



Thanks to the following people for their help and support in making this panel possible:

- The Honorable R.T. Rybak
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- Caren Dewar, Colleen M. Carey, John Shardlow, John Breitinger of ULI Minnesota



Minneapolis, Minnesota

Implementing a vision for TOD



**Urban Land
Institute**

Daniel Rose Center for Public Leadership in Land Use

Rose Center Advisory Panel
Minneapolis, MN
February 2010

What is the Urban Land Institute?

The Urban Land Institute (ULI) is a nonprofit research and education organization that focuses on issues of land use and real estate development.

ULI's Mission:

To promote leadership in the responsible use of land to create and sustain thriving communities worldwide



What is the Urban Land Institute?

With over 30,000 members worldwide, the heart of the ULI experience is an open exchange of ideas, networking opportunities, and the ability to work with the leaders of the land use industry.

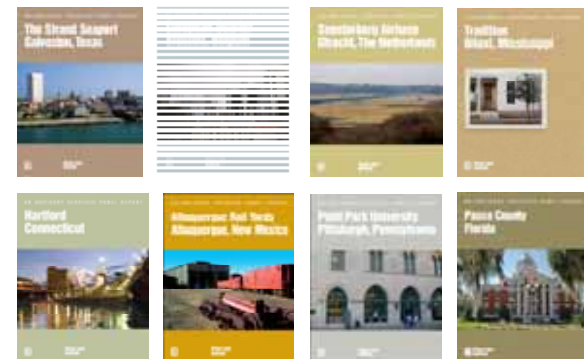
Members include:

- Developers
- Builders
- Engineers
- Attorneys
- Brokers
- Planners
- Market Analysts
- Investors, Bankers and Financiers
- Academics
- Architects and Designers
- Public officials



Advisory Services at ULI

- Panels since 1947
- 15-20 panels a year
- Panel provide independent, objective & candid advice to governments, private firms and non-profits.
- Panelists are volunteers; not paid
- Process
 - Review background materials
 - Receive a sponsor presentation & tour
 - Conduct stakeholder interviews
 - Consider data, frame issues and write recommendations
 - Make presentation
 - Produce a final report



ULI Daniel Rose Center for Public Leadership in Land Use

Mission Statement

“ . . . to encourage and support excellence in land use decision making. By providing public officials with access to information, best practices, peer networks and other resources, the Rose Center seeks to foster creative, efficient, practical, and sustainable land use policies.”

Rose Center Panels

- Four Cities: Nashville, Phoenix, Minneapolis & Philadelphia
- An integral part of the Rose Center Fellowships
- Focuses on a specific land use policy issues facing the Rose Center Fellowship Cities
- Involves the 4 Fellows from each City
- Combines the Rose Center Mission with the independent and objective advice of a ULI Advisory Services Panel.



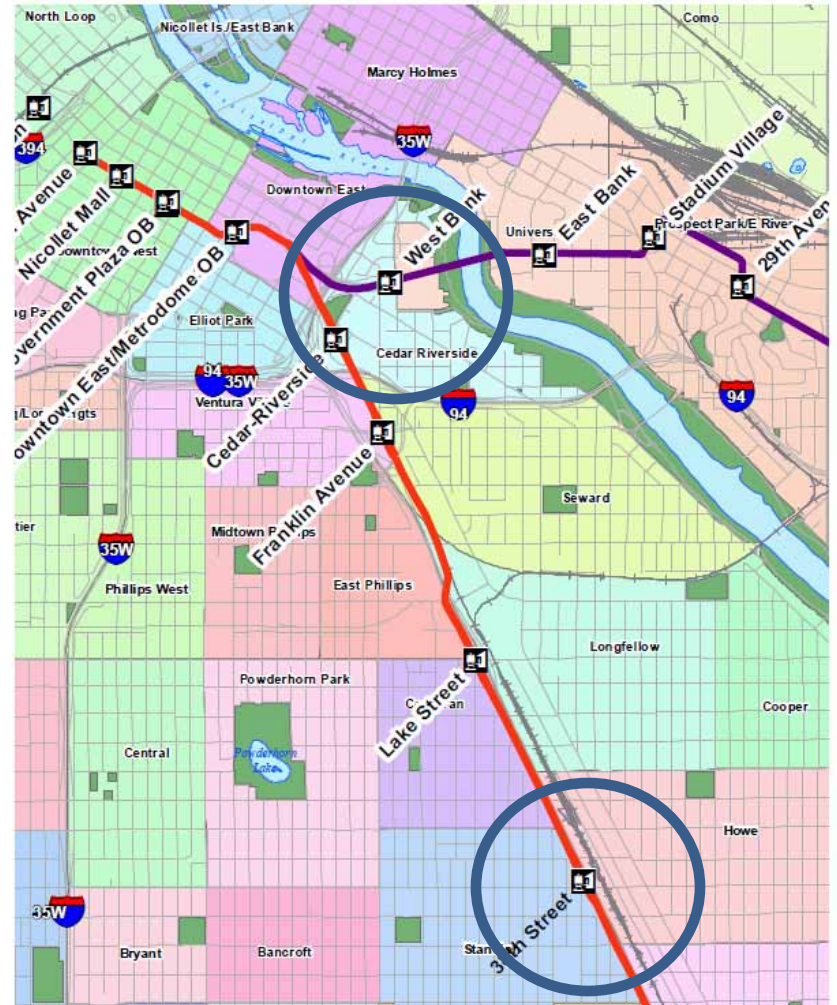
Panelists

- Chair: Abe Farkas, Development Services Director, ECO Northwest, Portland, OR
- Frank Fuller, Principal, Field Paoli Architects, San Francisco
- Michael J. Maxwell, Managing Partner, Maxwell + Partners LLC, Miami Shores, FL
- Pamela Minich, President, Minich Strategic Services, Houston



