

Golden Triangle Land Use/Multi-Modal Transportation Evaluation



May 2004

Prepared for:
Hennepin County Department of Housing, Community Works and Transit
and
the City of Eden Prairie

by:



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Note: Bonz/REA became Bonz and Company, reference to both company names may occur in some locations within the report.

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Introduction

Eden Prairie's Golden Triangle area has been a successful industrial park since initial building construction started in the 1960s. Because it is surrounded by major freeways, the area has historically enjoyed good visibility and easy access. In the forty years since development began, however, the Golden Triangle has become the victim of its own success. Entry points at major interchanges regularly become clogged during peak hours and with a little snow added into the mix, the internal streets can approach gridlock. Adding to the traffic woes of the area, Mn/DOT's began a ramp metering program that controlled access onto the regional roadway system. Ramp metering produced significant backup from entry ramps onto area roadways like Flying Cloud Drive and Valley View Road.

Business conditions and building configurations have also impacted the Golden Triangle in recent years. A significant number of buildings that formerly housed production, assembly and warehousing operations have been converted, at least in part, to office uses. This conversion has boosted employment, but has also increased the amount of parking needed as well as the number of trips into and out of the area.

Traffic conditions in and around the Golden Triangle have not gone unnoticed by city, county and regional authorities, nor by businesses and employees in the area. Local media have also noticed trends and conditions. An article in the Minneapolis StarTribune in August of 2002 stated, "The Golden Triangle, littered with for-lease signs and empty buildings on Eden Prairie's lush terrain, has lost its gleam." The City of Eden Prairie has initiated a number of efforts, including traffic analyses, Traffic Demand Management (TDM) measures and comprehensive plan updates, in order to better understand the existing dynamics of the area and to support automobile reduction strategies. Based on work by the I-494 Corridor Commission, governmental agencies, in concert with the Eden Prairie Chamber of Commerce and local businesses, employers and building owners, formed the Golden Triangle Transportation Management Association (GTTMA) to promote efforts to reduce traffic congestion. GTTMA has spearheaded van pools, car pools and coordination with Southwest Metro Transit to encourage people to take alternative forms of transportation and to increase vehicle occupancies.



As pointed out in a recent StarTribune article, For Sale and For Lease signs dot the landscape within the Golden Triangle. Despite the higher vacancy rate, traffic congestion continues to be a growing issue in the area.

While these measures are important in addressing the overall issue of traffic congestion, they are likely to be insufficient in and of themselves to address existing conditions, let alone to accommodate future development in the area. Accordingly, the City of Eden Prairie and Hennepin County joined forces commissioning this study to address the Golden Triangle area from another perspective. Simply stated, the premise of the Golden Triangle Land Use/Multi-Modal Transportation Evaluation is to test a hypothesis. The hypothesis assumes that over time developing nonindustrial land uses and redeveloping selected existing industrial uses with other types of land use, especially housing, will help alleviate traffic problems and improve the balance of development. The findings presented herein objectively test this hypothesis without any pretense of a predetermined outcome.

STUDY AREA

The technical definition of the Golden Triangle area is that portion of Eden Prairie, Edina and Bloomington bounded by TH 212, TH 169 and I-494. The vast majority of the land within the study area lies in the City of Eden Prairie. The portion of the project area in Edina is generally limited to land lying east of Washington Avenue and only a small portion of the extreme southeast corner of the area lies within Bloomington. For the purposes of this study, the boundaries of the Golden Triangle were expanded to include Eden Prairie's City West area, another triangular section of land bounded by Crosstown 62, TH 212 and Shady Oak Road (CR 61). References made in this report to the Golden Triangle includes both of these areas.

The Golden Triangle is currently home to approximately 25,000 jobs. It has in excess of nine million square feet of developed industrial and office space with some land yet to be developed.

PROJECT PURPOSE

The hypothesis assumes that developing nonindustrial land uses and redeveloping selected existing industrial uses with other types of land use, especially housing, over time will help alleviate traffic problems while improving the balance of development.

The City of Eden Prairie and Hennepin County developed a series of project objectives to accompany the aforementioned general hypothesis. This Golden Triangle Land Use/Multi-Modal Transportation Evaluation is intended to evaluate the potential for a more mixed land use pattern to satisfy four objectives:

- Reduce peak period traffic congestion
- Maintain or improve property tax benefits
- Increase transit choices and alternative transportation modes
- Explore opportunities for new regional commercial sites and housing sites

Depending on the results of the evaluation effort, the end product could potentially be used to develop a model for mixing land uses and development densities in suburban locations in order to achieve an increase in the use of alternative transportation modes, property tax benefits and a reduction in traffic congestion.

Eden Prairie - Hennepin County

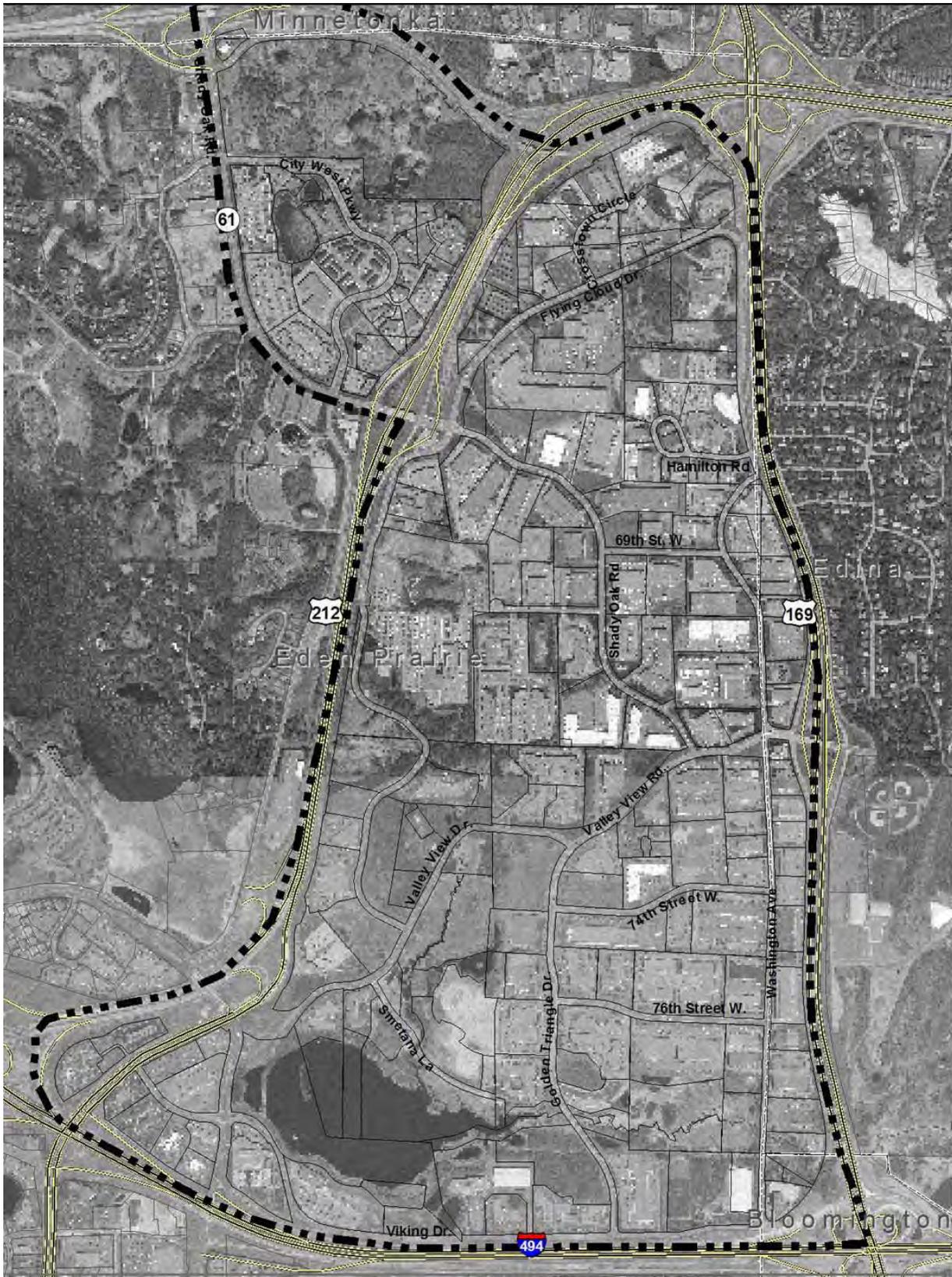


Figure 1-1 Project Area - The Golden Triangle is bounded by I-494 to the south and TH 169 and TH 212 to the east and west, respectively. The project area also includes the area of land bounded by TH 212 to the east, Crosstown 62 to the north, and CR 61 to the west.

PROJECT PARTICIPANTS AND STUDY PROCESS

A consulting team consisting of Hoisington Koegler Group, IBI Group and Bonz and Company worked with the City and the County to conduct the evaluation. Hoisington Koegler Group (HKGi) is a Minneapolis-based planning and landscape architectural firm; IBI Group is an international firm with expertise in transportation planning, transit planning and computer traffic modeling; and Bonz and Company provides expertise in market analysis and project finance.

The planning process involved seven active steps including:

- *Evaluate the local real estate market* – an understanding of the local real estate market was viewed as one of the building blocks of the study. (See Appendix A - Market Analysis.)
- *Identify potential redevelopment sites* – each parcel within the study area was examined using a set of uniform criteria to assess their status as potential future development sites. (See Chapter Five.)
- *Identify potential land uses and create development scenarios* – the full spectrum of potential land uses for the study area was assessed on a general basis. Those showing promise were included in a series of alternative future land use scenarios. These land use scenarios are not intended to be precise plans for the redevelopment of the Golden Triangle area but rather, representations of the type of development that could occur given certain actions by both the private and public sectors. (See Chapter Six.)
- *Examine the tax benefits of potential land uses* – the general tax implications of mixed-use development versus industrial/office development was assessed. (See Chapter Six.)
- *Conduct Travel Demand Forecasting* – traffic congestion was analyzed using the Regional Travel Demand Model and inputs based on alternative land use scenarios, and alternative travel modes. (See Appendices B and C.)
- *Form Conclusions and Identify Follow Up Strategies* – describe what has been learned relative to the hypothesis and the objectives and identify follow-up strategies. (See Chapter Seven.)
- *Prepare additional land use scenarios* on the assumption that LRT penetrates the Golden Triangle rather than running in the adjacent highway right-of-way. (See Chapter Six.)

Throughout the planning process, the consulting project team worked with a project Technical Advisory Team (TAT) that was comprised of representatives of the City of Eden Prairie, Hennepin County, Mn/DOT, Southwest Metro Transit, and the Golden Triangle Traffic Management Association. The Technical Advisory Team which oversaw

Eden Prairie - Hennepin County

the project met on a monthly basis to review information, provide input and to define policy directions. At a midpoint in the work, a meeting was held with the Eden Prairie City Council and Community Planning Advisory Board to report on progress and to seek initial reactions and feedback. Subsequently, an open house was held within the project area to solicit input on land use alternatives, traffic management and general transportation issues.

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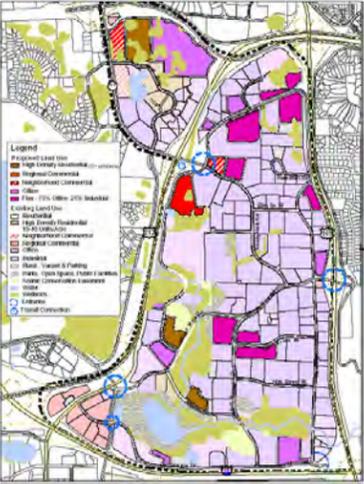
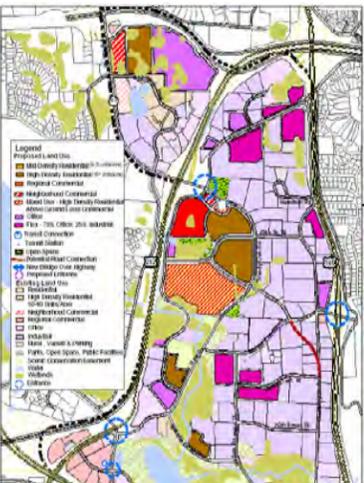
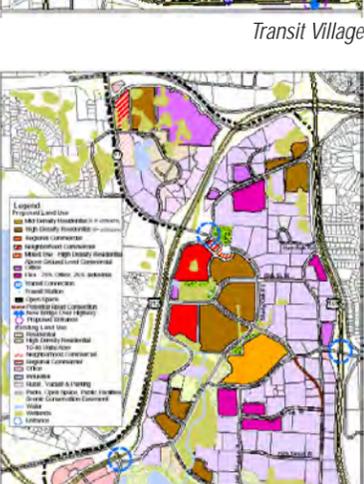
Summary of Findings and Recommendations

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A graphic summary of this report is included on the following page.

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CHAPTER TWO - EXECUTIVE SUMMARY

OBJECTIVES	ALTERNATIVES CONSIDERED	IMPACTS	CONCLUSIONS	RECOMMENDED ACTIONS
<p>The Golden Triangle Land Use/Multi-Modal Transportation Evaluation evaluates the potential for mixed land use to satisfy four objectives:</p> <p>1. REDUCE PEAK PERIOD TRAFFIC CONGESTION.</p> <p>2. MAINTAIN OR IMPROVE PROPERTY TAX BENEFITS.</p> <p>3. INCREASE TRANSIT USE AND ALTERNATIVE TRANSPORTATION MODE USE IN A SUBURBAN LOCATION.</p> <p>4. EXPLORE POSSIBILITIES OF CREATING ADDITIONAL DEVELOPMENT OPPORTUNITIES IN EDEN PRAIRIE FOR REGIONAL COMMERCIAL DEVELOPMENT.</p>	 <p>Market Based</p>  <p>Transit Village</p>  <p>Expanded Transit Village</p>	<ul style="list-style-type: none"> Perpetuates and expands existing land use pattern Increases Estimated Market Value from \$62.4 million to \$338.8 million. Yields new tax capacity value of almost \$4.2 million. Increases PM peak hour trips from 7,800 (2005) to 10,300 (2020). Increases AM peak hour trips from 5,500 (2005) to 7,200 (2020). Limited potential for expanded transit services. Little, if any, need for condemnation to accommodate redevelopment. Minimal amount of public cost involved beyond improvements currently identified in CIP. Potential for increase in property vacancies, deterioration or blight. <ul style="list-style-type: none"> Creates new land use pattern with integrated housing and commercial development. Increases Estimated Market Value from \$62.4 million to \$528.6 million. Yields new tax capacity value of almost \$6.6 million. Estimated land acquisition cost of almost \$93 million. Increases PM peak hour trips from 7,800 (2005) to 9,000 (2020). Increases AM peak hour trips from 5,500 (2005) to 6,200 (2020). Expands opportunities for transit. Likely to require condemnation to implement redevelopment. Significant amount of public cost involved beyond improvements currently identified in CIP. Lower traffic volumes will increase the lifespan of currently planned (CIP) roadway improvements. Increases transit ridership 14% more (20 trips) than the Market Based scenario. <ul style="list-style-type: none"> Creates a new land use pattern with expanded housing and commercial development. Expands opportunities for transit and provides a stronger market for expanded transit services. Likely to require condemnation to implement development. Extensive amount of public cost involved beyond improvements currently identified in CIP. Lower traffic volumes will increase the lifespan of currently planned (CIP) roadway improvements. Increases transit ridership 41% more (58 trips) than the Market Based scenario. 	<ol style="list-style-type: none"> The cost of redevelopment outweighs the benefits of vehicular traffic reductions. Traffic and trip generation reductions alone do not justify costs associated with implementing redevelopment options. Justification of major investments needs to consider other public objectives. The difference between traffic generated under the Market Based concept and the Transit Village concept is relatively minimal. The Expanded Transit Village concept results in 1,200 fewer PM peak hour trips than the Market Based concept. Transit usage within the Golden Triangle is projected to remain relatively low even with implementation of the Transit Village alternatives. Transit is not projected to have a significant short term impact on vehicle traffic in and out of the Golden Triangle area. However, as people become more accustomed to a dedicated transit system such as LRT, the land use concepts that create a transit oriented environment have the greatest likelihood of supporting a transit market. Balancing traffic management and redevelopment objectives poses a complex challenge. The need to reduce peak period traffic yields a narrower range of redevelopment solutions and the need for greater public action. Substantial roadway improvements will be necessary in the Golden Triangle area regardless of the land use pattern chosen. Addressing the traffic congestion problem through land use will not negate the need for planned roadway improvements (CIP). However, the longevity and cost effectiveness of these improvements will be strengthened by a more sustainable land use pattern. The development pattern in the Golden Triangle will not change without the intervention of the City. New neighborhoods cannot materialize without City action to plan, design, finance and build the supporting street system. Absent major redevelopment efforts, limited sites exist within the Golden Triangle that will be suitable for new housing. Absent any major redevelopment efforts, new housing initiatives are likely to be located adjacent to existing amenities such as the open space system, wetlands, etc. The financing of public actions requires additional investigation. Additional investigation is needed to determine how to best use each public finance tool and if the use meets the appropriate statutory criteria. These investigations can be done incrementally so that costs associated with the investigations can be in part borne by the developer/investor. 	<ol style="list-style-type: none"> Adopt the Plan as an advisory tool. Use this plan as an advisory tool as future decisions are made regarding proposed uses in the Golden Triangle. Determine the public purpose. The process of defining public purpose should carefully consider all applicable factors. Conduct an analysis of potential redevelopment sites based on private development initiatives. Based on private development proposals, the City should be prepared to conduct an assessment of buildings for compliance with statutory criteria. These assessments can be done incrementally so that costs associated with the assessment work can be in part borne by the developer/investor. Take sustainable and incremental steps towards redevelopment. Commercial development can become the foundation for future redevelopment including housing uses. Remain flexible. Incremental improvement of the Golden Triangle area requires flexibility. The City should remain open to alternative locations for future redevelopment. Continue to include transit improvements as part of the vision for the Golden Triangle area. The City of Eden Prairie and Hennepin County should continue planning efforts that enhance transit service to the Golden Triangle. Explore other traffic management solutions. Creation and use of effective traffic management programs should be ongoing. Encourage redevelopment and reinvestment throughout the Golden Triangle. Implement ongoing strategies for the improvement of the Golden Triangle area.

OBJECTIVES

The Golden Triangle Land Use/Multi-Modal Transportation Evaluation evaluates the potential for mixed land use to satisfy four objectives:

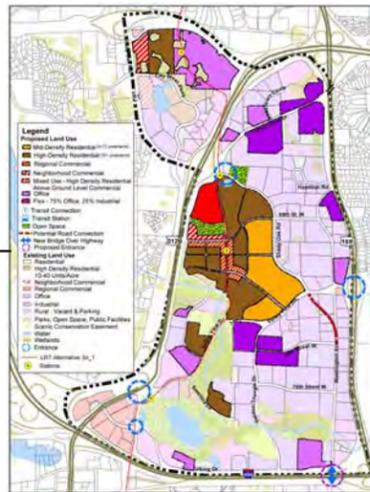
1. REDUCE PEAK PERIOD TRAFFIC CONGESTION.

2. MAINTAIN OR IMPROVE PROPERTY TAX BENEFITS.

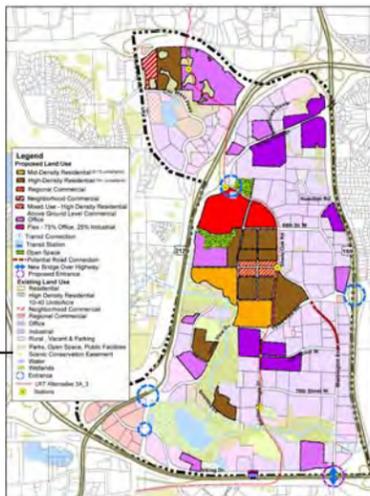
3. INCREASE TRANSIT USE AND ALTERNATIVE TRANSPORTATION MODE USE IN A SUBURBAN LOCATION.

4. EXPLORE POSSIBILITIES OF CREATING ADDITIONAL DEVELOPMENT OPPORTUNITIES IN EDEN PRAIRIE FOR REGIONAL COMMERCIAL DEVELOPMENT.

ALTERNATIVES CONSIDERED



Full TOD



Half TOD

IMPACTS

- Creates a new land use pattern with expanded housing and commercial development.
- Creates a land use pattern that contains a unique identity opportunity centered around a transit station.
- Likely to require condemnation to implement development.
- Extensive amount of public cost involved beyond improvements currently identified in the CIP.
- Lower traffic volumes will increase the lifespan of currently planned (CIP) roadway improvements.
- Generates new tax capacity at a comparable rate as the Transit Village concept.
- Presents the best opportunity for enhancing transit market opportunities based on LRT penetrating the middle of the redevelopment area.

- Creates a new land use pattern with expanded housing and commercial development and the greatest opportunity for regional commercial (big box) development.
- Creates a land use pattern that contains a unique identity opportunity focused on a transit station.
- Likely to require condemnation to implement development.
- Extensive amount of public cost involved beyond improvements currently identified in the CIP.
- Lower traffic volumes will increase the lifespan of currently planned (CIP) roadway improvements.
- Generates new tax capacity at a comparable rate as the Transit Village concept.
- Presents the next best opportunity for enhancing transit market opportunities based on LRT running adjacent to the redevelopment area on Shady Oak Road.

CONCLUSIONS

1. The cost of redevelopment outweighs the benefits of vehicular traffic reductions. Traffic and trip generation reductions alone do not justify costs associated with implementing redevelopment options. Justification of major investments needs to consider other public objectives.
2. The difference between traffic generated under the Market Based concept and the Transit Village concept is relatively minimal. The Expanded Transit Village concept results in 1,200 fewer PM peak hour trips than the Market Based concept.
3. Transit usage within the Golden Triangle is projected to remain relatively low even with implementation of the Transit Village alternatives. Transit is not projected to have a significant short term impact on vehicle traffic in and out of the Golden Triangle area. However, as people become more accustomed to a dedicated transit system such as LRT, the land use concepts that create a transit oriented environment have the greatest likelihood of supporting a transit market.
4. Balancing traffic management and redevelopment objectives poses a complex challenge. The need to reduce peak period traffic yields a narrower range of redevelopment solutions and the need for greater public action.
5. Substantial roadway improvements will be necessary in the Golden Triangle area regardless of the land use pattern chosen. Addressing the traffic congestion problem through land use will not negate the need for planned roadway improvements (CIP). However, the longevity and cost effectiveness of these improvements will be strengthened by a more sustainable land use pattern.
6. The development pattern in the Golden Triangle will not change without the intervention of the City. New neighborhoods cannot materialize without City action to plan, design, finance and build the supporting street system.
7. Absent major redevelopment efforts, limited sites exist within the Golden Triangle that will be suitable for new housing. Absent any major redevelopment efforts, new housing initiatives are likely to be located adjacent to existing amenities such as the open space system, wetlands, etc.
8. The financing of public actions requires additional investigation. Additional investigation is needed to determine how to best use each public finance tool and if the use meets the appropriate statutory criteria. These investigations can be done incrementally so that costs associated with the investigations can be in part borne by the developer/investor.

RECOMMENDED ACTIONS

1. Adopt the Plan as an advisory tool. Use this plan as an advisory tool as future decisions are made regarding proposed uses in the Golden Triangle.
2. Determine the public purpose. The process of defining public purpose should carefully consider all applicable factors.
3. Conduct an analysis of potential redevelopment sites based on private development initiatives. Based on private development proposals, the City should be prepared to conduct an assessment of buildings for compliance with statutory criteria. These assessments can be done incrementally so that costs associated with the assessment work can be in part borne by the developer/investor.
4. Take sustainable and incremental steps towards redevelopment. Commercial development can become the foundation for future redevelopment including housing uses.
5. Remain flexible. Incremental improvement of the Golden Triangle area requires flexibility. The City should remain open to alternative locations for future redevelopment.
6. Continue to include transit improvements as part of the vision for the Golden Triangle area. The City of Eden Prairie and Hennepin County should continue planning efforts that enhance transit service to the Golden Triangle.
7. Explore other traffic management solutions. Creation and use of effective traffic management programs should be ongoing.
8. Encourage redevelopment and reinvestment throughout the Golden Triangle. Implement ongoing strategies for the improvement of the Golden Triangle area.

