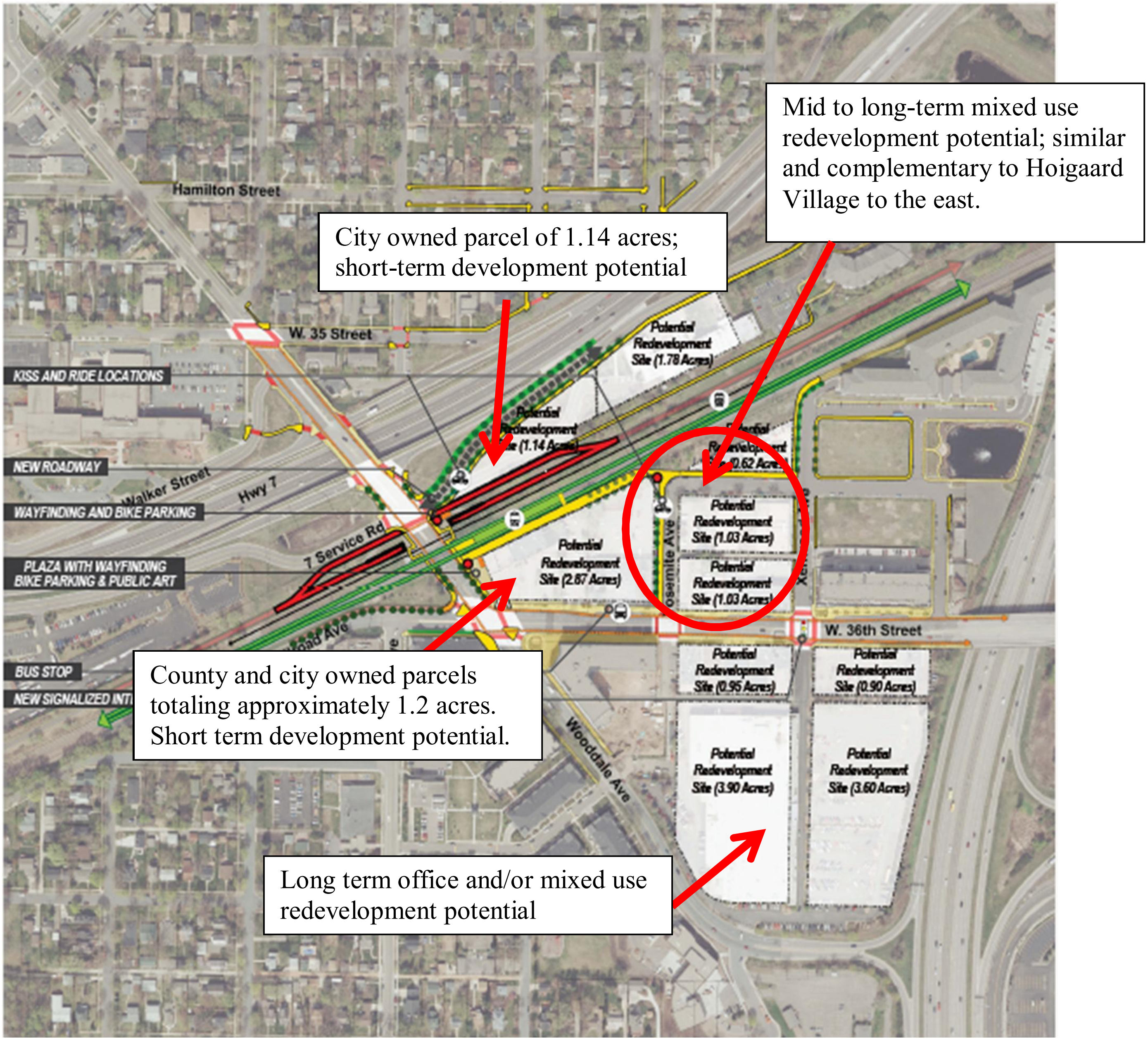
Residential Develpoment Recommendations – Wooddale Station Area:

Marquette Advisors estimates that approximately **600 new units** of multifamily housing are viable near Wooddale Station over the next 10 to 15 years. We recommend a mix of housing products as follows:

Wooddale Station Area -- Recommended Residential Development

Product Type/Afforability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct
Rental <30% of AMI	30	15	0	45	7.5%
Rental 30-60% AMI	30	15	0	45	7.5%
Rental 60-80% AMI	30	15	0	45	7.5%
Rental 80-100% AMI	30	15	0	45	7.5%
Rental 100%+ AMI	0	180	160	340	56.7%
For-Sale (entry-level to mid market)	0	0	80	80	13.3%
For-Sale (mid-market to high-end)	0	0	0	0	0.0%
Total Units	**120**	**240**	**240**	**600**	**100.0%**
Source: Marquette Advisors					





SW Community Works Corridor Investment Framework, 2013

City and county-owned parcels immediately south of the station and east of Wooddale comprise approximtely 1.2 acres and present a short-term development opportunity. This area could be expanded to approxiamtely 2.87 acres by adding an adjacent parcel to the east along 36^{th}. This property is currently in an industrial use and valued at approximately $1.4 million according to Hennepin County assessor records. This area could support a short-term development with 100+ apartments affordable at 60-100% of AMI on the 1.2 acre parcel, or expanded to 300+ units with mixed income aparments over a 4-5 year timeframe if the added parcel is included.

Another short-term development opportunity exists incorporating the small 1.14 acre HCRRA-owned parcel just north of the LRT line on the south side of Hwy 7. An apartment development featuring around 100 to 150 units (affordable or mixed-income) could be successful here. The size and location of this parcel between Hwy 7 and SWLRT limits its appeal for more upscale market rate housing due to noise and connectivity issues.

We expect that over the long-term, the industrial properties north of 36th between Yosemite and Xenwood will be redeveloped to mixed-use, incorporating a mix of rental apartments, townhomes and for-sale condominium residential products similar to those recently constructed within Hoigaard Village. Neighborhood commercial uses should be considered as part of future rdevelpoment along 36th. However, this will require change in use and assembly of several small parcels held by many individual owners.

Long-term potential exists for the Burlington Coat Factory/Microcenter site of approximtely 8 acres to the south on Wooddale Avenue, west of Hwy 100. Three parcels to the north fronting 36th St. total approximtely 0.95 acre and should also be incorporated in this redevelpoment program. However, all of these properties are privately held. Redevelopment will be expensive and complex. Current market value of the parcels is approximtely $10 million. TSAAP planning documents suggest that corporate office develpoment be considered for some or all of this area over time, which we believe would enhance the appeal of the Station Area from a residential standpoint as well. Some amount of housing product could be considered here also over the long term when/if redevelpoment occurs.

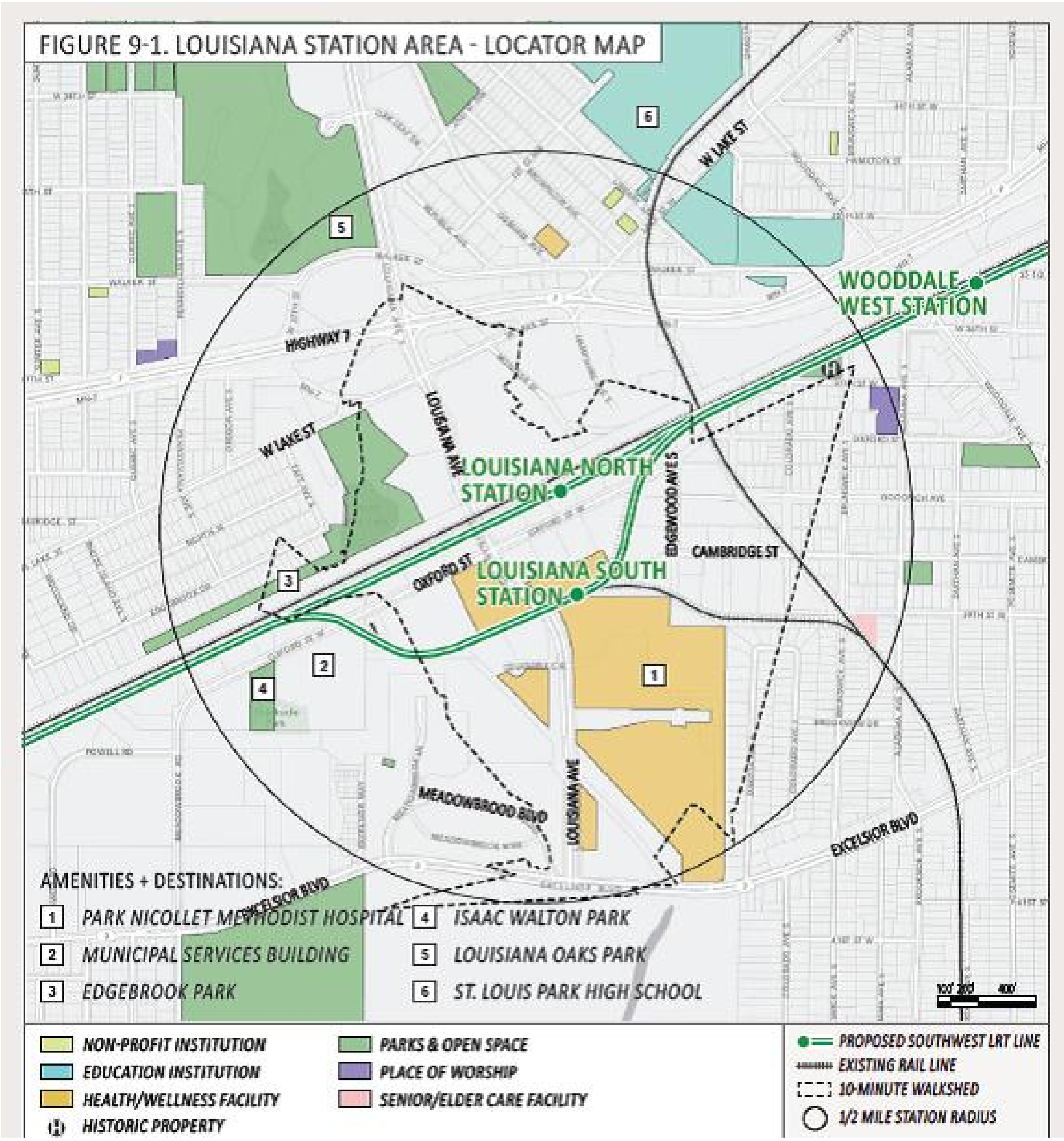
Investment in Public Realm:

- Improve pedestrian connectivity to the platform area and improve pedestrian circulation and streetscape environment throughout the neighborhood. Connectivity (pedestrian & bike) needs improvement to access neighborhood and schools north of Hwy 7.

- Neighborhood walkability is improving; however, neighborhood lacks appropriately scaled walk-to shopping and dining options. Residents of the area must travel a short distance (about ½ mile) to the east across Hwy 100 to access these things. Commercial and mixed-use redevelopment over time should incorporate these components, particularly from the north.

- Provide a high-quality public plaza in the area of the Station platform to receive pedestrian and bike users who will access LRT here. Bike amenities as described in the TSAAP should be incorporated. We also suggest that this area be developed with high quality green space and landscaping, public art and areas for neighborhood residents to gather. Perhaps small scale public events could be hosted here. Note that the provision of public plaza space will likely require the inclusion of privately held land totaling approximately 1.6 acres immediately east of the City/County owned site at 36th & Wooddale.

Louisiana Station Area



SW Community Works Corridor Investment Framework, 2013

Current Housing Supply:

Louisiana Station Area (1/2 Mile Radius) Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	0%-30%	30%-60%	60%-80%	80%-100%	100%+	Total Units
Louisiana						
# of Units	0	831	70	60	252	1,213
% of Unit Inventory	0%	69%	6%	5%	21%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- Employment: more than 8,000 jobs within ½ mile. The major employer near the station is Methodist Hospital, with an estimated 3,900 workers on site, spanning a full-range of medical employment positions. Methodist Hospital is located within a short walk south of the planned station.

- 831 units of housing affordable to households earning 30-60% of AMI, representing nearly 70% of the housing supply within ½ mile of the planned station.

- The station is also located in a center of light industrial employment, along with and "big-box" uses, such as Japs-Olson, Sam's Club and Highway 7 Corporate Center.

- Cedar Lake Trail connection.

- Minnehaha Creek meanders through the area just south of Louisiana Station. New walkway along the creek has improved access for nearby residents and workers.

Development Challenges:

- Private ownership of nearby parcels and large block sizes makes redevelopment a challenge, as major assembly issues and highest-and-best use issues serve as a barrier to redevelopment for residential. Future development more likely to include medical and related office uses, and ancillary (parking) development related to Methodist Hospital.

- Older, low-intensity employment (relatively small numbers of workers per building area) industrial businesses located in several buildings along Oxford and Cambridge.

- Pedestrian and bike connections to commercial areas at Hwy 7 to the north and Excelsior Blvd. to the south.

- Pedestrian connections throughout the neighborhood need much improvement
- Limited north-south auto and pedestrian connectivity throughout the neighborhood other than Louisiana Ave.
- Lack of neighborhood retail/restaurants south of Hwy 7
- Limited green/park space south of Hwy 7. Minnehaha Creek accessibility in this area has been improved.

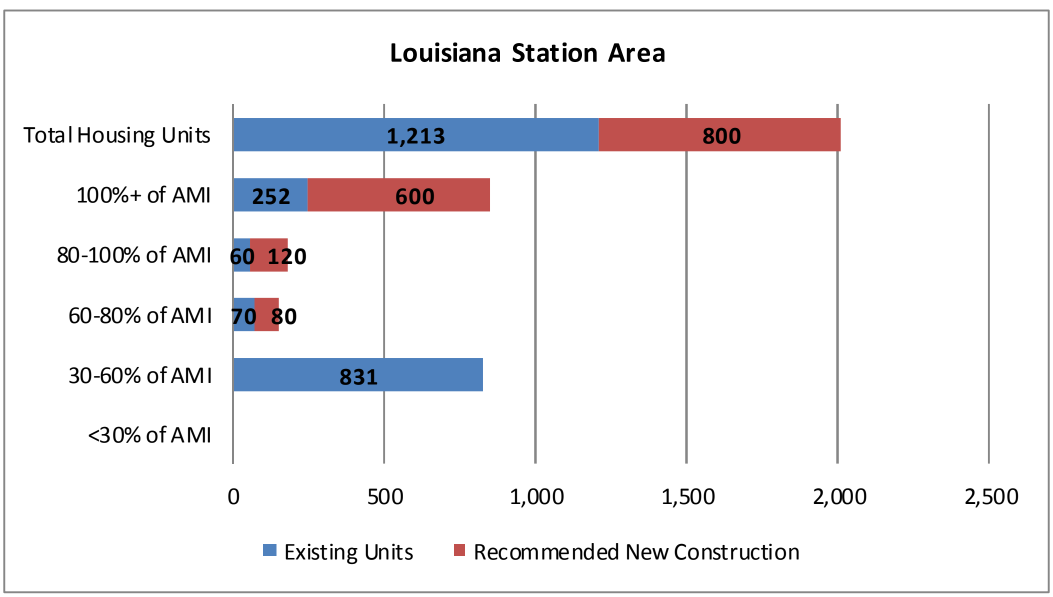
Residential Develpoment Recommendations – Louisiana Station Area:

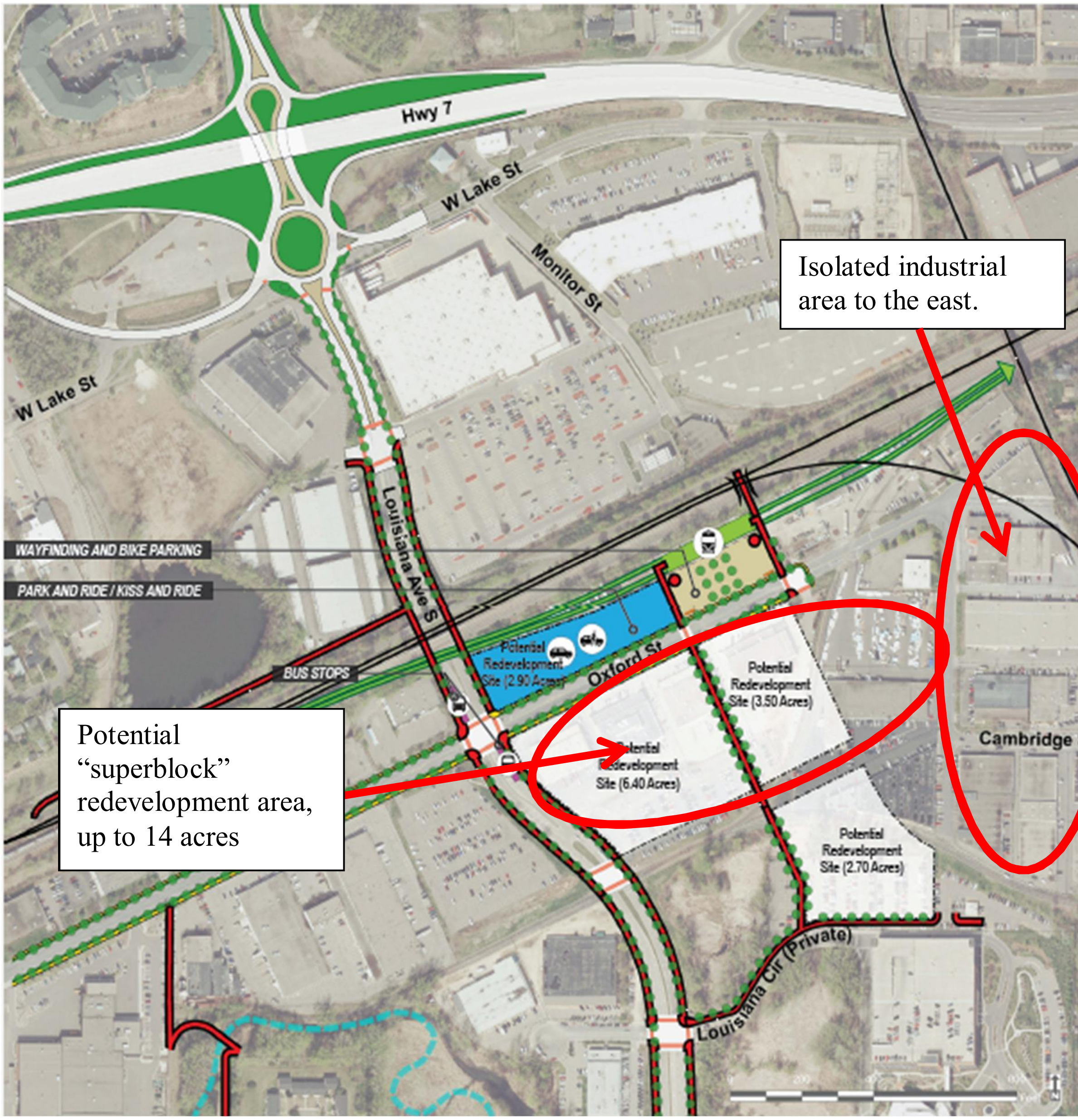
Marquette Advisors estimates that approximately **800 new units** of multifamily housing are viable near Louisiana Station over the next 10 to 15 years. We recommend a mix of housing products as follows:

Louisiana Station Area -- Recommended Residential Development

Product Type/Afforability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	0	0	0	0	0.0%
Rental 30-60% AMI	0	0	0	0	0.0%
Rental 60-80% AMI	0	40	40	80	10.0%
Rental 80-100% AMI	0	60	60	120	15.0%
Rental 100%+ AMI	0	160	240	400	50.0%
For-Sale (entry-level to mid market)	0	80	0	80	10.0%
For-Sale (mid-market to high-end)	0	0	120	120	15.0%
Total Units	**0**	**340**	**460**	**800**	**100.0%**

Source: Marquette Advisors





SW Community Works Corridor Investment Framework, 2013

Redevelopment in this area will be very, very challenging for a variety of reasons: lack of publicly owned land; private and fractured ownership structure with several industrial (single-user and multi-tenant) buildings along Oxford and Cambridge; land costs rising due to development pressure and future LRT related investment.

We suggest that short-term redevelopment planning and investment activity be focused in the area immediately south of the station along Oxford. A mix of medical-related office uses and rental apartments should be evaluated here.

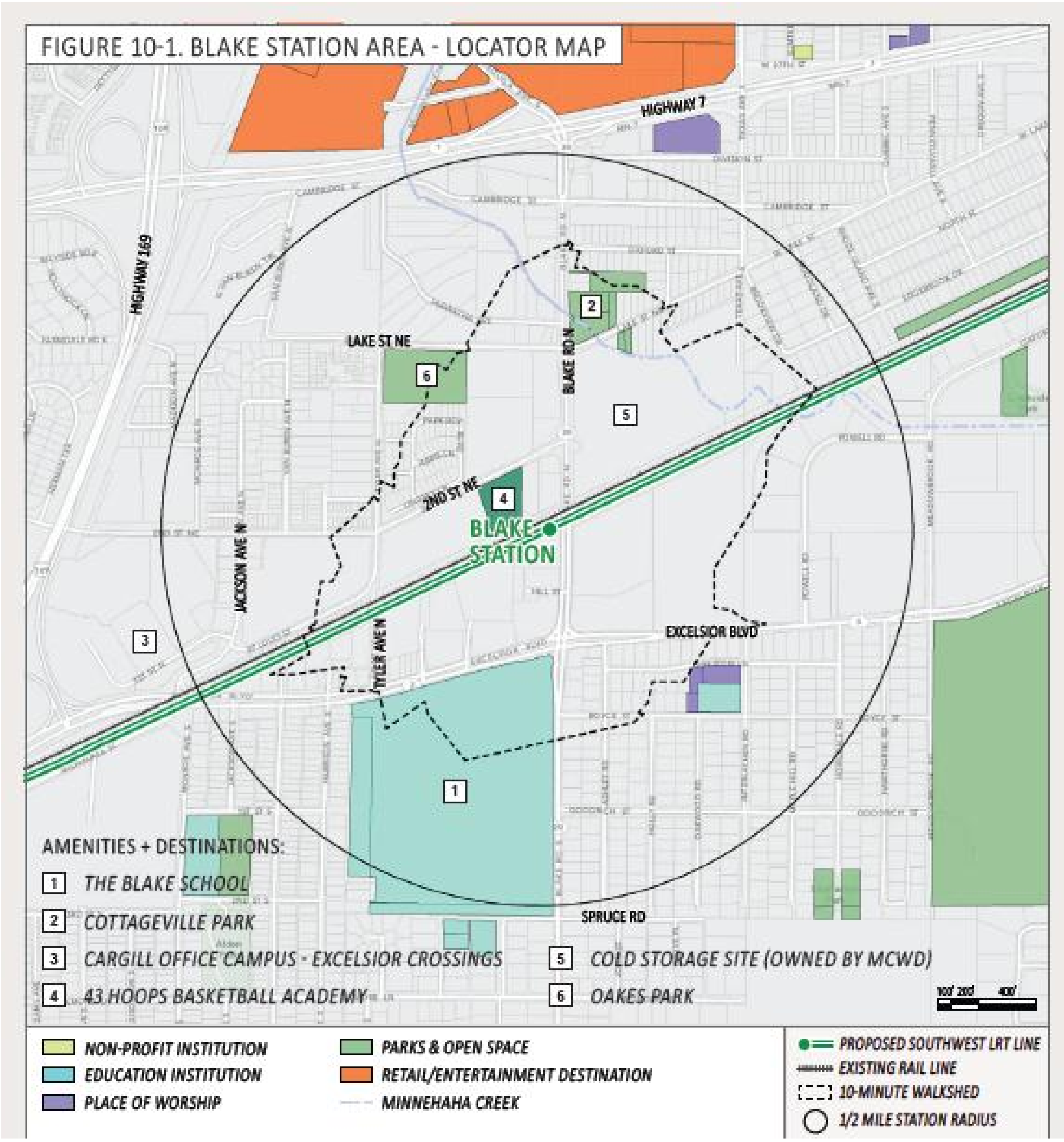
Mid-to long-term assembly of a “superblock” redevelopment area bound by Oxford on the north, Edgewood on the east, Louisiana on the west and Methodist Hospital on the south should be explored. This would require assembly of a total of 9 properties from 7 separate owners. This comprises a potential redevelopment area of approximtely 14 acres. Hennepin County tax records indicate a total assessed value of these parcels at approximately $7.6 million at this time. A mix of medical office, neighborhood commercial and residential uses should be incorporated here if possible, along with public parking. Demand for parking is high, and public investment or subsidy in the construction of structured parking to accommodate demand from workers and commuters should be considered. Construction of employee parking to accommodate Methodist employees may in fact free up land for mixed use and residential development.

Still, the industrial area east of Edgewood along Cambridge poses a challenge. This area is isolated, with poor access. Current industrial land uses generate significant traffic. Many existing industrial properties here would not be complementary to residential uses noted in the redevelopment scenario described above.

Investment in Public Realm:

- Improve pedestrian connectivity to the platform area throughout the neighborhood
- Parking is in high demand. Consider public/private partnership to provide structured parking in one or two key locations within proximity to Methodist Hospital, with a goal of freeing up land currently used as surface parking to accommodate higher density mixed use and residential development.
- Evaluate the potential for a neighborhood circulator mode of transit in order to shuttle workers and SWLRT users to/from the station, parking and places of employment.
- Invest in redevelopment analysis and planning for the area north and east of Methodist (east of Edgewood along Cambridge) and consider potential to relocate non-complementary industrial uses away from this area as it shifts away from industrial to medical/office-mixed use over time.
- Invest in green space, streetscape and pedestrian improvements throughout the neighborhood south of the Station. Work to provide pedestrian access to employers and green space, including Minnehaha Creek.

