MARKET ANALYSIS

6

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I. Introduction

A. Background

ZHA, Inc. was retained to evaluate the market support for various land uses within a half mile radius of the 46th Street Light Rail Transit Station ("46th Street Station Area" or "Study Area") in Minneapolis, Minnesota. The 46th Street Station is sited on the northwest corner of Hiawatha Avenue/State Highway 55 and 46th Street. In a December 1999 study entitled the "Hiawatha LRT Corridor: Transit-Oriented Development Market Study", ZHA (in association with other economic consultants) identified the 46th Station Area as well positioned for transit-oriented development.

B. Structure of This Chapter

This Chapter of the report identifies market opportunities for various land uses over time. It begins by highlighting the economic framework within which 46th Street Station Area development will take place. The character of the 46th Street Station Area is then summarized. The market for various land uses is assessed in Sections IV through VI. Market conclusions and implementation considerations are summarized in Section VII.

II. Regional Framework

A. Population and Households

As defined by the Twin Cities Metropolitan Council, the Twin Cities Metropolitan Area consists of seven counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington. The 46th Street Station Area is located in the City of Minneapolis in Hennepin County. Just south of the 46th Street Station Area is the City of Richfield and the airport (Figure 6.1).

According to Minnesota Planning there are approximately 2.64 million people in the Twin Cities Metropolitan Area. Hennepin County gained the greatest number of residents in the Metropolitan Area during the 1980's and 1990's. Dakota County was a close second in population growth over the last decade (Figure 6.2).

The Metropolitan Council estimates that there were approximately 1 million households in the Metropolitan Area in 2000. The region gained nearly 140,000 households in the 1990's, which is more than the 121,000 households gained in the 1980's. Metropolitan Area households have grown at an average annual rate of 1.4 percent over the last 10 years (Figure 6.3).

Household growth is projected to continue at a pace comparable to the 1980's. Hennepin County household growth rate is projected to slow. This is likely due to limited land available for residential development.

B. Employment Trends

The Metropolitan Area has experienced robust job growth over the last decade. The unemployment has remained below 3 percent since 1996. The jobless rate was 2.0 percent during the first quarter of 2000. The region has a very high percentage of its working-age population in the labor force. A broad industrial mix fuels the region's economy.

Figure 6.1: Population Twin Cities Metropolitan Area

County	1980	1990	2000	'80-'90 Change	Avg. Ann.	'90-'00 Change	Avg. Ann.
Anoka	195,998	243,641	298,084	47,643	1.1%	54,443	2.0%
Carver	37,046	47,915	70,205	10,869	1.3%	22,290	3.9%
Dakota	194,279	275,227	355,904	80,948	1.8%	80,677	2.6%
Hennepin	941,411	1,032,431	1,116,200	91,020	0.5%	83,769	0.8%
Ramsey	459,784	485,765	511,035	25,981	0.5%	25,270	0.5%
Scott	43,784	57,846	89,498	14,062	1.4%	31,652	4.5%
Washington	113,571	145,896	201,130	32,325	1.3%	55,234	3.3%
Total	1,985,873	2,288,721	2,642,056	302,848	0.7%	353,335	1.4%

Source: Minnesota Planning; ZHA, Inc.

Figure 6.2: Household Trends Twin Cities Metropolitan Area

County	1970	1990	2000	'70 - '90 Change	Avg. Ann.	'90 - '00 Change	Avg. Ann.
Anoka	39,688	82,437	103,600	42,749	3.7%	21,163	2.3%
Carver	7,937	16,601	23,900	8,664	3.8%	7,299	3.7%
Dakota	37,560	98,293	129,110	60,733	4.9%	30,817	2.8%
Hennepin	309,719	419,060	452,820	109,341	1.5%	33,760	0.8%
Ramsey	148,930	190,500	201,570	41,570	1.2%	11,070	0.6%
Scott	8,486	19,367	28,530	10,881	4.2%	9,163	3.9%
Washington	21,314	49,246	71,520	27,932	4.3%	22,274	3.8%
Total	573,634	875,504	1,011,050	301,870	2.1%	135,546	1.4%

Source: Metropolitan Council; ZHA, Inc.

Figure 6.3: Household Projections Twin Cities Metropolitan Area

Average Annual Growth County	2000	2010	2020	'00 - '10	'10 - '20
Anoka	103,600	119,720	135,720	1.5%	1.3%
Carver	23,900	32,070	41,640	3.0%	2.6%
Dakota	129,110	155,590	183,900	1.9%	1.7%
Hennepin	452,820	486,500	520,110	0.7%	0.7%
Ramsey	201,570	212,490	222,760	0.5%	0.5%
Scott	28,530	40,900	54,040	3.7%	2.8%
Washington	71,520	90,850	111,130	2.4%	2.0%
Total	1,011,050	1,138,120	1,269,300	1.2%	1.1%

Source: Metropolitan Council; ZHA, Inc.

Like household growth, Metropolitan Area employment growth is projected to stay robust over the next decade (see Figure 6.5).

C. Other Economic Factors

Metropolitan households' median income is higher than the national average. The population is relatively young and well-educated as compared to the country as a whole.

The Minneapolis-St. Paul International Airport provides a broad network of urban air connections. All the major domestic airlines with the exception of Southwest, operate at the airport. Northwest Airlines operates a hub out of Minneapolis-St. Paul International Airport. The Airport is a contributor to the region's national and local competitiveness. (See Figure 6.6 on next page).

D. Development Patterns

Office and retail development continues to thrive in the Metro region. Growth has occurred in the growing suburbs, mature suburbs and the central cities. Most of the major commercial projects (projects in excess of $1 million value) proposed or underway in 1999 were congregated along Interstate 494 and Interstate 394, in downtown Minneapolis and St. Paul and along Interstate 94. The Airport area has also experienced significant growth.

Minneapolis accounted for 41 percent of all square feet and over 50 percent of the value of the Metropolitan Area's proposed or underway major commercial projects. One quarter of the major commercial projects proposed or underway in the Metropolitan Area in 1999 were located in St. Paul or Minneapolis, attesting to healthy job growth and strong interest in redeveloping urban areas. Most of the large office projects underway in the Metro region were in Minneapolis or the southwest sector.

The 46th Street Station Area is well positioned with regard to regional development patterns. The Station Area is between two of the strongest sub-areas of the regional economy: the Minneapolis' Central Business District and the Southwest sector.

III. 46th Street Station Area

A. Location and Regional Access

<u>Access</u>

The 46th Street Station Area is located on Hiawatha Avenue or State Highway 55 (Hiawatha Avenue/State Highway 55). State Highway 55 has recently been improved to provide a direct, limited access connection from 46th Street to the airport and the regional freeway system. This improved access makes Hiawatha Avenue/State Highway 55 competitive with alternative access points at I-35W, Highway 62 (the Crosstown), and Highway 5.

St. Paul can be accessed via 46th Street and the Ford Bridge. Other river crossings are located north at Lake Street and south at Route 5. Many people cross between St. Paul and Minneapolis using 46th Street.

Minnesota Department of Transportation projects the average daily traffic (adt) on Hiawatha Avenue at 46th Street to increase from 28,500 in 1998 to 54,000 in 2020.

Figure 6.4: Employment by Place of Work - Metro Area 1990

County	1990	2000	Total Change	Avg. Ann. Growth	2010	Avg. Ann. Growth	2020	Avg. Ann. Growth
Anoka	81,132	101,170	20,038	2.2%	118,870	1.6%	126,620	0.6%
Carver	18,014	28,880	10,866	4.8%	35,460	2.1%	38,230	0.8%
Dakota	106,029	145,560	39,531	3.2%	169,700	1.5%	184,100	0.8%
Hennepin	723,095	836,300	113,205	1.5%	910,970	0.9%	955,350	0.5%
Ramsey	286,835	327,170	40,335	1.3%	364,650	1.1%	381,300	0.4%
Scott	18,731	29,770	11,039	4.7%	39,130	2.8%	43,270	1.0%
Washington	39,164	58,220	19,056	4.0%	71,140	2.0%	79,800	1.2%
Total	1,273,000	1,527,070	254,070	1.8%	1,709,920	1.1%	1,808,670	0.6%

Source: Metropolitan Council; ZHA, Inc.