Project Area Context

EXISTING DEVELOPMENT PATTERNS

Although the Golden Triangle area is located in the southwest region of the Twin Cities Metropolitan Area, primarily within the suburban City of Eden Prairie (See Figure 3-1.), it can be viewed with multiple contexts: a national and international context as many of its businesses reach well beyond Minnesota and the United States; a regional context as a major part of the Twin Cities Southwest Metropolitan Area; and a local context as a major property tax generator and job base for the City of Eden Prairie. This study focuses on the regional and local context.

The Golden Triangle area contains roughly 9.8 million square feet of office, industrial, and commercial property, of which 7.6 million square feet are considered industrial building space.¹ To put this in perspective, the Golden Triangle area represents just over 9% of all industrial space in the Twin Cities market according to reports from United Properties and Bonz and Company (See Appendix A for Bonz and Company Market Analysis). The southwest metropolitan market area of Bloomington, Edina, Eden Prairie and portions of Minnetonka boasts more office space than the St. Paul central business district (CBD), and is second only to the Minneapolis CBD. This significant concentration of jobs in a suburban location has led to a high degree of traffic congestion in and around the Golden Triangle and is at the core of the traffic problems facing the Golden Triangle.

The Golden Triangle (with City West) area also represents a significant portion of the City of Eden Prairie's employment and tax base. While the project area represents just under 5% of the City's overall land area, it comprises nearly 36% of the entire industrial and office land in the City. As of 2002 it also contains approximately 11% of the City's total current estimated market value and just over 50% of the City's total employment base. Aside from the Golden Triangle area, other significant commercial and industrial areas in Eden Prairie include the Major Center Area (the retail center of the community) and industrial areas extending west along Highway 5 to County Road 4 (Eden Prairie Road). Recent land inventories suggest that little vacant developable land remains for commercial/industrial development.

The existing (2002) land use patterns are illustrated in Figures 3-2 through 3-5.

Golden Triangle Land Use/Multi-Modal Transportation Evaluation

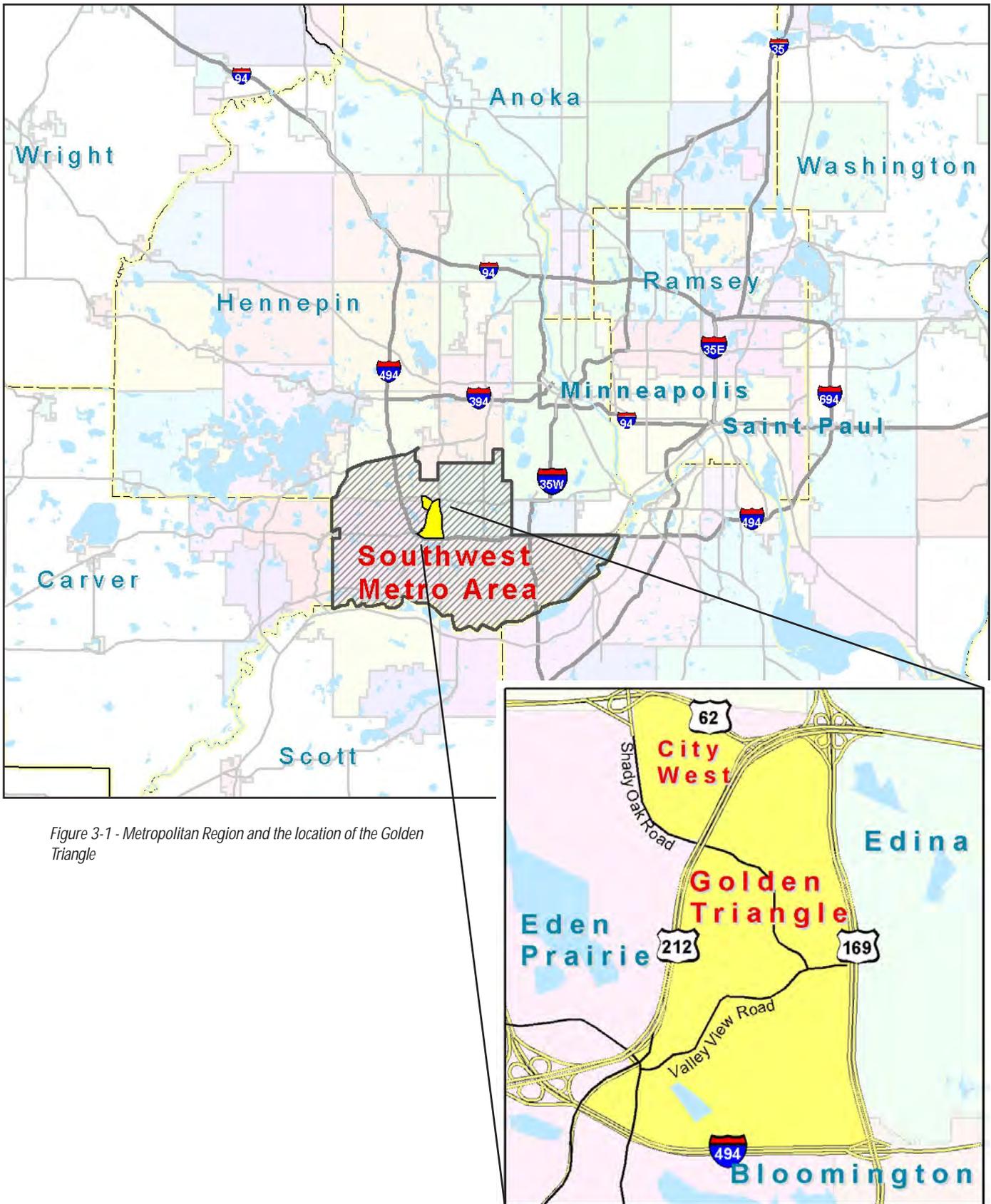


Figure 3-1 - Metropolitan Region and the location of the Golden Triangle

Eden Prairie ~ Hennepin County

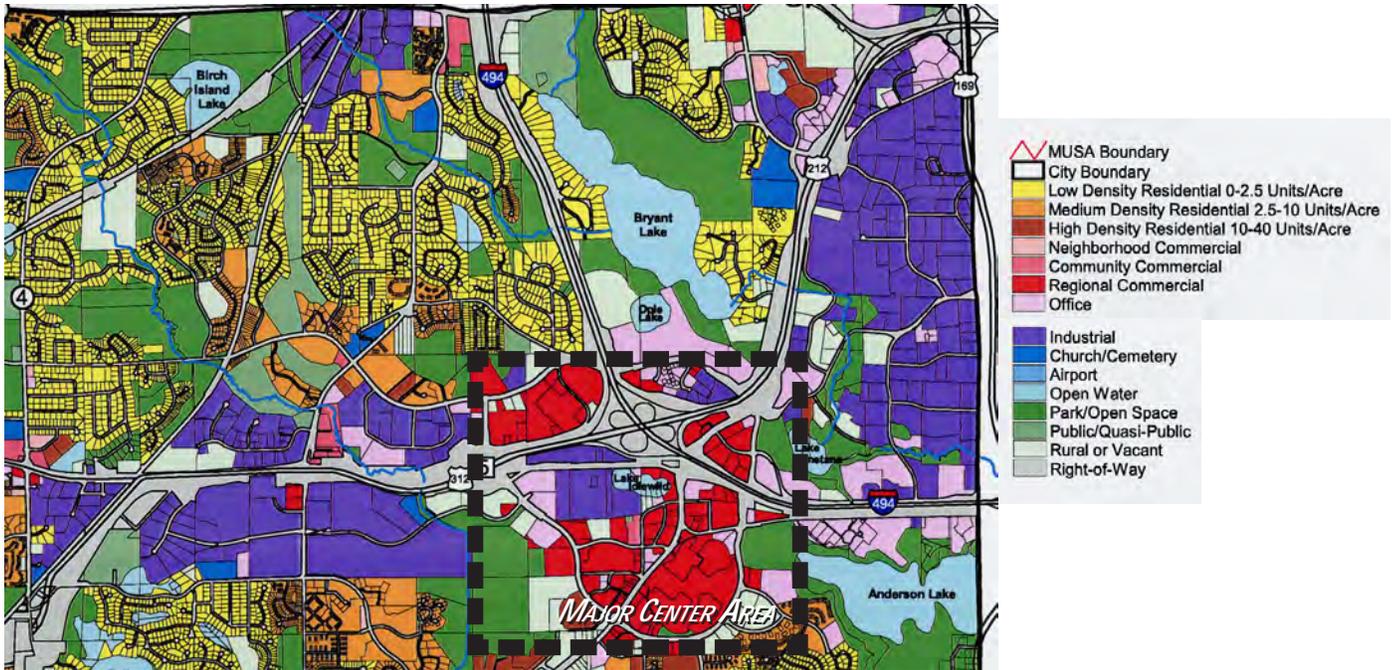


Figure 3-2 Existing Land Use - Land Use Patterns as illustrated in the City of Eden Prairie's Comprehensive Plan

The distribution of existing land use in the project area consists of the following:

Figure 3-3 Existing Land Use Patterns in Acres.

Land Use Type*	Area in Acres
Residential	25
Neighborhood Commercial	7
Regional Commercial	37
Office	148
Industrial	543
Parking/Rural/Vacant	134
Parks and Open Space	86
Total Area	979

*includes parcels in Edina and Bloomington and excludes R.O.W. and open water.

Residential uses are predominantly apartment, condominiums and townhomes. Although most of the residential units are located in the City West area, recent apartment developments along Smetana Lane have created a better distribution of residential land use in the Golden Triangle area. These units are in mostly higher amenity complexes with heated underground parking, community/club rooms, in room washer and dryer units, swimming pools and fitness centers with spas.

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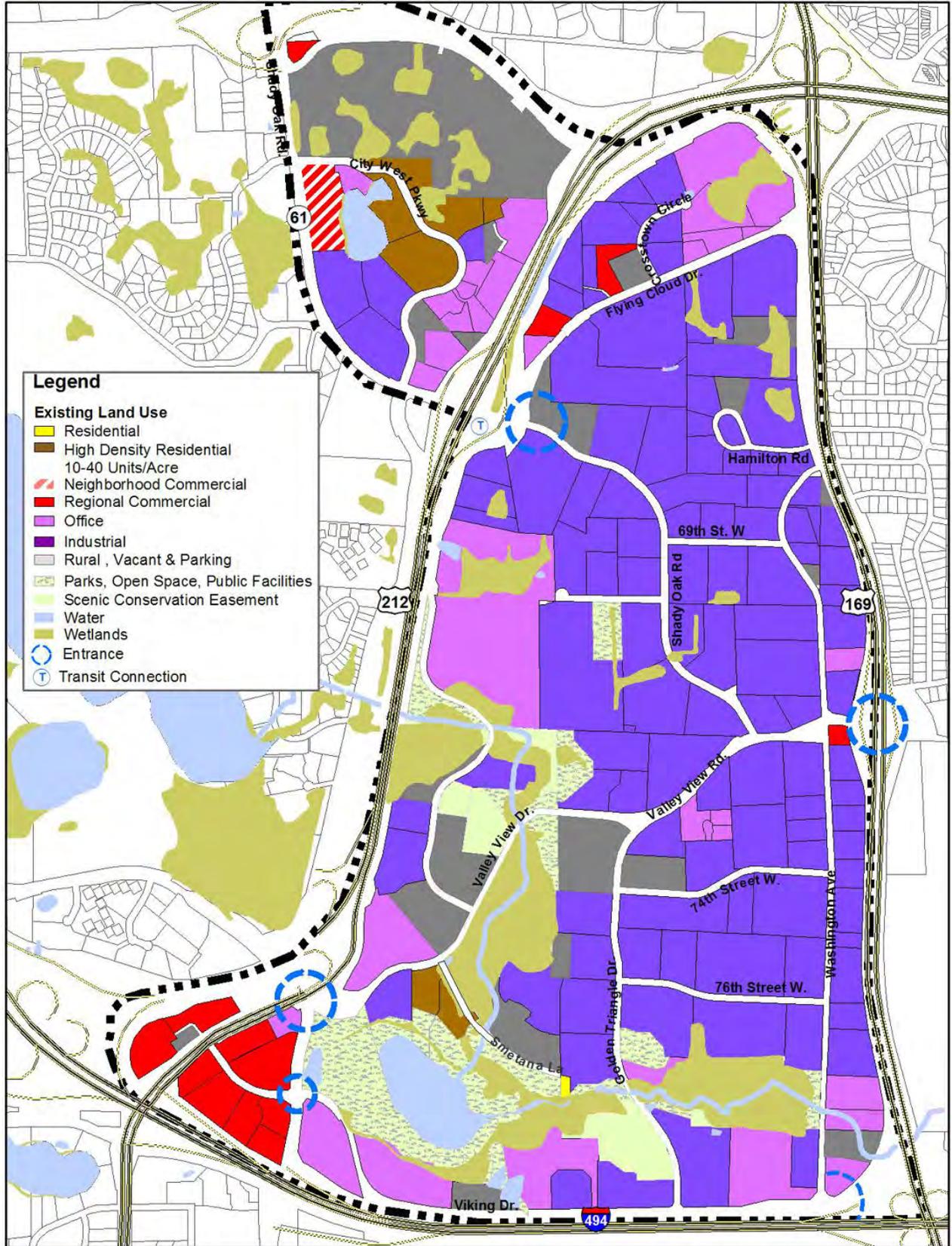


Figure 3-4 Existing Land Use Map

Eden Prairie ~ Hennepin County

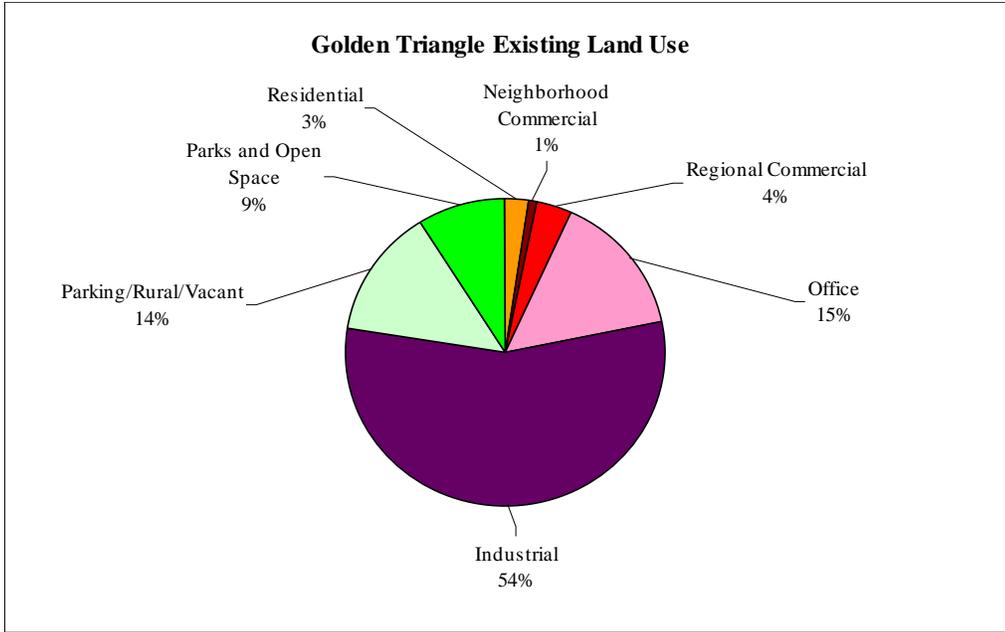


Figure 3-5 Existing Land Use Pattern by Percentage

In general, residential uses tend to be more prominent in locations that offer stronger environmental amenities such as open water, wetlands, mature stands of trees and topographic relief. These areas exist within the Golden Triangle area in many forms and offer an opportunity to encourage a residential land use pattern. Many of the industrial sites in the Golden Triangle take advantage of the mature tree stands and rolling topography to provide trails and park like facilities for employees; however, these facilities are often contained to the site and do not provide connectivity throughout the Golden Triangle.



Shady Oak Shopping Center

Except for the City West Area, commercial uses in the project area are principally destination oriented such as a veterinarian clinic or storage facility. The City West area has the only neighborhood oriented shopping area with retail and service oriented commercial uses. There are fast food and sit down restaurants in this commercial strip center that become extremely busy over the weekday lunch hour. The occasional restaurant or catering facility can be found discretely tucked in the back of an industrial building in a few locations within the Golden Triangle.

While the bulk of land use in the Golden Triangle is classified as “industrial” and “office”, recent trends show a shift towards more office uses, which result in a higher intensity of jobs and a greater number of vehicle trips. This land use trend is the result of conversion of older (dated) industrial spaces to a “flex” space configuration which generally can be described as 50% to 75% office and the remainder of the space used for warehouse or showroom uses. Other trends have indicated a move toward high-tech manufacturing and research and design type uses.



Townhomes in City West area



Luxury apartments in City West area



New apartments on Smetana Lane



Wetland in the City West area



Valley View Road



Nine Mile Creek

Golden Triangle Land Use/Multi-Modal Transportation Evaluation



Lifetouch Building



Newer Industrial Flex Building



Older Industrial Building

Current estimates for employment in the Golden Triangle range from a low of around 14,000 (Metropolitan Council regional model data) to a high of 26,000 jobs estimated in the 2001 Traffic Study conducted by SRF. This study arrived at a current employment estimate for the Golden Triangle of approximately 25,000 employees. Including the City West Area, this estimate increases to approximately 28,000. These estimates were based on the ratio of employees per square foot for individual land uses as follows:

<u>Land Use</u>	<u>Ratio—Employee per Square Feet</u>
Regional Commercial	1:500 sq. ft.
Neighborhood Commercial	1:300 sq. ft.
Office	1:248 sq. ft.
Flex/Industrial	1:433 sq. ft.

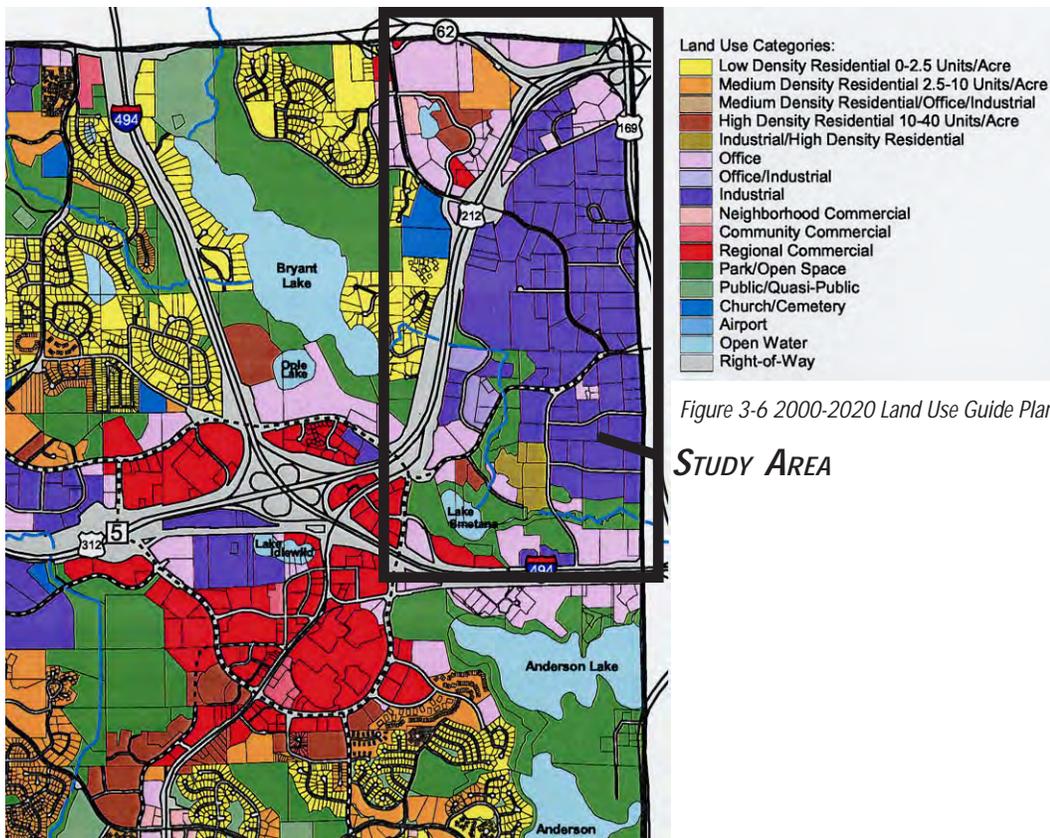
These ratios were established based on resource information obtained from Metropolitan Council staff and the Minnesota State demographers office and consultation with City Staff.

Although the current land use plan for the area, Eden Prairie's 2000-2020 Land Use Guide Plan, completed in December of 2000 (see Figure 3-6), designates the bulk of the Golden Triangle area as industrial in anticipation of a continued concentration of jobs, other uses are designated within certain parts of the study area. For example, some sites along I-494 were designated as Regional Commercial. Market forces, however, have resulted in higher density office developments being built. In addition, some areas west of Golden Triangle Drive near 76th Street West are designated as a mix of industrial and high density housing. This designation reflects a strong market trend to consider residential uses in the Golden Triangle area, especially near some of the more pristine environmental features of the Golden Triangle.

Growing frustration over traffic congestion in the region prompted a study (completed by SRF Consulting Group in 2001) focusing on travel demand management strategies, infrastructure improvements and land use policy as measures to relieve congestion and improve travel times. This study generally concluded that a multi-level approach is required to ease traffic congestion.

- Mixed Land Use—Require residential and commercial use for development and redevelopment in the area. This shift will reduce future employment levels by 10%, and provide a better distribution of traffic flows entering or leaving the Golden Triangle area. Mixed land use would also reduce travel times by 15% to 30% when compared to a “do nothing” approach.
- Transportation Demand Management (TDM)—Promote the use of transportation alternatives (such as car-pooling, van-pooling or staggering work hours) in order to help ease peak period congestion.
- Infrastructure—Expand and improve transportation infrastructure at an estimated cost of about \$12 million for intersection and roadway

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improvements, expanding high occupancy vehicle (HOV) infrastructure, and providing a new access point to the Golden Triangle. (Tables E3 and E4 of SRF report.)

MARKET PERSPECTIVES

Although the economy has struggled in the early 2000s, the market for new development, driven primarily by professional service industries, continues to be strong in the Twin Cities region. High land costs and limited land supply, though, continue to push new development to the edges of the region. As long as affordable raw land at the edge continues to be readily available, redevelopment will continue to be a challenge in the marketplace. As congestion worsens, however, the desire and ability to live close to work and within close proximity to the amenities offered by the metropolitan region will continue to be strong and will likely grow stronger.

INDUSTRIAL

Industrial space in the Twin Cities grew significantly and enjoyed very low vacancies in the 1990s. Today, vacancies exceed 10% and developers of new industrial space are looking at the edges of the metropolitan region to areas like Chanhassen, Chaska or Shakopee where they might be closer to blue-collar industrial labor concentrations, lower land costs and less congested access to and from the interstate highway system.

Golden Triangle Land Use/Multi-Modal Transportation Evaluation



Property Available Sign in the Golden Triangle



Eden Prairie Center



Excelsior and Grand is a redevelopment project in St. Louis Park that mixes residential units over street level retail uses.

