

DRAFT MEMORANDUM

To: Andy Gitzlaff, Lyssa Leitner, Washington County, MN

CC: Kimley-Horn and Associates, Inc.
SRF Consulting Group

From: HR&A Advisors, Inc.

Date: July 28, 2014

Re: Gateway Corridor – Task 1 findings

The Washington County Regional Rail Authority, on behalf of the Gateway Corridor Commission, is seeking guidance on two alignment decisions – D1 versus D2 and the E alignment. HR&A analyzed real estate market conditions on the corridor, toured the corridor, and interviewed municipalities and area real estate experts (in-person and by phone) to inform these decisions. Exhibit D provides a list of the interviews and interview summaries.

HR&A assessed these options in terms of their ability to foster economic development and transit-oriented development (TOD), specifically:

- **Access to existing and future employment areas** – Decisions should maximize access to existing and future employment areas at station areas along the corridor. Employment access is a useful metric in evaluating project goals, as stated in the February 2014 Scoping Booklet, such as maximizing ridership and maximizing the number of people served. More broadly, greater employment access enhances the ability of corridor residents to reach job opportunities.
- **Ability to catalyze TOD** – The selected alternative should maximize opportunity for TOD by connecting to station areas that are market-ready for new moderate to high density development featuring mixed uses.¹ Maximizing future development opportunities is a stated objective for the project. Also, TOD is a development format that minimizes environmental impact, another stated objective of the project. More broadly, TOD reduces reliance on automobiles for travel and can alleviate housing and transportation burden for households.

¹ This is consistent with the Metropolitan Council's definition of TOD in its June 2013 TOD Strategic Action Plan: "A moderate to higher density district/corridor located within easy walking distance of a major transit stop that typically contains a mix of uses such as housing, jobs, restaurants, shops, services, and entertainment. These districts/corridors enable people of all ages, background, and incomes abundant transportation choices and the opportunity to live convenient, affordable, and active lives."

MARKET FINDINGS

HR&A examined historical real estate market dynamics to gauge the current viability of real estate development along the corridor. The study area for the market analysis is a geography defined as the 2-mile buffer from I-94 spanning from the proposed Mounds Boulevard station to Manning Avenue. The study area does not include downtown Saint Paul in order to isolate and understand market dynamics on the D and E portions of the corridor which differs from the real estate market dynamics of downtown. Exhibit A provides a map of the corridor study area. The exception is in the residential permit analysis in Figure 1, which examines permit activity at a municipal level rather than a specific study area.

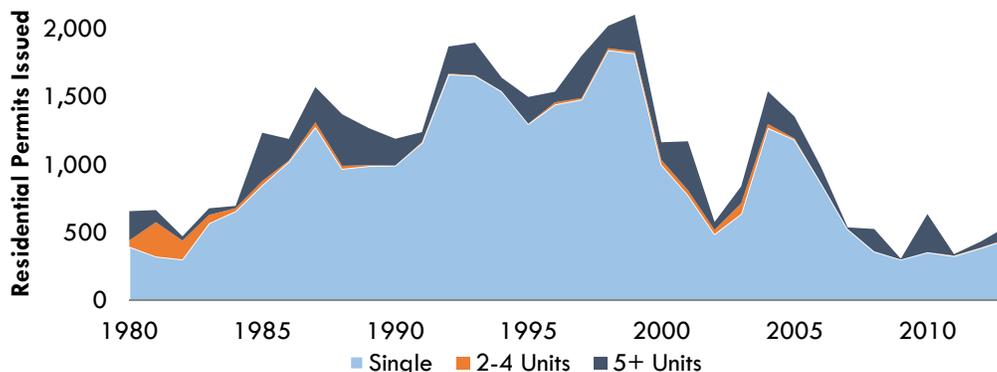
To determine transit’s ability to catalyze new development, HR&A also interviewed real estate experts to gauge how transit access affects household and tenant demand. Transit provides both placemaking and mobility benefits, which can increase willingness to pay for transit-adjacent real estate. The rent premium attributable to transit varies by use (i.e. residential, office, etc.) and depends on the quality of service, perceived permanence of stations, and importance of destinations along the corridor.

RESIDENTIAL

The corridor is dominated by single-family housing. Multifamily housing, a typical TOD building format, is rare on the corridor. When compared to other parts of the Twin Cities, there is less potential for its development. The vast majority of residential development for nearly 40 years has been single-family, and there is no clear trend towards multifamily. There has been some recent multifamily development in Woodbury with The Flats and Uptown at CityWalk and Crown Villa Apartments.

Multifamily rents can support low-rise TOD but are not yet sufficient for supporting mid-rise development even with the provision of transit. Rents are approximately \$1 to 1.5 per square foot per month and can support the construction of low-rise townhomes, a format which can be transit-oriented and is already prevalent along the corridor with more underway. However, it is an insufficient rent to finance new mid-rise construction even after considering a transit rent premium of 5 to 10%. The demographic interested in higher-density living is generally attracted to downtown environments in Minneapolis or Saint Paul.

Figure 1. Residential Permit Activity, 1980-2013



Source: HR&A Advisors, US Department of Housing and Urban Development

Analysis includes the municipalities of Maplewood, Oakdale, Landfall, Woodbury, and Lake Elmo

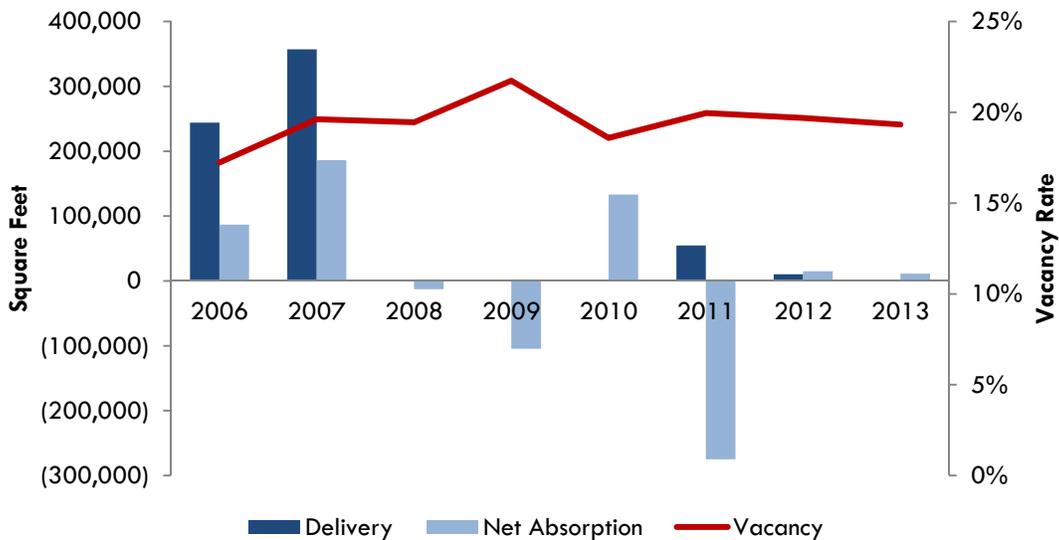
OFFICE

3M is the single largest employer on the corridor and anchors the office market. 3M supports office market activity elsewhere on the corridor, as a result of spinoff and supplier companies taking up office and flex space.

The office market beyond 3M features some other major employers such as The Hartford, but suffers from high vacancy and static rents. The corridor has an inventory of 3.9 million square feet of office space, of which 19% (830,000 square feet) is vacant, a marginal improvement from the post-recession peak of 22%. Rentals rates are currently \$14 per square foot per year, still below the 2007 peak of \$16. As shown in Figure 2, very little office space has been built since the market downturn in 2008.

Limited market activity suggests new office is unlikely to be a primary land use for future development on the corridor. Since 2006, the corridor experienced an average annual gross absorption of 225,000 square feet and anemic net absorption of 5,000 square feet per year. Given the challenging market dynamics since the recession, development has been limited to build-to-suit or owner-occupied facilities such as Anytime Fitness’ recently announced headquarters in Woodbury and Bremer Bank’s 600-person back office at Eagle Point Business Park in Lake Elmo. Developers of The Oaks in Oakdale, Crossroads of Oakdale, and Eagle Point do not plan to build-out the remainder of their business parks without new leasing commitments. The combination of high vacancy, low rent, and limited absorption suggest there is little opportunity for new office development in the near-term. Tenants in East Metro perceive transit access as a secondary amenity and developers do not anticipate the provision of transit to provide a rent premium that improves the economics of building new office space.

Figure 2. Office Delivery, Absorption, and Vacancy, 2006-2014



Source: HR&A Advisors, CoStar Group

Analysis excludes 3M Maplewood Campus and properties under 2,500 square feet.

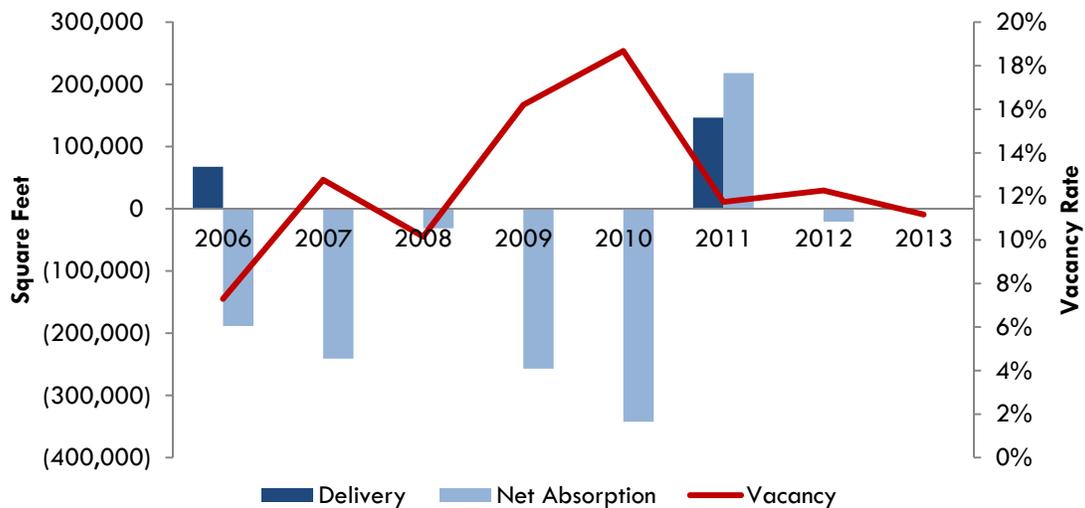
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INDUSTRIAL

Industrial is primarily located on the eastside of Saint Paul, a legacy industrial area. Market conditions suggest limited future growth opportunity for the rest of the corridor. The corridor has an inventory of 3.8 million square feet of industrial space, with the majority located in historically industrial areas like the eastside of Saint Paul. The market has a vacancy rate of 11% (429,000 square feet), an improvement from the 19% vacancy rate seen in 2010. Rentals rates are currently \$3.8 per square foot per year, below the 2007 peak of \$5.1. As shown in Figure 3, the only major delivery since 2006 is a manufacturing facility for Baldinger Bakery, located on the former 3M Saint Paul campus currently owned by the Saint Paul Port Authority.