Blake Road Station Area



SW Community Works Corridor Investment Framework, 2013

Current Housing Supply:

Blake Road Station Area (1/2 Mile Radius) Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	0%-30%	30%-60%	60%-80%	80%-100%	100%+	Total Units
Blake Road						
# of Units	30	1,626	190	180	598	2,624
% of Unit Inventory	1%	62%	7%	7%	23%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- Land availability. The "Cold Storage" site, owned by Minnehaha Creek Watershed District (MCWD) comprises approximately 17 acres with considerable potential for redevelopment in the short- to mid-term (net approximately 13 acres after provision of regional storm water area).

- Existing housing stock includes more than 1,600 units affordable at 30-60% of AMI, representing 62% of the housing units within ½ mile.

- Additional sites present potential for redevelopment, including the "43 Hoops" property owned by the County, as well as a number of under-utilized and aging commercial properties both north and south of the LRT line. It is reasonable to expect change/upgrade in use of these properties in the mid to long-term.

- Minnehaha Creek and major recent investments by MCWD.

- Cedar Lake Trail access.

- Recent/ongoing investment in parks/green space, including Minnehaha Creek and Cottageville Park.

- Proximity to major employers within ½ to 1 mile. Major employers in area include the Cargill corporate headquarters (Excelsior Crossing) and Japs-Olson. We also note that Blake is the next station immediately west of Louisiana, where Methodist Hospital is located, employing 3,900 workers. Given the challenges of redevelopment in the Louisiana station area, we expect that new housing in the Blake station area would be very appealing to Methodist Hospital workers.

- Blake School campus to the south of LRT at Blake Rd & Excelsior Blvd.

Development Challenges:

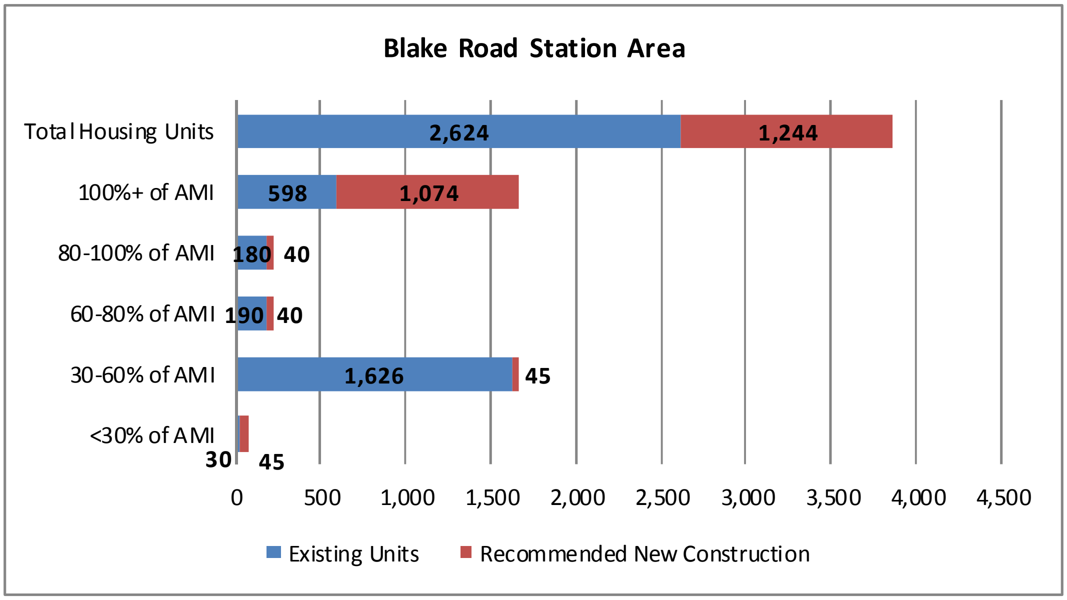
- Pedestrian environment needs improvement, including connectivity and streetscape improvements.
- Connectivity of Cold Storage site to the LRT platform area.
- Aging and deteriorating quality commercial development in the area, and absence of appealing "walk-to" shops and restaurants.
- Low quality commercial sites present opportunity for future redevelopment; however, this is complicated due to fractured ownership and cost of sites.
- Connectivity upgrades needed to Minnehaha Creek greenway, which is a major amenity for the area.

Residential Develpoment Recommendations – Blake Rd. Station Area:

Marquette Advisors estimates the potential for approximately **1,200 new housing** units near the Blake Road Station over the long-term (10-15 years), including a mix of multifamily and single-family detached housing products. We recommend a mix of housing as follows:

Blake Road Station Area -- Recommended Residential Development

Product Type/Afforability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	45	0	0	**45**	**3.6%**
Rental 30-60% AMI	45	0	0	**45**	**3.6%**
Rental 60-80% AMI	40	0	0	**40**	**3.2%**
Rental 80-100% AMI	40	0	0	**40**	**3.2%**
Rental 100%+ AMI	330	140	500	**970**	**78.0%**
For-Sale (entry-level to mid market)	0	80	0	**80**	**6.4%**
For-Sale (mid-market to high-end)	0	24	0	**24**	**1.9%**
Total Units	**500**	**244**	**500**	**1,244**	**100.0%**
Source: Marquette Advisors					



We understand that the City has had discussions with a local developer regarding a potential project in the near-term, involving a combination mixed-use commercial/residential development along with park & ride. This development is expected to occur shortly after completion of LRT. We estiamte that approximately 150 market rate apartment units are supportable here.

We also note that our development forecast for the Blake Road Station Area includes 51 units planned by Project for Pride in Living (PPL), which will include 4 apartments affordable to households earning <30% of AMI and another 47 units affordable at 50% of AMI. This developmpent is expected to occur in the short-term.

The Cold Storage site presents another short- to mid-term opportunity for a high-impact, SWLRT model-type mixed-use development incorporating a full range of lifecycle housing products ranging from affordable and workforce rental units to mid-priced detached cottage-style single family homes overlooking Minnehaha Creek. Additionally, we recommend that potential commercial sites west of Blake Road be considered jointly for redevelopment, including the County-owned "43 Hoops" property and adjacent parcels. The Cold Storage redevelopment area east of Blake should feature a primarily residential orientation, with neighborhood scale retail and restaurants focused along Blake Road. We believe there is an opportunity to provide in excess of 500 units on approximately 13 acres at the Cold Storage site. Units should be phased from approximately 2018 to 2022. We suggest a preliminary concept for the 13 acre site as follows:

- Phase I (2018-2019): 120 apartments affordable at <100% of AMI along with 180 market rate apartments (avg rent approximately $1,500 to $1,600/month, or about $1.80 psf avg.)

- Phase II: (2019-2022) – 140 market rate apartments (avg rent $1,700-$1,800/month, or about $2.00+ psf); 80 entry level to mid-priced condos (low $200,000s to mid $300,000s); 24 detached cottages/homes (upper $200,000s to $400,000+) developed using pocket neighborhood design principles, featuring views of and strong connectivity to Minnehaha Creek.

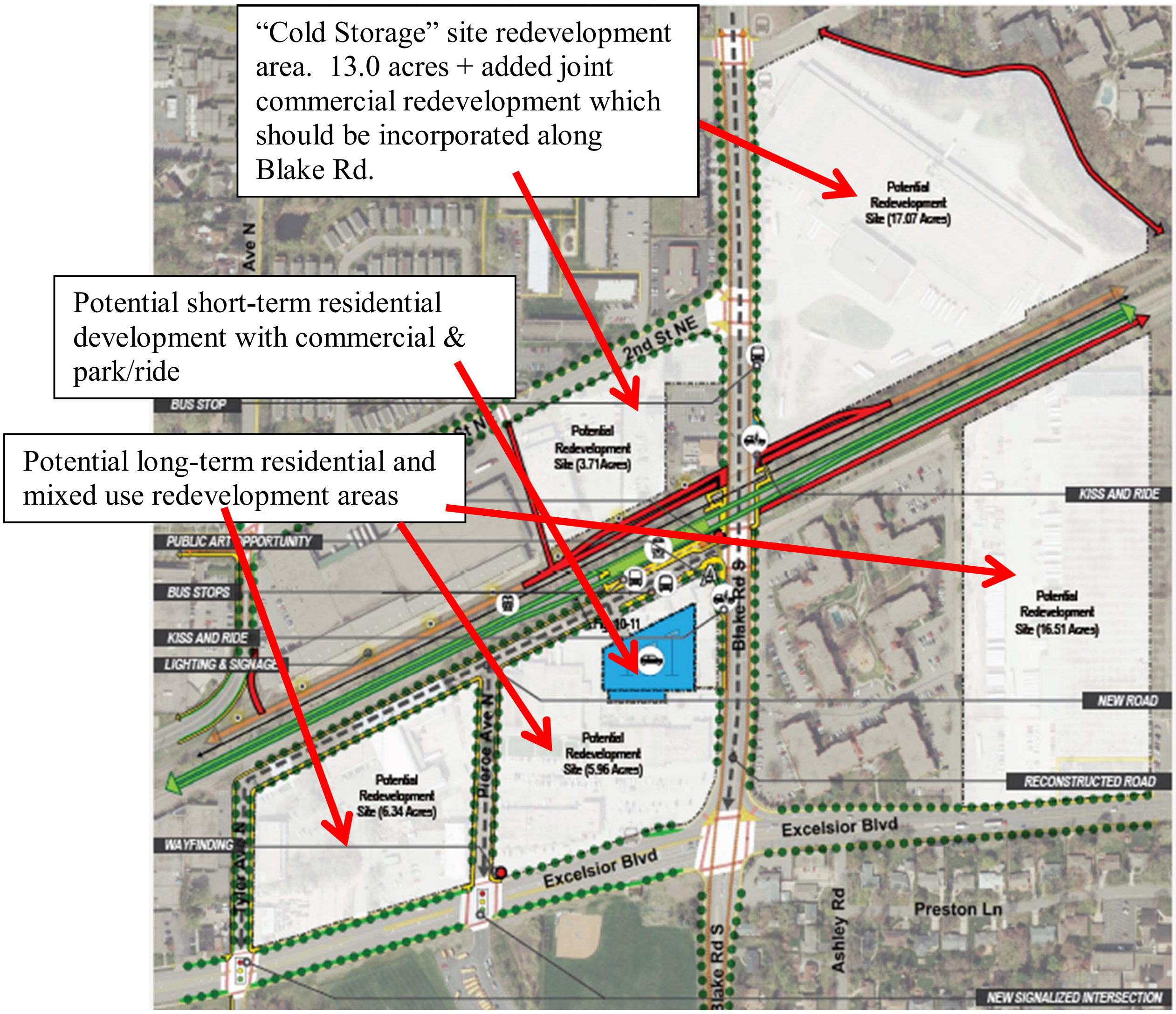
We note that connectivity of the Cold Storage site to LRT needs improvement. However, the size and location of the parcel and the influence of the Creek and recent greenway investment are primary drivers of residential demand and potential at this location, along with LRT.

It is also important to note that our analysis of the site and market experience indicates that the Cold Storage site also has potential for future office development. Highest and best-use analysis is beyond the scope of this engagement; however, future office development should be evaluated as an alternate and/or adjoining complementary use along with housing and retail.

Combination park & ride/residential-mixed use development should occur at Blake Road just south of the LRT platform, as suggested in the Investment Framework. However, this will require acquisition/assembly of privately owned parcels, including primarily under-utilized and aging commercial properties.

Long-term potential for as many as 500+ additional residential units is possible through redevelopment of various parcels. This could occur along Exclesior Boulevard on the 16.51-acre parcel which is controlled by a single owner and/or multiple parcels currently occupied by low-quality commercial development on Excelsior Blvd., just north of The Blake School. However, redevelompent in this area will be complicated by multiple private owners and land acquisition costs.

Within ½ of the Blake Road Station site there are an estimated 1,200 market rate apartment units which are "naturally occuring" affordable at or below 60% of AMI. Planning and focus of resources is reqiured which will result in the preservation of these units at affordable levels, and improves the maintenance and quality level of these aging properties.

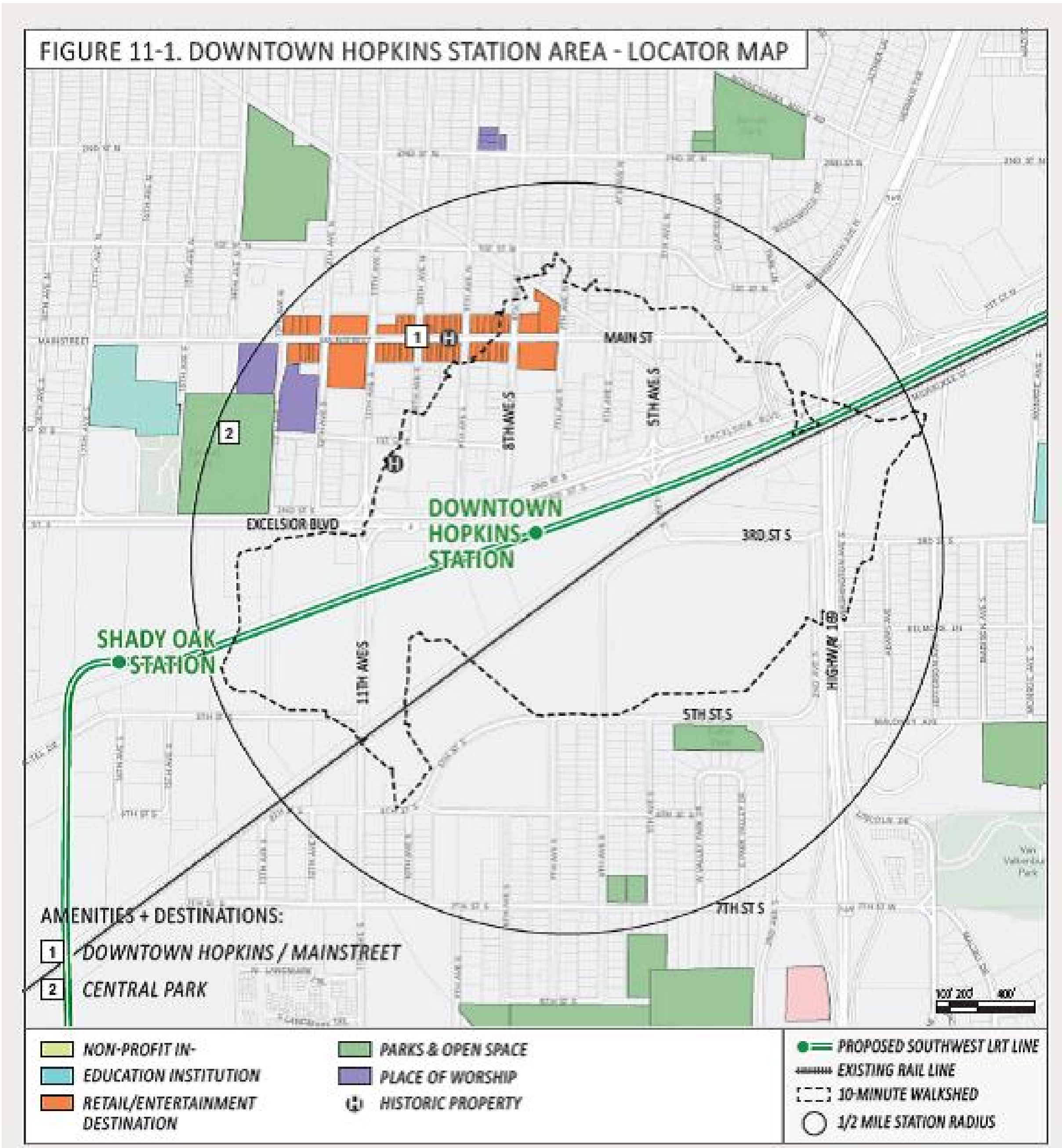


SW Community Works Corridor Investment Framework, 2013

Investment in Public Realm:

- Improve pedestrian connectivity to the platform area throughout the neighborhood. This should include connections from Cold Storage site to commercial area across Blake Rd and to the station area.
- Develop trails and access points to Minnehaha Creek.
- Seek out opportunities to provide additional neighborhood-scale shops and restaurants, along with enhanced pedestrian connections to commercial nodes.
- A public plaza should be considered as part of park & ride/mixed-use development just south of the station platform.

Downtown Hopkins Station Area



SW Community Works Corridor Investment Framework, 2013

Current Housing Supply:

Downtown Hopkins Station Area (1/2 Mile Radius) Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	0%-30%	30%-60%	60%-80%	80%-100%	100%+	Total Units
Downtown Hopkins						
# of Units	350	912	225	153	382	2,022
% of Unit Inventory	17%	45%	11%	8%	19%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- Proximity to Downtown Hopkins, with its traditional Main Street and eclectic mix of businesses and bars/restaurants, as well as the ARTery and Hopkins Center for the Arts.
- Traditional street grid and small block sizes conducive to development/redevelopment.
- Approximately 2,000 residential units in the area, with 62% of the existing housing stock affordable to households earning less than 60% of AMI.
- Demonstrated market demand for new housing product in this area – success of residential development within and proximate to Downtown Hopkins (e.g. Marketplace & Main and Gallery Flats).
- Major employers in the area, notably Cargill, Super Valu and City of Hopkins. In total, more than 5,800 jobs within ½ mile of the planned LRT station.

Development Challenges:

- Poor connectivity: the Station platform will be disconnected from the Downtown core, lying south of Excelsior Boulevard. However, pedestrian connections and walkability is very good in the area north of Excelsior. Meanwhile, the large commercial and industrial blocks to the south of the property pose a significant barrier between LRT and the neighborhoods to the south.
- Lack of developable land and limited public ownership of possible development sites.
- Private and fractured ownership in the area makes major redevelopment here challenging, although small infill and redevelopment projects are likely to occur.

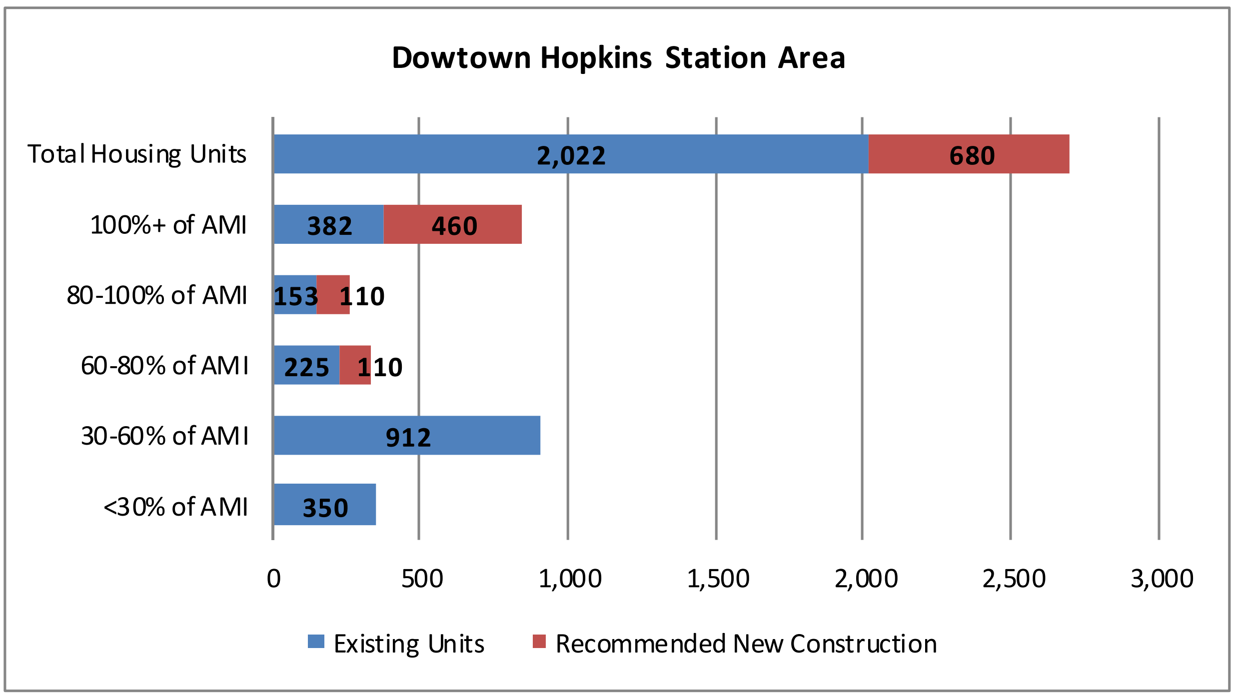
Residential Development Recommendations – Downtown Hopkins Station Area:

Marquette Advisors recommends approximately **680 new units** of multifamily housing near the Downtown Hopkins Station, as follows:

Downtown Hopkins Station Area -- Recommended Residential Development

Product Type/Afforability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	0	0	0	**0**	**0.0%**
Rental 30-60% AMI	0	0	0	**0**	**0.0%**
Rental 60-80% AMI	50	0	60	**110**	**16.2%**
Rental 80-100% AMI	50	0	60	**110**	**16.2%**
Rental 100%+ AMI	150	160	100	**410**	**60.3%**
For-Sale (entry-level to mid market)	0	0	50	**50**	**7.4%**
For-Sale (mid-market to high-end)	0	0	0	**0**	**0.0%**
Total Units	**250**	**160**	**270**	**680**	**100.0%**

Source: Marquette Advisors

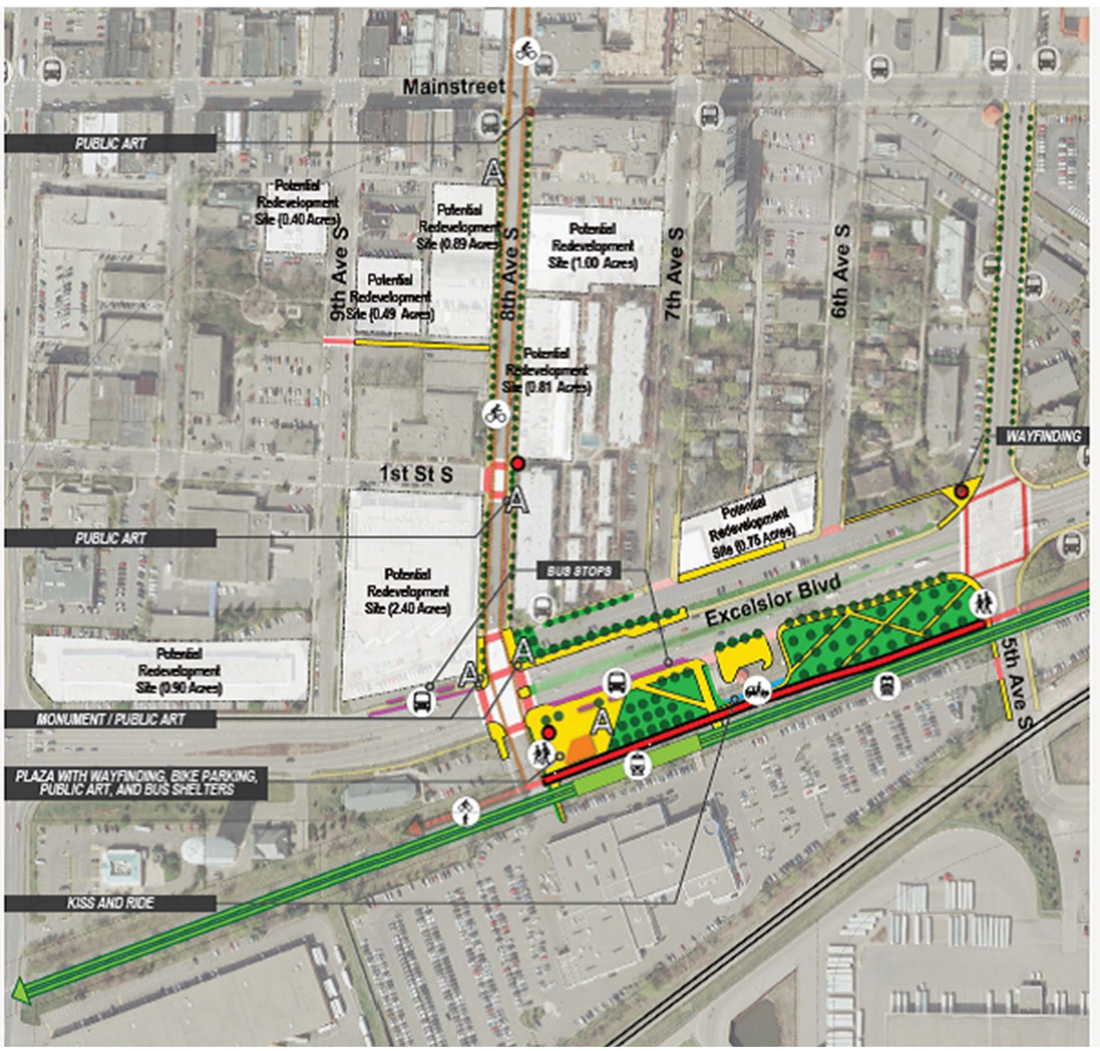


A successful infill market rate apartment project called Gallery Flats was just completed at 1st St. S. & 8th Avenue South, comprising 163 total units. We expect that most of the future residential development in this area will likely occur over the mid- to long-term, considering the lack of immediately developable land by comparison with the nearby Blake Road Station.

Still, considerable potential exists over for redevelopment inclusive of residential and mixed-use concepts. For example, the City owns three parcels on Main Street between 5th and 6th Avenues. Further assembly of privately held land in this area could yield a mixed-use development which we believe could support between 200 and 250 rental apartments.