Minneapolis Panel

- City's TOD strategy (Michael Maxwell)
- Market observations (Pamela Minich)
- TOD partnership & financing tools (Abe Farkas)
- Strategies for 38th St & West Bank station areas (Frank Fuller)



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City's TOD Strategy

Michael J. Maxwell

Managing Partner

Maxwell + Partners LLC

Miami Shores, FL



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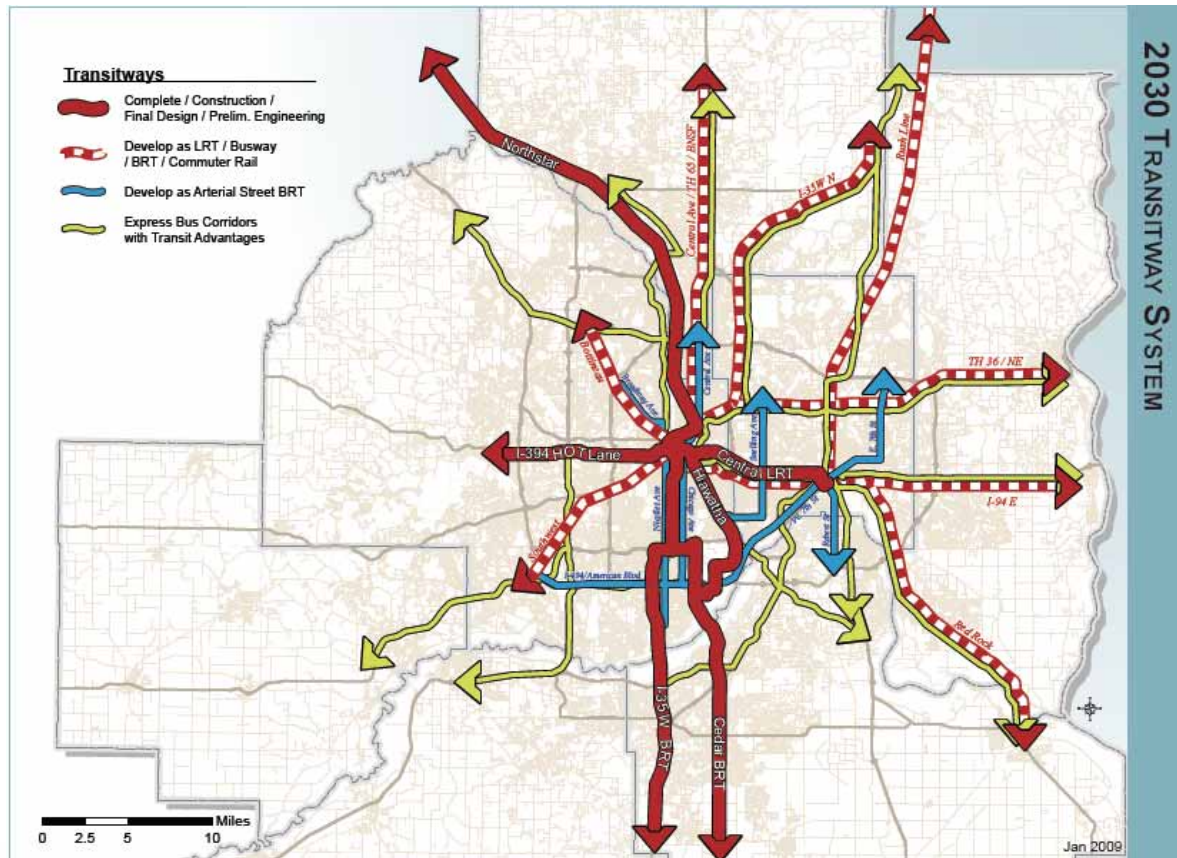
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What We Found

- “Embarrassment of opportunities”
- Transit embraced by public
- TOD embraced by developers
- TOD is Minneapolis’s competitive advantage
- City has created sound, viable process – clear plans, defining specific TOD visions

