



Southwest LRT Corridor Development Assessment

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Prepared for:

Southwest LRT Corridor Community Works
Technical Implementation Committee

And



Prepared by:



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I. INTRODUCTION

The Southwest Light Rail Transit (LRT) line will be the third light rail transit corridor in the Minneapolis-St. Paul region, providing service between Minneapolis, St. Louis Park, Hopkins, Minnetonka and Eden Prairie. It will connect to other rail and high-frequency bus routes in downtown Minneapolis, providing access to the University of Minnesota, Minneapolis-St. Paul Airport, Mall of America, the State Capitol, and downtown St. Paul. The line is anticipated to begin service in 2018.

This report builds on previous work conducted at the station-area level to evaluate market and development potential along the Southwest LRT Corridor as a whole.¹ It is intended to inform future corridor investment strategies and provide context for further planning and implementation efforts. The information in this report can assist with efforts to:

- Identify near term opportunity sites for transit-oriented development (TOD);
- Prioritize key activities or investments that can help to enable market activity; and
- Evaluate potential funding and financing strategies for infrastructure, station area improvements and amenities, or other transit- or TOD-related investments.

Following this introduction, Section II provides a summary of key findings from the analysis. Background information about the relationship between new transit and development potential is discussed in Section III. Section IV provides details about existing conditions along the corridor, including trends in household characteristics and employment, as well as market conditions. Section V provides corridor-level demand projections for housing and employment.

Additional information is provided as appendices, including major findings from the developer interviews (Appendix A), the methodology for employment projections (Appendix B), and detailed maps and tables (Appendix C.)

¹ The previous market studies and other reports that informed this study can be found at <http://www.southwesttransitway.org>.

II. SUMMARY OF KEY FINDINGS

This report provides an analysis of demographic, employment and market trends influencing development potential along the Southwest Light Rail Transit (LRT) Corridor, as well as projections of potential future demand for transit-oriented development (TOD) by households and employers. The Southwest LRT has the potential to increase demand for housing, office and other uses along the line. Studies show that some households and employers have a preference for locating near transit, and that transit can have an impact on real estate markets and development potential. However, transit alone does not “make” a market. Other conditions along the line will influence the potential for TOD, including availability of pedestrian connections and other infrastructure and the presence of neighborhood amenities such as pleasant sidewalks and paths for walking and bicycling, parks, good schools, and local-serving retail.

Key findings from the report are summarized below, followed by a summary of TOD potential by corridor subarea. Each of the findings, as well as supporting data, is discussed in more detail within the body of the report.

KEY FINDINGS

Recent demographic trends in the Southwest LRT Corridor support TOD.

Compared to the region, the Southwest LRT Corridor has a much higher percentage of people age 25 to 34 – one of the prime demographic groups targeted for many TOD projects – and fewer school age children. Households in the Southwest LRT Corridor are also significantly more likely to rent their homes, suggesting that the area will be especially attractive for development over the short term given the current strength of the region’s rental market.

In general, real estate market conditions along the Southwest LRT Corridor are relatively strong.

Home prices in the Southwest LRT Corridor are relatively high compared to the region as a whole, and in some locations have declined less during the recession. In general, the stations closest to the “Lake Area” tend to have the highest priced housing. Rental housing also tends to be more highly priced in the Southwest LRT Corridor markets relative to other metro submarkets. In the short term, the Southwest LRT Corridor is well positioned for new apartment development.

The southwest suburbs submarket² is the second largest in the Metro Area (the first is downtown Minneapolis). The Golden Triangle, City West, and Opus station areas are major office nodes, with nearly 10 million square feet of office space located within these three station areas. Office properties in the southwest suburbs have historically performed slightly better than average. Retail properties in the southwest suburbs of the Twin Cities have historically performed very well; in recent years, however, rents have fallen relative to other parts of the metro area. This indicates that future development of additional retail-supporting uses such as office and housing near the Southwest LRT could be important for maintaining and enhancing retail competitiveness.

The Southwest LRT will connect a series of major employment centers, providing a strong market rationale for TOD.

Approximately 16 percent of the jobs in the Metro Area are located within one mile of the Southwest LRT Corridor, or about 7.5 percent excluding the one-mile radius around the Royalston station area

² As used in this report, the “Southwest Suburbs” market area generally refers to Carver County, Scott County, and the southwest portion of Hennepin County. See Figure 4.16 in Chapter IV.

(which covers much of downtown Minneapolis). Some of the region's most important employment centers are located near the future Southwest LRT line, as well as some of the region's largest employers. Eden Prairie has a concentration of medical, bioscience, and other high-tech jobs anchored by major employers such as Alliant Techsystems, Emerson, and Eaton. United Health Group, one of the nation's largest health insurance companies, is located in the Opus station area, and is building a new facility near the future City West station. In Hopkins, SuperValu and Cargill both have major operations within walking distance of planned stations. In St. Louis Park, Methodist Hospital, one of the region's largest, is located near the Wooddale station.

Studies show that development along new transit corridors is more likely to occur in locations proximate to employment centers and other activity nodes. "Destination connection" corridors that link multiple activity centers, such as the Southwest LRT Corridor, have a greater potential to impact the market and attract new development.

The region is projected to experience relatively modest job growth, but growing sectors of the regional economy are more likely to prefer transit-rich locations.

In the 2000's, the region experienced net employment growth of about 1.3 percent a year, and employment in the region is expected to grow at no more than one percent a year over the coming decades. In the past decade, with the exception of Hopkins and St. Louis Park, the corridor cities grew more slowly than the region as a whole.

Future growth is expected to be concentrated in educational and health services ("eds/meds"); and knowledge-based industries including professional, scientific and technical services. Even excluding Royalston, the area within one mile of the future light rail line has a heavy concentration of jobs in the information, finance, bio-tech, and professional services sectors. Research shows that these "knowledge-based" jobs are most likely to locate near transit, particularly near central business districts and in other high-density regional employment centers.³ Population-serving industries like education, health services, retail, and entertainment typically locate in areas of household growth, so demand from these industries is also likely to increase as the population in the corridor grows.

The corridor has been experiencing a shift away from industrial uses to commercial and residential uses.

Historically, the corridor has included a strong concentration of jobs in the production, distribution and repair (PDR) sector. As these jobs have declined, employment is shifting toward the knowledge-based industries and education and health services. Almost all of the recent development throughout the corridor has been either commercial office, retail, or multifamily residential.

The corridor includes a significant amount of opportunity sites for new development, the nature of which vary by location.

The Minneapolis segment includes a number of industrial properties in the Royalston and Van White station areas that could be redeveloped. Along the middle segment of the corridor, a number of older, industrial areas present opportunities for redevelopment. In particular, several property owners in the Blake and Shady Oak stations are known to be interested in selling to developers. In the southern segment of the Corridor, redevelopment opportunities include vacant land (City West), infill on sites with large amounts of surface parking or lawn (Eden Prairie Town Center and Mitchell Road), as well as redevelopment of older, obsolete structures (Golden Triangle). CTOD research about other transit corridors suggests that those opportunity sites located near existing employment centers will be most likely to see new development.

³ Center for Transit-Oriented Development (CTOD), "Transit and Regional Economic Development," May 2011, <http://reconnectingamerica.org/resource-center/browse-research/2011/transit-and-regional-economic-development/>.

Demand projections show the potential for between 3,200 and 3,900 additional housing units and between 12,500 and 13,800 new jobs in the Southwest LRT Corridor between 2010 and 2030.

The demand for TOD housing in the corridor is expected to increase by between 780 and nearly 1,000 households every five years, or about 150 to 165 households a year. How much of this demand the corridor actually absorbs will depend on a wide range of factors, including place-making and connectivity improvements, development feasibility, and other market dynamics.

The corridor also has the potential to gain about 3,100 to 3,500 jobs every five years, or about 625 to 675 new jobs a year, driven by the knowledge-based and education and health services sector. It is important to note that the production, distribution, and repair (PDR) sector⁴ is excluded from these projections because employment in this sector is expected to decline in the region as a whole, and will likely decline even more rapidly in the corridor as industrial uses are replaced by commercial and residential uses. Between 2002 and 2009, PDR employment in the corridor declined by about 675 jobs a year on average, and has the potential to offset employment gains in other industries in the Southwest LRT Corridor.

Improving connectivity from the surrounding neighborhoods to the transit stations and fostering a sense of place will be critical in facilitating ridership and encouraging new transit-oriented development. Because the corridor is aligned along an old rail corridor in some segments and near major highways in others, many of the station areas have auto-oriented street grids and poor pedestrian connectivity. As a result, the current “walkshed” for many of the stations is small, limiting the potential for TOD. Some of the station areas also lack the kinds of urban amenities that are desirable in TOD neighborhoods, such as parks or neighborhood-serving retail. Strategic investments to expand the “walkshed” and enhance connectivity will be especially important for promoting desired development.

TOD POTENTIAL BY SUBAREA

For the purpose of this report, we divided the Southwest LRT Corridor into three market sub-areas. While these sub-areas could have been defined in a number of different ways, they are intended to reflect the existing land use patterns that will influence future development.⁵ Following are key findings about the potential in each segment.

Minneapolis Segment: Royalston Station to West Lake Station

This segment of the corridor has been developed for more than 100 years. The stations closest to Downtown Minneapolis (Royalston and Van White) are dominated by older industrial uses, which could be redeveloped over the mid- to long-term. The stations farther to the west (closest to “Lakes” area) are primarily residential in nature; however the West Lake station area includes a concentration of multi-family housing as well as commercial uses. Homes in the Lakes area have held their value better than other regional locations in the recent downturn. Within the Minneapolis segment, the West Lakes station area offers a strong market for development, but few opportunity sites exist.

Middle Segment: Belt Line Station to Shady Oak Station

The six stations between Belt Line and Shady Oak follow an historic rail corridor that was developed with industrial uses between 50 and 100 years ago. However, many of the original industrial uses have transitioned into residential and commercial uses. Some large industrial sites remain, including a significant number of buildings that have the potential to be redeveloped over time. The initial

⁴ The PDR sector includes the manufacturing, wholesaling, transportation, and warehousing industries.

⁵ The boundaries between the segments could have been drawn a number of ways; in particular, the Beltline station shares certain market characteristics with West Lake and other Minneapolis stations. The Minneapolis stations were grouped together in part to reflect the fact that they are located within the same jurisdiction.

development of this area coincided with the growth of the automobile, and as a result many station areas include a mixture of pedestrian and automobile oriented uses. This segment has experienced the most recent development, and is expected to offer the strongest market for redevelopment. In particular, Blake Road and Downtown Hopkins are attracting developer interest.

Southern Segment: Opus Station to Mitchell Station

The land uses near the six future station areas in the southern portion of the corridor were developed relatively recently, and most is oriented toward the regional highway system. As a result, the current development pattern in this part of the corridor is almost entirely automobile-oriented, and the area tends to be attractive for auto-oriented uses such as big-box retail. Residential uses are much less prevalent in this part of the corridor, though recent development has included some apartments. Some significant tracts of vacant land remain, particularly around the City West and Mitchell Road stations. The southern segment of the corridor will face challenges in attracting transit-oriented development due to its auto-oriented nature. The northern end of the segment (Opus, City West and Golden Triangle stations) offers some opportunity for infill development that could help the areas transition over time to be more walkable, mixed-use places. Absent public-sector intervention, development in the southern end of the segment (Mitchell, Southwest and Town Center stations) is more likely to consist primarily of highway-oriented uses such as retail.

These findings about the corridor segments are intended in part to inform public investment decisions. For example, the report shows that some of the stations, such as West Lake and Woodale, have already experienced significant development. Others, like Shady Oak, may require significant public investment in order to attract new development. Stations such as Mitchell, Southwest, and Town Center are well positioned to attract development, but improvements to local pedestrian conditions may be required to encourage developers to plan more compact projects or incorporate design features (for example, active ground floor uses and public spaces) that will encourage residents, workers, and shoppers to take transit, walk, or bicycle.

III. TRANSIT AND DEVELOPMENT POTENTIAL

The introduction of a new transit line has the potential to increase demand for housing, office and other uses in the Southwest LRT Corridor. Transit access – particularly when combined with other desirable station area amenities like pleasant streets for walking and bicycling, well-designed public space, and neighborhood retail and services – can enable a corridor to attract households and employers from across the region. Studies show that certain types of households and employers have a preference for locating near transit. Thus, to understand the potential impact of new transit service on the real estate market it is important to consider the location preferences of the households and industries that drive regional demand for housing and commercial space. At the same time, the extent to which any particular transit corridor or station area experiences new transit-oriented development also depends on the context of both the transit line and particular neighborhoods. This section reviews how these demographic and employment trends and corridor/station area characteristics shape TOD demand.

HOUSEHOLD AND INDUSTRY LOCATION PREFERENCES

Research by the Center for Transit-Oriented Development (CTOD) suggests that young couples, single households, other households without children, and immigrants are most likely to locate near transit.⁶ Recent survey research on household preferences also indicates that households in their 20's and 30's, especially those without children, are the group most interested in living near transit and in walkable, mixed-use neighborhoods. There is also some evidence that older adults – particularly Baby Boomers reaching retirement age – may be receptive to downsizing and moving to more transit- and amenity-rich neighborhoods as they age.⁷ As the nation's two largest generations, the preferences of Baby Boomers and their children (the so-called "Echo Boomers," born in the 1980's and 1990's and now in their 20's and 30's) are expected to drive trends in housing development over the coming decades.

On the employment side, research by the CTOD has shown that "knowledge-based" industries – including professional, scientific and technical services, information, and financial and real estate services – are most likely to locate near transit, particularly near central business districts and in other high-density regional employment centers.⁸ Workers in these industries are most likely to take transit to get to work. Moreover, knowledge-based firms can benefit from agglomeration economies -- the economic benefits that occur when firms cluster in highly concentrated employment areas, such as access to a higher-quality, regional labor pool or "knowledge spillovers" that occur when workers share ideas and innovations. At the same time, retailers and other resident-serving industries that make location decisions based on where their customers live or work may co-locate with new housing or offices near transit.

⁶ CTOD, "Hidden in Plain Sight: Capturing the Demand for Housing Near Transit," September 2004, <http://reconnectingamerica.org/resource-center/books-and-reports/2004/hidden-in-plain-sight-capturing-the-demand-for-housing-near-transit/>.

⁷ On the other hand, large majorities of older adults say they wish to "age in place" in their current homes. Source: Kochera, Andrew, Audrey Straight, and Thomas Guterbock. *Beyond 50.05: A Report to the Nation on Livable Communities*. Washington D.C.: AARP Public Policy Institute, May 2005. http://www.aarp.org/home-garden/livable-communities/info-2005/beyond_50_05_a_report_to_the_nation_on_livable_communities__creating_environments_for_successful_aging.html.