Figure 6.5: Projected Employment by Place of Work - Metro Area 2000 to 2010

County	2000	2010	Avg. Ann. Growth
Anoka	101,170	118,870	1.6%
Carver	28,880	35,460	2.1%
Dakota	145,560	169,700	1.5%
Hennepin	836,300	910,970	0.9%
Ramsey	327,170	364,650	1.1%
Scott	29,770	39,130	2.8%
Washington	58,220	71,140	2.0%
Total	1,527,070	1,709,920	1.1%

Source: Metropolitan Council; ZHA, Inc.

Westbound 46th Street traffic is projected to almost double from 13,100 in 1998 to 25,000 by 2020. The 46th Street and Hiawatha Avenue intersection is projected to reach a Level of Service (LOS) "F" by 2005 (see Figure 6.7).

Metro Transit offers bus service at 46th Street and Hiawatha. Bus route 7 provides north-south connections. Bus route 4 provides east-west connections. Bus route 7 provides a connection to St. Paul's Highland Park neighborhood.

The 46th Street Station Area will be accessible to both the Downtown and the Airport via light rail. The Station Area possesses excellent access to downtown Minneapolis, St. Paul, surrounding residential neighborhoods and the airport.

Circulation

For the most part, the half-mile area around the Station Area possesses a standard street grid. The exception is the area immediately east of the 46th Street and Hiawatha Avenue intersection. Here traffic circulation is compromised by the presence of parking lots and curb cuts. Patrons to the gas station, Burger King, and Blockbuster Shopping Center enter 46th Street from an access road, which is very close to the Hiawatha Avenue intersection.

Infrastructure

There are active railroad tracks and power lines traversing the east side of the Study Area. The railroad tracks are used infrequently by the industrial uses to the north of the Study Area. The power lines follow the railroad track right-of-way. These uses pose a barrier to development between Hiawatha Avenue and Minnehaha Avenue to the south of 46th Street and between Hiawatha Avenue and Snelling to the north of 46th Street.

These power lines represent a development constraint. Some households will not live next to these power lines for fear of the electric and magnetic fields (EMF's) surrounding these lines. The impact of EMF's, however, is a subject of debate. While housing development can occur near these lines, it would be preferable for these lines to be removed or placed underground.

B. Mix of Land Uses

The Study Area contains a broad mix of land uses. To the west of Hiawatha Avenue, the Study Area contains primarily single family, detached houses. To the east of Hiawatha Avenue there is a cluster of commercial uses.

On 46th Street between Hiawatha Avenue and Minnehaha Avenue is a drive-through Walgreens, a Conoco Station, an outdoor storage site, an industrial use, a bait shop in an old gas station building, and a convenience store. An auto repair shop, gasoline station, and clothing store are located at the intersection of 46th Street and Minnehaha Avenue. South of 46th Street with frontage on (and above) Hiawatha Avenue is a Burger King, a 35,000 square foot shopping center anchored by a Blockbuster Video, and a Bridgeman's. A Dairy Queen faces the Park on Nawadaha Boulevard. All of these uses service the neighborhood and some, notably the Burger King, Conoco, and Walgreens, capitalize on the Hiawatha traffic.

North of 46th Street on Hiawatha Avenue are a mix of light industrial, warehouse, and office uses. These businesses are likely attracted to this location for its access and affordability. These uses abut small lot, single family residential uses on Snelling Avenue.

Figure 6.6: Large Office Projects Underway, 1999

Community	Project	Developer/Contractor	SF (000s)	Value (000s)
Bloomington	8000 Tower	Teachers/United Properties Normandale Lk Phase IV	262.5	na
	Ceridian Corp	Ceridian	207.0	na
	MarketPointe Phase I	Ryan Cos/Lutheran Brotherhood	244.0	na
	Norman Pointe I	Duke Realty	210.0	na
Eagan	Blue Cross and Blue Shield	Blue Cross and Blue Shield	69.0	$24,000
Edina	Centennial Lakes Office Pks Phase V	United Properties	184.0	na
Golden Valley	Golden Hills Office Center	United Properties	190.4	$12,260
	Golden Hills Phase IV	MEPC/Duke	230.0	na
	James Ford Bell		41.7	$11,500
Maple Grove	Arbor Lakes Corporate Center	Opus	230.0	na
Minneapolis	444 Marquette	Opus	600.0	na
	50 South Sixth Street	Hines	683.1	$140,000
	American Express Client Service Center	American Express/ PCL Const. Services	900.0	$70,000
	Broadway Ridge Office Center	Chute Cos/Adolphson & Peterson	180.0	$12,551
	John Deere Building	Ames and Fisher	180.0	$5,000
	Marquette Plaza (Old Fed Reserve Bank)	FRM Associates	536.0	$59,000
	Target Tower, Phase II (South)	Ryan Cos	1,114.0	$60,000
Minnetonka	301 Carlson Parkway	Carlson Real Estate	215.0	na
	Crescent Ridge Corp Center, Phase II	Opus NW LLC	300.0	na
St. Louis Park	1600 Tower	Duke/MA Mortenson	264.0	$21,300
St. Paul	Lowry Professional Building		na	$11,000

Source: Minneapolis Metropolitan Council, "Major Non-Residential Construction Projects in the Twin Cities. Metropolitan Area, 1999"; ZHA, Inc.

Figure 6.7: Average Daily Traffic Count Projections - Hiawatha Avenue and 46th Street - 1998, 2010, 2020

	Southbound			Northbound		
	1998	2010	2020	1998	2010	2020
Hiawatha ADT's	28,500	46,500	54,000	25,400	46,000	49,500
Increase from 1998		63%	89%		81%	95%
	Westbound			Eastbound		
	1998	2010	2020	1998	2010	2020
46th Street ADT's	13,100	21,000	25,000	6,100	na	na
Increase from 1998		60%	91%		na	na

Source: Minnesota Department of Transportation; Parsons Transportation Group, Inc.

The 46th Street Station is within easy walking distance to Minnehaha Park and Minnehaha Falls. From this location, bicyclists can access Lake Nokomis and Lake Harriet via the Minnehaha Parkway and Minnehaha Creek Trail. These recreational amenities are regional destinations, which contribute to the Study Area's attractiveness as a place to live, work and play.

There is very little physical or functional synergy among the land uses in the Study Area. The commercial mix indicates that there are few multi-purpose trips occurring in the commercial area. The commercial area is not conducive to walking or biking. The commercial and residential development density is suburban in character and not transit-oriented.

C. Social-Demographic Characteristics

Claritas, Inc. data were used to compare the Study Area's social and economic characteristics to those of Minneapolis and the Twin Cities Metropolitan Area (see Figure 6.8).

The area within a half-mile of the 46th Street Station has remained relatively stable in terms of population and households. In 2000, there were an estimated 9,470 people within a half-mile of the station and 4,155 households. The average household size in 2000 was 2.23 (see Figure 6.9).

In terms of retaining households, the Study Area fared better than the City as a whole between 1980 and 1990. Between 1990 and 2000, both the City and the Study Area lost households, however. As would be expected with suburbanization, the Metropolitan Area grew markedly between 1980 and 2000 (see Figure 6.8).

The median age is 38.9 in Study Area. The Study Area's median age is high when compared to the City (34.8 years old) and the Metropolitan Area (34.9 years old). As would be expected in an older urban neighborhood, there is a relatively high percentage of the population over the age of 65 years old. Almost 10 percent of the Study Area's population is over the age of 75 (see Figure 6.10).

The Study Area's households are doing relatively well economically. Median and average income have grown in the Study Area faster than the Metropolitan Area as a whole over the past decade. Over 70 percent of the households in the Study Area have incomes between $35,000 and $100,000. There are relatively few (10 percent) households with incomes in excess of $100,000.

Median household wealth is high in the Study Area because households are older and there is high home ownership. Owning a home and aging in a location that is increasing in value often translates to wealth.

