

Minneapolis Minnesota



**Urban Land
Institute**

Daniel Rose Center for Public Leadership in Land Use

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Minneapolis Minnesota

Implementing a Vision for Transit-Oriented Development

February 22–25, 2010
A Rose Center Advisory Services Program Report

Urban Land Institute
1025 Thomas Jefferson Street, NW
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About the Urban Land Institute

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI is committed to

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both built and natural environments;

- Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

Established in 1936, the Institute today has nearly 30,000 members worldwide, representing the entire spectrum of the land use and development disciplines. Professionals represented include developers, builders, property owners, investors, architects, public officials, planners, real estate brokers, appraisers, attorneys, engineers, financiers, academics, students, and librarians.

ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognized as one of the world's most respected and widely quoted sources of objective information on urban planning, growth, and development.

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About the ULI Rose Center

The mission of the ULI Daniel Rose Center for Public Leadership in Land Use is to encourage and support excellence in land use decision making. By providing public officials with access to information, best practices, peer networks, and other resources, the Rose Center seeks to foster creative, efficient, practical, and sustainable land use policies.

The Rose Center appointed the mayors of Phoenix, Minneapolis, Nashville, and Philadelphia as fellows to serve in the center through 2010. Each of the four mayors is leading a team of three additional fellows from their respective cities, working with leading experts in the real estate development, finance, and land use fields to tackle complex land use issues facing their communities. The Rose Center also holds forums on topical land use issues for public leaders. In 2010 these included how cities can achieve their sustainability goals in the challenging fiscal climate, and how they can maximize opportunities from the federal Neighborhood Stabilization Program.

Daniel Rose, chairman of Rose Associates Inc. in New York City, committed \$5 million in 2008 to create the center. Rose Associates operates throughout the

East Coast as developer and manager of more than 30 million square feet of major office towers, commercial retail centers, mixed-use complexes, and high-rise residential buildings. Rose has pursued a career involving a broad range of professional, civic, and nonprofit activities.

The Rose Center's Advisory Board is chaired by Joe Rose of the New York-based Georgetown Company. Members include Seth Brown of Brooklyn-based Aspen Equities LLC; Alex Garvin of New York-based Alex Garvin and Associates; Stephen Goldsmith, former mayor of Indianapolis and professor at Harvard University's Kennedy School of Government; Glenda E. Hood, former mayor of Orlando and former Florida secretary of state; William H. Hudnut III, former Indianapolis mayor and ULI/Joseph C. Canizaro Chair for Public Policy emeritus; Greg Johnson of Seattle-based Wright Runstad & Company; Tom Murphy, former Pittsburgh mayor and senior resident fellow, ULI/Klingbeil Family Chair for Urban Development; Peter Rummell of the Jacksonville, Florida-based Rummell Company; Julia Stasch of the MacArthur Foundation in Chicago; and Anthony A. Williams, former mayor of Washington, D.C., of Arlington, Virginia-based Arent Fox.

About ULI Advisory Services

The goal of ULI's Advisory Services Program is to bring the finest expertise in the real estate field to bear on complex land use planning and development projects, programs, and policies. Since 1947, this program has assembled well over 400 ULI-member teams to help sponsors find creative, practical solutions for issues such as downtown redevelopment, land management strategies, evaluation of development potential, growth management, community revitalization, brownfields redevelopment, military base reuse, provision of low-cost and affordable housing, and asset management strategies, among other matters. A wide variety of public, private, and nonprofit organizations have contracted for ULI's advisory services.

Each panel team is composed of highly qualified professionals who volunteer their time to ULI. They are chosen for their knowledge of the panel topic and screened to ensure their objectivity. ULI's interdisciplinary panel teams provide a holistic look at development problems. A respected ULI member who has previous panel experience chairs each panel.

The agenda for a panel assignment is intensive. It includes an in-depth briefing composed of a tour of the site and meetings with sponsor representatives; hour-long interviews of key community representatives; and a day of formulating recommendations. Long nights of discussion precede the panel's conclusions. On the final day on site, the panel makes an oral presentation of its findings and conclusions to the sponsor. A written report is prepared and published.

Because the sponsoring entities are responsible for significant preparation before the panel's visit, including sending extensive briefing materials to each member and arranging for the panel to meet with key local community members and stakeholders in the project under consideration, participants in ULI's panel assignments are able to make accurate assessments of a sponsor's issues and to provide recommendations in a compressed amount of time.

A major strength of the program is ULI's unique ability to draw on the knowledge and expertise of its members, including land developers and owners, public officials, academics, representatives of financial institutions, and others. In fulfillment of the mission of the Urban Land Institute, this advisory services panel report is intended to provide objective advice that will promote the responsible use of land to enhance the environment.

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Interviews were conducted with numerous stakeholders, including elected officials, community and business organizations, representatives of the real estate and urban design professions, Hennepin County, the Central Corridor Funders Collaborative, and the University of Minnesota. These stakeholders provided invaluable information and diverse perspectives that aided the panel in its analysis. The panel thanks all those who gave their time to be part of the process.

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Panel Assignment and Executive Summary

Since developing around its lumber, grain milling, and textiles industries along the Mississippi River, the city of Minneapolis has diversified significantly, branching into the healthcare industry, bioscience, education services, financial services, arts and culture, and corporate management.

After hitting a historic high of 521,000 residents in 1951, Minneapolis's population has been as low as 370,000 in 1990. The city is now home to 390,000 residents and anticipates adding 50,000 people by 2030. The entire Twin Cities metropolitan area population is approaching 3 million. Minorities comprise only 36 percent of Minneapolis, but the city has the largest urban Indian and Somali populations in the United States and a large Hispanic population of Mexican ancestry.

The Metropolitan Council was established in the region in 1967. With 183 jurisdictions, this is a rare regional governance body in that it has significant authority over land use planning and policy, as well as operational authority over the regional transit system, water resources, and the regional parks and open space system.

Divergent interests among the member jurisdictions, however, have created tensions. Minneapolis and Saint Paul believe there is a lack of investment in the core, while the suburban communities aver that too much attention is paid to Minneapolis and Saint Paul. These differences play out regularly on issues such as sewer system improvements. Lines have been extended into exurban areas instead of investments made in repairs to the older system. A Regional Council of Mayors organized by ULI Minnesota is currently focusing on developing regional economic strategies to help assuage the competition between cities.

The Metropolitan Council is the regional agency responsible for distributing federal transporta-

tion funding throughout seven counties. However, it has not had the tools or political will to control growth. An indicator of this is that most new office development has been located around highway interchanges, and most new growth is at the edges of the region.

However, the Twin Cities region has an emerging multimodal regional transit system with Minneapolis at its center. The first light-rail corridor, the Hiawatha Line, opened in 2004 and connects downtown Minneapolis with the Mall of America and Minneapolis-Saint Paul International Airport. The North Star commuter rail line from downtown to the northwest suburbs opened in November 2009. A second light rail line, the Central Corridor, connecting the Twin Cities' downtowns, will open in 2014. In 2017 a third light-rail line is slated to open between downtown and the southwest suburbs. Two bus rapid transit routes are also being developed.