Since 2006, the corridor experienced an average gross absorption of 144,000 square feet and negative net absorption of 108,000 square feet per year. While a significant number of greenfield sites are suitable for industrial use along the corridor, there is no clear market demand for new industrial space. Transit may be an amenity for industrial tenants, but it is not a primary site selection parameter.

Figure 3. Industrial Delivery, Absorption, and Vacancy, 2006-2014

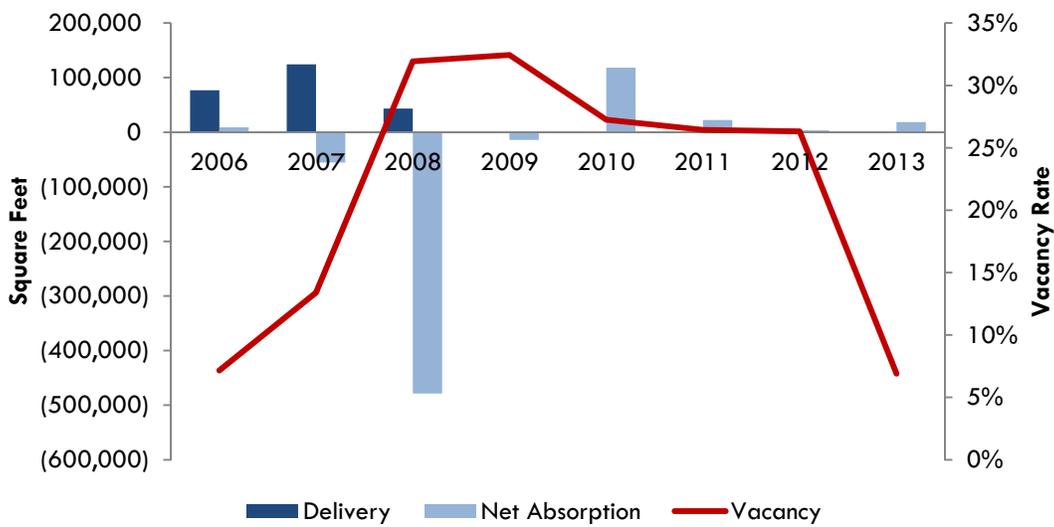


Source: HR&A Advisors, CoStar Group
 Analysis excludes properties under 2,500 square feet.

FLEX

The flex market has recovered and features low vacancy, though development economics remain challenging. Flex is a versatile building typology meant for office, warehouse, or industrial use. The market has 7% (151,000 square feet) vacancy and rentals rates are currently \$8.6 per square foot, still below the 2011 peak of \$9.5. As shown in Figure 4, no new flex space has been delivered since the market downturn. Since 2006, the corridor experienced average annual gross absorption of 196,000 square feet and negative net absorption of 47,000 square feet per year. While sites are available for flex use along the corridor, developers are hesitant to move forward unless they are able to find an end user.

Figure 4. Flex Delivery, Absorption, and Vacancy, 2006-2014



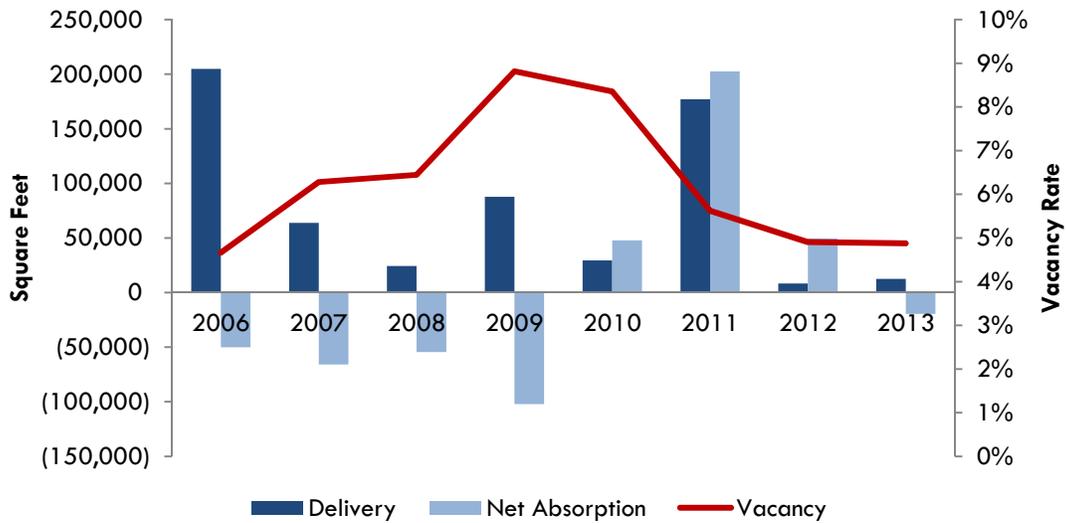
Source: HR&A Advisors, CoStar Group
 Analysis excludes properties under 2,500 square feet.

RETAIL

The retail market has strengthened, as evidenced by low vacancy. The corridor contains over 7.5 million square feet of retail space, with a 5% vacancy rate (360,000 square feet), in line with pre-recession levels. The \$12.9 per square foot annual rental rate, however, remains below the 2007 peak of \$15.7. Since 2006, the corridor experienced average annual gross absorption of 320,000 square feet and net absorption of 1,000 square feet per year. Since 2010, the pace of net absorption has increased to approximately 70,000 square feet per year.

New development illustrates the strength of the corridor as a choice retail location, though some observers noted it may be reaching a saturation point. The largest, most recent delivery was a Super Target at Commerce Hill in 2011. More development is expected in Woodbury, including a new Costco, Cabela’s, Woodbury Plaza, and the expected build-out of the remaining retail pads at Commerce Hill. Because the market now features most retail chains and a spectrum of retail options, some interviewees suggested that there remains little opportunity to absorb new retail development.

Figure 5. Retail Delivery, Absorption, and Vacancy, 2006-2014



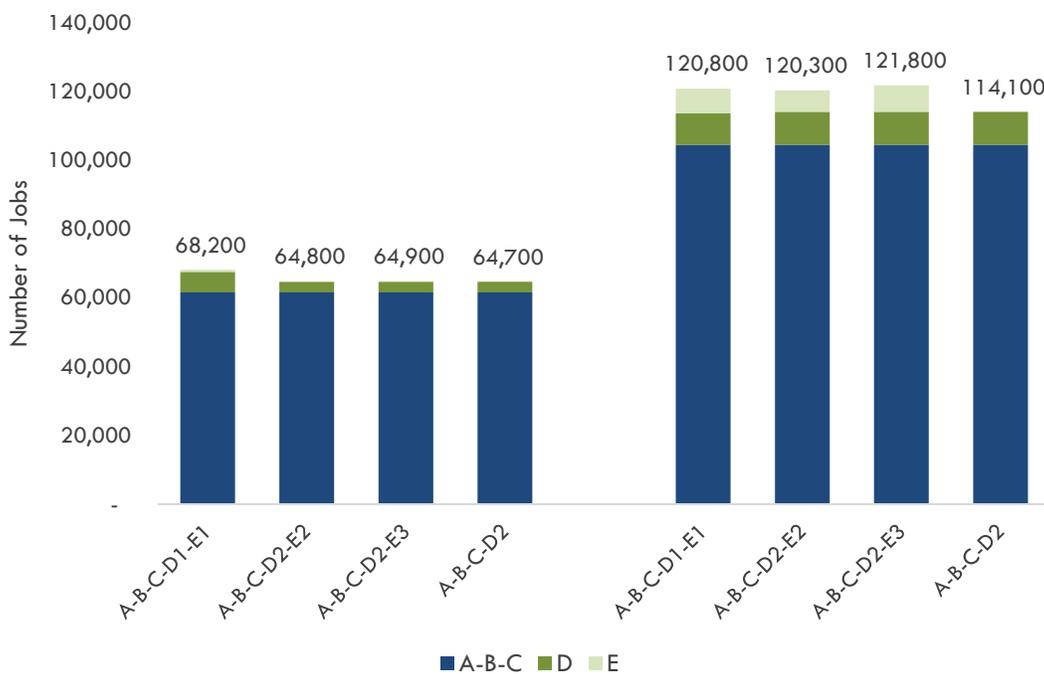
Source: HR&A Advisors, CoStar Group

ASSESSMENT OF ALTERNATIVE ALIGNMENTS

EMPLOYMENT ACCESS

HR&A analyzed the Metropolitan Council’s 2010 and 2030 employment estimates for the corridor. Figure 6 presents a summary of current and projected employment along the corridor. The study area consists of transportation analysis zones located within a roughly 1-mile buffer of the I-94 corridor and approximate the alignments under consideration as of May 2014. Exhibit B presents a map of the traffic analysis zones HR&A affiliated with each alignment. Exhibit C presents a table of the employment estimates separated into retail versus non-retail jobs, by alignment.

Figure 6. Metropolitan Council Employment Estimates, 2010-2030



Source: HR&A Advisors, Metropolitan Council

The D and E alignments represent a small portion of jobs along the corridor, most of which are in downtown Saint Paul or at 3M. In current conditions, D1-E1 alignment (south of I-94) provides access to more jobs, but by 2030, the D2-E3 alignment (north of I-94) may end up providing access to more jobs. The D1-E1 alignment provides access to 68,200 jobs, only slightly more than other options and reflects the concentration of retail jobs that can be found at Tamarack Village and Woodbury Lakes Shopping Center, and non-retail jobs at Crossroads Commerce Center, all south of I-94. By 2030, D2-E3 will provide access to 1,000 more jobs than D1, likely reflecting the anticipated build-out of development sites such as The Oaks Business Park in Oakdale, Eagle Point Business Park in Lake Elmo and other greenfield sites to the east. It is important to keep in mind that the A, B, and C alignments in areas such as downtown Saint Paul and 3M make up the vast majority of jobs on the corridor and that the D and E alignments make up roughly only 5% of employment on the corridor.

While the D2-E3 alignment may end up providing access to more jobs, the magnitude and pace of employment uses (office, industrial, flex, and retail) is uncertain. Based on the findings from the market analysis, the timing and of development is unknown, and may not occur in tandem with deployment of transit service, particularly in E3 where business park sites are further from the core of the metro area and may not develop in the near-term given market conditions.

Transit will be an amenity, but not a driver, for future employment areas on the D and E alignments. While office, industrial, and flex tenants in East Metro value transit access as an amenity, developers do not anticipate the provision of transit to accelerate development in the near-term.