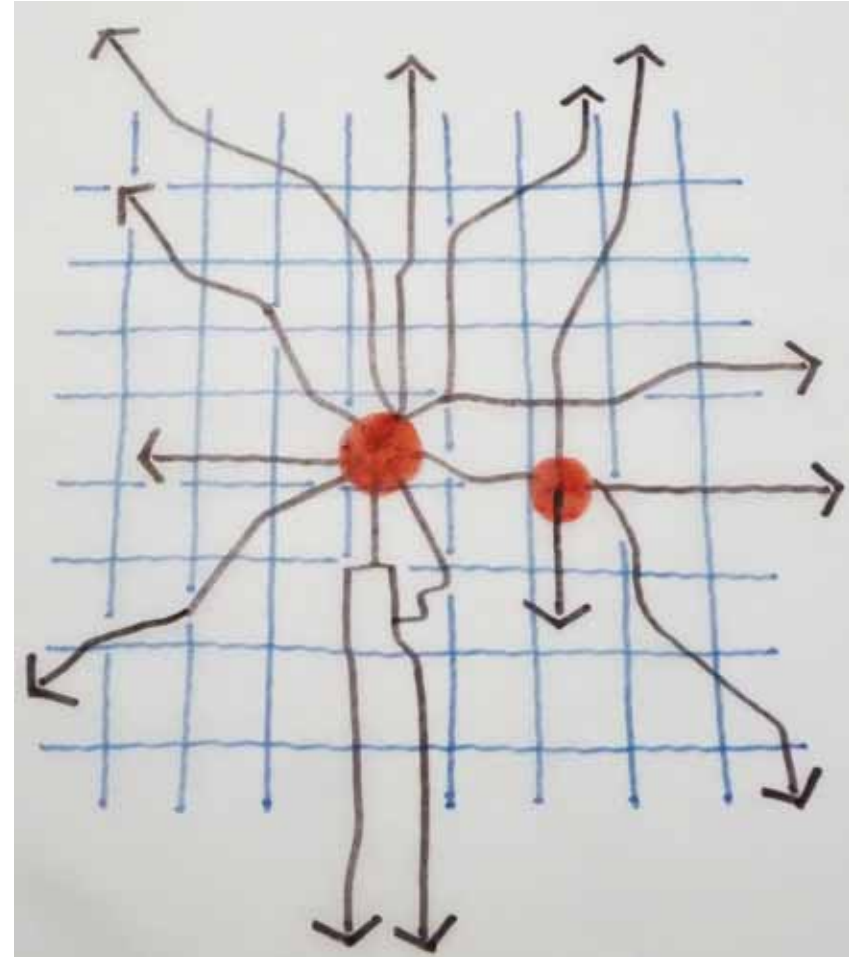
Processes, Directions & Plans

- System connects region to Minneapolis and Minneapolis to region



2030 Regional Transit System

- Look for connecting opportunities to neighborhood nodes beyond radial pattern



Processes, Directions & Plans

- Address connectivity at regional, local and neighborhood level
- Create site-specific goals, plans, standards and projects

Strategy

- Public and market have validated overall strategy
- Met expectations of constituents
- Driving new TOD residential development
- Toolbox is limited
- Need to forge new creative, flexible, non-traditional tools

Partnerships & Projects

- Strength of TOD's are the partnerships created
- In uncertain climates, City needs to create stability with certainty, predictability and reliability
- Predictability stimulates & accelerates private investment

Partnerships & Projects

- City needs to view private developers, other institutions as partners
- Help partners achieve City's goals & objectives for TOD sites
- City should commit to providing funding certainty for highest priority infrastructure
- Incentivize City's partners to directly fund or build public infrastructure critical to their projects

Place-making

- Provide high level of design specificity and performance goals
- Create fine-grained plans coupled with infrastructure needs and performance standards and goals for new residents, jobs and amenities
- Create central organizing principles for each station/TOD node

Market Observations

Pamela Minich

President

Minich Strategic Services

Houston



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Macro Level

- TOD provides competitive market advantage
- Demographic changes support demand for TOD
- Pent-up demand for walkable, mixed use neighborhoods can attract new development despite current market conditions



Macro Level

- Local developers sense there IS pent-up demand in this market
- Focusing on stations with best near-term opportunities could expedite success
- More successful TOD = more market confidence



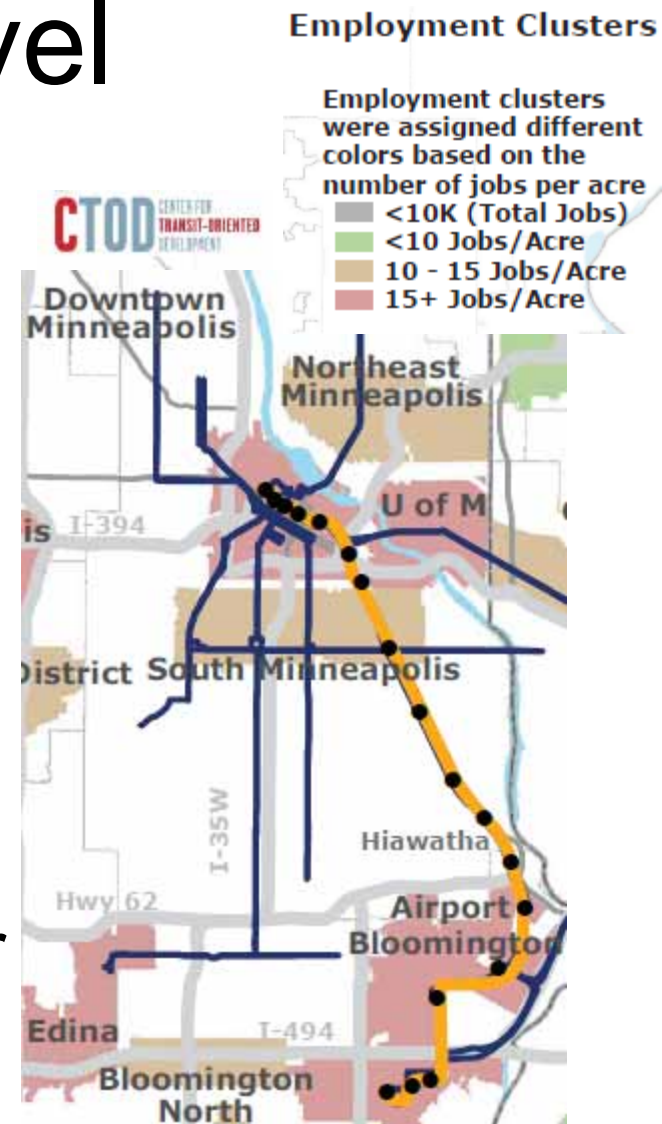
Micro Level

- New development that provides value to existing residents & businesses likely to be successful in near-term
- In station areas without much existing development, market support strongest for new housing