The Panel's Assignment

Since its opening in 2004, the Hiawatha Light Rail Corridor is exceeding ridership projections. The city has adopted new station area plans and put new zoning controls into place to encourage high-density, mixed-use, transit-oriented development (TOD) that is consistent with those plans. There have been some successes with new developments, some public realm improvements, and better partnerships. But the city feels it has not yet achieved its vision. When it comes to leveraging the transit investment to maximize transit-oriented development, the city feels it is playing catch-up on the Hiawatha Line, is just in time for the Central Corridor, and ahead of the game for the Southwest Corridor. Each transit corridor is very different in terms of existing land uses, needed place making, governance structure, and barriers to redevelopment. Challenges include fragmented ownership, lack of local resources for infrastructure and development

financing, scalability/focus of impact, physical/site barriers and infrastructure, and the market.

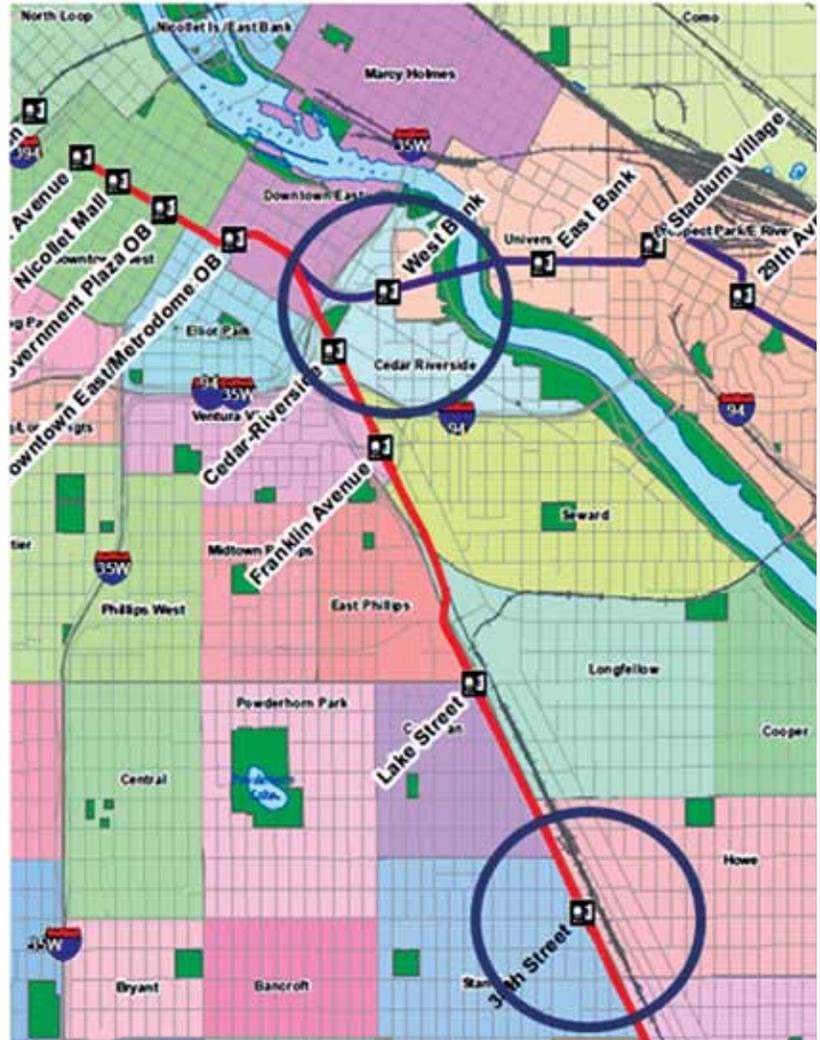
The city of Minneapolis asked the Advisory Services panel under the ULI Rose Center to advise their Daniel Rose Fellows on the following questions:

- Generally, is Minneapolis pursuing the right strategies for TOD? What else should the city and its partners do to achieve its TOD vision?
- How can the city and its partners fund strategic and coordinated investments that catalyze a second phase of TOD along the Hiawatha Line to achieve build out of complete communities around each station?
- What actions should the city of Minneapolis, Hennepin County, and the University of Minnesota take to maximize the transit investment at the West Bank Station area, one of the most challenging and potentially most transformative along the planned Central Corridor?
- What actions would be most effective in transforming the 38th Street Station area?

Summary of Recommendations

The Twin Cities region has made a remarkable commitment to transit and smart growth that will serve its residents, businesses, and visitors well for many years to come. The city of Minneapolis is leading this effort and is working closely with its neighbor, Saint Paul. Most of the new development along the Hiawatha Line has been residential to date, and the line is an effective link to job centers such as downtown, the airport, and the Mall of America. As market conditions change and new lines are added, it will be critical to view the transit system as a stronger connector to job and educational concentrations and as a stimulator of mixed-use development at station areas. That means looking for opportunities to provide connections into neighborhood commercial nodes beyond the radial design of the rail network.

To leverage scarce funding, the city is encouraged to identify, define, and design projects that implement the priority infrastructure needs at each station. The city should seek to partner with



Areas of focus for the panel included the 38th Street Station and West Bank Station areas.

developers to incorporate or fund some projects in exchange for defined benefits.

Demographic changes currently under way naturally support demand for TOD. Pent-up demand for walkable, high-density, transit-oriented neighborhoods with a strong sense of place can attract new development despite less than robust market conditions. Stations that have available tracts of adequate size, especially those with established residential or commercial activity, should be viable targets for redevelopment. As more successful TOD projects come online and are absorbed by the market, developers and lenders will have more confidence.

There are some key regulatory steps that the city needs to take to make partnerships more successful. These include:

- Achieving community agreement through accepted visions in plans;

- Aligning land use requirements to by-right zoning; and
- Finding the right balance for parking requirements.

The city can also use land assembly and disposition to attract interested development partners. A request for qualifications (RFQ) approach, rather than a request for proposals (RFP), is recommended to find developers with the capacity and experience needed to build TODs and partner with the city to implement its infrastructure, economic, and social objectives, before identifying specific development programs that can be made financially feasible.

Public finance tools are critical to achieving public infrastructure objectives and making projects profitable. These include:

- Tax increment financing;
- Local improvement districts;

Rose Center Advisory Services panel members presenting their recommendations.



- Sole source impact fees;
- Revenue bonds;
- Parking increment;
- Tax credits; and
- Development rights for infrastructure investment.

It is very important to keep in mind some general design and land use principles that apply to station areas:

- An identifying place in the heart of the station is important.
- Connectivity is critical.
- Great streets are great places.
- Local businesses in special service districts can provide local amenities and services.
- Parks and trails are essential places.
- Area- or corridor-wide investigations for state environmental review can be a way to consider the entire neighborhood and include community stakeholders in the process.
- Zoning and other land use regulations should be clear and require as few conditions and variances for permitting as possible.

For the 38th Street Station, the panel recommends:

- Creating a gathering place at the station;
- Making Hiawatha Avenue a complete street in a pair with Minnehaha Avenue;
- Completing the streetscape of 38th Street to the Minnehaha neighborhood commercial node;
- Connecting with the 28th Avenue neighborhood commercial node; and
- Connecting 37th Street.