The economic indicators demonstrate that the Study Area is an attractive location for households with the means to move to other parts of the Metro Area.

IV. Retail Market Analysis

In this section, ZHA analyzes the potential for various types of retail in the 46th Street Station Area. Given this potential, a retail development strategy is presented to maximize the Station Area's transit-oriented development potential.

Figure 6.8: Population and Household Trends - 46th Street Station Area

	1980	1990	2000	1980 - '90 Change	Avg. Ann.	1990 - '00 Change	Avg. Ann.
Population	4,444	4,363	3,975	-81	-0.2%	-388	-0.9%
Households	1,829	1,908	1,734	79	0.4%	-174	-1.0%

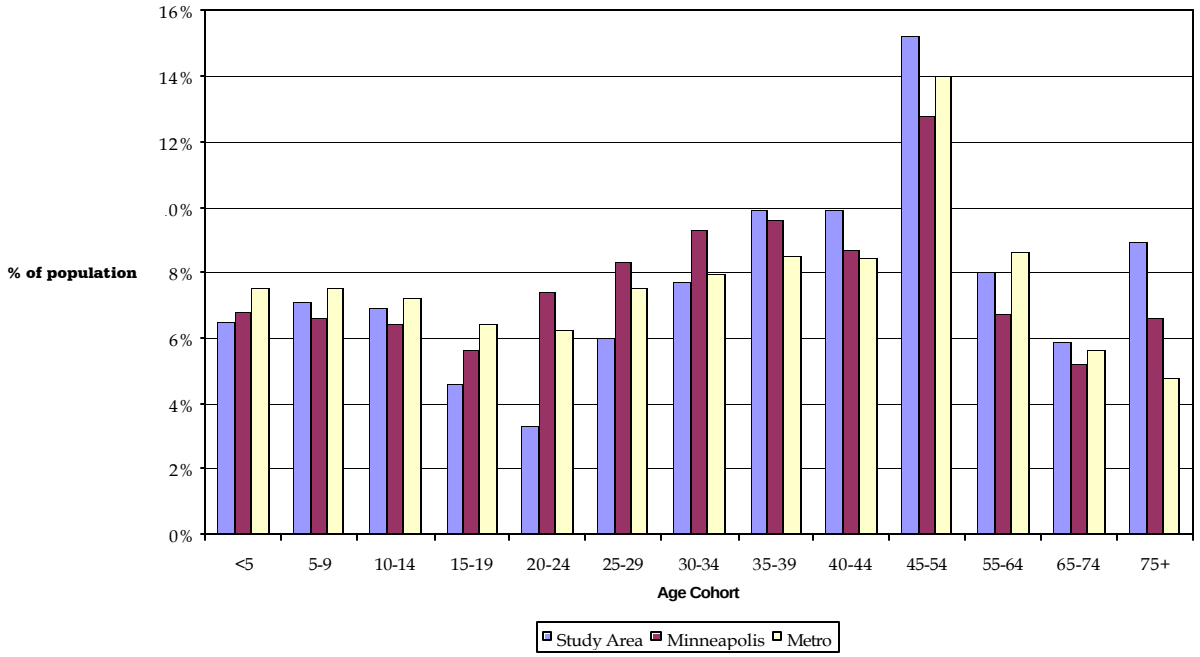
Source: Claritas, Inc; ZHA, Inc.

Figure 6.9: Household Trend Comparison - 46th Street Study Area, Minneapolis, Metro Area

	Number of Households			1980 - '90		1990 - '00	
	1980	1990	2000	Change	Avg. Ann.	Change	Avg. Ann.
Study Area	161,858	160,682	153,383	79	0.4%	-174	-1.0%
Minneapolis	161,858	160,682	153,383	-1,176	-0.1%	-7,299	-0.5%
Metropolitan Area	721,444	875,504	986,192	154,060	2.0%	110,688	1.2%

Source: Claritas, Inc; ZHA, Inc.

Figure 6.10: Age Distribution



A. Existing Conditions

The Study Area is already supporting a limited supply of convenience retail immediately east of Hiawatha Avenue around 46th Street. There is an older strip center of approximately 37,500 square feet in the Study Area called the Parkway Plaza. The Parkway Plaza is anchored by a Blockbuster Video store and contains primarily service businesses.

When originally developed the strip center had excellent visibility to Hiawatha Avenue traffic. With the tunnel and land bridge improvements, the strip center now is above Hiawatha Avenue. The center is visible to southbound traffic, but not northbound traffic. Because of the compromised visibility, retail occupants have been replaced by service businesses.

Additional retail in the Study Area includes a Walgreens Drug Store, a Conoco Gas Station, Burger King, Bridgeman's restaurant, a Dairy Queen, a "Bait Shop", a convenience store, a gasoline service station, and a clothing store. There is currently very little physical or functional synergy among the retail uses in the Study Area.

A neighborhood shopping center provides convenience shopping opportunities for the local neighborhood. The tenant mix of a traditional neighborhood retail center contains both retail and service uses. Generally, retail and eating and drinking establishments account for 90 percent of the space in a neighborhood retail center (Figure 6.12).

As compared to the average tenant mix of a neighborhood shopping center, the 46th Street Station Area does not offer a full complement of neighborhood-serving retail. The Parkway Plaza shopping center is occupied by primarily service establishments, not retail. The average tenant mix among neighborhood shopping centers was obtained from the Urban Land Institute 'dollars and Centers of Shopping Centers, 2000' publication.

B. Neighborhood-Oriented Retail

Competitive Supply

Households in the Study Area shop for convenience goods (like groceries) at shopping centers in the Highland area of St. Paul, at Lake Street or at the Hub shopping center in Richfield. Highland Shopping Center and Highland Village Center are approximately 1.2 miles away from the Hiawatha Avenue and 46th Street intersection. These shopping centers are surrounded by additional retail. A full-line grocery store, Lunds, is located in this area. This is the closest retail node to those households residing just south and east of the 46th Street Station (Figure 6.13).

Like the Highland area, the Lake Street retail node contains a full complement of community-oriented retail. The Lake Street area contains full-line grocery stores, a Target, and other shoppers goods stores. The Lake Street retail node is approximately 2 miles away from the Hiawatha Avenue and 46th Street intersection.

Households to the south of the Station shop at the Highlands area of St. Paul or possibly at the Hub shopping center in Richfield. The Hub shopping center is approximately 3.5 miles away from the Hiawatha Avenue and 46th Street intersection. Like the other competitive retail nodes, a full-line grocery store, convenience and shopper's goods stores are present at this location.

Figure 6.11: Economic Indicators -
Study Area, Minneapolis, Metro Area - 1989 (Census) and 2000

	1990	2000	Change
Median Household Income			
Study Area	$34,476	$55,932	62.2%
Minneapolis	$25,330	$39,457	55.8%
Metro Area	$36,804	$57,524	56.3%
Average Household Income			
Study Area	$36,125	$59,664	65.2%
Minneapolis	$33,260	$55,031	65.5%
Metro Area	$44,347	$72,691	63.9%
2000 Median Household Wealth			
Study Area	na	$104,054	na
Minneapolis	na	$35,854	na
Metro Area	na	$90,994	na

Source: Claritas, Inc; ZHA, Inc.

Figure 6.12: Tenant Distribution - Average Neighborhood Center vs. 46th Street

Retail Category	Neighborhood Center (in SF)	Less/More	Comment
General Merchandise	8,400	-	Bait Shop
Food & Beverage	25,000	-	None
Food Service	1,800	+	BK, Bridgeman's, DQ
Apparel and Accessories	4,621	-	Pink Closet
Furniture and Home Furnishings	5,121	-	None
Building Materials	4,775	-	None
Drug and Proprietary	9,176	Equal	Walgreens
Miscellaneous	14,647	-	Blockbuster
Retail Square Feet	73,540	Much Less	
Other	7,535	Much More	
Personal Services			
Recreation/Community			
Financial			
Offices			
GRAND TOTAL	81,075	Opportunity for Retail	

Source: ZHA, Inc., ULI Dollars & Sense of Shopping Centers.