The realization of future employment will hinge on local decisions (Lake Elmo for E3, Woodbury for E1) for fostering development. The timing of development will be contingent on municipal commitment to infrastructure investment, zoning policy, and the potential provision of incentives for attracting development and/or employers.

TOD POTENTIAL

D2 provides greenfield conditions where new development can be shaped into TOD, whereas D1 would require redevelopment to create TOD. Along the D1 alignment, redevelopment economics are challenging due to the need for higher rents to offset the costs of demolition, lost income during the construction period, and the cost of new construction. In contrast, the D2 alignment presents a lower barrier to development as it contains greenfield sites at Eagle Point Business Park and areas further east. At those sites, development could be designed at medium to high densities and oriented towards new transit.

However, creating TOD-style development on D2 will require a change in land use plans, improved market conditions, and sustained public commitment to realize development. Some of the sites on D2 are already planned without accounting for a transit line or station area. Modifying plans for TOD will require policy and landowner commitment to increase density and orient plans towards transit. Developers will also need confidence that they can achieve a return on investment. Public investments in station area public realm and/or provision of incentives can improve development feasibility.

The E alignments present an opportunity for TOD by shaping greenfield sites into TOD. These alignments face challenges similar to D2, and may require a longer timeframe to realize TOD-style development. To the north of I-94, the City of Lake Elmo envisions mixed uses and higher densities through rezoning and the provision of new infrastructure. To the south of I-94, the City of Woodbury envisions office and industrial uses, with limited to no residential, although the largest property owner in that area has expressed openness to building TOD.

FINDINGS

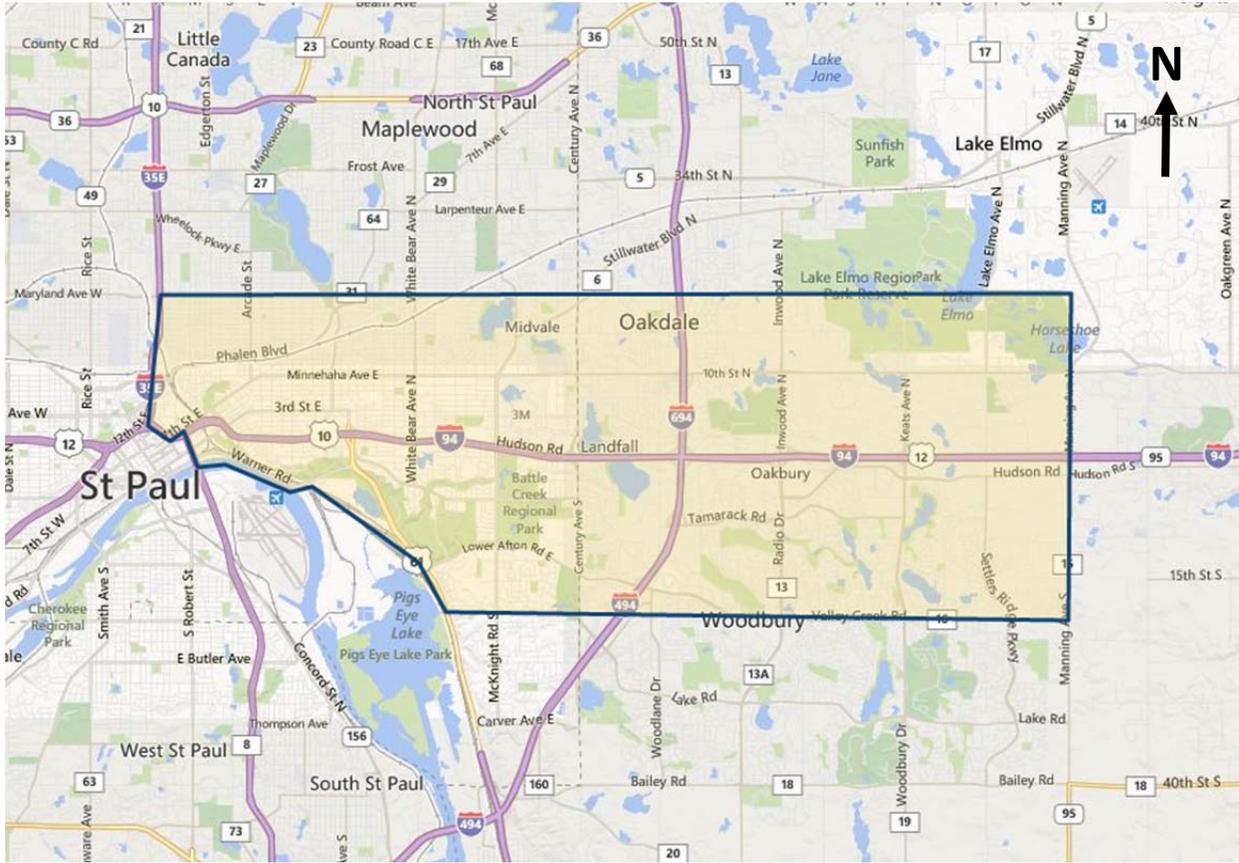
D1 and D2 offer comparable job access. D2 offers an opportunity to orient new employment uses towards transit, but development economics are uncertain. D2 features greenfield sites that could be developed with employment uses that are physically oriented towards transit, but development economics require stronger market conditions and public policy commitment to creating an attractive station area and/or incentivizing development. Without development on D2, D1 would continue to offer marginally more jobs than D2.

The area north of I-94 has more ingredients in place for transit-friendly development. The area south of I-94 is located in Woodbury, which has a successful track record for fostering development. Lake Elmo has committed much of the area north of I-94 to transit-friendly development (mixed uses, medium density), whereas Woodbury does not foresee residential uses south of I-94. However, Woodbury has a track record for attracting developers and may be able to develop that area quicker and more completely.

OTHER CONSIDERATIONS

A double-loaded corridor, with development on both sides of potential station areas, will support more ridership and provide a more attractive environment for TOD. As opposed to a single-loaded corridor (development on one-side and landscape or I-94 on the other side of the road), a double-loaded corridor will allow for complete station areas and maximize the place-making effect of new transit stations. It can also support ridership by increasing the number of employment and residential areas within walking distance of transit.

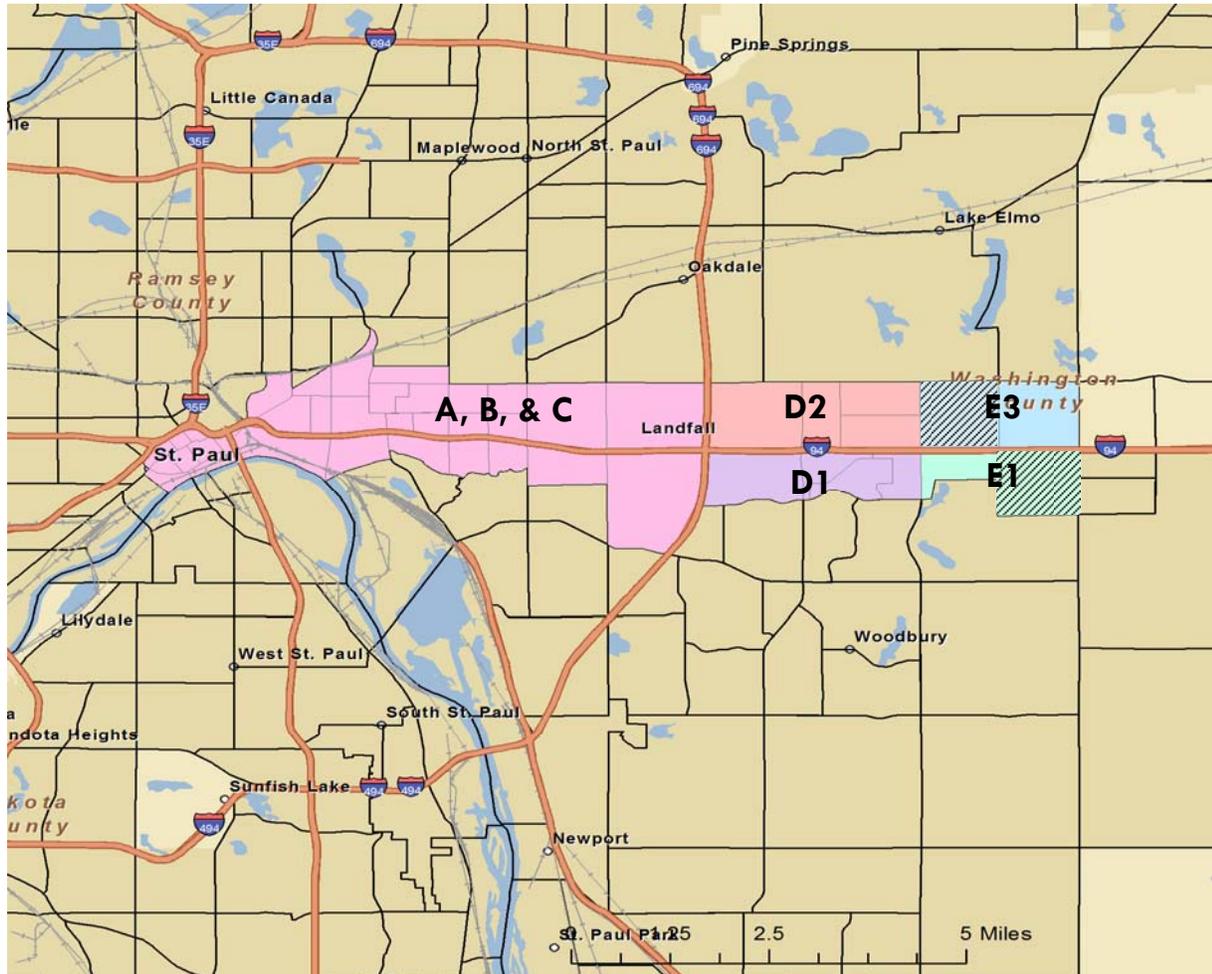
EXHIBIT A: REAL ESTATE (OFFICE, INDUSTRIAL, FLEX, RETAIL) MARKET STUDY AREA



Source: CoStar Group

EXHIBIT B: EMPLOYMENT ACCESS STUDY AREA

Study areas comprise of Metropolitan Council traffic analysis zones. E2 comprises of the area cross-hatched on the map, representing the crossover I-94.