Prospective tenants looking for industrial space also tend to be more interested in “state-of-the-art” distribution and warehousing facilities. Existing industrial facilities like those in the Golden Triangle are often not cost effective to retrofit to modern “state-of-the-art” facilities. Instead, these existing older industrial spaces often become good candidates for lower-end office users, a pattern that will perpetuate the growing traffic congestion in the area. It is expected that as the regional market recovers the local market will regain viability for industrial properties, particularly for properties suitable for office uses and high-technology industrial uses.

OFFICE

The regional office market also suffers from high vacancy rates which will likely persist until the economic recession recovers. However, the notion that the Golden Triangle is in a prestigious and strategic location along major southwestern and western suburban corridors will contribute to growth in new office space as new suburban office developments seek access to these corridors’ concentrations of office tenants and professional labor.

COMMERCIAL

Commercial development continues to flourish despite difficult economic times. The retail sector remains high on the list of leading industry sectors for the metropolitan area. This trend would appear to continue as the region’s population continues to grow. Regional malls, including Southdale and Eden Prairie Center, have undergone recent makeovers and expansions to continue offering new looks and greater shopping experiences for the consumer.

RESIDENTIAL

Residential development’s strength lies with the growing single family housing market and the popular townhome style of multi-family housing. Recent markets have emerged in communities such as St. Louis Park and Hopkins that mix housing over street level retail space. While this model is showing up more frequently in the metro area, it remains largely un-tested in the marketplace. The development pattern of townhomes or stacked condominiums and apartments continues to be the more dominant housing product in the Twin Cities market. For-rent apartments are the most reliable (or least risky) pattern. For-sale condominiums require a stronger surrounding land use pattern that supports a residential environment with retail services and public amenities within walking distances.²

See Appendix A for a more detailed perspective on the regional and local market factors affecting development and redevelopment opportunities in the Golden Triangle.

ROADWAY TRAFFIC

Traffic congestion is significant on the regional roadway system. With the regional projections for population and employment growth in the metro area, congestion is projected to get worse; travel time delays are expected to double over the next 20 years. Among North American regions, the Twin Cities now ranks number one, along with Atlanta, for the annual rate at which congestion is worsening.³ According to survey results from the GTTMA, workers in the Golden Triangle generally perceive their commute times as increasing between 2000 and 2001, and 37% of those surveyed indicate they have considered changing jobs due to the congestion issue. Traffic congestion is now the top metro concern according to 31% of those surveyed through the *Metro State University 2000 Civic Confidence Survey*, and in yet another survey, the *1999 Twin Cities Area Survey*, 82% of Twin Cities area residents thought traffic congestion had increased in the prior year.

The Golden Triangle is served by four major regional roadway corridors: I-494 from the north and east, U.S. Trunk Highway 169 from the north and south, State Highway 62 (Crosstown) from the east and west and Highway 212/5 from the southwest. Of the four major roadways, I-494 carries the bulk of the traffic with average daily traffic volumes approaching 100,000 trips per day in some locations. TH 169 is a grade separated freeway north of I-494. The intersection of I-494 and TH 169 has recently undergone an improvement project that included expanding the bridge and adding through lanes and turn lanes to facilitate traffic movement through the interchange while maintaining the traffic signal control. Although plans have been drawn to implement further improvements, these plans are not programmed and have no funding associated with them. Therefore the timing of such improvements is unknown. Other regional roadway improvements include widening a portion of I-494 between Eden Prairie and Bloomington, a project that is currently under construction.

A key factor in people's attitudes towards traffic in the Golden Triangle area is the delay experienced accessing the regional roadway system when the access is controlled by ramp meters. Since a MnDOT study of ramp meter effectiveness resulted in the turning off or the adjustment of delay times imposed at ramp meters, attitudes towards traffic delays have improved.

TRANSIT

EXISTING TRANSIT SERVICE

Southwest Metro Transit and Metro Transit together currently serve the transit needs for the southwest part of the Twin Cities area. These operators run a large number of transit routes from the Eden Prairie, Hopkins and south Edina areas into downtown Minneapolis, but very few of these are conveniently located to serve the Golden Triangle. Services are summarized in the following points and illustrated in Figure 3-7:

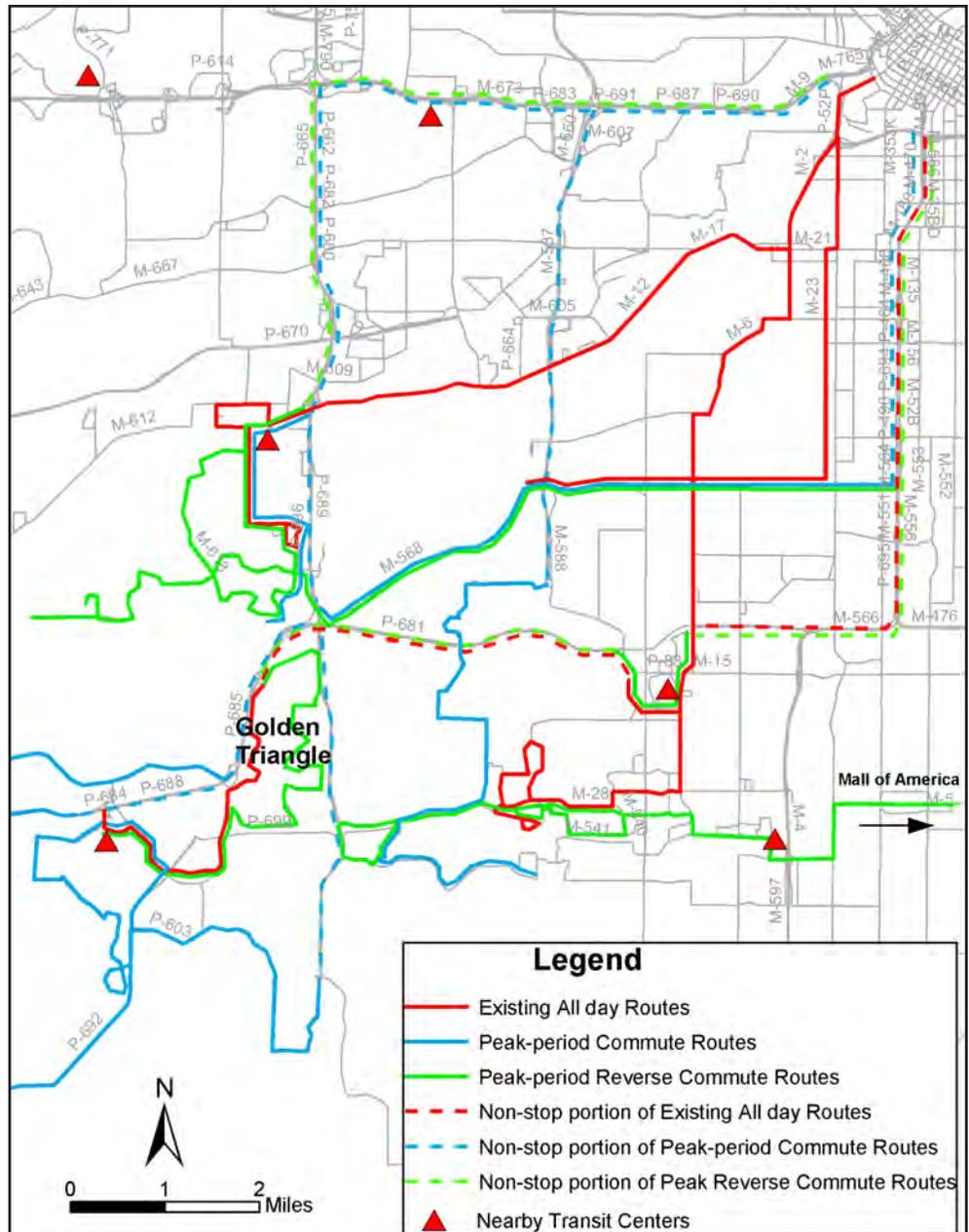


Figure 3-7 Current transit service serving the Golden Triangle and vicinity.

- Eden Prairie Routes (Routes 680 to 696) – There are several routes that are essentially commuter routes from the residential areas of Eden Prairie destined mostly to downtown Minneapolis. Most operate via Highway 212 adjacent to the Golden Triangle and several make a stop at the Shady Oak Park-and-Ride facility at Shady Oak and Flying Cloud (just east of Highway 212 on the western edge of the Golden Triangle). These services operate during peak periods only, as Route 681 is the only route offering off-peak service, not only to the Golden Triangle but to the Eden Prairie area further west.

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- Hopkins Area Routes – Several routes serve the Opportunity Court and Bren Road employment areas just north of Highway 62 and the Golden Triangle area. Routes travel on either 11th Avenue from Hopkins or Vernon Avenue from Edina. The main route in the area is Route 12, which runs south of Hopkins throughout the day to Opportunity Court with some peak trips extended to Bren Road and Shady Oak Road. Most other routes provide reverse commute services (Routes 568, 618, 662 and an extension of Route 4). There are also two commuter routes serving adjacent residential areas (Routes 35B and 665).
- South Edina Area Routes – A few routes serve the South Edina area to the east of the Golden Triangle. The all day service is Route 28 but it only serves the area immediately adjacent to Highway 100. One commute route (588) and one reverse commute route (540) run close to the eastern edge of the Golden Triangle. Another reverse commute route operated by Southwest Metro Transit (Route 699) runs non-stop adjacent to Highway 494 to Eden Prairie Shopping Center and Southwest Station, but does not serve the Golden Triangle.

Southwest Metro Transit currently operates what is essentially a reverse commute route, Route 681 from downtown Minneapolis to the Golden Triangle and adjacent destination points, serving the large employment areas in the Golden Triangle. It also operates during mid-day but does not provide peak-direction service into Minneapolis (i.e. for downtown commuters). Service characteristics of Route 681 are as follows:

- Routing – From downtown Minneapolis via Highways 35W and 62, via Southdale Shopping Center, to Shady Oak Park-and-Ride; then via Flying Cloud Drive, Valley View Road and Prairie Center Drive to Eden Prairie Shopping Center and Southwest Transit Station.

During peak hours, 2 morning and 3 afternoon “Golden Triangle” trips divert further east to serve more of the central part of the employment area (Golden Triangle Drive, Washington Avenue), while in the early morning, 2 “Earlybird” trips follow a similar but not identical routing in the central area. Characteristics of this service include:

- Hours of Service – Monday to Friday from about 5:30 a.m. to about 7:30 p.m.
- Frequency – Approximately hourly service throughout the day, with some added reverse-commute peak period trips; a.m. peak service ranges from 40 to 59 minutes while p.m. peak service ranges from 20 to 51 minutes.
- Transfer Connections – Transfers can be made on Route 681 at the following locations:
 - o Downtown Minneapolis;
 - o Southdale Shopping Center (connects with several routes in South Minneapolis, Richfield, Edina and Bloomington);
 - o Southwest Transit Center (connects with other Eden Prairie routes).

Golden Triangle Land Use/Multi-Modal Transportation Evaluation



Transitways on Dedicated Rights-of-way
2025 Plan

Twin Cities Metropolitan Area



- LRT
- Busway
- - - Busway - Alternative Downtown Connectors
- Commuter Rail
- Transitway - Technology Unspecified
- - - Transitway - Alternative Downtown Connectors

Figure 3-8 2025 Twin Cities Metropolitan Area Transitways Map

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REGIONAL TRANSIT PLANNING

The Metropolitan Council is the agency responsible for regional transportation planning. Metro Transit is part of the Metro Council; Metro Transit is the primary provider of transit service in the region. The Metropolitan Council's 2025 transitways map (Figure 3-8), displays proposed regional transitways. Two transitways are proposed to serve the Golden Triangle Area:

- A busway would extend along the I-494 corridor between the Southwest Metro Station and the Mall of America, where it would connect to the Hiawatha LRT and Cedar Busway.
- The other transitway would extend between Eden Prairie and downtown Minneapolis within the southwest corridor.

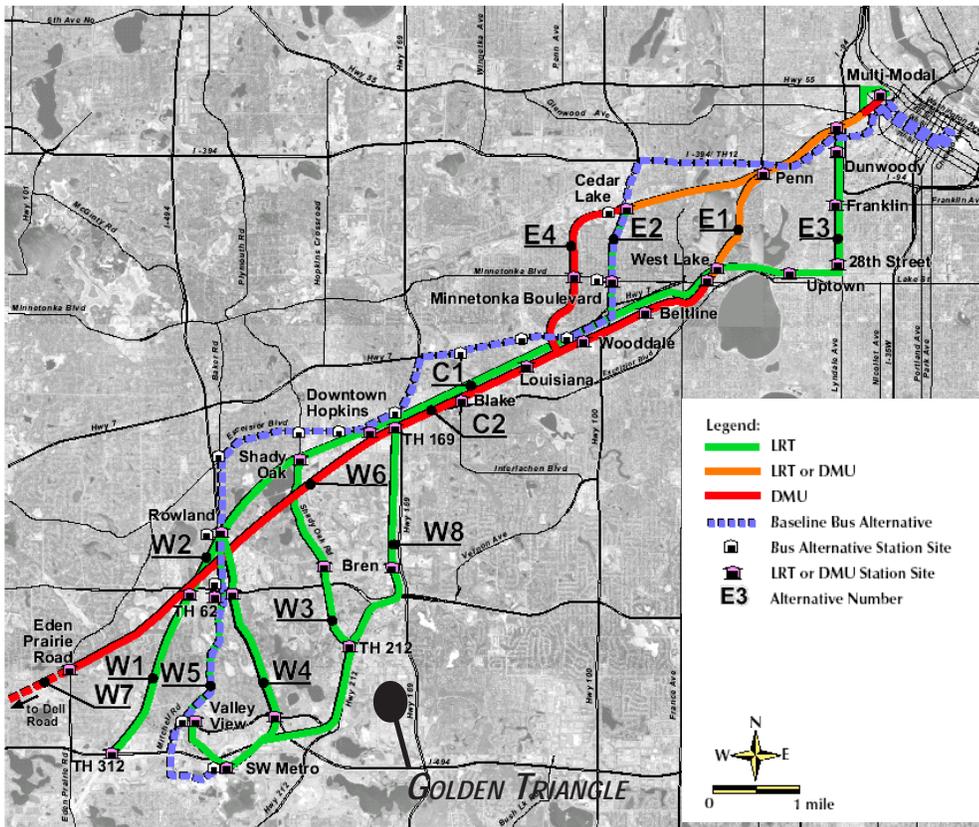


Figure 3-9 SW Corridor Rail Transit Study Map showing initial alternatives that were evaluated. Subsequently to this phase of the project, four alternatives were recommended for further study, including an alternative that better serves major employment and residential centers. URS and Hennepin County.

Recent and ongoing planning initiatives are focused on evaluating transit corridor alternatives to serve the southwest metro area, including the Golden Triangle. These planning initiatives are being conducted by Hennepin County Rail Authority. In 2001, the State Legislature enacted a law to prohibit the Metropolitan Council from expending funds to study, plan, design or construct an exclusive busway in the cities

of Eden Prairie, Minnetonka, Chanhassen and in the Kenilworth corridor, Minneapolis. Subsequently, the planning efforts have referred to the corridor as “Transitway – Technology Unspecified” and have focused on rail transit as a preferred technology. Corridor alignments being evaluated are illustrated in Figure 3-9. An additional alternative has been explored that penetrates the Golden Triangle and provides front door service to many of the businesses within.

See Appendix B – Transit Strategies Report for a more detailed review of transit services in the Golden Triangle Area.

REGIONAL DIRECTIVES

The Metropolitan Council recently updated its Regional Blueprint. The 2030 Regional Development Framework was adopted January 14, 2004, and contains the broad vision for regional growth within the Twin Cities Metropolitan Area. The document outlines goals, objectives and broad policy statements for achieving a workable development pattern across the entire Metropolitan Area, one that is highly supportive of the initiatives of the Golden Triangle Study. The 2030 Regional Development Framework directives that are germane to the Golden Triangle include:

- A focus on greater transportation choices, linked to development patterns and jobs, that strengthen connections between places and increase mobility;
- A focus on growth and redevelopment in urban centers along transportation corridors in order to integrate land use and transportation and build and support a sense of place;
- Invest in developing communities that will accommodate new growth in a connected and sustainable land use pattern;
- Invest in the renewal and redevelopment of older areas to create new opportunities for growth and improve the livability and viability of communities;
- Reinvest in fully developed and older communities in order to ensure continuing vitality and to maintain and renew buildings, land, streets, water and sewer lines, and other public infrastructure.



Figure 3-10 Planning Areas Map from the 2030 Development Framework.

ENDNOTES

1 Bonz and Company Market Analysis: Golden Triangle Redevelopment Plan. Draft. Page 8.

2 Bonz and Company. Market Analysis: Golden Triangle Redevelopment Plan. 2003. Page 20.

3 Johnson, Curtis. Market Choices and Fair Prices: Research Suggests Surprising Answers to Regional Growth Dilemmas. Center for Transportation Studies, University of Minnesota. January 2003.

Land Use and Traffic Congestion

HOW LAND USE IMPACTS TRAFFIC CONGESTION

Managing the source of traffic generation - land use - is an effective traffic management strategy. The number of trips, type of trips, geographical distribution of trips and time of trips all depend on the type, intensity and arrangement of land use in an area. An objective of this study is to evaluate how redevelopment and new development in the Golden Triangle can integrate a mixed land use pattern to help ease traffic congestion. The rationale for mixing land use, as opposed to having mainly an industrial/office land use pattern, is that in a mixed use environment, traffic movement is dispersed throughout the entire day and moving in both directions. Because the current land use pattern in the Golden Triangle is principally as an employment center, traffic is concentrated in AM and PM peak periods and moves in the same directions during both times.

... in a mixed use environment traffic movement is dispersed throughout the entire day and moving in both directions.

The Golden Triangle represents an extreme example of how a single predominant land use pattern (employment or business), arranged in an auto-oriented pattern and experiencing an increasing intensity of development, contributes to traffic congestion. Figure 4-1 illustrates the trip generation rates and distribution patterns, classified by land use, for a hypothetical 10-acre development. These rates and distributions are derived from the Institute of Traffic Engineering (ITE). Note that the higher trip rates are generally for industrial and office developments, which correspondingly generate a high volume of traffic concentrated around peak AM and peak PM hours. Integration of residential and commercial uses would generate fewer trips (the exception being a supermarket) and distribute them more evenly throughout the day.

Integration of residential and commercial uses would generate fewer trips (the exception being a supermarket) and distribute them more evenly throughout the day.

During the exploration of different land use patterns that might achieve the objective of reducing traffic congestion in the Golden Triangle, a preliminary trip generation analysis was performed on a series of general land use concepts using the information from Figure 4-1. This information helped the consulting team and Technical Advisory Team determine what land use patterns were feasible for further analysis.

Golden Triangle Land Use/Multi-Modal Transportation Evaluation

Land Use	Land Area (Acres)	FAR or UPA	Building Area or Units	AM Peak Hour					PM Peak Hour				
				Trip Rate per 1000 Sq. Ft.	% Out	% Passby	New Trips		Trip Rate per 1000 Sq. Ft.	% Out	% Passby	New Trips	
							In (veh)	Out (veh)				In (veh)	Out (veh)
Office (Single Story)	10	0.25	108,900	1.56	12%	0%	149	20	1.49	83%	0%	28	135
Office (Low Rise)	10	1.00	435,600	1.56	12%	0%	598	82	1.49	83%	0%	110	539
Office (High Rise)	10	2.00	871,200	1.56	12%	0%	1196	163	1.49	83%	0%	221	1077
Industrial / Office													
Warehouse	5	0.25	54,450	0.45	18%	0%	20	4	0.51	76%	0%	7	21
Office	5	0.25	54,450	1.56	12%	0%	75	10	1.49	83%	0%	14	67
Total	10	0.25	108,900	--	--	--	95	15	--	--	--	20	88
Warehouse	5	0.50	108,900	0.45	18%	0%	40	9	0.51	76%	0%	13	42
Office	5	0.50	108,900	1.56	12%	0%	149	20	1.49	83%	0%	28	135
Total	10	0.50	217,800	--	--	--	190	29	--	--	--	41	177
Commercial													
Big Box	10	0.20	87,120	0.72	37%	0%	40	23	3.90	50%	34%	112	112
Shopping Center	10	0.25	108,900	1.03	39%	0%	68	44	3.74	52%	34%	129	140
Factory Outlet Center	10	0.25	108,900	0.67	27%	0%	53	20	2.29	53%	34%	77	87
Supermarket	10	0.25	108,900	3.25	39%	0%	216	138	11.51	49%	42%	371	356
Convenience Market	10	0.40	174,240	31.02	50%	43%	1540	1540	34.57	51%	61%	1151	1198
Residential													
Single Family	10	2.50	25	0.77	75%	0%	5	14	1.02	36%	0%	16	9
Town House	10	10.00	100	0.51	83%	0%	9	42	0.54	48%	0%	28	26
High Rise	10	20.00	200	0.34	83%	0%	12	56	0.38	32%	0%	52	24

Figure 4-1 Trip Generation Rates and Distribution Patterns for a Typical Ten-Acre Development

TRIP CHARACTERISTICS OF ALTERNATIVE LAND USE PATTERNS

Land use patterns have differing trip generation characteristics. Trips to and from an area with industrial or office land uses are mostly employee trips at the start and end of the work day, which is typically from 6:30 to 9:00 AM and from 3:30 to 6:00 PM¹. Figure 4-1 indicates that roughly 88% of trips in the AM are entering the industrial/office area (inbound trips) and between 76% and 83% of the trips in the PM are exiting the industrial/office area (outbound). In the Golden Triangle, where the land use is almost 70% office and industrial, this figure indicates the existence of heavy inbound traffic in the morning peak period and heavy outbound traffic in the afternoon peak period.

A lesser number of trips occur throughout the day for deliveries, errands or lunch trips. The TDM Demonstration Project survey conducted by the GTTMA in 2001 found that 34.5% of those surveyed typically do not use a car to run errands during the work day. A reason for this may be that it is simply not convenient to do so because there are few restaurants and commercial services serving the area's 25,000 or so employees (not to mention visitors, clients and customers).

Commercial uses are typically big traffic generators. However, depending on the nature of the use (i.e. a gas/convenience store vs. a retail outlet) these trips are often already on the system, indicated in Figure 4-1 as "passby" trips. Therefore, introducing a variety of commercial uses into the Golden Triangle area would likely improve traffic congestion, especially during the PM peak period, provided they either replace existing

office/industrial uses or are new developments that otherwise would have been office/industrial.

Residential uses also generate a greater variety of trip-making characteristics. Generally the times and directions of these trips are directly opposite the industrial/office land uses, and PM trips are distributed over a larger time frame rather than being concentrated during the peak period. Multi-family housing patterns tend to generate fewer trips, primarily because the demographic profile includes more single person households and fewer children, resulting in fewer trips per household.

Appendix C provides an analysis of trip generation, mode split and distribution based on the land use concepts described in Chapter Five of this report.

RELATIONSHIP OF DENSITY TO TRAFFIC VOLUMES

Another factor contributing to traffic congestion is that of land use intensity or density of development. The Golden Triangle area has many industrial buildings that were originally designed for warehousing or manufacturing uses. These generally contain more square footage of storage or equipment space and fewer employees. However, over the years many of these uses have been converted to more high tech manufacturing, research and design, and office uses, a conversion that has increased the number of employees. While typical industrial space would normally generate 1 employee per 1,000 square feet of floor area, in the Golden Triangle many of these spaces are accommodating closer to 1 employee per 500 square feet of space due to the office conversion.

Development density can also be increased through other means: by increasing the building square footage on a site; by increasing the floor area ratio by building up (multi-story buildings); or by intensifying building coverage by reducing the area committed to surface parking. This latter scenario can be accomplished through the use of structured parking, shared parking facilities or committing to a travel demand management strategy such as car/van pooling. Although increasing either the intensity or density of development typically generates more traffic, the increase is necessary in order to make new redevelopment financially sound and to help support better transit service.