For the West Bank Station, the panel recommends:

- Using the station to connect the neighborhood on both sides of Washington Avenue;
- Reestablishing streets and smaller blocks;

- Capping building length to promote more connectivity;
- Creating usable open space; and
- Investing in the Cedar Avenue streetscape and businesses along Cedar.

The fact that both case study station areas have significant physical barriers underscores the importance of infrastructure and the role of the public sector. The city needs to enhance its development tool kit and better align capacities among public players to reduce risk for private investment and achieve its own policy and development goals. Private, institutional (particularly educational and medical), foundation, and nonprofit players need to be more proactive concerning infrastructure needs to support their own interests as well as community interests. The city has a big role to play in convening these players and creating the conditions for partnerships to get off the ground and transform station areas.

Overall Transit-Oriented Development Strategy

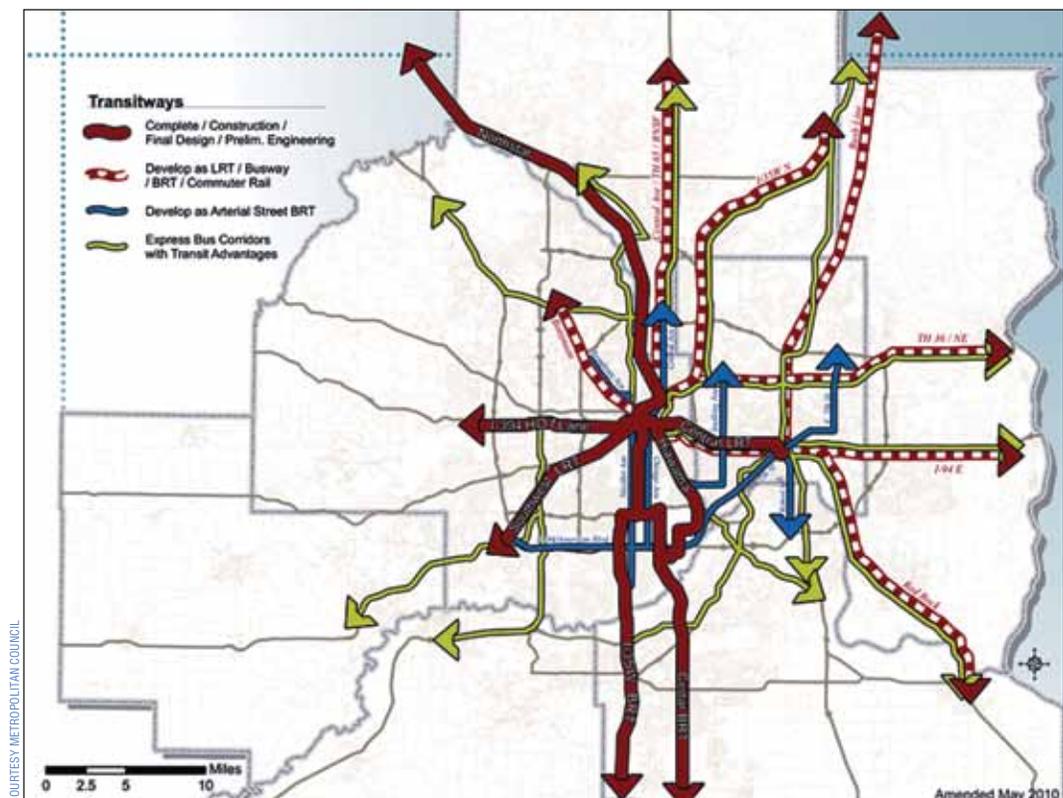
The city of Minneapolis, along with its many public and private partners, has undertaken several steps to implement its TOD plans. They vary by corridor/station area and include land use and implementation planning, ordinance revisions, program redesign, legislative proposals, development assistance, various capital improvements and new partnership models. For example:

- Hennepin County has designated the Hiawatha Avenue corridor as a “Community Works” project, thus expanding the range of potential resources available and is working to remove redevelopment barriers.

- The Central Corridor Funders Collaborative, a group of philanthropic organizations, is funding the development of a Central Corridor TOD Investment Framework.
- The city is proposing a new TOD partnership among public agencies because so much of the property and infrastructure along the various transit corridors is owned and managed by other public entities.

After reviewing many of the city and regional plans for the rail transit network, discussing the vision for development around stations, and learning about the various funding mechanisms

The Twin Cities future regional transit network.

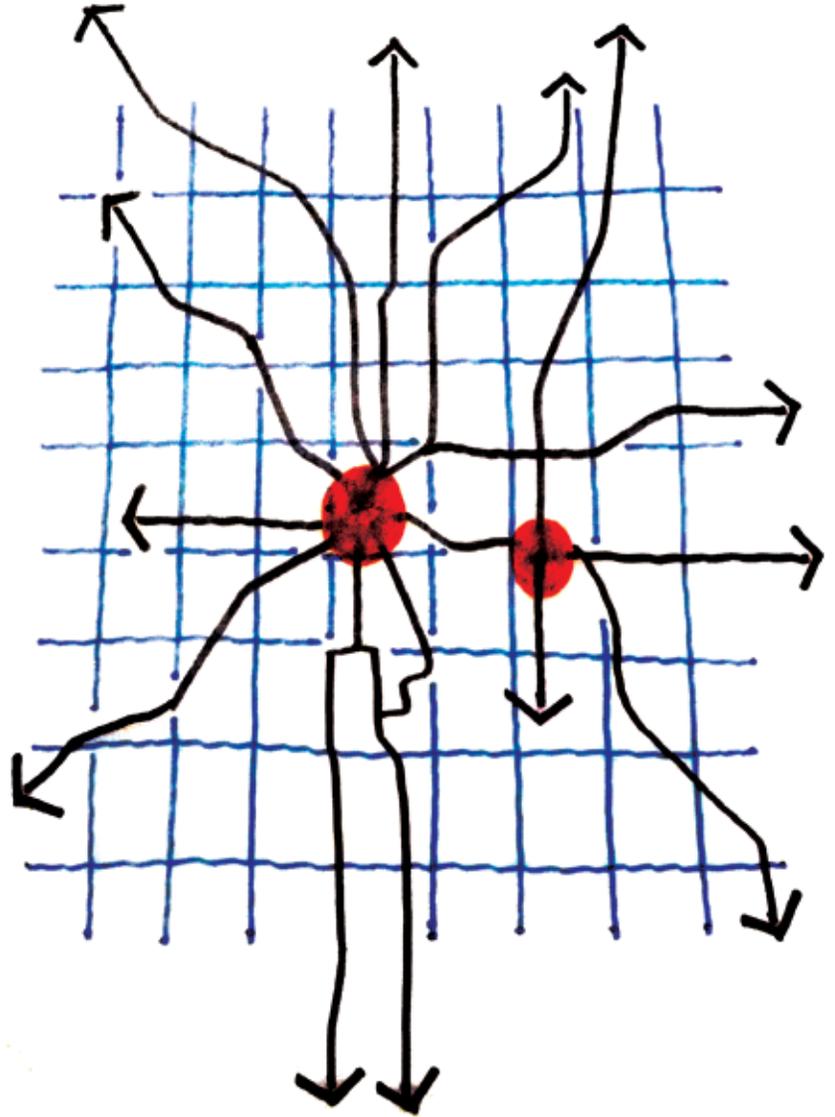


and regulations in place to achieve this vision, the panel believes that the Twin Cities region has made a remarkable commitment to transit and smart growth that will serve its residents, businesses, and visitors well for many years to come. Although the new transit system involves many local governments, Minneapolis was the lead visionary and driving force. The panel commends the city for its leadership in using TOD to create a competitive advantage in the marketplace.