Source: ESRI, Metropolitan Council

EXHIBIT C: EMPLOYMENT ESTIMATE, RETAIL VS. NON-RETAIL

<i>Alignments</i>	2010			2030		
	<i>Total</i>	<i>Retail</i>	<i>Non-Retail</i>	<i>Total</i>	<i>Retail</i>	<i>Non-Retail</i>
A-B-C-D1-E1	68,200	7,900	60,300	120,800	8,500	112,300
A-B-C-D2-E2	64,800	5,550	59,250	120,300	5,900	114,400
A-B-C-D2-E3	64,900	5,550	59,350	121,800	5,800	116,000
A-B-C-D2	64,700	5,550	59,150	114,100	5,200	108,900

Source: HR&A Advisors, Metropolitan Council

EXHIBIT D: INTERVIEW LIST AND SUMMARIES

HR&A conducted interviews with the following people, either in-person or by phone, in April and May 2014.

REAL ESTATE DEVELOPMENT COMMUNITY

- Tony Barranco, Ryan Companies, April 10, by phone
- David Johnson, Mike Conners, Crossroads Properties, April 17, in-person
- Kit Richardson, Schafer Richardson, April 17, in-person
- Alan Dale, Stonehenge Properties, April 18, in-person
- Robert Engstrom, Robert Engstrom Companies, April 18, in-person
- Lee Krueger, Saint Paul Port Authority, April 18, in-person
- Matt Alexander, Kraus-Anderson Realty, April 29, by phone
- Matt Van Slooten, Kim Hofstede, Carlson Real Estate Company, May 1, by phone

PUBLIC OFFICIALS

- Dean Zuleger, Kyle Klatt, City of Lake Elmo, April 15, in-person
- Dwight Picha, Janelle Schmitz, John Bradford, Eric Searles, City of Woodbury, April 15, in-person
- Dan Kylo, Dave Schultz, Steve Ebner, Dave Dupay, Ed Gorman, Ben Gozola, West Lakeland Township, April 16, in-person
- Dave Gontarek, Bill Dermody, City of Saint Paul, April 16, in-person
- Melinda Coleman, Michael Thompson, Tom Ekstrand, City of Maplewood, April 17, in-person
- Bob Streetar, City of Oakdale, April 18, in-person
- Michael Ericson, City of Landfall, April 22, by phone

SELECT FINDINGS FROM REAL ESTATE DEVELOPMENT COMMUNITY INTERVIEWS

The corridor is an attractive residential market, particularly for single-family housing. The real estate development community believes households in the market in this area have a preference for single-family residential housing options. Households move to East Metro to find a recently built home at a lower price point than West Metro communities offering a similar commute time to job centers like downtown Minneapolis.

Some developers believe that transit can be an amenity and differentiator for residential development, but is unlikely to catalyze medium density TOD. With transit, some developers would be interested in increasing density and reorienting site plans towards proposed station. Other developers felt that the proposed transit line will be underused and of marginal benefit, at least in the near to medium term. Developers in the latter group perceive a challenging track record for non-traditional development in East Metro and do not see transit as a differentiator for the corridor versus other parts of the Twin Cities.

While demand for TOD-style development is increasing in the Twin Cities region, it remains an untested product along the corridor. Medium density, mixed-use development has primarily occurred in established areas such as Downtown Minneapolis and Saint Paul, University Avenue, Uptown, and other neighborhoods with a strong amenity base and access to employment centers. This type of urban development is largely untested along the Gateway Corridor with the notable exception of City Walk in Woodbury. The project experienced difficulty in its initial sales period and developers are skeptical of demand for a similar product. Some developers are receptive to multifamily housing and have focused on lower density townhomes, albeit at a much smaller volume than single-family homes.

3M is driving factor in the local real estate market. Suppliers to 3M and spinoff from 3M make up a sizable component of office and flex market demand. Despite recent investments in R&D facilities in Maplewood, many do not anticipate 3M-related demand to grow.

The economics of office and flex development remain challenging. Flat rents and the availability of space in existing properties suggest the office and flex market have limited near-term potential.

Developers question the feasibility of medium density TOD even with the advent of transit service.

Developers have several concerns about the Gateway Corridor:

- Limited in-place amenities and destinations
- Untested market for multifamily housing
- Weak recovery and available inventory of vacant office and industrial space
- Significant opportunities exist in other parts of the Twin Cities for TOD-style development
- Municipalities along the corridor have a wide-ranging track record for supporting development, particularly at higher densities

SELECT FINDINGS FROM INTERVIEWS WITH PUBLIC OFFICIALS

City of Lake Elmo

- Rapid transit will be beneficial to employees commuting from the East Metro to Eagle Point Business Park and residents commuting to 3M or downtown Saint Paul. The Lake Elmo Park Reserve also attracts 250,000 visitors a year and may contribute to ridership.
- Resident currently use park-and-ride transit service to reach downtown Minneapolis. The City would like to see this service continue to be available in addition to the Gateway Corridor.
- The D2 alignment will be an amenity for property owners on that alignment. Many of those sites are vacant and can be shaped by transit.
- The City is proposing a new east-west street between Hudson Boulevard and 10th Street, tentatively named 5th Street. The City believes that a Hudson Boulevard alignment will be more valuable to commercial uses along the corridor.
- The City has had a growth moratorium for several years. However, the new City Council recognizes the need for growth and plans to extend utilities to designated areas along the corridor over time.
- New development will be concentrated along the I-94 corridor. The newly adopted comprehensive plan calls for medium-density residential and commercial along the I-94 corridor, with the goal of preserving the rural nature of Lake Elmo north of 10th Street.
- The City has established an Economic Development Authority and will be proposing a TIF district in the fall. The new City Council wants to be accommodating to development and is pursuing tools like TIF to compete for future development.
- Over 1,200 residential units, largely single-family, are planned over the next 5-7 years. Most residential product is proposed to be single family with sales price ranging from \$500,000-\$700,000.

City of Woodbury

- Residents currently use park-and-ride transit service to reach downtown Minneapolis. A number of residents use park-and-ride facilities located at Woodbury Village and Guardian's Angels Church in Oakdale to reach Minneapolis. The City is interested in maintaining this service in addition to the Gateway Corridor.
- Woodbury households are likely to be choice commuters that own cars and work across the Twin Cities. They benefit from express bus service to Minneapolis for commuters that do not want to drive in traffic and avoid the high cost of parking. A multi-stop connection to 3M and downtown Saint Paul may not be as popular.

- Woodbury has been a success story in attracting investment. Woodbury benefits from its location and accessibility to the rest of the metropolitan area. The City features many attractive sites with fewer redevelopment challenges than other communities on the corridor. The City encourages development by offering flexible zoning and to a limited degree, incentives. Incentives include tax-increment financing and property tax abatements, both are used rarely.
- The City prefers the D2 alignment, so as not to impact traffic conditions at Radio Drive and impede existing development.
- The City prefers an alignment south of I-94 to add value to the business park uses envisioned for that area, which is mostly undeveloped. The City is restricting residential development in the vicinity of the southern E alignment and plans to focus residential growth further south.
- The City recognizes the challenging office market and sees potential for flex development, particularly along the southern E alignment.
- While significant retail development is underway, additional supply beyond that may not be supportable. The City is home to approximately 4.5 million square feet of retail space with 98% occupancy. The most recent development is Cabela's, which will open its only East Metro store in early 2014. There is additional demand for retail but City Council is concerned with saturation and is looking to limit new retail development in favor of office use.
- Single-family demand is strong and has recovered quickly since the recession. Multifamily development is rare with CityWalk being the only major development in recent years. City staff believe that demand is not strong enough to support additional multifamily development in Woodbury. The demographic interested high-density living is generally attracted to Downtown or Uptown in Minneapolis or downtown Saint Paul.

West Lakeland Township

- The Township believes a park and ride near Manning Avenue can spur new mixed-use development envisioned for that area. West Lakeland is planning for mixed-use development (office, flex, and residential) in the northeast corner of Manning Avenue and Hudson Boulevard.
- East Metro is attractive for commuters looking for single-family homes, particularly for new construction.
- Residential development in West Lakeland has been very limited over the past decade. The Township is a relatively small community and added an average of 50 to 60 single-family homes per year before the recession, with much less development since the recession. Virtually all new housing has been high-end single-family homes, priced above \$500,000.

City of Saint Paul

- Job access for East St. Paul residents should be a key criteria in making alignment and station decisions. The City does not yet have a preference for D1 or D2, but prefers the alignment which connects to the highest number of existing and projected jobs.
- The corridor is currently zoned for primarily residential uses except for the area around Sun Ray shopping center where the City has zoned for mixed-use development. The City expects higher density around station areas but is seeking input on the highest and best use.
- Lowertown has emerged as a mixed-use entertainment district, with further development underway. Redevelopment has accelerated in recent years, coinciding with investments in the public realm and renovation of the St. Paul Union Depot. New development includes rentals, condominiums, and hotel uses, including the proposed conversion of the former U.S. Post Office building to hotel and residential uses and the recent opening of a Lunds grocery store. The City anticipates that the opening of the Green Line and Saints ballpark will further increase activity and market demand in the neighborhood.
- Sun Ray is a community asset but may offer opportunity for redevelopment. The retail at Sun Ray is an important community asset and complements other civic facilities nearby including the library and recreation center. It can serve as an anchor for a station area, and there may be opportunities to further invest in the property with the advent of transit.
- The proposed station at Mounds should connect with major destinations but has limited opportunity sites. The proposed station is near Metropolitan State University and its Science Center. A quality pedestrian connection can support ridership on the Gateway Corridor. Students can be more easily linked to opportunities at 3M and downtown St. Paul. The surrounding area is a historic district and may not provide opportunity to large-scale redevelopment.
- Proposed stations White Bear, Etna, and Earl may provide limited opportunities for higher-density development. There have been proposals for a hotel and senior housing near White Bear though progress is uncertain. Access to Metro94 is critical as it is a fully occupied property and a source of jobs.

City of Maplewood

- The City would like the station at 3M campus to be an asset for City residents in addition to a gateway for 3M. They believe connectivity to the part of Maplewood south of I-94 can be helpful in achieving that.
- The Gateway Corridor offers value to 3M in that it allows them to connect to a younger workforce that may be living in Lowertown or other transit-connected areas and allows business travelers to stay at hotels in downtown Saint Paul and easily travel to campus. The City strongly recommended HR&A speak with 3M representatives to better understand 3M's campus plans and how it may benefit from the Gateway Corridor.

- A portion of the area along Tanners Lake falls within Maplewood's boundaries. They are open to redevelopment of that area in partnership with the City of Oakdale.

City of Oakdale

- Oakdale sees the Gateway Corridor as an important amenity for City residents and the development that would align the transitway. Many City residents already use the park-and-ride at Guardian Angels church to reach downtown Minneapolis.
- The City prefers a station along 4th Street, but one that is visible and accessible to City residents in addition to tenants of the Oaks development.
- The Oaks is a business park that features recently built office and flex space with sites available for development. The City believes the Gateway Corridor will help to differentiate the Oaks from other business parks.
- There are other development opportunities that could be served by transit depending on station location decisions including the vacant property west of I-694, at the Crossroads, and infill on parking lots along the alignment.
- At Oak Marsh Golf Course, a hotel development is underway that may cater to 3M visitors. The Gateway Corridor could be an important amenity for that project.