Micro Level

- Hiawatha & Central Corridor connect major employment centers = additional housing
- As economy improves, more demand by expanding companies and new residents = support for broader range of uses



TOD Partnership & Financing Tools

Abe Farkas

Development Services Director

ECO Northwest

Portland, OR



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Who Are the Players?

- Public: local jurisdictions, Metro Council, state, federal, special districts
- Private: property owners, businesses, developers, financial institutions
- Institutional: educational, medical
- Non-profit: foundations, trusts, CDCs
- TOD champions need to be cultivated – keepers of the vision; partnerships struck

Development/Partnership Tools

- Community education – tipping points
- Use prototypes/pro formas to test economic realities for TOD aspirations – get to tipping point for enabling desired development

Tulsa Mixed Use TOD Project

- 3 acre site
- 70 apts
- 14 live-work units
- 9 townhomes
- 14,000 SF retail
- 180 surface parking spaces



Assumptions

Development costs

<i>item</i>		
Site acquisition		\$1,958,400
New construction		\$10,006,084
Developer fee (as % of construction)	5%	\$500,304
Soft costs (as % of construction)	30%	\$3,001,825
Contingency (as % of soft & hard costs)	7%	\$910,554
TOTAL		\$16,377,167

Other assumptions

Rent increase per year	3%
Operating cost increase	3%
Vacancy Yr 1	30%
Vacancy Yr 2	10%
Vacancy Yr 3 and stabilization	5%
Cap rate	7.5%

Revenues and expenses

<i>source of income/expense</i>	<i>\$/SF assumption</i>	<i>annual income</i>
Residential rent (per month)	1.2	\$706,787
Retail rent (per year)	17	\$202,300
Townhome rent (per month)	1.4	\$274,176
Live/work rent (per month)	1.2	\$269,280
total revenue		\$1,452,543
Management fee (as % of revenue)	5%	\$72,627
STABILIZED NOI		\$1,278,237

Bottom line

Fair Market Value	\$17,043,166
Created value (FMV - costs)	\$665,999

Private Financing

Scenario 1 (35/65)			Scenario 2 (20/80)		
Equity			Equity		
Equity required	35%	\$5,732,008	assumption	20%	dollars \$3,275,433
Equity terms					
term (yrs)	7			7	
interest rate	13%			13%	
Total equity repayment (balloon payment at end of term)		\$9,072,483	Total equity repayment (balloon payment at end of term)		\$5,184,276
Bank loan			Bank loan		
Bank loan required	65%	\$10,645,159	assumption	80%	dollars \$13,101,734
Bank loan terms:					
term (yrs)	30			30	
interest rate	8%			6%	
Annual payment		\$945,582	Annual payment		\$951,827
Bottom line			Bottom line		
Loan to value ratio		0.62	Loan to value ratio		0.77
Debt coverage ratio		1.35	Debt coverage ratio		1.34
Financing gap		\$0	Financing gap		\$0
Equity repayment gap (or surplus)		-\$6,315,831	Equity repayment gap (or surplus)		-\$2,471,335
IRR on equity		-13%	IRR on equity		-4%

With Public Financing

Scenario 3 (35/65 with public)			Scenario 4 (20/80 with public)		
Equity			Equity		
Equity required	assumption	dollars	Equity required	assumption	dollars
	14%	\$2,292,803		9%	\$1,473,945
Equity terms			Equity terms		
term (yrs)	10		term (yrs)	7	
interest rate	13%		interest rate	13%	
Total equity repayment (balloon payment at end of term)		\$4,225,397	Total equity repayment (balloon payment at end of term)		\$2,332,924
Bank loan			Bank loan		
Bank loan required	assumption	dollars	Bank loan required	assumption	dollars
	65%	\$10,645,159		80%	\$13,101,734
Bank loan terms:			Bank loan terms:		
term (yrs)	30		term (yrs)	30	
interest rate	8%		interest rate	6%	
Annual payment		\$945,582	Annual payment		\$951,827
Second loan			Second loan		
Required loan amount	assumption	dollars	Required loan amount	assumption	dollars
	21%	\$3,439,205		11%	\$1,801,488
Second loan terms			Second loan terms		
term (yrs)	30		term (yrs)	30	
interest	1%		interest	1%	
Annual payment (interest only payments for 10 yrs)		\$133,263	Annual payment (interest only payments for 10 yrs)		\$69,804
Bottom line			Bottom line		
Loan to value ratio		0.62	Loan to value ratio		0.77
Debt coverage ratio		1.35	Debt coverage ratio		1.34
Financing gap		\$0	Financing gap		\$0
Equity repayment gap (or surplus)		\$232,958	Equity repayment gap (or surplus)		\$253,912
IRR on equity		11%	IRR on equity		12%