THE TRANSIT FACTOR - TRANSIT SUPPORTIVE DEVELOPMENT

This study explores various redevelopment strategies that will diversify the mix of land uses and change auto trip patterns in the area, resulting in a reduction of peak period traffic congestion. Another strategy for reducing traffic congestion, though, is to encourage transit usage. Because mixed land use patterns offer a higher concentration of employment and population, they can be more affordably served by transit. For example, Metro Transit's standard of a transit supportive residential density is seven dwelling units per acre.²

While higher concentrations of employment and population may make transit a more viable alternative to the automobile, increasing density alone will not prove sufficient to alter commuting patterns. Greater attention to design of the public realm (streets, sidewalks, bus stops, parks) and site design is necessary to make a stronger connection between transit stops (the street) and people destinations (employee entrances to buildings).

The existing pedestrian environment in much of the Golden Triangle illustrates how transit usage might remain low even if service to the area were improved. Currently, bus riders exit the bus at the curb, either cross a grass median to a sidewalk, if one is available, or else simply walk in the street towards their place of employment. On the way, the pedestrian must walk either through landscaping or a driveway and then through a parking lot, none of which are engineered with pedestrians in mind, to get to the entrance of the building. In winter, throwing three feet of snow and plowed snowbanks in to the equation makes it easy to see why commuters often choose the comfort and convenience of the automobile over transit, even if they have to battle congestion.

Transit-Oriented Development (or TOD) is a term used to describe the establishment of a land use pattern and associated pedestrian amenities that better support transit services and operations. TOD also provides a means of achieving community development objectives such as encouraging affordable and life-cycle housing choices, providing employment opportunities, reducing traffic congestion or enhancing the local tax base. TOD principles include:

- Creation of a strong pedestrian environment;
- Facilities that encourage multiple modes of transit (bus, bike, walk, car/van pool) with clear, convenient and recognizable transfer facilities;
- A traditional neighborhood structure that includes a distinct center (i.e. “heart”), an interconnected street grid network, pedestrian friendly street design (small parks, plazas and open spaces, narrow streets, traffic calming, on-street parking) and an aesthetically pleasing public realm (landscaping, street lighting and street furniture);
- A prominent civic identity (public realm—public uses);
- An efficient, compact, mixed-use land use pattern that create places to live, shop, work and play;
- A sustainable development pattern that respects and balances the environmental, social and economic objectives of a community.

The Metropolitan Council has developed a *Guidebook on Smart Growth: Planning More Livable Communities with Transit-Oriented Development*. July 2000. This guidebook provides local planning agencies, transit providers, public works departments and other public departments with a tool to help take advantage of opportunities to

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create “a vibrant, compact, walkable, mixed-use community.” This document illustrates TOD principles and establishes target development intensities (density and floor area ratios) that are necessary to achieve the objectives of TOD and support affordable transit service.

The following characteristics/actions would make transit a more attractive option in the Golden Triangle:

- Site design that provides attractive pedestrian connections between the street or bus stop and the entrance to a building.
- Strategically located sidewalks that separate foot traffic from vehicle traffic in both private site developments and the public realm.
- Intensified development pattern, preferably housing, that creates a stronger market for transit users.
- Enhanced local and express transit service that better connects the Golden Triangle to other transit corridors and other transit origins and destinations. (See Appendix B for additional discussion on transit service improvements.)
- Extension of the Southwest Corridor transit technology through the Golden Triangle rather than adjacent to the Golden Triangle as would be the case within the right-of-way of TH 212.

Although these strategies would be supported and more plausible under a redevelopment scenario with a mixed-use (TOD) pattern, implementing some of these transit strategies may not require aggressive redevelopment.

ENDNOTES

¹ The TDM Demonstration Project Survey conducted by the GTTMA in 2001 found that employees generally arrive in the GT between 6:30 and 9:00 AM with the bulk of arrivals occurring between 7:30 and 8:30. The PM departure times were generally between 3:30 and 6:00 PM with the bulk of departures occurring between 4:30 and 5:30 PM.

² Johnson, Curtis. *Market Choices and Fair Prices: Research Suggests Surprising Answers to Regional Growth Dilemmas*. Page ii. CTS 03-02. January 2003.

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Development and Redevelopment Opportunities

GUIDING/FACILITATING REDEVELOPMENT

The Golden Triangle area contains a limited number of vacant parcels. Of the vacant parcels, the largest is the site owned by United Health Group in the northern portion (City West) of the study area, just south of the Crosstown Highway. This site, which totals 68 acres, is likely to become the future location of a number of uses including housing, offices and possibly a corporate headquarters. Other vacant parcels in the study area are smaller, ranging in size from approximately 5 to 10 acres. The timing of the development of these parcels is dependent on a number of factors including market conditions and the interests of the property owners.

Other parcels in the area will be candidates for redevelopment in the upcoming years. Industrial buildings that were constructed in the 60s, 70s and 80s are, in some cases, becoming somewhat obsolete in today's marketplace. The functional obsolescence of these buildings results from the demands of contemporary industrial and office users relating to ceiling heights, bay depths, office amenities, etc. Additionally, some of the existing parcels in the area may be "underdeveloped". For example, a property might be considered underdeveloped due to a low floor area ratio (i.e. single story building with a low site coverage).

METHODOLOGY OF IDENTIFYING POTENTIAL REDEVELOPMENT PARCELS

The Golden Triangle currently contains 256 different parcels. In order to assess the redevelopment potential of properties throughout the study area, each of the parcels was examined through the use of Geographic Information System (GIS) modeling that focused on a quantitative analysis. The GIS analysis began with the mapping and review of a number of different factors. Mapped information included ownership patterns, natural features, year of construction, estimated market values, ratio of land value to building value, number of stories, Guide Plan (comprehensive plan) designations, zoning classifications, existing land use, proximity to existing transit routes, functional classification and planned roadway improvements. Of these factors, five emerged as being the most significant initial indicators of parcels with varying levels of redevelopment potential. They included:

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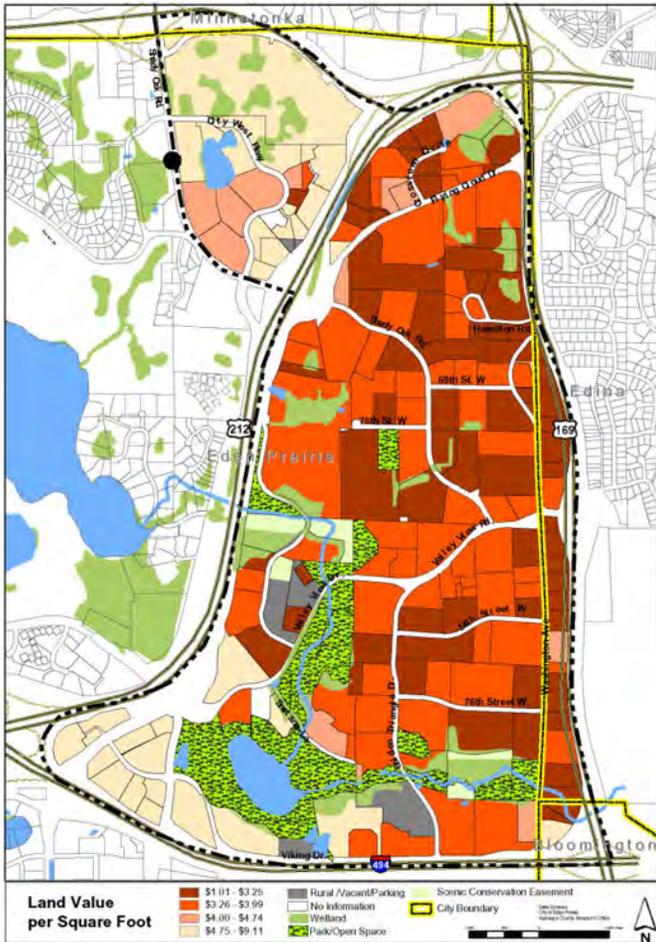


Figure 5-1 Land Value per Square Foot

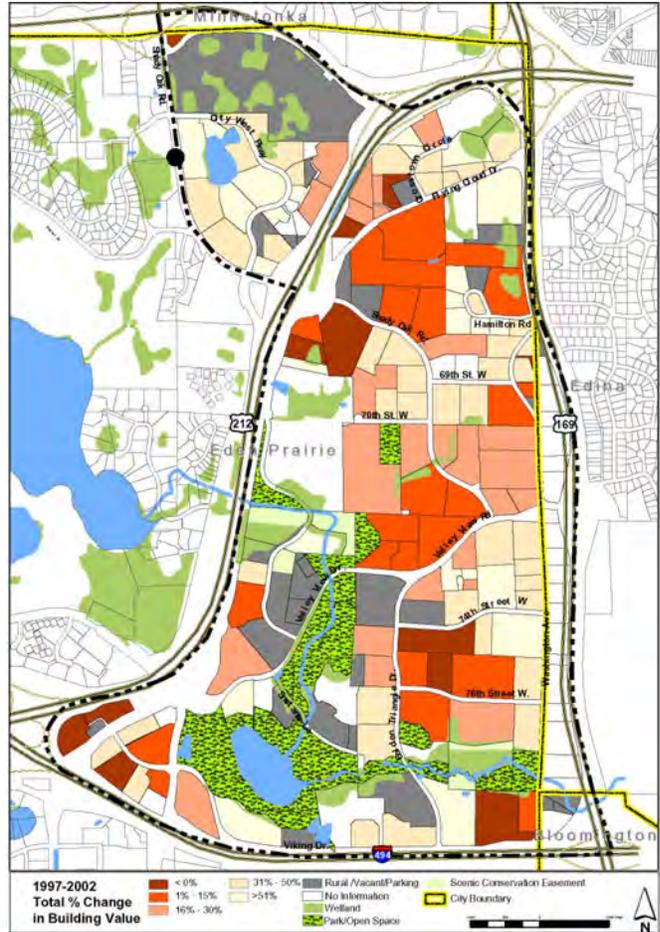


Figure 5-2 Total Percentage Change in Building Value 1997 - 2002

Land Value per Square Foot: Land value per square foot was tabulated and mapped from assessor's data. Four value classifications were created ranging from \$1.00 per square foot to over \$9.00 per square foot. The lower to mid-value parcels are generally located in the eastern portion of the Golden Triangle area. Values in City West are generally in the higher classifications. See Figure 5-1

Total Percent Change in Building Value: Ascertaining the change in building value over time helps identify buildings that are appreciating at a lower than average rate, thereby possibly indicating the presence of quality problems or other factors of building obsolescence. In order to get a feel for changes in building value, data from 1997 to 2002 was collected and analyzed. Buildings with either negative or lesser value increases are scattered throughout the Golden Triangle area with some pattern of frequency in the east central portion of the area. See Figure 5-2.

Quality of Construction: Quality of construction information is collected by the Eden Prairie Assessor's office. Properties are ranked on a 40-point scale and placed into one of seven categories ranging from low to excellent. For the study analysis, the seven categories were further combined into four categories as shown on the Quality of Construction map.

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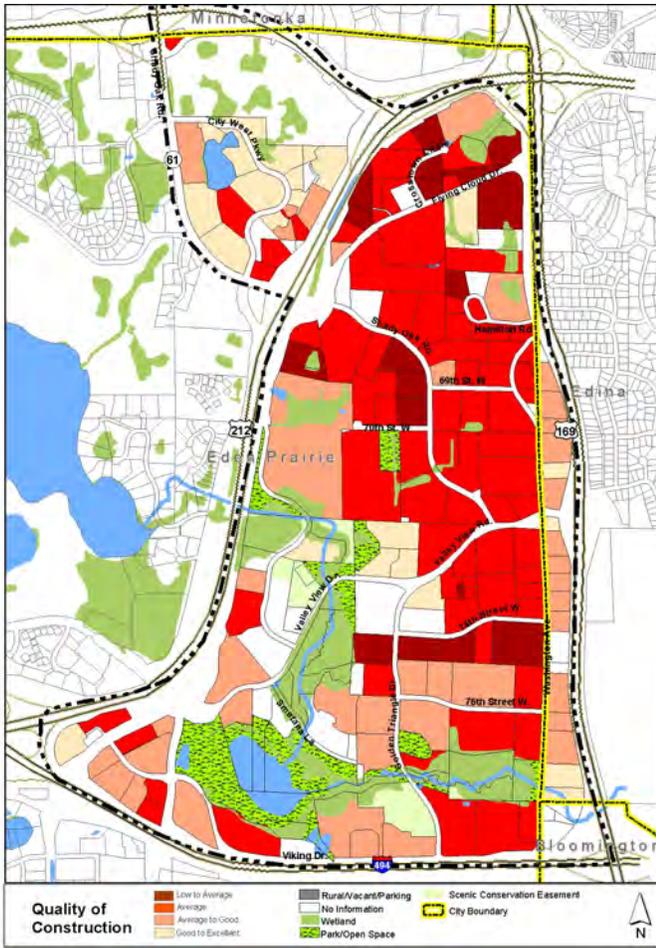


Figure 5-3 Quality of Construction

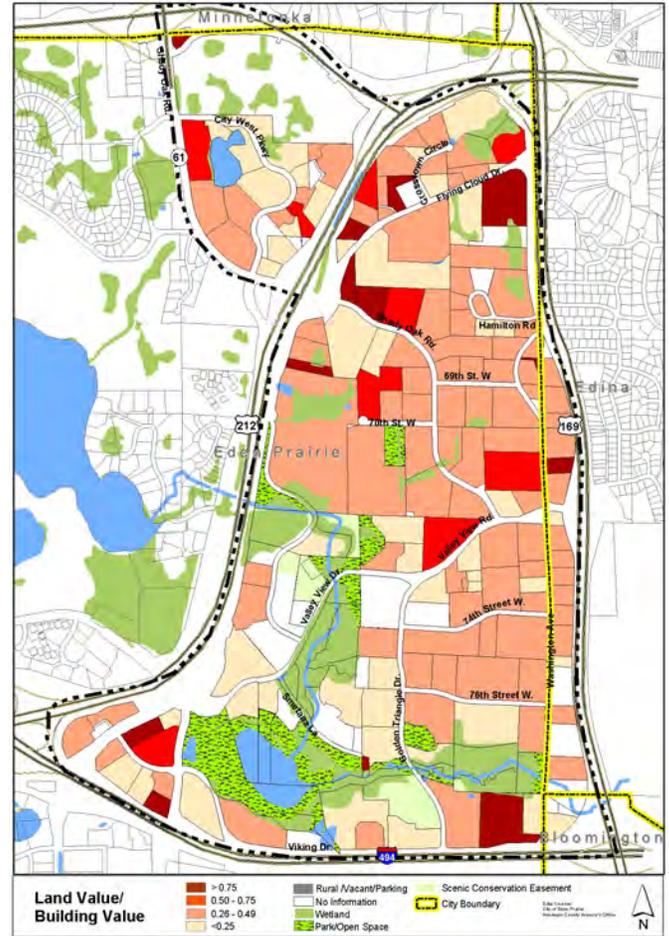


Figure 5-4 Ratio of Land Value to Building Value

The darker colored parcels are those classified as low to average or average. Most of the lower quality buildings are concentrated in the eastern and northern portions of the Golden Triangle area. Buildings in the City West area are generally either of average or above average quality. See Figure 5-3

Ratio of Land Value to Building Value: The ratio of land value to building value in the study area ranges from under .25 to over .75. A high ratio number indicates low building value relative to the value of the land. The Minnesota Vikings training facility is an example of a high ratio property. Buildings on the site, including a metal indoor practice structure and an air bubble dome, have relatively low assessed values. Although the Vikings facility is a unique example, generally, higher ratio parcels may be future candidates for redevelopment because of lower building acquisition costs. Parcels at the higher end of the ratio scale are generally scattered around the periphery of the Golden Triangle area. City West does not contain any of the higher ratio parcels. See Figure 5-4.

Floor Area Ratio: A low floor area ratio is another measure of redevelopment potential. Throughout the study area, floor area ratios (FAR) ranged from under .09 to over .25.

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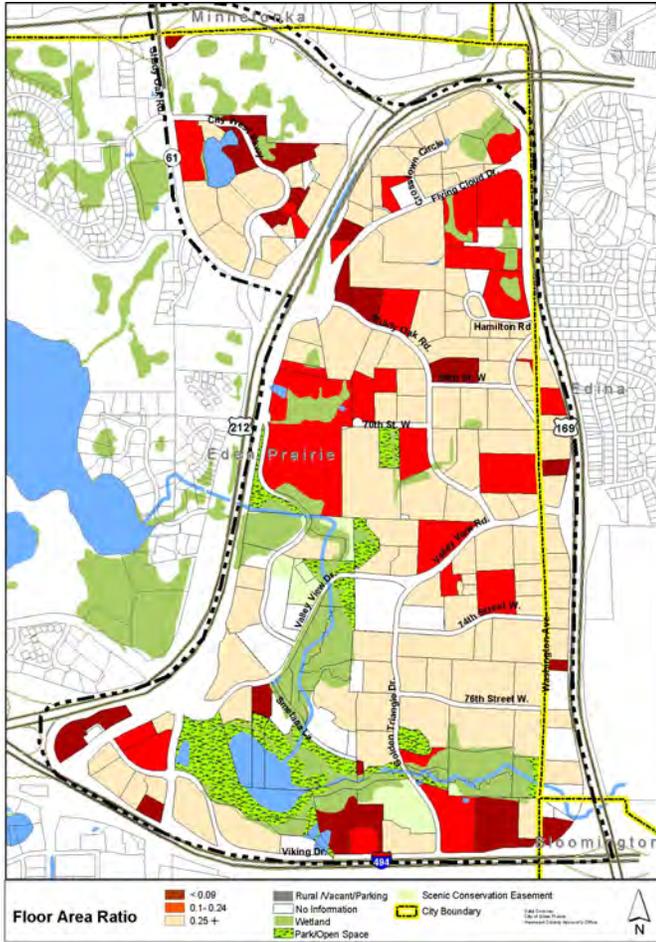


Figure 5-5 Floor to Area Ratio

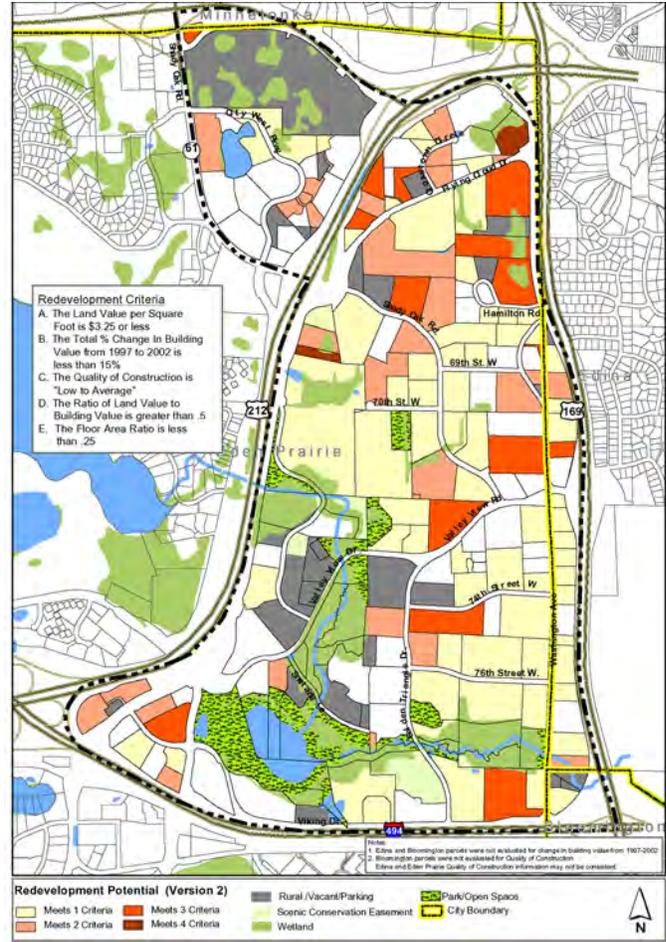


Figure 5-6 Redevelopment Potential (Version 2)

Those at the lower end of the scale may be future redevelopment prospects based on their lower site utilization. See Figure 5-5

FINDINGS

After looking at each of these five criteria on an individual basis, a composite map was prepared.

In general, the lower range of each of the inventoried categories was used to sort parcels. Cutoffs for the sorting of parcels included the following:

- Land value per square foot of \$3.25 or less
- Total change in building value of less than 15%
- Quality of construction index of either low or average
- Ratio of land value to building value greater than .5
- Floor area ratio less than .25

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Parcels were sorted based on their compliance with the identified criteria. It was assumed that parcels that meet three or four of the criteria have a higher potential for future redevelopment than parcels that meet only one or even none of the stated criteria. The concentration of parcels having the strongest redevelopment potential, based on meeting three or four of the criteria, occurs primarily in the northern, eastern and central portions of the Golden Triangle area. Parcels in City West did not meet more than two of the criteria. These parcels are identified on the composite map, which is labeled Redevelopment Potential (Version 2). See Figure 5-6.

In order to supplement the GIS analysis, a “subjective” or qualitative review was also incorporated into the parcel analysis. Eden Prairie building officials and assessors have had access to many of the properties in the Golden Triangle area. As a result, they have been able to observe building configurations and conditions that are not readily apparent in the more statistically oriented GIS examination. Their input helped shape the final assessment of parcels that might be strong candidates for future redevelopment. In addition, the consultant team conducted informal conversations/interviews with several brokers and property managers to better understand building function, vacancy and marketability. The final tabulation of parcels that are likely to either develop or redevelop within the next 20 years is shown on the map entitled Redevelopment Potential (Version 3). See Figure 5-7. This map shows both vacant parcels that are likely to be developed and other parcels that may be candidates for future redevelopment.

Parcels having redevelopment potential became the focus of the future land use alternative concepts that were subsequently developed and discussed during the course of this study. A parcel’s designation as one with redevelopment potential does not, however, mandate future change. In many cases, these parcels contain significant buildings and businesses. However, from a planning perspective, considering alternatives for future change in these areas is warranted as part of the testing of the original hypothesis of this evaluation study.