City of Landfall

- Landfall is a small community that is an important source of affordable housing in East Metro. While many residents use transit, many residents also own cars.
- While there are some residents who commute to downtown Saint Paul, it is not necessarily the primary place of employment for Landfall residents.
- There are two motorcycle dealerships in Landfall that are important economic development assets for the City. They should be considered in planning the alignment and any station area in Landfall.



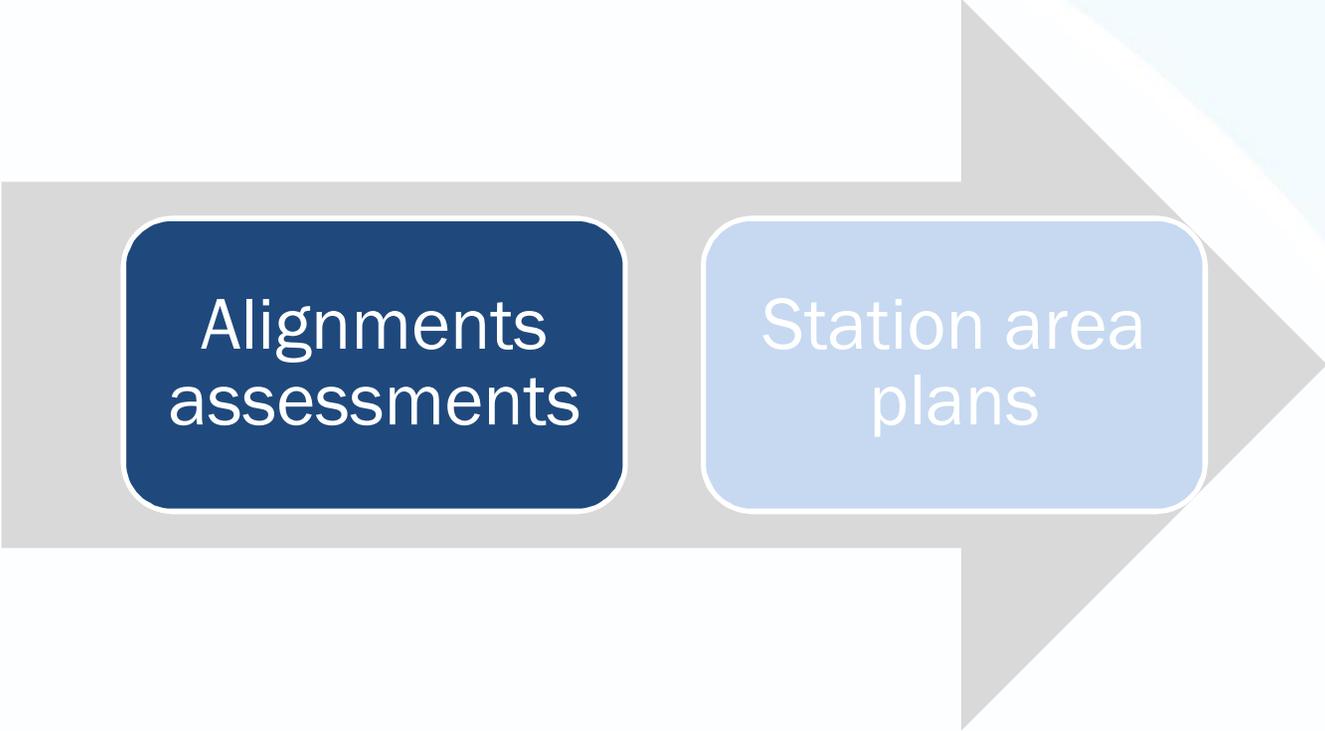
Draft Environmental Impact Statement

D1, D2, and E Alignments Economic Development / TOD Analysis

HR&A Advisors, Inc.

TAC Meeting

May 21, 2014



Alignments
assessments

Station area
plans

HR&A assessed the proposed alignments from two perspectives.

Which alignments can best support economic development?

Which alignments will maximize opportunity for TOD?

HR&A consulted with real estate experts and municipalities to understand market conditions and alignment considerations.

Municipalities

- Saint Paul
- Maplewood
- Oakdale
- Landfall
- Woodbury
- Lake Elmo
- West Lakeland Twp.

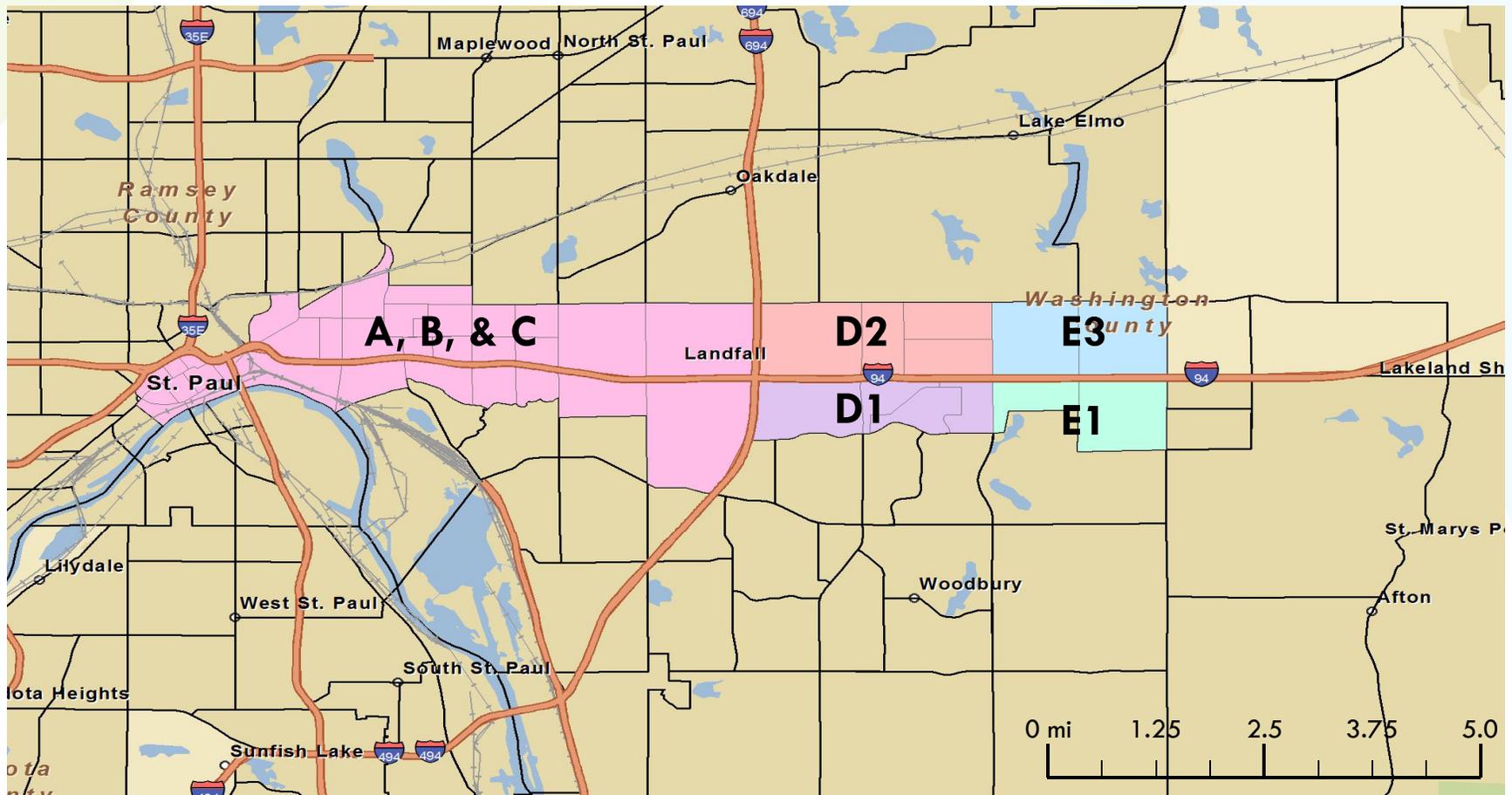
Real Estate Experts

- Carlson Real Estate
- Crossroads Properties
- Elion Partners
- Robert Engstrom Companies
- Ryan Companies
- Saint Paul Port Authority
- Schaefer Richardson

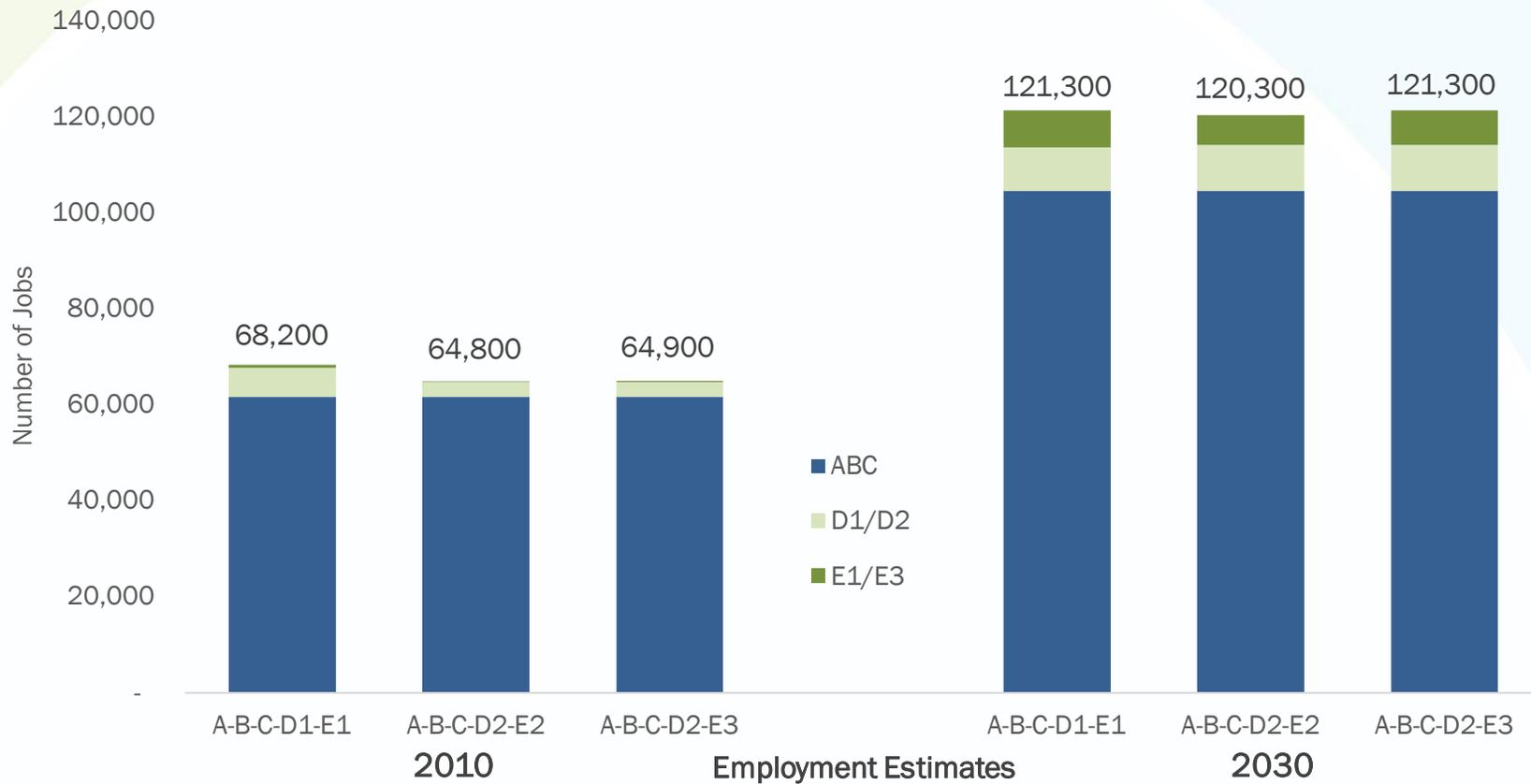
Which alignments can best support economic development?