Each of these retail nodes offers convenience goods as well as shoppers goods. There is no vacancy among the competitive shopping centers.

The competition makes a community shopping center unlikely at 46th Street. Community centers are larger than neighborhood shopping centers and they tend to have a shoppers goods anchor (like a Target). These types of centers draw from at least a three-mile radius. At this time, the existing supply of community centers covers the market adequately.

As will be discussed in the subsequent section, the location of the competition does not preempt convenience-oriented retail or a neighborhood shopping center. The density of development surrounding the 46th Street station coupled with the traffic and visibility of the location, make neighborhood serving retail a potential land use.

Demand

Given the location of competitive shopping centers, ZHA has identified the Primary Retail Market Area ("Primary Market Area") for a neighborhood shopping center as those households within 1-mile of the Hiawatha and 46th Street intersection. The Primary Market Area does cross into St. Paul. Many people cross the Ford Bridge to access either 46th Street or St. Paul, today. Therefore, the river is not considered a market barrier.

The Primary Market Area does include Nokomis. Nokomis contains a growing share but a limited amount of convenience retail. This retail serves the convenience retail needs of households in the immediate area. Retail development in the 46th Street Station Area will compete with Nokomis retail on a limited basis. Because 46th Street will be less convenient, those store-types duplicated at 46th Street will likely not capture Nokomis households' expenditures. Those stores at 46th Street that offer different products than those offered in Nokomis will likely attract Nokomis households' expenditures.

The Secondary Retail Market Area ("Secondary Market Area") consists of those households within 1.5-miles of the Hiawatha and 46th Street intersections. Because of the competition, ZHA's Market Areas are tightly defined. Households in these trade areas will have convenience retail choices available. The 46th Street location will, however, be a competitive location for convenience shopping (Figure 6.14).

Even within the tightly defined Trade Areas there are a significant number of households. Without taking into consideration competition, together these trade areas contain enough households to support a community shopping center (Figure 6.15).

Using the experience of Hennepin County in 1997 as a proxy for 2000 estimates, retail and eating and drinking expenditures account for 40 percent of total personal income. Households in the Primary Market Area possess $160.8 million of retail spending potential. Net of the Primary Market Area, households in the Secondary Market Area possess 1.25 times that amount or $201.9 million of spending potential (Figure 6.16).

Figure 6.16 demonstrates the Primary and Secondary Markets' retail sales potential by retail category. These retail categories are often represented in neighborhood commercial centers. Motor vehicle sales, gasoline sales, and non-retail store sales are excluded.

ZHA compared the Trade Areas' sales potential to the retail sales volume necessary to support a new neighborhood shopping center. The sales volumes required by tenant type

Figure 6.13: Community Shopping Centers Asking Rents and Vacancies

Name of Property	Year City	Built	Total SF	Vacancy	Asking Rate High	Asking Rate Low	Lease Type	No. of Stores Anchors
Highland Shopping Cntr	St. Paul	1979	56,675	0%			Net	21-Blockbuster
Highland Village Cntr	St. Paul	1995	54,085	0%			Net	10-Lunds Grocery, Freestanding Barnes&Noble
Hi-Lake Center	Mpls	1996	130,521	0%	$8.00	$15.50	Net	10-Saver's, True Value, Hancock Fabrics
Rainbow Plaza	Mpls	1985	73,288	0%	$14.00	$14.00	Net	7-Cost Cutters, Vision World
Calhoun Commons	Mpls	1999	66,150	0%	$23.00	$25.00	NNN	8-Chipotle, Caribou Coffee, Noodles
Minnehaha Mall	Mpls	1999-R	252,938	0%	$7.00	$10.00		Gross Target, Only Deals, Petters Warehouse
The Hub Shopping Cntr	Mpls	1992-R	78,300	0%				Rainbow Foods, Marshalls, Michaels Crafts
Totals			711,957	0%	$13.00	$16.13		

Sources: 2001 Towle Report, and the Organization of Commercial Realtors

Figure 6.14: Trade Area Retail Sales Potential - 46th Street Station Area - Year 2000

		Primary 1.0 Mile Radius	Secondary 1.5 Mile Radius
Population		15,887	34,683
Per Capita Income		$25,298	$26,140
Total Income		$401,909,326	$906,613,620
Net Retail Spending Potential*	40%	$160,763,730.40	$201,881,717.6 Net of primary market.

**Ratio of County's total retail and eating and drinking sales to personal income in 1997.*
Source: Claritas, Inc.; ZHA, Inc.

Figure 6.15: Retail Trade Area Households and Population - 46th Street Station Area - Year 2000

	Primary 1.0 Mile Radius	Secondary 1.5 Mile Radius
Population	15,887	34,683
Households	6,925	14,929

Source: Claritas, Inc.; ZHA, Inc.

are not medians for neighborhood centers because these medians are often below the sales volume necessary to support the rent required for a new center. ZHA has estimated the sales volumes necessary to support rents in a new center using 10 percent of sales as the rent benchmark. A new neighborhood shopping center in the 46th Street Station Area must capture approximately $14.8 million of sales from the Market Areas (see Figure 6.18).

ZHA tested the feasibility of a neighborhood retail center at 46th Street and Hiawatha by evaluating capture rates. ZHA assumed that the Primary Market Area would account for 65 percent of all sales in a neighborhood shopping center. Overall, the capture rates appear reasonable. To be feasible primary market households must spend 9.4 percent of their convenience-oriented retail budget at 46th and Hiawatha. Secondary Market Area households must spend approximately 5 percent of their convenience-oriented spending.

Approximately 9 percent of the average neighborhood shopping center's space is in service establishments like banks, community office space, insurance businesses, etc. Today, the strip shopping center in the Study Area contains a number of such establishments. If redevelopment were to occur, it is likely that an additional 10,000 to 20,000 square feet of space could be absorbed by such uses (see Figure 6.19).

ZHA concludes that a neighborhood shopping center of 82,500 to 103,500 square feet of neighborhood-serving retail and service space is supportable at the intersection of Hiawatha and 46th Street.

C. Highway-Oriented Development Potential

Whether desired or not, there is a significant retail market generated by the traffic on Hiawatha Avenue/State Highway 55. Over the next 10 years traffic volume on this highway is projected to increase to over 46,000 average daily trips. This volume of traffic is sufficient to support such uses as fast food restaurants, auto-oriented uses, suburban banks, and drug stores. Some of these uses are already present in the Study Area.

In addition to neighborhood serving retail, ZHA believes that the 46th Street and Hiawatha Avenue intersection has the potential to develop in a commercial strip mall fashion. From the airport, this is the first commercial node on the way to the Central Business District. It has excellent access to St. Paul and is highly visible to vehicular traffic.

ZHA estimates that the market could support the following vehicle-oriented mix of land uses on Hiawatha Avenue:

a) Three fast food or convenience stores (including the Burger King);

b) A Drug Store (Walgreens);

c) A Video Store (Blockbuster);

d) A Local Bank with Drive-Thru;

e) A Gasoline Station (Conoco);

f) Two Vehicle-Oriented Repairs and Service

These uses alone could amount to 30,000 to 40,000 square feet of retail space. While not transit-oriented, these uses capitalize on State Highway 55 improvements. Because this

Figure 6.16: Retail Expenditure Potential - Primary and Secondary Market - Year 2000

Retail Category	Share of Total Retail Expenditure	Primary Mkt Potential	Secondary Mkt Potential
General Merchandise	10.3%	$16,579,455	$20,819,926
Food & Beverage	10.5%	16,879,290	21,196,448
Food Service/Eating and Drinking	9.3%	14,987,685	18,821,033
Apparel and Accessories	5.8%	9,309,916	11,691,081
Furniture and Home Furnishings [2]	6.5%	10,430,361	13,098,099
Building Materials	7.8%	12,558,816	15,770,941
Drug and Proprietary [3]	3.1%	5,012,930	6,295,070
Miscellaneous [4]	6.2%	9,895,342	12,426,240
Total	59.5%	$95,653,795	$120,118,838

1. *Based on 1997 Census of Retail Trade. Excludes sales or non-retail uses, motor vehicles, and gasoline.*
2. *Includes electronics and appliance sales.*
3. *Health and personal care included in this category.*
4. *Hobbies, music, liquor, florists, etc.*

Source: 1997 Census of Retail Trade; ZHA, Inc.