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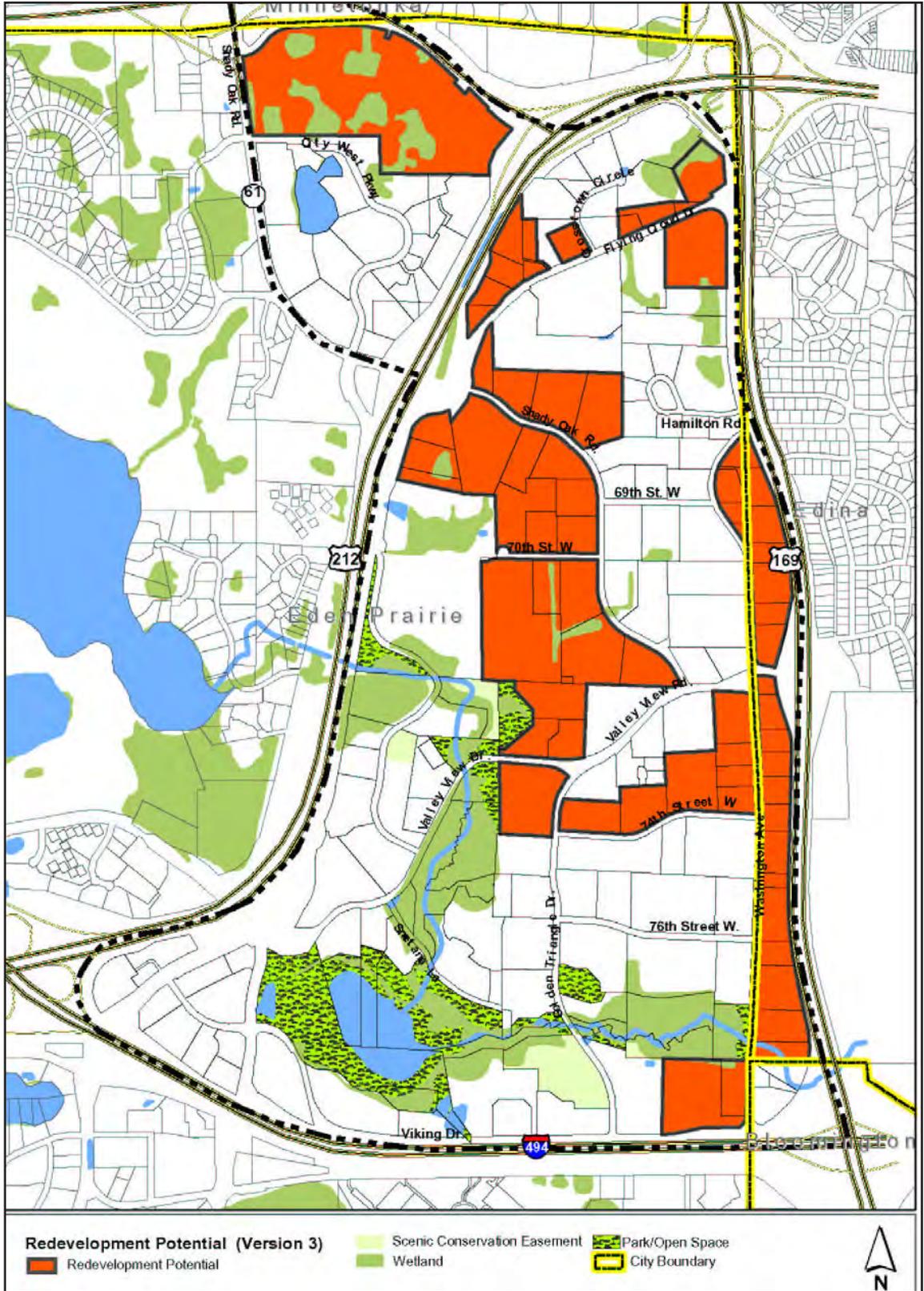


Figure 5-7 Redevelopment Potential (Version 3)

A MARKET PERSPECTIVE TO GUIDE REDEVELOPMENT CONCEPTS

MARKET TRENDS AND FORECASTS

The consulting team prepared a market analysis to identify market conditions and likely trends for the Golden Triangle. This analysis, in its entirety, is included as Appendix A. The findings of this analysis frame the development possibilities for the redevelopment plans detailed in Chapter 6. The following summarizes the basic findings of the market analysis:

- Notwithstanding the current economic downturn, over the next five years the Twin Cities region is expected to resume a pattern of steady economic growth, driven primarily by professional service industries.
- Industrial buildings comprise the primary land use in the Golden Triangle study area. In the 1990s, however, new developments have included office buildings, lodging properties and multi-family residential buildings, principally in the southern portion of the study area.
- While the area contains limited remaining land available for new development, office uses have increasingly occupied larger portions of the Golden Triangle's industrial buildings. This reflects the area's strategic location within the largest and most prestigious suburban office submarket in the Twin Cities metropolitan area. Over the next ten to twenty years the southwestern and western suburban corridors are likely to maintain this status, as new suburban office developments seek access to these corridors' concentrations of office tenants and professional labor.
- Vacancy rates range from 12 to 15 percent in both the southwest suburban and the overall metropolitan area office and industrial markets. Notwithstanding these unfavorable short-term conditions, over a ten-year time frame the Golden Triangle area will offer a strong competitive location for office as well as industrial businesses.
- Absent substantial public intervention, changes to existing land use patterns in the Golden Triangle will proceed incrementally. As higher-end tenants seek new space, older industrial buildings, while remaining viable, will generate comparatively lower lease revenues. As these buildings' suboptimal performances continue to decline, they will provide opportunities for renovation and/or redevelopment. Such investments, however, would most likely occur incrementally, and in unrelated patterns and sequences.
- Over the next ten years, the market offers the potential to support new development (or redevelopment) opportunities for:
 - o Ongoing conversions of existing industrial buildings to office uses.
 - o Office development at increasing densities.

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- o New large-format, or “big box” retail stores. A number of big box niches remain un-served in the market area, offering potential opportunities for locations with direct access and visibility to the area’s major highways.
- o New residential development in multi-family or townhouse (single-family attached) configurations.
- o 100-200 hotel rooms. These lodging properties will seek highway access and visibility, and will most likely fall in the mid-price with food & beverage category.
- Each of these types of development will face barriers. While built-out conditions around I-494 will limit new competition, development projects will face difficulties relating to land assembly and high costs for the acquisition of still-viable buildings.

SUPPORTABLE ALTERNATIVE LAND USES OR BUILDING REUSE

Mixed use development patterns and other alternative land use forms could help achieve the study objectives outlined in Chapter 1. Initiatives might include:

Loft housing conversions: In recent years, conversions of industrial properties to loft residential housing have proven marketable at high (in excess of \$400,000) prices. Such conversions, however, have occurred (1) in historic buildings with windows, high ceilings, and other residential development amenities, and (2) where buildings and their locations have become obsolete as industrial properties and currently offer proximity to urban retail and entertainment districts. Buildings in the Golden Triangle do not generally feature the windows, multiple floors, architectural features, or location amenities suitable for this type of residential conversion. Residential development prospects for most Golden Triangle industrial properties would involve demolitions and new construction of buildings that would occur more easily on undeveloped sites in other locations.

Recreation Uses: Potential redevelopment formats for low-rise industrial buildings that do not offer high-amenity construction might include various indoor fitness or recreational uses. Fitness clubs and venues for indoor sports (ice hockey, roller hockey, soccer, basketball, lacrosse, volleyball, etc.) often occupy industrial or retail buildings offering uninterrupted flat floor space. Such uses typically seek to minimize rent rates, but for low-rise industrial buildings they provide productive reuse alternatives that do generate relatively low traffic impacts (that are often distributed over a 12 to 16-hour time frame with evening and weekend peaking characteristics). The markets for these types of uses would be enhanced by an increase in nearby housing development.

Mixed-Use “Flex Housing” Concept: This concept would offer a flexible means for addressing various combinations of small-scale uses. The basic concept involves a structure providing relatively small (e.g. 600-1,000 square foot) spaces that can be suitable for a wide range of residential, office, studio and retail uses. Thus, individual units might be used as primary residences, second homes, studios, offices, small stores, or varying

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combinations thereof. Some owners might purchase multiple units for larger uses or combinations of uses. Such combinations might include (without limitation):

- Ground-floor retail store/upstairs residence;
- Artist studio/adjoining residence;
- Larger (2- or 3-unit) residence with home office.

Tenants might include – in addition to residents – artists, artisans seeking work space, and other studio businesses (e.g., yoga, photography), occasional “home” offices for nearby residents, small offices for medical practices, graphics-oriented companies, spa/salon uses, retail stores, offices for internet-based businesses, etc.

Given appropriate zoning, the Golden Triangle could provide a suitable setting for development that embraces the fundamental concept of providing flexibility for a variety of uses. This concept is suitable and appropriate where, as here, the market may be able to support a diverse range of uses, many of which could support existing industrial uses in the Golden Triangle.

While nationwide experience with such projects is limited, the concept draws on the “live/work” concept, which traces its origins to the renovation of former industrial buildings to fit artist studio/residential loft uses.¹

The key to the success of a flex housing development lies in its flexibility: the building’s ability to accommodate various sectors broadens its appeal. While a flex housing development may ultimately be occupied as an entirely residential building, it nonetheless retains flexibility for future commercial uses. Most buildings in the area, however, lack adequate fenestration suitable for living conditions.

Restaurants/Entertainment Uses: Older industrial buildings could also be converted to free-standing restaurant or entertainment-related uses such as performance venues, galleries, and other such uses. Such conversions have occurred through the warehouse district adjoining downtown Minneapolis as well as in other major cities throughout the nation. For the most part, such conversions have occurred in densely developed districts, generally located where inexpensive rent levels have been affordable to creative arts- and entertainment-related (typically lower-revenue) businesses. Some notable districts across the nation have gained visibility and popularity, but these are located in districts comprised of contiguous buildings in urban block configurations where a dense mix of uses contribute diverse but mutually reinforcing sources of pedestrian traffic and street life. The industrial buildings in the Golden Triangle do not feature such configurations. Absent major new amenities (outdoor art displays, new high density development patterns), new arts- or entertainment-related districts do not offer promise. Nonetheless, individual restaurants or other businesses seeking low-cost space might find suitable space in some of the Golden Triangle’s 30- to 40-year old industrial buildings.

ENDNOTES

¹ While the original concept initially targeted low-cost objectives, current live/work prototypes involve new construction; developments bearing the “live/work” label often provide high-cost residential space with features such as high ceilings and/or work space alcove or loft areas. Even in “successful” live/work projects, the vast majority of purchasers use the space simply as their primary residences.

Reaching a Sustainable Land Use Pattern

DESCRIPTION OF ALTERNATIVE LAND USE CONCEPTS

For this evaluation, a series of concepts were developed that outlined potential land use patterns for the Golden Triangle over the course of the next 20 years. The plans are not intended to be precise plans, but rather, demonstrations of what could happen given certain public and private initiatives. The concepts explored land uses for remnant vacant parcels and for areas best suited for redevelopment (see figure at right) based on a supportable market condition and a reasonable financial proforma. These redevelopment areas were identified through a process of quantitative and qualitative analysis outlined in Chapter 5. In order to compile the scenarios, the consulting team identified a list of potential land uses for the study area, examined the preliminary economic feasibility of the identified land uses, and looked at densities required to ensure economic feasibility. Park and trail components were not developed as part of the land use concepts presented in this section: however, park, trail and recreation components would be a necessary component of future redevelopment efforts. Current ordinances and policies may need to be evaluated relative to the application of park dedication within a redevelopment context. Provision of park and recreation spaces are of particular importance in concentrated areas of residential development.

The result of this effort is three future land use scenarios, one a conservative look at what might happen if development and redevelopment are left primarily to the private sector (market based), and a second and third alternative (transit village and expanded transit village) that each require a much more aggressive public role from both a policy perspective and as an actual component of implementation. The transit village concepts also include a broader mix of land uses that attempt to address the traffic congestion question and support an increased level of transit services. Each scenario was also used to assess its unique impacts on property valuation, property taxes and traffic congestion. These assessments follow a general description of the land use concepts.

Each of the above scenarios assumed that a transit corridor (extending into downtown Minneapolis) would function within the right-of-way of TH 212. Two additional land use concepts were developed with the assumption that the transit corridor, specifically LRT, could be routed directly through the Golden Triangle area. This assumption would provide direct transit service to existing businesses and future



Figure 6-1 Redevelopment Potential (Version 3) - See Figure 5-7 on page 5-6 for a larger version of this map.

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Market research has indicated that a strong market exists for a big box discount retailer in the Eden Prairie area.



The Market Based concept shows a continuation of office/industrial or flex space developing in the Golden Triangle.

redevelopment within the Golden Triangle. This direction was a result of a recommendation from the Southwest Policy Advisory Committee to look at an alignment that better served downtown Hopkins, Opus, Golden Triangle and Eden Prairie Center.

MARKET BASED CONCEPT

Although the first future land use scenario is entitled “Market Based,” the name is a slight misnomer since aspects of this plan likely would require some level of public participation in site acquisition and assembly. Further public involvement may not be necessary however. The Market Based alternative calls for a continuation of the current office development pattern, including some industrial space for warehousing or manufacturing. This land use pattern, referred to as “Flex,” appears on a number of parcels throughout the Golden Triangle area. Figures 6-2 and 6-3 represent future land use (2020) distribution as a result of the Market Based concept. Future infill of additional residential units would continue a trend that has been occurring in the southern portion of the Golden Triangle off of Valley View Road and Smetana Lane. In addition to this added housing base, the Market Based concept looks at the establishment of a regional commercial node at the intersection of

Market Based Concept	Area in Acres
Residential	51
Neighborhood Commercial	19
Regional Commercial	46
Office	184
Industrial/Industrial Flex	556
Parking/Vacant	26
Parks and Open Space	94
Total	976

Figure 6-2 Market Based Concept Land Use in Acres

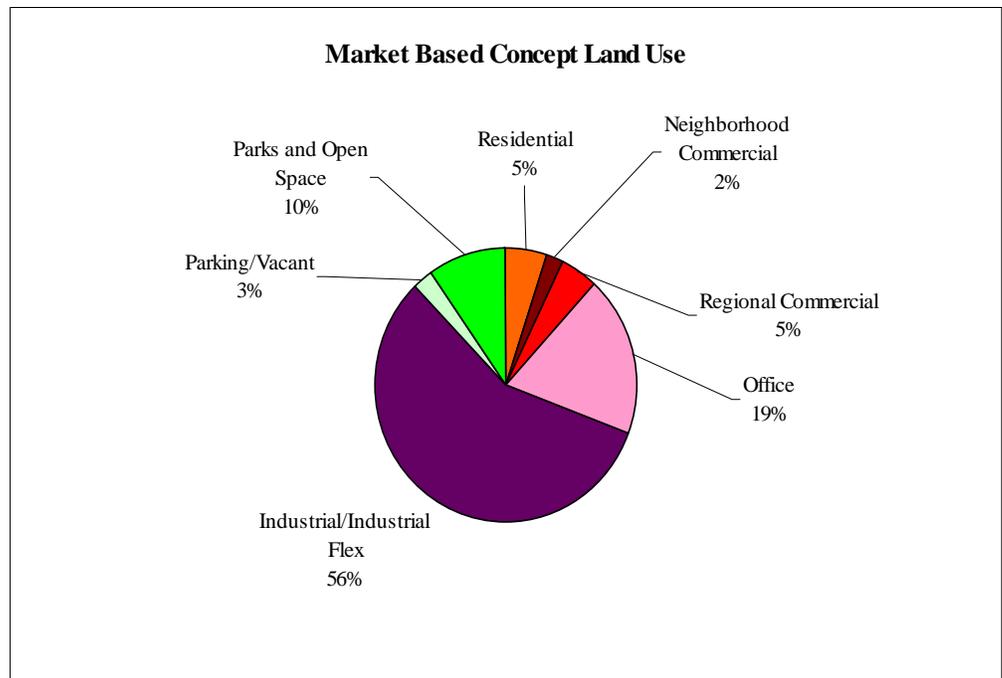


Figure 6-3 Market Based Concept Land Use as a Percentage

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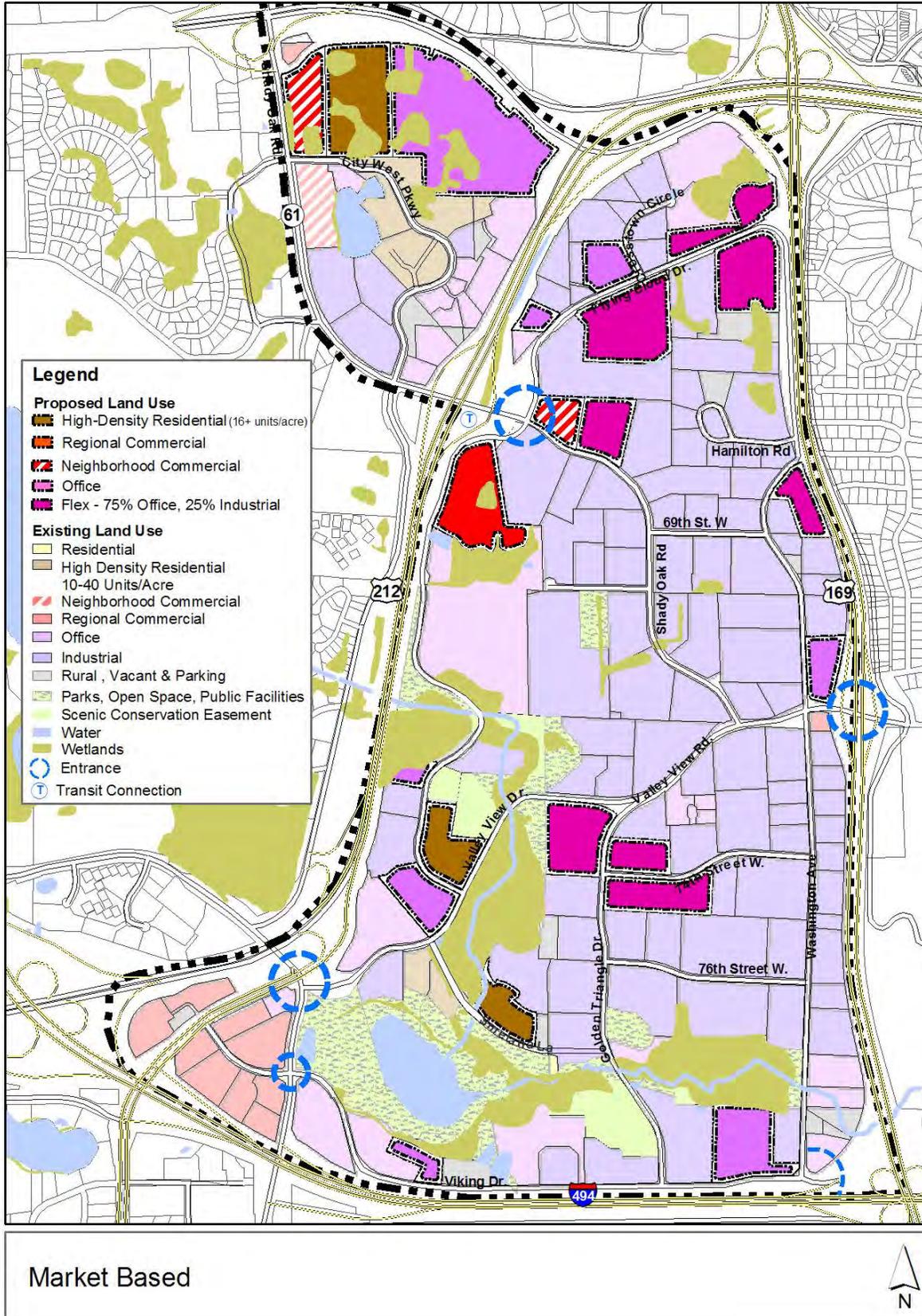


Figure 6-4 Market Based Concept Land Use Map

TH 212 and Shady Oak Road. Parcels in this area could house a number of larger scale, big box type uses. Sam's Club or Costco, for example, might be the type of uses that likely would be interested in locating in this area, as demonstrated in the Market Analysis in Appendix A. Although current development exists on these parcels, the demand for big box retail users is significant enough that prospective big box users may be willing to pay higher land costs in order to enter an underserved market. Additionally, this concept includes a node of neighborhood commercial at Flying Cloud Drive and Shady Oak Road. This location may be suitable for a convenience store with gas, dry cleaners, daycare, etc. Gas stations are a very infrequent use in the Golden Triangle, which is surprising given the traffic volumes in and out of the area.



Higher density housing creates a stronger market for commercial businesses and transit service.

In the Market Based scenario, new development in the City West area largely reflects the development concepts presented by United Health Group for the area bounded by the Crosstown (Highway 62) on the north and City West Parkway on the south. In fact, the land use pattern for the City West Area is consistent across all concepts in this study.

The Market Based option does not reflect any major transportation or transit improvements in the area beyond what is already programmed in the City's Capital Improvement Plan. Accordingly, it establishes the case for analyzing what conditions in the Golden Triangle might become unless other intervening actions occur.

TRANSIT VILLAGE CONCEPT

"Transit Village," the second future land use concept, takes a much more aggressive look at future land use changes in the Golden Triangle area. Although remnant vacant parcels are treated the same as in the Market Based concept, this concept calls for more extensive redevelopment of existing industrial and office buildings to create a substantial new residential neighborhood. In the process, this concept replaces jobs with housing while creating a neighborhood that connects to the natural open space amenities that meander through the southwest portion of the study area. New housing also strengthens market demand for supportive services and retail commercial uses. Regional and local commercial areas, new high-density residential areas, an area of mixed-use which is intended to accommodate a mixture of medium and high density housing, service commercial and office space are all added to the study area under this concept.



Vertically mixed-use may be a supportable development pattern under the Transit Village Concept.

The intent of the mixed use pattern is to create a critical mass of development featuring a pedestrian and transit oriented design pattern. The combination of critical mass and pedestrian orientation will help form a desirable neighborhood setting in which to live. This neighborhood would offer a variety of housing types and a choice in transportation modes because its design and critical mass make transit service more affordable to provide and more convenient to use. It may be possible, on a limited basis, to achieve vertical integration of commercial and residential uses in this area, but the most likely pattern of mixed use will be in a horizontal mixed use orientation.

The Transit Village concept also modifies the roadway pattern in the Golden Triangle



Regional commercial services should be integrated into adjacent development and designed to encourage transit operations.

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area. Shady Oak Road is connected in a southwesterly fashion, creating a more direct loop for local bus service that would connect the Southwest Metro Transit hub with the study area. An internal road system that serves the core redevelopment area includes an extension of 69th Street West connecting to Flying Cloud Drive, and a connection of the 69th Street West extension to the Shady Oak Road and Valley View Road intersection. A future connection of Shady Oak Road to Washington Avenue would help facilitate local traffic moving from south of I-494 to destinations within the Golden Triangle. This improvement also relies on an overpass of I-494.

The 2020 land use distribution under the Transit Village Concept is illustrated in Figures 6-5 through 6-7.

