

# SiteLines

Winter 2006

## Development Riding on the Hiawatha LRT

*Matt Mullins*

Transit Oriented Development ("TOD") has generated increased interest in recent years. TOD has gained notoriety nationwide as a means of promoting smart growth and creating walkable, mixed use developments. A number of Metro Area developers are constructing or planning new real estate projects located within close proximity to transit lines or stations, including the Hiawatha line, Northstar Corridor, and the Central Corridor. This edition of SiteLines will feature selected new developments along the Hiawatha Light Rail Transit Line.



Hiawatha LRT

### What is Transit Oriented Development?

Transit Oriented Development is not a new concept. In the late 19th century and the early 20th century, urban neighborhoods and cities formed around the streetcar network. The first streetcar lines were introduced in Minneapolis in 1875, while servicing Hennepin and Washington Avenues. However with time the automobile became the dominant means of travel, and developments in close proximity to transit were no longer of necessity.

Transit oriented development can be summarized simply: development around transit. The central idea of TOD is to be less reliant on driving by making the use of public transit, walking, biking and other alternatives to the automobile convenient and easy. TOD accomplishes this by providing attractive mixed-use development in close proximity to a public transit station or stop, as well as enhanced auto, pedestrian and bicycle connections. Furthermore, TOD encourages land use concepts that attract job opportunities and housing to transit, while increasing transit ridership. TOD can also be used as a tool for curbing sprawl and the automobile dependency it brings.

Most TOD developments tend to be particularly complex and require financial participation in some form from both the public and private sectors. In order for TOD's to be successful, the development needs to be driven by market conditions, increased transit ridership will not be enough.

Major public investments like transit can increase property values and create opportunities for community building. Transit projects and private development completed in unison can optimally enhance the other. Across the nation, property values have increased significantly as a result of being in close proximity to a transit station. The City of Boston found a 7% increase in single-family homes in communities served by rail. In Dallas, office properties located in close proximity to rapid transit increased by 53%. In New Jersey, median home prices are 10% higher within those census tracts closest to commuter rail. Nearly every major metropolitan area across the U.S. is pursuing new user-friendly transit options. The following text summarizes a number of TOD developments under development or planned in the Twin Cities Metropolitan Area.

### Hiawatha LRT Line

The Hiawatha Light Rail Transit ("LRT") opened in June 2004 and has exceeded ridership expectations and has sparked a number of new developments. The 12-mile rail corridor travels along Highway 55 and connects three important destinations: Downtown Minneapolis, the Minneapolis/St. Paul International Airport, and the Mall of America. Current weekday ridership is about 19,300 rides per day in 2005. Ridership is expected to reach 24,600 daily rides by 2020.

According to a recent Metropolitan Council survey, about 40% of customers riding the Hiawatha line are first-time transit users. Approximately two-thirds of these new customers said they would have driven alone for their commute, illustrating the line's impact on slowing traffic congestion. Furthermore, one-fourth of Hiawatha line customers reach the train by walking; a number that is expected to increase with new housing developments along the line.

A number of new developments, both for-sale condominiums and rental housing, have spurred up along the rail line and a number more are planned. The following table and text describes some of these new developments that have been recently constructed along the Hiawatha LRT line.

#### NEW HOUSING DEVELOPMENTS LOCATED ON OR NEAR THE HIAWATHA LRT LINE

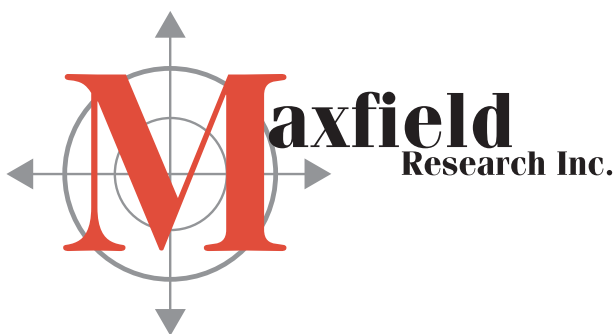
For-Sale Projects	Nearest LRT Station	Units
Franklin Station Twnhms.	Franklin	28
Hiawatha Court	38th St.	45
Hiawatha Square	38th St.	16
42nd Street Lofts	46th St.	19
Minnehaha Place	50th St.	90
Olin Crossing	50th St.	48
Reflections	Bloomington Central	274
		520
<b>Proposed/Pending</b>		
Franklin LRT Station	Franklin	127
PRG	Franklin	36
Corridor Flats	Lake St./Midtown	44
38th Street Flats	38th St.	42
		249
<b>Rental Projects</b>		
Oaks Hiawatha Station	46th St.	61
<b>Proposed/Pending</b>		
Riverside Station	Cedar/Riverside	42
Franklin LRT Station	Franklin	60
Hiawatha Commons	Lake St./Midtown	80
Hiawatha Flats	46th St.	245
46th Street Town Square	46th St.	250
Vetrans Hospital	VA Medical Center	140
		817

Source: Maxfield Research Inc.