Land Assembly & Disposition

- Assembly: harder for private players, public sector can play pivotal role – controlling strategic sites through option agreements
- Disposition: use RFQ solicitation to select developer -- not as burdensome, doesn't over promise
- Development agreements among partners can enable public and private goals to be achieved, spell out obligations



Financing Vehicles for Infrastructure & Development

- Tax Increment
- Complete Local Improvement Districts that are more inclusive
- Sole source impact fees
- Revenue Bonds: 63-20, parking (taxable and tax exempt)
- Intergovernmental Agreements
- Parking Increment
- Tax Credits: historic, energy, both station areas NMTC eligible



Development rights for infrastructure investment



Max Light Rail at Cascade Station



Strategies for 38th St & West Bank Station Areas

Frank Fuller
Principal
Field Paoli Architects
San Francisco



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Create a Place

- Great buildings (bold, innovative and interesting)
- Inviting and complete streets
- Public space (active and activating, not necessarily very big)
- Clear pathways to transit with signage and lighting
- Public art (throughout, iconic and capturing)
- Relationship to the scale of the surroundings

Create a Place

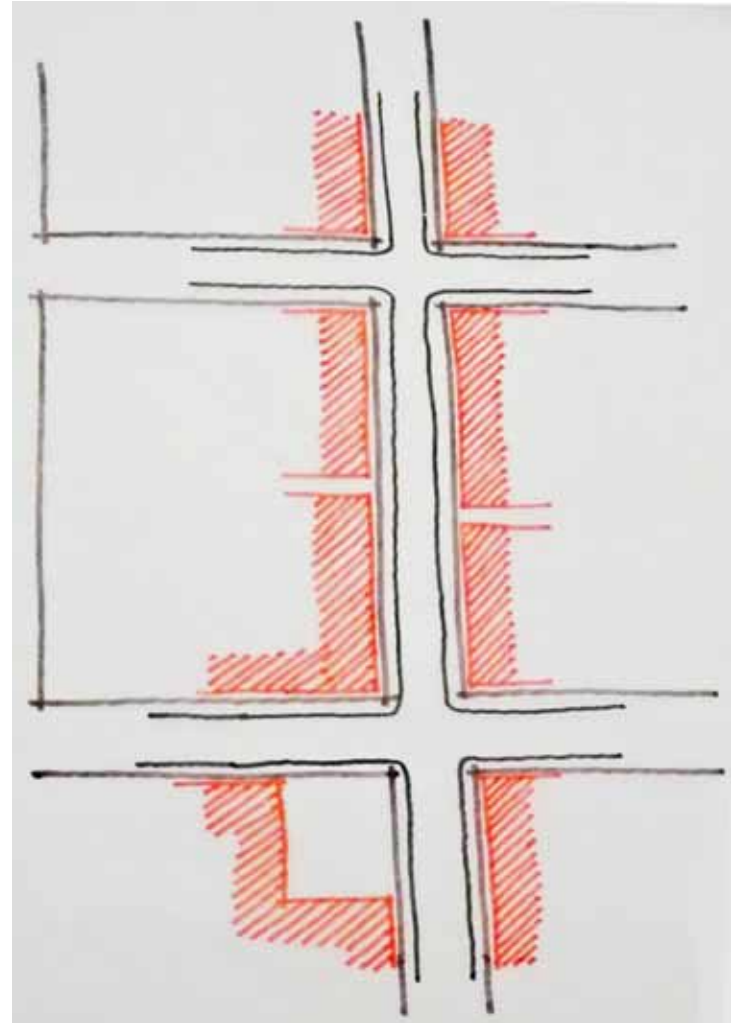
- Relationship to the history of the area
- Retail and entertainment
- A place for events
- A place to hang out
- Mix of uses
- Funky and fun
- Relationship to open space, parks and trails

General Strategies

- ***Connectivity is critical:*** station should be connected to adjacent neighborhoods by streets, sidewalks, trails -- should be pleasant and enjoyable to walk, bike
- ***Great Streets are Great Places:*** street experience is heart of the urban experience, should be as much a place as buildings themselves

Buildings Define Streets & Spaces

- Build to street property lines
- Carefully define open space with building facades
- Provide generous sidewalk space



General Strategies

- ***Local businesses in special service districts*** provide local amenities and services
- ***Parks and trails are essential places*** in addition to transportation

Minneapolis Bicycle Network



General Strategies

- ***Area wide investigations*** for state environmental review can be a way to consider the entire neighborhood and include community stakeholders in the process
- ***Zoning rules and regulations*** should be clear and require as few conditions and provide defined time and certainty

38th Street Station Area



Possible Tools

- Complete LIDs
- Sole Source Impact Fees
- TOD TIFs
- Optioning sites
- RFQ
- Development Agreements
- IGAs
- Parking Increment
- NMTC