Which alignments will maximize opportunity for TOD?

Study area: Metropolitan Council Transportation Analysis Zones

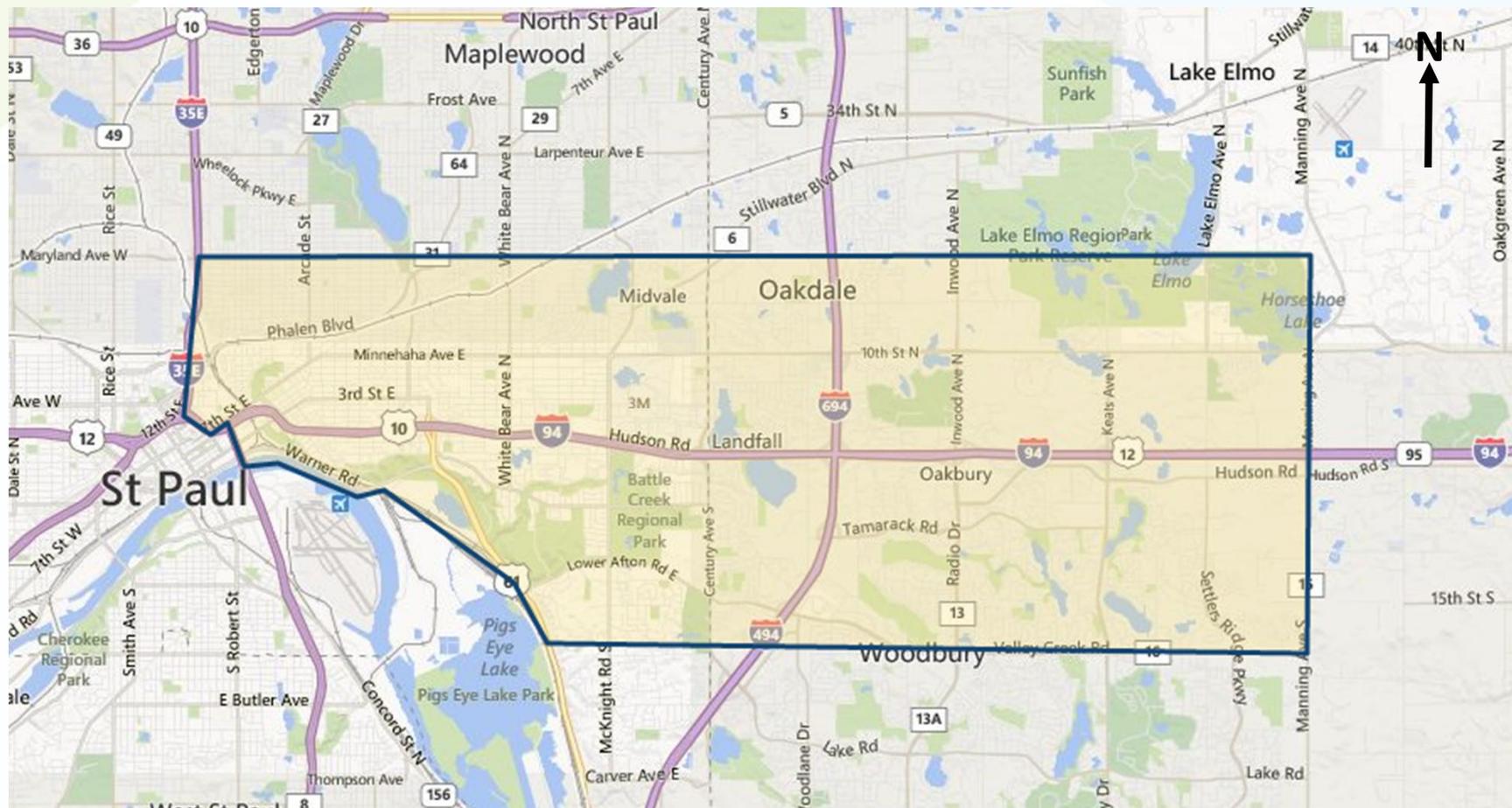


The difference between alternatives is small when considering the total number of jobs on the corridor.



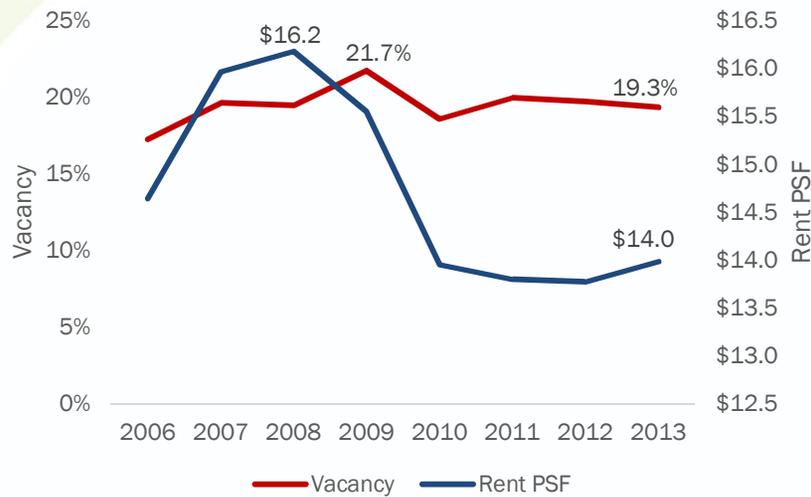
Source: Metropolitan Council

Real estate conditions analyzed within 2 miles of the Gateway Corridor, excluding downtown Saint Paul.



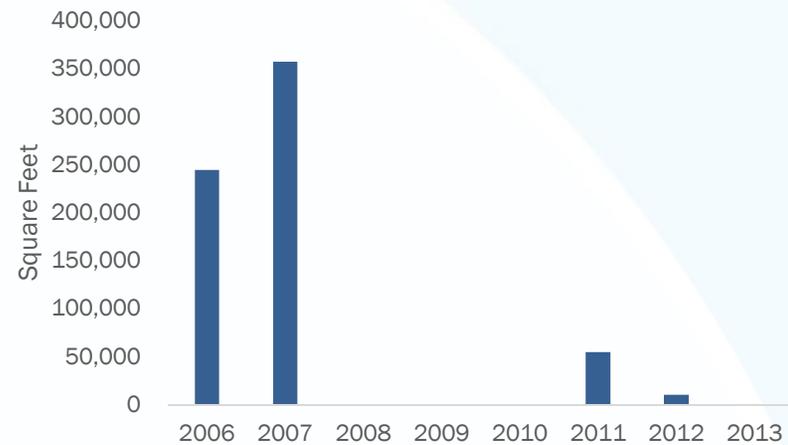
Office market conditions are still relatively weak.

Corridor Office Rents and Vacancy



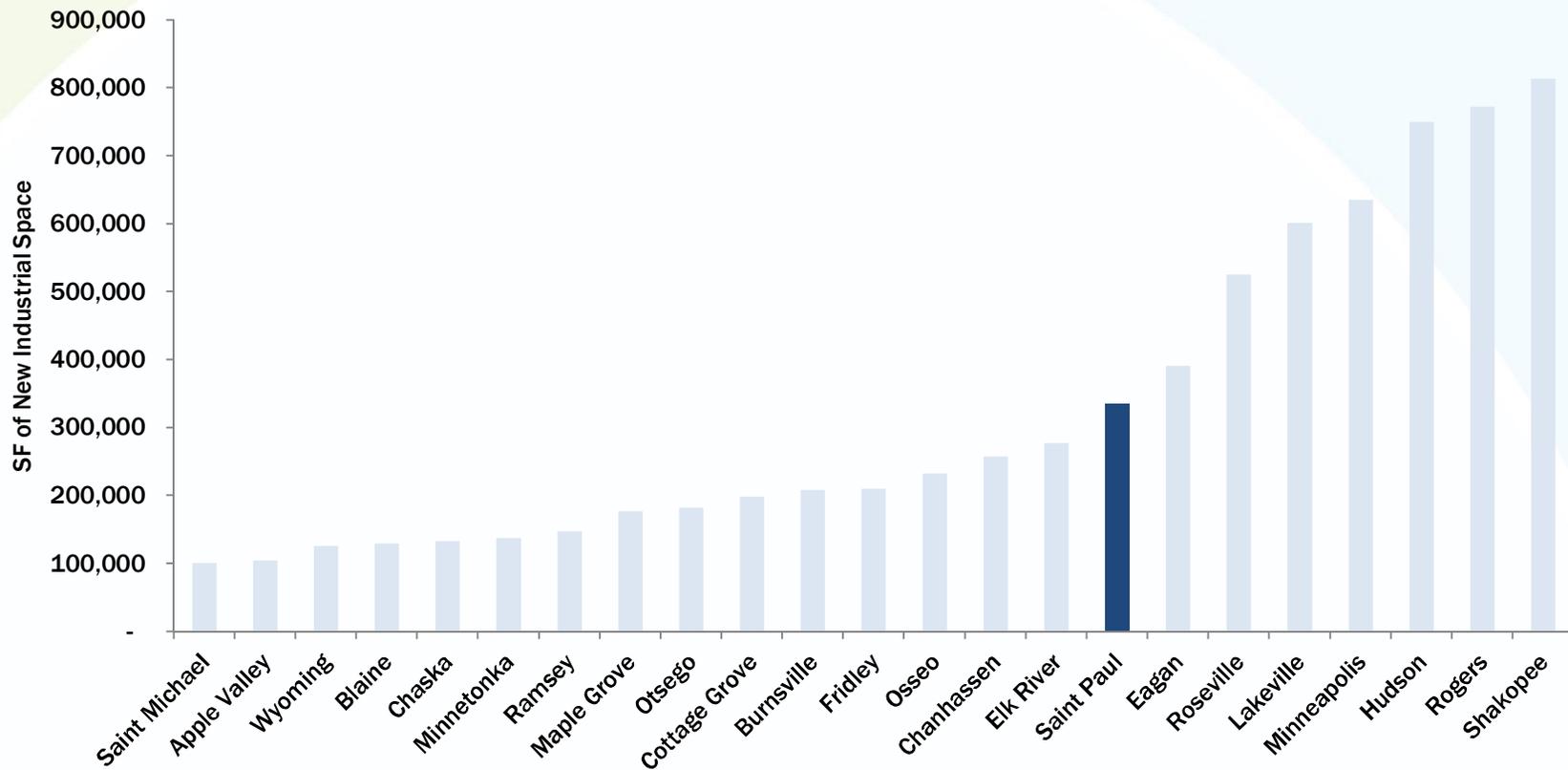
High office vacancy and decreasing rents on the Gateway Corridor.