As well, the 2.4-acre parcel at the northwest corner of Excelsior Boulevard & 8th Avenue presents an opportunity for mixed-use redevelopment that could comprise a highly visible, gateway-type project connecting the Station Area with 8th Avenue and the Downtown area.

We expect that infill and redevelopment projects have the potential to provide another 600 to 700 units over time near the Downtown Hopkins Station, and perhaps more through more extensive assemblage and redevelopment.



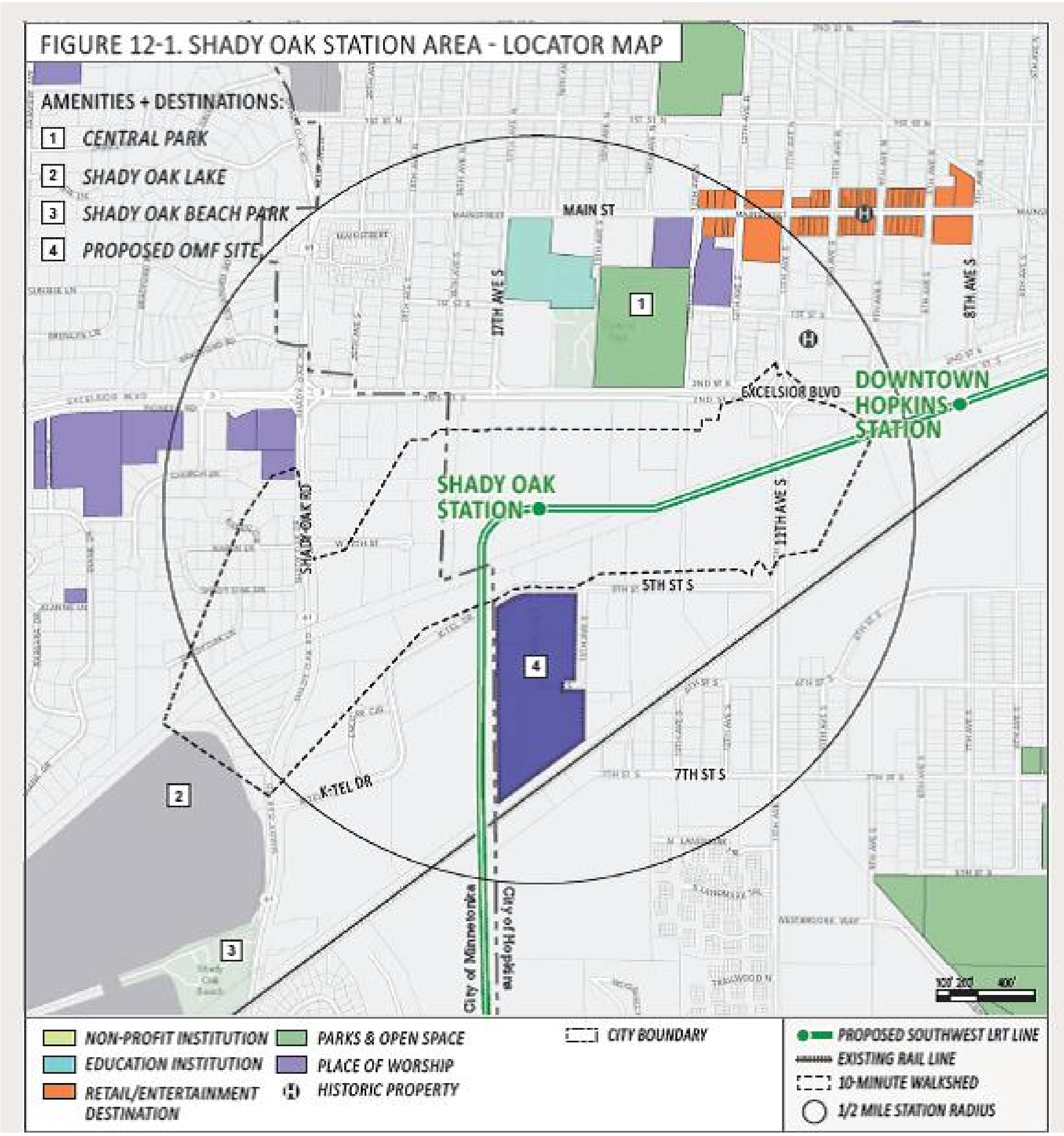
SW Community Works Corridor Investment Framework, 2013

Investment in Public Realm:

- Improving safe pedestrian connectivity to the Downtown core should be a focus of public sector investment, as the platform is separated from Downtown by the busy Excelsior Boulevard.

- The City/County should continue to proactively seek out opportunities to acquire under-utilized sites for future infill development, particularly along 8^{th} Avenue.

Shady Oak Station Area



SW Community Works Corridor Investment Framework, 2013

Current Housing Supply:

Shady Oak Station Area (1/2 Mile Radius) Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	0%-30%	30%-60%	60%-80%	80%-100%	100%+	Total Units
Shady Oak						
# of Units	0	285	116	35	71	507
% of Unit Inventory	0%	56%	23%	7%	14%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- The station area features 285 units of housing which is affordable to households earning 30-60% of AMI (within ½ mile), while there are another 450 units between ½ and 1 mile south of the station which are affordable at 60-80% of AMI.
- Long-term potential for redevelopment due to presence of older industrial properties in the area. Under-utilized parcels with aging improvements present opportunities for change in use and redevelopment in future with added density.

Development Challenges:

- Shady Oak Station is challenged from both a visibility and access standpoint, situated in a primarily industrial neighborhood east of Shady Oak Road and south of Excelsior Boulevard.
- Older and generally unattractive industrial properties comprise a significant share of the immediate neighborhood
- Limited supply of developable land
- Fragmentation of property ownership
- Lack of existing street network/infrastructure
- Poor connectivity to commercial nodes with shopping & restaurants
- Unappealing pedestrian environment

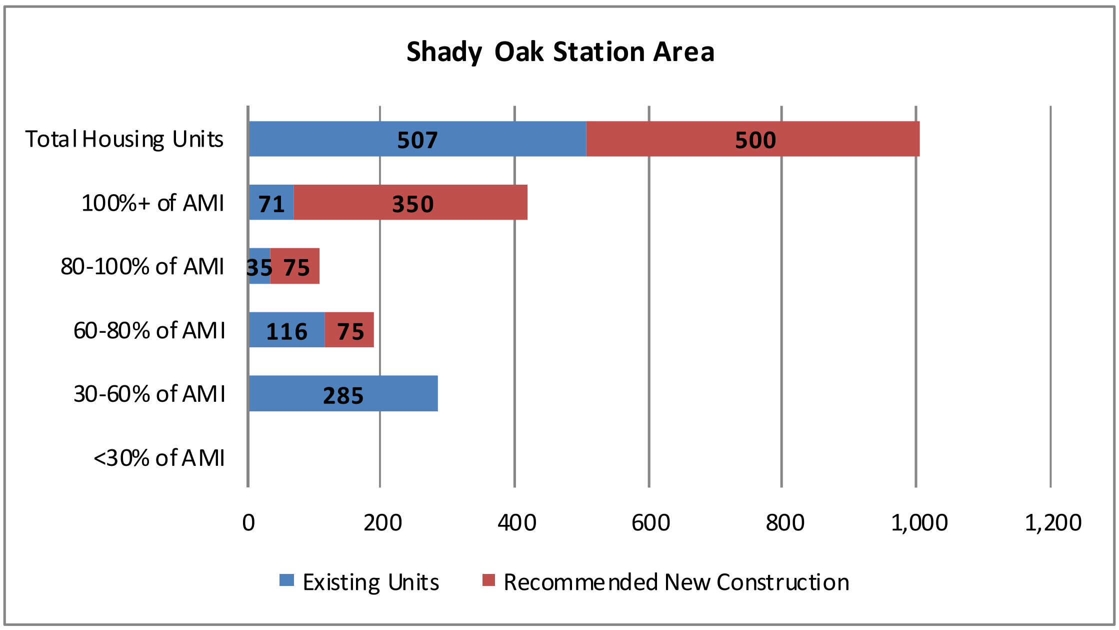
Residential Develpoment Recommendations – Shady Oak Station Area:

There is limited potential for residential development near Shady Oak Station, particularly in the short-term considering the limited availability of development sites. Still, we recommend the develpoment of approxiamtely **500 new units** near the station over the next 10-15 years, as follows:

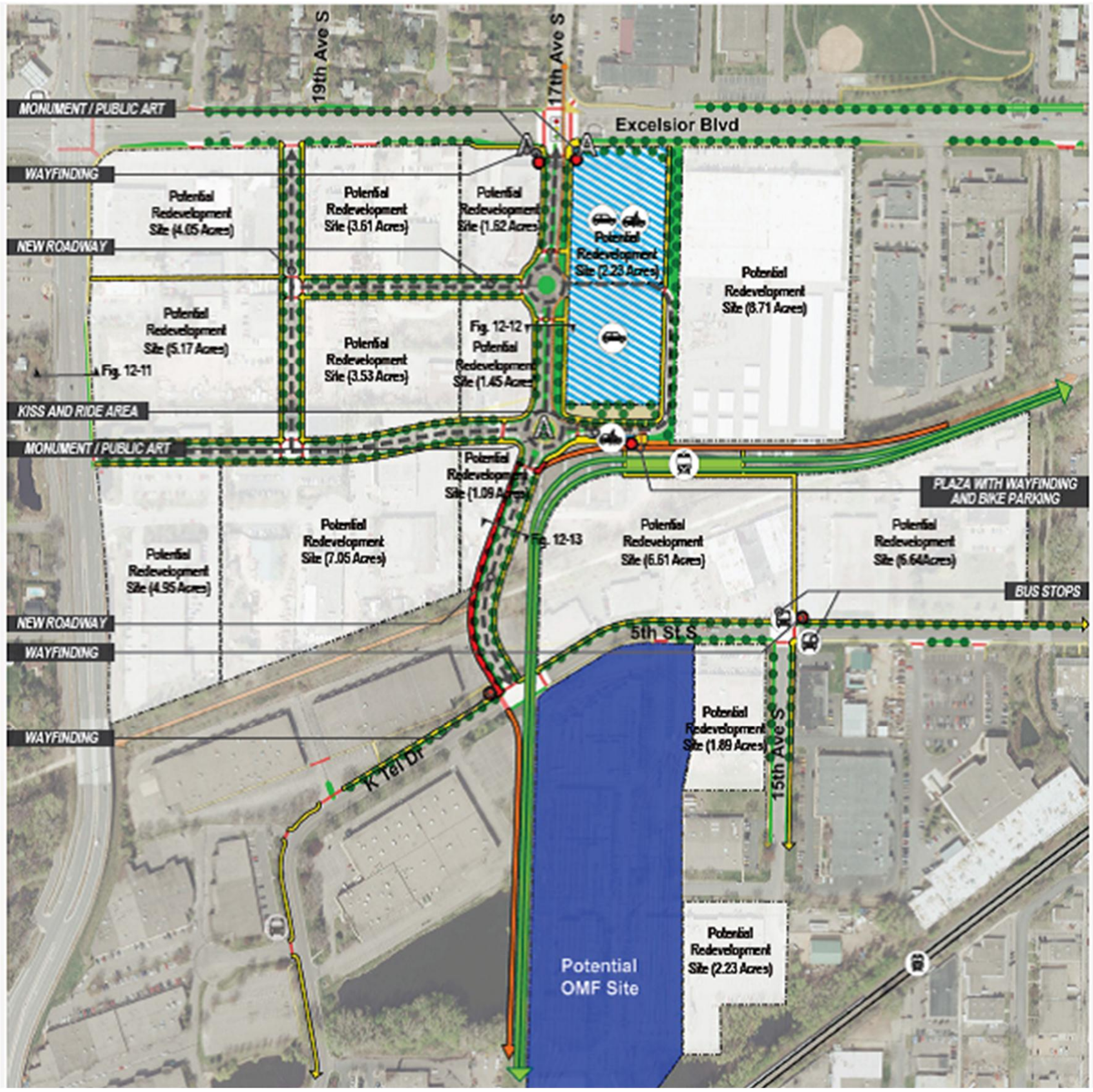
Shady Oak Station Area -- Recommended Residential Development

Product Type/Afforability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	0	0	0	0	0.0%
Rental 30-60% AMI	0	0	0	0	0.0%
Rental 60-80% AMI	0	0	75	75	15.0%
Rental 80-100% AMI	0	0	75	75	15.0%
Rental 100%+ AMI	200	0	150	350	70.0%
For-Sale (entry level)	0	0	0	0	0.0%
For-Sale (high-end)	0	0	0	0	0.0%
Total Units	200	0	300	500	100.0%

Source: Marquette Advisors



A mixed-use develpoment involving approximately 200 to 250 rental apartments along with medical and commercial uses in a project at Shady Oak & Excelsior is being considered at this time. However, we are aware that there is considerable gap financing needed, even in excess of tax increment financing dollars, and because of this challenge there remains a great deal of uncertainty regarding when/if this project will come to fruition. If so, this development could potentially become a catalyst for future redevelopment in the area.

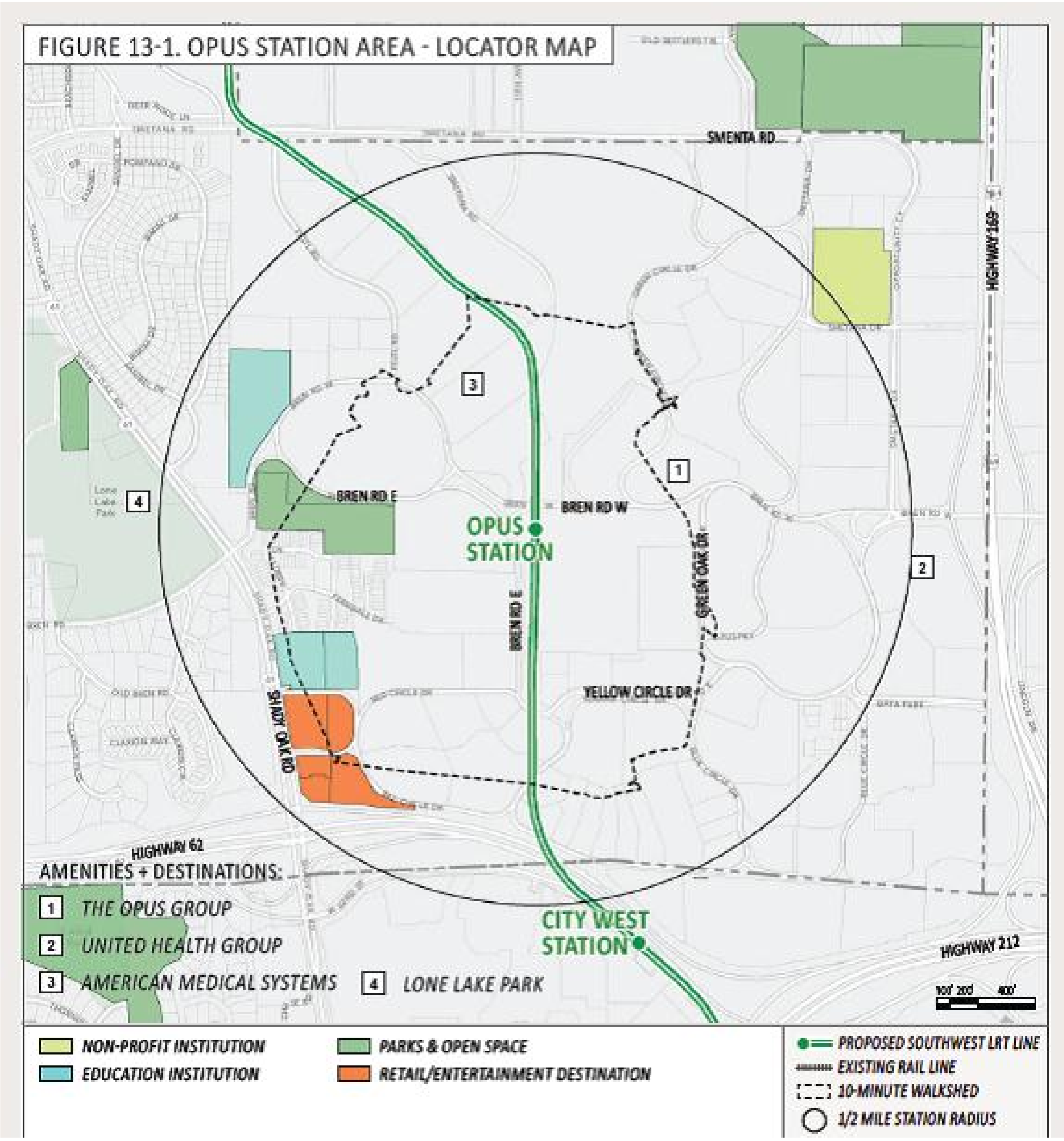


SW Community Works Corridor Investment Framework, 2013

Long-term redevelopment potential exists due to industrial character of the area, although this will be complicated and expensive, while other SWLRT locations are better suited for residential development and more likely to attract the attention of the private development community.

We expect that the Shady Oak Station Area will, over time, develop into more of an employment center, along with supporting retail/commercial uses and a smaller amount of residential development.

Opus Station Area



SW Community Works Corridor Investment Framework, 2013

Current Housing Supply:

Opus Station Area (1/2 Mile Radius)						
Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	0%-30%	30%-60%	60%-80%	80%-100%	100%+	Total Units
Opus						
# of Units	0	402	343	22	22	789
% of Unit Inventory	0%	51%	43%	3%	3%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- 402 units within ½ mile which are affordable to households earning 30-60% of AMI, and another 365 units affordable at 60-100% of AMI.
- The Opus Station Area is situated within the Opus Business Park. This area is a major employment center, with more than 3,000 jobs based at businesses within ½ mile of the station and 12,000 within 1 mile. Employment in the area has a strong “white collar” office orientation based in real estate, medical device, health care and technology industries. Major employers in the area include Opus, United Health Group, American Medical Systems and Comcast.
- More than six miles of pedestrian and bike trails in the area.
- Proximity to neighborhood commercial development and restaurants.

Development Challenges:

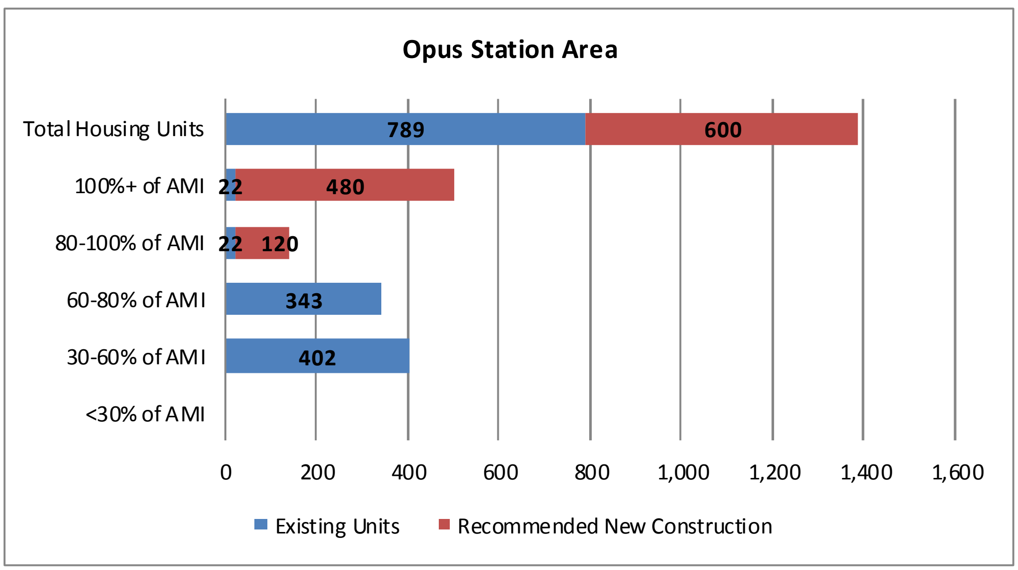
- Private and fractured ownership limits redevelopment potential, as does high value of land at this location. Very few presently under-utilized sites in this area. The neighboring “Merchandise Mart” site is one possible exception which presents an opportunity for future redevelopment.
- Commercial nature of this area makes change in use to residential unlikely. Future development is more likely to include primarily corporate and multi-tenant office buildings and commercial development.
- Large block size and circuitous street network.
- Pedestrian environment in some portions of the Station Area could use strengthening

Residential Develpoment Recommendations – Opus Station Area:

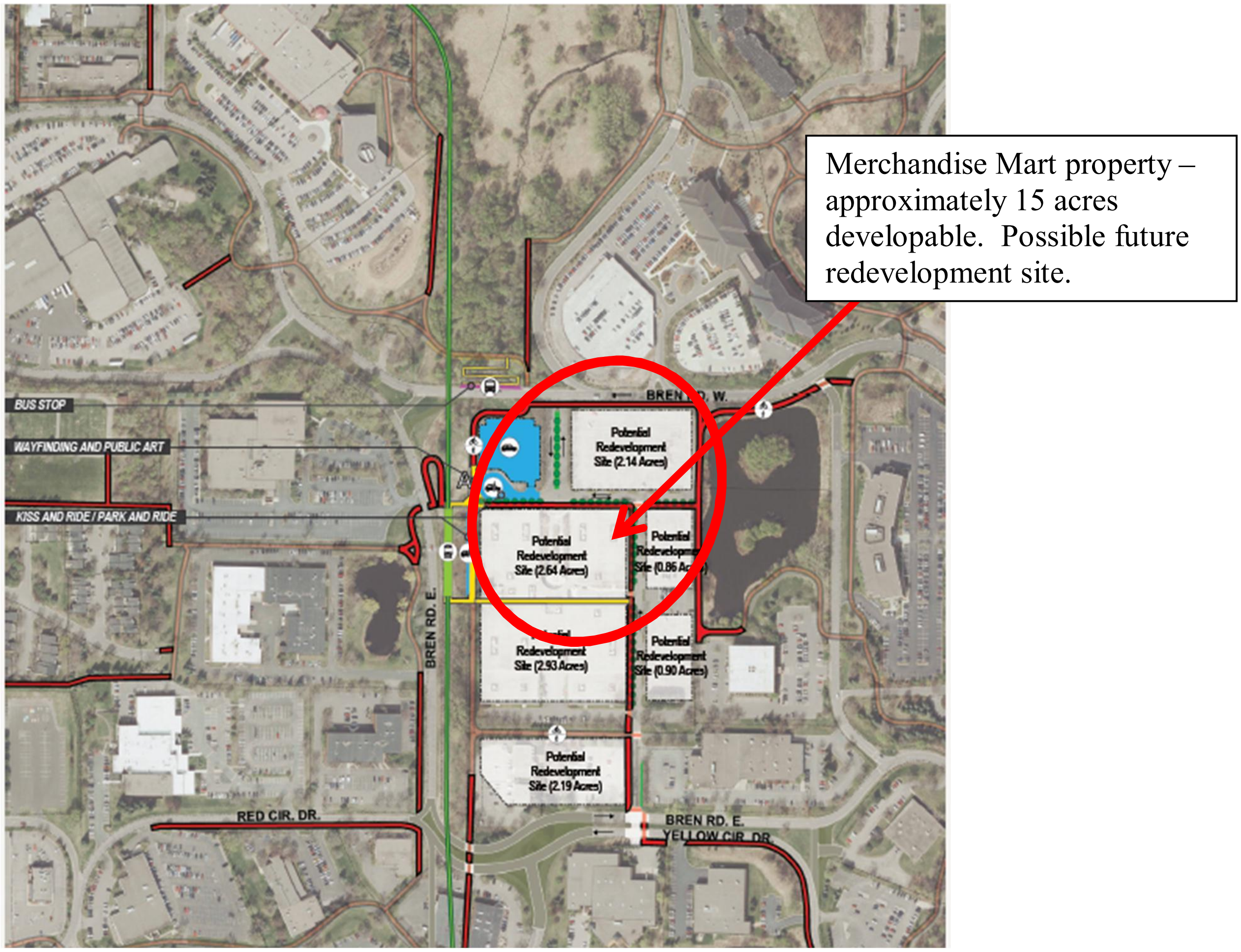
Marquette Advisors estimates that approximately **500 to 600 new units** of multifamily housing are viable near Opus Station, likely over the mid- to long-term. Development will depend largely upon land availability and change in use over time in this area. We recommend a mix of housing products approximately as follows:

Opus Station Area -- Recommended Residential Development

Product Type/Afforability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	0	0	0	**0**	**0.0%**
Rental 30-60% AMI	0	0	0	**0**	**0.0%**
Rental 60-80% AMI	0	0	0	**0**	**0.0%**
Rental 80-100% AMI	0	80	40	**120**	**20.0%**
Rental 100%+ AMI	0	180	160	**340**	**56.7%**
For-Sale (entry level-mid market)	0	0	140	**140**	**23.3%**
For-Sale (high-end)	0	0	0	**0**	**0.0%**
Total Units	**0**	**260**	**340**	**600**	**100.0%**
Source: Marquette Advisors					



We understand that the "Merchandise Mart" property (industrial facility constructed in 1977) may become available for redevelopment, immediately east of the planned Station. This property contains approximately 15 acres of developable land and should be considered for residential along with complementary commercial uses, including office and retail/restaurant concepts. Given the value of land in this area (subject site last traded in 1995 for $12.7 million), future redevelopment must exhibit considerable increase in density/intensity in use and would most likely contain significant commercial components along with housing.