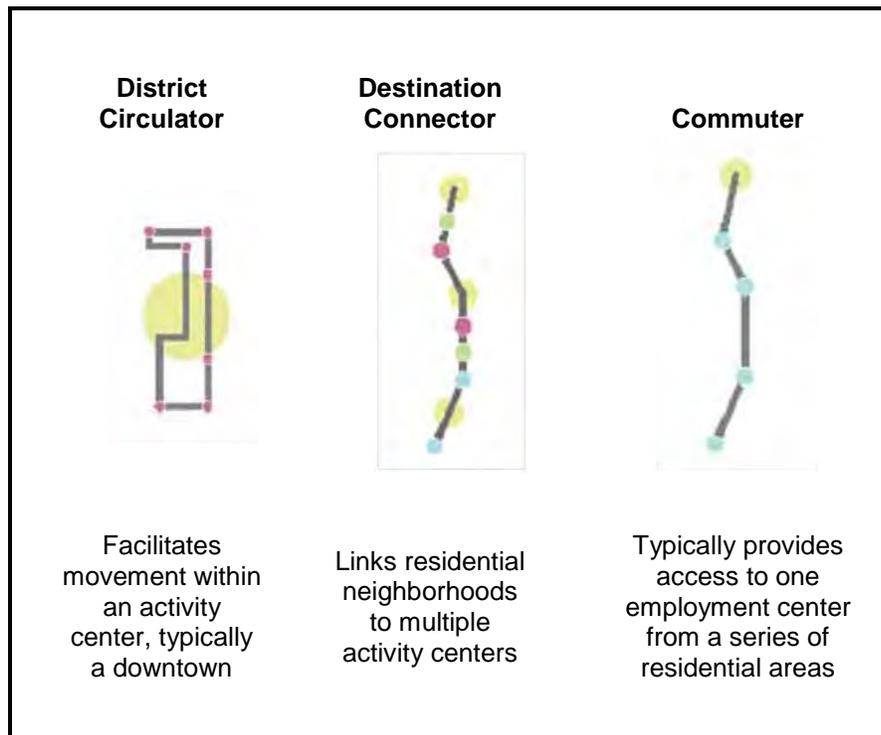
⁸ CTOD, "Transit and Regional Economic Development," May 2011.

CORRIDOR CONTEXT

Understanding how these demographic and economic factors play out in a given region is critical for identifying the potential market for transit-oriented development. However, the extent to which any particular transit corridor or station area captures demand for transit-accessible locations depends on the characteristics of both the transit line and particular station areas. Transit corridors vary in the types of origins and destinations they connect, speed and frequency of service, and the extent of the transit network of which they are a part. CTOD has identified three basic types of transit corridors, illustrated in Figure 3.1.

- **District Circulators** are designed to enhance walkability and facilitate mobility within a single activity center or district, usually a downtown. The most common types of district circulators are streetcars and high-frequency bus corridors.
- **Commuter Corridors** serve a single major activity center, such as a central business district or downtown, with riders traveling in a single direction in commute hours.
- **Destination Connectors** link residential neighborhoods with multiple activity centers, such as employment centers, medical centers, retail/entertainment destinations, and educational institutions. Destination connectors encourage ridership in both directions throughout the day, but can also serve as commuter corridors.

Figure 3.1. Transit Corridor Types



Source: Strategic Economics, 2011.

The planned Southwest LRT Corridor is a “destination connector,” linking residential neighborhoods along the corridor with downtown Minneapolis and the jobs-rich Southwest quadrant of the metropolitan area. In contrast to a commuter corridor, where most development would likely be related to downtown (e.g., housing for downtown workers), the Southwest LRT Corridor has the potential to benefit from multiple economic drivers and experience development activity throughout the corridor.

The value of a transit line is also related to the size of the overall transit system. As the Metropolitan Area’s rail system is built out to connect more and more places, the value of being located on the Southwest LRT Corridor – and thus the potential for new development – is likely to increase.

STATION AREA CHARACTERISTICS

Finally, where and when development occurs near transit is related to the attributes of neighborhoods located along the corridor, such as existing land uses and neighborhood amenities, the quality of pedestrian connections to and from the transit stations, and the availability of opportunity sites for new development. In a 2010 report, CTOD examined development patterns along three transit lines: the Hiawatha Line in the Minneapolis-St. Paul region, the Southeast Corridor in Denver, and the Blue Line in Charlotte.⁹ All three lines have experienced significant new development, much of it designed and marketed to take advantage of the new light rail lines. The analysis identified several key factors related to where development occurred along the lines:

- **Proximity to downtowns or other employment centers.** Within each region, downtowns and other employment-intensive station areas experienced the greatest amount of new development, including 72 percent of the new development along the Hiawatha Line and 64 percent of the development along the Blue Line.
- **Vacant/underutilized land.** The presence of opportunity sites was related to where new development occurred. However, proximity to downtowns or other major employment centers appears to be a more important factor in driving new development.
- **Investments in neighborhood infrastructure and amenities.** To date, most development near transit in the three case study regions has occurred in downtowns, historic districts, and large redevelopment sites that offer neighborhood amenities and interesting, walkable streets. Little development has occurred outside of these central areas, especially in areas where land use patterns were previously oriented toward automobile use. Placemaking, connectivity, and infrastructure improvements may help unlock the potential for TOD in these areas.

A case study of development impacts in Denver’s Southeast Corridor is provided on the following page. The Southeast corridor is also a destination-connection corridor that connects major employment concentrations, and land use patterns in many ways mirror conditions in the Southwest LRT Corridor.

⁹ CTOD, “Rails to Real Estate: Development Patterns along Three New Transit Lines,” March 2011, <http://reconnectingamerica.org/news-center/reconnecting-america-news/2011/rails-to-real-estate-development-patterns-along-three-new-transit-lines/>.

Case Study: Denver's Southeast Corridor

Like Hennepin County's planned Southwest LRT Corridor, Denver's Southeast Corridor connects major concentrations of suburban office employment to the region's central business district. The Southeast Corridor, which opened in 2006, travels along Interstate I-25, one of the Denver region's most congested highways. The station areas have historically been automobile-oriented, with large blocks and few of the characteristics typically associated with "TOD-friendly" neighborhoods. Nevertheless, the corridor experienced approximately 7.8 million square feet of new development between 2004 and 2009, with the pace of new development increasing significantly after the transit line opened in 2006.

Several patterns emerge from the development that has occurred along the Southeast Corridor:

- **Development clustered near existing jobs centers.** Most of the new commercial development was in effect an extension of the existing suburban employment centers. Residential development was also concentrated in job-rich areas.
- **Development occurred on large, vacant properties.** Much of the development along the Southeast Corridor consisted of major suburban office, residential, and mixed-used projects built on large vacant or underutilized sites. This contrasts sharply with the Hiawatha Line in Minneapolis or the Blue Line in Charlotte, where the presence of vacant and underutilized properties was not strongly correlated with where development occurred.
- **Transit appears to have attracted new residential development to areas that had previously been dominated by office uses.** Historically, the area surrounding most of the Southeast Corridor stations was dominated by single-use development, primarily suburban-style office parks. However, the majority of development that occurred after the transit line opened was residential. The introduction of transit may have encouraged developers to rethink the potential of these areas for residential uses.
- **Transit added value for commercial development in a variety of ways.** While transit appears to have played only a limited role in attracting new office development to the corridor, vacancy rates directly adjacent to transit stations are reportedly lower than in office buildings further away from transit. Commercial developers and property owners have also worked with the regional transit district to ensure that their buildings have strong pedestrian connections to the stations.
- **The fact that the Southeast Corridor runs along a major highway has served as a significant barrier to transit-oriented development, necessitating major connectivity investments in some areas.** New development projects have been designed to mitigate the negative impacts of the freeway on residents and tenants – unfortunately, because the transit stations are along the freeway, these mitigation strategies can create barriers to transit access as well. Pedestrian bridges have been built across I-25 at many of the stations, but the highway still limits the amount of land that is truly transit-accessible.

Based on this experience, it seems likely that the Southwest LRT Corridor will attract development throughout the corridor – assuming sufficient market demand (the subject of this report) and that connectivity and other place-making improvements are implemented as necessary.

Source: CTOD, "Rails to Real Estate: Development Patterns along Three New Transit Lines," March 2011.

IV. EXISTING CONDITIONS

This section provides an overview of existing land uses, demographics, employment, and market conditions along the Southwest LRT Corridor, with an eye towards understanding the impact that the introduction of transit service is likely to have on demand for residential and commercial uses and future development patterns. The discussion is based on analysis of demographic, employment, and market data, and extensive interviews with City staff and local developers to identify market trends and opportunities. A more complete description of the developer interviews is provided in Appendix A; Appendix C provides detailed demographic and employment data.

Data were collected at a variety of geographic levels, including the 10-minute walkshed, the one-mile radii around the station areas,¹⁰ and the seven-county Twin Cities Metropolitan Area. These various geographic levels are compared throughout the report to paint a comprehensive picture of the Southwest LRT Corridor's real estate market and its place in the region. Generally, the analysis showed that the corridor consists of three market sub-areas, each characterized by distinct land use patterns, demographic and employment trends, and market conditions:

- Minneapolis Segment: Royalston Station to West Lake Station
- Middle Segment: Belt Line Station to Shady Oak Station
- Southern Segment :Opus Station to Mitchell Station

These three sub-areas are used to frame the discussion throughout this report.

EXISTING LAND USES AND HISTORIC DEVELOPMENT PATTERNS

Figure 4.1 shows the existing land uses located within one mile of the Southwest LRT Corridor. The three sub-corridor segments are distinguished by very different historic development patterns and existing land uses.

The Minneapolis portion of the corridor, between the Royalston and West Lake stations, has been developed for well over 100 years. The stations closest to Downtown Minneapolis (Royalston and Van White) are dominated by older, industrial uses. While some portions of these station areas have good visibility from Interstates 394 and 94, potential challenges for redevelopment include ongoing industrial activities – including plans for a rail layover yard – and poor soils that may require environmental remediation. The stations farther to the west (closest to “Lakes” area) are primarily residential. The Penn and 21st Street stations are surrounded largely by low-density, single-family neighborhoods with limited connectivity to the proposed transit stations. The West Lake station area includes a concentration of multi-family housing as well as commercial uses, and is characterized by a particularly strong sense of place and many nearby amenities.

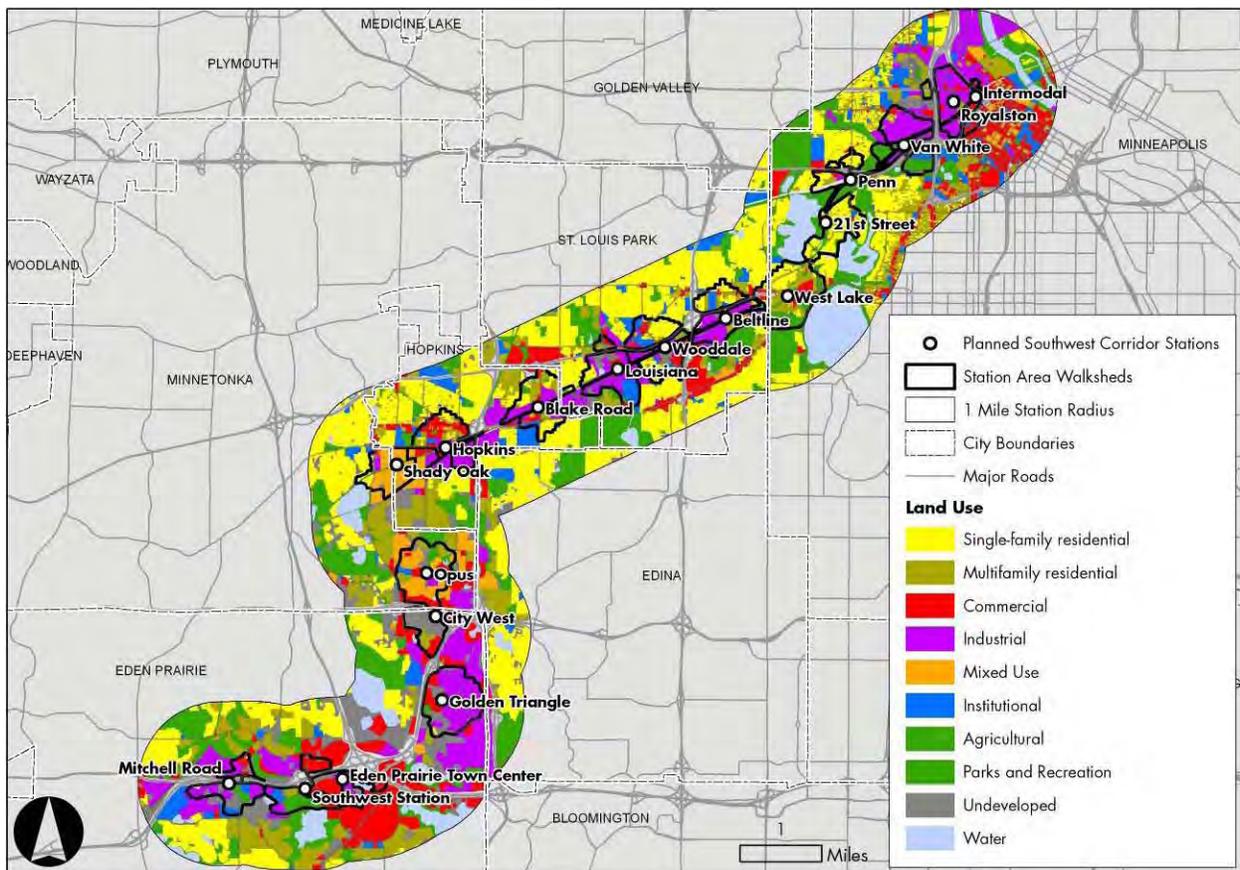
The six stations between Belt Line and Shady Oak follow an historic rail corridor that was developed with industrial uses between 50 and 100 years ago. However, many of the original industrial uses have transitioned into residential and commercial uses. Some large industrial sites do remain, including a

¹⁰ Typically, a half-mile radius is used for station area because a half-mile radius is assumed to correspond with a 10-minute walkshed. For the purposes of this report, however, the *actual* 10-minute walkshed is used as the smallest geography wherever possible (see Figure 4.2 and the accompanying text). We compare the 10-minute walkshed to the one-mile buffer to provide context about the neighborhoods surrounding the station areas.

significant number of aging, obsolete industrial buildings. The initial development of this area coincided with the growth of the automobile; so many station areas include a mixture of pedestrian and automobile oriented uses.

The six stations in the southern portion of the corridor, between Opus and Mitchell Road, do not follow an historic rail line and instead are more oriented to the regional highway system. As the stations furthest from Downtown Minneapolis, development in this portion of the corridor is much younger than in other portions of the corridor. These station areas began developing within the past 50 years, but most development occurred within the last 35 years. As a result, the existing development pattern is almost entirely automobile-oriented and some significant tracts of vacant land remain, particularly around the City West and Mitchell Road stations. Because of the highway orientation of many of these station areas, existing uses tend to be a mixture of industrial, office, and retail depending on highway access and visibility. Residential uses are much less prevalent in this portion of the corridor, though there has been some significant residential development in recent years.

Figure 4.1. Land Uses in the One-Mile Corridor



Sources: Metropolitan Council, 2005; Bonestroo, 2008; Strategic Economics, 2011.