Despite station area planning occurring after its construction, the Hiawatha Line has been a success in many ways. Current ridership is greater than forecast and a number of new development projects have occurred around stations. In 2008 ridership reached 35,500 daily boardings, and for the year was 12 percent greater than 2007. Before construction, planners had predicted station areas would draw 7,000 new housing units by 2020. By 2008, more than 8,000 new housing units were open or under construction along the line, with another 7,700 proposed by developers. Clearly, there are developers in Minneapolis that have embraced TOD.

Minneapolis is the nurturing parent of this regional transit system. But like all new parents who have read the childrearing books but have little practical experience, they are worried if they are making the right decisions for their child. To that end, the city has developed plans for station areas and is thinking about redevelopment opportunities where the public sector can play a role. The panel believes that these decisions have been the right ones so far, even though the path ahead to implementation may not be crystal clear. The proposed transit routes are in a radial pattern centering on downtown Minneapolis.

The planned system will connect the region to Minneapolis and Minneapolis to the region. Most of the new development along the Hiawatha Line has been residential due to the context of those station areas and the lack of a TOD product in the region. But as plans mature, it will be critical to be flexible and view the transit system as a connector to jobs. The downtown, airport and Mall of America job centers have already been linked via light rail and this pattern needs to be expanded. That means looking for opportunities to connect



The city should look for opportunities to connect into neighborhood nodes beyond the radial design of the rail transit system.

into neighborhood nodes beyond the radial design of the rail transit system.

Streetcars and buses should supplement the light rail, commuter rail, and bus rapid transit routes in a pattern that generally follows street grids, in order to make the neighborhoods as accessible as possible. The transit pattern should promote walkability and bikability within all neighborhoods and places within the city, including downtown and institutional places.

As the city moves from high-altitude planning to fine-grain implementation, it is seeking to remove barriers and solve problems both real and perceived. In creating these plans, the city must make site-specific goals, revise city standards to meet them, and pursue projects with partners to implement them.

Strategies and Tools

With the dramatic changes occurring in the economy, the city asked the panel if its strategies remain correctly targeted and its tool box was appropriately stocked for the tasks to come. The panel found that the strategies are still effective but the toolbox is limited. The city will need to add new tools, reposition others, and strengthen its partnerships to fund essential infrastructure improvements to successfully redevelop station areas.

The strength of TOD efforts is found in the partnerships required to build this unique product type and provide its infrastructure needs. As such, the panel encourages the city, private developers, engaged foundations, and station-area institutions to view each other as implementation partners. The panel thinks the city should do more to create certainty, predictability, and reliability for private sector developers to implement the city's TOD goals, especially in light of the current economic climate. Having clear plans, the right entitlements in place, and a predictable development review process will help stimulate private investment.

To leverage scarce funding, the city is encouraged to identify, define, and design priority infrastructure that will stimulate private, nonprofit, and institutional projects at each station. The city should

seek to partner with developers to incorporate or fund some projects in exchange for defined commitments from its partners to proceed with redevelopment. If such commitments are articulated in the initial stages of project planning, they may provide developers or institutions with the incentive to directly fund or build portions of the public infrastructure critical to their projects.

The panel suggests the city make TODs special places by establishing tangible TOD design goals, including central organizing principals for each transit station area. By recognizing that each station area is unique, the city can organize these elements to meet multiple needs. For example:

- Trails, open space, parks, and plazas all provide connectivity with active and passive amenities for a more livable Minneapolis.
- Spaces at and near stations can be places for community events and gatherings, such as games, celebrations, parades, parties, or just people watching.
- Connectivity and access enhanced by transit increases the availability and use of TODs by a broader range of residents, thereby improving overall quality of life.

Understanding the extent to which each transit node will ultimately be developed is critical to making each one a successful place, meeting the expectations of its residents, and meeting the city's goals for successful development. Ultimately, place making is about meeting the long-term needs to grow and sustain communities by facilitating market responses to demand.

Market Observations

Despite the deep recession experienced throughout the country over the past couple of years, many cities have been making progress on transit and TOD. The panel divided its observations about the role of the market with respect to TOD into those found at the regional level and those at the station area level.

Regional-Level Market Observations

While it does not usually generate new demand on its own, TOD can provide a competitive market advantage by redistributing growth. TOD allows those areas or submarkets near transit to increase their market share of housing and commercial space due to the desirability of transit-rich locations.

Demographic changes currently underway naturally support demand for TOD. Growing numbers of empty nesters as well as young singles and couples prefer to live in areas where there is easy access to employment and lifestyle amenities.

TOD cannot overcome a flat or anemic real estate market. However, pent-up demand for walkable, higher-density, transit-oriented neighborhoods with a strong sense of place can offer a competitive advantage that attracts new development despite less than robust market conditions. There seems to be a sense among developers interviewed by the panel that there is pent-up demand in the Twin Cities market today, as indicated by the success of new development that has occurred along the Hiawatha Line.

Identifying and focusing efforts on stations that offer the best opportunities for near-term development could expedite the creation of some successful TODs. Stations that have available tracts of adequate size, especially those with established residential or commercial activity, should be viable targets. Achieving a successful TOD will give



An example of new development along the Hiawatha Line.



For station areas with little existing development, the market is likely to be most supportive of new housing.

The Hiawatha Line connects major employment centers such as downtown Minneapolis, the University of Minnesota, the airport, and the Mall of America.



developers, financiers, and consumers confidence in the value of the product.

Station Area–Level Market Observations

New development that provides value to existing residents and businesses within a given station area is most likely to be successful in the near term as the economy continues to struggle. This could mean adding retail facilities such as a grocery store to an area that is currently underserved, adding for-sale housing in an area that offers only rental housing, or offering workforce housing in an area that is limited to more upscale choices. It could also mean adding recreational or other community amenities as well as medical facilities. For station areas with little existing development, the market is likely to be most supportive of new housing, which will eventually provide demand for retail and other commercial land uses.

The relatively low vacancy rate in apartments is encouraging, as is demand by first-time buyers. Housing for seniors and for students may also be appropriate for some locations.

The fact that the Hiawatha Line does and the Central Corridor will connect major employment centers suggests that housing probably has the strongest market potential in these areas early on, as access to work is a primary determinant of consumers' housing location decisions.

As the economy improves, demand for new commercial space targeted to expanding businesses and additional housing to accommodate new residents will emerge. Future market support will allow for the development of a broader mix of commercial and residential uses over time.

Partnerships and Financing Tools

TOD partnerships rely on relationships (identifying the public and private partners and getting them committed), judgment (being strategic in creating a development program), and delivery (using existing tools and, if need be, creating new tools needed to get development done). Minneapolis has had some small-scale initial successes with TOD so far, though many opportunities remain. The panel recommends the city use this downturn in the market as a window of opportunity to further refine the tools that will clear the path to successful TOD in the long term.