SW Community Works Corridor Investment Framework, 2013

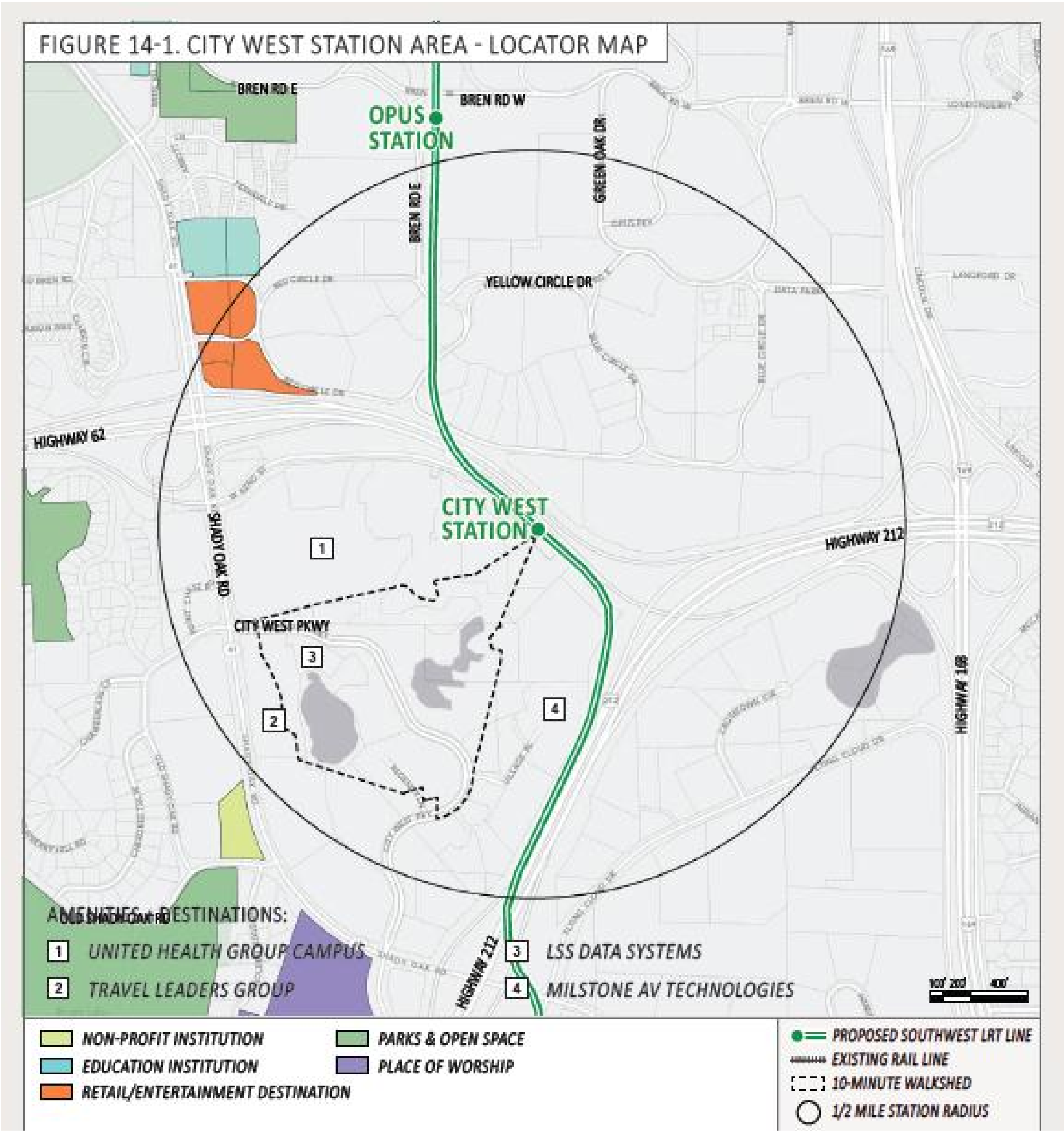
Investment in Public Realm:

- Work to improve connection of existing trail system in the business park to the planned station area.

- Consider development of circulator transit bus which will help connect area residents and commuters with local businesses and the LRT station.

- Should land become available, construct park & ride facility just north of the LRT platform, as planned, inclusive of a public plaza and gathering area.

City West Station Area



SW Community Works Corridor Investment Framework, 2013

Current Housing Supply:

City West Station Area (1/2 Mile Radius) Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	0%-30%	30%-60%	60%-80%	80%-100%	100%+	Total Units
City West						
# of Units	0	100	152	50	120	422
% of Unit Inventory	0%	24%	36%	12%	28%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- Employment: City West Station will be situated within a primary center for employment in the southwest metro area. There were an estimated 7,600 employees working within ½ mile of the station in 2010. This total is expected to increase significantly, due to ongoing expansion by United Health in this area. City West Station will be located immediately east of United Health's new 70-acre campus. United Health is expected to employ more than 6,700 workers at the campus when complete in 2016.

- Other major employers in the area include Milestone AV Technologies, Travel Leaders Group, and Meditech.

- Strong demographics and high-quality, high-value real estate comprised of corporate office and office/warehouse facilities.

- Proximity to major freeways, including MN Hwy 62, US 212 and US 169. The area also features a considerable amount of open space, as well as parks and trails, assets which appeal to current and potential future residents and employees.

- Of the 422 housing units within ½ mile, 24% are affordable to households earning 30-60% of AMI, while a full 48% of the units are affordable at 60-100% of AMI.

Development Challenges:

- Lack of developable land to accommodate future residential and mixed use projects.

- High value of land makes future redevelopment and change in use complicated and expensive, and in many cases unlikely due to private ownership.

- Large block size and circuitous street network.

- Pedestrian and bike circulation within the neighborhood and to nearby areas is currently poor.

- Lack of neighborhood restaurants and retail ("walk-to" type commercial that supports area workers and LRT users).

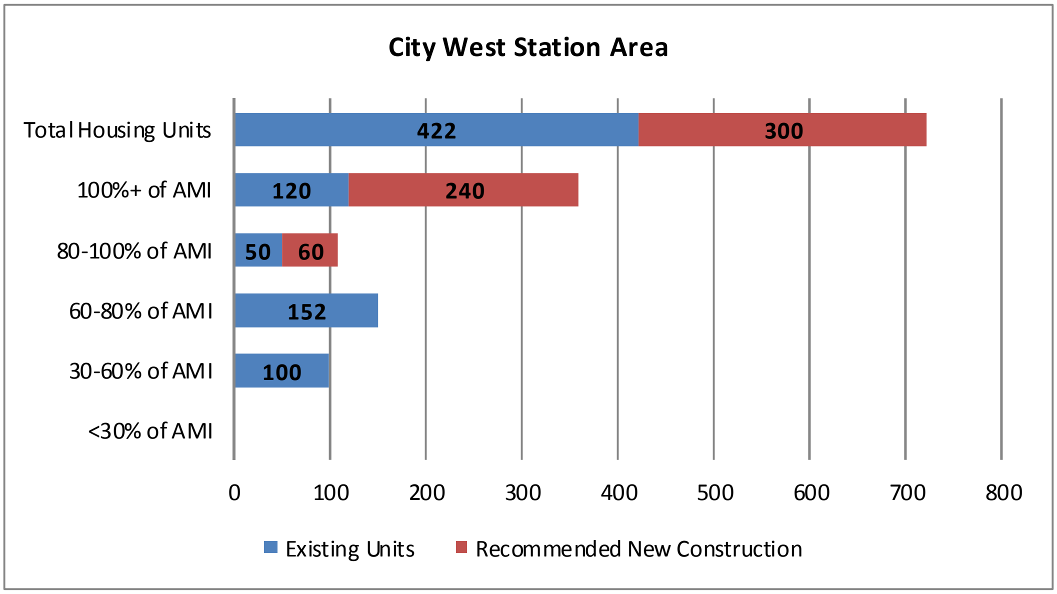
Residential Develpoment Recommendations – City West Station Area:

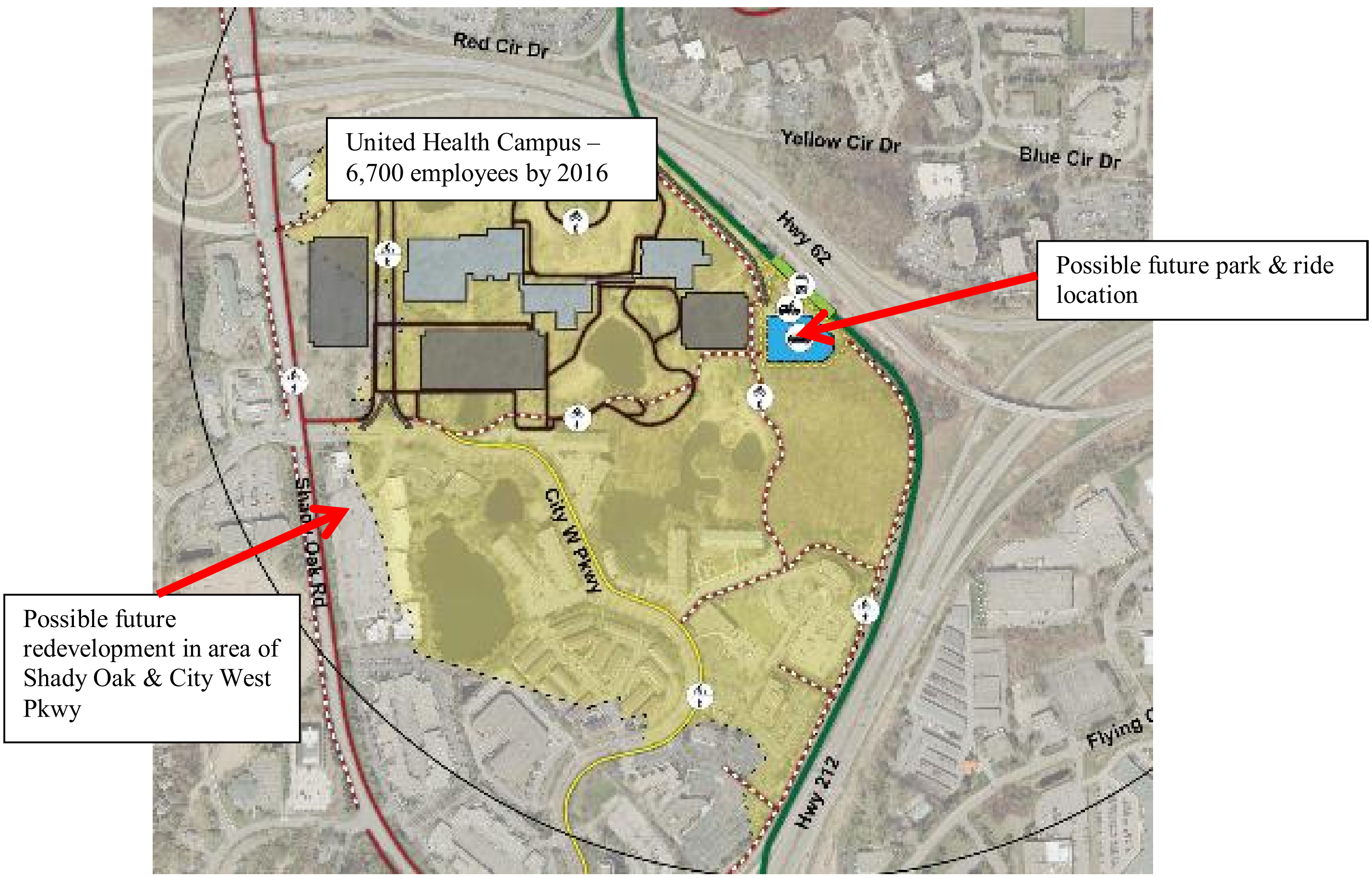
We expect that persons working in the City West Station Area will be prime candidates for new housing products at various SWLRT Station Areas in the area. However, due to the charcteristics of City West surrounding real estate and the short supply of developable land, Marquette Advisors does not expect a considerable amount of residential construction will occur within 1/4 mile of the City West station. One execption could be the inclusion of residential units within a mixed use development, along with a planned park & ride facility immediately south of the Station. However, this location is not ideal for housing given its location overlooking Hwy 62 and the primarily corporate environment. This site is more likely suited for commercial uses which will support commuters and workers within the broader Station Area.

From our analysis of the market and land use information, we expect that other sites between ¼ and 1/2 mile west of the site will provide future opportunity for redevelopment. This will include under-utilized, aging properties where owners will seek to redevelop their properties with added density, or sell them for that purpose. The area around the Shady Oak Road and City West Parkway intersection should be evaluated for mixed-use development featuring residential along with neighborhood-oriented commercial development. We expect that this area could support a redevelopment with approximately **300+ units** along with commercial development over the next five to seven years or so, depending upon the objectives and decisions by owners regarding future use or disposition of property. Based on our review of the market and the characteristics of the site, we would recommend develpoment program featuring mixed-income rental housing in a redevelopment area near Shady Oak & City West Parkway.

City West Station Area -- Recommended Residential Development

Product Type/Afforability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	0	0	0	0	0.0%
Rental 30-60% AMI	0	0	0	0	0.0%
Rental 60-80% AMI	0	0	0	0	0.0%
Rental 80-100% AMI	0	60	0	60	20.0%
Rental 100%+ AMI	0	240	0	240	80.0%
For-Sale (entry level-mid market)	0	0	0	0	0.0%
For-Sale (high-end)	0	0	0	0	0.0%
Total Units	**0**	**300**	**0**	**300**	**100.0%**
Source: Marquette Advisors					



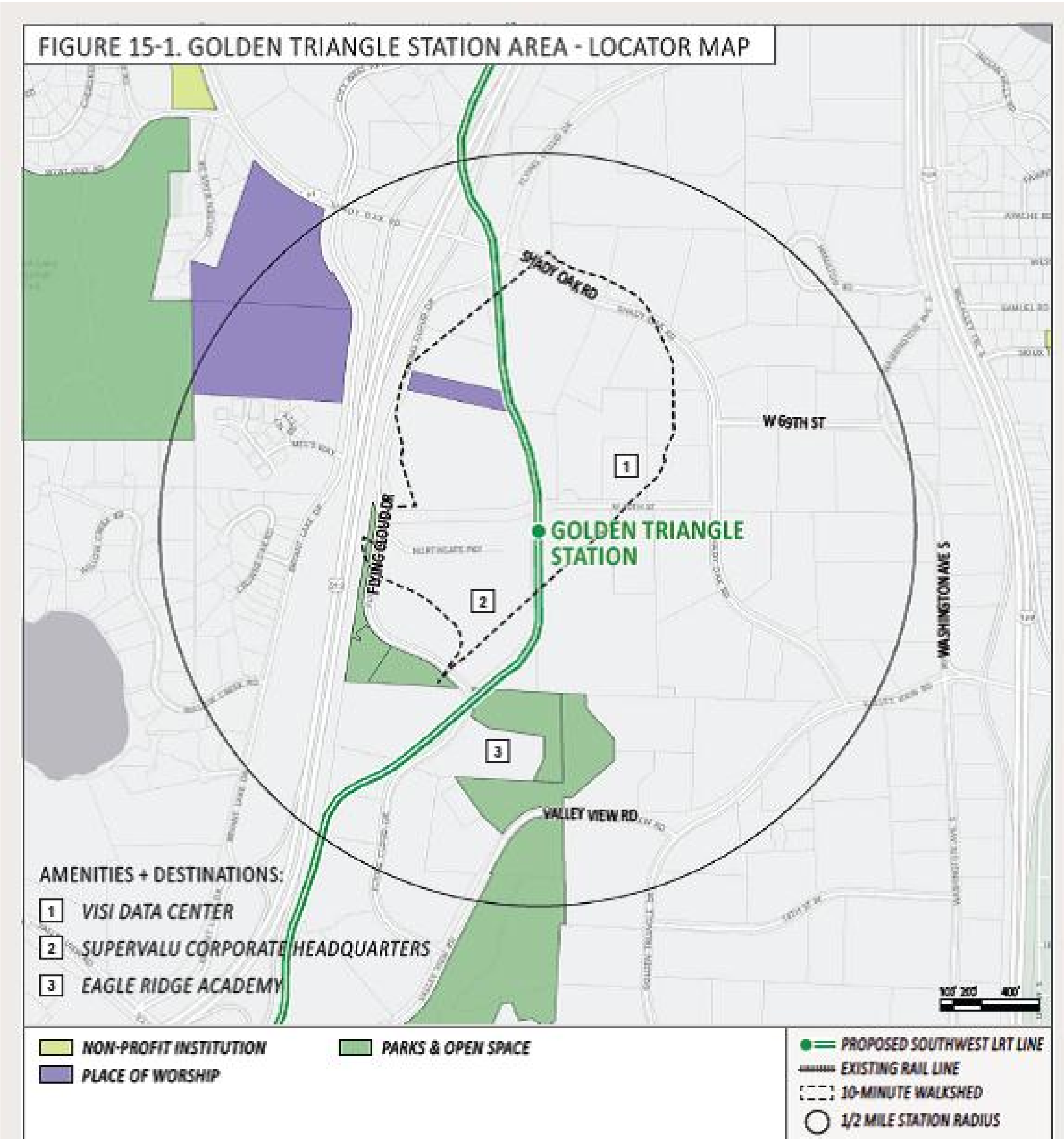


SW Community Works Corridor Investment Framework, 2013

Investment in Public Realm:

Marquette Advisors concurs with the recommendations set forth in the Investment Framework, calling for the addition of pedestrian and bike trails throughout the neighborhood and connecting with nearby residential areas. Multifamily residential housing is presently located to the south of the station; however, the neighborhood's curving streets, large blocks, and proximity to the wetlands currently hinder access to amenities and services in the area. Enhanced pedestrian connections will allow residents of existing and potential future residential communities to better access the office park and City West Station, in addition to supporting transit use.

Golden Triangle Station Area



SW Community Works Corridor Investment Framework, 2013

Current Housing Supply:

Golden Triangle Station Area (1/2 Mile Radius)						
Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	**0%-30%**	**30%-60%**	**60%-80%**	**80%-100%**	**100%+**	**Total Units**
Golden Triangle						
# of Units	0	63	0	0	202	265
% of Unit Inventory	0%	24%	0%	0%	76%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- Major employment center: businesses within ½ mile employ more than 5,600 workers in a mix of high-quality industrial and low-rise office facilities. Major employers near the planned Golden Triangle Station include SuperValu and OneNeck IT Solutions.

- Natural amenity areas, notably the Nine Mile Creek Conservation Area, Lake Smetana and Lake Smetana Park.

- Generally modern and high-quality industrial and office/warehouse development in the area, inclusive of single-user and multi-tenant properties. Liberty Property Trust is the major property owner in this area.

- City-owned 4-acre parcel southeast of the Station, south of W. 70th Street presents infill development potential. Underutilized industrial parcel immediately east of the Station of approximately 7 acres also presents opportunity for residential/mixed-use development, although this parcel is privately owned.

Development Challenges:

- Large block sizes and fractured, private ownership of property in this area poses a challenge for redevelopment.

- High value of much of the property in this area makes change in use and future redevelopment uncertain and costly. Many parcels more likely to be developed/redeveloped with commercial improvements.

- Generally few roadways and limited sidewalks in the area. Many portions of the Golden Triangle area are presently very unaccommodating of pedestrians and cyclists.

- Pedestrian/cycling access to amenities such as Nine Mile Creek and Smetana Lake need improvement and expansion.

- Limited "walk-to" amenities which would appeal to prospective residents, such as restaurants and neighborhood commercial.

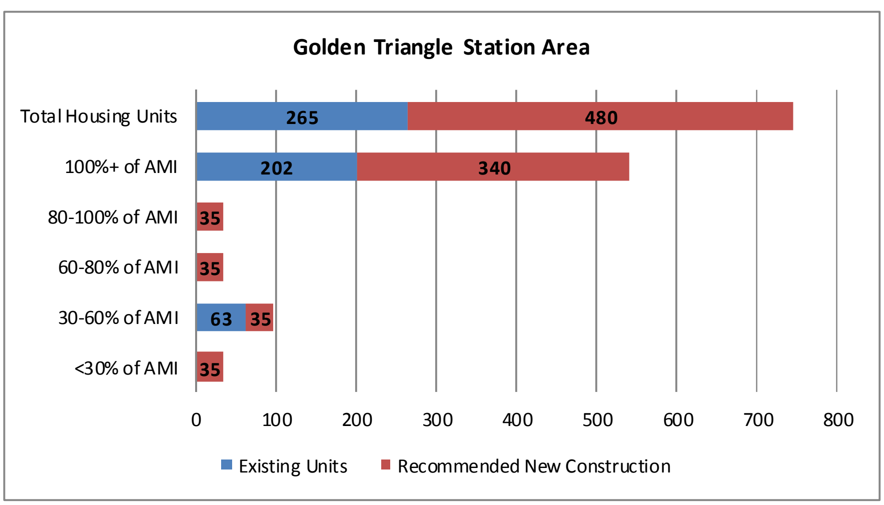
Residential Develpoment Recommendations – Golden Triangle Station Area:

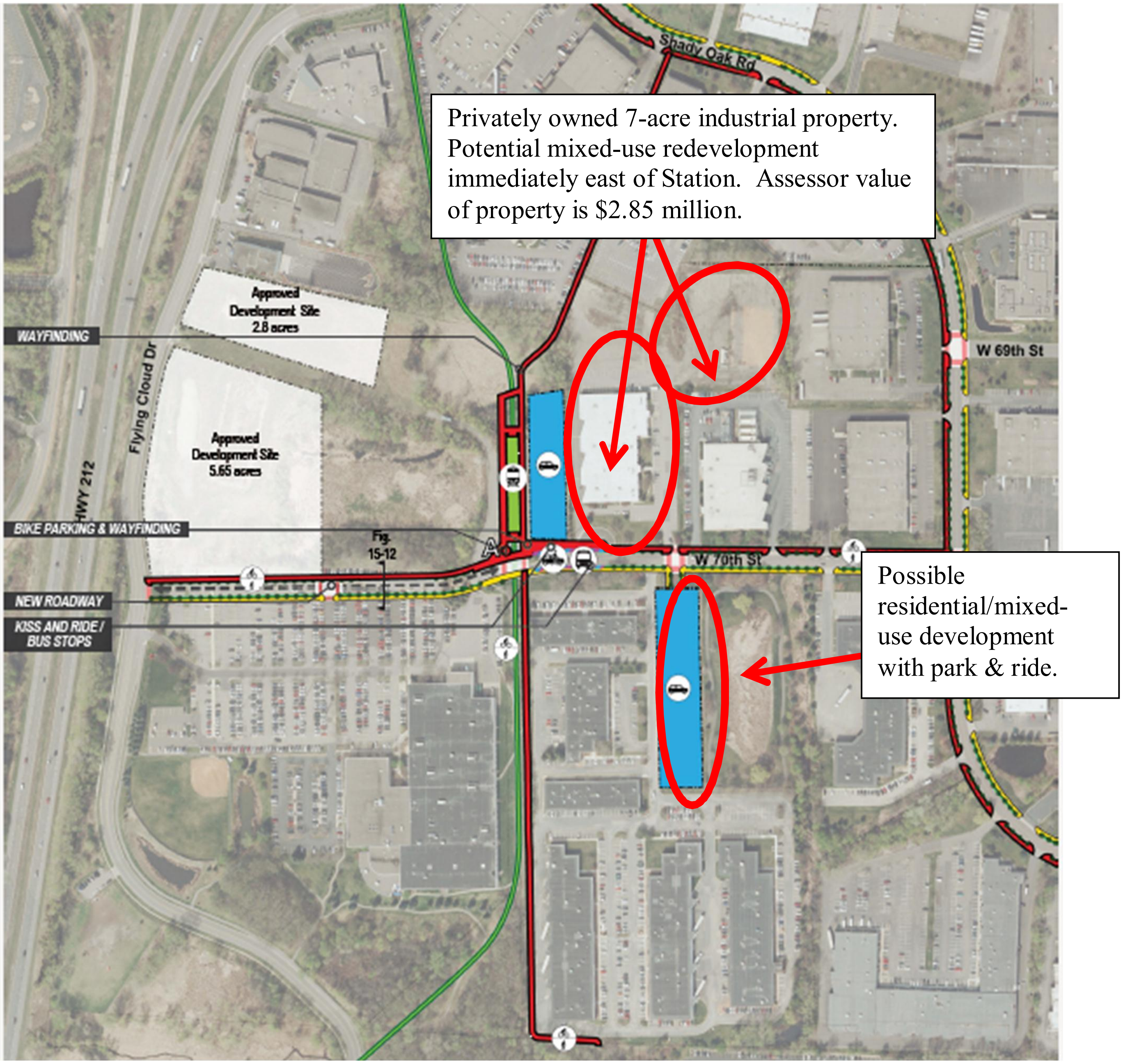
Marquette Advisors expects that future infill development and redevelopment/change in use will likely consist of mostly commercial and industrial improvements, considering the current and projected land use trend, private property ownership, and property values in the area. However, infill develpoment near the station incorporating residentil/mixed-use along with park & ride development, and a possible redevelopment of an underutilized private industrial property (7 acres, currently valued at $2.85 million according to County property records) immediately east of the Station on the north side of W. 70th present two short- to mid-term opportunities residential construction, perhaps within a mixed use environment for the 7 acre parcel. Over time, we expect that the Golden Triangle Station Area can accommodate approxiamtely **450 to 500 units** of mixed-income apartment in these areas.