Corridor Office Deliveries



Very limited office development since the recession.

Since 2006, major industrial development has occurred in Saint Paul but not in the D1 or D2 communities.

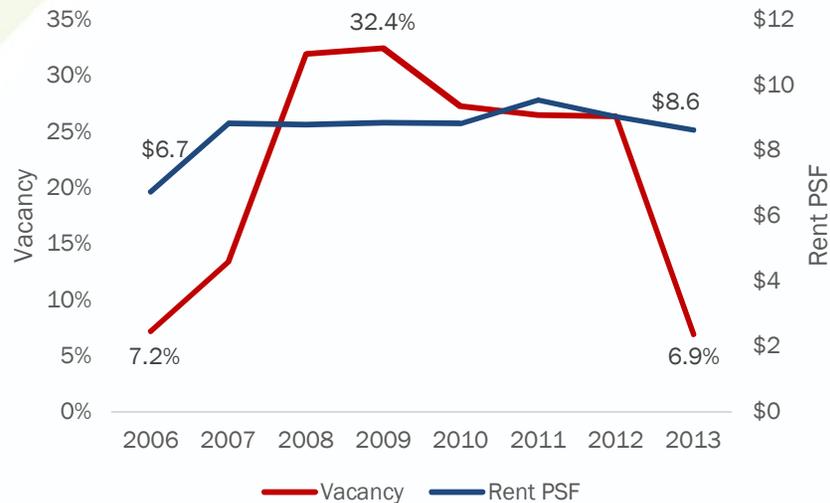


Cities by Industrial Delivery, 2006-2013

Analysis includes all cities within Minneapolis-St. Paul region, chart only shows cities with over 100,000 SF of new development
Source: HR&A Advisors, CoStar

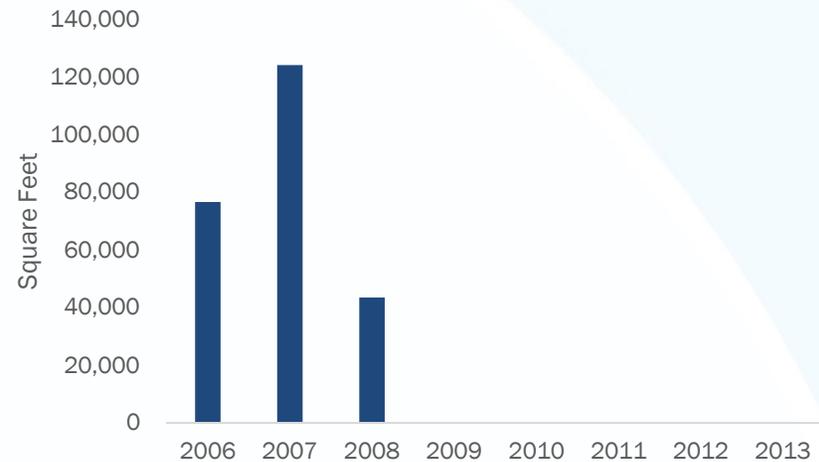
Flex, which can be used for office, warehouse, laboratory, or showroom space, shows promise on the Gateway Corridor.

Corridor Flex Rents and Vacancy



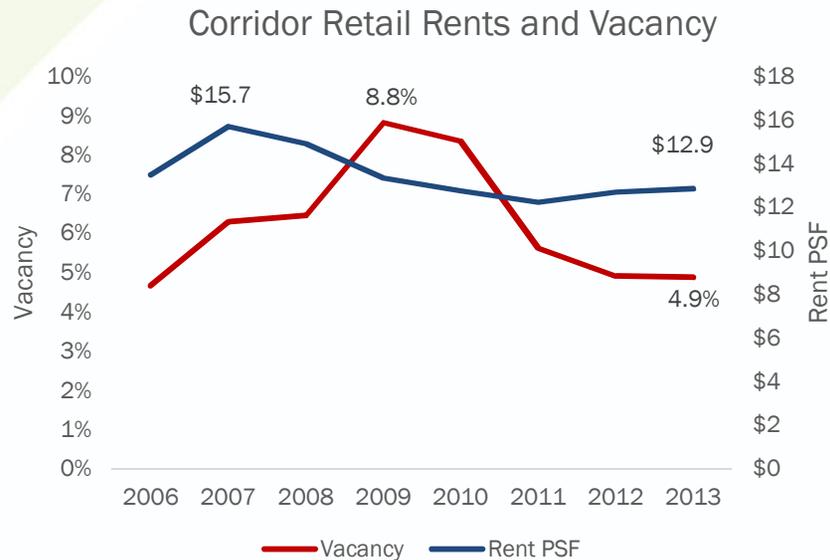
Flex market has recovered and features low vacancy.

Corridor Flex Deliveries



No flex development since the recession.

The retail market is strong on the Gateway Corridor.



Retail market features low vacancy.

New development has continued, unlike office and flex uses.

Which alignments can best support economic development?

Which alignments will maximize opportunity for TOD?

Transit-oriented development

“A *moderate to higher density* district/corridor located within easy *walking distance of a major transit stop* that typically contains a *mix of uses* such as housing, jobs, restaurants, shops, services, and entertainment.”

TOD Strategic Action Plan, Metropolitan Council



D2 provides soft sites for TOD whereas D1 requires higher cost redevelopment to become transit-oriented.

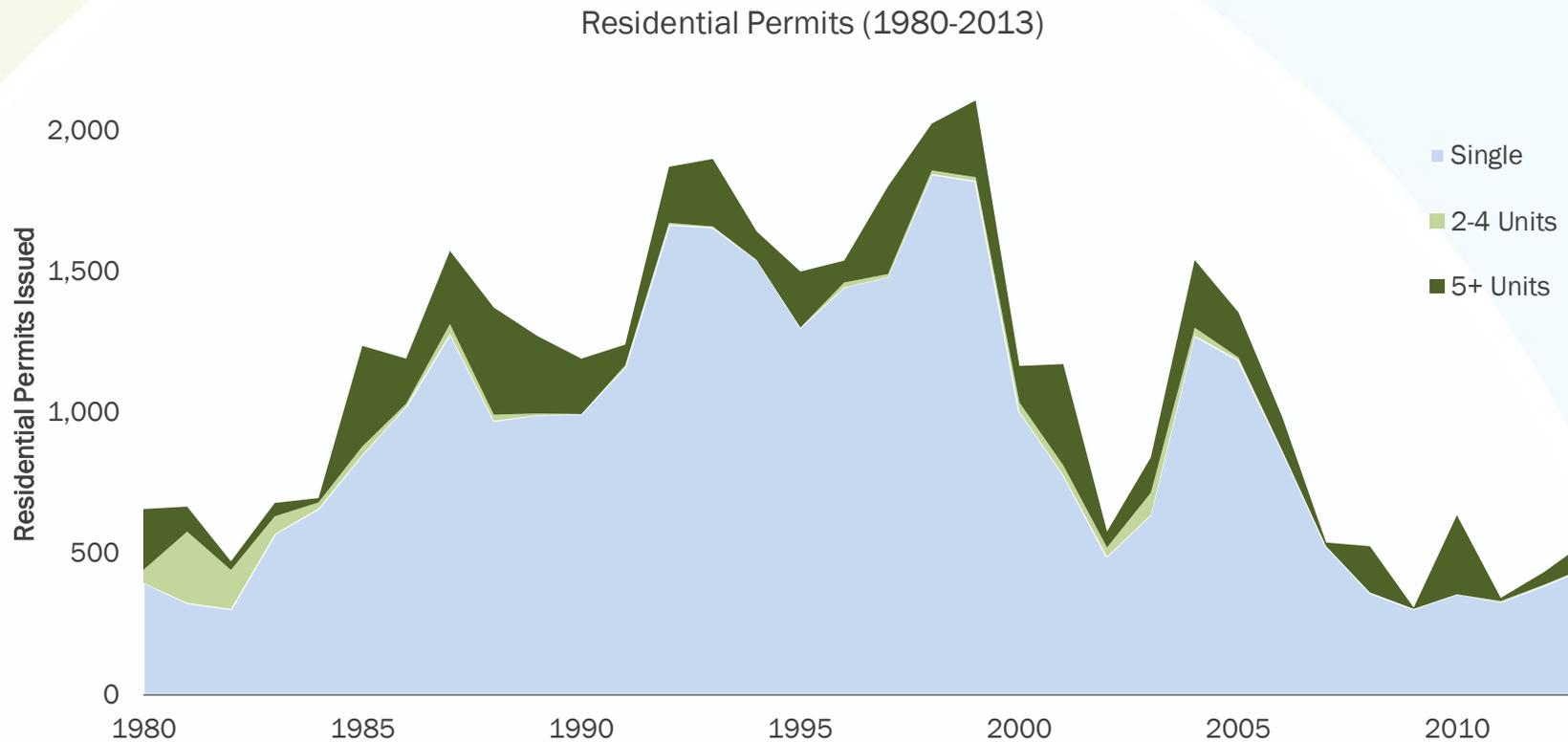


Woodbury Lakes, Woodbury



Eagle Point Business Park, Lake Elmo

There is limited multifamily residential being built on the Gateway Corridor.



Source: HR&A Advisors, U.S. Department of Housing and Urban Development

Transit can help contribute to making multifamily TOD possible by improving access and creating a place.