*Minnehaha Place Condominiums*, located two blocks from the 50th Street Station, was one of the first housing developments to crop up alongside the light-rail. The 90-unit condominium building features one, two, and three-bedroom units and had base purchase prices from \$131,000 to \$231,000. Over 60% of the units were pre-sold prior to construction and the building is now sold-out.

*Hiawatha Square* was the first new condominium development to result from the Hiawatha line. The 16-unit, three-story building is located two-blocks west of the 38th Street Station and incorporates 1,000 square-feet of first level-retail space. The housing development was completed in May 2004, with original purchase prices from \$150,000 to \$208,000.

*The 42nd Street Lofts* will feature 19 loft-style condominiums once the two-phases are completed. The development is located at the intersection of 42nd Street East and Dight Avenue, about four blocks from the 46th Street Station. Each loft features more than 2,000 square feet, four-levels of living space, a catwalk to the master bedroom, and a sun-room on the 4th floor rooftop deck. Phase one, which consisted of six units, is sold out and units were priced from approximately \$375,000 to \$425,000.



The Reflections Condominiums is the first component of the master planned Bloomington Central Station transit-oriented development. The two 16-story condominium towers will include 267 units with purchase prices ranging from about \$180,000 for a one-bedroom unit to over \$700,000 for a penthouse unit. The buildings will also be one of the largest "green developments" in Minnesota (and the country) that will have environmentally sensitive design and construction. The condominiums proximity to the lightrail station has greatly enhanced the marketability of the project as residents have easy access to Downtown Minneapolis, the airport, and the Mall of America. As of November 1, 2005, over 80% of the units have been sold.

Bloomington Central Station is a 43-acre mixed-use transit oriented development located on the corporate campus of Health Partners just a few blocks from the Mall of America. The project was built around the Hiawatha Line and will include over 1,100 high-density residential units, full-service hotel, office and retail uses, and walking trails and open space surrounding a two-acre park. It is estimated approximately 10,000 people will live and work in the development

over the 10- to 15- year build out period of the project.



Oaks Hiawatha Station

### Final Thoughts

On a national level, it is estimated demand for multifamily housing near transit is likely to more than double by 2025. Housing preferences are changing dramatically because of profound demographic shifts; such as the aging of the baby boomers, immigration, and the fact that younger adults are preferring more dense, urban environments. Furthermore, household sizes are decreasing while single-person and single-parent households are increasing, thereby increasing the demand for multifamily housing products.

As a result, there will continue to be a shift towards denser, walkable, mixed-use communities that meet consumer preferences for convenient housing and goods and services.

A number of new developments will spur from future transit corridors throughout the Twin Cities and the greater Metropolitan Area. The next major transit line could be the Northstar Corridor. The Northstar Corridor is a proposed 82-mile transportation corridor which would run along Interstate 94 and Highway 10 from Downtown Minneapolis to the St. Cloud area. According to recent census data, the Northstar corridor is the fastest growing growth corridor in Minnesota and the third fastest growing corridor in the country.

Transit oriented developments can significantly decrease dependency on cars and make it easier for people to park their cars and accomplish several tasks in one location. Due to today's changing demographics and lifestyle preferences, TOD developments will continue to appeal to a growing number of persons throughout the Twin Cities. At the same time, new TOD developments in the Twin Cities have the potential to generate jobs, increase tax revenues, and increase real estate values.



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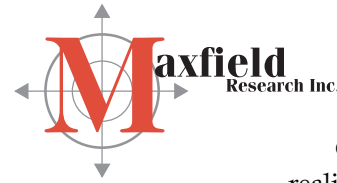
*Mr. Mullins joined Maxfield Research in January of 2003 as a Research Analyst. He's been in real estate research and consulting for eight years, specializing in assessing market demand for proposed and existing real estate projects, conducting feasibility studies and real estate market analysis.*

*Matt has conducted real estate market research on behalf of a wide variety of clients including the following: housing, retail, tourism, entertainment, gaming, lodging, government and financial institutions.*

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**The 2006 Maxfield Senior Housing Update will be available in late Spring 2006.** If you would like to receive a cope of the Senior Housing Update please visit our website at [www.maxfieldresearch.com](http://www.maxfieldresearch.com), or please email your name, company, and address to: [paustin@maxfieldresearch.com](mailto:paustin@maxfieldresearch.com) and we will send you a free copy via email.

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