Since transit plays a greater role in this concept, transit facilities are provided for in the land use concept plan. The Transit Village concept illustrates a Transit Station near Shady Oak Road and Flying Cloud Drive. This location could provide a major transit station or connection point for the area and could include park-and-ride spaces. The Station would also be integrated into adjacent development in order to take advantage of potential shared parking arrangements and provide better connections to

Transit Village Concept	Area in Acres
Residential	87
Neighborhood Commercial	16
Regional Commercial	50
Office	155
Industrial/Industrial Flex	487
Parking/Vacant	26
Parks and Open Space	108
Mixed Use	45
Total	976

Figure 6-5 Transit Village Concept Land Use in Acres

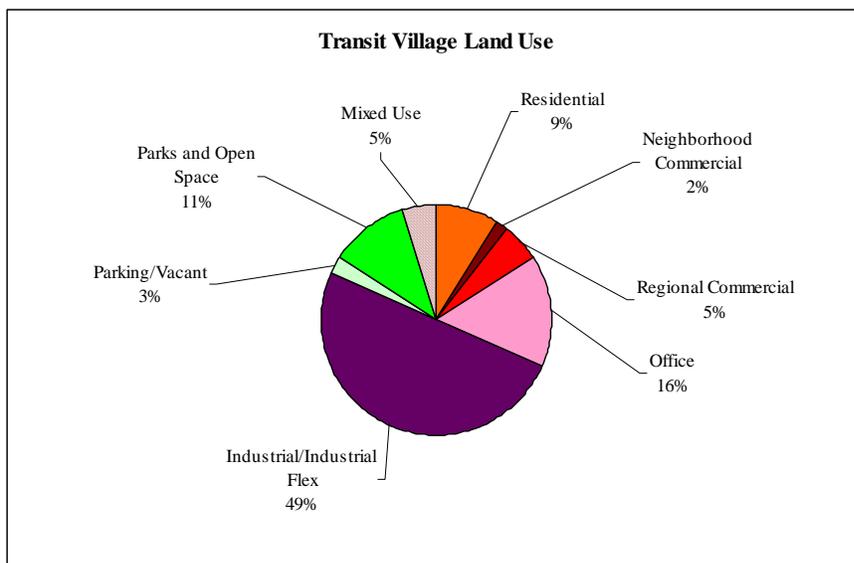


Figure 6-6 Transit Village Concept Land Use as a Percentage

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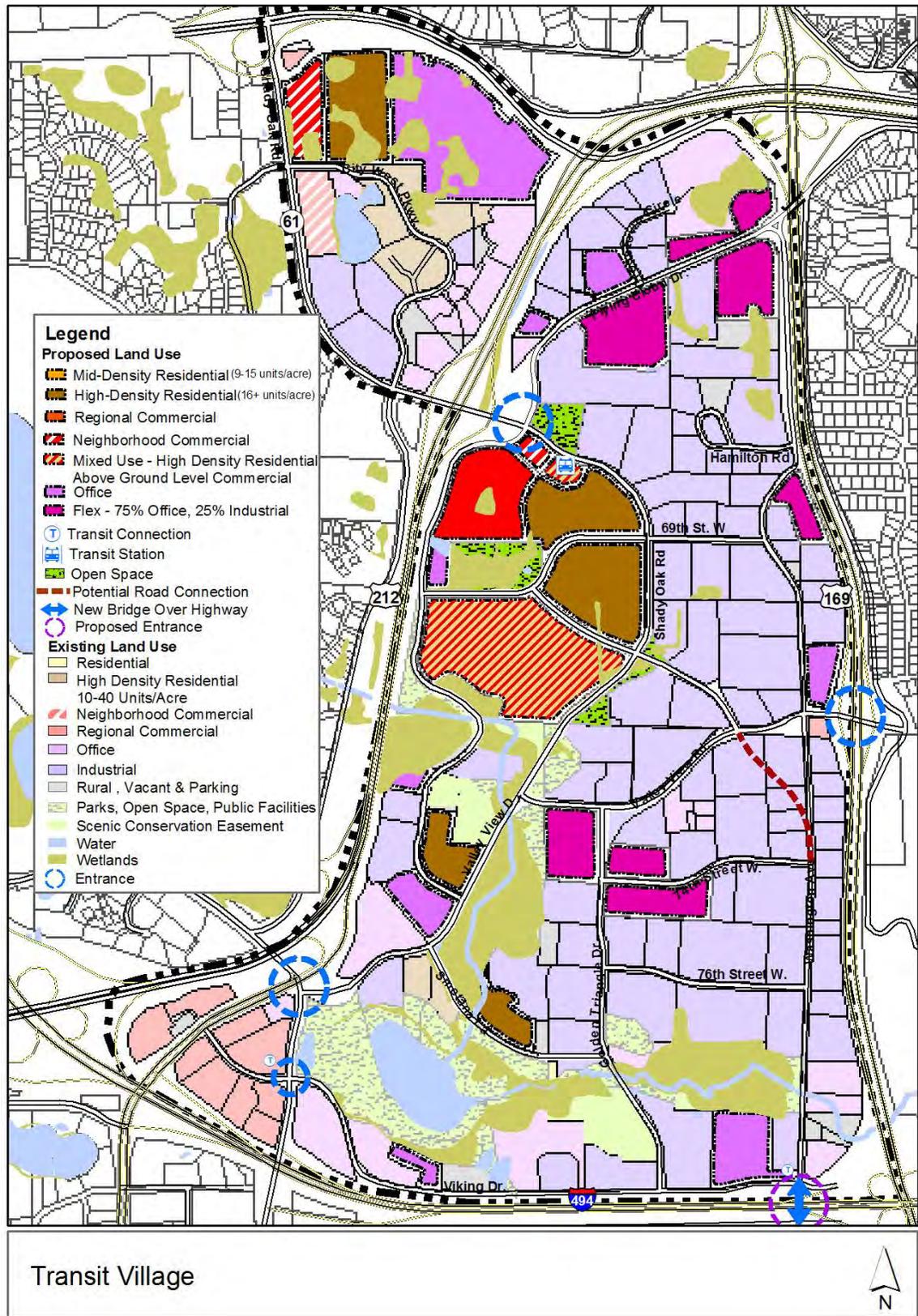


Figure 6-7 Transit Village Concept Land Use Map

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supporting mixed uses. Transit connection or transfer points are also illustrated at Viking Drive and Washington Avenue, near a possible connection to I-494 and Highway 169 in the southwest portion of the project. A similar transit connection is illustrated at Prairie Center Drive and Viking Drive. The intent of these transit connections is to provide a transfer point for express services or the planned busway along I-494.

Justification for expanding transit services to the Golden Triangle is stronger under the Transit Village redevelopment concept because the critical mass of development, the integration of housing and commercial services, and a pedestrian friendly design makes non-auto trips more convenient, meaning transit likely would enjoy greater use. Although transit usage would increase under the Transit Village concept, without a major shift in commuter behavior, it will not increase enough to have a noticeable impact on reducing traffic congestion in the Golden Triangle.

EXPANDED TRANSIT VILLAGE CONCEPT

In exploring the various land use types and their trip generation characteristics, it became clear that the land use pattern that will have the greatest impact in reducing traffic congestion, especially during PM peak periods, will be housing. Further fiscal analysis of redevelopment indicated that a higher density housing pattern (attached townhomes and apartments or condominiums) would be necessary in order to reduce the economic barriers to redevelopment.

The Expanded Transit Village Concept takes the Transit Village a step further by expanding the redevelopment area towards Valley View Road, and converting the use of some of the remnant vacant parcels to high density residential rather than to a Flex use. The effect of this land use change is a broader daily distribution of trips moving in opposite directions than the bulk of traffic.

The 2020 land use distribution of the Expanded Transit Village concept is illustrated in Figures 6-8 through 6-10:

Expanded Transit Village Concept	Area in Acres
Residential	174
Neighborhood Commercial	16
Regional Commercial	66
Office	148
Industrial/ Industrial Flex	435
Parking/Vacant	26
Parks and Open Space	108
Mixed Use	2
Total	976

Figure 6-8 Expanded Transit Village Concept Land Use in Acres



The Expanded Transit Village Concept expands the amount of residential land use in the Golden Triangle.

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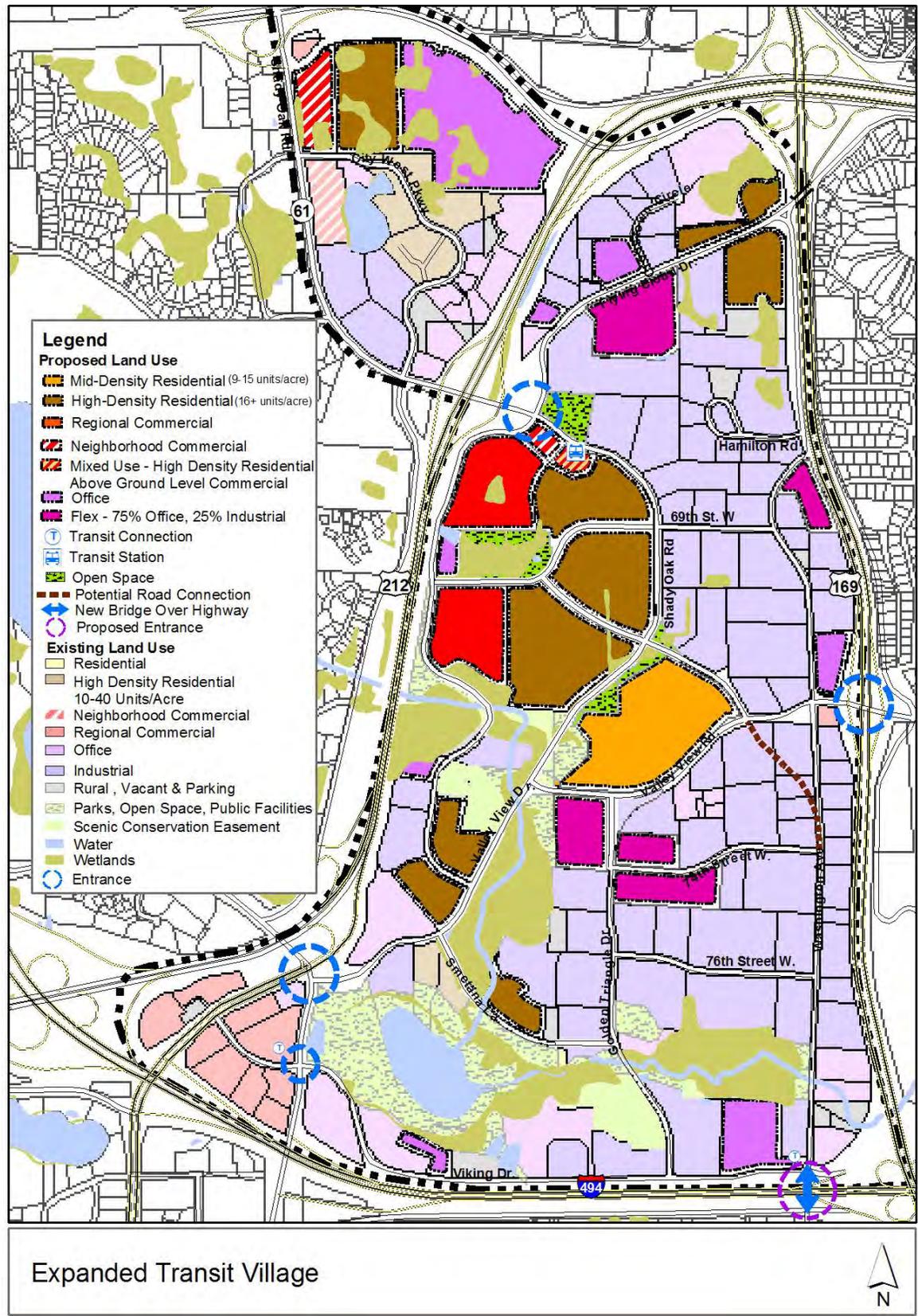


Figure 6-9 Expanded Transit Village Land Use Map

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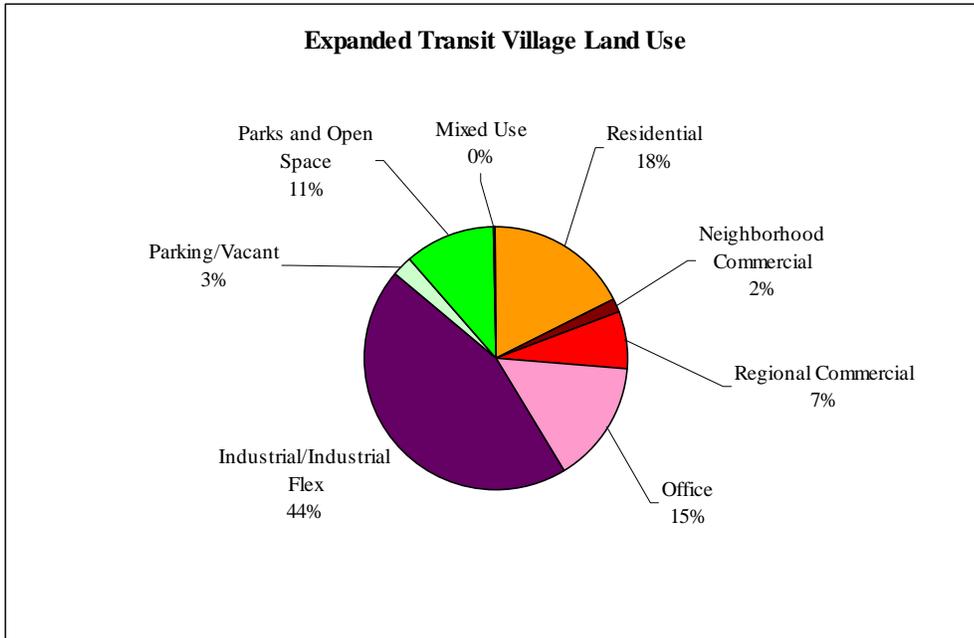


Figure 6-10 Expanded Transit Village Land Use as a Percentage

LRT ALIGNMENT ALTERNATIVES THROUGH THE GOLDEN TRIANGLE

A recommendation from the Southwest Rail Transit Study, completed in October of 2003, was for analysis of an alternative LRT alignment routed through major employment and residential centers within the Southwest Corridor. The analysis was necessary to determine how such an alternative compared (relative to cost, ridership and travel times among other criteria) to other alternatives that stay within existing highway right-of-way.

Three alternative alignments were evaluated through the Golden Triangle as part of an addendum to the Southwest Rail Transit Study. All of the alternatives entered the Golden Triangle on the north side at Shady Oak Road. One alternative (LRT 3A-1), travels overland directly south connecting with Valley View Road and then proceeds along Valley View Road towards Eden Prairie Center. A second alternative follows the right-of-way of Shady Oak Road to the point at which Shady Oak Road curves to the east. At this point, the alignment proceeds overland south to connect with Golden Triangle Drive. A third alternative included a slight deviation between the first two alternatives connecting Shady Oak Road to Valley View Road instead of Golden Triangle Drive. More detailed information about these alternatives is available in the Southwest Rail Transit Study Addendum on Modified 3A Alignment Alternatives.

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Based on these alignment options, two alternative land use concepts were developed to demonstrate alternative land use and development scenarios that seek to achieve the objectives of the study and take advantage of adjacent transit services. These concepts are referred to as LRT Alternative 3A-1 and LRT Alternative 3A-3, reflective of the LRT Alternative Alignments studied. They differentiate based on land use distribution (although only slightly), street and block layout and LRT alignments.

LRT 3A-1 "Full TOD"	Area in Acres
Residential	166
Neighborhood Commercial	18
Regional Commercial	47
Office	153
Industrial/Industrial Flex	452
Parking/Vacant	26
Parks and Open Space	104
Mixed Use	10
Total	976

Figure 6-11 LRT 3A-1 Land Use Development Scenario in Acres

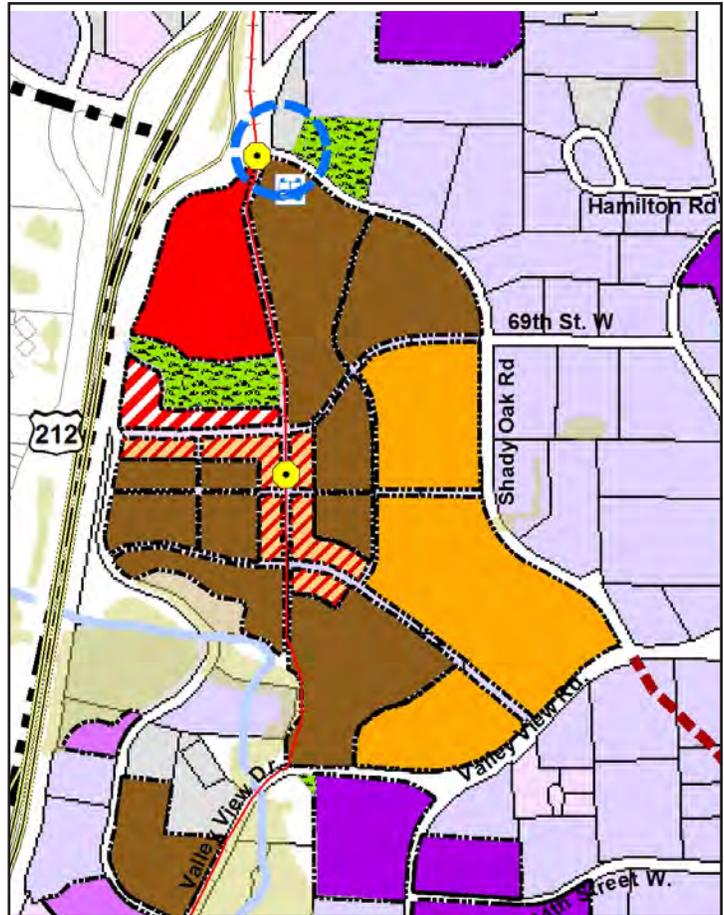


Figure 6-12 LRT 3A-1 Land Use Development Concept "Full TOD"



Land Use Development Concept Legend

LRT 3A-1 is built around a transit node at the center of the redevelopment area. This is reflective of a "full" transit oriented development, density is most intense near the station and streets lead to the station area from all directions. The land use pattern as illustrated in Figures 6-11 and 6-12 demonstrate a significant area devoted to residential development.

LRT 3A-3 is more of a "half" TOD in the sense that the bulk of redevelopment opportunities are located on the west side of Shady Oak Road and new streets leading to the station are limited to the redevelopment side. This does not preclude redevelopment from occurring on the east side of Shady Oak Road; however, in previous

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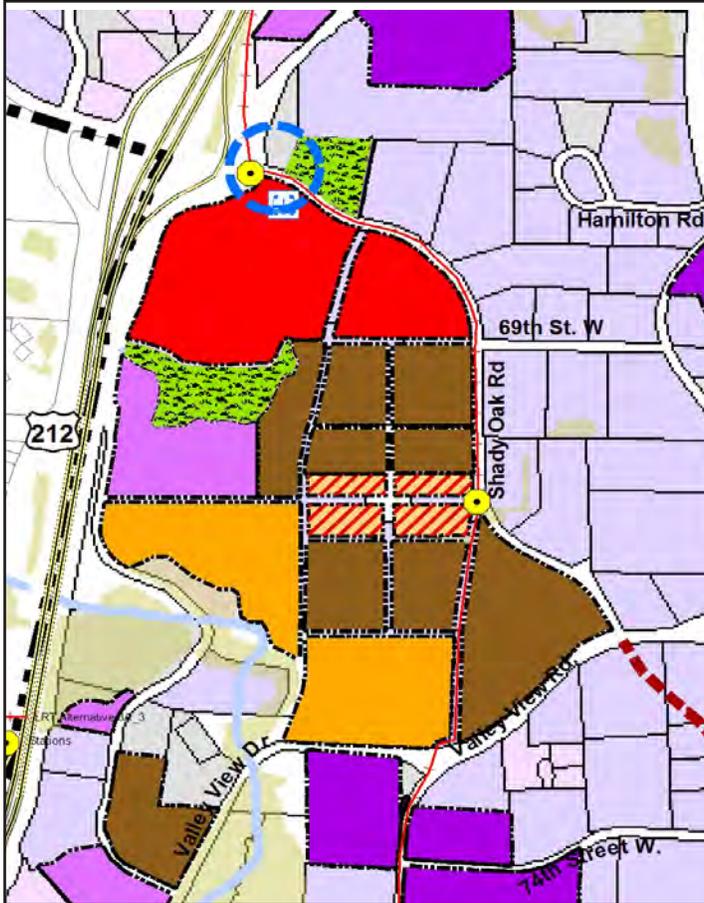


Figure 6-13 LRT 3A-3 Land Use Development Concept "Half TOD"

LRT 3A-3 "Half TOD"	Area in Acres
Residential	134
Neighborhood Commercial	14
Regional Commercial	71
Office	165
Industrial/Industrial Flex	451
Parking/Vacant	26
Parks and Open Space	105
Mixed Use	10
Total	976

Figure 6-14 LRT 3A-3 Land Use Development Scenario in Acres

analysis as outlined in Chapter 5, redevelopment opportunities were demonstrated as most likely to occur east of Shady Oak Road. LRT 3A-3 contains a larger site for regional commercial (big box users) as opposed to LRT 3A-1 which would accommodate smaller users spread across multiple sites. Figures 6-13 and 6-14 illustrate a greater area of land devoted to regional commercial uses in the LRT 3A-3 concept.

Both alternatives represent a pattern that creates a hub of activity centered on the LRT station. Mixed use in this environment would be vertically oriented with residential over street level retail, similar to the development pattern at St. Louis Park's Excelsior and Grand Redevelopment project. The mixed use street would serve as the primary street leading to the LRT station. Pedestrian friendly streets would provide direct sidewalk and trail connections from adjacent development to the station. These systems would need to reach beyond the redevelopment limits into existing employment areas in order to maximize access to transit and to the commercial services that would be available during the day to the Golden Triangle work force. Park and open space areas, although not illustrated on the concepts, would be integrated throughout the development in the form of smaller pocket parks and public plazas.

EVALUATION PROCESS

The following evaluation focuses on the fiscal and traffic implications of the Transit Village concept and, to a lesser degree, the Expanded Transit Village and LRT concepts as compared to the Market Based concept.

IMPLICATIONS OF REDEVELOPMENT

Evaluating the redevelopment concepts means more than favoring one land use pattern over the other. The City needs to understand the public actions and financial implications of implementing these alternative concepts.

To foster an understanding of the implications of redevelopment, this section examines:

- The potential impacts on property valuation and taxes.
- The need to balance potential tax benefits with the costs of development.
- A discussion of costs and benefits of the Market Based and Transit Village concepts.

The Plan presents three courses of action for guiding the development of the Golden Triangle. The Market Based concept illustrates a continuation of current development patterns, trends and building forms. The Transit Village concept and the more extensive Expanded Transit Village concept change the face of the area by creating new residential and mixed use neighborhoods. Detailed traffic projections were completed for the Transit Village concept, but were only extrapolated for the Expanded Transit Village concept. Commensurate with that approach, only the detailed implications of the Transit Village concept are presented in this section. The implications of the Expanded Transit Village option build off of the Transit Village concept and are more extensive, consistent with the expanded nature of the third concept.

IMPACT ON PROPERTY TAXES

The property tax implications of the redevelopment concepts are assessed by comparing current property values to the property value added by proposed redevelopment. The property tax implications of redevelopment in the Golden Triangle are tied to the following factors:

- Expansion of Estimated Market Value (EMV) as a result of redevelopment.
- Conversion of EMV in Tax Capacity value.
- Contribution and distribution from Fiscal Disparities program.
- Capture of value in tax increment financing districts.
- Limits on the ability to levy property taxes.

Additional information on the operation of the property tax system can be found in Appendix C.

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ESTIMATED MARKET VALUE

The current property value used in this analysis equals the 2002 Estimated Market Value for all the parcels that would be required to undertake the redevelopment concept. If a parcel is targeted for redevelopment as part of these concepts, the 2002 EMV for land and buildings is allocated to current value.

The future value is calculated on the basis of the type and quantity of development listed in each concept. The table in Figure 6-15 lists the assumptions used to calculate the Estimated Market Value from redevelopment projects. These values are consistent with newer developments in the Golden Triangle and in other areas.

Land Use Type	Average EMV
Flex	\$70.00/sf
Commercial	\$65.00/sf
Office (Under 100,000 sf)	\$90.00/sf
Office (100,000 sf or more)	\$115.00/sf
Housing	\$150,000/unit

Figure 6-15 Estimated Market Value Assumptions for New Development

The chart in Figure 6-16 compares the Estimated Market Value of development parcels in the Market Based and Transit Village concepts. This chart illustrates several points about the redevelopment of the Golden Triangle:

- The Current Value is higher in the Transit Village concept because of a broader redevelopment approach that included more parcels—therefore, also more buildings and their associated value—in redevelopment projects.

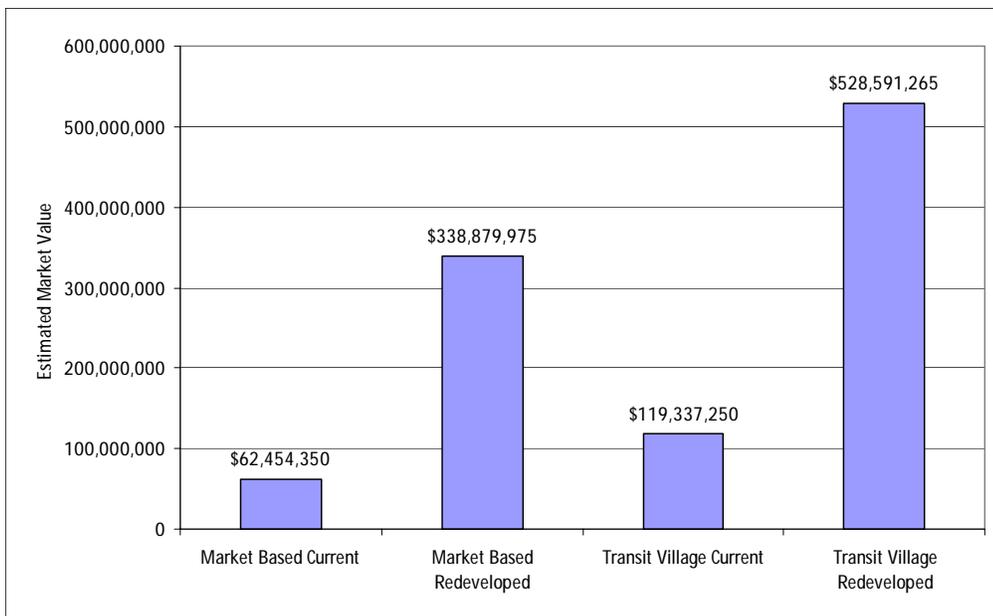


Figure 6-16 Estimated Market Value from Redevelopment Concepts

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- Redevelopment will significantly increase the value of property in the Golden Triangle.
- While redevelopment would add value by replacing current development with a higher quality of development, the majority of increased value comes from greater development intensity. The parcels in the Market Based concept add about 2.2 million square feet of development (assuming an average housing unit size of 1,100 sf), whereas the Transit Village concept adds approximately 2.6 million square feet of new development.