Golden Triangle Station Area -- Recommended Residential Development

Product Type/Afforability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	10	25	0	**35**	**7.3%**
Rental 30-60% AMI	10	25	0	**35**	**7.3%**
Rental 60-80% AMI	10	25	0	**35**	**7.3%**
Rental 80-100% AMI	10	25	0	**35**	**7.3%**
Rental 100%+ AMI	140	200	0	**340**	**70.8%**
For-Sale (entry level-mid market)	0	0	0	**0**	**0.0%**
For-Sale (high-end)	0	0	0	**0**	**0.0%**
Total Units	**180**	**300**	**0**	**480**	**100.0%**

Source: Marquette Advisors





SW Community Works Corridor Investment Framework, 2013

As well, for-sale townhouse, row homes and detached cottage homes would be marketable on City-owned tracts which back up to Nine Mile Creek south of Golden Triangle Station. If there are portions of this area which could be developed in a way that is sensitive to the environment and conservation objectives, we believe there would be a positive market response to development which provides provides medium to high-denstiy, quality home-ownership opportunities in a unique setting spanning a variety of price-points.

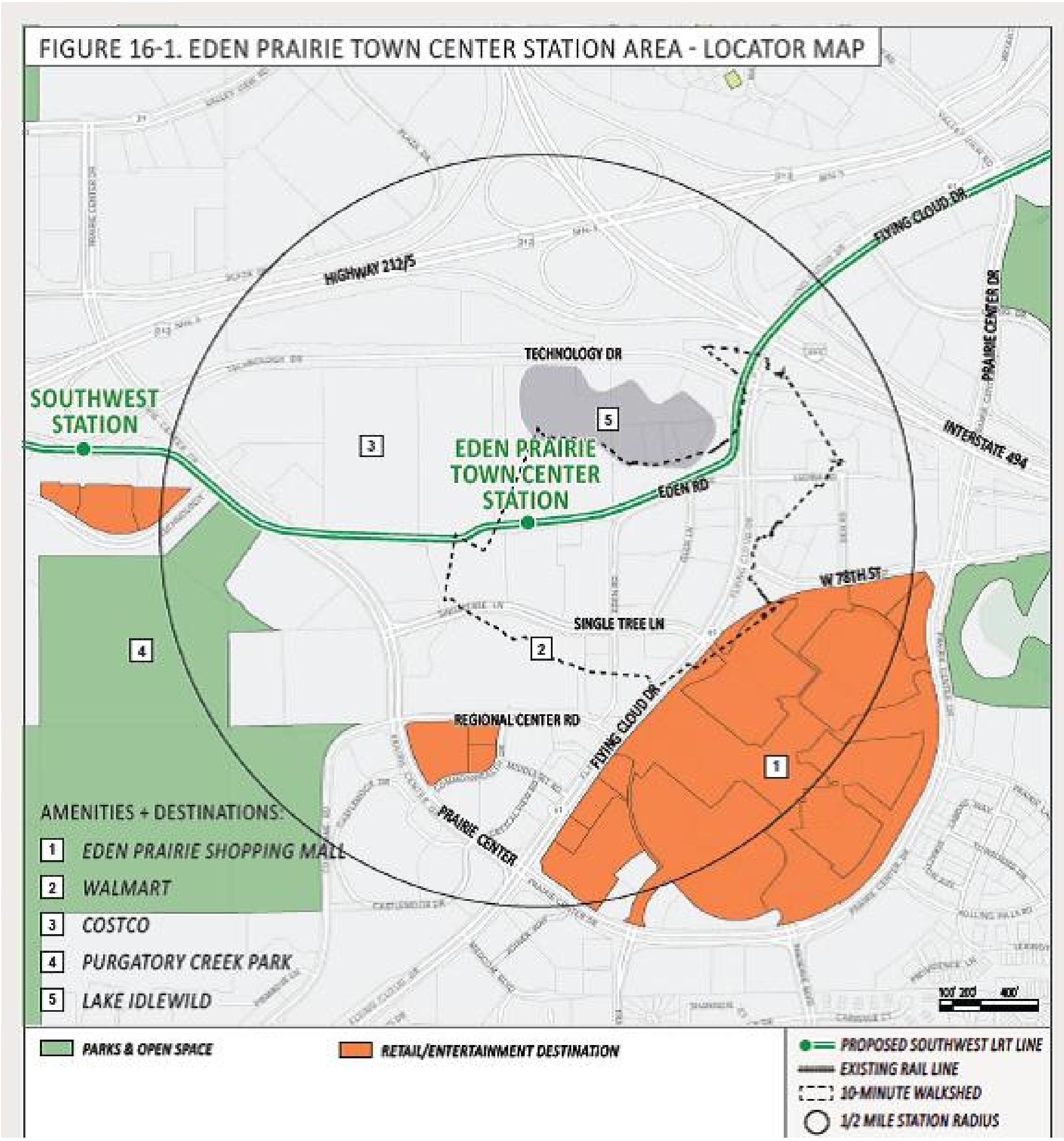
Investment in Public Realm:

- Provide sidewalks and trails connecting the station with employers in the Golden Triangle Area, as well as existing neighborhoods to the south. Improve connectivity and pedestrian access to natural amenities such as Nine Mile Creek and Smetana Lake.

- Through mixed-use development, bring neighborhood commercial and restaurants to the area for both residents and employees.

- If 7 acre parcel east of the station can be developed, consider construction of a public plaza with green space and gathering areas near the platform, with a strong pedestrian connection to mixed-use development to the east and north of W. 70^{th}.

Town Center Station Area



SW Community Works Corridor Investment Framework, 2013

Current Housing Supply:

Town Center Station Area (1/2 Mile Radius) Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	0%-30%	30%-60%	60%-80%	80%-100%	100%+	Total Units
Town Center						
# of Units	38	420	76	85	438	1,057
% of Unit Inventory	4%	40%	7%	8%	41%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- 1,057 housing units exist within ½ mile of the station site, of which 44% are affordable to households earning <60% of AMI.
- Strong demographics and high-quality real estate comprised of commercial/retail, office and multifamily development, with a small amount of office/warehouse.
- Access to goods/services, restaurants and major highways.
- Purgatory Creek Park and Lake Idlewild.
- Successful market rate and mixed-income apartments exist in this area. Demonstrated market appeal as a residential location.
- More than 5,400 workers employed by businesses within ½ mile.
- Small city-owned parcel (2.6 acre daycare site) and a number of under-utilized properties in station area provide potential for future redevelopment.

Development Challenges:

- Limited land availability and high value of property pose significant barriers to redevelopment. Lack of publicly owned land.
- Pedestrian environment needs improvement, including connectivity and streetscape improvements. Absence of sidewalks and trails in the area.
- Large block sizes.

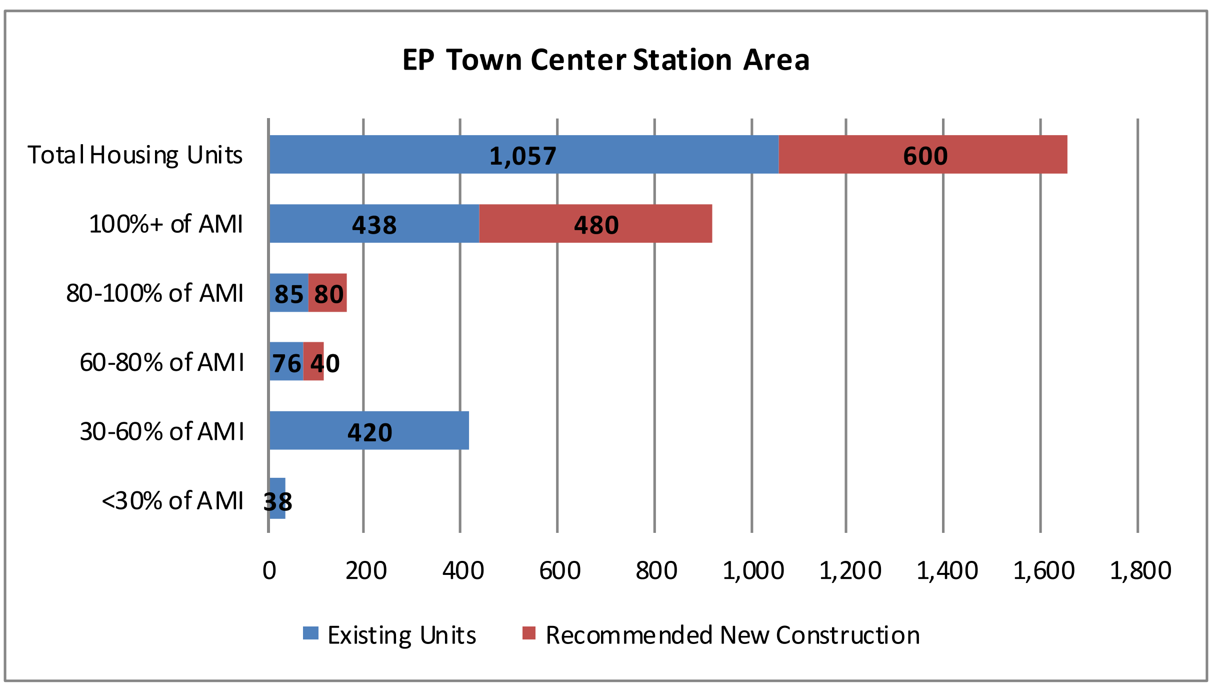
Residential Develpoment Recommendations – EP Town Center Station Area:

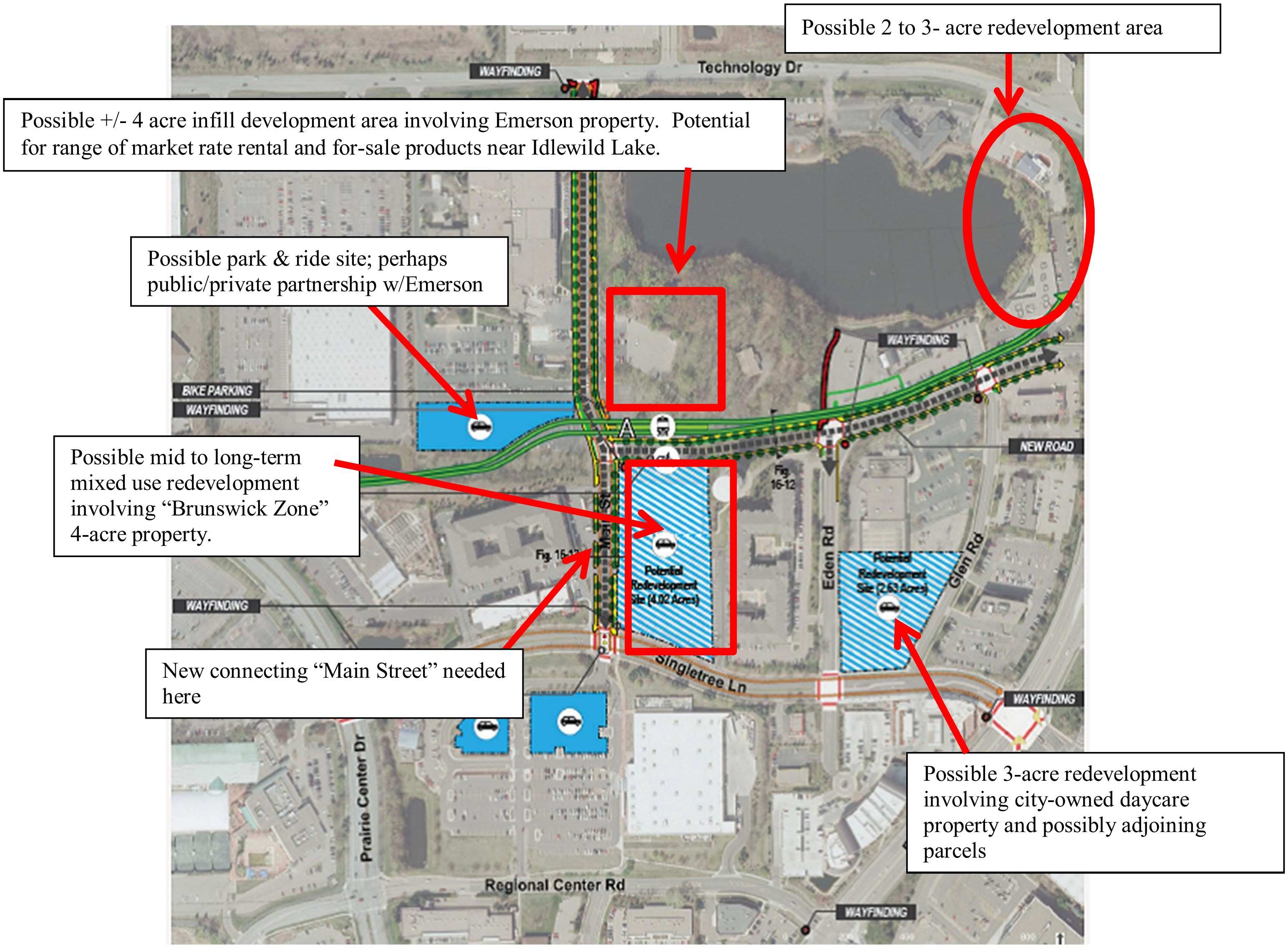
Limited land availability and significant site acquisition costs will make redevelopment challenging, and costly. However, from our assessment of the area and the Investment Framework planning, Marquette Advisors believes that there is potential for public/private partnerships and strategic infill development/redevelopment around Town Center Station. We estimate that approximately **500 to 600 new residential units** are viable in three or more significant infill and redevelopment projects here. We suggest a mix of housing units as follows:

EP Town Center Station Area -- Recommended Residential Development

Product Type/Afforability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	0	0	0	**0**	**0.0%**
Rental 30-60% AMI	0	0	0	**0**	**0.0%**
Rental 60-80% AMI	0	20	20	**40**	**6.7%**
Rental 80-100% AMI	0	40	40	**80**	**13.3%**
Rental 100%+ AMI	160	120	120	**400**	**66.7%**
For-Sale (entry level-mid market)	0	60	0	**60**	**10.0%**
For-Sale (high-end)	0	20	0	**20**	**3.3%**
Total Units	**160**	**260**	**180**	**600**	**100.0%**

Source: Marquette Advisors





SW Community Works Corridor Investment Framework, 2013

Emerson owns more than 32 acres of property north and west of the planned LRT station. This includes undeveloped land north of LRT on the south side of Idlewild Lake. We believe that a strategic public-private partnership should be considered, involving the construction of structured parking on Emerson's current surface parking area at the south end of their property (to be used by their employees, as well as commuters), along with the development of an approximtely 4-acre tract to the east. This area could be developed with a range of rental and for-sale housing units. We note that a new "Main Street" would need to be constructed (as per the Investment Framework) connecting this parcel and the new Town Center Station with Singletree Lane on the south. We suggest a preliminary concept for the roughly 4 acre area on the southwest side of Lake Idlewild as follows:

- 16 to 20 for-sale row homes or two small "pocket" neighborhoods in the area overlooking Lake Idlewild, incorporating small but high-quality homes priced in excess of $400,000.

- Around 140 to 200 multifamily units on the remaining acreage, inclusive of a condo building with approximately 60 to 80 units priced generally in the upper $200,000s to $300,000s, as well as an apartment buildign featuring approximately 100 to 120 market rate units, which should support rents of approximately $1.90 psf ($1,700 avg per unit) on average in current year dollars.

Mid- to long-term redevelopment potential exists with respect to the 4-acre Brunswick Zone property south of the Station (currently valued at $4.3 million according to County property records). This property could be redeveloped to include a small amount of neighborhood retail/restaurant space along with multifamily residential, fronting a new Main Street as planned to connect Singletree Lane with the SWLRT station.

Other mid to long-term redevelopment sites should be considered, including possible redevelopment of the IHOP site and nearby parcels east of Idlewild Lake. Mixed-use development should be targeted for this location. As well, the city-owned daycare site of approximately three acres along with adjoining under-utilized parcels should be evaluated for development including both residential and commercial uses. We expect that at least one of these areas will be developed over the next 10 or so years, yielding another 200+ residential units in the station area.

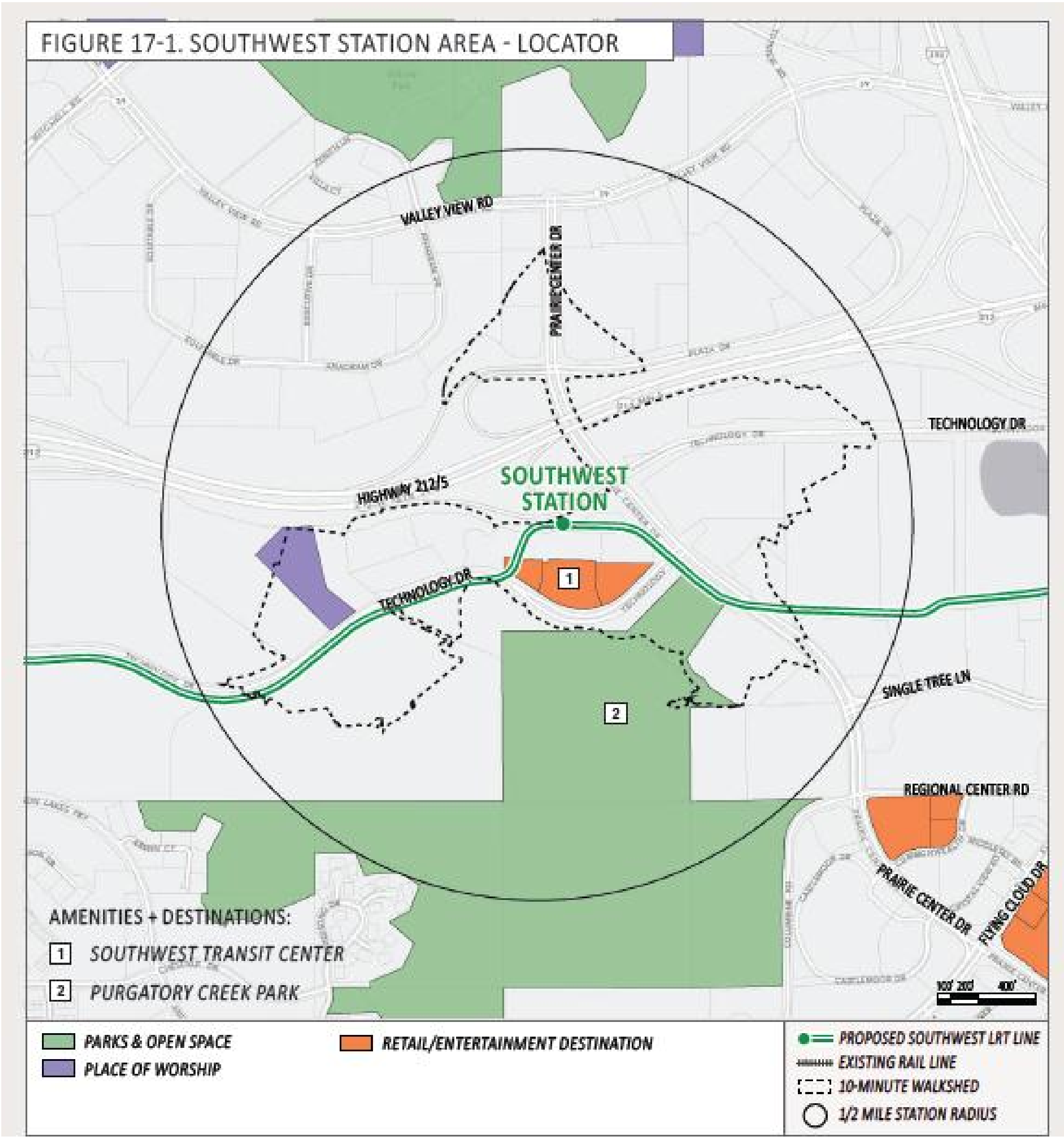
Investment in Public Realm:

- Construct Main Street connecting Single Tree Lane to the planned SWLRT platform and possible redevelopment area south of Idlewild Lake.

- Evaluate potential partnership with Emerson to provide structured parking on Emerson property, with an agreement for development of Emerson property to the east along the south shore of Idlewild Lake.

- Provide sidewalks and trails connecting the station with employers in the station area, as well as existing neighborhoods to the south. Improve connectivity and pedestrian access to natural amenities.

Southwest Station Area



SW Community Works Corridor Investment Framework, 2013

Current Housing Supply:

Southwest Station Area (1/2 Mile Radius) Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	**0%-30%**	**30%-60%**	**60%-80%**	**80%-100%**	**100%+**	**Total Units**
Southwest						
# of Units	0	25	32	0	984	1,041
% of Unit Inventory	0%	2%	3%	0%	95%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- Southwest Transit Center, an existing 5-level, 900 car capacity park & ride facility adjacent to SW Station site.
- Includes more than 45,000 sf of restaurants in the immediate area, along with Southwest Station residential condominiums.
- Access to goods/services, restaurants and major highways.
- Purgatory Creek Conservation Area, a 200-acre wetland area with a seven-acre park and 2.5 miles of walking trails.

Development Challenges:

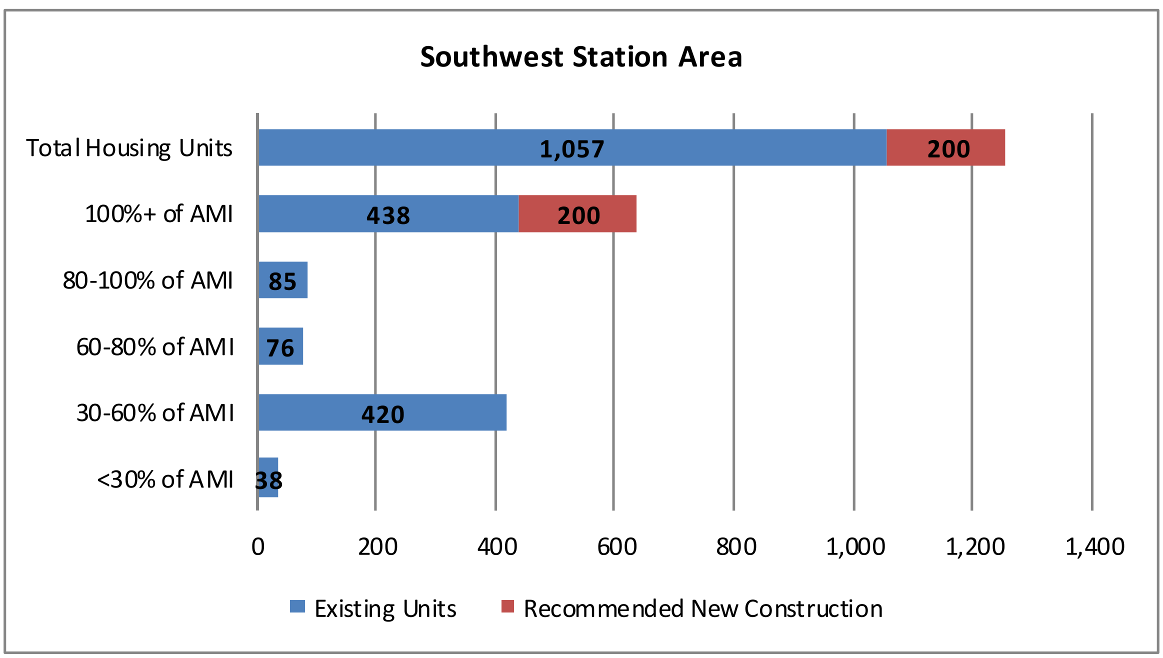
- Limited land availability and high value of property pose significant barriers to redevelopment. Lack of publicly owned land.
- Pedestrian environment needs improvement, including connectivity and streetscape improvements.
- Large block sizes.

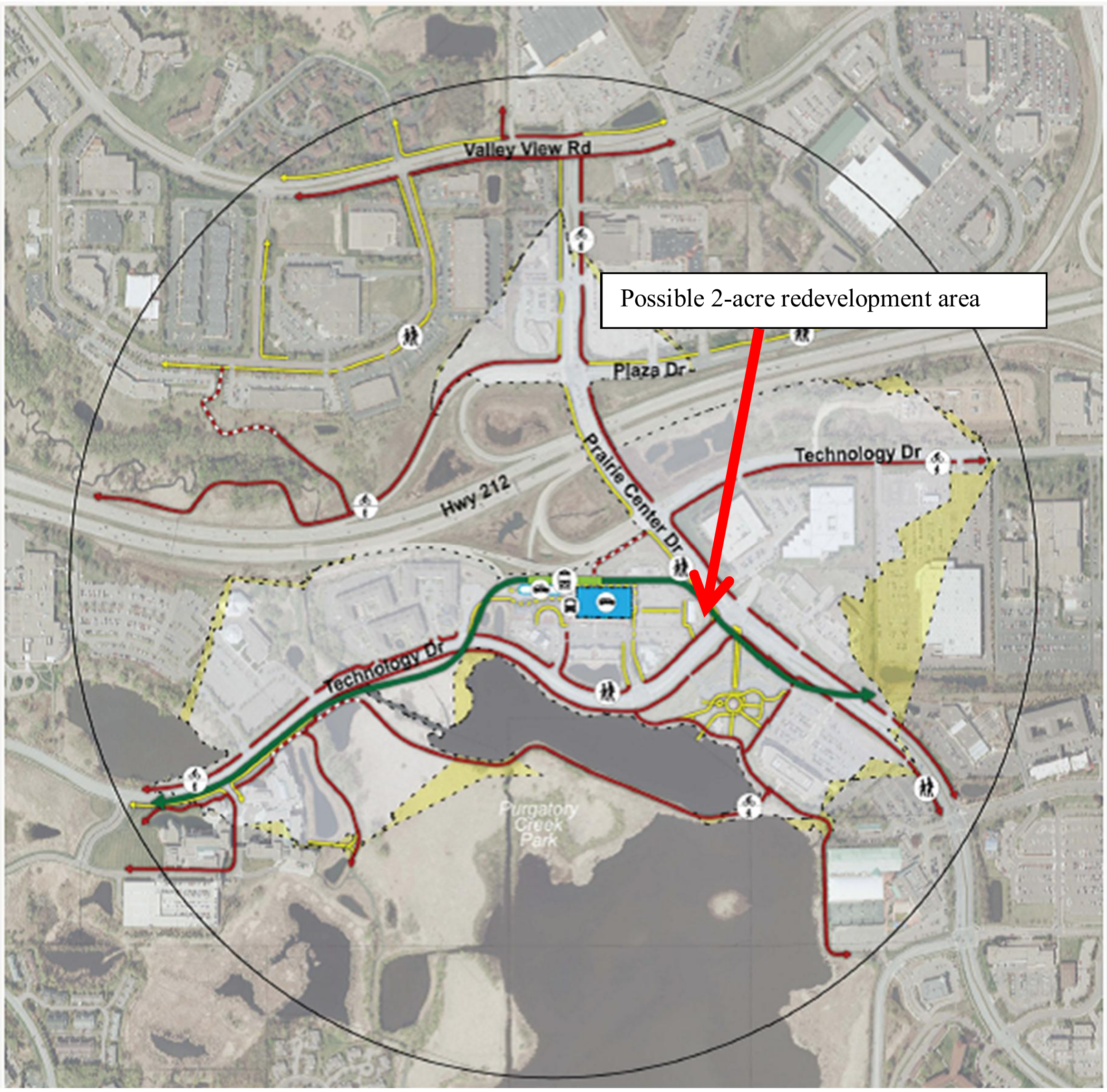
Residential Development Recommendations – Southwest Station Area:

The Southwest LRT Station is anticipated to serve park and riders, as well as employees of local businesses and nearby residents. The area is generally developed with high quality privately-owned commercial and residential improvements presently. Change in use through redevelopment is unlikely in many cases. There will be opportunities, however, particularly mid- to long-term. One area that could be evaluated for redevelopment would be the Ruby Tuesday parcel near Technology Drive and Prairie Center Drive. The property contains approximately 2.0 acres, with high visibility and good access. Current improvements include the restaurant and surface parking. A mixed-use development including apartments along with restaurant/retail use(s) should be considered here, along with shared structured parking. A development with approximately 150 to 200+ rental units would be marketable at this location, and perhaps more if adjoining bank and restaurant parcels can be incorporated in a larger redevelopment program.