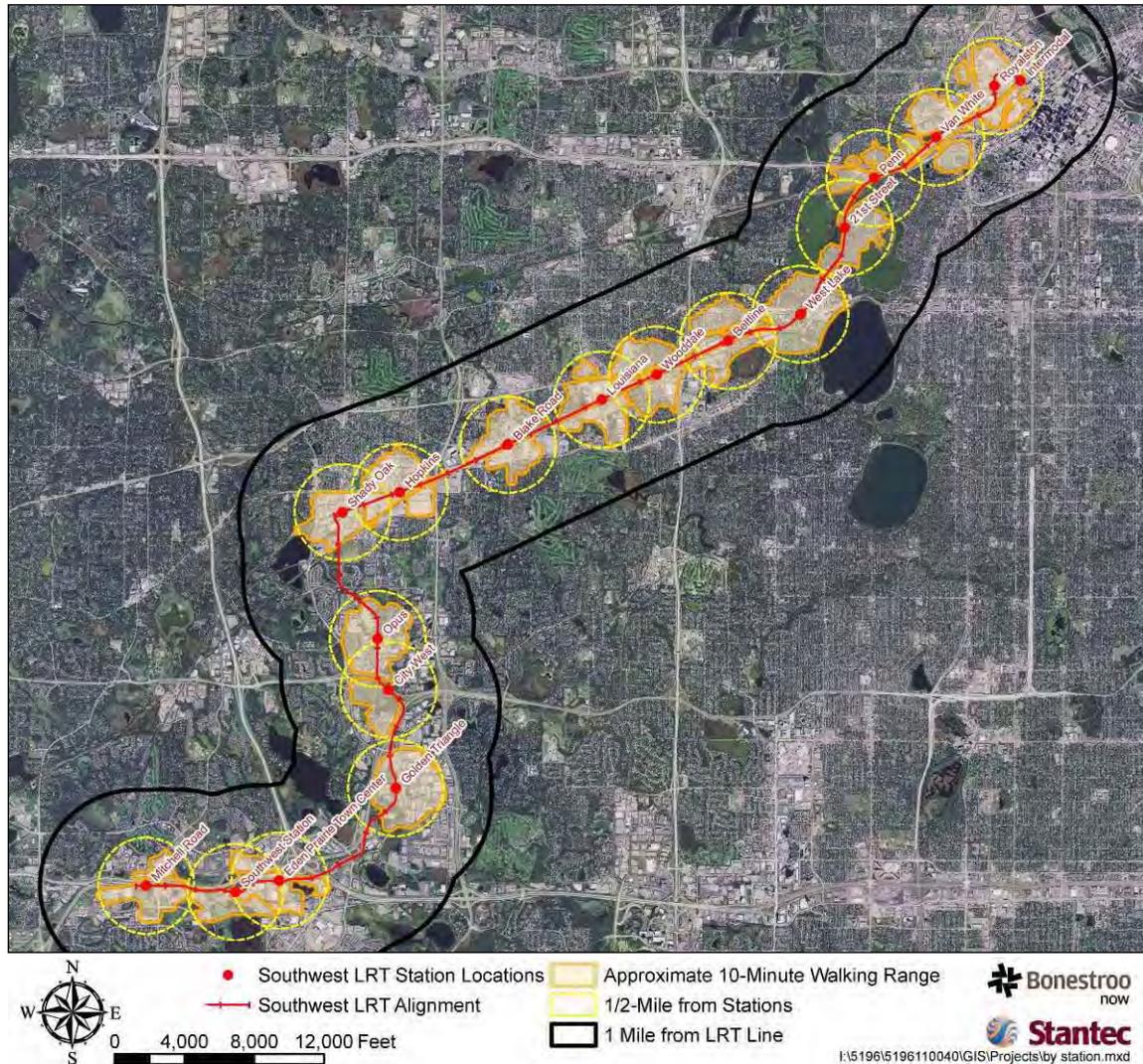
WALKSHED ANALYSIS

Many of the proposed station stops are situated close to major highways and old rail corridors. As a result, pedestrian accessibility varies significantly by station area. Using a combination of GIS analysis and local knowledge, the consultant team mapped the walksheds – the area that can be reached with 10

minutes at a comfortable walking pace – for each station area.¹¹ Figure 4.2 shows the entire Southwest LRT Corridor with station area walksheds outlined in gold. More detailed station-specific maps are included in Appendix C.

For the purposes of this report, the walkshed boundaries were assumed to be the primary trade area for the station areas. Many of the demographic and employment results discussed below are given at the walkshed level.¹²

Figure 4.2. Southwest LRT Corridor Station Area Walksheds



¹¹ Roadways with sidewalks and trails were mapped from each station stop at a distance of 2,640 feet, which is the approximate distance covered in 10 minutes at a comfortable walking pace of 20 minutes per mile. Individual parcels at the fringes of the walksheds were then analyzed to modify the walkshed boundary as necessary. All of the walkshed areas were defined based on existing roadway and trail connections with the exception of City West and Van White. These stations are currently in locations without any existing infrastructure to be able to access them. Therefore, when calculating walking distance, it was assumed a basic level of new infrastructure would be in place.

¹² The walkshed boundaries were overlaid on Census defined blocks to calculate population and employment figures.

DEMOGRAPHICS

This section examines demographic trends in the Southwest LRT Corridor compared to the region. Changing demographic trends can signal ways in which the market will likely respond to future demand for residential, retail, and office uses.

Population and Household Trends

Table 4.1 shows historic and projected population and household trends for the Southwest LRT Corridor walkshed, one-mile buffer, the five cities along the corridor, Hennepin County, and the seven-county region. In 2010, nearly 10 percent of the County's population and just over 4 percent of the region's population lived within one mile of the planned corridor, while the walkshed accounted for about 1.5 percent of the County's population. Between 2000 and 2010, the population in the walkshed expanded more rapidly than in any of the surrounding jurisdictions, growing at an average rate of 1.6 percent a year compared to the regional average of 0.8 percent. Population and household growth in most of the corridor cities and the region is projected to increase slightly between 2010 and 2020, before leveling off in 2020 to 2030. Eden Prairie is the only city expected to experience faster population growth than the region as a whole.

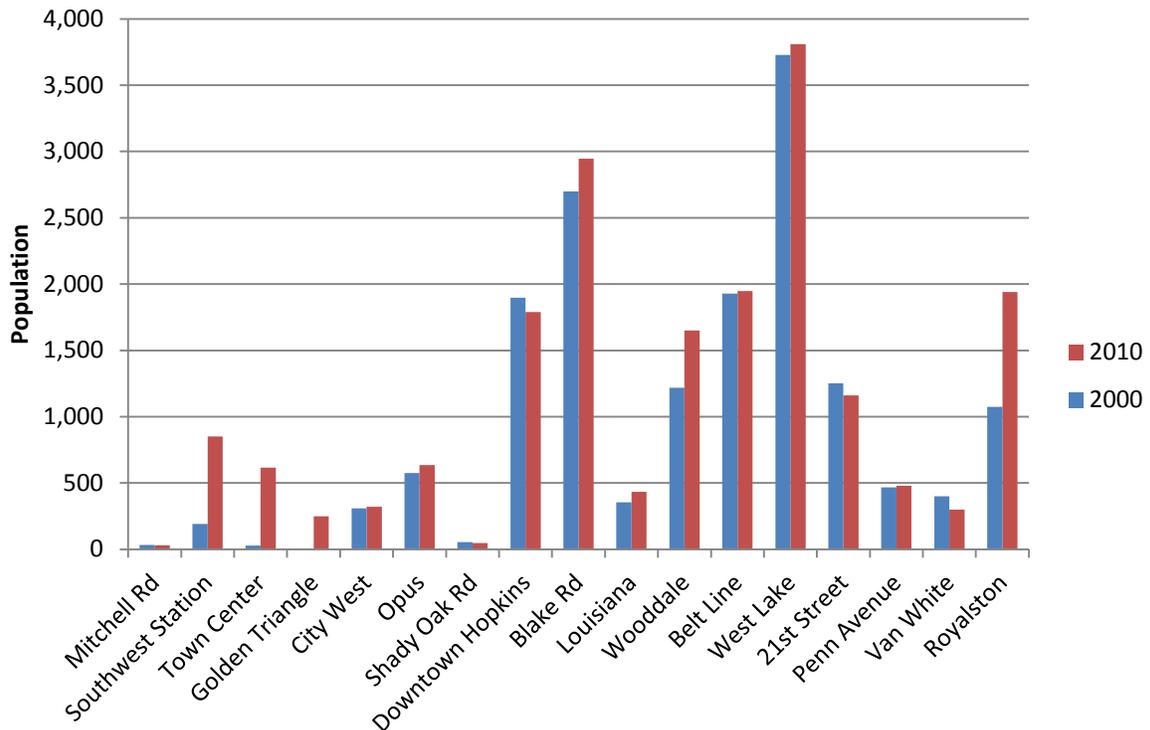
Figure 4.3 and Figure 4.4 show population and population change for the station area walksheds. Most of the population along the corridor is concentrated in the Minneapolis and middle sections of the corridor; the West Lake, Blake Road, and Belt Line stations have the most population and housing in the immediately surrounding area. However, the southern-most parts of the corridor have seen significant population growth in the last ten years, as has the Royalston station area, Blake Road, and Wooddale.

Table 4.1 Population and Household Trends: Station Areas, Corridor Cities, County, and Metro Area, 2000-30

Geography	2000	Population/Households			Annual Average % Change		
		2010	2020 (Proj.)	2030 (Proj.)	2000-10	2010-20	2020-30
Population							
10-Minute Walkshed	16,050	18,672	N/A	N/A	1.6%	N/A	N/A
1-Mile Station Buffer	110,899	119,481	N/A	N/A	0.8%	N/A	N/A
Corridor Cities:							
Eden Prairie	54,901	60,797	65,200	72,400	1.1%	0.7%	1.1%
Hopkins	17,367	17,591	18,300	18,600	0.1%	0.4%	0.2%
Minneapolis	382,747	382,578	403,000	418,300	0.0%	0.5%	0.4%
Minnetonka	51,102	49,734	49,800	51,800	-0.3%	0.0%	0.4%
St. Louis Park	44,102	45,250	47,600	49,800	0.3%	0.5%	0.5%
Total Cities	550,219	555,950	583,900	610,900	0.1%	0.5%	0.5%
Hennepin County	1,116,206	1,210,680	1,308,415	1,394,660	0.8%	0.8%	0.7%
7-County Metro Area	2,642,056	2,849,567	3,178,567	3,452,567	0.8%	1.2%	0.9%
Households							
10-Minute Walkshed	N/A	9,835	N/A	N/A	N/A	N/A	N/A
1-Mile Station Buffer	N/A	61,059	N/A	N/A	N/A	N/A	N/A
Corridor Cities:							
Eden Prairie	20,457	23,930	27,400	31,900	1.7%	1.5%	1.6%
Hopkins	8,359	8,366	8,700	8,900	0.0%	0.4%	0.2%
Minneapolis	162,352	163,540	173,300	180,700	0.1%	0.6%	0.4%
Minnetonka	21,267	21,901	22,700	23,600	0.3%	0.4%	0.4%
St. Louis Park	20,773	21,743	22,700	23,700	0.5%	0.4%	0.4%
Total Cities	233,208	239,480	254,800	268,800	0.3%	0.6%	0.5%
Hennepin County	456,131	501,750	551,715	594,045	1.0%	1.0%	0.8%
7-County Metro Area	1,021,454	1,117,749	1,281,749	1,411,749	0.9%	1.5%	1.0%

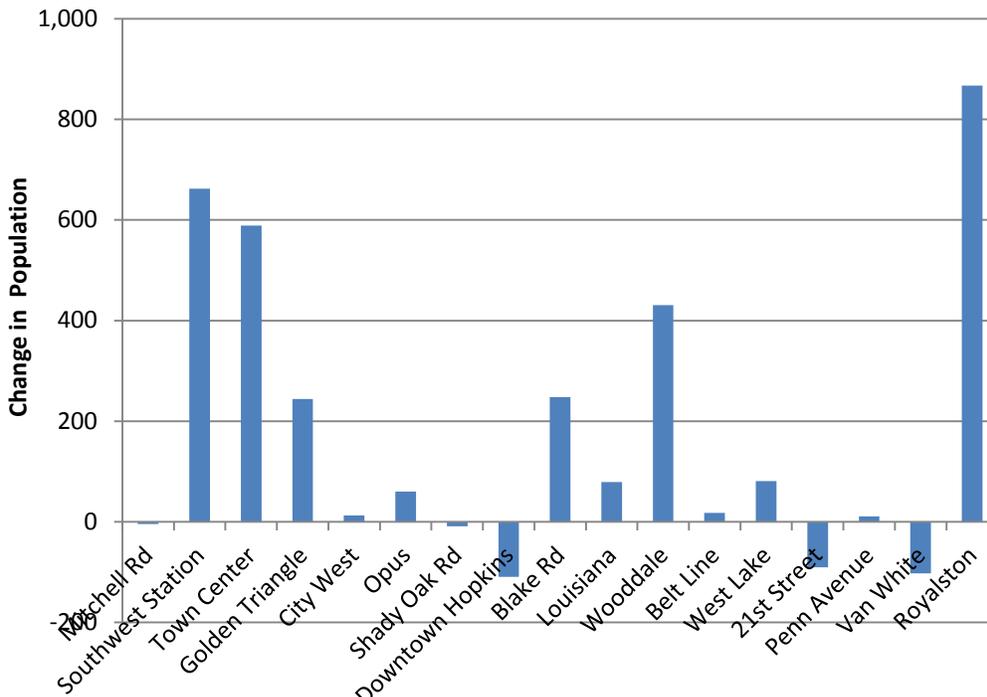
Source: U.S. Census, 2000 and 2010; Metropolitan Council, 2010.

Figure 4.3. Population by Station Area Walkshed, 2000-2010



Source: US Census, 2000 and 2010.

Figure 4.4. Change in Population by Station Area Walkshed, 2000-2010

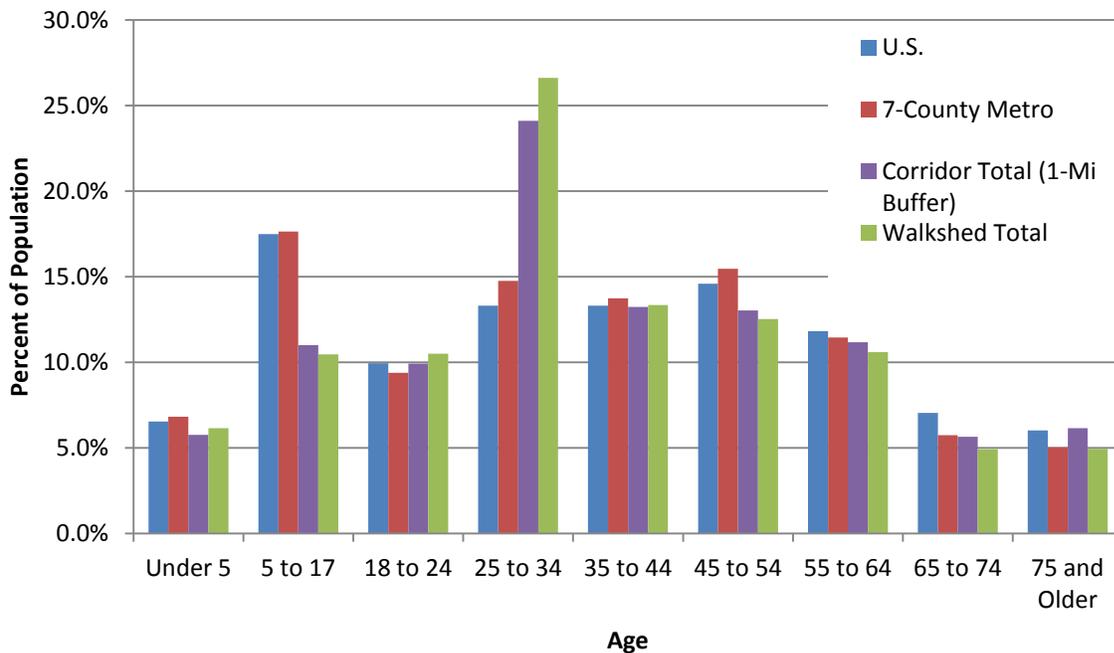


Source: US Census, 2000 and 2010.

Age Distribution

Compared to the Metro Area, both the walksheds and the one-mile corridor have a much higher percentage of people age 25 to 34 – one of the prime demographic groups targeted for many TOD projects – and fewer school age children (Figure 4.5).