TOD Partners

Prior to any discussion of public financing tools, it is important to first identify the players that are typically involved in TOD development. These include:

- Public sector players such as cities and counties, metropolitan area or regional agencies, the state and federal government who often have funding programs, special districts (e.g., transit, parks, business improvement districts, and schools), and public authorities (e.g., ports, redevelopment, and housing);
- Private sector players such as property owners, station area or corridor businesses, developers, and financial institutions;
- Land-owning institutional players such as universities, colleges, and medical centers;
- Nonprofit players such as foundations and trusts; and
- Neighborhood organizations such as community development corporations.

Regulatory Steps

TOD champions from all sectors need to be cultivated and partnerships formed for the city to achieve its long-term vision and goals. There are key regulatory steps that the city needs to take to make partnerships more successful. These include:

- Achieving community agreement through accepted visions and plans that include goals for desired uses in station areas;
- Aligning land use requirements to by-right zoning, which reduces risk to developers by avoiding time delays for rezoning and to neighborhoods by providing a clear understanding of what can be built; and
- Finding a balance between how much parking is needed to support development and how much promotes transit-supportive uses.

Tools

There are also development and partnership tools that the city should use to prepare the ground for partnering on TOD projects.

- Community education is a crucial tool because it helps turn fear about the unknown into an understanding of how new development can achieve community goals.
- Parking tools include pricing, parking ratios, shared parking, and unbundling parking from development.
- Prototypes and pro formas are useful to test economic realities for TOD aspirations and understand the tipping point for enabling desired development.

Portland, Oregon, has used development agreements to spell out the responsibilities of public and private partners that yield mutual benefits, such as parks, in the Pearl District.

Example: Tulsa Mixed-Use Project

A mixed-used project in Tulsa on which ECONorthwest acted as a consultant provides an example of the value of pro forma cash flow analysis. A combination of 70 apartments, 14 live-work units, nine townhomes and 14,000 square feet of retail was proposed for a three-acre site.

The pro forma analysis included assumptions about development costs, revenues, and expenses. Based on these assumptions, two different scenarios with entirely private financing were explored. One scenario with 35 percent in private equity resulted in an internal rate of return (IRR) of -13 percent over seven years. The other scenario with 20 percent in

private equity resulted in an IRR of -4 percent over the same period.

Two different scenarios were also developed with gap financing by the public sector to make the project profitable. Based on the 35 percent private equity scenario, public financing would help the developer yield an acceptable 11 percent IRR in ten years. Based on the 20 percent private equity scenario, public financing would help the developer yield an even better 12 percent IRR in only seven years.

This analysis was used to test assumptions and determine the right mix of private equity and public financing to allow the project to move forward. It



IMAGE COURTESY ECONORTHWEST

was also instructive in illustrating to public officials, community residents, and private developers how public funds can effectively leverage private investment that helps achieve desired community goals.

Land Assembly and Disposition

Land assembly is harder for private players, particularly in the current economic climate. This can be a big hurdle in built-out cities like Minneapolis, where the redevelopment of existing sites is more common than greenfield opportunities. It is not feasible in the current economic and political climate for public agencies to simply purchase or even use the eminent domain process to acquire sites for redevelopment.

However, the public sector can play a pivotal role by controlling strategic sites through option agreements (for example, by paying 1 to 2 percent of an agreed-upon value), which stretches the public sector's ability to control more land at a lower cost. Under the option scenario, a city could allow a public solicitation process to select a developer, then have them work through entitlements and either purchase land or enter into a ground lease.

There are frequently sites owned by myriad public sector entities around stations. Getting the disposition process right is critical to successfully partnering with private developers to turn these paper assets into TOD. All over the country, there are examples of requests for proposals (RFPs) issued by the public sector that resulted in little private developer interest.

Therefore, the panel recommends Minneapolis instead use a request for qualifications (RFQ) solicitation to select a qualified developer. This will then lead to a negotiated development agreement that will result in a project that can address private needs while achieving specific policy objectives at TOD sites. The RFQ process is generally not as burdensome as an RFP for the responder. Also, it does not over-promise public benefits that often cannot be delivered due to financial constraints. Such over commitment is why most unsuccessful RFPs fail. If a community insists on seeing competing proposals with conceptual designs, the disposition process should start with an RFQ,

and then have a small set of qualified respondents compete through an RFP.

Development agreements can help both the public and private partners meet their goals—goals like sustainability, mix of uses, specific design features, and cash flow. These agreements spell out the specific development and financial obligations of the parties. They can be used on public sites or even when public resources (grants, loans, and other public financing) are used for private development on private land. Other public agencies and institutions like universities and school districts that control land or buildings within a TOD can be especially effective in achieving shared goals using development agreements.

Financing Vehicles for Infrastructure and Development

Public finance tools are critical to achieving public infrastructure objectives and making projects profitable. Some of the following are common to many cities; others have been pioneered more recently.

Tax Increment Financing

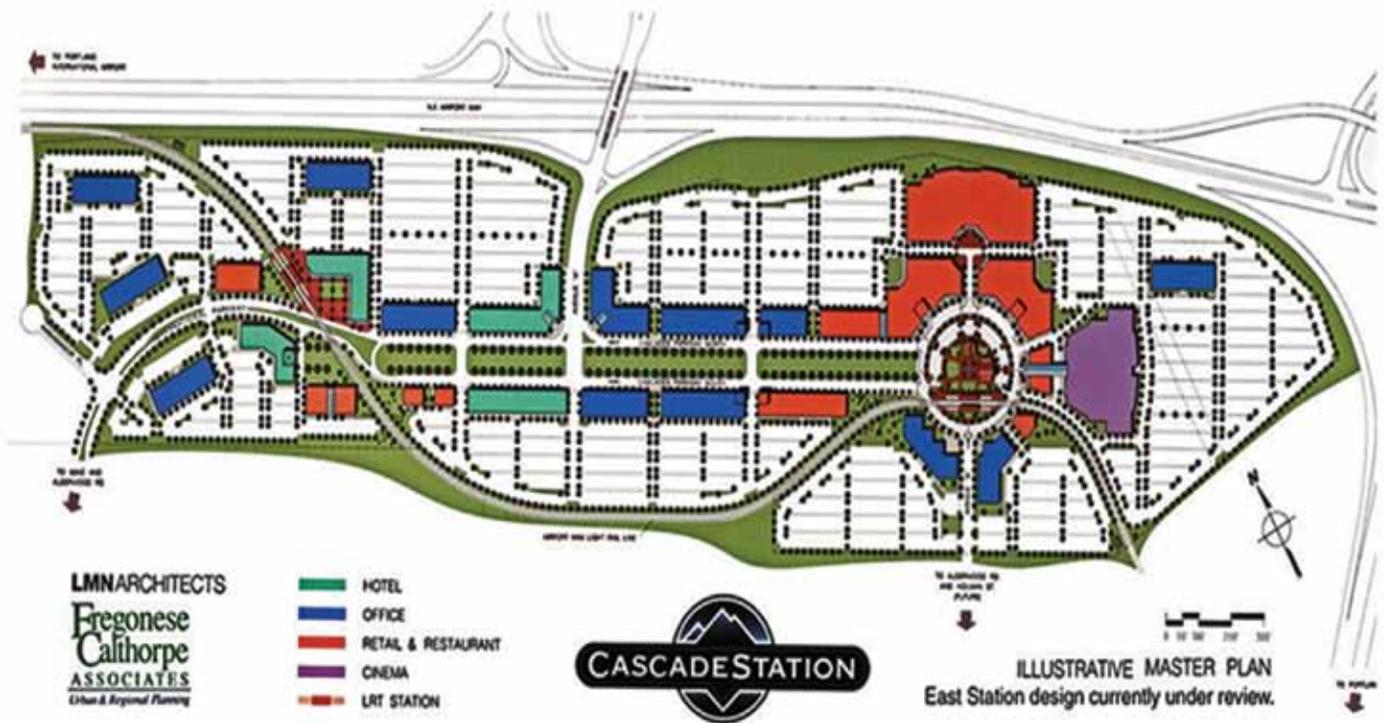
Many cities use tax increment financing (TIF) for TOD infrastructure, as well as for loans for mixed use, housing, and other transit-oriented development. While TIF districts have been somewhat restricted in Minnesota, it would be valuable to consider the benefits of lobbying the state legislature to create a TIF program oriented towards TOD sites or along transit lines.