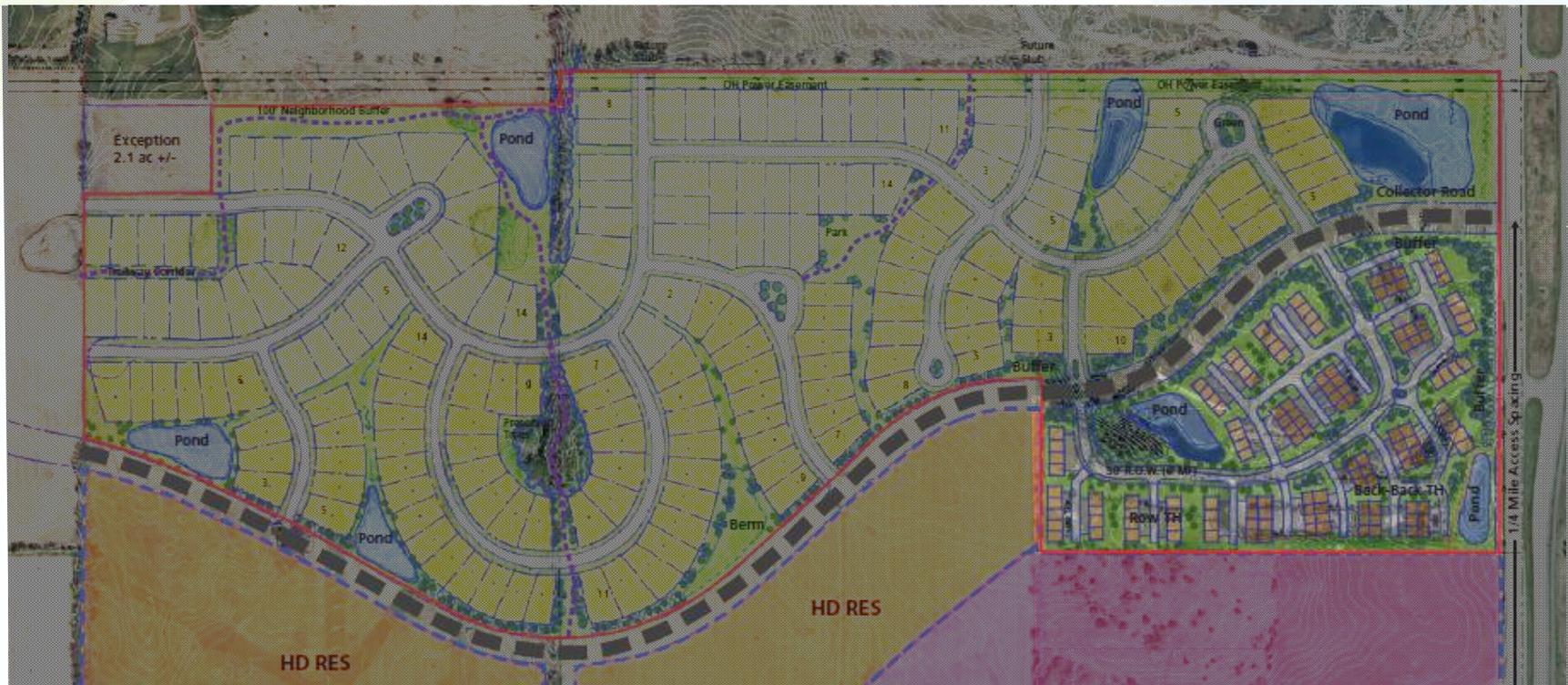
Low-rise townhomes



Mid-rise TOD

Orenco Station, Hillsboro, OR

Low-rise development also can be transit-oriented. There is some underway on the Gateway Corridor even without transit.



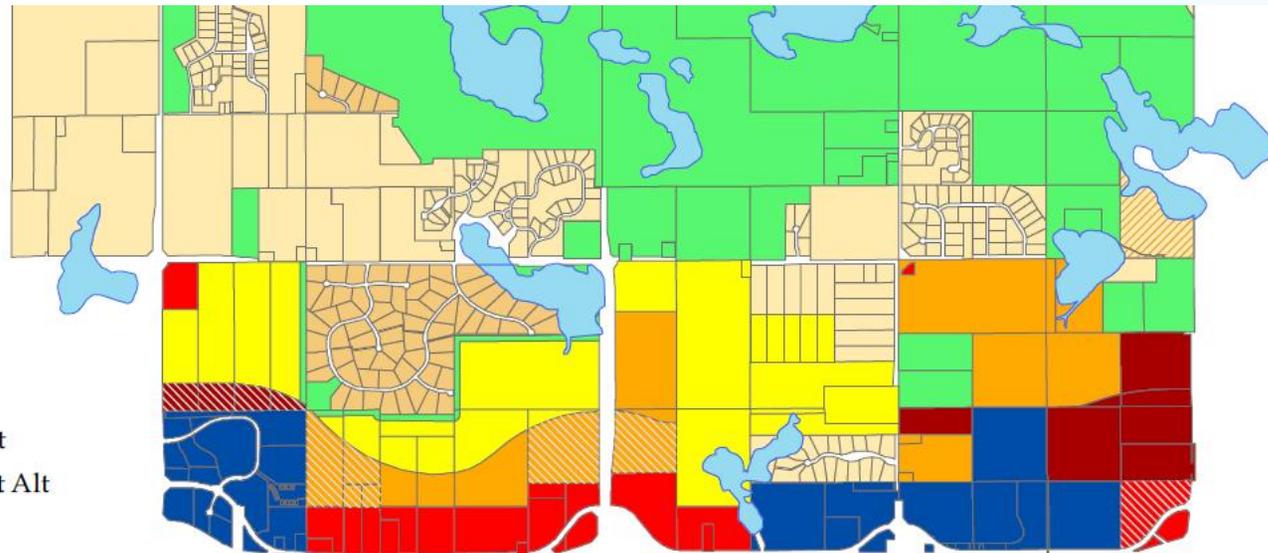
Lennar has proposed 131 units of low-rise multi-family townhomes at Savona in Lake Elmo.

Source: Lennar

Lake Elmo has TOD-friendly zoning policies in place (example: residential with minimum density, mixed use).

Planned Land Uses

-  Business Park
-  Urban Low Density
-  Urban Medium Density
-  Urban High Density
-  Old Village (TBD)
-  Commercial
-  Limited Business
-  Public/Park
-  Rural Area Development
-  Rural Area Development Alt
-  Residential Estate
-  Rural Single Family

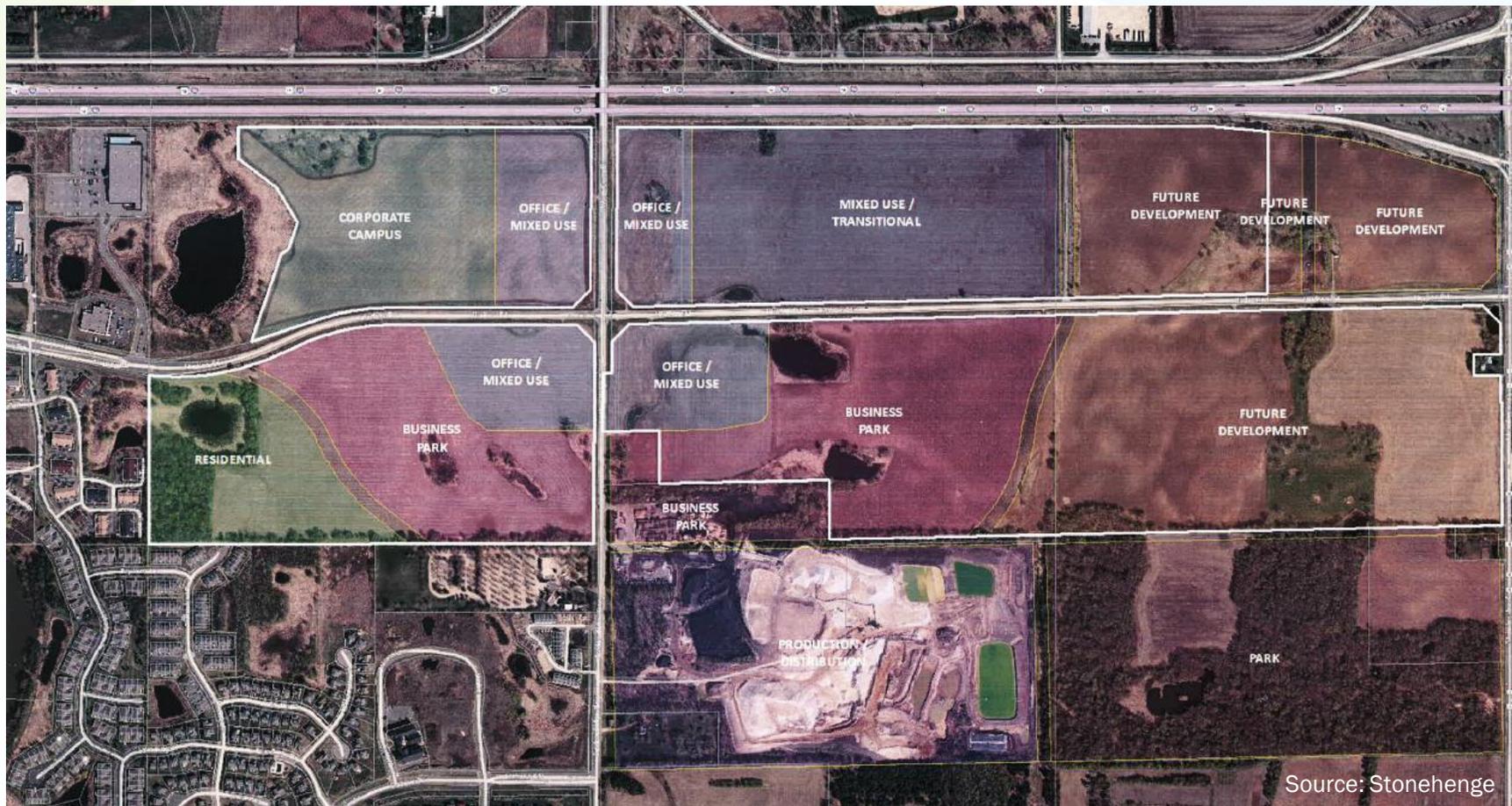


 (white hatching denotes possible mixed use areas)

Sources: MetroGIS
8-14-12

Source: City of Lake Elmo

Woodbury envisions primarily non-residential uses.



Preliminary assessment: **Economic development**

- D1 and D2 will be home to a **comparable number of jobs**.
- E1, E2, and E3 will be home to a **comparable number of jobs**.
- **Transit will be an amenity, but not a driver, for future employment areas** on the D2 and E alignments.

Preliminary assessment: **TOD**

- **D2 provides sites where transit can shape new development** whereas D1 would require more costly redevelopment.
- **All E alignments provide sites that can shape new development, but E3 features TOD-supportive zoning.** The current plan for the E1 area does not anticipate TOD.
- **A double-loaded corridor maximizes TOD opportunity.** Hudson Road provides opportunity for transit to connect to only one side of development.