Figure 6.17: Sales Volume Required - Average Neighborhood Center

Retail Category	Neighborhood Center	Avg. Sales /sf	Required Sales (000's)
General Merchandise	8,400	$200	$1,680
Food & Beverage	25,000	$200	$5,000
Food Service	1,800	$250	$450
Apparel and Accessories	4,621	$200	$924
Building Materials	4,775	$200	$955
Drug and Proprietary	9,176	$200	$955
Miscellaneous	14,647	$200	$1,835
Total	$68,419		$11,799

Source: ZHA, Inc., ULI Dollars & Sense of Shopping Centers

type of retail is more often than not stand-alone, development will require relatively little land assembly. These uses will demand the corner lots at the Hiawatha and 46th Street intersection and to a lesser extent the intersection of Minnehaha and 46th Street. These uses will also demand land with direct access to Hiawatha Avenue.

D. Retail Market Conclusions and Considerations

Approximately, 100,000 to 150,000 square feet of retail/service space is supportable in the Study Area. This projection is inclusive of the retail and service space currently operating in the Study Area. A significant portion of this space will seek to capitalize on the traffic on Hiawatha Avenue/State Highway 55. Careful planning and regulatory initiatives will be necessary to influence the design and location of retailers seeking to capitalize on traffic. Without such an approach, the Study Area's pedestrian environment will be compromised as well as its ability to attract a full-complement of land uses.

The magnitude of neighborhood retail projected is feasible only if a critical mass of space is developed at once. The Study Area will not support the magnitude of development projected if retail is developed incrementally, store by store. A full complement of retail must come on line at once to establish the 46th Street Station Area as a neighborhood shopping destination.

Figure 6.20 represents ZHA's projected absorption of new retail space. The near-term absorption can be realized if a neighborhood shopping center is developed. Such a project will require significant land assembly.

The longer-term absorption assumes that the neighborhood shopping center establishes the Station Area as a commercial node and, as such, attracts additional retail and services. Long-term absorption also assumes that the existing suburban-style retail in the Study Area gets redeveloped.

The retail market is dependent on near-in household spending and traffic. Light rail complements the retail market, it does not establish it. If convenience retail is present, it is likely that LRT riders will patronize it. The LRT riders, themselves, will not create the retail market necessary to support the development of a neighborhood center.

With this in mind, parking must be handled carefully. Many of 46th Street's retail patrons will be driving. Investors will require parking ratios closely approximating suburban standards.

V. Office Market Analysis

Office development is often necessary to achieve a fully integrated mixed-use community. Office employees patronize retail and service establishments and can also be a target market for residential units. In this section, ZHA evaluates the market for office development in The 46th Street Station Area.

A. Metropolitan Office Market

The Economic Framework summarized employment growth trends in the Twin Cities Metropolitan Area. The office market has capitalized on this growth. The Metropolitan Area currently contains approximately 61.8 million square feet of office space. Between second

Figure 6.18: Sales Capture Required - Neighborhood Shopping Center

Retail Category	Neighborhood Center	Req'd. Sales (000s')	Primary Capture	Secondary Capture
General Merchandise	8,400	$1,680	6.6%	2.8%
Food & Beverage	25,000	$5,000	19.3%	8.3%
Food Service	1,800	$450	2.0%	0.8%
Apparel and Accessories	4,621	$924	6.5%	2.8%
Furniture and Home Furnishings	5,121	$1,024	6.4%	2.7%
Building Materials	4,775	$955	4.9%	2.1%
Drug and Proprietary	9,176	$1,855	23.8%	10.2%
Miscellaneous	14,647	$2,929	19.2%	8.3%
Total		$14,817	10.1%	5.1%

Source: ZHA, Inc., ULI Dollars & Sense of Shopping Centers

Figure 6.19: Neighborhood Shopping Center - 46th Street Station Area

	Low	Moderate	High
Retail	72,500	73,500	83,500
Services	10,000	15,000	20,000
Total	82,500	88,500	103,500

Source: ZHA, Inc.

Figure 6.20: Retail and Service Space - 46th Street Station Area

	Development/Redevelopment		
	2000 - 2007	2007 - 2015	2015 - 2025
Square Feet	80,000	30,000	<40,000

Source: ZHA, Inc.

quarter, 1999 and fourth quarter, 2000, the office supply in the Metropolitan Area increased by approximately 8 million square feet or 15 percent (Figure 6.21 & Figure 6.22).

Vacancy rates increased slightly as a result of the new supply. As of the fourth quarter, 2000, Towles Collier reported an 11 percent vacancy rate for the Metro area. Metropolitan office market equilibrium is estimated to be 10 percent. As of the fourth quarter, 2000, the CBD's vacancy rate was only 7.2 percent. The Downtown's vacancy rate is projected to increase as planned supply and projects under construction enter the market (Figure 6.23).

Minneapolis accounts for approximately 40 percent of the office supply in the Twin Cities Metropolitan Area. Over 90 percent of Minneapolis' office supply is located in the Central Business District (CBD). The southwest sector (Richfield, Bloomington, Eden Prairie) of the Metropolitan office market accounts for approximately one-quarter of the office supply. Over the last two years, Minneapolis and the southwest sector have experienced the greatest increase in office supply and command the greatest asking rents (Figure 6.24).

Within the Metro region, Downtown Minneapolis achieves the highest asking rents. According to the Towles Report, rental rates remained stable during 2000.

On the whole, the Metropolitan office market is projected to soften in the upcoming years. There is a significant amount of sublease space available on the market as a result of business expansion and relocation as well as business contractions among "dot.com" companies. Vacancy rates are increasing as a result of increased supply. It is likely that the office market, particularly Class-A, will be a buyers market during the next five years.

B. Salient Market Conditions

Location

The 46th Street Station Area is strategically located between the airport, the Minneapolis Central Business District and St. Paul. This area will be an unparallel location for those businesses that desire affordable office space with easy access to these destinations.

Accessibility

The 46th Street Station Area will be accessible via a full complement of transportation modes including car, bus, light rail, foot and bicycle. By car, 46th Street Station Area is accessible from St. Paul via the Ford Bridge; downtown Minneapolis and points south via Highway 55; and, points west via the Minnehaha Parkway. North/south bound and east/west bound buses are available at 46th Street. Light rail transit will link the Station Area to the Airport and the Downtown. Lastly, the Station Area is part of the Metropolitan Area's recreational trails network.

Visibility

The 46th Street Station is visible to the market. By the year 2010, 46,000 vehicles will pass this station each day. The visibility and access of the 46th Street Station Area translates into office location value.

Land Availability

The 46th Street Station Area is ripe for development and redevelopment. The environment immediately surrounding the east side of the Hiawatha Avenue and 46th Street intersection is commercial. Much of the land in this area is underutilized or occupied by land uses that do not require the locational attributes of the Station Area. These

Figure 6.21: Office Vacancy and Absorption - Twin Cities Metropolitan Area - 1998-2000

	1998 2 Qtr	1999 2 Qtr	2000 2 Qtr	2000 4 Qtr	Change 2Q 1998 - 4Q 2000	
Minneapolis						
CBD	21,890,252	22,075,422	23,493,078	23,480,962	1,590,710	7.3%
Out-of-CBD	1,370,991	1,370,991	1,385,516	1,554,062	183,071	13.4%
Anoka County	413,917	483,917	489,966	466,966	53,049	12.8%
Dakota County	1,059,203	1,306,524	1,533,524	1,620,297	561,094	53.0%
Northeast Metro	1,491,620	2,433,620	2,199,500	2,240,616	748,996	50.2%
Northwest	929,212	929,212	993,996	993,067	63,855	6.9%
St. Paul						
CBD	6,107,284	6,133,447	7,149,085	7,613,524	1,506,240	24.7%
Out-of-CBD	1,830,870	1,841,870	1,928,806	1,928,682	97,812	5.3%
Southwest	12,776,979	13,611,594	13,675,883	14,476,052	1,699,073	13.3%
Washington	280,877	323,527	359,077	417,413	136,536	48.6%
West	5,656,708	6,074,940	6,371,035	7,006,439	1,349,731	23.9%
TOTAL	53,807,913	56,585,064	59,579,466	61,798,080	7,990,167	14.8%

Source: Colliers Towle, "2001 Towle Report: Minneapolis/St. Paul, Minnesota"; ZHA, Inc.