Local Improvement Districts

Local improvement districts (LIDs) are a cousin of business improvement districts (BIDs) in that they are additional assessments used to improve areas. Whereas BIDs focus on program improvements, LIDs can be used for key public capital improvements such as parks, pedestrian infrastructure, street enhancements, and parking garages which serve public needs. LIDs also allow the assessment of residential properties as well as commercial.

Sole Source Impact Fees

Sole source impact fees concentrate impact fees collected from within a geographic area to focus on strategic infrastructure improvements in that



Additional development rights were exchanged for public infrastructure improvements at Cascade Station in Portland.

area. This is a useful strategy for funding TOD infrastructure that can help support private development projects.

Revenue Bonds

Revenue bonds such as 63-20s for public facilities and 501c3 for nonprofit-dominated buildings are common tools that can pay up to 100 percent of the costs of eligible projects. These bonds can be taxable or tax exempt, but require a revenue stream to service the debt.

Parking Increment

By increasing parking rates at meters and in publicly owned garages, the increment above the current rate can be used to help pay for infrastructure improvements (such as structured parking) that enables denser development. For example, in Portland, Oregon, a rate increase of 25 cents per hour enabled a \$28 million bond to finance the streetcar.

Tax Credits

There are a variety of federal tax credits that could be used for TOD and related infrastructure based on eligibility. These include New Markets Tax Credits (NMTC), as well as numerous historic and energy tax credits. Both the West Bank and 38th Street stations are within NMTC eligible areas.

Development Rights for Infrastructure Investment

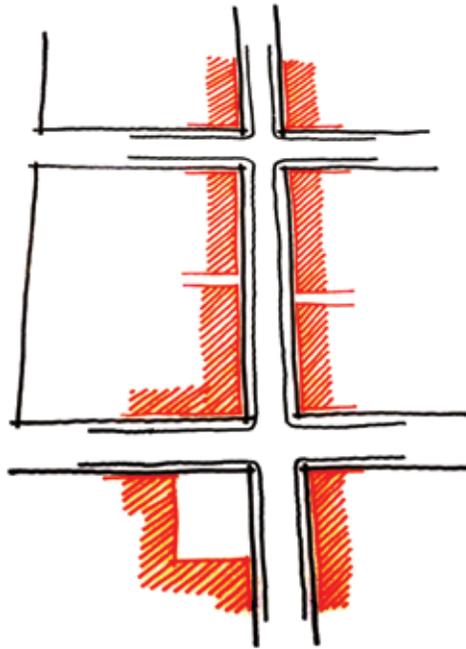
Under the development rights approach, the private sector invests in public infrastructure in exchange for the right to develop public land or development bonuses on privately held sites.

Strategies for the 38th Street and West Bank Stations

At the request of the Minneapolis Daniel Rose Fellows, the panel examined the 38th Street station area on the Hiawatha Line and the West Bank station area on the Central Corridor which is currently under construction. These stations will serve as case studies to recommend strategies to help the city implement TOD at these and other station areas.

It is important to note some general principles that apply to all station areas before examining the attributes of these specific stations. Successful station areas should:

- **Create an identifying place** with a combination of great buildings, inviting streets, active public space, clear signage, retail, and entertainment;
- **Connect to downtown and/or adjacent neighborhoods** by streets, sidewalks, and trails;
- **Offer a great street experience** with buildings at the street edges to define the streets and small spaces;
- **Provide local amenities and services** through local businesses in special service districts;
- **Include space for parks and trails**, even if eventual completion is a longer term prospect;
- **Use area- or corridor-wide investigations** for state environmental review as a way to include community stakeholders in the process and potentially clear the impacts of a future buildout scenario, thus providing predictability for both the community and developers; and
- **Apply clear zoning and other land use regulations** with as few conditions and variances for permitting as possible.



Buildings define streets and spaces.

Minneapolis's bike routes provide potential connections to and from stations.



IMAGE COURTESY CITY OF MINNEAPOLIS

38th Street Station

Located at the northwest corner of 38th Street East and Hiawatha Avenue (Route 55), the 38th Street Station is at the border between the Standish neighborhood west of Hiawatha and the Howe neighborhood to the east.

Standish is a typical Minneapolis bungalow neighborhood, with 77 percent of its housing units built before 1939. Most neighborhood retail and commercial services are on 38th Street, which was once served by the Twin City Lines streetcar. Existing commercial and mixed-use buildings range from one to three stories, reflecting the development pattern of that era. There are few multifamily residential structures, though there is a scattering of duplexes throughout the neighborhood. Proximity to light-rail transit has brought development interest on infill sites along 38th Street, including the 16-unit Hiawatha Square mixed-use project at 28th Avenue, which raised concerns about scale and intensity.

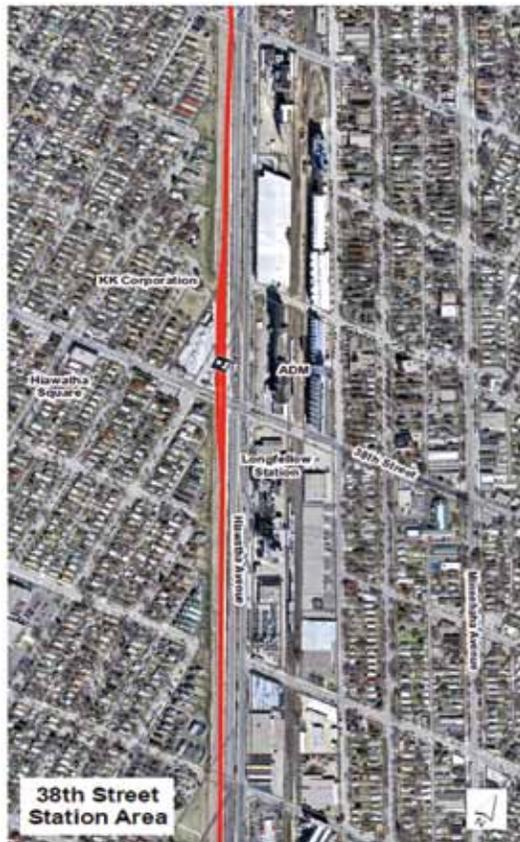
The dominant features of the Howe neighborhood in the station area are the presence of industrial grain milling and storage facilities between Hiawatha and Dight Avenues. In some cases, these are no longer active (e.g., Land O' Lakes Purina Mill and Cenex/Harvest States Elevator M). Within this district, small-scale workshops and automobile-oriented businesses have emerged, such as mini-storage, auto repair, welding, and fast food. Most existing multifamily housing, neighborhood retail, and commercial services are located on tree-lined Minnehaha Avenue. Minnehaha was also served by the Twin City Lines streetcar. The changing orientation of the grain milling and storage industry toward industry consolidation and export markets, limited opportunities for industrial expansion, market demand for non-industrial uses, and conflicts between industrial and adjacent residential uses are all issues in Howe.