Figure 4.5. Age of Population: Total Walksheds and One-Mile Buffer Compared to the Metro Area, 2010

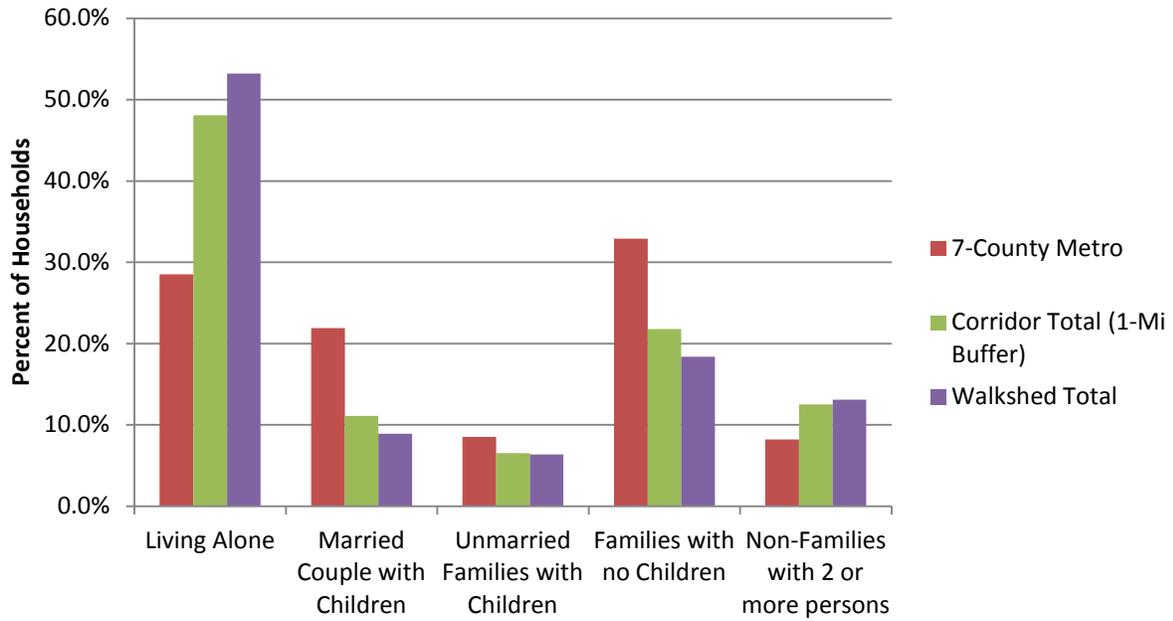


Source: US Census, 2010.

Household Types

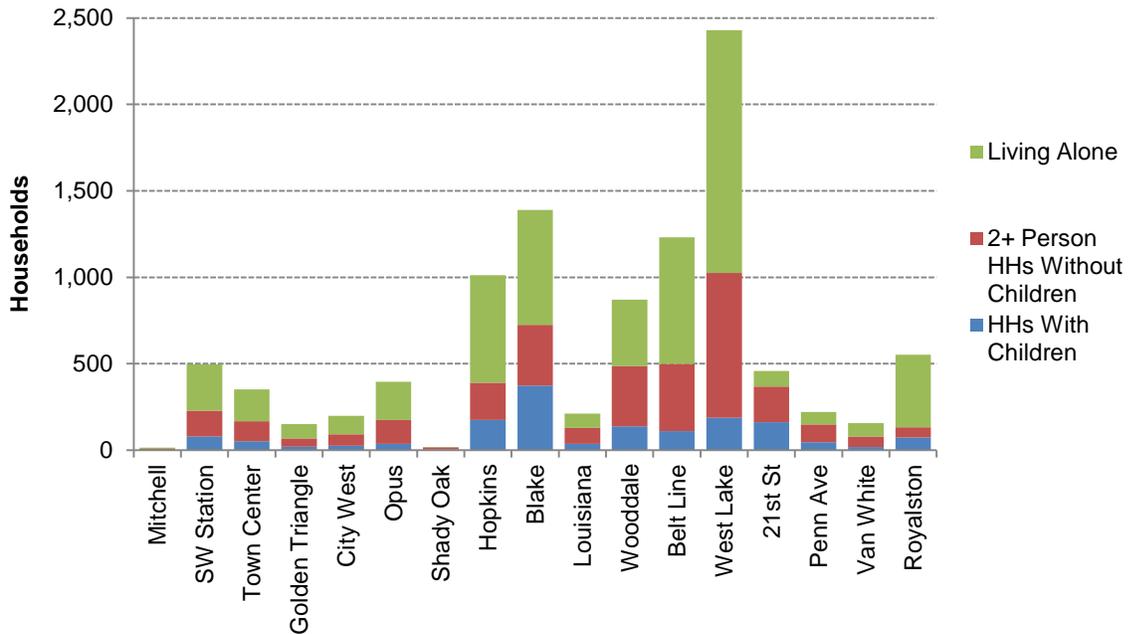
Figure 4.6 shows the distribution of household types for the Southwest LRT Corridor compared to the Metro Area. Both the walksheds and the one-mile corridor have very high percentages of single-person households and non-family households (e.g. roommates) compared to the regional average, as well as relatively low percentages of family households and households with children. Figure 4.7 shows how household types vary by station area. Despite the overall trend, some station areas have more families with children than others. 21st Street, for example, is located in a predominantly single-family neighborhood and has the highest share of households with children relative to its population.

Figure 4.6. Household Types: Total Walksheds and One-Mile Buffer Compared to the Metro Area, 2010



Source: US Census, 2010.

Figure 4.7. Household Types by Station Area Walkshed, 2010

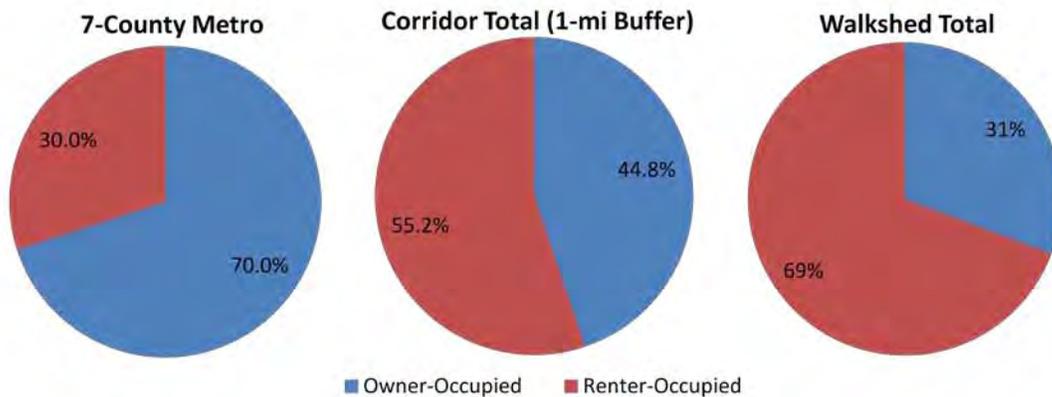


Source: US Census, 2010.

Tenure

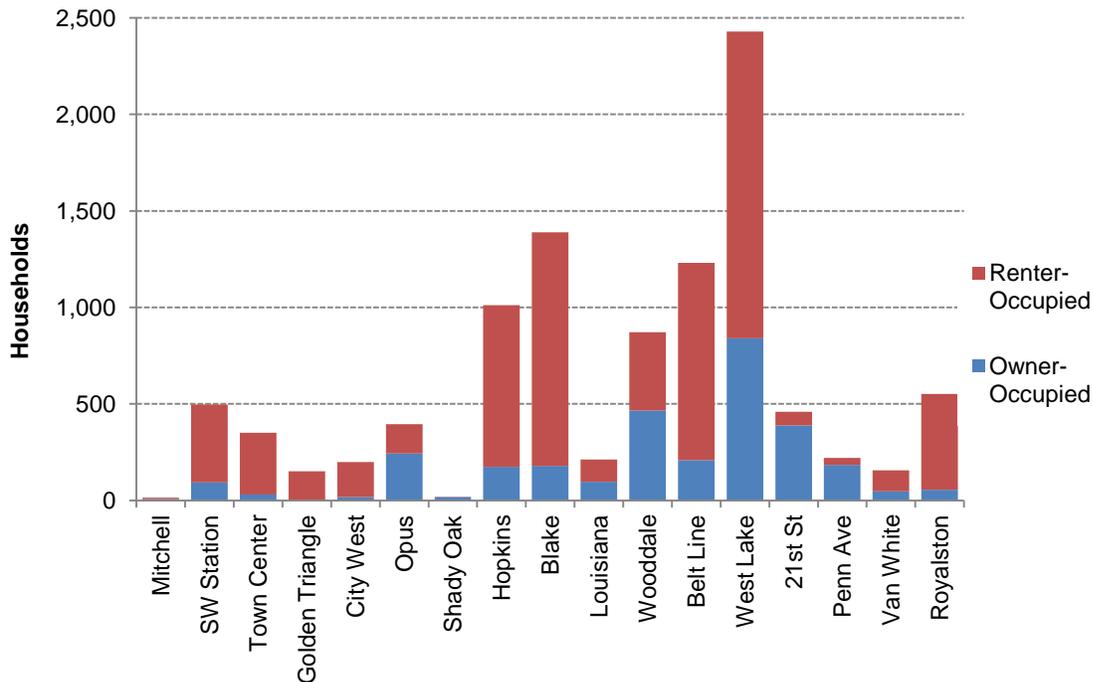
The Southwest LRT Corridor has a much higher percentage of renters compared to the Metro region (Figure 4.8). However, the 21st Street, Penn Avenue, Opus, and Wooddale station areas have significant concentrations of owner-occupied housing units (Figure 4.9)

Figure 4.8. Household Tenure: Total Walksheds and One-Mile Buffer Compared to the Metro Area, 2010 (Percent of Occupied Housing Units)



Source: U.S. Census, 2010

Figure 4.9. Households by Tenure by Station Area Walkshed, 2010



Source: US Census, 2010.

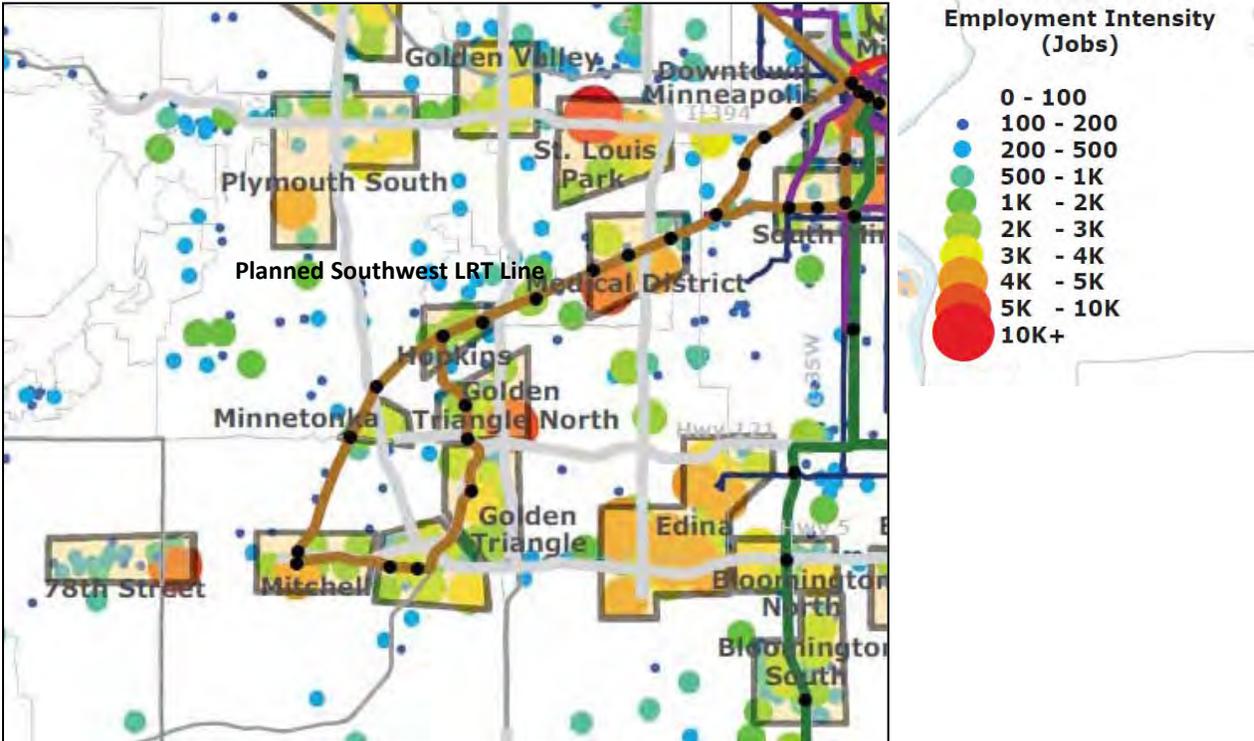
EMPLOYMENT

Some of the region’s most important employment centers are located near the future Southwest LRT line (Figure 4.10), and several station areas are home to some of the region’s largest employers. In Eden Prairie, for example, there is a strong concentration of technical jobs anchored by major employers such as Alliant Techsystems, Emerson, and Eaton. United Health Group, one of the nation’s largest health insurance companies, is located in the Opus station area and has plans to add 6,700 additional jobs at the City West station. In Hopkins, SuperValu and Cargill both have significant operations within walking distance of planned stations. In St. Louis Park, Methodist Hospital, one of the region’s largest hospitals, is located near the Louisiana station.

In addition to numerous large companies providing high wage jobs in the Southwest LRT Corridor, a significant number of retail and service jobs are located within a short distance of several stations, including the Eden Prairie Center, one of the region’s largest regional shopping centers, and the Knollwood Shopping Center in St. Louis Park. Providing connections to these employment concentrations, including both pedestrian connections to the employers closest to the stations as well as “last mile” shuttles or other transit service to connect to employers located outside the walkshed, will be critical to building ridership on the line.

The following sections provide an overview of employment trends along the corridor compared to the region.

Figure 4.10 Employment Clusters Near the Southwest Corridor



Source: Center for Transit-Oriented Development

Regional and Corridor-Wide Employment Trends

Table 4.2 shows historic and projected employment trends in the corridor cities, Hennepin County, and seven-county Metro Area. In the 2000's, the region experienced average employment growth of about 1.3 percent a year. However, this average masks the fluctuations that occurred during the economic boom and more recent recession. Between the peak in 2007 and 2010, employment in the region declined by about five percent. More recently, however, employment numbers have begun to increase again; the region's unemployment rate fell to 5 percent at the end of 2011, down from a peak of over 8 percent in 2010.¹³

With the exception of Hopkins and St. Louis Park, the corridor cities grew more slowly than the region as a whole. Employment in the region is expected to grow at no more than one percent a year in the Metro Area over the coming decades, driven primarily by growth in educational and health services (“eds/meds”); knowledge-based industries including professional, scientific and technical services, financial services, and management (Figure 4.11). The production, distribution, and repair (PDR) sector, which includes manufacturing, wholesaling, transportation and warehousing, is expected to continue to decline. The five cities along the corridor are, with the exception of Eden Prairie, projected to grow more slowly than the Metro Area as a whole, reflecting an ongoing trend towards decentralization in the region.¹⁴

Approximately 16 percent of the jobs in the Metro Area are located within one mile of the Southwest LRT Corridor, or about 7.5 percent excluding the one-mile radius around the Royalston station area (which covers much of downtown Minneapolis).¹⁵ Even excluding Royalston, the one-mile corridor has a heavy concentration of jobs in the information, finance, and professional services sectors (shown as “knowledge” jobs in Figure 4.12). The half-mile radius around the station areas¹⁶ has a slightly higher share of knowledge-based jobs than the region, but employment is much more concentrated in the production, distribution, and repair sector. Reflecting the fact that the both the half- and one-mile radii have a lower percentage of the region's population than its jobs, the corridor has a relatively low share of population-serving jobs, especially in education and health services but also in retail and entertainment.

¹³ Minnesota Department of Employment and Economic Development, 2011.

¹⁴ Metropolitan Council, “Development in the Twin Cities” (PowerPoint presentation), May 11, 2011.