Figure 6.22: Office Vacancy Rates - Twin Cities Metropolitan Area - 1998-2000

	1998 2 Qtr	1999 2 Qtr	2000 2 Qtr	2000 4 Qtr
Minneapolis				
CBD	7.1%	6.0%	6.3%	7.2%
Out-of-CBD	9.1%	11.2%	9.6%	12.0%
Anoka County	7.2%	10.1%	11.6%	7.7%
Dakota County	9.1%	16.5%	16.8%	18.1%
Northeast Metro	9.5%	9.4%	12.8%	14.0%
Northwest	10.8%	21.9%	26.1%	13.4%
St. Paul				
CBD	9.5%	6.9%	11.5%	16.1%
Out-of-CBD	14.8%	11.0%	9.9%	10.6%
Southwest	4.3%	8.4%	8.2%	12.5%
Washington	1.5%	9.1%	9.8%	18.0%
West	6.2%	12.8%	10.8%	12.4%
TOTAL	7.0%	8.3%	8.9%	11.0%

Source: Colliers Towle, "2001 Towle report: Minneapolis/St. Paul, Minnesota"; ZHA, Inc.

conditions can translate into affordable land prices and, as such, make this location ripe for redevelopment.

Potential for Mixed-use

The Station Area has the potential to be a mixed-use urban village. The Station Area has the capacity to support retail, residential, and office development. With its access, amenities, and visibility, the area has the potential to become an urban node with many uses.

Class-B Office Space

The Station Area is a prime location for class-B office space. The strongest Class-A office locations in the Metropolitan Area are within 3-miles of the 46th Street Station Area (downtown Minneapolis and Bloomington). It is unlikely that 46th Street will effectively compete with these and other locations for Class-A tenants. The Station Area's access, visibility, and existing land use make it a prime location for Class-B office space.

C. Competition

ZHA evaluated the character and performance of Class-B suburban office buildings within approximately 3 miles of the Station (Figure 6.25).

ZHA evaluated the Class-B office supply with approximately 3.5 miles from The 46th Street Station. The Class-B supply is commanding relatively high rental rates. The Plaza on Parkway is located in the Highland area of St. Paul, immediately across the Ford Bridge. While this building is old, it is achieving high rents and high occupancy.

The Shepard Park Office Center is located at 2177 Youngman Avenue. It is an old three-story building. The building is currently 37 percent vacant. The buildings age and small floorplate make it the least competitive of the competitive supply. It is impressive that the building is still achieving net rents of $12.00 to $13.00 per square foot.

The University Office Center building is an older property. The building was renovated in 1996. Asking rents at the University Office Building are $10.50 to $12.00 per square foot triple net. These rents are still relatively high. The building is 24 percent vacant.

Located in Richfield, Woodlake Park Office Building is the newest among the competition. Built in 1998, this 98,000 square foot building is 95 percent occupied. It is achieving net rents between $15.50 and $16.00.

The Mendota Office Center is also relatively new. Rents in this building are comparable to the Plaza on Parkway. There is no space available in this 60,000 square foot building.

The Safari Office building is a relatively new 43,000 square foot building located in Eagan. The single-user of this building recently moved out. The building has not been vacant for long (within the last 6 months). The building is expected to lease up quickly.

The performance of the Class-B office competitive supply indicates a healthy market. These buildings are achieving relatively high rents. The newer, larger buildings have the highest asking rents and occupancy.

D. Market Conclusion and Considerations

The locational attributes of 46th Street make it an attractive office location. The competitive supply of office indicates a healthy market, particularly for new product. The asking rents are sufficient to support new construction.

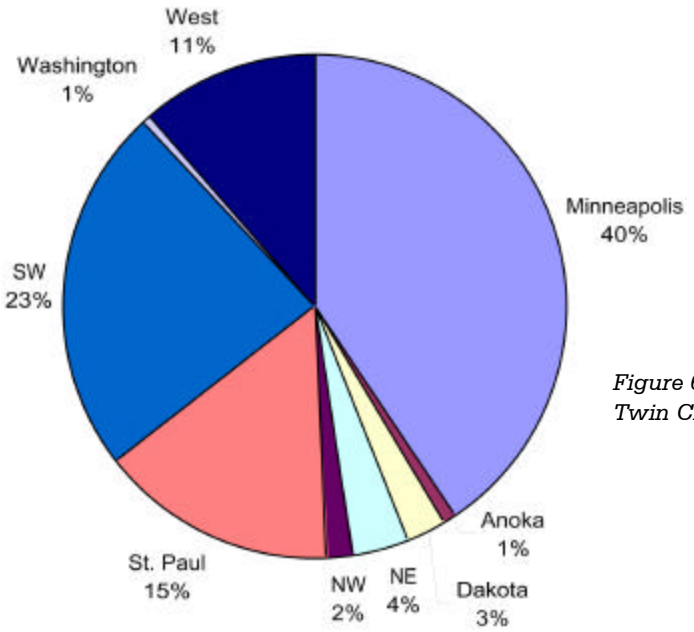


Figure 6.23: Share of Office Space by Location - Twin Cities Metropolitan Area - 2000

Figure 6.24: Vacancy - Twin Cities Metropolitan Area - 1998-2000

Average	Rent	Rent Range	
		Low	High
Minneapolis CBD			
Class A	$16.46	$12.00	$24.00
Class B	$12.78	$8.50	$15.50
Class C	$10.92	$5.00	$14.50
Renovated	$11.36	$4.50	$14.00
Out-of-CBD	$13.44	$7.00	$18.00
Anoka County	$11.24	$6.60	$14.00
Dakota County	$11.32	$7.50	$15.50
Northeast Metro	$11.99	$7.00	$17.50
Northwest	$9.28	$6.00	$12.00
St. Paul CBD			
Class A	$14.10	$12.50	$16.00
Class B	$10.85	$6.00	$16.00
Class C	$8.39	$6.00	$11.00
Out-of-CBD	$11.08	$5.75	$14.00
Southwest			
Class A	$15.88	$13.00	$19.00
Class B	$12.72	$8.00	$17.00
Washington	$12.88	$9.00	$15.00
West			
Class A	$16.75	$16.50	$17.50
Class B	$12.35	$9.00	$16.00

Source: Colliers Towle, "2001 Towle report: Minneapolis/St. Paul, Minnesota"; ZHA, Inc.

ZHA concludes that the Study Area can support approximately 100,000 square feet of Class-B office. To be affordable the buildings will likely be four stories or less with surface parking (Figure 6.26).

Because the City's and region's office market is projected to soften as more supply comes on line, ZHA does not think it is realistic to assume office construction within the next five years. The office market will engage when light rail is operational. ZHA projects the first phase of office development to occur between 2005 and 2010.

From a transit-oriented development potential standpoint, it is important to recognize that Class-B office will not support structured parking in the foreseeable future. The asking rents achievable will simply not support the capital cost associated with structured parking. Subsidies will be required if structured parking is desired.

The light rail transit station enhances the market for office in the Study Area. Like retail, office will demand corner sites and sites along Hiawatha. Office investors will likely accept lower parking ratios as a result of the bus and rail availability in the 46th Street Station Area.