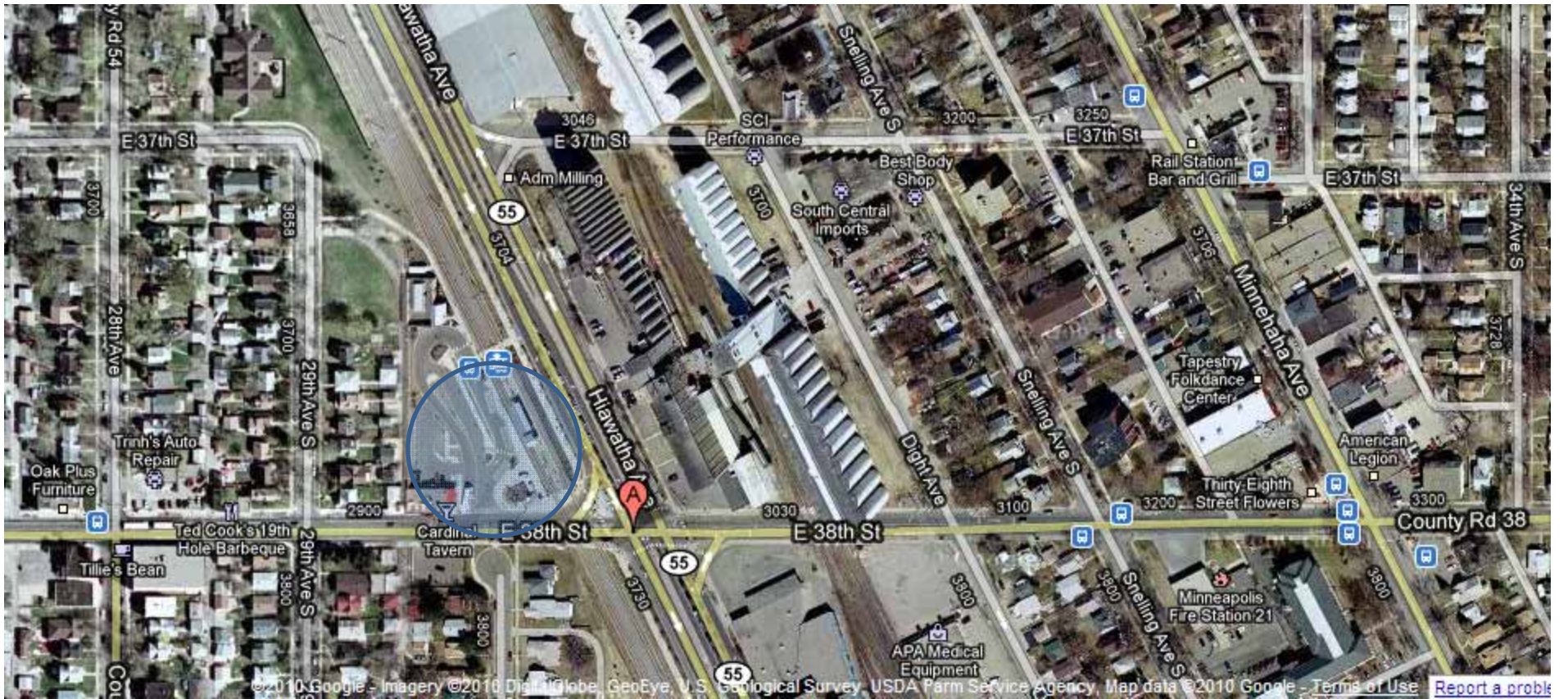
Create a Place at the Station

- With future development at station, include a public place that is an identifying element (indoors or out, a plaza or public room, along 38th or in the station)



Hiawatha/Minnehaha as Complete Streets

- Hiawatha reduced to 1 lane each direction with center turn lane/median, wide sidewalks, crosswalks, landscaping; Minnehaha should have complete street design without widening ROW or displacing buildings



Complete streetscape of 38th to Minnehaha

- Station should be connected with convenient and accessible streetscape on 38th Street to neighborhood commercial node at Minnehaha -- about ¼ mile