¹⁵ Corridor employment is not shown in Table 4.2 or Figure 4.10 because the Metropolitan Council and Minnesota Department of Employment and Economic Development do not provide employment figures below the city level; data for the walksheds, half-mile, and one-mile corridor was pulled from the U.S. Census Bureau's LEHD Origin-Destination Employment Statistics program (<http://lehd.did.census.gov/led/>). Wherever possible, geographies are compared using the same data source, typically LEHD.

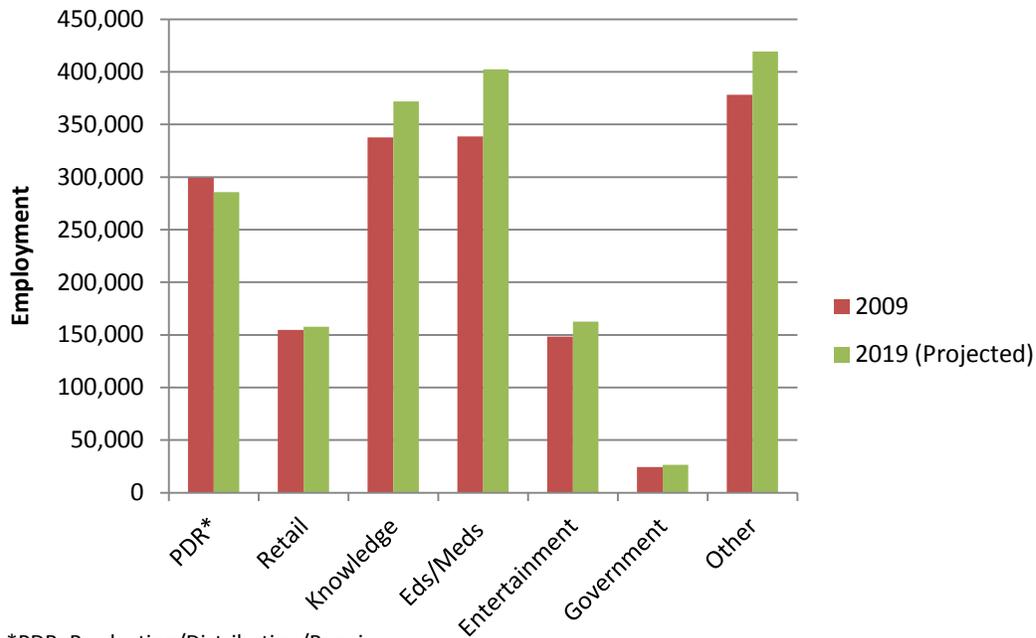
¹⁶ The half-mile radius is used here (and for the employment projections, below) on the assumption that as connectivity between the station areas and surrounding employment center improves, and as additional development occurs, the walkshed will expand to encompass more of the full half-mile radii around the stations.

Table 4.2. Employment Trends in the Corridor Cities, County, and Metro Area: 2000-2030

Geography	Employment				Annual Average % Change		
	2000	2010	2020 (Proj.)	2030 (Proj.)	2000-10	2010-20	2020-30
Corridor Cities							
Eden Prairie	51,006	55,000	62,000	65,500	0.8%	1.3%	0.6%
Hopkins	11,979	13,600	14,800	16,300	1.4%	0.9%	1.0%
Minneapolis	308,127	317,000	332,500	346,500	0.3%	0.5%	0.4%
Minnetonka	51,276	53,800	56,000	58,600	0.5%	0.4%	0.5%
St. Louis Park	40,696	46,200	50,500	52,500	1.4%	0.9%	0.4%
Total Cities	463,084	485,600	515,800	539,400	0.5%	0.6%	0.5%
Hennepin County	877,346	947,290	1,035,190	1,116,230	0.8%	0.9%	0.8%
7-County Metro Area	1,606,263	1,816,000	1,990,000	2,126,000	1.3%	1.0%	0.7%

Source: Metropolitan Council, 2010.

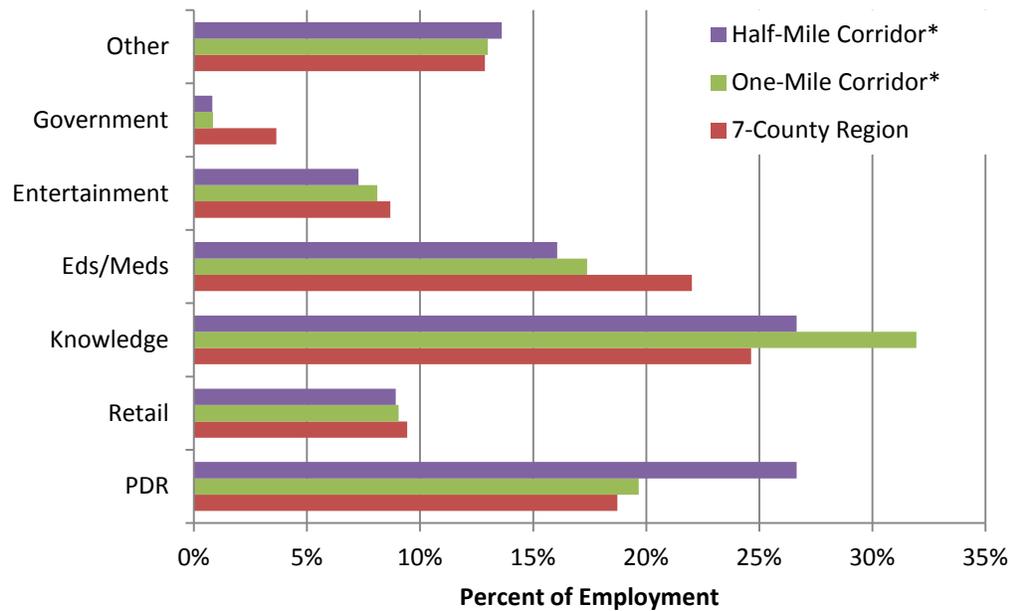
Figure 4.11. Projected Employment by Sector in the Seven-County Metro Area, 2009-2019



*PDR: Production/Distribution/Repair

Source: Minnesota Department of Employment and Economic Development, 2011.

Figure 4.12. Employment by Sector: Half- and One-Mile Buffers Compared to the Region, 2009

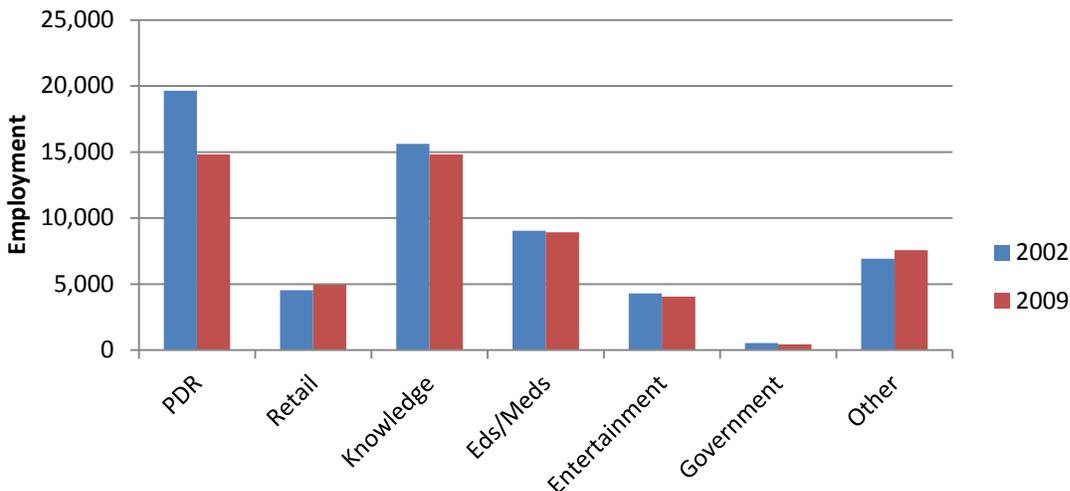


*Excluding the Royalston station area.

Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics, 2011.

The corridor was affected significantly by the recession. Overall, total employment in the half-mile around the station areas shrank 8 percent between 2002 and 2009, from 60,573 to 55,608. Reflecting the area’s gradual evolution away from industrial uses, the most significant decline occurred in the PDR sector. Corridor PDR employment declined both in absolute numbers and as a share of the region’s total PDR employment. Employment in the knowledge-based industries and education and health services, meanwhile, increased slightly (Figure 4.13).

Figure 4.13. Employment by Sector in the Half-Mile Corridor,* 2002-2009



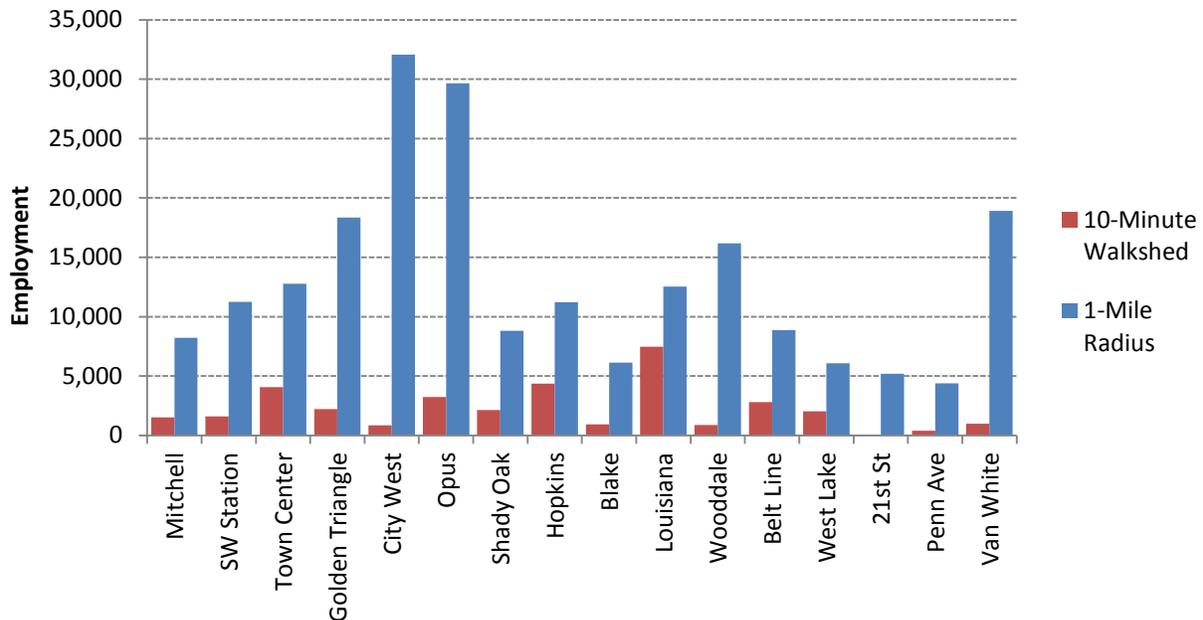
*Excluding the Royalston station area.

Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics, 2011.

Employment within the Walkshed

The number of jobs in each station area varies considerably. Some, like Louisiana, Hopkins, Town Center, and Opus, have several thousand within a 10-minute walk, while others have just a few. Figure 4.14 compares the number of jobs in the walkshed of each station to the number of jobs in the one-mile radius, emphasizing the potential to vastly increase job accessibility by improving key connections to extend the walkshed.

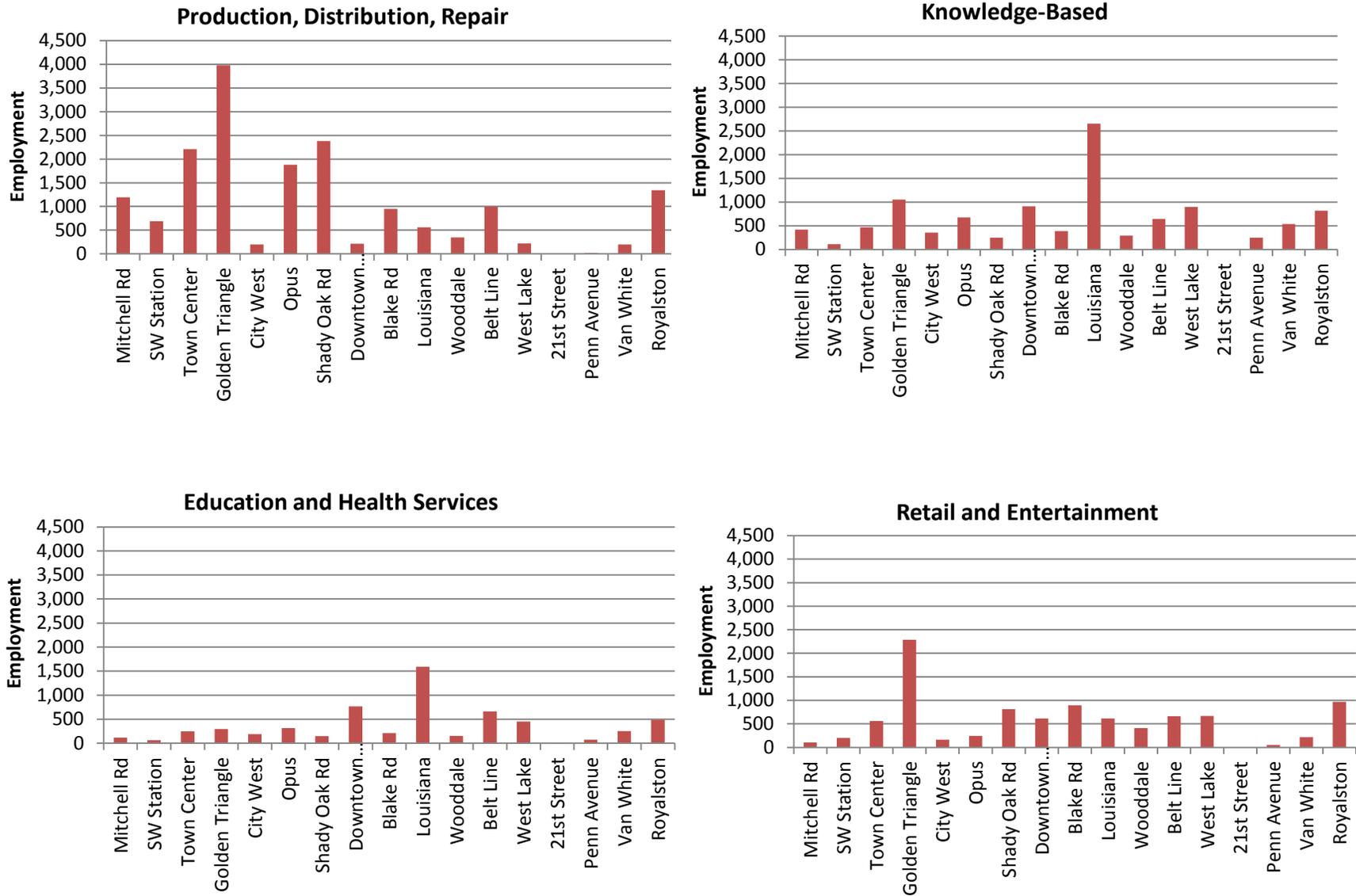
Figure 4.14. Employment by Station Area in the 10-Minute Walkshed v. the 1-Mile Radius, 2009



Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics, 2011.

Figure 4.15 shows employment by sector for each station area walkshed. The southern-most stations, including Mitchell, Southwest, Town Center, Opus, and Shady Oak have the most industrial employment, while Hopkins and Louisiana have the most knowledge-based and health care/education jobs. Retail and entertainment employment is distributed throughout the corridor, with particularly large concentrations around the Hopkins, Louisiana, Golden Triangle, Town Center, and Royalston stations.