VI. Residential Market Analysis

A. Introduction

In a December, 1999 study entitled, "Hiawatha LRT Corridor: Transit-Oriented Development Market Study" ("Hiawatha Transit-Oriented Development Potentials Analysis"), ZHA worked with Zimmerman Volk Associates (in association with the Parsons Corporation) to determine the potential for housing development along the Hiawatha Corridor and particularly within the 46th Street Station Area. Zimmerman Volk Associates applied its proprietary target market methodology to determine residential development potential. In this section, ZHA builds upon the Zimmerman Volk Associates' work for the Hiawatha Transit-Oriented Development Potentials Analysis to assess near-term residential development potential in the 46th Street Station Area.

B. Transit-Oriented Development Potential Analysis

Zimmerman Volk Associates' proprietary target market methodology identifies potential by analyzing the market from the standpoint of potential buyers/renters. The methodology is necessary because conventional market analysis rarely applies in older, urban areas. Conventional residential market analysis requires there to be projected growth to identify demand. Like the 46th Street Station Area, very few older urban areas are projected to grow over the next five to ten years. Conventional market analysis would conclude that there is no demand for residential units in these areas when urban pioneers have proven that there is demand.

The following paragraphs summarize the conclusions of the Hiawatha Transit-Oriented Development Potentials Analysis regarding residential development potential:

Households living in Minneapolis and St. Paul, and the northern and western first-ring suburbs of Minneapolis constitute the main source of demand for new market rate housing units within the Hiawatha Light Rail Corridor. Households living in the balance of Hennepin and Ramsey Counties and in adjacent Dakota and Anoka Counties represent secondary sources of demand.

Figure 6.25: Competitive Office Buildings - 46th Street Station Area - 2001

Name of Property	City	Year Built	Total SF	Available	Vacancy	Asking Rate		Lease Type	Anchor Tenants
						Low	High		
The Plaza on Parkway	St. Paul	1988	86,673	5,600	6%	$12.00	$14.50	Net	Lifetime Fitness
Shepard Park Office Center	St. Paul	1981	22,600	8,309	37%	$12.00	$13.00	Net	Good Samaritan
Woodlake Point Office Bldg	Richfield	1999	98,000	5,300	5%	$15.50	$16.00	Net	Medical
University Office Plaza	Minneapolis	1996	103,000	25,000	24%	$10.50	$12.00	NNN	U of M
Mendota Office Center	Mendota Heights	1998	60,000	0	0%	$13.50	$14.00	Net	Not Available
Safari Office Development	Eagan	1997	43,000	43,000	100%	$21.00	$21.00	Gross	Not Available
Totals			413,273	87,209	21%	$14.08	$15.08		

Sources: 2001 Towle Report; Organization of Commercial Realtors

Figure 6.26: Class-B Office Absorption - 46th Street Station Area 2000 - 2020

	2000-2005	2005-2010	2010-2020
Gross Square Feet	0	40,000	60,000

Source: ZHA, Inc.

Figure 6.27: Potential Housing Market by Household type - 38th/46th/VA Hospital Station Areas

% of Household Type	Rental Total	For-Sale Apartments	Townhouse/ Apts/Lofts	Live-Work
Empty Nesters & Retirees	29%	27%	32%	33%
Families	7%	7%	5%	10%
Younger Singles & Couples	64%	66%	64%	58%
Total	100%	100%	100%	100%

Source: Zimmerman Volk Associates, "Residential Market Potential Transit Oriented Development, Hiawatha Light Rail Transit Corridor", 1999; ZHA, Inc.

The location of the 38th Street, 46th Street, and VA Hospital Station Areas between the two major employment centers of the region (the Minneapolis Central Business District and Bloomington) makes these station areas particularly attractive to suburbanites. A significant portion of the younger singles and couples who make up the market for new housing units in this area will be moving from the Minneapolis suburbs. These suburban households are predominantly professional singles and dual-income couples and are likely to comprise two-thirds of the market for new housing units at these station areas.

A similar mix of senior households moving from Minneapolis neighborhoods, moving back into the City from the suburbs, and moving from older housing in the suburbs represents the market for senior apartments.

Only a small number of family-oriented households represent potential market for housing around the 38th Street, 46th Street, and VA Hospital Station Areas (Figure 6.27).

Zimmerman Volk Associates identified the potential housing market for the 38th Street, 46th Street, and VA Hospital Station Areas as summarized above.

The optimum mix of housing types to support transit-oriented development includes:

a. Rental Apartments (one- and two-story apartments in mansion, courtyard, low- to mid-rise buildings, accessory buildings or mixed-use buildings);

b. For-sale apartments (lofts and one- and two-story apartments in mansion, courtyard, or low- to mid-rise buildings);

c. For-sale attached housing (duplexes, townhouses, and live-work units);

d. For-sale small lot, single family detached housing.

e. To maximize the opportunities for transit-oriented development over the long term (2020), the optimum market for the 46th Street Station Area was determined to be:

- 100 Rental Units over Retail;
- 525 Rental Apartments;
- 250 For-Sale Mansion Apartments; and
- 125 Live-Work Townhouses;
- 1,000 Total Units

C. Salient Market Considerations

This Section highlights salient market indicators to supplement the Zimmerman Volk Associates analysis and conclusions:

<u>Growth in the Twin Cities</u>

There has been rapid growth in the twin cities metropolitan area and Hennepin County. As summarized in Table II-2, Hennepin County was the fastest growing County in the Twin Cities Metropolitan Area during the 1990's. As an urban County, this indicates the market's willingness and desire to live in an urban area.

<u>Rate of Income Growth</u>

Households in the 46th Street station area have experienced a faster rate of income growth than the metropolitan average. As summarized in Figure 6.11, the average and

median household income among 46th Street Station Area households increased at a faster rate than the Metropolitan Area as a whole. Typically, first-ring suburb household income growth lags behind suburban household income growth. This trend indicates that the 46th Street Station Area is an attractive location for households with growing incomes.

Stability of Neighborhood

Over 50 percent of the households in the 46th Street station area have lived there for over 20 years. Many of the same households who have experienced above average income growth have chosen to remain living in the 46th Street Station Area. This is another indication that this area is a desirable place to live.

Access and Amenities

The 46th Street station area offers excellent regional access in a high-amenity environment. Minnehaha Park and regional recreational trails are available and accessible from the 46th Street Station Area. The area is easily accessible to the Minneapolis CBD, Bloomington and the airport via car, bus, and, ultimately light rail. Because of the Ford Bridge the 46th Station Area offers excellent access to St. Paul via car or bus. The Station Area's location is between two major employment centers, Minneapolis Central Business District and Bloomington.

Elderly Population

There is a growing elderly population to potentially support the development of retirement housing. Within one mile of the 46th Street Station, over one-quarter of the households (1,720 households) are over 65 years old. Within 3 miles of the Station, 20 percent of the households (11,380 households) are over the age of 65.

Housing Choices

The housing choices available in the 46th Street station area are limited. Over 90 percent of the housing units in the 46th Street Study Area are single-family detached units or duplexes. Over three-quarters of the units in the 46th Street Study Area are owner-occupied.

Older Housing Stock

The residential supply in the 46th Street station area is old. According to the 1990 Census, over 93 percent of the housing units in the Study Area are over 30 years old. While these units are in very good condition, they generally do not offer the range of amenities available in newer units.

Low Vacancy Rates

There is low vacancy among housing units in the 46th Street station area and among comparable competitive facilities. According to the 1990 Census, there was less than a 5 percent vacancy rate among housing units in the 46th Street Station Area. As will be demonstrated in the following section, comparable, competitive housing projects are experiencing very low vacancy rates.

D. Market Testing

The 46th Street Station Area Plan is a product of an intense community participation process. As a result of community input and urban design considerations, the following residential program recommended is shown in Figure 6.28.

ZHA evaluated the performance of apartment, townhouse, and senior (independent living) housing projects to ascertain the health of the market for these types of units.

Metropolitan Area

The Twin Cities rental market is tight (Figure 6.29). With vacancy at 1.5 percent, the market is well below the market's 5 percent equilibrium vacancy rate. According to the 2001 Towles Report, senior housing, luxury downtown and suburban developments, along with the mixed-use, town center projects dominate the Twin Cities rental market (Figure 6.30).