The panel recommends the following strategies for the 38th Street station area:

38th Street Station area (near right).

Standish neighborhood context (upper far right).

Silos dominate the skyline along Hiawatha Avenue near the 38th Street Station (lower far right).





- **Include a public place that is an identifying element of the station area.** The place could be indoors or out, a plaza or public room, at 38th Street or internal to the station. That public place needs to be adjacent to active private uses to keep it safe and robustly used.
- **Create Hiawatha Avenue as a complete street in a pair with Minnehaha Avenue.** Hiawatha could be reduced to one traffic lane each way in addition to a center turn lane with a median. Wide sidewalks, pedestrian crosswalks and landscaping, particularly at the intersections, would be part of the complete street design. Minnehaha should have a complete street design without widening the right-of-way and without displacing existing buildings that face the street and have no setback.
- **Complete the streetscape of 38th Street to the Minnehaha neighborhood commercial node.** The station should be connected with a convenient and accessible streetscape on 38th Street to the neighborhood commercial node at Minnehaha that is about a quarter mile to the east on 38th Street.
- **Connect with the 28th Avenue neighborhood commercial node.** The station should be connected with a convenient and accessible streetscape to the neighborhood commercial node that is less than 500 feet to the west on 38th Street at 28th Avenue South.
- **Configure 37th Street East as a bike and pedestrian access way.** The street should extend as an ample landscaped trail to Snelling and Minnehaha Avenues. This will connect the east and west sides of the Hiawatha Line and Hiawatha Avenue.

West Bank Station Area

The West Bank Station is part of the Central Corridor light-rail line that is currently under construction. Slated to open in 2014, the line will link downtown Minneapolis to downtown Saint Paul. The station will be located on Washington Avenue (which runs below grade as a limited-access highway acting like a trench) between Cedar Avenue

New development in the 38th Street Station area (above left).

Shops along the 28th Avenue South commercial node (above right).

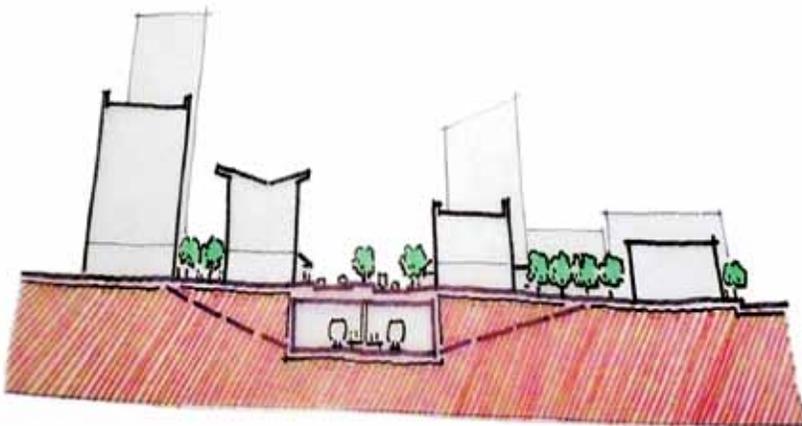


West Bank and Cedar/Riverside Station area.



Possible redevelopment sites at the West Bank Station (above).

The Trench today divides the neighborhoods (right).



The Trench transformed—a section drawing (above).

South and 19th Avenue South, along the University of Minnesota West Bank campus. The University of Minnesota is a major employer as well as large educational institution with expansion plans that need to be integrated into TOD efforts. Washington Avenue is a physical barrier dividing the north and south parts of the neighborhood.

This station is also in close proximity to the existing Cedar-Riverside Station on the Hiawatha Line located near the intersection of 15th Avenue South

and Sixth Street South. The Riverside Plaza public housing development located near that station is home to nearly 3,500 people, many of whom are immigrants from Somalia. The Cedar-Riverside neighborhood boasts the largest community of immigrants in the Twin Cities, continuing a long history of ethnic and cultural diversity. The neighborhood is also known for its history of social activism and performing arts theater district.

The panel recommends the following strategies for the West Bank station area:

- **Connect the neighborhood.** The station should be used to rebuild the access to Interstate 35 West and Washington Avenue in order to diminish the vehicular traffic on Washington Avenue South and Cedar Avenue South.
- **Reestablish streets and smaller blocks.** Streets that have been abandoned should be reopened and reconnect in order to reconnect the neighborhood and to create smaller, more walkable blocks. Streets that should be included are 15th Avenue, Fifth Street, Seventh Street, and 19th Avenue.
- **Reunite north and south of Washington Avenue.** The station for the Central Corridor should tie the north and south sides of Washington Avenue together, creating larger sites for neighborhood development and minimizing ramps to Washington between 15th Avenue South and 19th Avenue South.
- **Do not make buildings too long.** The new buildings created should not be longer than 300 feet to permit convenient public access around the building on relatively small blocks.
- **Create usable open space.** Combine areas of existing, underutilized open space into development parcels. In new developments, create public open spaces, which are urban, functional, and intimate.
- **Invest in Cedar Avenue streetscape and businesses.** The streetscape of Cedar Avenue South between Seventh Street and 15th Avenue should have a complete, comfortable, and defining streetscape. Many businesses along Cedar would benefit from assistance such as facade improvements or more significant rehabilitation so that they can provide better neighborhood services and remain profitable.

Conclusion and Next Steps

In conclusion, the panel feels that the city of Minneapolis has made remarkable strides in its efforts to support the build out of a regional transit system that reinforces the role of Minneapolis as the region's economic and social core. The experience with most regions building modern transit systems is that there is so much political effort required to find the will and financial commitment to build the first line (Hiawatha in the case of the Twin Cities), that there is little emphasis on land use planning around station areas prior to construction. Once the rail line proves its success (as Hiawatha has done), it starts to create confidence in the development community that the housing market will view rail transit as an actual amenity.

Many elements are in place to build on partnerships needed for further success. The city has learned lessons from its experiences on Hiawatha and is applying them to the Central Corridor, conducting station area planning in advance of opening day.

In terms of next steps, the city needs to enhance its development tool kit, and better align capacities among public players to reduce risk for private investment and achieve its own policy and development goals. Private, institutional, and nonprofit players need to be more proactive concerning infrastructure needs to support their interests and those of the larger community. For example, there are tremendous transformative opportunities for the West Bank Station area, but these will require significant leadership from the city to generate community support and create effective partnerships with other public sector agencies, the university, private developers, and businesses.