**64 Units
Approved**

**Existing Small-
Scale TOD**

**200-Unit Mixed
Use Awaiting
HUD Approvals**

Connect to 28th Avenue

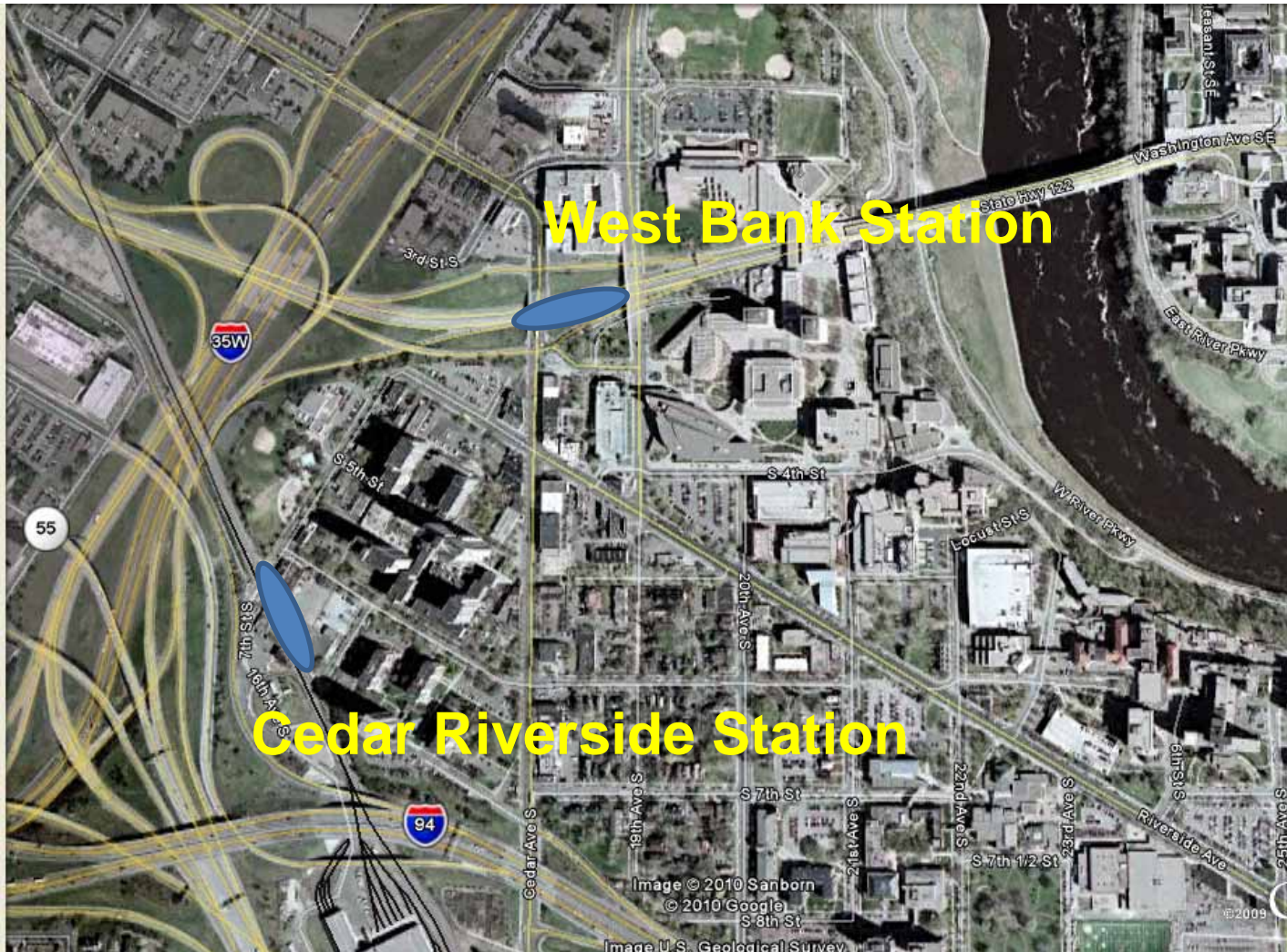
- Station should be connected along 38th St. with a convenient and accessible streetscape to neighborhood commercial node at 28th Avenue South



Connect 37th Street East

- 37th Street should be configured as bike/ped access way, connecting east and west sides of Hiawatha Line, Hiawatha Avenue, extending as landscaped trail to Snelling and Minnehaha

West Bank Station Area



Possible Tools

- Complete LIDs
- TOD TIFs
- Optioning sites
- RFQ
- Development Agreements
- IGAs
- Parking Increment
- NMTC
- Infrastructure for Development Rights

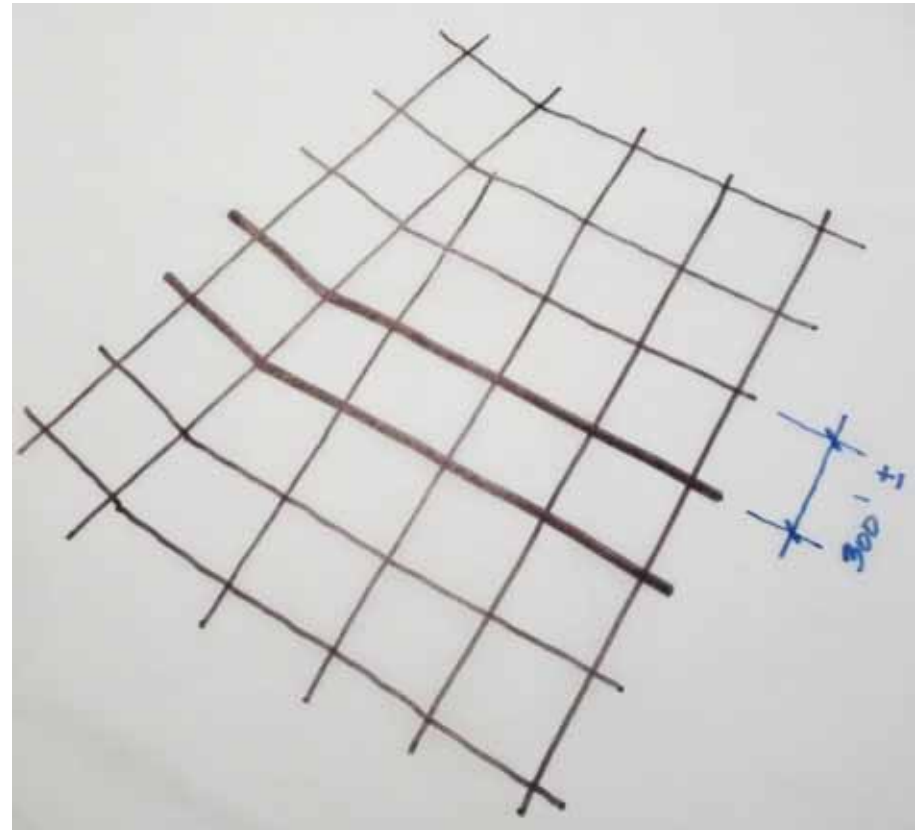
Connect Neighborhoods

- Station should be used to rebuild access to 35W and Washington Avenue to diminish vehicular traffic on Washington and Cedar