Average rents in the Metropolitan Area increased by 7 percent from 1999 to 2000. Rental rates have increased well above the gains made in the last five years.

The 2001 Towles Report projects that redevelopment sites, senior housing, and 'village communities' will dominate the market in the future. The Report projects that the vacancy rate will continue to be below equilibrium. Affordable housing will also be an increasing problem.

Competitive Apartment Projects

There are seven competitive apartment projects within approximately 3.5 miles of the 46th Street Station. These projects contain 954 rental units (Figure 6.31).

Recently, there have been very few multi-family housing units developed in the vicinity of the 46th Street Station Area. The one exception is the 111-unit Oaks on Pleasant in Richfield. This project reached full occupancy within its first year of operation. On the whole, market rate rental buildings in the vicinity of the 46th Street Station Area experience very high occupancies and achieve rents in excess of $1.00 per square foot.

Conclusion:

Given the market assets of the 46th Street Station Area, the performance of competitive facilities and Zimmerman Volk's conclusion that there is the potential for multifamily units, ZHA concludes that the 400-units called for in the Masterplan can be supported by the market.

Townhouse Supply

The Masterplan contemplates 81 townhouse units. Five townhouse projects are within approximately 3.5 miles of the 46th Street Station (Figure 6.32).

The competitive supply of for-sale townhomes indicates a healthy market. The most recent townhouse project in the vicinity of 46th Street Station is Ridgewood, which sold out quickly at $160-plus per square foot. There is no vacancy among the competitive supply. Absorption and prices indicate a strong market for townhouse development.

Conclusion:

Given the market assets of the 46th Street Station Area, the performance of competitive facilities and Zimmerman Volk's conclusion that there is the potential for

Figure 6.28: Residential Mix - 46th Street Station Area Master Plan

	Units
Apartments/Condominiums	400
Townhouses	81
Senior Housing	48
Single-Family	8
Total	537

Figure 6.29: Apartment Vacancy and Average Rent - Twin Cities Metropolitan Area - September 2000

Sector	Units	Vacancy
Anoka	7,506	1.2%
Dakota	18,547	1.2%
Minneapolis	21,668	1.4%
Northeast	14,126	1.2%
Northwest	13,305	1.5%
St. Paul	15,539	1.1%
Scott	841	1.9%
Southwest	19,775	2.3%
Washington	5,217	2.1%
West	18,900	1.8%
Metro Total	135,424	1.5%

Source: Colliers Towle, "2001 Towle Report: Minneapolis/St. Paul, Minnesota"

Figure 6.30: Rental Rates - Twin Cities Metropolitan Area - 1998-2000

Avg Unit Type	Year	Units	Rent	Average Rent Range		
				Low		High
STUDIO						
	1998	7,953	$383.71	$401	-	$578
	1999	7,273	$478.42	$421	-	$554
	2000	7,390	$517.16	$375	-	$638
ONE BEDROOM						
	1998	62,917	$577.89	$523	-	$671
	1999	62,466	$640.65	$584	-	$706
	2000	63,010	$686.83	$521	-	$885
TWO BEDROOM						
	1998	56,753	$717.80	$632	-	$821
	1999	57,267	$790.77	$670	-	$906
	2000	58,016	$838.78	$643	-	$1,376
THREE BEDROOM						
	1998	6,134	$929.58	$700	-	$1,175
	1999	6,437	$1,072.69	$817	-	$1,238
	2000	7,008	$1,119.76	$800	-	$1,926

Source: Colliers Towle, "2001 Towle Report: Minneapolis/St.Paul, Minnesota"

125 townhouse units, ZHA concludes that the 81 units called for in the Masterplan can be supported by the market.

Senior Housing Supply

The Masterplan contemplates 48 units of senior housing. In the Hiawatha Transit-Oriented Development Potentials Analysis, Zimmerman Volk Associates concluded that 29 percent of the housing potential on the Corridor would be derived from senior households. An analysis of the demographic composition of the Study Area and immediate environs indicates a high proportion of households in excess of 65 years old. There are 11,000 households within 3-miles of the 46th Street Station over the age of 65.

If they plan to stay in the region, seniors who make the move to a senior housing product tend to prefer locations within their same neighborhood. Senior housing is best sited in locations with various modes of transportation available, a range of services close-by, and amenities. The 46th Street Station Area is planned to possess all of these attributes.

In reviewing the competitive supply of senior housing, it is evident that the market is strong. The competitive supply has no vacancy and achieving strong rent and/or sales value. The cooperative form of ownership is attractive to the senior market.

Conclusion:

Given the number of senior households, the accessibility and amenities of the 46th Street Station Area, and the performance of the competitive supply, the market should easily absorb the 48-units of retirement housing planned.

Single Family Housing

The Masterplan contemplates eight single-family housing units. These units interface with the existing single-family unit development north of 45th Street on Snelling Avenue. While the Hiawatha Transit-Oriented Development Potentials Analysis did not incorporate a projection for single family housing this was not because of lack of market. Single family was not included because the Hiawatha Transit-Oriented Development Potentials Analysis concentrated primarily on creating residential density to support transit.

Conclusion:

Given the stability of the neighborhood, its access, and range of amenities, the market will quickly absorb the 8 single-family housing units envisioned in the Masterplan (Figure 6.33).

ZHA concludes that there is market to support the 537 units contemplated by the plan. The absorption of these units will largely depend upon the availability of land. If land were available and development could occur as the market warrants, ZHA estimates that these units could be absorbed within the next five years. Given the presence of existing buildings on the land in the Study Area, however, it is likely that these units will be developed and absorbed over a 10-year period.

In light of the ZHA Team's findings in the Hiawatha Transit-Oriented Development Potentials Analysis, ZHA further concludes that additional residential development and density could be supported in the Station Area.

Figure 6.31: Market Rate Rental Buildings - 46th Street Station Area - 2001

Name of Property	City	Year Built	Units	Rent Range Absorp.	Rent Range Vacancy	Low	High	Rent/Sq. Ft.	Type
Highland Ridge	St. Paul	1988	228	N/A	1%	$915	$1,530	$1.12-$1.20	Elevator
Crosby Pointe	St. Paul	1989	73	N/A	2%	$895	$1,275	$.98-$1.10	Elevator
Woodstone	St. Paul	1985	154	N/A	2%	$830	$1,070	$1.07-$1.17	Elevator
740 River Drive	St. Paul	1962	164	N/A	2%	$900	$2,500	$1.05-$1.45	Hi-Rise
Riverwood	Lilydale	1988	133	N/A	3%	$920	$2,620	$.97-$1.25	Elevator
Oaks on Pleasant	Richfield	2000	111	12/mo.	0%	$795	$1,385	$.92-$1.09	Elevator
Hill Plaza	St. Paul	1983	91	N/A	2%	$760	$1,200	$.97-1.09	Elevator
Totals			954		0%	$859.29	$1,654.29		

Source: Maxfield Research Inc.

Figure 6.32: Townhome Properties - 6th Street Station Area - 001

Name of Property	City	Year Built	Units	Price Range Absorp.	Price Range Vacancy	Low	High	Price/ Sq. Ft.	Unit Sq. Ft.	Types
Riverview Townhomes	St. Paul	1974	4	N/A	0%	$180,000	$190,500	1,500	$120-$127	2BR
Ridgewood Bluff Townhomes	St. Paul	2000	12	4/mo.	0%	$275,000	$324,000	1,714	$160-$189	3BR
Manhattan on Grand	St. Paul	1985	3	N/A	0%	$200,000	$224,000	1,440	$139-$156	2BR
Parkway Place	Mpls.	1985	22	N/A	0%	$309,000	$324,500	2400-2700	$120-$129	3BR
Hiawatha Commons	Mpls.	1999	8	3/mo.	0%	$155,000	$180,000	1650-1971	$91-$94	2BR,3BR
Totals			49		0%	$223,800	$248,600			

Source: Maxfield Research Inc.

Figure 6.33: Residential Absorption - 46th Street Station Area

	2000-2005	2005-2010	2010-2020
Dwelling Units	137	400	200 - 500

Source: ZHA, Inc.