Southwest Station Area -- Recommended Residential Development

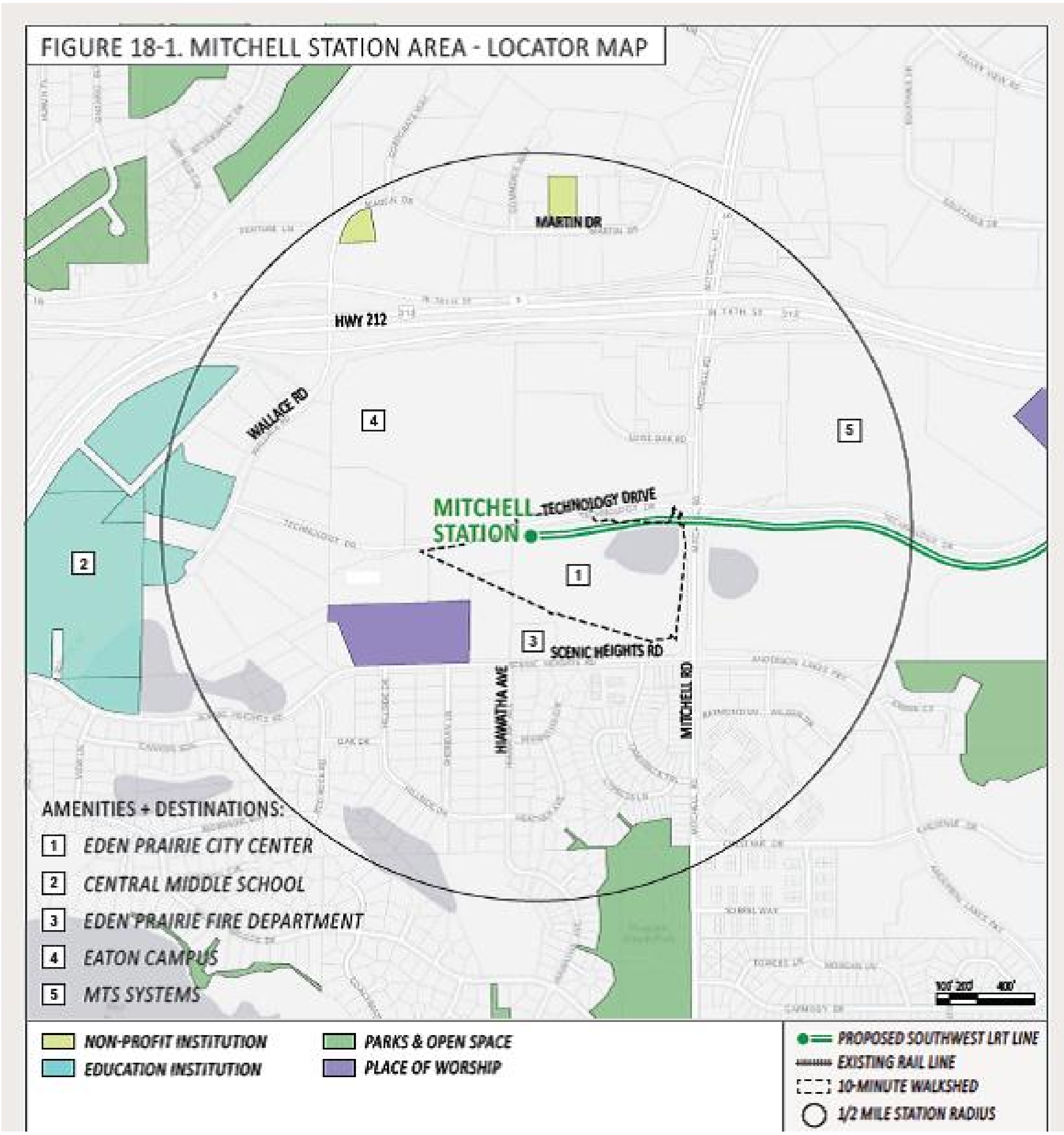
Product Type/Afforability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	0	0	0	0	0.0%
Rental 30-60% AMI	0	0	0	0	0.0%
Rental 60-80% AMI	0	0	0	0	0.0%
Rental 80-100% AMI	0	0	0	0	0.0%
Rental 100%+ AMI	0	200	0	200	100.0%
For-Sale (entry level-mid market)	0	0	0	0	0.0%
For-Sale (high-end)	0	0	0	0	0.0%
Total Units	**0**	**200**	**0**	**200**	**100.0%**
Source: Marquette Advisors					





SW Community Works Corridor Investment Framework, 2013

Mitchell Station Area



Note: Base map taken from SW Community Works Corridor Investment Framework

Current Housing Supply:

Mitchell Station Area (1/2 Mile Radius) Current Housing Inventory by Affordability Range						
	Units by Affordability Range (% of AMI)					
Station Area	0%-30%	30%-60%	60%-80%	80%-100%	100%+	Total Units
Mitchell						
# of Units	0	20	35	14	85	154
% of Unit Inventory	0%	13%	23%	9%	55%	100%
Sources: SWLRT Housing Inventory; Marquette Advisors						

Strengths:

- Station is surrounded by high-quality suburban office and industrial parks. Total employment within ½ mile estimated at 5,000 jobs. Major employers near the station include Eaton, MTS Systems, and the City of Eden Prairie.

- Public facilities in the area, including Eden Prairie City Hall and Eden Prairie Community Center, as well as Central Middle School and the Education Center.

- Neighborhood and regional commercial centers nearby, including a full range of goods/services and restaurants.

- Access to major highways US 212 and MN-5.

- Centrally located within City of Eden Prairie, convenient bus-to and drive-to destination for park & ride usage by Eden Prairie residents. Major park & ride facility is planned at Mitchell Station, which is the southwestern terminus of the LRT route.

Development Challenges:

- Limited land availability and high value of property pose significant barriers to redevelopment. Lack of publicly owned land.

- Pedestrian environment needs improvement, including connectivity and streetscape improvements. Limited sidewalks in the area, which is primarily auto-oriented, although several avenues contain multi-use trail connections. Poor connectivity to areas north of US 212.

- Large block sizes.

- Limited residential presence within the walk-shed surrounding the Station.

Residential Development Potential – Mitchell Station Area:

There is limited potential for residential development within the immediate ½ mile area surrounding Mitchell Station. The area features a primarily commercial-oriented land use mix with high-value office and industrial facilities, along with major civic facilities. Although a number of "under-utilized" low rise parcels exist under private ownership, we expect that these parcels will be built out in the future with additional office/commercial improvements, most likely by current ownership as expansion of existing businesses occurs. Infill development opportunities exist north of US 212, and one such project is underway by Bader Development/Hunter Emerson ("MartinBlu") which will add 192 market rate apartment units later this year.

We expect that the Mitchell Station will function primarily in support of commuters who will access the station from various neighborhoods throughout Eden Prairie, either by car or bus, as well as reverse commuters, as this is a significant employment center with a number of major businesses within walking distance of the station. For this reason, we recommend that public investment in this area be focused on the provision of park & ride and adjacent plaza/platform facilities, as planned, as well as improvements in pedestrian and bike access to/from the station and the area's major businesses.

FIGURE 18-10. OPENING DAY STATION AREA IMPROVEMENTS

SW Community Works Corridor Investment Framework, 2013

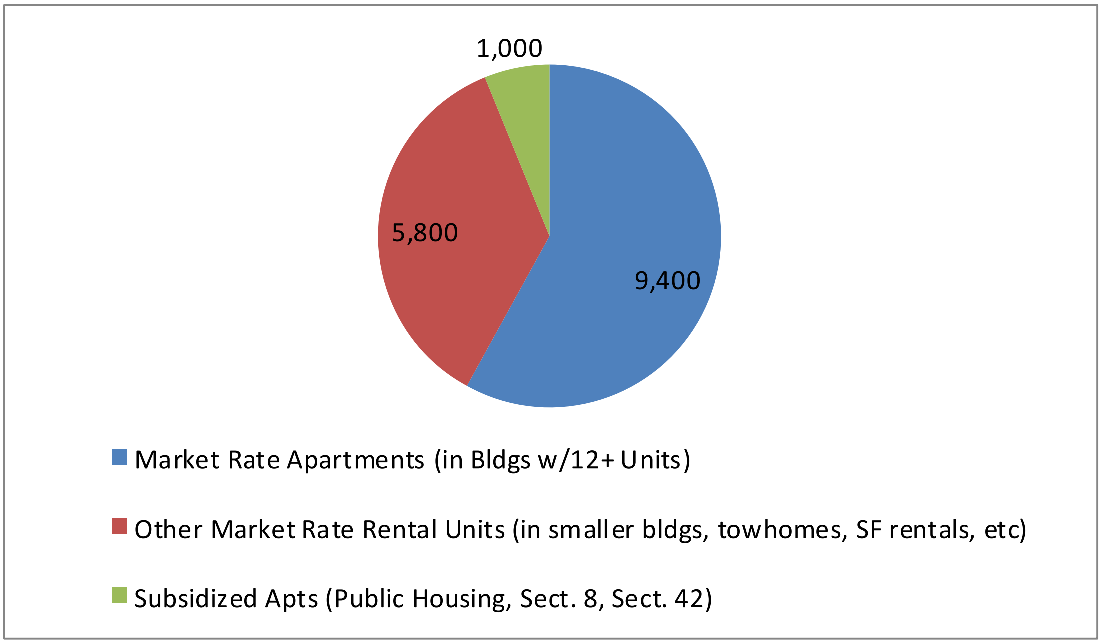
HOUSING PRESERVATION

The current housing stock, and its affordability to households earning <60% of AMI, is in fact a primary asset in the station areas at this time. Our analysis indicates that the preservation of existing housing and investment in its quality and long-term sustainability is one of the most worthy and important initiatives going forward in terms of public sector planning and support. We reach this conclusion, based on the following factors:

Considerable Supply of Rental Housing Which is Naturally Affordable to Households Earning <60% of AMI

There are approximately **16,200 total rental housing units in the corridor**, distributed as follows:

SWLRT Corridor -- Rental Housing Inventory (as of Sept. 2014)



The *SW Community Works Housing Inventory, 2013*, identified approximately 4,800 units in market rate apartment buildings (buildings with 12+ units) in the corridor in 2013 which as being affordable to households earning less than 60% of AMI. However, close examination and further refinement by Marquette Advisors by use of its own surveying and proprietary apartment database indicates that this figure is closer to 3,800 such units. A listing of these units is presented below and on the following page.

The 3,800 "naturally occurring affordable" units at <60% of AMI represents more than one-third of all units in "market rate" apartment buildings with 12+ units. This includes a limited mix of small "affordable" units in modern buildings, but is predominately apartments in older complexes constructed during the 1960s & 1970s.

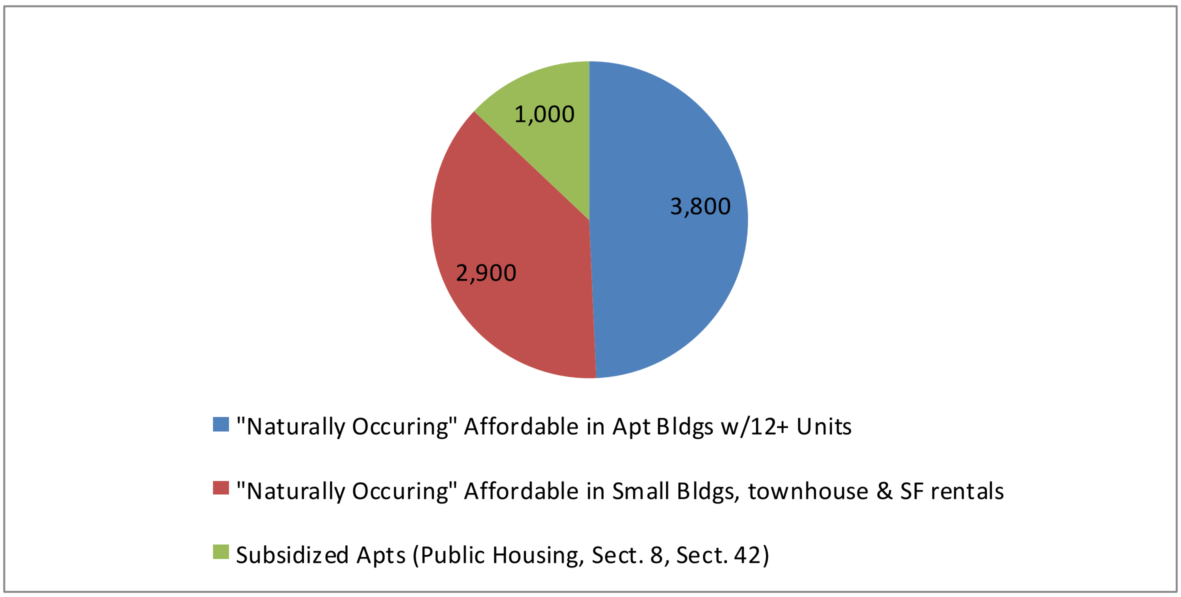
Housing Naturally Afforable to Households w/Incomes <60% of AMI SW LRT -- 1/2 Mile Corridor Sep-14				
Property	City	Station Area	Total Units by Property	Estimated # of Affordable Units
1302 Linden Apts.	Minneapolis	Royalston	42	21
Subtotal - Royalston			**42**	**21**
Kenwood Gables	Minneapolis	Van White	101	10
Subtotal - Van White			**101**	**10**
Calhoun Greenway	Minneapolis	West Lake	150	60
Calhoun Towers	Minneapolis	West Lake	102	20
Lakewood Isles	Minneapolis	West Lake	178	120
West Calhoun Apts	Minneapolis	West Lake	62	56
Subtotal - West Lake			**492**	**256**
Park Glen Apts	St. Louis Park	Beltline	290	70
Park Towers	St. Louis Park	Beltline	142	30
Walden Woods	St. Louis Park	Beltline	108	30
4405 Hwy 7	St. Louis Park	Beltline	11	11
4441 Mtka Blvd	St. Louis Park	Beltline	14	14
The Edge of Uptown	St. Louis Park	Beltline	134	35
Lynn Plaza	St. Louis Park	Beltline	44	44
Minikhada Court	St. Louis Park	Beltline	125	125
Park Embassy	St. Louis Park	Beltline	107	107
Park Place	St. Louis Park	Beltline	66	66
Park Trails	St. Louis Park	Beltline	120	120
Uptown West	St. Louis Park	Beltline	120	120
Subtotal - Beltline			**1,281**	**772**
The Camerata	St. Louis Park	Wooddale	220	20
Subtotal - Wooddale			**220**	**20**
Meadowbrook	St. Louis Park	Louisiana	556	556
Louisiana Oaks	St. Louis Park	Louisiana	200	30
Subtotal - Louisiana			**756**	**586**
Knollwood Towers East	Hopkins	Blake Rd.	129	129
Knollwood Towers West	Hopkins	Blake Rd.	187	187
2nd Street Station	Hopkins	Blake Rd.	150	150
Westside Village	Hopkins	Blake Rd.	265	265
Cambridge Towers	Hopkins	Blake Rd.	109	109
Creek Point	Hopkins	Blake Rd.	101	101
Creekview	Hopkins	Blake Rd.	37	37
Creekwood Estates	Hopkins	Blake Rd.	180	180
Hiawatha Court	Hopkins	Blake Rd.	60	60
Knollwood Apts	Hopkins	Blake Rd.	68	68
Subtotal -- Blake Rd.			**1,286**	**1,286**
Lamplighter	Hopkins	DT Hopkins	24	24
Loon Apts	Hopkins	DT Hopkins	12	12
RJZ Apts	Hopkins	DT Hopkins	20	20
Royal Apts	Hopkins	DT Hopkins	35	20
Hopkins Park Plaza	Hopkins	DT Hopkins	111	111
Mark I Towers	Hopkins	DT Hopkins	11	11
Town Terrace	Hopkins	DT Hopkins	108	108
Subtotal -- Downtown Hopkins			**321**	**306**
Central Park Manor	Hopkins	Shady Oak	109	109
Parkside	Hopkins	Shady Oak	28	28
Subtotal -- Shady Oak			**137**	**137**
Claremont	Minnetonka	Opus	321	161
Subtotal - Opus			**321**	**161**
Park at City West	Eden Prairie	City West	280	50
Subtotal -- City West			**280**	**50**
Broadmoor	Eden Prairie	Town Center	235	235
Subtotal -- Town Center			**235**	**235**
TOTAL -- SW LRT CORRIDOR (1/2 Mile)			**5,472**	**3,840**
Sources: SWLRT Housing Inventory Report; Marquette Advisors (unit inventories & affordability analysis)				

***Note that the inventory shown above includes a total of 505 Section 8 vouchers in the corridor.**

There is also a considerable supply of rental housing in smaller buildings (<12 units), as well as single-family homes and investor-owned duplexes, townhomes and condos which are rented in the area. These product groups comprise approximately 5,800 units in the corridor. From our analysis we estimate that approximately 50% of those units (2,900 units) are also "naturally affordable" to households earning less than 60% of AMI.

In total, the current supply of housing units affordable to households earning less than 60% of AMI is estimated to include **7,700 units** (more than 40% of the current rental housing within ½ mile of the stations) distributed as follows: **6,700** "naturally affordable" market rate rental units (unrestricted rentals) + **1,000** subsidized units (project based, including Sect. 8, public housing and Sect. 42).

SWLRT Corridor -- Rental Housing Affordable to Households Earning <60% of AMI



<u>Preservation vs. New Construction (Comparative impact and "ROI" basis)</u>

Comparatively high cost to construct new units -- Due to limited land supply, rising land and construction costs, current land use, and "highest and best use" analysis which in many cases demonstrates that commercial uses generate a higher return on investment compared to housing.

Preservation is less expensive -- The cost to "preserve" naturally occurring affordable housing is far favorable by comparison to the cost to construct new units. The cost to develop new apartments in the corridor is estimated to be in the range of $175,000 to $200,000, varying somewhat dependent on land cost, project density and other elements. The average amount of financial subsidy required to provide affordability at or below 60% of AMI is estimated to be $50,000+ per unit. There are circumstances, strategies and mechanisms for offsetting this subsidy requirement in part (i.e. land write-down, density bonuses, waiving of impact fees, etc.);

however, the required per-unit subsidy far outstrips the costs associated with preservation & improvement of the existing affordable housing stock.

Possible Strategic Acquisition Opportunities -- Our analysis, and work by other firms, indicates that in many cases the cost of acquisition of existing market rate product which is naturally affordable to those earning <60% of AMI can in some cases be less than $60,000 to $70,000 per unit. In the future, there may be opportunities for strategic acquisition of these assets through public/private TOD funding mechanisms (discussed later in the report) such that these naturally occurring affordable units can be preserved (and upgraded) as long-term, sustainable affordable housing to be operated by a partner non-profit apartment owner/management firm. Still, these circumstances will be limited, as this requires a willing seller. We are aware that in the case of many of the existing market rate apartment complexes in the corridor, long-term owner/operators are in place who have held these assets for many years and in some cases own them free-and-clear.

Are existing affordable units vulnerable to rising rents? Possible risk of displacement of current residents?

While the impacts associated with LRT and investment in the Green Line are overwhelmingly positive in aggregate, it is also important to assess possible negative impacts and/or risks associated with SWLRT, particularly as it relates to the existing housing stock and current resident base.

Market conditions continue to be favorable for apartment owners, with sustained strong demand and low vacancy. Marquette Advisors quarterly surveys indicate that the SWLRT corridor area maintains an apartment vacancy rate of approximately 3.0% as of 2014 Q2, with a metro area vacancy rate of 2.6%. Market rental rate increases have averaged approximately 3.0% to 3.5% (year-over-year) throughout the corridor over the past three years. Given sustained strong demand fundamentals and limited new supply, landlords in the SWLRT corridor should be well positioned for more substantive rent growth in the coming year and beyond, considering the impact of SWLRT and other market and economic factors which will positively impact the corridor over the long term.

Even still, our analysis indicates that **relatively few properties situated near the planned SWLRT stations which will be susceptible to major rent increases and/or renovation and repositioning over the long-term to the point that current lower-income renters would be "priced out" of these locations.** The fact is, a majority of the existing apartment supply is comprised of properties which are older (1960's/70's vintage) and suffer from some level of deferred maintenance and structural/market obsolescence (e.g. unit features, absence of laundry facilities and modern amenities, detached garages or no covered parking). As such, their current rent levels reflect these deficiencies by comparison to modern product, and in most cases rents are considerably below the maximum rent level at 60% of AMI. So, even with 3-4% annual rent increases over the next 3-5 years, which is likely, we expect that these units will remain "affordable" below the 60% AMI threshold. Even with considerable unit rehab/upgrades, landlords in most cases will not be able to push rents in excess of affordability levels due to the inherent design & structural issues noted herein.

Although we do not expect that gentrification relative to existing older apartment assets and naturally occurring affordable housing will be a significant issue going forward, we do note that strategies are needed as follows:

Maintain & improve this housing stock -- 76% of these units are more than 30 yrs old. Strategies are needed to invest in an aging affordable housing stock. This may include low-interest loans to current ownership to support investment in long-term sustainability and improvement in the quality of the existing rental stock. It could also include strategic acquisition of existing apartments by a TOD Affordable Housing Fund, in partnership(s) with non-profit operator/management. A variety of strategies have been implemented elsewhere in this regard. As a point of reference, a 2010 study titled *"Preserving Affordable Housing Near Transit"* by Enterprise Community Partners, the National Housing Trust and Reconnecting America provides a review of what has been tried, and what has worked in four major U.S. markets: Atlanta, Denver, Seattle and Washington DC.

Better matching of lower income households with this housing product – we note that since this stock is not under government regulation, a number of the existing affordable units are actually occupied by households who are paying considerably less than 30% of their incomes toward housing. Note that this is due in part to the absence of modern market rate apartment product in the area. So, by constructing additional market rate housing in the corridor, we would expect that some of these renters would "step-up" into somewhat more expensive modern housing, in turn freeing-up some of the older more affordable units for lower income renters.

Better matching of services with resident base to promote upward mobility. (i.e. job/life skills). Considering the strong base of major employers in the corridor, as well as the area's educational institutions, we suggest that the stakeholders develop strategies to implement new programs to provide low-income residents access to job skills training, financial advisory services and training, and home/household financial management and homebuyer educational programs. Locally, we are aware that the Neighborhood Development Center (NDC) in St. Paul has had considerable success in providing services on behalf of small business owners and entrepreneurs within the Central Corridor. NDC has provided assistance to business owners along the Corridor in branding, marketing and financial planning. SWLRT stakeholders should evaluate the potential to provide/support similar programming for SWLRT area entrepreneurs and residents & workers.

CORRIDOR STRENGTHS & WEAKNESSES

This section of this report answers key questions posed by SWLRT Community Works related to housing issues in the corridor, followed by a summary of recommendations and next steps to guide future planning and the SWLRT Housing Strategy.

Full range of housing choices: what are the strengths and weaknesses along the SWLRT line with regard to a full range of housing choices?

Note that the strengths and weaknesses of individual station areas are detailed elsewhere in the report. Those noted below are over-arching themes related to the corridor as a whole.

Strengths

We expect an even stronger level of both developer & consumer (resident) response to SWLRT as compared to the Hiawatha & Central Corridors to date. Several factors contribute to this.