TOD by definition requires partnerships that can bring about successful infill development. The panel encourages the city to build on its success by embracing development partners who recognize that in reaching their objectives they are helping the larger community achieve its laudatory vision of a more walkable, transit-accommodating, and sustainable future.



Rose Center
Minneapolis
fellows, panelists,
and staff.

About the Fellows and the Panel

Daniel Rose Minneapolis Fellows

R.T. Rybak

Rybak was first elected mayor of Minneapolis in 2001 in his first run for public office and was overwhelmingly reelected in 2005 to serve another term for the people of Minneapolis. Mayor Rybak took office facing a post-9/11 budget crisis and deep state and federal budget cuts. His innovative fiscal reforms saved taxpayers millions by reducing \$80 million of inherited debt, reigning in government spending, and producing six balanced budgets in four years.

Rybak's other accomplishments include recruiting Allina and the Global Market to the Midtown Exchange, closing the city's employment gap, creating 2,500 new housing units in three years with the Affordable Housing Trust Fund, growing the police department by 100 officers in the last two years, and launching the innovative Minneapolis 311 phone system.

Rybak is now leading efforts to revitalize north Minneapolis, attack juvenile crime, make Minneapolis a wireless city, end homelessness in ten years, and significantly reduce the city's energy consumption to combat global climate change.

Steven Kotke

Kotke is the director of public works and city engineer for the city of Minneapolis. He oversees a department of 1,100 employees and an annual operating budget of \$300 million. His department is responsible for the city's transportation infrastructure and operations, storm water systems, sanitary sewer collection system, water treatment and distribution system, solid waste and recycling collections, city facilities, and the city's fleet operations.

Kotke has worked for the city for 20 years with the past 10 years in an executive leadership role within public works. Prior to working for the city, Kotke spent seven years in the private sector working as a consulting engineer. He holds a degree in civil engineering from the University of Minnesota and is a registered professional engineer with the state of Minnesota.

Gary Schiff

Schiff was elected to the Minneapolis City Council in 2001 and was reelected by a two-to-one margin in 2005. He took office in a period of deep cuts in state and federal aid to cities. Schiff supported fiscal reforms that saved taxpayers millions by reducing \$80 million of debt, advocated for long-term financial planning, and stopped police and fire department layoffs.

Schiff authored the city's sustainability plan, started the Wireless Minneapolis system, made Minneapolis bars and restaurants smoke free, and fought to create new gang prevention programs. He is currently leading efforts to bring streetcars back, welcome immigrants, fight foreclosures, end homelessness, and make Minneapolis a model sustainable city. Schiff is a board member of the Twin Cities Family Housing Fund and a member of the Minneapolis/Saint Paul Housing Finance Board, which finances affordable housing and homeownership programs in the Twin Cities.

Schiff earned his bachelor of arts in women's studies from the University of Minnesota and studied urban and regional planning at the University of Minnesota's Humphrey Institute for Public Affairs with an emphasis on economic development.

Barbara Sporlein

Sporlein joined the city of Minneapolis as its director of planning in January 2004. The planning division of the Minneapolis Department of Planning and Economic Development is responsible for the city's long range planning, transportation planning, development consultation and formal review, heritage preservation planning and administration, environmental review, arts and culture coordination, airport planning, and zoning administration and enforcement.

Prior to this position, Sporlein was the deputy director of the Saint Paul Public Housing Agency and a city planner for the city of Saint Paul, Minnesota.

She has a master of planning degree, a certificate of advanced studies in public administration, and a bachelor of science in geography.

Rose Center Advisory Services Panel

Abe Farkas

*Panel Chair
Portland, Oregon*

Farkas is the development services director with ECONorthwest. He has nearly three decades of experience in structuring successful public/private partnerships that have improved urban neighborhoods, business districts, and university environments.

Farkas is the former development director for the Portland Development Commission; planning and development director for the city of Eugene, Oregon; economic development manager for the city of Seattle; director of community development and planning for the city of Fort Wayne, Indiana; and assistant professor of housing and public policy at the University of Tennessee. Most recently, Farkas was president of the Farkas Group, a development services company in Portland, Oregon. Several mixed-use, public/private partnerships projects that Farkas helped structure have been transit-oriented developments, have achieved LEED certification (silver to platinum) for sustainability, and were recipients of regional or national awards.

Frank Fuller

San Francisco, California

An architect and urban designer, Fuller has spent his professional career acquiring and sharing the knowledge that has made him one of America's premier urban design practitioners. A fellow of the American Institute of Architects, Frank has taught at the University of California, Berkeley; conducted many panels and charrettes in the United States; and won numerous awards for both urban design and architecture.

Much of his career has focused on designing frameworks and strategies that create vital cities through transit-oriented development and community design. A national expert in smart growth and transit-oriented development, Fuller has helped communities and cities transform their downtowns and neighborhoods into healthy, connected, pedestrian-oriented places. He understands the perspectives of public agencies, developers, and community groups in building and revitalizing communities. Current transit-related projects include urban design plans around high speed rail stations in San Jose and Anaheim, California; and around several BART stations in the San Francisco Bay region.

Michael J. Maxwell

Miami Shores, Florida

Maxwell has spent over 30 years acquiring and developing nearly \$1 billion in real estate assets, primarily in Florida and the Caribbean, and is managing partner of MAXWELL + Partners, LLC. The firm offers both development and advisory services that specialize in urban infill development and is noted for its innovative project solutions creating new market opportunities and products. The team has delivered more than 2 million square feet of mixed-use, office, retail, warehouse/distribution, resort hotel, residential, and specialty products.

As a developer and adviser, Maxwell is known for creating high value-added commercial and residential products through niche markets, sensitive place making, green/sustainable strategies, and exceptional architecture. A trained architect

and urban planner, he is a licensed real estate and mortgage broker, holds the American Institute of Certified Planners designation, and has earned awards for preservation, industrial and redevelopment projects. Maxwell holds a bachelor of arts degree from the University of Texas and a master of planning degree from the University of Virginia.

Pamela Minich

Houston, Texas

President of Minich Strategic Services, Minich has more than 25 years of experience providing strategic marketing, market, and economic research to a wide variety of real estate and related organizations in more than 20 states. Based in Houston, Texas, the company's clients include commercial real estate, homebuilding, nonprofit, and public sector organizations that require a high level of market intelligence and value its strategic application to their most challenging real estate planning and business problems.

Minich's areas of special expertise include consumer research; market segmentation; highest, best use, and market feasibility studies; urban development trends; and housing development across a broad spectrum, including active adult, affordable, workforce, seniors, entry-level, resort/second home, luxury high-rise, etc. Minich is accustomed to collaborating with brokers, land planners, architects, attorneys, financiers, civil engineers, developers, governmental entities, and homebuilders on a variety of projects from small, brownfield, infill sites and urban redevelopment projects to large, suburban, master-planned com-

munities. The firm's market research expertise includes all quantitative and qualitative research methodologies, including surveys (telephone, web-based, mail), focus groups, and one-on-one in-depth interviewing.

Prior to forming Minich Strategic Services, Minich headed several other market research and consulting practices focused primarily on serving the real estate industry. She was employed by Centex Homes as a director of strategic marketing and research from 2001 to 2006, following more than 15 years as vice president of CDS Market Research in Houston.



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