Figure 4.15. Employment by Sector in the 10-Minute Walksheds, 2009

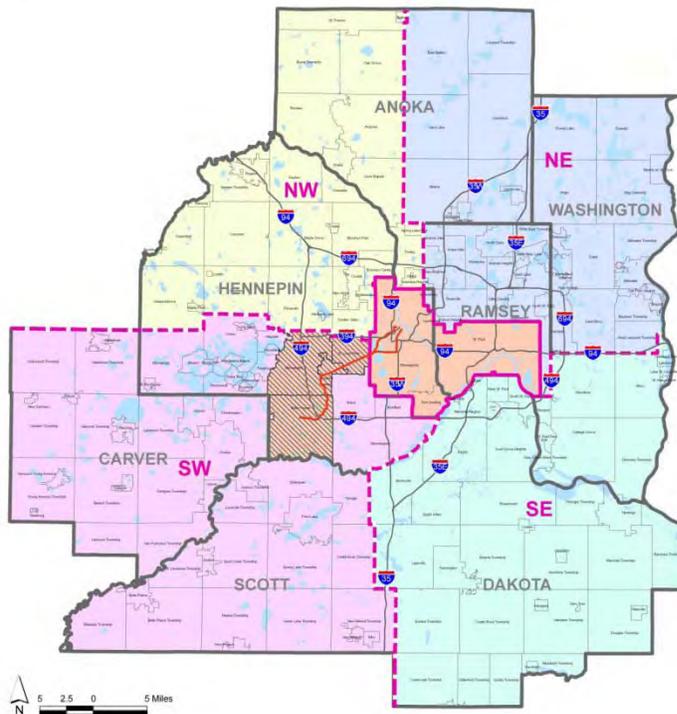


Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics, 2011

MARKET DYNAMICS

Market dynamics along the Southwest LRT Corridor are expected to change over time as transit service begins and the regional system is enhanced. Regardless of long-term changes to development potential, however, real estate investment often follows cyclical patterns that can have a duration of as long as 10 or even 20 years. Understanding the corridor's position in the regional real estate market and current market cycle can therefore shed light on development potential in the short-, mid-, and long-term. For the purposes of this section, the “southwest suburb” market area is defined as shown in pink in Figure 4.16, below.

Figure 4.16. Sub-Markets in the Seven-County Metro Area



Residential Market

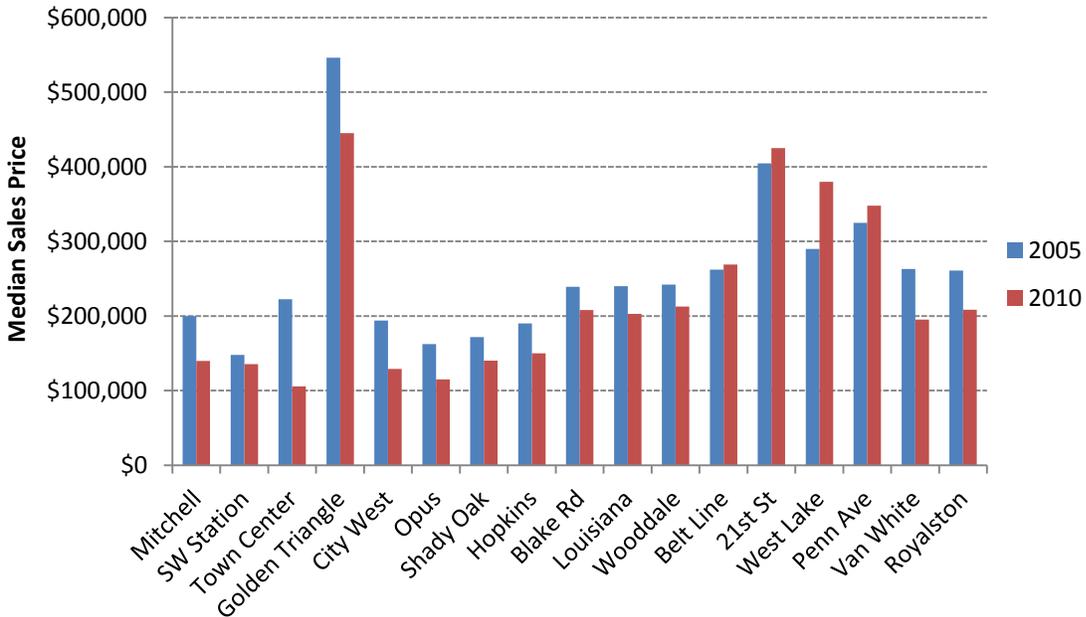
Home prices in the Southwest LRT Corridor are relatively high compared to the region as a whole, and have declined less during the recession. In 2010, the median home price in the one-mile station area radius¹⁷ was \$212,000, compared to \$169,900 for the Metro Area – down from \$239,900 and \$228,900, respectively, in 2005. Figure 4.17 shows how prices vary by station area. The area furthest from Downtown Minneapolis (e.g. Mitchell, Town Center, Golden Triangle, and City West) experienced the largest percentage declines between 2005 and 2010. The stations closest to the “Lake Area” not only have the highest priced housing, but have also held their value relatively well during the last five years.

Rental housing also tends to be more highly priced in the Southwest LRT Corridor markets relative to other metro submarkets (Figure 4.18). Across the Twin Cities and especially in downtown Minneapolis, apartment vacancies have dropped to record low levels. Local media reports that there are somewhere in

¹⁷ There is very little for-sale housing within a 10-minute walk of most stations, so statistics at that level of analysis subject to wide variations.

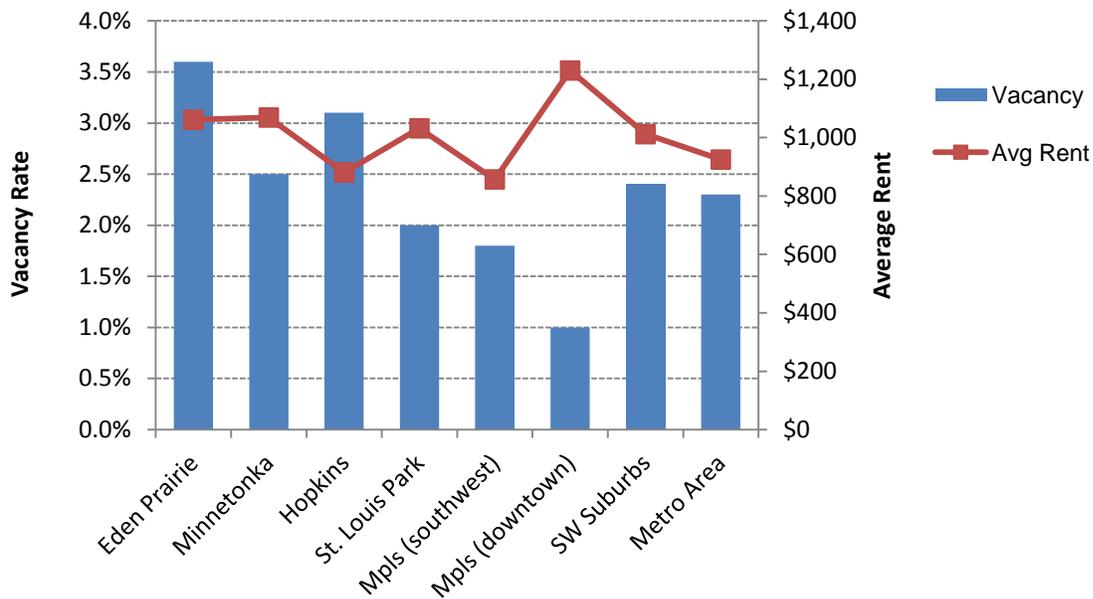
the vicinity of 8,500 rental units currently in various stages of development in the Twin Cities, much of it focused in the Central Cities and first tier suburbs.

Figure 4.17. Median Sales Price of Homes within a 1-Mile Radius of Station Areas, 2005 & 2010



Source: Minneapolis Association of Realtors, Multiple Listing Service

Figure 4.18. Apartment Vacancy and Average Rental Rates in Corridor Cities, 3rd Quarter 2011



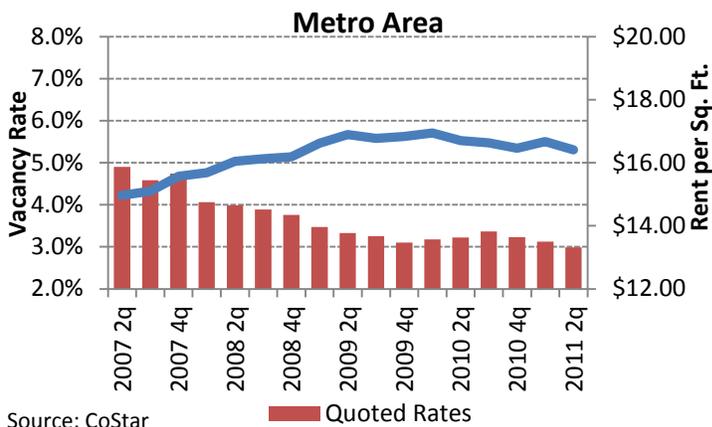
Source: GVA Marquette Advisors, Apartment Trends 3rd Q 2011

Retail

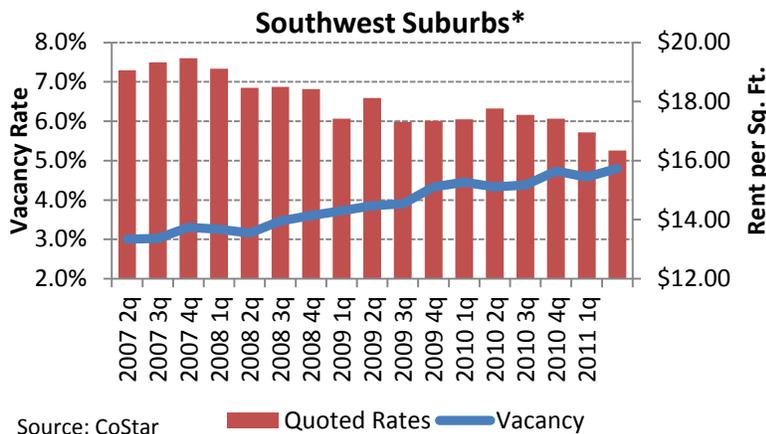
Retail properties in the southwest suburbs of the Twin Cities have historically had lower vacancy rates and higher average rents per square foot compared to the Metro Area as a whole. Retail vacancy rates in the southwest suburbs have typically hovered about one to two percent lower than average for the Metro Area, and rental rates are have historically been two or three dollars more per square foot (Figure 4.19). In recent years, however, the gap between the southwest suburbs and the rest of the Metro Area has narrowed; retail rental rates in the southwest suburbs have declined 10 to 15 percent since 2007 and vacancies have increased by more than 50 percent.

Figure 4.20 and Figure 4.21¹⁸ show vacancy and rental rates for sub-markets along the Southwest LRT Corridor. Important retail nodes along the corridor include the Eden Prairie Town Center, Knollwood Shopping District, Downtown Hopkins, and Lake Street west of Lake Calhoun. The Eden Prairie Town Center and West Lake area achieve the highest rents and have the lowest vacancies.

Figure 4.19. Retail Vacancy Rates and Rents: Southwest Suburbs Compared to the Metro Area, 2007-2011



Source: CoStar



Source: CoStar

*Includes Carver County, Scott County, and the southwest portion of Hennepin County. See Figure 4.16

¹⁸ Due to the lack of comparable retail properties within a walkshed or half-mile station area, the area of analysis was expanded to include groupings of stations that share similar retail trade areas given road networks and mixture of retailers.

Figure 4.20. Retail Vacancy Rates in the Southwest LRT Corridor by Sub-Market, 2nd Quarter 2011

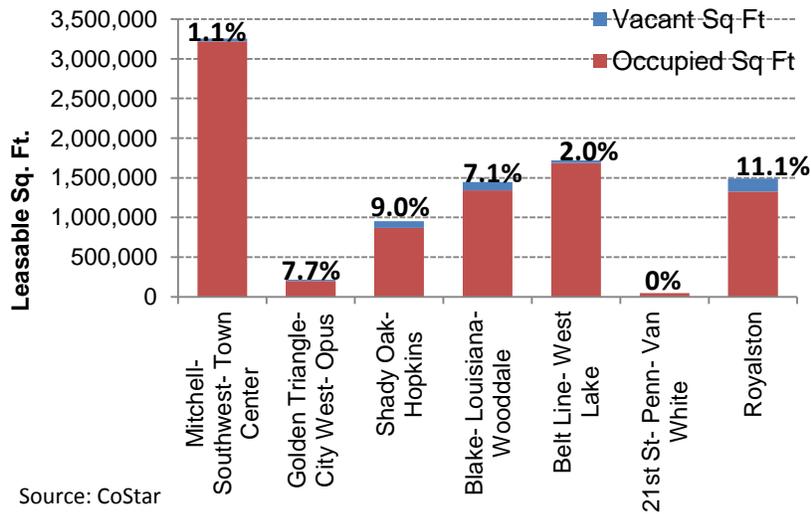
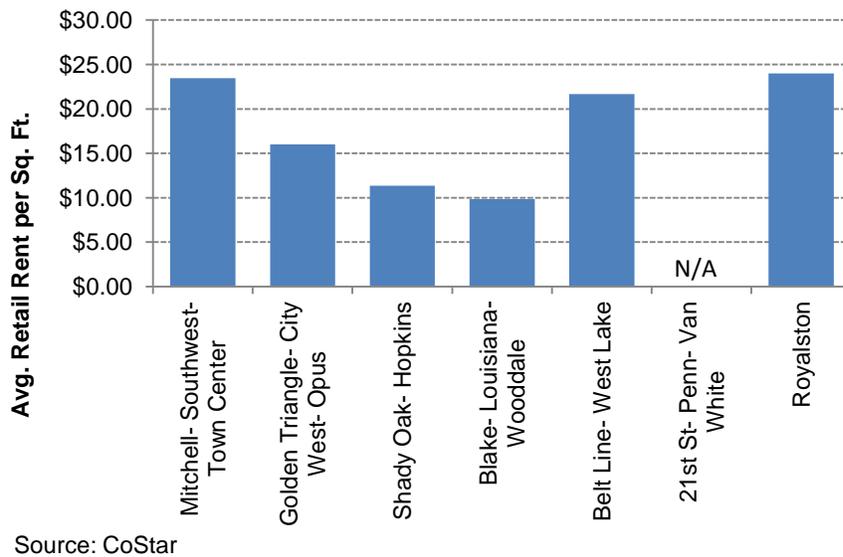


Figure 4.21. Average Retail Rents in the Southwest LRT Corridor by Submarket, 2nd Quarter 2011



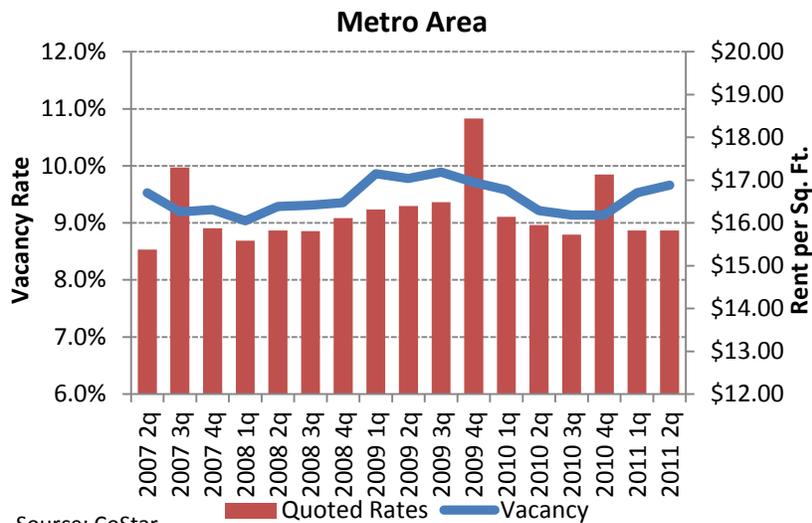
Office

The southwest suburbs are the largest office submarket in the Twin Cities metro area outside of downtown Minneapolis. Office properties in the southwest suburbs have historically performed slightly better than the Metro Area as a whole, with average rents just above and vacancies slightly below Metro Area rates (Figure 4.22). However, while rents and vacancy rates in the Southwest LRT Corridor station areas vary, they are generally similar to the Metro Area averages – with the exception that the portion of the corridor between Blake Road and West Lake has very low office vacancies, and the portion between

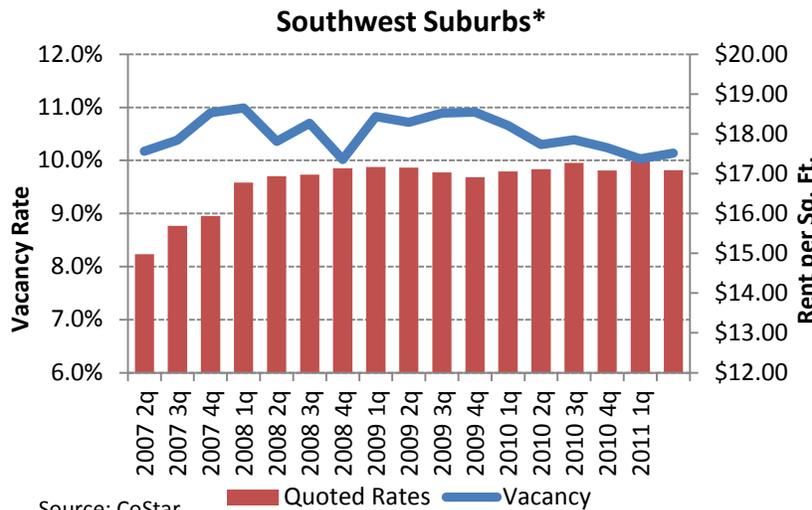
Eden Prairie Town Center and Mitchell Road has high rents (Figure 4.23 and Figure 4.24). Many of the office buildings in the latter area in particular were built recently, which may account for the higher rents.