1. Strong demographics and market economics

2. Strong appeal of neighborhoods / communities along SWLRT

3. Presence of quality schools and public facilities

4. Economics / corporate presence -- strong & growing. Note 107,000 workers in the ½ mile Corridor. Less than 4% of that workforce also resides within ½ mile of the line at this time. This presents a significant opportunity relative to the appeal of new TOD housing along SWLRT.

5. Strong connectivity between planned station areas and several major employers; connectivity which will be further enhanced via planned infrastructure improvements inclusive of parking, pedestrian and bike trails, and adjoining transit service such as small station area circulators.

6. Hiawatha + Central Corridor + SWLRT = more complete LRT network…..a real system. The TOD "lifestyle" becomes more effective, efficient and appealing as mature transit network continues to develop in this region. Further to this point, we expect that extension of SWLRT will also in turn benefit Central Corridor and Hiawatha, as well, both in terms of housing and transit usage.

7. Demonstrated knowledge and commitment by the public sector: smart people, good planning, knowledge & experience with public/private partnerships and "tools" that support equitable housing development.

Weaknesses

1. **Limited land supply and relatively few publicly-owned properties creating strategic short-term development opportunities (those opportunities which do exist are discussed in detail in this report)** -- This is the single-most significant barrier to residential development and redevelopment along SWLRT. We note that in the case of several of the planned station areas, there is a general scarcity of developable land. Further, many of the potential development parcels as identified through the Investment Framework process are privately held and are presently improved with income-producing residential or commercial structures. In many cases, in order for residential development to occur, a change in use and/or increase in density will be required. This requires a willing seller/developer and much complexity in the aspects of planning and finance. It can and does happen, but takes willing/able participants both on public and private sides and considerable time.

2. **Fractured private ownership structure surrounding many of the station areas.** Redevelopment requires willing participants and agreement between several parties.

3. Rising land and construction costs.

    - As land and construction costs continue to rise, residential development in general becomes a challenge. Financial feasibility, without public subsidy, becomes more and more likely to occur only for "luxury" housing products.

4. Site constraints, as noted in the Investment Framework. This varies by station area, however the Investment Framework notes many issues with respect to block size(s)/shape and the supporting street network.

5. Characteristics of surrounding land use. In some cases, sites proximate to SWLRT are less attractive for housing development due to the nature of adjacent uses (e.g. industrial).

6. Market inefficiencies persist, relative to SWLRT and other markets locally and throughout the United States. The development industry at this time is focused on providing new housing products within market segments which provide the highest level of financial return, and still fit the risk profile which they and debt/equity participants have established. Today, this means we are seeing the construction of mostly the following product types:

    - High-end apartment developments with mostly small studio and one-bedroom units targeting high-income professionals, especially Millenials

    - Large, upscale single-family homes. As the housing market has improved, development of upper-bracket homes has started to increase. This is occurring in some suburban markets (1/4 to ½+ acre lots), while infill development pressure is also resulting in construction of very large and expensive homes on small City and suburban lots (e.g. SW Mpls and Edina).

- Some senior housing is also being developed, mostly high-end senior cooperatives (without services) on one end of the spectrum, with specialized memory care housing at the other end. We're seeing less development of the "in between" product segments such as congregate senior housing with optional services and assisted living. This may change, however, as Baby Boomers continue to age, although we have noted a trend whereby seniors are choosing to remain in their single family homes for as long as possible – and seniors are healthier and living longer. As such, fewer single-family homes are becoming available for first-time buyers and young families, and in some cases the quality of this stock is deteriorating as senior homeowners are less able to care for and invest in their homes.

The development market must in the months and years ahead become more adept and efficient in building housing products for other growing segments of the market. This will include larger rental units and moderately-priced homes for young families and immigrant families, from which there is strong demand metro-wide and in the Corridor. In the years ahead, aging Millennial renters will evaluate alternatives to small studio & 1BR apartments in high-energy urban neighborhoods, as they age, couple and consider having children. Will many of these same renters be lured from apartments in the Uptown neighborhood, for example, to the SWLRT corridor communities? What housing products will they desire? And will TOD appeal to them? We think so, and have accordingly offered preliminary suggestions in this regard for each station area.

Future housing development: drawing on the sites being identified through the Investment Framework, where are there optimal sites for future mixed income and/or higher density housing development within ¼ mile of station areas?

We have evaluated the Investment Framework and station-area land use and planning. planning to date. We have also met with city planning staff from each of the SW partner communities to discuss and gather perspective related to TOD housing in each community. Further, we have completed and continue to engage in interviews with several private sector developers regarding the potential for housing construction throughout the corridor and near specific stations. We can say at this time we believe that some development/redevelopment potential inclusive of housing is viable over the long term near all stations. Some stations offer more potential than others, and some stations are better suited for certain housing types than others. Further, development in most station areas will require public-private partnerships and public assistance due to site assembly and land cost issues.

The following is a discussion of station areas and specific sites which are "optimal" for development in the relatively short-term, such that they should be subject to focused planning in the months ahead. These sites are considered optimal due to a variety of factors, including:

- Market factors – demonstrated demand for new housing development in short-term.

- Land availability – supply of vacant land, or sites which are "ripe" for redevelopment to more intensive use, inclusive of housing product(s) and/or mixed-use concepts.

- Public sector site control – this provides an opportunity for the stakeholders to spearhead development and guide development programming in a way which supports the provision of a full-range of housing choices.

Blake Road Station -- regularly identified by developers and planners as an area with strong potential for medium and high-density housing development. Key to this is the availability of land for redevelopment, notably significant parcels owned by the Minnehaha Creek Watershed District and Hennepin County Regional Rail Authority. Further, the flowage of Minnehaha Creek through this area and recent/ongoing major investment in the "greenway" which surrounds the creek provide considerable enhancement to this location and the potential for a mix of housing products here. As well, the Blake Road station is well located within the Corridor and will feature strong connectivity to goods/services and major employers, notably Cargill, Japs-Olson, and Super Valu.

Van White Station also presents significant short- and long-term development potential, with a location that is proximate to Downtown Minneapolis and large strategic property holdings (City and County-owned parcels). We believe there is strong potential for a wide range of housing products to be developed in this area, particularly north of the planned station stop, along with complementary office/employment and commercial components consistent with those set forth in the Bassett Creek Valley Master Plan. A variety of housing products should be constructed here, ranging from high-density detached homes to medium and high-density multifamily units serving a diverse resident base.

West Lake Station is situated in a highly desirable area, with very strong demographics and connectivity to goods/services, employment, parks/trails and public facilities. Limited short-term infill and redevelopment opportunities are expected (e.g. Tryg's site now "in play" with an active apartment proposal by Trammell Crow); however, given current land use, land values and private ownership, we expect that only high-end, luxury multifamily developments such as this are likely in the short term, and there are very limited sites where such development may occur. Long-term potential exists for more substantial residential and mixed-use development; however, this will require public participation in site assembly and likely substantial subsidy due to property values.

Many of the planned station areas in these communities feature strategic, well-connected locations relative to major SW metro employers. In most cases, however, land is privately held within proximity of the stations. Future redevelopment of existing lower-intensity industrial sites to higher-density housing and mixed-use concepts should become more viable as market conditions continue to improve.

KEY RECOMMENDATIONS & NEXT STEPS

In general, we find that the primary barriers to the provision of full housing choice within the Corridor will be the following:

- Limited land supply (many of the station areas are fully "built out" and key parcels are privately held)
- Rising land cost (corresponding with increasing demand & limited supply)
- Rising residential construction costs

We also find that this region has a deep base of seasoned market participants, both public and private sector, who are familiar with the complexity of redevelopment and affordable housing finance. The "tool box" here is substantial and public-private partnerships have proven to work here, using tools such as tax increment financing (TIF) and pooling of TIF dollars and the Low Income Housing Tax Credit (LIHTC) program, resulting in quality developments featuring thousands of housing units throughout the region. There are also strategies such as inclusionary zoning paired with density bonuses, as well as land trusts, land banking and TOD funds which foster equitable housing development in other markets which work, however on a small scale, due to the scarcity of funds for these initiatives.

We understand that SW Community Works will be utilizing this report and prior research to develop a comprehensive housing strategy for SWLRT in the coming weeks. In this regard, we offer the following are suggestions in regards to best practices and next steps for the public sector to set the stage for high quality TOD and the provision of full housing choice along SWLRT.

SWLRT Housing Policy Overlay Zone

We suggest that the partner communities officially adopt an overlay zone (we suggest ½ mile from each station area) so as to focus and apply SWLRT housing policy, goals and oversight. This must be the <u>first step in the process</u>, as other strategies suggested herein must be consistent with the policy goals as established on a corridor-wide basis.

The varied jurisdictions should develop consensus and adopt housing policy goals which are consistent with the over-arching themes of 1) high quality TOD and 2) provision of a full range of housing choices. Establish goals and agree on policy objectives which promote mixed-income housing development. Individual jurisdictions can subsequently utilize their own "toolbox" (which varies somewhat by city) and individual policy considerations (e.g. density and impact fees) in working toward achievement of these goals.

The exact structure of oversight and composition can be determined collectively by the stakeholders. The overlay should be developed for the purpose of consistency in goals and policy, rather than a control mechanism.

While we suggest that the partner communities should consider a policy of inclusionary zoning, we recognize that there may not be consensus among the stakeholders around this approach. It is more important at this stage to build consensus and a plan around inclusionary housing goals and policy for the SWLRT Corridor. Individual jurisdictions have somewhat unique "tools" related to how they approach development and public/private partnerships. Inclusionary zoning may be an approach that individual jurisdictions may choose. Others may not. Still, however, there should be collective goals and policy that supports the provision of a full range of housing choices in the corridor. Individual cities should continue to use their own creativity and "tool-box" to achieve these corridor-wide goals.

Develop "Branding" and Promotions Strategy for SWLRT Lifestyle

Hennepin County and the partner communities should develop "branding" around the SWLRT "lifestyle," and strategize to promote market awareness of that lifestyle and the benefits of TOD living in SW corridor. TOD housing is still a relatively new concept in the Twin Cities region; our resident base needs to understand this concept and how it should appeal to them.

Collective branding and promotions/selling of the lifestyle are something that will benefit each of the partner communities. Clearly it is something that will require both front-end and ongoing investment; however, we believe that investment will be necessary in order to achieve the development of 11,000 units consistent with the policy goals. .

Housing Preservation Strategy

The existing housing supply and the affordability of the current housing stock is a primary asset within the corridor, comprising 7,700 total units which are affordable to households earning less than 60% of AMI. This includes 6,700 market rate units (including 505 Sect. 8 vouchers) which are privately owned and "naturally affordable" plus 1,000 contract based (primarily Sect. 42 LIHTC) units. Much of this housing supply is quite old (avg. age 30+ yrs) and in disrepair. Investment is needed to ensure long-term affordability and to improve the quality of this aging asset base.

We have been a part of recent and ongoing discussions and analysis around the 4D tax classification program which is being considered as a possible tool for preserving existing naturally occurring affordable housing. The idea and possible related strategies are certainly worthy of further research and consideration. However, based on our analysis to date we have concerns that the 4D concept as a whole may not have the desired impact. The idea is that apartment owners will designate all or some portion of their units as "affordable," thereby qualifying for an approximately 40% reduction in property tax liability related to those units, in exchange for agreeing to maintain rents on those units below the affordability threshold. We expect that the property owners who would take advantage of this credit are those with properties where rents are already well within the affordability range (<60% of AMI), and no matter what wouldn't be able to raise rents to a point beyond affordability. So, while they'll take the tax credit, there isn't the desired "return on investment" in the form of preserving affordable units which weren't really "at risk" anyway. Meanwhile, those properties/units which are really "at risk" are unlikely to participate in the program, because they know that they're likely to see more $ potential through future rent increases than they would through the 4D program.

In addition to tax incentives and possible mechanisms for preserving existing affordable housing units (such as 4D), it will be important to also do a better job of the following:

- Matching low income households with this supply of affordable housing.

- Matching those residents with educational, training and life skills such that these residents become "upwardly mobile" within the community and our regional economy. Opportunities in partnership with the SWLRT business community and educational institutions should be considered.

- Maintaining and improving the quality of this aged housing stock (note much of this product is 1960's & 1970's constructed). This involves strategic acquisitions based on public/private non-profit partnerships, as well as low-interest loans to property owners to facilitate property maintenance, improvement and modernization.

Station Area Master Planning

Master planning should be considered for station areas as they "ripen" for development. This helps in establishing a vision for quality and a vision that is adherent to the established SWLRT housing policy goals. It also helps to set expectations and appeals to developers. Still, it is important for master plans to maintain flexibility, allowing for the private and public sector to act strategically as future opportunities present themselves. We suggest that master planning should be focused initially on stations where there is significant public ownership of sites which present themselves for development in the relatively near term. An example is the Blake Road station area. We view this as an opportunity for a signature project which is demonstrative of the SWLRT housing policy goal of providing a full range of housing products within a mixed-use and mixed-income TOD environment. The development of a high-profile, successful project is depended on good planning and execution through public-private partnership. Success here early on will set the stage for quality planning and quality development elsewhere and later along SWLRT.

Master planning should be in all cases market-oriented, with a keen focus on planning for feasibility within the context of the corridor housing strategy and goals/policy as established therein.

In order to enhance the potential for success, station area master planning must engage a full range of stakeholders, from both the public and private sectors -- Inclusiveness builds support and consensus around quality planning and enhances the chances for implementation. A "best-practice" example is the Corridor Development Initiative (CDI) process, developed by the Center for Neighborhoods and now used by Twin Cities LISC. The award winning CDI process consists of a four-part workshop series that engages community members, business representatives, and under-represented groups using hands on activities to identify issues affecting the community and then integrates market feasibility analyses with community visions. So far, CDI has been used to engage more than 16 communities in the Twin Cities region with its latest efforts focused on LRT station areas in cities along the Southwest and Central Corridors.

Establish a TOD Affordable Housing Fund

A number of tools and programs exist. And we fully expect Hennepin County and the partner communities will conceptualize an appropriate housing policy and strategic plan for supporting a full range of housing choices along SWLRT. However, the fundamental issue with respect to any/all of the traditional approaches to infill/redevelopment and mixed-income housing production/preservation is an absence of funds. Accordingly, we suggest and discuss the need and potential for a **TOD Affordable Housing Fund.**

In prior sections of this report, we have set forth a segmentation of expected demand-absorption of new housing, based on market demand/need and the realities of the sites proximate to the planned SWLRT stations. Base on this assessment, we recommend a target of 11,000 units within ½ mile of the station areas, as shown on the following page.

The goal of approximately 1,300 new units affordable to households earning less than 60% of AMI presents added challenges. We estimate that approximately $65+ million in gap financing will be required to support the construction of these needed new housing units. Another $20+ million will likely be required to support another 2,250 or so units affordable to households earning 60-100% of AMI.

As well, there are challenges relating to the preservation of 7,700 existing units in the corridor which are affordable to households earning less than 60% of AMI. Of that total, we have identified approximately 3,800 units in market rate apartment properties within ½ mile of the station areas. We have examined Hennepin County assessment records, and then evaluated other possible value factors to ascertain a possible overall value level to assist in capital need sizing. Our analysis indicates a collective value of these property assets in excess of $400 million.

SW LRT Corridor -- Recommended New Residential Development by Product Type & Station Area

	Rental							Ownership					
Station Area	**0-30% AMI**	**30-60% AMI**	**60-80% AMI**	**80-100% AMI**	**100% of AMI+**	**Total**		**Entry-Level**	**Mid-Mkt**	**High-End**	**Total**		**Total Units**
Royalston	275	275	225	225	800	**1,800**		0	0	0	**0**		**1,800**
Van White	120	120	150	150	260	**800**		150	150	0	**300**		**1,100**
Penn	0	0	0	0	240	**240**		0	0	0	**0**		**240**
21st	0	0	0	0	0	**0**		0	0	**	**		**
West Lake	50	50	80	80	440	**700**		0	0	200	**200**		**900**
Beltline	65	65	115	115	480	**840**		80	80	0	**160**		**1,000**
Wooddale	45	45	45	45	340	**520**		40	40	0	**80**		**600**
Louisiana	0	0	80	120	400	**600**		40	40	120	**200**		**800**
Blake Rd.	45	45	40	40	970	**1,140**		40	40	24	**104**		**1,244**
Downtown Hopkins	0	0	110	110	410	**630**		25	25	0	**50**		**680**
Shady Oak	0	0	75	75	350	**500**		0	0	0	**0**		**500**
Opus	0	0	0	120	340	**460**		70	70	0	**140**		**600**
City West	0	0	0	60	240	**300**		0	0	0	**0**		**300**
Golden Triangle	35	35	35	35	340	**480**		0	0	0	**0**		**480**
EP Town Center	0	0	40	80	400	**520**		30	30	20	**80**		**600**
Southwest	0	0	0	0	200	**200**		0	0	0	**0**		**200**
Mitchell	0	0	0	0	192	**192**		0	0	0	**0**		**192**
Total	**635**	**635**	**995**	**1,255**	**6,402**	**9,922**		**475**	**475**	**364**	**1,314**		**11,236**

** Future development potential for 21st St. Station Area to be determined.

Source: Marquette Advisors

Why is a TOD Affordable Housing Fund needed?

- Most lands surrounding SWLRT are high value, and in many cases represent among the highest valued suburban parcels in the Twin Cities metro area.

- Therefore, market rate residential development which is "luxury" based will predominate, absent a facility that meets capital needs that support policy goals which include the provision of a full range of housing choice, including products affordable to households earning less than 60% of AMI, even up to 100% of AMI.

- Financial assistance is fractured and de-minimus for any affordable or workforce housing production and that limited availability will continue for the foreseeable future.

- Imposition of affordable housing solutions through grants alone will result in underdevelopment of all locations, and most likely result in highly fractured small-scale development. There is never enough grant funding and projects that depend on that end up being exceedingly complex with limited density results.

- Dependence on a legislative solution is politically unfeasible in a time of limited resources.

Marquette Advisors believes the goal of providing a full range of housing choices at all levels of affordability, inclusive of approximately 1,300 new units affordable at 60% of AMI and preservation/improvement of at least 3,800 units of existing affordable housing stock, can be met only by developing an aggressive strategy that is reality-based, and self-sustaining in that it provides a return to investors and generates sufficient cash flow for re-investment.

A TOD Affordable Housing Fund;

- Must be market driven
- Must be contingent on as few things as possible that cannot be controlled
- Must distribute desired unit affordability within mixed-income development programs so as to take advantage of feasible and profitable development.

Sizing of a Fund and how it might work -- A variety of other consultants and studies have identified that need; several have stated that $100+ million is a minimum size. Marquette has evaluated the need and sizing at approximately $200 million, as follows:

a. The total projected new unit construction and needs over 15 years
    - Average Cost Per Unit to Build: $180,000/unit
    - Total Projected Units over 10 yrs: +/-11,000 units
    - Total 10 year capital need: $1.98 billion
    - Approximately 1,300 units needed @ 60% of AMI -- estimated average gap financing need per unit at this level: $50,000

- Total Non-Inflated Capital Need = Approximately $65 million

b. The need to fund renovation/improvement costs in naturally occurring affordable housing product.
   - Total Estimated Market Rate Apartment affordable at <60% of AMI: 3,800 units
   - Estimated Max Renovation Cost per Unit: $35,000
   - 10 Year Projection = Approximately $130 million

With amortization, a TOD Affordable Housing Fund can recapture principal and thus, recycle funds for re-investment.

Set forth on the following page is a model which demonstrates how the Fund would evenly disperse investment monies over a 15-year even annual incremental period, at 7.5. The analysis demonstrates that a $200 +/- million TOD Affordable Housing Fund is more than sufficient to fund needs over a 15-year fund life given housing development potential as forecasted.

TOD Affordable Housing Fund Capital Sizing Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
New Construction Units at <60% of AMI (Annual)	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Existing Units <60% of AMI Preserved (Annual)	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250
Estimated New Development Cost per Unit	$ 180,000	$ 183,600	$ 187,272	$ 191,017	$ 194,838	$ 198,735	$ 202,709	$ 206,763	$ 210,899	$ 215,117	$ 219,419	$ 223,807	$ 228,284	$ 232,849	$ 237,506
Estimated Preservation Cost per Unit	$ 35,000	$ 35,700	$ 36,414	$ 37,142	$ 37,885	$ 38,643	$ 39,416	$ 40,204	$ 41,008	$ 41,828	$ 42,665	$ 43,518	$ 44,388	$ 45,276	$ 46,182
Estimated Gap Financing per Unit (new const)	$ 50,000	$ 51,000	$ 52,020	$ 53,060	$ 54,122	$ 55,204	$ 56,308	$ 57,434	$ 58,583	$ 59,755	$ 60,950	$ 62,169	$ 63,412	$ 64,680	$ 65,974
Total New Construction Gap Financing per Year	$ 5,000,000	$ 5,100,000	$ 5,202,000	$ 5,306,040	$ 5,412,161	$ 5,520,404	$ 5,630,812	$ 5,743,428	$ 5,858,297	$ 5,975,463	$ 6,094,972	$ 6,216,872	$ 6,341,209	$ 6,468,033	$ 6,597,394
Perservaation Financing per Unit	$ 35,000	$ 35,700	$ 36,414	$ 37,142	$ 37,885	$ 38,643	$ 39,416	$ 40,204	$ 41,008	$ 41,828	$ 42,665	$ 43,518	$ 44,388	$ 45,276	$ 46,182
Total Preservation Investment per Year	$ 8,750,000	$ 8,925,000	$ 9,103,500	$ 9,285,570	$ 9,471,281	$ 9,660,707	$ 9,853,921	$ 10,051,000	$ 10,252,020	$ 10,457,060	$ 10,666,201	$ 10,879,525	$ 11,097,116	$ 11,319,058	$ 11,545,439
Total Annual Capital Required	$13,750,000	$ 14,025,000	$14,305,500	$14,591,610	$14,883,442	$15,181,111	$ 15,484,733	$ 15,794,428	$ 16,110,316	$ 16,432,523	$ 16,761,173	$ 17,096,397	$ 17,438,325	$ 17,787,091	$ 18,142,833
Accrued Principal Oustanding Balance	$13,750,000	$ 27,775,000	$42,080,500	$56,672,110	$71,555,552	$86,736,663	$102,221,397	$118,015,824	$134,126,141	$150,558,664	$167,319,837	$184,416,234	$201,854,558	$219,641,650	$237,784,483
10 Year Amortization Assumption															
Annual Constant Payment	14.24%	14.24%	14.24%	14.24%	14.24%	14.24%	14.24%	14.24%	14.24%	14.24%	14.24%	14.24%	14.24%	14.24%	14.24%
Assumed Interest Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Principal Payment	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%
Est Principal Annual Recapture	$ 926,750	$ 1,872,035	$ 2,836,226	$ 3,819,700	$ 4,822,844	$ 5,846,051	$ 6,889,722	$ 7,954,267	$ 9,040,102	$ 10,147,654	$ 11,277,357	$ 12,429,654	$ 13,604,997	$ 14,803,847	$ 16,026,674
Accruing Recapture Principal	$ 926,750	$ 2,798,785	$ 5,635,011	$ 9,454,711	$14,277,555	$20,123,606	$ 27,013,328	$ 34,967,595	$ 44,007,697	$ 54,155,351	$ 65,432,708	$ 77,862,362	$ 91,467,359	$106,271,206	$122,297,880
Source: Marquette Advisors															

A TOD Affordable Housing Fund should

1. Be created as a vehicle intended to generate a return to its investors and sufficient cash flow for re-investment.
2. Provide subordinated debt or equity, or other investment designs, in return for affordable and workforce housing mix goals.

Therefore, any single project would;

1. Have available capital as required for feasibility
2. Be consistent with SWLRT stated housing production & preservation goals

Based on experience, Marquette believes that the need for a Fund of sufficient size and design to lift up and support the production and preservation of affordable housing exists. However, in order for such a Fund to be 1) successful in attracting sufficient capital at its outset, and 2) successful in implementation, it must generate a return for its investors and cash flow for re-investment, and at the same time focused on the defined goals and objectives as set forth within the adopted SWLRT Housing Strategy.

- A TOD Affordable Housing Fund must be oriented, as a matter of mission, to supporting housing preservation/improvement and new development along the SWLRT corridor at appropriate locations. Some integrated commercial development will necessarily be a part of the use mix, and thus, asset base.

- The Fund must be of sufficient size to succeed, both from an organizational perspective and more importantly, to have a continuing impact over time on development activity and housing goals.

- As described above, Fund sizing must approximate $200 million in order to support the following:

    - Construction of 1,300 new units affordable to households earning <60% of AMI
    - Preserve and improve approximately 3,800 or more existing rental units which are affordable at 60% of AMI.

- Marquette believes that a Fund of this size is achievable if properly designed.

- A secure governing structure must be in place.

Marquette further believes that such a Fund can succeed through a tiered investment structure wherein the Fund provides the final pieces of equity, or subordinated debt, traditionally underwritten. While the organizational structure would be open, working ideas would be as follows:

- Organization should provide absolute flexibility in its approach to investment structures.

- The Fund cannot be open ended, and should lock in money for a defined period (minimum 10 years)

- Design could be equity with preferred return, or debt in a mezzanine type facility.

- Marquette believes that a Fund could be sourced from the following;

    - Local Foundations
    - Family funds and partnerships
    - Corporate interests that have inter-related objectives regarding quality development and provision of a full range of housing products within the SWLRT corridor
    - Traditional institutional investment sources (insurance companies, etc.)

While Marquette believes a program which provides a return to investors and generates cash flow for re-investment is the preferred structure, some type of public/private alignment might work under certain governing circumstances. While not a charge of this engagement, Marquette believes that some form of overarching authority driving the Fund would enhance achievement of housing policy and development/preservation goals.