TAX CAPACITY

The ability to benefit from this additional property value comes from the conversion of EMV into Tax Capacity value. This conversion is governed by rates established by the State Legislature. The chart in Figure 6-17 compares the estimated current and future tax capacity value of redevelopment parcels, using current tax capacity rates. Recent history has taught that these rates are subject to change.

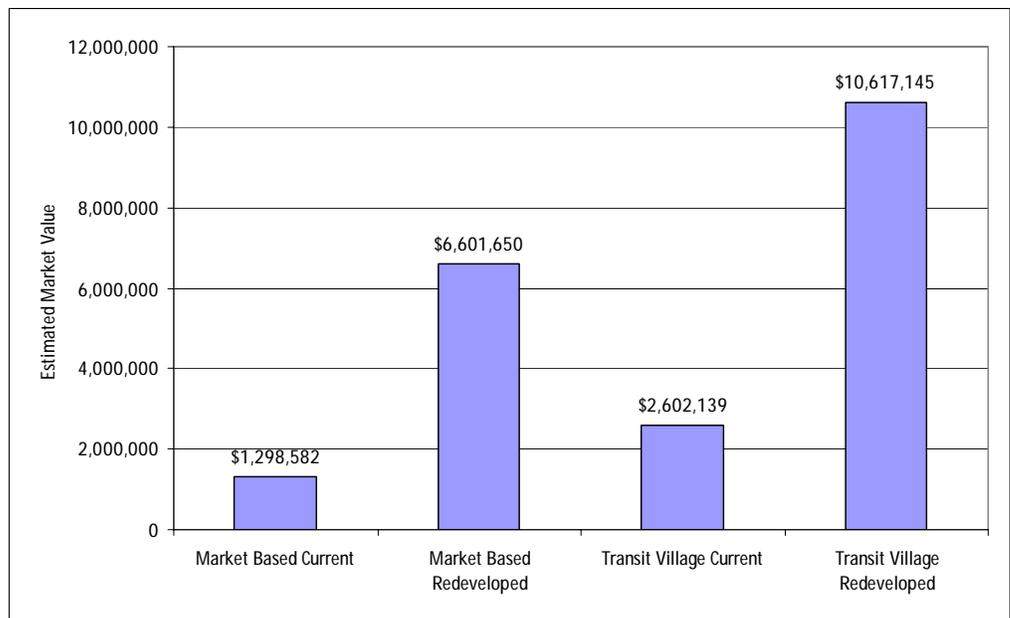


Figure 6-17 Estimated Current and Future Tax Capacity Value

After this conversion, the net taxable value for the City must then account for the contribution and distribution from the Fiscal Disparities program. It is impossible to accurately project the net impact of Fiscal Disparities over time, so the current net distribution becomes the best available substitute. In 2002, Eden Prairie's distribution equaled approximately 27% of the total contribution. This ratio has been used to adjust the tax capacity projections. The amounts in Figure 6-18 reflect "total" tax capacity from these parcels.

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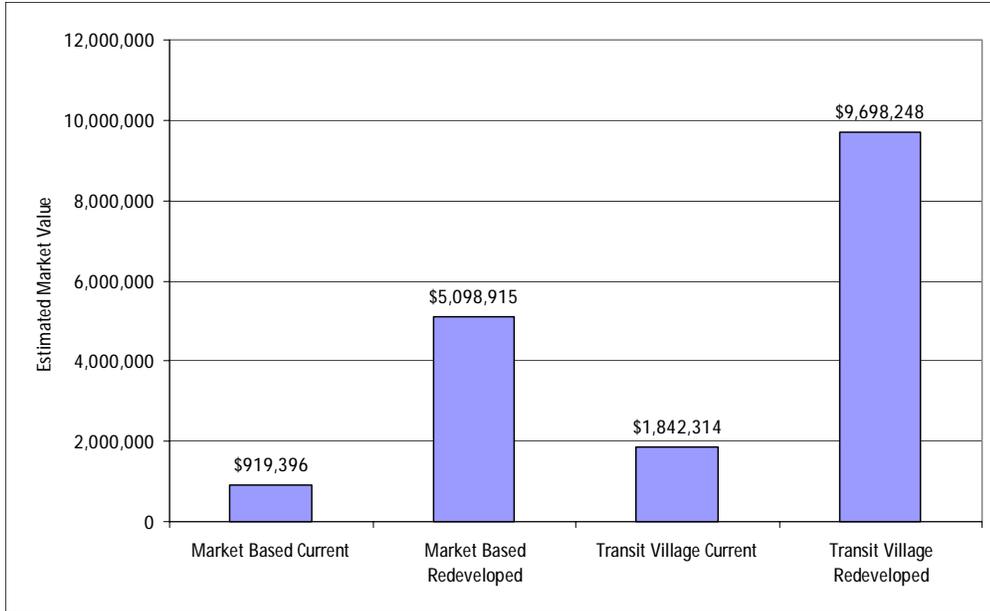


Figure 6-18 "Total" Tax Capacity from Redeveloped Parcels

Another variable in this analysis is the use of tax increment financing. If property is placed into a tax increment financing district, the additional value from that property is not available for general taxation. At this point, this value cannot be accurately projected. Each TIF district must consider the need for the proposed assistance and the legal authority to establish a district on a given set of parcels. Legislative changes may add or remove options for using TIF over the life of this plan.

TAX LEVIES

The ability of the City to realize property tax benefits from the redevelopment of the Golden Triangle is controlled by the State Legislature. Based on the current system, redevelopment may yield several outcomes:

- Without levy limitations, the expanded tax capacity value created by redevelopment produces additional tax revenues. Applying the city's tax rate for taxes payable 2002 (37.611%) to the net new tax capacity value from redevelopment would generate \$1,572,000 in property tax revenue in the market based concept and \$5,600,000 in the transit village concept.
- With statutory limits on general tax levies, a larger tax base reduces the tax rate. If this additional taxable value had been available in 2002, the city's tax rate would have dropped from 37.6% to 35.3% for the market based concept and 30.5% for the transit village based concept.
- Even with levy limits, the city may be able to utilize a portion of the revenue capacity from the expanded tax base, because under the current system, levies for debt service and tax abatement are not subject to levy limits. Therefore,

instead of lowering the tax rate, the value growth could be used to support debt and abatement levies related to redevelopment initiatives in the Golden Triangle.

SHAPING THE CONCEPT ANALYSIS

The previous section discusses the potential changes in property valuation and property taxes from redevelopment. During the evaluation of the redevelopment concepts a broader “cost/benefit analysis” was discussed. By providing the means to compare the public expenditures needed to implement a concept with the potential new revenues for the City, this analysis would enable the City to make a more informed decision to move forward.

The Transit Village concept illustrates this point by highlighting several important assets of this approach. The Transit Village concept, for instance, depicts an interesting and exciting new land use pattern that produces a significant increase in property valuation and minimizes future growth in traffic congestion. These outcomes lend support to this concept as the plan for the Golden Triangle.

But these outcomes only address part of the development equation. In order to receive these benefits, the City must make investments and take actions needed to create this development pattern. A cost/benefit analysis attempts to identify the costs of implementing the plan and compare these costs with the potential benefits discussed above.

Unfortunately, community development is not simply a mathematical relationship. It is not possible to accurately quantify the costs and benefits and calculate a net surplus or deficit associated with a development concept. Several factors muddy the financial waters for the Golden Triangle.

- The property value projections shown earlier in the plan depict the total estimated value upon completion of redevelopment on the target parcels. These development projects will not occur at a single time, but will evolve over the next 10 to 20 years.
- The benefits received from the new property valuation depend on the use of tax increment financing to bring about the redevelopment. A TIF district captures the new values and channels the revenue back into the project, but not every project will require TIF assistance and not every site will meet the statutory criteria to establish a TIF district. The assumptions made about TIF affect the results of financial analysis.
- The Transit Village concept requires public investments in new streets and other infrastructure. It is possible to estimate the cost of these improvements but it is more difficult to accurately project the potential public costs of these improvements. Ideally, the City would use tax increments, special assessments, and municipal state aid for streets to support these costs. If these revenues are

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sufficient, then a general tax levy is not needed. Experience with past redevelopment projects, however, suggests that there will be a general public infrastructure cost. The difficulty lies with determining that amount.

- The ability to realize the benefits created by new property value is also tied to legislative action. With levy limits, a larger tax base produces a lower tax rate. Levy limits do not change as the tax base grows.

Despite the inability to prepare a meaningful cost/benefit analysis of the development concepts, it is possible to clearly describe and contrast the actions and implications required of each concept.

IMPLICATIONS OF MARKET BASED CONCEPT

The evaluation of the Market Based concept suggests three basic benefits of this approach to the development of the Golden Triangle:

- The market will bring new investment to the area.
- This investment will produce positive property tax impacts for the City.
- Limited public actions and investments will be needed.

These benefits will be offset by the following costs:

- Street improvements are needed.
- Blight may increase.
- Traffic congestion is likely to increase.

The benefits and costs of the Market Based concept are discussed in greater detail in the following sections.

BENEFITS

THE MARKET WILL BRING NEW INVESTMENT TO THE AREA.

Current development trends, supported by the market research, shows that market forces will bring new investment to the Golden Triangle. This new investment will take several forms:

- Scattered building improvements will continue. Physical improvements will be needed to attract and retain businesses throughout the Golden Triangle. The improvements will occur where the income capacity of the building will allow the cost of the improvements to be offset by lease or operating revenues.
- Improvements will be made to convert existing industrial uses into office. The market research shows the demand for these facilities.
- Vacant and underutilized parcels will be redeveloped. The land and site development costs for these parcels are supportable with the income potential of a redevelopment project. This situation often means the redevelopment

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project is at a higher density than the use it replaces.

- Housing development will occur on a limited number of sites where the location and setting will sustain a residential use.
- A large retail user might be attracted to the area at the Shady Oak Road/ Highway 212 interchange.

THIS INVESTMENT WILL PRODUCE POSITIVE PROPERTY TAX IMPACTS FOR THE CITY.

Based on the assumptions used in this analysis, the Market Based concept could increase the estimated market value of the Golden Triangle by \$276,000,000. This growth is the equivalent of 4.9% of Eden Prairie's total EMV.

As noted earlier, the conversion of this value into taxable tax capacity value is subject to several variables. This analysis of the Market Based concept estimates \$4,180,000 in new tax capacity value (after accounting for fiscal disparities), which represents 6.3% of the current net tax capacity of Eden Prairie.

The ability to benefit from this additional taxable value is a function of the property tax system. Several outcomes are possible:

- If allowed by levy limits, this new tax capacity value produces additional tax revenue. Applying the City's Pay 2003 general revenue tax rate (33.227%) produces \$1,389,000 in tax revenue.
- Under a system that limits tax levies, the additional value reduces the tax rate. For taxes Payable 2003, the additional value would have reduced the City's tax rate from 34.94% to 32.91%.
- Under the current system, levies for debt service and tax abatement are special levies and outside of levy limits. The revenue capacity of this tax base could be used to support street improvements or other development needs in the Golden Triangle.

LIMITED PUBLIC ACTIONS AND INVESTMENTS WILL BE NEEDED

As the name suggests, the Market Based concept will be driven by market forces. The need for public action and financial commitments should be limited to the following:

- Public financial participation occurs only when the developer can demonstrate that the development is not financially feasible without this assistance. Even under the Market Based concept, it is possible that the costs of site assembly and preparation create an economic barrier to new development.
- Public actions to facilitate the redevelopment meet a public purpose by assembling parcels in a viable site for development, removing and preventing the spread of blight, or other objectives of the plan for the Golden Triangle that cannot be achieved without public action.

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- The public actions are financially self-supporting. The public financial participation in the project is fully supported by new revenues (such as tax increments and tax abatement levies) generated by the redevelopment. In this manner, the redevelopment does not produce a net public cost.
- Any financial assistance is provided on a pay-as-you-go basis. The Market Based concept should not require the City to issue bonds and carry a long-term debt related to specific development projects.

COSTS

STREET IMPROVEMENTS ARE NEEDED.

Some street system improvements will be needed regardless of future land use plans for the Golden Triangle. The 2001 Golden Triangle Area Traffic Study identified \$5,780,000 in “minimum recommended improvements,” including signalization, intersection capacity, street capacity, and highway access improvements. The report did not contain alternatives for financing these improvements.

BLIGHT MAY INCREASE.

Although widespread blight is not anticipated throughout the Golden Triangle, some properties may exhibit more signs of physical blight and under the Market Based concept, the condition of some parcels may further deteriorate. The redevelopment analysis discussed in Chapter 5 identifies parcels in the Golden Triangle displaying evidence of economic and physical stress.

In situations of economic and physical stress, the need for property improvements and the capacity to undertake those improvements move in opposite directions. Over time, the lack of structure maintenance becomes more expensive to correct, but at the same time, the income producing capacity of the facility diminishes. If the facility cannot compete, it must offer lower rents to attract tenants.

This downward spiral does not inevitably lead to vacant buildings. Redevelopment areas frequently reflect certain equilibrium. Deteriorated facilities are able to attract a consistent set of tenants seeking low rent, and this income sustains the building but cannot provide the capacity to make improvements. Blight can, however, be difficult to isolate and contain. Physically deteriorated buildings discourage reinvestment in adjacent properties, and the quality of surrounding properties affects the ability to sell property and to attract tenants.

Blight can be removed when:

- The price of the property drops to a level at which it becomes feasible for a new owner to substantially renovate the building or clear the parcel and build a new structure.

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- A public body intervenes and removes the barriers to private investment.
- The economic climate of an area improves, increases the income capacity of a site, and makes redevelopment financial feasible.

TRAFFIC CONGESTION IS LIKELY TO INCREASE.

If the current development pattern as illustrated in the Market Based concept continues, the number of peak period trips will increase over current conditions, leading to further traffic congestion (this is evaluated in greater detail later in this chapter).

The challenge for this exercise is assigning a “cost” to increased traffic congestion. If unchecked, traffic congestion could reach a point that it impairs the ability to operate a business in the Golden Triangle because traffic conditions make the area undesirable for employees. Limits on the ability to attract and retain employees discourages businesses from operating in the Golden Triangle. Although it is not possible to definitively predict if or when traffic congestion reaches this point, it remains a valid public concern.

IMPLICATIONS OF TRANSIT VILLAGE CONCEPT

The evaluation of the Transit Village concept suggests three basic *benefits* of this approach to the development of the Golden Triangle:

- New forms of development will be attracted to the Golden Triangle.
- This development will create significant increases in property valuation and provide the potential for property tax impacts for the City.
- The change in the development pattern will reduce the growth in traffic congestion.
- The broad based change may counter any further blight in the area.

These benefits will be offset by the following *costs*:

- Public financial assistance will be needed to make proposed development projects financially feasible.
- Public financial assistance may require the issuance of bonds.
- Public investments will be required to build the infrastructure that defines the new development pattern.
- Implementing this plan introduces risk factors not present in the Market Based concept.

The benefits and costs of the Transit Village concept are discussed in greater detail in the following sections.

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BENEFITS

NEW FORMS OF DEVELOPMENT WILL BE ATTRACTED TO THE GOLDEN TRIANGLE.

The Transit Village concept creates new residential and mixed use neighborhoods in the Golden Triangle, but these developments will not occur without actions and investments by the City. City actions required to create this development pattern include:

- Acquisition of land to assemble development sites and provide street right-of-way.
- Provision of financial assistance to make proposed development financially feasible.
- Construction of infrastructure needed to define and support the new development pattern.

THIS DEVELOPMENT WILL CREATE SIGNIFICANT INCREASES IN PROPERTY VALUATION AND PROVIDE THE POTENTIAL FOR PROPERTY TAX IMPACTS FOR THE CITY.

The analysis earlier in this chapter shows the estimated market value of the Golden Triangle increasing by \$399,000,000 as a result of the Transit Village concept. This increase represents 6.33% of the current market value of Eden Prairie. The Transit Village concept produces almost \$123,000,000 (44%) more new property value than the Market Based concept. The largest contributors of new valuation are the core housing and mixed uses projects which accounted for 30% of the gain in EMV.

Based on the assumptions used in the property analysis, the Transit Village concept creates \$8,015,000 in total new tax capacity value. This value is equivalent to 10% of the total tax capacity value of Eden Prairie for taxes payable in 2003. Accounting for the contribution of value to the Fiscal Disparities program, the concept yields a net tax capacity value to the City of approximately \$6,600,000.

The property tax implications for the City will be influenced by the use of tax increment financing to facilitate this redevelopment. The use of TIF will reduce the amount of this new value that is available for general taxation, but at this point, it is not possible to accurately predict how much of the value can or will be included in TIF districts.

For the sake of this discussion, the core housing and mixed uses projects cited earlier are assumed to be in TIF districts. The captured value in this TIF district(s) would reduce the taxable tax capacity value of the area by \$2,700,000. If no other TIF districts are required and the remaining, \$3,900,000 is available for general taxation, the estimated property tax impacts of the Transit Village concept would be:

- If allowed by levy limits, this new tax capacity value produces additional tax revenue. Applying the City's Pay 2003 general revenue tax rate (33.227%) produces \$1,296,000 in tax revenue.

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- Under a system that limits tax levies, the additional value reduces the tax rate. For taxes Payable 2003, the additional value would have reduced the City's tax rate from 34.94% to 33.04%.
- Under the current system, levies for debt service and tax abatement are special levies and outside of levy limits. The revenue capacity of this tax base could be used to support street improvements or other development needs in the Golden Triangle.

These positive tax rate/tax revenue changes will decline if it is necessary to place more value into TIF districts.

THE CHANGE IN THE DEVELOPMENT PATTERN WILL REDUCE THE GROWTH IN TRAFFIC CONGESTION.

The Transit Village concept produces fewer peak period trips than the Market Based concept. Outbound PM trips drop by 5% and inbound AM trips are estimated to be 4% lower. As noted previously, the "value" of this benefit is difficult to quantify. For comparative purposes, the Expanded Transit Village concept results in a 13% reduction in AM trips and a 14% reduction in PM trips.

THE BROAD BASED CHANGE MAY STEM THE SPREAD OF BLIGHT.

Experience with other large-scale redevelopment projects suggests that the Transit Village concept will help limit the potential for blight in the Golden Triangle by transforming the character and underlying economic forces of the area. These changes should enhance the ability of remaining property owners to generate income and invest in facility improvements. Under these conditions, the forces that encourage blight will be reduced, and in all likelihood, eliminated.

COSTS

PUBLIC FINANCIAL ASSISTANCE WILL BE NEEDED TO MAKE PROPOSED DEVELOPMENT PROJECTS FINANCIALLY FEASIBLE.

The core housing and mixed use projects illustrate the need for financial assistance from the City and the financial implications for the City.

The analysis performed in the planning process estimated the acquisition cost of the parcels associated with the projects at almost \$93,000,000 (170% of current estimated market value). The former Best Buy facility accounts for 44% of this total. For the sake of this analysis, we have assumed that 75% of the acquisition costs apply to other factors, such as streets right-of-way, public open space and other development projects. Under these assumptions, the remaining land costs \$21 per square foot. At this level, redevelopment will not occur because these costs raise development expense beyond the amount that can be supported with the income potential of the property.

The City can reduce the land cost through the use of tools such as tax increment

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financing. For the purpose of this example, we have assumed that the parcels qualify as a redevelopment TIF district and that the City issues tax increment bonds to defray a portion of land costs. The estimated annual tax increment revenue from these redevelopment projects would support a bond issue (retired over 25 years at an interest rate of 6.00%) of approximately \$42,000,000. This public assistance reduces the acquisition cost to almost \$8 per square foot, a net acquisition cost that would be passed on to the developer(s) and borne as an expense on the private side of the redevelopment equation. Even these land costs, though, may be too high for development to occur.

Several factors could help further reduce the net land cost for redevelopment:

- If the acquisition/assembly costs can be reduced, the potential gap becomes smaller. If acquisition equals 150% of EMV, the net acquisition cost (after public assistance) drops to less than \$6.00 per square foot.
- The TIF funding capacity of the area is reduced by the high base value. If the TIF district uses land value only as the base, then the amount of TIF assistance grows. This change would lower the net acquisition cost to slightly less than \$5.00 per square foot. This approach, however, would require a change in State Law.
- The combined effect of lower initial costs and enhanced TIF funding capacity reduces the net acquisition cost to \$2.50 per square foot.

Obviously, the lower the net cost, the greater the potential for redevelopment. These examples demonstrate the financial challenges associated with the Transit Village concept.

PUBLIC FINANCIAL ASSISTANCE MAY REQUIRE THE ISSUANCE OF BONDS.

The approach to assembling this site is a critical element of understanding the implications of the Transit Village concept. Many of the redevelopment initiatives in the Golden Triangle involve a single parcel or a small collection of parcels. The projects in the previous example consist of ten parcels.

The typical approach to redevelopment is to undertake land acquisition with an agreement for private redevelopment. While the City may acquire the parcels, the long-term costs would be borne by the developer with the City conveying the tax increment annually, as it is collected. Two factors suggest that this pay-as-you-go approach may not be possible:

- The redesigned street system requires acquisition of the parcels related to all three of the redevelopment projects.
- It is unlikely that the City will be able to secure development agreements for all of these projects prior to acquiring the parcels and installing the streets.

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PUBLIC INVESTMENTS WILL BE REQUIRED TO BUILD THE INFRASTRUCTURE THAT DEFINES THE NEW DEVELOPMENT PATTERN.

The Transit Village contains three new street projects: (1) 69th Street extended to the west and connecting with Flying Cloud Drive, (2) the realignment of 70th Street connecting the new 69th Street and Shady Oak Road, and (3) the realignment of Valley View Road to connect with the 70th Street Shady Oak intersection. Figure 6-19 below contains the estimated cost of these improvements. These costs do not account for any right-of-way acquisition.

This amount becomes relevant in the context of financing these investments because the City will finance these costs through the issuance of bonds. As noted earlier, it is unlikely that all of these costs could be assessed against benefited properties and without 100% assessment, a portion of debt service would require another source(s) of revenue. This revenue could be a combination of tax increments, municipal state aid for street construction and general tax levy. Figure 6-20 contains the estimated potential annual revenue need based on alternative scenarios and term of debt. This analysis is based on a debt of \$5,602,000 using current interest rates.

<u>Segment</u>	<u>Estimated Cost</u>
69th Street	\$2,364,000
70th Street	1,205,000
Shady Oak	<u>2,033,000</u>
TOTAL	\$5,602,000

Figure 6-19 Estimated Costs of Street Improvements Necessary for the Transit Village Concept

<u>Rate</u>	<u>Years</u>	<u>Annual Payment</u>	<u>City Share of Annual Debt Service</u>		
			<u>% Assessed</u>		
			<u>75%</u>	<u>50%</u>	<u>25%</u>
3.60%	10	\$676,992	\$169,248	\$338,496	\$507,744
3.80%	15	\$496,829	\$124,207	\$248,415	\$372,622
4.00%	20	\$412,205	\$103,051	\$206,102	\$309,154

Figure 6-20 Annual Debt Service from Street Improvements

IMPLEMENTING THIS PLAN INTRODUCES RISK FACTORS NOT PRESENT IN THE MARKET BASED CONCEPT.