Reestablish Streets/Smaller Blocks

- Streets that were abandoned should be reopened to reconnect the neighborhood and create smaller, more walkable blocks (15th Avenue, 5th Street, 7th Street, 19th Avenue)



Reunite Washington Avenue

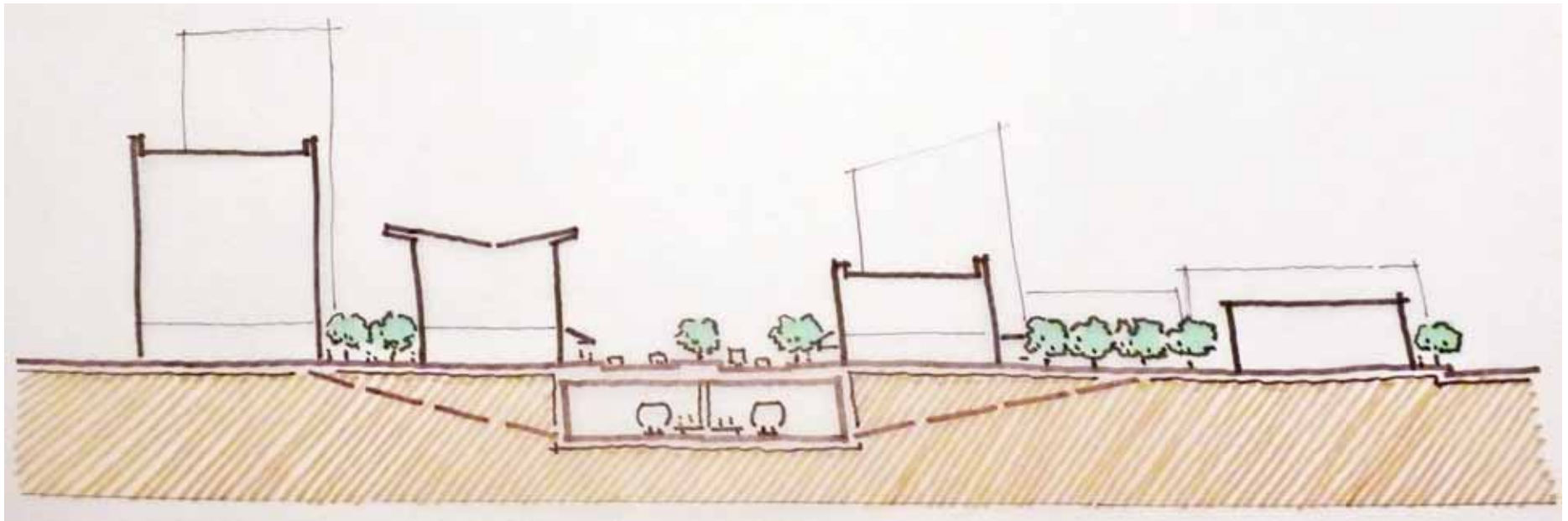
- Station should tie north & south sides of Washington Avenue together, creating larger sites for development, minimizing ramps and healing the “gash,” in a phased project





New Washington Ave Transit Blvd

- Central Corridor is below ground (Hiawatha at Lindbergh Terminal)
- Washington Avenue is a Boulevard at street level



Don't Make Buildings Too Long

- New buildings should not be longer than 300 feet for convenient public access around on relatively small blocks

Create Functional Open Space

- Consolidate existing unusable open spaces into more functional, active and intimate urban open spaces



Invest in Cedar Streetscape

- Cedar Avenue South b/w 7th Street and 15th Avenue should have a complete, comfortable and defining streetscape



Concluding Thoughts

Abe Farkas

Development Services Director

ECO Northwest

Portland, OR



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Closing Comments

- City has made remarkable strides
- Good initial TOD development prior to recession
- Many elements in place to build on partnerships needed for further success

Next Steps

- City needs to enhance development tool kit, better align capacities among public players to reduce risk for private investment, achieve goals
- Private, institutional, non-profit players need to be more pro-active concerning infrastructure needs to support their interests and community interests

The following people took the time to discuss their perspectives with our panel:

Wes Butler, CPED | Patrick Connoy, Hennepin County | Joe Gladke, Hennepin County | Jan Morlock, University of Minnesota | Orlyn Miller, University of Minnesota | Faith Cable, Cedar Riverside Partnership | Jonathan Sage Martinson, Central Corridor Funders Collaborative | Eric Muschler, McKnight Foundation | Steve Wellington, Wellington Management | Dale Joel, Capital Growth Real Estate | Jim White, Fine Associates, John Bell, Klodt Inc. | Kristin Guild, CPED | Shirley Yeoman, Standish Ericsson Neighborhood Association | Sam Newberg, Standish Ericsson Neighborhood Association | Lisa Hammer, West Bank Business Association | Tim Mungavan, West Bank CDC | Hussein Samatar, African Development Center | Peter McLaughlin, Hennepin County Commissioner | Robin Garwood, Office of Councilmember Cam Gordon