Finally, we believe the Fund would provide capital that could facilitate both a return on and of capital to the Fund, while providing a funded impetus to achieving policy goals while providing hard equity the opportunity to be positioned in quality projects within the corridor.

A $200 million fund, properly designed and leveraged, should be able to provide key (and currently missing) capital to drive development and preservation, that meets stated housing production and preservation goals.

In assessing preliminary feasibility, we evaluated a 200-unit project that could model new development as conceptualized, as shown on the following page. This demonstrates that a model project can be developed to meet housing production goals, and provide capital returns up and down the capital stack in conformance with market requirements.

The principals of Marquette Advisors have been directly involved in real estate investment fund design, raising, management, and operations, and thus these concepts are based in real operating and investment experience.

Fund Feasibility Demonstration
(Assume New Development w/200 units)

Assumptions				
Total Cost at $180,000/unit				$ 36,000,000
Capital Structure				
Senior Debt				$ 20,000,000
Equity				$ 10,000,000
TOD Affordable Housing Fund Investment				$ 6,000,000
Assume 15% of units affordable at <60% of AMI				
Fund Feasibility Analysis				
	Units	Avg Unit Size	Rent PSF	Annualized
Market Rate Units	170	850	$ 2.00	$ 3,468,000
Affordable/Workforce Units	30	850	$ 1.00	$ 306,000
Annualized Gross Rent				$ 3,774,000
Less: Vacancy Allowance (5%)				$ (188,700)
Effective Gross Income				$ 3,585,300
Less: Expenses At 40%				$ (1,434,120)
Net Income				$ 2,151,180
Indicated Property Value at 5% Cap Rate				$ 43,023,600
Cash Flow Projection				
Net Income				$ 2,151,180
Senior Debt, 5% at 30 year amortization				$ (1,288,000)
Fund Sub Debt				$ (650,000)
Initial Cash Flow				$ 213,180

Source: Marquette Advisors

ADDENDA

STAKEHOLDER CONTACTS

Developers & Other Housing Professionals
The Cornerstone Group - Beth Pfeifer
Common Bond Communities - Ellen Higgins
Aeon - Jamie Lenhoff
Dominium Develpoment -- Owen Metz
Doran Development -- Kelly Doran
Project for Pride in Living (PPL) - Barb McCormack
Timberland Partners -- Ryan Sailer, Becky Yonts, Bob Fransen, Matt Fransen, Terry Cook
Stuart Companies -- Lisa Moe
Steven Scott Management -- Brenda Hvamsbal
Trammell Crow -- Grady Hamilton, John Carlson
Alatus LLC - Robert Lux, Carl Runck, Jon Fletcher
Opus - Matt Rauenhorst, Nick Murnane
Kraus-Anderson - Michael Korsch
Weis Builders -- Rick Fenske
Housing Finance Professionals
MHFA -- Margaret Kaplan
MHFA -- Diana Lund
The Landon Group -- Becky Landon
Dougherty Funding -- Tom Crowley
Hennepin County -- Margo Geffen
Metropolitan Council -- Beth Reetz
US Bank -- Kate Cunningham
CET grantees
Blake Rd Corridor Collaborative - Ann Beusch
Housing Preservation Project - Tim Thompson
Metropeligo - Aaron Parker (architect)
Mid-MN Legal Aid - Lael Robertson
New American Academy -- Asad Alawie
ISAIAH - David Greene
Twin Cities LISC -- Gretchen Nicholls
Land Trusts
W. Hennepin Affordable Housing Land Trust -- Janet Lindbo
City of Lakes Affordable Housing Land Trust -- Jeff Washburne
Twin Cities Community Land Bank -- Judy Jandro
City & County Staff
City of Minnetonka -- Elise Durbin
City of Hopkins -- Kersten Elverum, Stacy Unowsky
City of St. Louis Park -- Michele Schnitker, Kevin Locke, Meg McMonigal, Greg Hunt
City of Minneapolis -- Brian Schaffer, Theresa Cunningham, Wes Butler
City of Eden Prairie -- Janet Jeremiah, Molly Koivumaki, Tania Mahtani, Regina Rojas
Hennepin County -- Katie Walker, Kerri Pearce Ruch, Margo Geffen, Kevin Dockry, Michael Noonan
Southwest Investment Parntership
Louis Smith
Faith Cable Kumon
Others
National Housing Conference & Center for Housing Policy -- Robert Hickey
MZ Strategies -- Mariia Zimmerman
Family Housing Fund - Elizabeth Ryan, Angie Skildum
Twin Cities LISC -- Gretchen Nicholls
ULI-Minnesota -- Cathy Bennett
EP Schools -- Patricia Magnussen
Minnehaha Creek Watershed District -- James Wisker, Michael Hayman, Larry Blackstad

PROFILE OF

Marquette Advisors

Marquette Advisors
Real Estate Consultants

Marquette Advisors -- The Residential Analytics Group

The ***Residential Analytics Group*** of Marquette Advisors provides market and financial feasibility studies, appraisals, and varied consulting and advisory services on behalf of the real estate development community. We offer a team of the industry's foremost market experts who are regularly called upon to assist property owners, developers, investors, and lenders, as well as planners and government agencies in making intelligent decisions regarding the market potential and financial feasibility of residential and mixed-use development and redevelopment projects.

Marquette Advisors provides a focused analysis that is customized to meet the individual needs of each client. We strive to provide the right advice and solutions for every project on which we consult. Throughout our team's history, we have analyzed hundreds of situations, providing clear development advisory services and thoughtful answers to client questions and problems.

The Residential Analytics Group of Marquette Advisors provides market and financial feasibility analyses, valuation and advisory services in the following areas:

- Multifamily residential (for-sale & rental)
- Single-family & residential subdivision development
- Seniors housing
- Student housing
- Hotel condos & fractional housing
- Mixed-use developments, incorporating residential and commercial uses
- Community housing needs assessments

Additionally, through the ***Hospitality Group*** of Marquette Advisors, we provide a full range of market research, financial advisory and feasibility study services related to hotels, casinos, entertainment and convention facilities, sports arenas, and recreational developments.

Marquette Advisors Offices:

Minneapolis Office: 50 South 6th Street, Suite 1370, Minneapolis, MN 55402
Phone: 612-335-8888; Fax: 612-334-3022
Seattle Office: 2723 California Avenue SW, Seattle, WA 98116
Phone: 425-392-7482; Fax: 425-392-7330
Washington DC Office: 1140 Connecticut Avenue NW, Suite 800, Washington, DC 20036
Phone: 202-331-0226; Fax: 612-334-3022

Marquette Advisors

FEASIBILITY STUDIES

All of our assignments are scoped according to the specific needs of the client. Our market studies are regularly used to evaluate and guide real estate development projects, ranging from acquisition/rehab opportunities, to free-standing new apartment or condominium developments, to complex mixed-use communities. Our feasibility studies typically evaluate both the market viability and financial feasibility of a development project. These reports are regularly used to secure financing.

A Marquette Advisors feasibility study typically includes each of the following components:

- Site Analysis
- Definition of Draw Area & Competitive Market Area
- Analysis of Demographics & Economic Conditions
- Competitive Market Analysis with Detailed Competitive Supply Audit and Development Pipeline Assessment
- Buyer/Renter Profile Analysis
- Development Recommendations -- sizing, price/rents, amenities, design considerations
- Demand Analysis and Absorption Forecasting
- Financial Feasibility

COMMUNITY HOUSING NEEDS ASSESSMENTS

Our community housing needs assessments and policy studies employ the disciplined methodology outlined above and focus on the needs of a particular geographical area – a city or a county, for example – to facilitate the strategic development of a variety of housing products. Our clients include, but are not limited to: municipalities, counties, non-profit affordable housing organizations, and downtown business associations.

ECONOMIC IMPACT ANALYSIS

Marquette Advisors has developed a specialty in providing economic impact studies for residential development projects, as well as studies which analyze the economic impact of affordable and workforce housing shortages upon individual communities and entire regions.

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Marquette Advisors

DEVELOPMENT CONSULTING

As fee-paid developers, Marquette Advisors have executed programs for large residential parcels, including development conceptualization, programming, planning and sale for those owners and investors who require professional assistance to enhance and maximize their residential property assets. We have recently worked on the behalf of property owners in advising and assisting them in the evaluation of condominium conversion opportunities.

BUSINESS PLANS

Marquette Advisors have developed business plans scaled for large single-family, multi-family and multi-use developments. We are expert at developing strategic plans required for successful implementation.

VALUATION SERVICES

Marquette Advisors offers a complete range of MAI appraisal products for all real estate property classes throughout the country. Our appraisals have been utilized to underwrite and support new developments, execute re-merchandising strategies, assist in workouts of problem projects, and complete acquisitions.

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PROFESSIONAL QUALIFICATIONS OF LOUIS W. FRILLMAN

President
Marquette Advisors

Louis W. Frillman has been engaged in the business of providing counsel to the real estate investment and development business nationwide since 1975. During this time, he has completed counseling assignments dealing with significant decisions regarding market feasibility and absorption analysis studies, valuations and disposition of major business properties, and investment analyses for acquisition of property by institutional investors of all types. In addition, he has actively overseen major development programs for all types of property developments; he holds the professional designations FRICS (Fellow, Royal Institution of Chartered Surveyors), MAI (Member Appraisal Institute), and CRE (Member, American Society of Real Estate Counselors).

Marquette Advisors currently operates a national real estate counseling practice with offices in Minneapolis and Seattle. Marquette provides comprehensive solutions to complex real estate problems and is practiced at managing and overseeing large real estate consulting projects nationwide. Marquette Capital Advisors specializes in transactional advisory services, crossing all property types and geographic boundaries.

Mr. Frillman formerly was Executive Vice President of Marquette Partners, a 490-employee firm that managed and oversaw 49 million sf of investment properties of all types, including regional and community shopping centers nationwide, as well as office and industrial properties and corporate portfolios.

Mr. Frillman is regularly retained to advise on large real estate assets and portfolios which require solutions to complex problems involving ownership and financial structuring. He is a recognized expert at devising complex value-enhancement strategies. He has completed several thousand market studies, appraisals, and devised business plans for properties of all types. His practice has spanned North America and parts of Europe regularly for over 25 years.

Mr. Frillman has a Bachelor of Arts Degree in Finance from the College of St. Thomas. He has lectured and taught real estate-related topics at the University of St. Thomas and has been a guest lecturer at numerous continuing education seminars for the Law Board, NAIOP, American Society of Real Estate Counselors, and NACORE. He has spoken frequently at varied industry conferences.

Mr. Frillman is a licensed and bonded real estate broker in multiple states. He is an affiliate member of the National Association of Industrial and Office Parks (NAIOP), and served on the Legislative Committee of that association. He is a member of the American Society of Real Estate Counselors, the real estate counseling affiliate of the National Association of Realtors. He is an elected member of the Appraisal Institute and has served on the MAI Demonstration Appraisal Reports Committee nationally, and was a member of the Board of Directors for the local Institute Chapter as well as on the local admissions committee. He has also served as Chairman of the Candidate Guidance Committee. He is an invited member as a Fellow of the Royal Institute of Chartered Surveyors, the most widely recognized group of real estate development and investment experts in the world.

Mr. Frillman has developed all types of income-producing properties, and in addition, has developed single-family custom housing. Finally, he has provided counsel to real estate buyers, sellers, investors and lenders concerning virtually all types of real estate, worldwide.

Mr. Frillman's community activities include being a full member of the Greater Minneapolis Board of Realtors, an associate member of the Urban Land Institute, a member of the National Trust for Historic Preservation, and the Riverfront Development Committee of the Downtown Council of Minneapolis.

Mr. Frillman is an invited member of Lambda Alpha International, the Honorary Society for the Advancement of Land Economics.

Mr. Frillman's charitable activities include eight years as director of Catholic Charities for the Elderly; he served that board as development coordinator of Marian Center, a 150-bed skilled care and 100-unit assisted living care facility. He was responsible for coordinating all aspects of development including facility design and review, construction management, marketing programming, and ongoing management supervision.

Currently, Louis W. Frillman resides at 1661 Harbor Avenue SW, Seattle, Washington. He and his wife maintain a pied' a tierre at 459 Portland in St. Paul, Minnesota He is married to the former Carol A. Motsinger and has four children.

Marquette Advisors

PROFESSIONAL QUALIFICATIONS OF BRENT E. WITTENBERG

Vice President
Marquette Advisors

Brent E. Wittenberg is Vice President of Marquette Advisors, a Minneapolis-based firm providing comprehensive real estate consulting services to residential, retail, industrial, office, hospitality, gaming, entertainment and recreational developments.

Mr. Wittenberg has a diverse background and has completed numerous consulting assignments for income producing real estate developments over 17 years. He has completed assignments in 37 states and in Canada, including market and financial feasibility studies, economic and fiscal impact studies and varied consulting assignments. Brent is known as an expert in the field of real estate research and feasibility analysis, spanning all property sectors. He has completed numerous consulting assignments related to multifamily housing developments, residential subdivision analysis, seniors housing, casinos, hotels, conference and banquet facilities, golf courses, retail shopping centers and individual retail store operations, gas station/convenience stores, full service truck stops, office and industrial developments, community centers and health clubs, and aviation-related real estate operations such as corporate hangar facilities and FBOs. Brent has developed an expertise in providing feasibility studies for complex mixed-use projects, redevelopment projects, urban infill and downtown development. He understands the unique aspects of redevelopment and public-private partnerships, having worked in both sectors.

Brent also has considerable experience in providing affordable housing market analyses and needs assessments on behalf of cities, counties, regional and state planning agencies throughout the U.S. Specifically, he has authored studies addressing the relationship between housing affordability and economic development on behalf of public sector clients nationally, including recent analyses in Minneapolis/St. Paul, Tallahassee, FL, Portland, OR and Jasper and Beaufort Counties (Hilton Head), SC.

Over his 17-year career, Mr. Wittenberg has worked as a real estate consultant and in city and regional planning. Prior to joining Marquette Advisors in 2000, he worked as an analyst with a Twin Cities real estate research firm. He has also worked in land use planning with Region Nine Development Commission in Mankato, Minnesota and in community development at the City of Spartanburg, SC.

Brent has spoken at Urban Land Institute conferences and seminars sponsored by the Minnesota Multi-Housing Association and the Institute of Real Estate Management. He has also been a guest lecturer at local universities. Mr. Wittenberg is regularly quoted in *The Business Journal of Minneapolis-St. Paul*, *Minnesota Real Estate Journal*, *Finance and Commerce*, *Minneapolis Star Tribune,* S*t. Paul Pioneer Press, Heartland Real Estate Business, National Real Estate Investor,* and *Apartment Finance Today* regarding residential market trends, and has provided articles for several of these publications. Brent has also served as a "Best in Real Estate" judge on behalf of the Twin Cities Business Journal in 2002, 2003 and 2010. Brent served on the Board of Directors of the Minnesota Multi-Housing Association in 2005 and 2006, and is currently active on multiple committees within that organization.

Mr. Wittenberg earned a Master of City and Regional Planning Degree (MCRP) from Clemson University, where he was recognized with the program's AICP Planning Student Award for outstanding attainment in the study of planning. Previously, Brent earned a Bachelor of Arts Degree in Local and Urban Affairs at St. Cloud State University.

Brent resides in Hanover, MN with his wife Carrie and their son Landon.

PARTIAL LISTING OF ENGAGEMENTS

RESIDENTIAL ANALYTICS GROUP

The following is a small sampling of engagements recently completed by our firm. Marquette has consulted on hundreds of housing related developments and issues over 20+ years. The list is not intended to be comprehensive, but rather it is provided to demonstrate the variety and breadth of our experience as advisors to the industry. We are pleased to provide additional project examples and/or references upon request.

EXAMPLES OF OUR PUBLIC-SECTOR CLIENTS

HENNEPIN COUNTY / SWLRT COMMUNITY WORKS – Marquette Advisors was retained to provide a comprehensive assessment of housing gaps and future development potential for the SW Corridor LRT, a planned LRT line which will connect Downtown Minneapolis with the Twin Cities southwest suburbs.

PORTLAND, OREGON BUSINESS ALLIANCE AND PORTLAND DEVELOPMENT COMMISSION – Comprehensive Downtown Portland residential Market study & economic impact analysis: A comprehensive study of housing market trends and a 5-year demand forecast for housing by price point in downtown Portland, Oregon. This study identified several barriers to development of affordable workforce housing in downtown Portland, estimated the cost to develop this housing and the needed gap financing to support new construction. Further, the analysis included an economic impact study which measured the economic benefits of increasing the supply of affordable workforce housing in downtown Portland, and then measured this impact against the needed subsidy to support new construction.

THE FAMILY HOUSING FUND, THE MINNESOTA HOUSING FINANCE AGENCY, THE METROPOLITAN COUNCIL, AND THE MINNNESOTA MULTI-HOUSING ASSOCIATION – An assessment of "workforce" housing needs tin the Twin Cities region: A study of the economic impact of the lack of affordable "workforce" housing in the Twin Cities Metropolitan Area. This study measured the current and future demand for affordable housing in the metro area, as well as cost to produce such housing, the level of subsidy required to support this construction, and the return on investment this investment.

BEAUFORT COUNTY, SOUTH CAROLINA – Comprehensive housing needs assessment: A study of housing needs with detailed 5-year demand projections and development recommendations by price/rent and location. This coastal South Carolina County includes the Hilton Head area, which has seen rapid resort and high-end residential development during the past ten+ years. Meanwhile, a growing share of the workforce has been "priced out" of the local housing market, to the point where much of the Hilton Head area workforce is commuting long distances to more affordable housing in adjacent counties. Marquette developed a demand forecast and development recommendations for Beaufort County, assisted in identifying the primary barriers to development of affordable housing in the county, and suggested strategies for reducing or eliminating many of these barriers in support of affordable housing construction in the years ahead.

CITY OF MINNEAPOLIS, MINNESOTA – Uptown Minneapolis Small Area Plan: Market study provided to guide development of the Uptown Small Area Plan. Marquette also provided market and financial review of several development scenarios for multiple parcels within the study area, identifying the financial viability of varied alternatives and need for gap financing.

JASPER COUNTY, SOUTH CAROLINA – Comprehensive housing needs assessment: Analysis of county-wide market rate and affordable housing needs. Marquette Advisors quantified current and future housing needs throughout the county and evaluated the impact of zoning and development density upon development feasibility and housing affordability.

HENNEPIN COUNTY HOUSING & COMMUNITY WORKS /CITY OF RICHFIELD – E. 66th Street Corridor Plan: Market analysis and advisory services related to residential and commercial development along the E. 66th Street Corridor in Richfield. Marquette was a part of a team of consultants led by Damon Farber Associates which provided a comprehensive E. 66th St. Corridor Plan. Marquette provided a comprehensive analysis of residential (market rate rental and for-sale products, as well as senior housing) and commercial (office and retail) markets, with an assessment of the potential for infill and redevelopment activity along the corridor. Marquette's work also included a review of financial feasibility as a component to redevelopment case studies evaluated by the consulting team.

CITY OF CHAMPLIN, MINNESOTA – Mississippi Crossings proposed mixed use development: Market study for a proposed mixed-use redevelopment project on U.S. 169 at the Mississippi River in Champlin.

CITY OF ST. PAUL, MINNESOTA – Comprehensive Downtown Housing Study: While employed by Maxfield Research Inc., Brent Wittenberg was the lead consultant and primary author of a study which provided a comprehensive assessment of residential market conditions in and around Downtown St. Paul. This report was used by St. Paul PED in redevelopment planning, and included a specific assessment of planning areas such as the North Quadrant and Upper Landing.

DEVELOPERS / INVESTORS / LENDERS

OPUS DEVELOPMENT CORP. – *"The Nic on 5th"* – Downtown Minneapolis, MN: Marquette Advisors provided a market study for a proposed luxury high-rise development, including a review of the proposed development concept, recommendations regarding unit mix, sizing, amenities and supportable rental rates.

THE EXCELSIOR GROUP & GRANDBRIDGE REAL ESTATE CAPITAL – *"The Flats at West End"* Rental Apartments Feasibility – St. Louis Park, MN: Feasibility study, including complete development recommendations and revenue forecast for a proposed luxury apartment community in St. Louis Park, MN.

TARGET CORPORATION / CUNINGHAM GROUP – Mixed Use Market Study & Master Plan – Target Corporate Campus – Brooklyn Park, MN: Marquette Advisors provided a market study and advisory services on behalf of Target Corporation related to master planning of a 320-acre land holding near U.S. 169 and MN Hwy. 610. Marquette was retained to provide a review of the development potential for added corporate office, retail/restaurant, hotel and residential components and appropriate development phasing.

ALATUS LLC – *"Latitude 45"* - Downtown Minneapolis apartment feasibility: Market study and development recommendations for luxury high-rise development on Washington Avenue in downtown Minneapolis, Minnesota.

IRONTON ASSET GROUP – *"Custom House"* Rental Apartments Feasibility – Downtown St. Paul, MN: Market study, concept review, demand analysis and complete development recommendations for proposed conversion of former US Post Office property on Kellogg Blvd to a high-rise apartment community.

DUKE REALTY – Proposed *'West End*" Mixed Use Development, St. Louis Park, MN: Market assessment and preliminary development recommendations for a major mixed-use redevelopment project on a site near the I-394/Hwy 100 interchange in St. Louis Park, MN. Study included an analysis of the potential to develop residential, retail, restaurant, hotel and office components within a vibrant mixed-use development concept.

THE EXCELSIOR GROUP – *"The Vintage on Selby" Apartments*, St. Paul, Minnesota: Market feasibility study with full development and phasing recommendations for a proposed mixed-use development at Snelling and Selby in St. Paul, MN involving luxury apartments along with a new Whole Foods market.

FLAHERTY & COLLINS / DOUGHERTY MORTGAGE – Proposed *"Westgate Station"* – St. Paul, MN: Market feasibility study for a apartment development on University Avenue, adjacent to the Westgate LRT Station.

DOUGHERTY FUNDING / LECESSE DEVELOPMENT – *"Skye at Arbor Lakes"* – Maple Grove, MN: Market feasibility study for a 240-unit luxury apartment community in the Arbor Lakes area of Maple Grove.

HINES INTERESTS – *"Dock Street Flats"* - Downtown Minneapolis apartment feasibility: Market study and development recommendations for proposed luxury apartments in the North Loop neighborhood.

KRAUS ANDERSON REATLY CO / TRUCORE REALTY – *"430 Oak Grove"* luxury apartments, Downtown Minneapolis, MN: Market research, consulting and advisory services on behalf of team involving complete renovation and conversion of a historic Loring Park office building to 76 luxury apartments.

El-AD GROUP CANADA – *Emerald City, Cite Nature and Maple Grove* - Residential Condominium Development Feasibility & Valuation – Toronto and Montreal, Canada: Marquette Advisors provided market studies, as-is and prospective appraisals on behalf of El-Ad related four major residential condo developments, including two in Toronto (Emerald City and Maple Grove) and two in Montreal (Cite Nature and Nordelec).

TITAN VENTURES – Proposed High-Rise Apartment Development – Downtown Rochester, MN: Market feasibility study for luxury apartments within a planned mixed-use high-rise development in Downtown Rochester incorporating hotel, residential and commercial uses.

ALTSHULER SHAHAM PROVIDENT FUNDS LTD. – *"Symphony Tower,"* Syracuse, NY – Valuation and Workout Analysis: As-is appraisal for a stalled (failed) development involving the conversion of a former hotel tower to rental apartments in downtown Syracuse, NY. As well, Marquette provided detailed financial projections under varied development and repositioning scenarios on behalf of client considering purchase of the property.

HANS HAGEN HOMES – *"Red Cedar Canyon"* -- Hudson, WI*:* Market study and development recommendations for proposed luxury rental townhomes in Red Cedar Canyon of Hudson, WI.

EL-AD U.S. HOLDING, INC. – *"250 West Apartments"* – New York, NY: Market assessment and appraisal for proposed renovation and repositioning of former office building to multi-family residential units in Manhattan.

UNIVERSITY OF MINNESOTA – DEPARTMENT OF RESIDENTIAL LIFE: Complete review and analysis of on and off-campus housing market conditions near the University's Minneapolis campus. Study included a detailed supply audit and review of recent developments, occupancy levels and market rents.

OPUS DEVELOPMENT – *"Stadium Village Flats"* – University of MN: Market study, development recommendations, feasibility analysis for student-housing development near the U of M.

VARDE PARTNERS – Residential Land Development Consulting: Market research and pricing/absorption forecasts related to residential subdivision investments held by Varde Partners throughout the U.S.

SILVER POINT INVESTORS – Proposed Residential Subdivision Development – Park City, UT: Complete appraisal via discounted cash flow approach for a proposed 250-acre master planned community in Park City. This development incorporated a variety of single family and townhouse products and varied timeshare units.

ROTTLUND HOMES, WELSH CO., & ROSEVILLE PROPERTIES – Market study for proposed Twin Lakes mixed use development at County C & Cleveland in Roseville, MN: Market assessment and demand analysis for *Twin Lakes*, a proposed mixed-use redevelopment project at County Road C and Cleveland Avenue in Roseville, Minnesota. The proposed development program included 490 for-sale townhouse and condominium units, 240 units of senior housing, 317,000 sq. ft. of retail and restaurant space and 221,000 sq. ft. of office space.

K2 URBAN CORP – Tallahassee, FL residential demand analysis: Market study, demand analysis and economic impact consulting for Evening Rose, a proposed for-sale townhouse community in Tallahassee, FL. Marquette also provided due diligence in support of a grant application submitted by the developers to the State.