The Golden Triangle, City West, and Opus station areas are major office nodes, with nearly 10 million square feet of office space located within these three station areas. The only portion of the corridor without any significant office properties is the area between the 21st Street and Van White stations.¹⁹

Figure 4.22. Office Vacancy Rates and Rents: Southwest Suburbs Compared to the Metro Area, 2007-2011



Source: CoStar

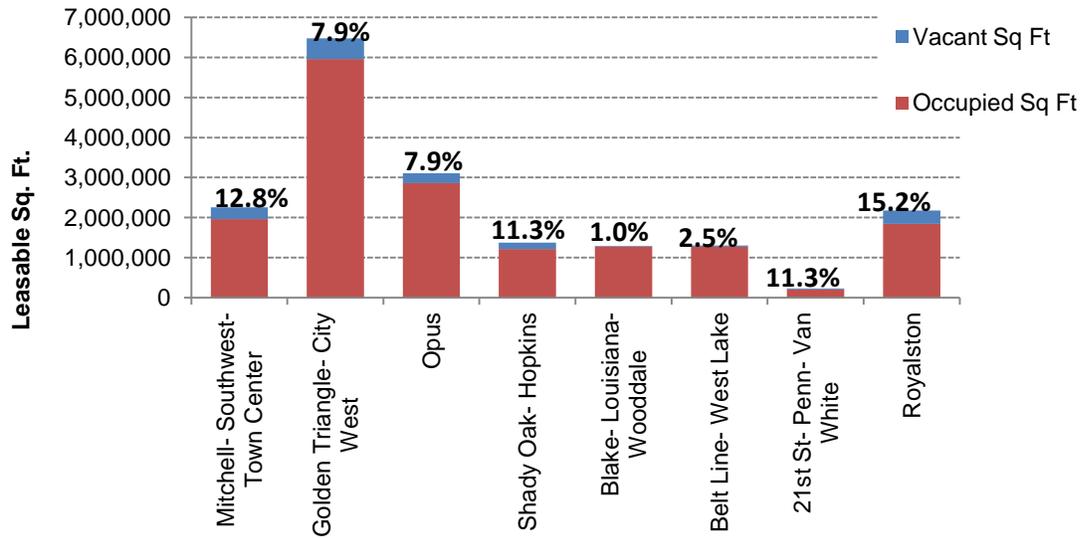


Source: CoStar

*Includes Carver County, Scott County, and the southwest portion of Hennepin County. See Figure 4.16

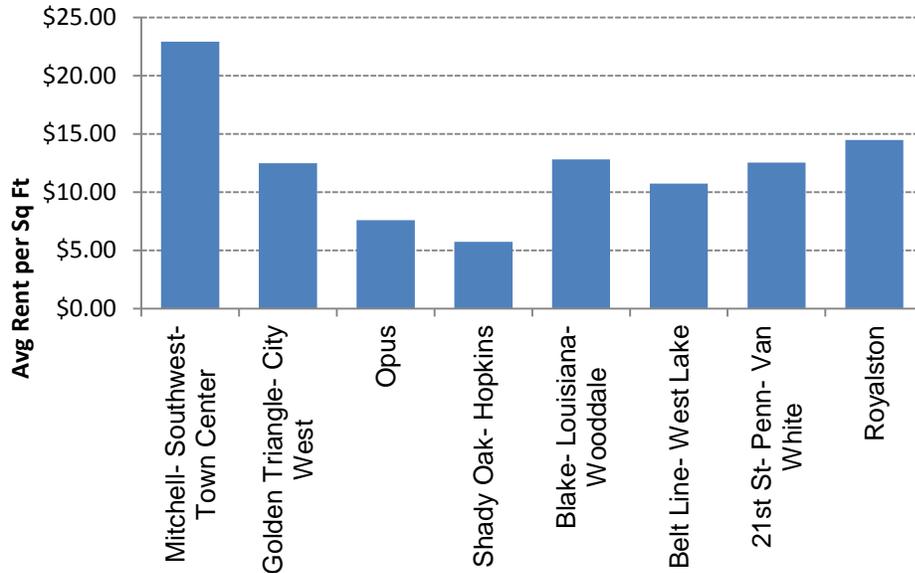
¹⁹ Due to the lack of comparable office properties within a number of the walksheds or ½ mile station areas, the area of analysis was expanded to include groupings of stations that share similar office trade area characteristics such as regional accessibility and class of buildings.

Figure 4.23. Office Vacancy Rates in the Southwest LRT Corridor by Sub-Market, 2nd Quarter 2011



Source: CoStar

Figure 4.24. Average Office Rents in the Southwest LRT Corridor by Submarket, 2nd Quarter 2011



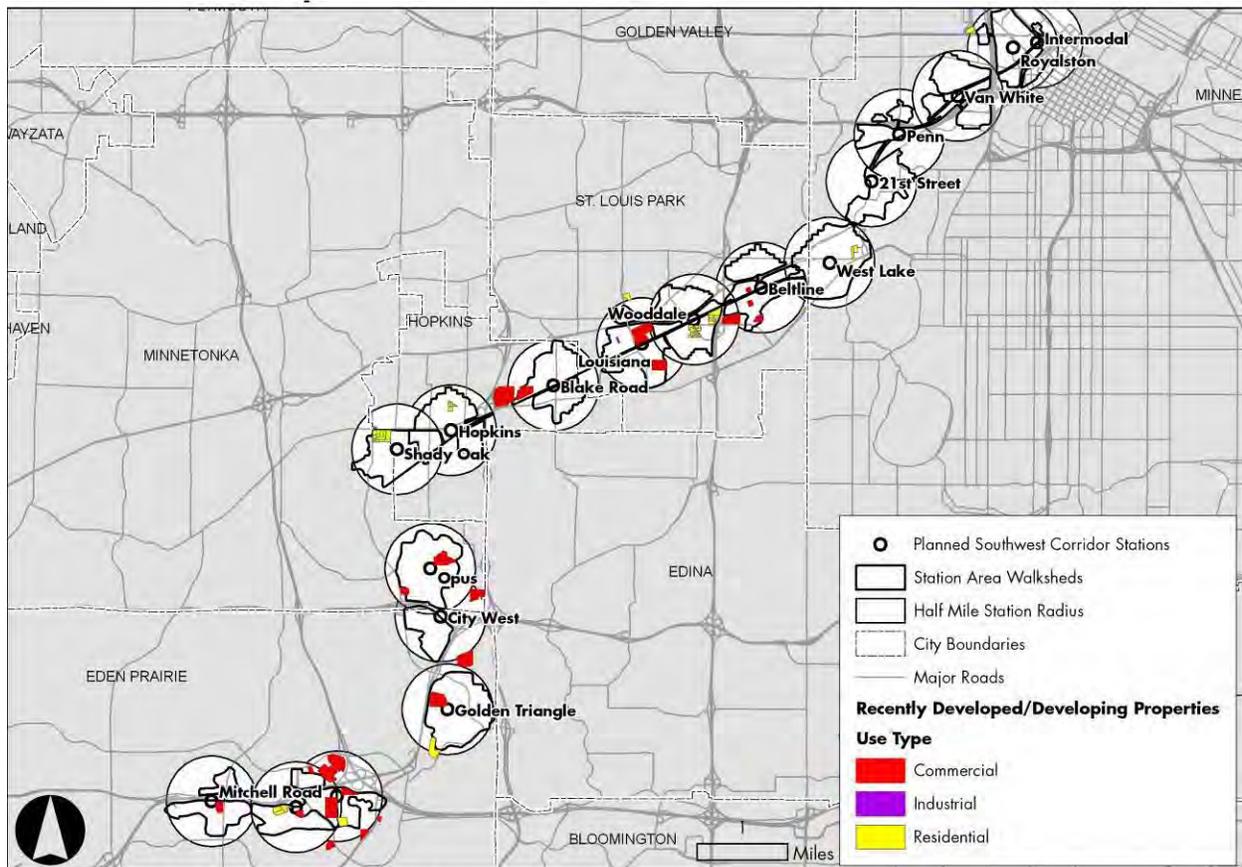
Source: CoStar

RECENT DEVELOPMENT

Recent development trends can be an important indicator of future development potential, signifying how real estate markets have historically responded to opportunities within the corridor. Although looking at the recent past is not always ideal for anticipating future trends – especially in light of the impact the recent recession has had on all types of real estate development – it nevertheless gives a sense of the kind of development that developers have found it profitable to build in the past.

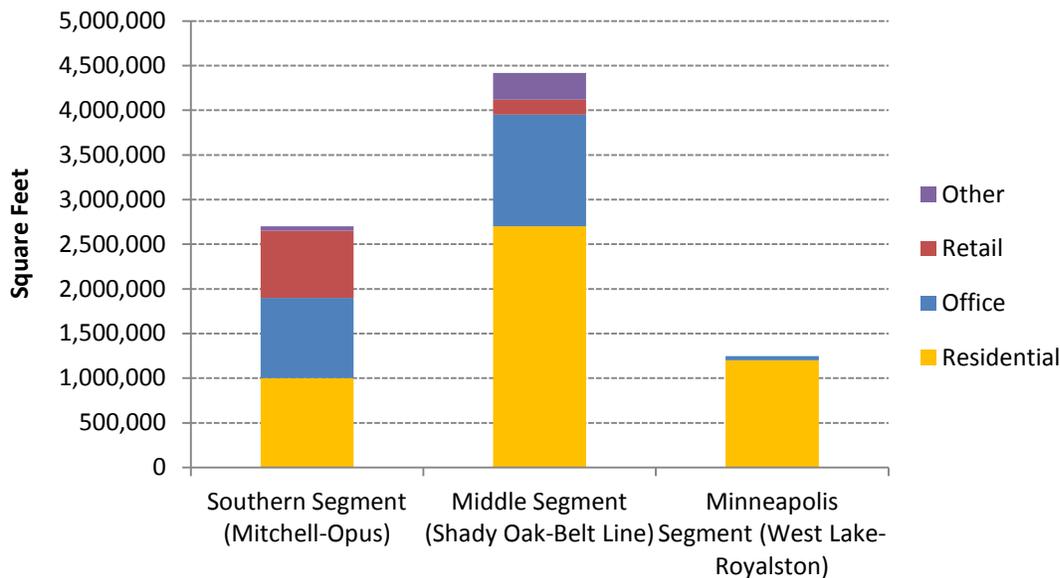
Figure 4.25 shows the type and location of development along the Southwest LRT Corridor within the past five years. Figure 4.26 breaks down recent development by type and section of the corridor. Since 2004, nearly 8.5 million square feet of new development has occurred in or near the corridor. Consistent with the area’s ongoing evolution from industrial to commercial and residential uses, almost all of the recent development throughout the corridor has been either commercial or residential in nature. All of the residential projects developed in the last five years are multi-story, multifamily building, including a seven-story office building that was converted to condominiums.

Figure 4.25. Recent Private Development in the Southwest LRT Corridor: Half-Mile Station Areas



Source: Metropolitan Council, 2005; Individual Jurisdictions.

Figure 4.26. Development by Type: Half-Mile Station Areas, 2004-2011



Source: Southwest Corridor Cities, 2011.

The Minneapolis portion of the corridor has experienced the least amount of new development in recent years, in part because the Minneapolis stations do not include major vacant sites. Nonetheless, there are still several examples of new residential development in both the Royalston and West Lake station areas.

The middle portion of the corridor has experienced a wide variety of new development including residential, office, and retail projects. Most of the recent residential projects are located in the Hopkins and Wooddale station areas, whereas the Blake Road, Louisiana, and Belt Line station areas have seen a mixture of everything from large office projects (Excelsior Crossing) to big-box retail (new Sam’s Club), medical office (Melrose Institute), and service retail (LA Fitness and US Post Office).

The southern portion of the corridor has experienced a mix of recent development as well, with significant variations by station area. For example, the Opus and Golden Triangle station areas have experienced mostly office development in recent years – including the conversion to office of a number of older, industrial properties with low ceilings and thin floors that are no longer viable for warehousing, distribution, or light manufacturing. In the Eden Prairie Town Center station area, new development has consisted largely of big-box retail and offices, though there are also examples of mixed-use projects. In the Southwest Station area, an important park-n-ride facility has spurred retail and residential development, while the Mitchell Road station area has experienced a small amount of retail development.

DEVELOPMENT OPPORTUNITIES

As noted previously, lack of readily available land can pose a barrier to new development. With the assistance of staff from each of the cities along the Southwest LRT Corridor, keys sites were identified as having potential for redevelopment based on factors such as the age and condition of existing structures, size of parcel(s), intent of owner to sell, or strategic location (Figure 4.27).

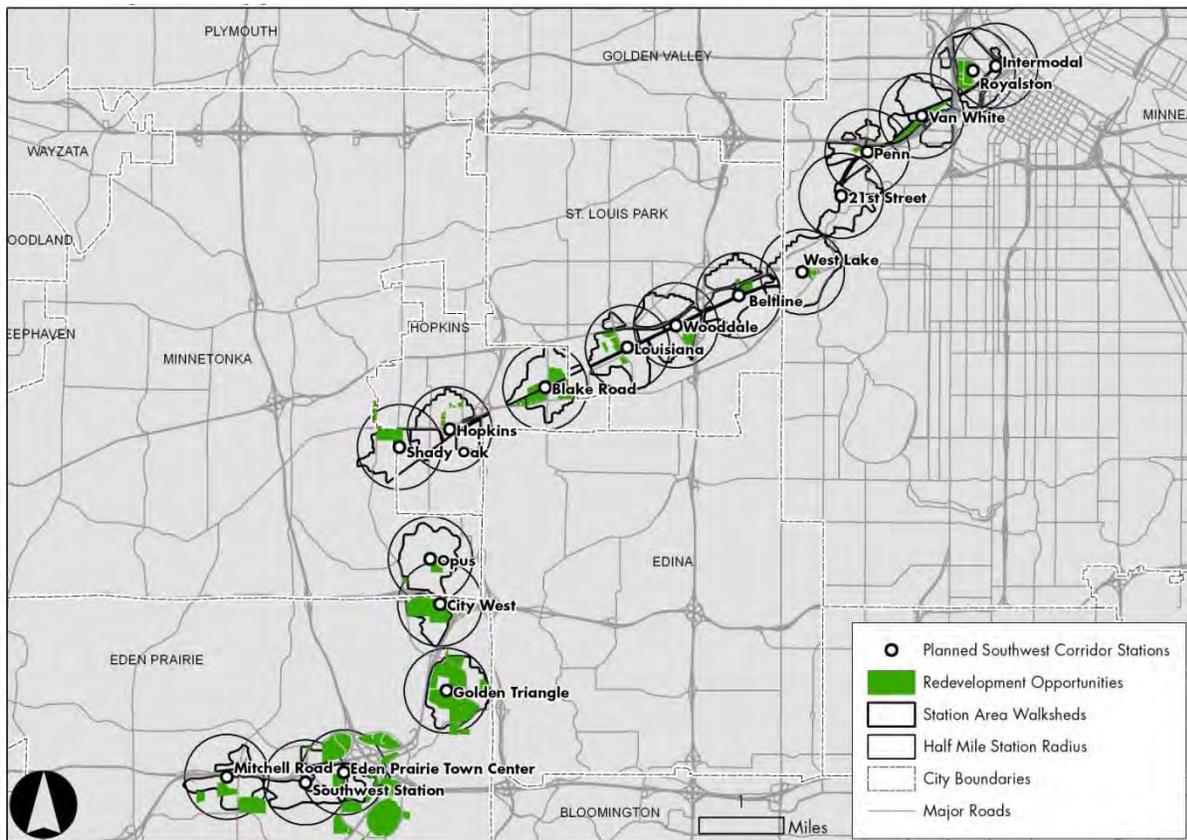
With the exception of the 21st Street station in Minneapolis, every station area had at least some redevelopment opportunity sites. However, different types of opportunities are present in the various parts

of the corridor. In the Minneapolis segment, there are numerous industrial/formerly-industrial sites in the Royalston and Van White station areas available for redevelopment. In the West Lake station area, on the other hand, where market demand is particularly strong, nearly all of the existing properties continue to be occupied and financially viable.

Along the middle portion of the corridor, a number of older, industrial areas were identified as opportunities for redevelopment. In particular, several property owners in the Blake and Shady Oak stations are known to be interested in selling to developers.

In the southern segment of the Corridor, redevelopment opportunities include vacant land (City West), infill on sites with large amounts of surface parking or lawn (Eden Prairie Town Center and Mitchell Road), as well as redevelopment of older, obsolete structures (Golden Triangle).

Figure 4.27. Redevelopment Opportunities in the Southwest LRT Corridor Half-Mile Station Areas



Source: Metropolitan Council, 2005; Individual Jurisdictions, 2012; Boonstroom, 2012; Strategic Economics, 2012.

CONCLUSION

The Southwest LRT Corridor has many market strengths that indicate a potential for significant demand for residential and commercial TOD. The planned transit line will pass through one of the Metro Area's strongest market areas for office, retail, and residential real estate. Many of the station areas have seen new residential and commercial development in recent years, and significant tracts of vacant and

underutilized property remain available for future projects. CTOD's national research indicates that employment is one of the strongest predictors of development activity near transit. The fact that the corridor will connect multiple employment centers suggests that development is likely to occur throughout the corridor.

In addition, the corridor is already attracting the types of households and businesses most likely to find value in locating near transit. On the demographic side, the corridor has very high proportions of younger adults in their 20's and early 30's, single-person households and other households without children, and renters. Meanwhile, the area is gradually transitioning from industrial to office uses, so while PDR employment is declining, employment in the knowledge-based industries is growing. Because knowledge-based industries can benefit greatly from locating in concentrated employment areas near transit, demand from this sector is likely to continue to grow as transit service is introduced. Population-serving industries like education and health services, retail, and entertainment typically locate near households, so demand from these industries is also likely to increase as the population in the corridor grows.

At the same time, however, the analysis highlighted several challenges that the corridor will have to overcome in order to facilitate new transit-oriented, mixed-use development. In particular, because of the corridor's alignment along an old rail corridor and near major highways, many of the station areas have poor pedestrian connectivity and auto-oriented street grids. Some of the station areas lack urban amenities, and much of the recent development that has occurred along the corridor has also been auto-oriented, including big box retail and office parks. Improving connectivity from the surrounding neighborhoods to the transit stations and fostering a sense of place will be critical in facilitating both ridership, and encouraging new transit-oriented development.

V. TOD DEMAND PROJECTIONS

Based on the corridor trends discussed above and on national research on household and employer location preferences, the consultant team estimated future potential housing and employment demand for the Southwest LRT Corridor – i.e., the number of households and jobs we might expect to locate near transit in the absence of constraints such as a lack of appropriate development sites or available buildings that are easily accessible from transit. While an effort has been made to account for major housing and employment growth that is already in the development pipeline, these projections are not intended to reflect the comprehensive plans or other planning activities of individual cities. Just as site and accessibility constraints could limit the amount of potential demand that is actually captured within the corridor, so could aggressive planning and public improvement efforts increase the share of regional growth that occurs near transit. Planning, infrastructure, and other public sector efforts – not to mention changing market conditions – also have the potential to shift where development occurs within the corridor.

The following sections and Appendix B describe the methodology and results from these projections.

RESIDENTIAL DEMAND

Based on national demographic trends such as an increasing share of households without children and the aging of the population, CTOD projects that by 2030, 20 to 24 percent of households will – in the absence of supply constraints – have a preference for living in places with strong access to transit. CTOD research also shows that demand for TOD is regional: that transit access, particularly when combined with other desirable station area amenities, can enable a corridor to draw households with a preference for transit-rich locations from across the region.

The Twin Cities region is expected to develop multiple rail lines over the coming decades, so the Southwest LRT Corridor cannot be expected to attract all or even most of the region’s transit-preferring households. Moreover, except for the most transit-dependent households, transit access is only one of many factors that people consider in choosing where to live. Therefore, the consultant team calculated potential TOD demand as a share of the population already projected to locate in the cities and neighborhoods along the corridor. Based on CTOD’s research, between 20 percent (the low-end estimate) and 24 percent (the high-end estimate) of the projected household population in Eden Prairie, Hopkins, Minnetonka, and St. Louis Park²⁰ is expected to have a preference for living near transit. For Minneapolis, we calculated demand as a percentage of the population likely to locate in the Southwest and Calhoun-Isles communities, as defined by the Minneapolis Community Planning and Economic Development Department.²¹

Table 5.1 shows how household demand is likely to be distributed among the corridor segments. Table 5.2 shows the change in transit-preferring households in five-year increments. Because CTOD’s research suggests that employment is one of the strongest predictors of residential development activity near transit, demand was allocated between the Middle and Southern corridor segments based on existing employment. Excluding the Minneapolis stations, 47 percent of employment within the half-mile corridor is located in the Middle segment and 53 percent in the Southern segment. Household demand was

²⁰ As projected by the Metropolitan Council household (see Table 4.2).

²¹ Based on the Metropolitan Council household projections for Minneapolis; assumes that the Southwest/Calhoun Isle communities maintain 2010 share of City’s population (23%).

distributed accordingly. Demand for the Minneapolis segment was calculated based on the Southwest and Calhoun-Isles communities, as described above.

As Table 5.2 shows, the demand for TOD housing in the corridor cities is expected to increase by between 780 and nearly 1,000 households every five years, or about 150 to 165 households a year. How much of this demand the corridor actually absorbs will depend on a wide range of factors, including place-making and connectivity improvements, development feasibility, and other market dynamics.

Table 5.1. Projected Transit-Preferring Households by Sub-Corridor Segment, 2010-2030

Geography	2010	2015	2020	2025	2030
Low Estimate					
Minneapolis stations (Royalston to West Lake)	7,540	7,770	7,990	8,160	8,340
Middle stations (Belt Line to Shady Oak)	7,140	7,400	7,660	7,970	8,280
Southern stations (Opus to Mitchell)	8,050	8,340	8,640	8,990	9,340
Total	22,730	23,510	24,290	25,120	25,960
High Estimate					
Minneapolis stations (Royalston to West Lake)	9,050	9,320	9,590	9,800	10,000
Middle stations (Belt Line to Shady Oak)	8,570	8,880	9,190	9,570	9,940
Southern stations (Opus to Mitchell)	9,660	10,010	10,370	10,790	11,210
Total	27,280	28,220	29,150	30,150	31,150

Source: Strategic Economics, 2011.
Columns may not add due to rounding.

Table 5.2. Projected New Transit-Preferring Households by Sub-Corridor Segment, 2010-2030

Geography	2010-15	2015-20	2020-25	2025-30	Total (2010-30)
Low Estimate					
Minneapolis stations (Royalston to West Lake)	230	230	170	170	790
Middle stations (Belt Line to Shady Oak)	260	260	310	310	1,140
Southern stations (Opus to Mitchell)	290	290	350	350	1,290
Total	780	780	830	830	3,220
High Estimate					
Minneapolis stations (Royalston to West Lake)	270	270	200	200	950
Middle stations (Belt Line to Shady Oak)	310	310	370	370	1,370
Southern stations (Opus to Mitchell)	350	350	420	420	1,550
Total	940	940	1,000	1,000	3,870

Source: Strategic Economics, 2011.
Columns may not add due to rounding.

EMPLOYMENT

Employment projections for the Southwest LRT Corridor were developed based on historic capture rates (i.e. the percent of the region’s jobs that were located within the half-mile corridor in 2002 and 2009), with the assumption that these rates would increase for knowledge-based and population-serving jobs (such as medical office and education) with the introduction of transit. The capture rate for knowledge-based and educational/medical jobs is particularly likely to increase significantly, given the relative strength of the Southwest Suburbs office market, and the fact that employment in this sector has already been increasing in the corridor prior to the introduction of transit service. Moreover, at least one major new medical office complex is already approved for the City West/Opus station areas (United Health Group, expected to add 6,700 new jobs by 2020). This methodology and the assumed capture rates are explained in greater detail in Appendix B.

Table 5.3 shows projected employment for the entire half-mile corridor; Table 5.4 shows projected employment change in five-year increments. Between 2010 and 2020, the corridor is expected to gain about 5,750 to 6,540 jobs every five years, or about 1,150 to 1,308 new jobs a year, driven by the knowledge-based and education and health services sector. Between 2020 and 2030, the corridor is expected to grow slightly more slowly, as the regional growth rate declines and as the new United Health Group jobs are absorbed. Table 5.5 and Table 5.6 break out projected employment by corridor segment.

The Production/Distribution/Repair sector is excluded from these projections because employment in this sector is expected to decline in the region as a whole, and will likely decline even more rapidly in the corridor as industrial uses are replaced by commercial and residential uses. Between 2002 and 2009, PDR employment in the corridor declined by about 3.5 percent annually – a loss of more than 675 jobs a year on average. If PDR job loss continues at this rate, it has the potential to offset employment gains in other industries in the Southwest LRT Corridor.

Table 5.3. Projected Employment (Excluding PDR*) for the Half-Mile Corridor by Industry Sector, 2010-2030

Sector	2010	2015	2020	2025	2030
Low Estimate					
Retail	4,970	5,050	5,130	5,230	5,340
Knowledge	15,030	16,040	17,060	18,150	19,230
Eds/Meds	9,620	13,070	16,520	18,340	20,160
Entertainment	4,100	4,370	4,640	4,870	5,090
Government	450	460	480	490	500
Other	7,760	8,680	9,600	10,300	11,000
Total Excluding PDR	41,930	47,680	53,430	57,380	61,320
High Estimate					
Retail	4,980	5,070	5,160	5,280	5,390
Knowledge	15,070	16,290	17,510	18,750	19,990
Eds/Meds	9,730	13,730	17,720	20,190	22,660
Entertainment	4,110	4,400	4,700	4,960	5,220
Government	450	460	480	490	500
Other	7,760	8,680	9,600	10,300	11,000
Total Excluding PDR	42,090	48,630	55,170	59,960	64,760

Sources: U.S. Census Bureau, LEHD, 2011; Metropolitan Council, 2010; Strategic Economics, 2011.

Columns may not add due to rounding.

*PDR sector excluded from projections because regional PDR employment is expected to decline over the period.

Table 5.4. Projected New Employment (Excluding PDR*) for the Half-Mile Corridor by Industry Sector, 2010-2030

Sector	2010-15	2015-20	2020-25	2025-30
Low Estimate				
Retail	80	80	100	100
Knowledge	1,020	1,020	1,090	1,090
Eds/Meds	3,450	3,450	1,820	1,820
Entertainment	270	270	230	230
Government	10	10	10	10
Other	920	920	700	700
Total Excluding PDR	5,750	5,750	3,950	3,950
High Estimate				
Retail	90	90	110	110
Knowledge	1,220	1,220	1,240	1,240
Eds/Meds	3,990	3,990	2,470	2,470
Entertainment	300	300	260	260
Government	10	10	10	10
Other	920	920	700	700
Total Excluding PDR	6,540	6,540	4,800	4,800

Sources: U.S. Census Bureau, LEHD, 2011; Metropolitan Council, 2010; Strategic Economics, 2011.

Columns may not add due to rounding.

*PDR sector excluded from projections because regional PDR employment is expected to decline over the period.

Table 5.5. Projected Employment (Excluding PDR*) by Corridor Segment, 2010-2030

	2010	2015	2020	2025	2030
Low Estimate					
Minneapolis station areas (Royalston to West Lake)	6,550	7,040	7,530	8,040	8,550
Middle station areas (Belt Line to Shady Oak)	16,590	17,820	19,050	20,350	21,650
Southern station areas (Opus to Mitchell)	18,790	22,820	26,850	28,990	31,130
Total	41,930	47,680	53,430	57,380	61,320
High Estimate					
Minneapolis station areas (Royalston to West Lake)	6,580	7,130	7,690	8,300	8,910
Middle station areas (Belt Line to Shady Oak)	16,650	18,060	19,470	21,010	22,550
Southern station areas (Opus to Mitchell)	18,860	23,440	28,010	30,660	33,310
Total	42,090	48,630	55,170	59,960	64,760

Sources: U.S. Census Bureau, LEHD, 2011; Metropolitan Council, 2010; Strategic Economics, 2011.

Columns may not add due to rounding.

*PDR sector excluded from projections because regional PDR employment is expected to decline over the period.

Table 5.6. Projected New Employment (Excluding PDR*) by Corridor Segment, 2010-2030

	2010-15	2015-20	2020-25	2025-30
Low Estimate				
Minneapolis station areas (Royalston to West Lake)	490	490	510	510
Middle station areas (Belt Line to Shady Oak)	1,230	1,230	1,300	1,300
Southern station areas (Opus to Mitchell)	4,030	4,030	2,140	2,140
Total	5,750	5,750	3,950	3,950
High Estimate				
Minneapolis station areas (Royalston to West Lake)	560	560	610	610
Middle station areas (Belt Line to Shady Oak)	1,410	1,410	1,540	1,540
Southern station areas (Opus to Mitchell)	4,570	4,570	2,650	2,650
Total	6,540	6,540	4,800	4,800

Sources: U.S. Census Bureau, LEHD, 2011; Metropolitan Council, 2010; Strategic Economics, 2011.

Columns may not add due to rounding.

*PDR sector excluded from projections because regional PDR employment is expected to decline over the period.