A “cost” of the Transit Village concept is the risk associated with debt. The costs of land acquisition paid by the bonds will be paid by a combination of land sale and tax increment. Both sources of revenue come from actual redevelopment projects. If a portion of the projects are not known at the time the City issue bonds and acquires the

property, the City assumes the risk of future cash flow. While bond issues can be structured to provide timing flexibility, failure of redevelopment to follow in a timely manner may require other funding to support the bond issue.

TRAFFIC IMPACTS AS A RESULT OF REDEVELOPMENT

In order to identify the differences in travel demand and roadway traffic congestion associated with the three alternative land use patterns (Market Based, Transit Village and Expanded Transit Village), Metro Council's Regional Transportation Planning Model was used to estimate 2025 traffic on a typical weekday during the AM and PM peak hours. A comparison was made of the total trips, the numbers of trips entering and exiting the Golden Triangle Area, and the traffic volumes and delays at each of the intersections exiting the Golden Triangle area. This analysis is presented in this section.

LAND USE ASSUMPTIONS

The Transportation Planning Model required forecasts of the following demographic data for each traffic analysis zone (TAZ):

- Population, split by adult and school aged groups
- Employment, both total and retail
- Developed acres used for employment related land uses.

Demographic forecasts¹ obtained from the Metropolitan Council were used to input regional growth projections. The Metropolitan Council's land use forecasts anticipate the majority of future development in the region occurring south and west of the Golden Triangle Area. The demographic forecasts for the project area for the Market Based, Transit Village and Expanded Transit Village scenarios were developed by the consultant team, reflecting the changes in land use associated with each of the scenarios compared to the existing conditions scenario.

Differences in forecast demographics among the scenarios are illustrated in Figure 6-21. The figure presents the 2025 total population and employment forecast in the Golden Triangle Area and in the City West Area for the three alternatives, in comparison with the existing estimates of employment and population. The exhibit indicates substantial growth in employment under the Market Based scenario, but greater emphasis on residential development in both the Transit Village scenario and, particularly, in the Expanded Transit Village scenario, compared to the Market Based scenario. The Market Based scenario forecasts employment growth of approximately 8,000 jobs, while the Transit Village scenario forecasts growth of approximately 5,000 jobs, and the Enhanced Transit Village forecasts growth under 3,000 jobs in the Golden Triangle Area. On the other hand, the population in the Golden Triangle is estimated to increase by approximately 300 in the Market Based scenario, 2,000 in the Transit Village scenario and 3,400 in the Enhanced Transit Village scenario².

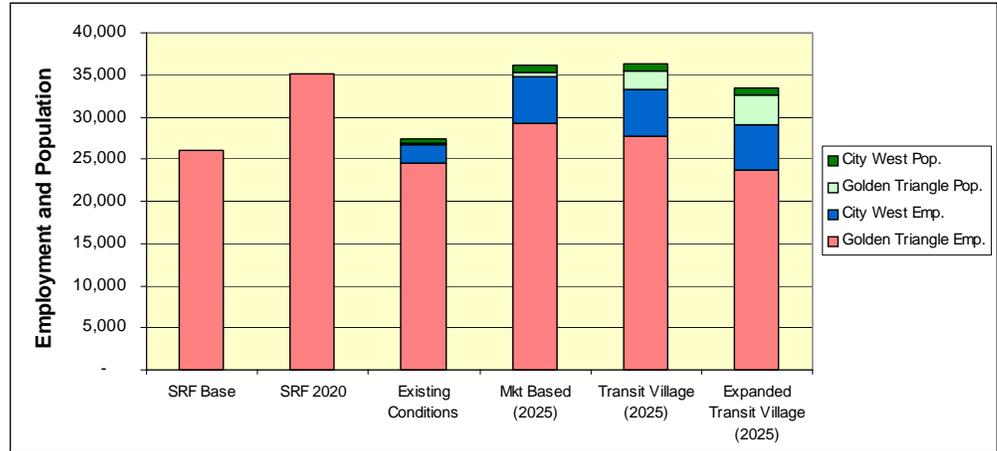


Figure 6-21 Comparison Employment and Population Estimates based on Land Use Assumptions

The figure also shows the employment estimates and forecasts developed and applied in the April 2001 Golden Triangle Area Traffic Study prepared by SRF Consulting Group. The exhibit indicates that the SRF estimates of employment for the Golden Triangle Area are substantially greater than the estimates of employment among the three alternatives for the same area, by in excess of 5,000 employees. It is believed that the current estimate presented in this study is based on more realistic and reliable estimates of floor space and employment densities and, therefore, are expected to represent more reliable estimates of traffic conditions, compared to the SRF forecast.

2025 TRAVEL DEMAND FORECASTS

AM and PM peak hour travel demand forecasts were prepared for 2025, assuming that the build-out of the scenarios would occur by that year. The road and transit networks used to prepare the forecasts were based on the Metropolitan Council’s Regional Transportation Plan. The road network included committed major roadway improvements and realignment of some internal roads to suit the land use plan. The possible impact of ramp meters was not included in this study. The transit network included the Hiawatha LRT and Northwest corridor BRT services, but did not include any other rapid transit (bus or LRT) improvements in the corridors. The potential impact of additional transit improvements was examined through an additional model run that included a southwest high capacity transit line serving the Shady Oak Park-and-Ride and the Southwest Transit Center.

PM PEAK HOUR FORECASTS

The forecast for outbound and inbound vehicle trips for the PM peak period associated with the alternative land use scenarios are shown in Figure 6-22. The figure indicates that under market based conditions, the 2025 land use will result in more than a 37%

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increase in outbound trips compared to existing estimated vehicle trips. This is an increase from approximately 7,500 PM peak hour vehicle trips in 2002, to over 10,300 vehicle trips by 2025.

With the shift from employment related land uses to residential and mixed use, the numbers of outbound vehicle trips are estimated to be reduced by over 10%. A reduction from 10,300 vehicles under the Market Based Scenario, to approximately 9,000 vehicles per hour under the Expanded Transit Village concept is forecast to occur. In the inbound direction, the differences are less significant, but the trip volumes are much less than the outbound volumes and therefore not as critical. A land use plan that encourages a better balance of population and employment will reduce the number of peak direction trips, leading to lower expected traffic congestion.

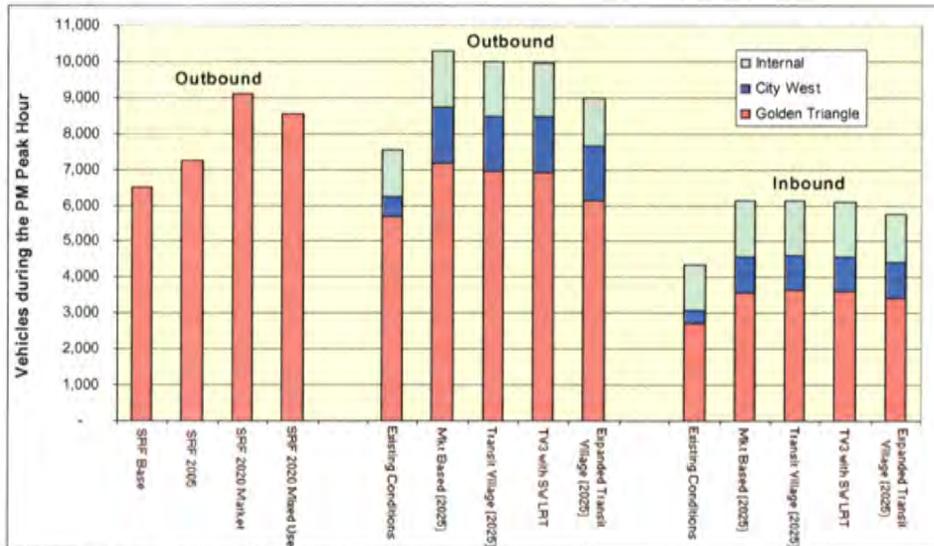


Figure 6-22 Comparison of PM Peak Hour Vehicle Trips

AM PEAK HOUR FORECASTS

The numbers of outbound and inbound vehicle trips during the AM peak hour for the different scenarios are illustrated in Figure 6-23. The travel demand forecasts reveal a reduction in inbound auto trips associated with the Transit Village and, particularly, the Expanded Transit Village scenarios compared to the Market Based scenario, but the reduction is not as pronounced as in the PM peak hour. With the Market Based Land Use Strategy, peak vehicle inbound trips will increase from approximately 5,400 vehicles per hour to approximately 7,100 vehicles per hour, a 30% increase. With the more balanced distribution of population and employment, the peak trips can be reduced by as much as 15% to 6,100 vehicles per hour inbound to the Golden Triangle Area.

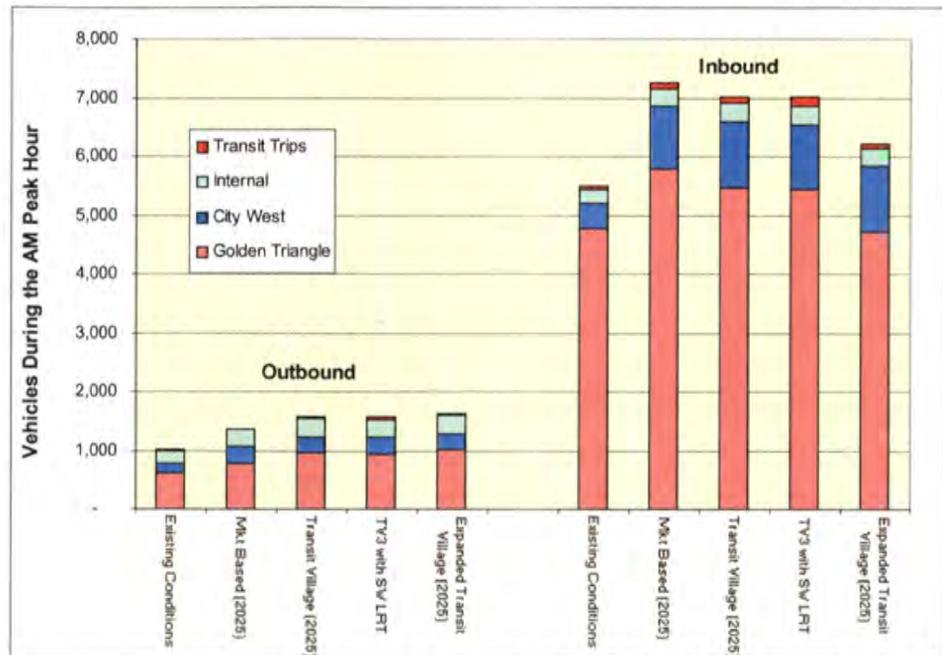


Figure 6-23—Comparison of AM Peak Hour Vehicle Trips

TRANSIT TRIPS

The numbers of inbound and outbound transit trips are also illustrated in Figure 6-23. The transit network used for the modelling was based on current bus routes in the area with assumed improvements to bus frequency. One scenario examined the potential impact of a high capacity transit line in the Southwest corridor. In this scenario, transit use is expected to be relatively low compared to auto use because the forecast home/work linkages for employment in the Golden Triangle are widely dispersed, and there are no strong transit corridors through areas of high population connecting to the Golden Triangle.

While transit use is forecast to be relatively low compared to auto use, a significant increase in relative terms (a growth of 41%) is forecast with the implementation of the high capacity transit line in the Southwest corridor. However, since transit volumes are still relatively low, this growth does not have a significant impact on traffic congestion in and out of the Golden Triangle.

FORECAST VEHICLE DELAYS

Estimates of vehicle trips and intersection delays were prepared for each of the alternative land use and transit scenarios for 2025. These traffic forecasts were prepared by factoring recent intersection traffic counts by growth factors at each intersection obtained from the 2025 forecasts from the regional model. The SYNCHRO³ intersection capacity model was applied to estimate level of service and intersection delays. Figures 6-24 A

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– E present the estimated PM peak hour average intersection delay (in minutes) for the following alternatives:

- 2000 Estimated Traffic Conditions.
- 2025 Market Base Scenario.
- 2025 Transit Village Scenario.
- 2025 Transit Village with Southwest High Capacity Transit Scenario.
- 2025 Expanded Transit Village Scenario.

Figure 6-25 presents a key for the intersections that were analyzed. Figure 6-26 presents the estimated 2025 vehicle delay in each approach of the key intersections for the land use and transit alternatives. The analysis indicates that the levels of congestion and travel times in the 2025 Market Based Scenario are up to two times the current estimated average intersection delays, with the greatest increase in delays occurring on the south side and the west side. For some intersection movements, delays are estimated to increase by 2 – 3 minutes. The most significant increases are on the southwest portion of the site, for traffic exiting via Prairie Center Drive. As shown in Figure 6-26, exiting delay along Prairie Center Drive is estimated to increase from approximately 2 minutes in 2002, to 3 - 4 minutes in the 2025 Market Based Scenario.

The 2025 Transit Village Scenario is estimated to reduce delays by up to 0.1 – 0.2 minutes per intersection compared to the 2025 Market Base Scenario. Again the improvements are primarily on the west and south side.

The 2025 Expanded Transit Village Scenario is estimated to provide a further improvement over the Transit Village Scenario, by up to 0.2 minutes average per intersection, with the improvements occurring primarily in the southwest, particularly at the intersections along Prairie Center Drive, where up to 1.5 minute improvement is forecast. Also, improvements are forecast for the southbound right turn from Flying Cloud Drive to Shady Oak Road.

As mentioned above, extending the high capacity transit service to the Golden Triangle Area is estimated to have little impact on auto congestion in the Golden Triangle. While high capacity transit service promises some reductions in auto trips, increases are forecast in the vicinity of the park & ride facility accessed by way of the Highway 212/Shady Oak interchange.

A further traffic analysis was undertaken to analyze the impact of the Washington Avenue overpass of I-494. This improvement is estimated to have a large impact on reducing forecast traffic congestion for all traffic exiting the Golden Triangle. This reduction in congestion may be achieved regardless of the land use plan adopted. If the ramp meters are reactivated, this type of improvement, along with adopting a more balanced land use plan, will be essential to maintaining a reasonable level of service for traffic exiting the Golden Triangle.

INTERSECTION DELAY ON SELECTED ROUTES

Estimates of intersection delay for six selected routes exiting the Golden Triangle Area were prepared for each of the scenarios and compared with the 2000 estimated traffic conditions. Figure 6-27 presents the estimated delay times at these intersections. Figure 6-28 presents the six routes selected to compare travel times.

Figure 6-25 indicates that only the routes to the southwest are expected to experience an increase in travel time delay exiting the Golden Triangle. The estimated increase in delay is greatest for the Market Based scenario, and is least for the Expanded Transit Village scenario. There is also a reduction in auto travel time in the scenario which incorporates high capacity transit service.

Increases in delay exiting to the east (Routes 5 and 6) and to the northwest (Routes 1 and 2) are minimal, since the increase in volume still results in the intersection operating below capacity (assuming no ramp meters in operation).

COMPARISON TO PREVIOUS TRAFFIC STUDY

It is important to compare the results of this study with the results of the Golden Triangle Area Traffic Study undertaken by SRF Consulting Group in April 2001, and to identify the significant differences.

As pointed out in the SRF study, one of the main reasons for undertaking the study was that people currently working in the area experience heavy delays while leaving the area in the PM peak, due primarily to added delay caused by the ramp meters. The SRF study examined potential impacts of mixed land use, travel demand management measures and infrastructure improvements, but concluded that as long as the ramp meters continue in operation, delays to exiting traffic will be significant regardless of the land use patterns and the travel demand management measures.

With the ramp meters turned off, the traffic congestion exiting the Golden Triangle has declined significantly, and even with an increase in area employment forecasts, traffic volumes in some of the corridors, such as the east and the northwest, are still expected to be below capacity in 2025 as long as the ramp meters are not reactivated. Traffic volumes in the southwest portion of the area in 2025 are estimated to approach or exceed capacity, increasing travel times, even without ramp meters. Thus, the roadway improvements proposed in the SRF study should still be pursued, particularly those in the south quadrant.

Eden Prairie-Hennepin County

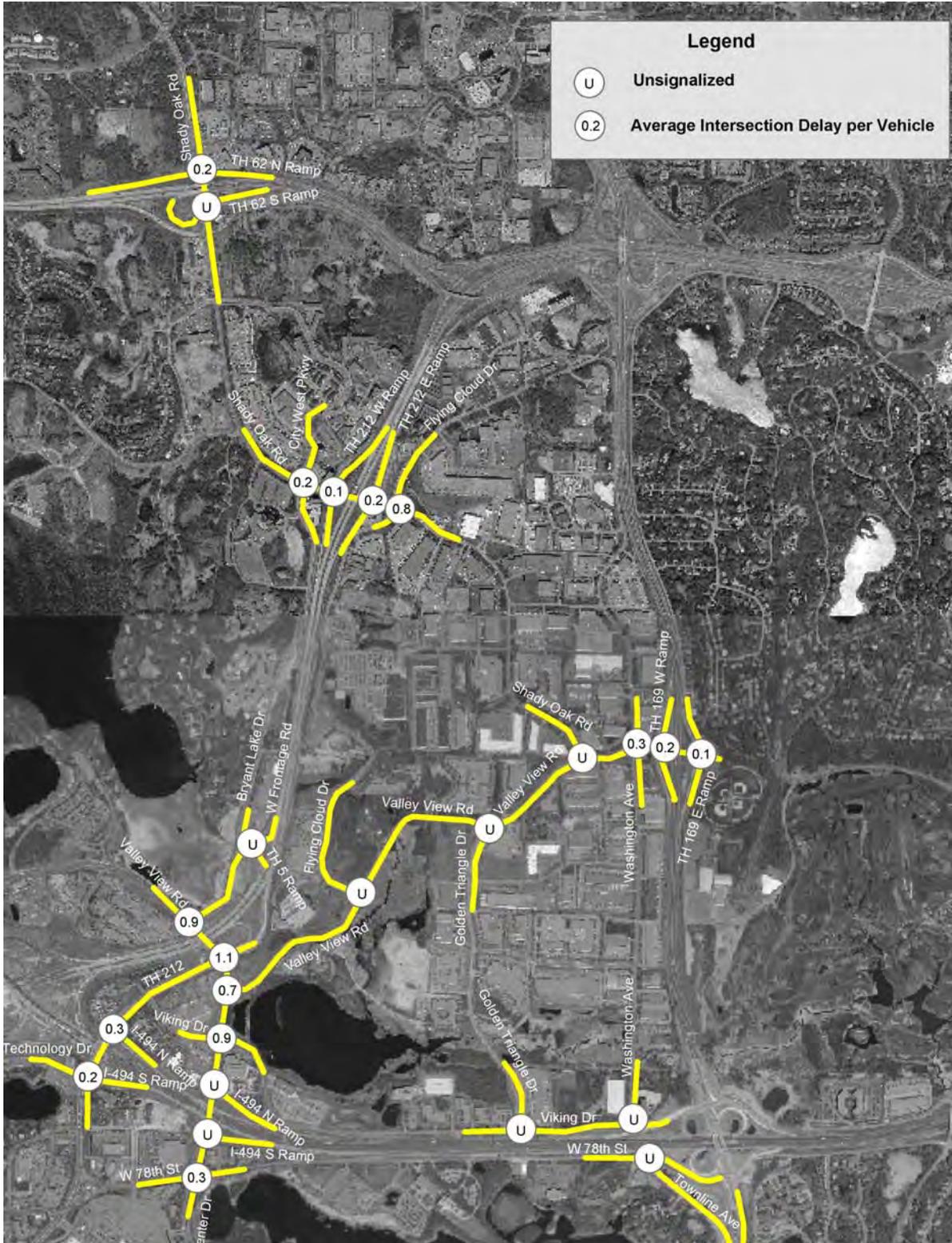


Figure 6-24A PM Peak Hour Average Intersection Delay (Minutes per Vehicle): 2000 Estimated Traffic Conditions

Golden Triangle Land Use/Multi-Modal Transportation Evaluation

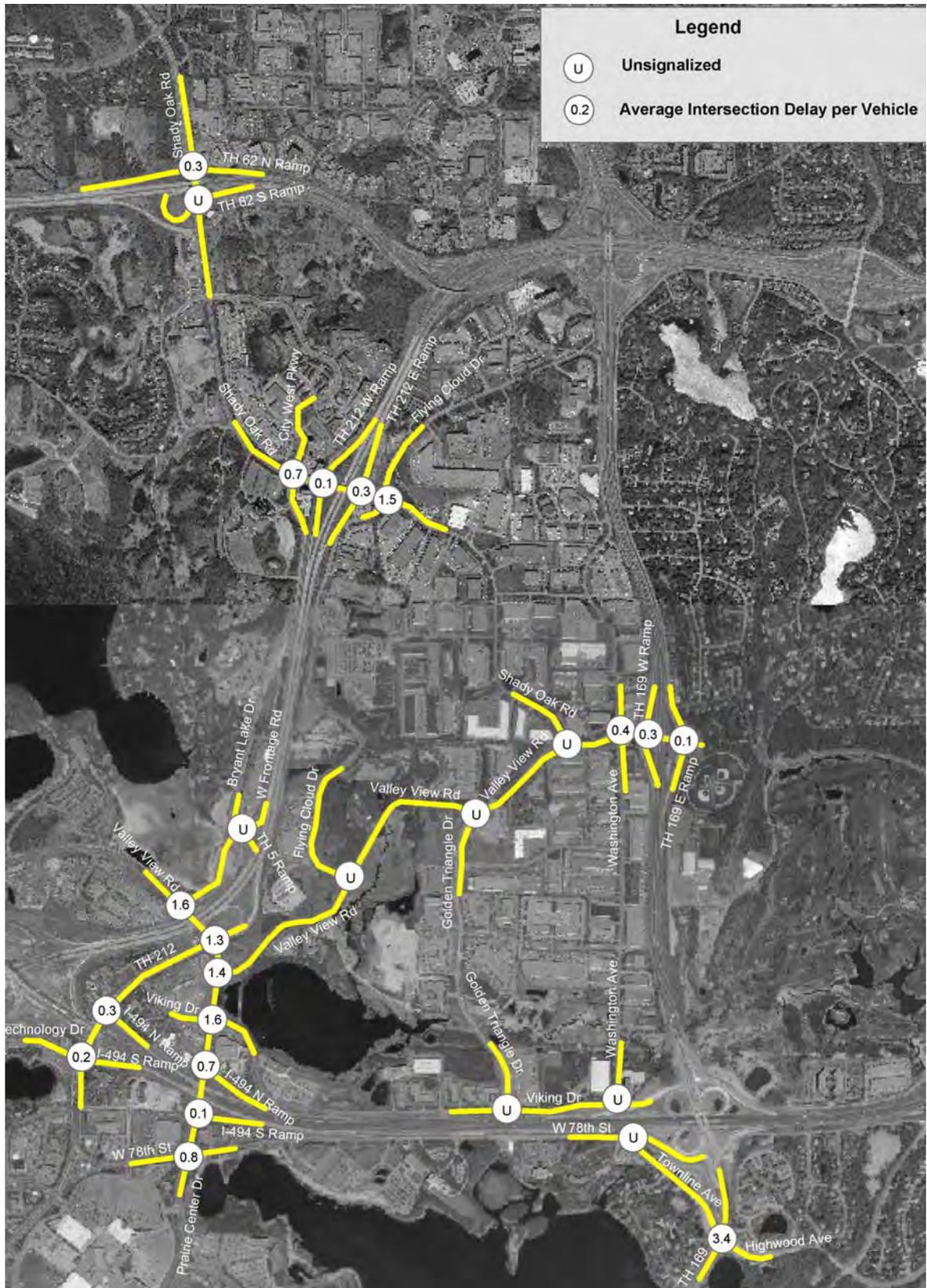


Figure 6-24B PM Peak Hour Average Intersection Delay (Minutes per Vehicle): 2025 Market Based Scenario

Eden Prairie-Hennepin County

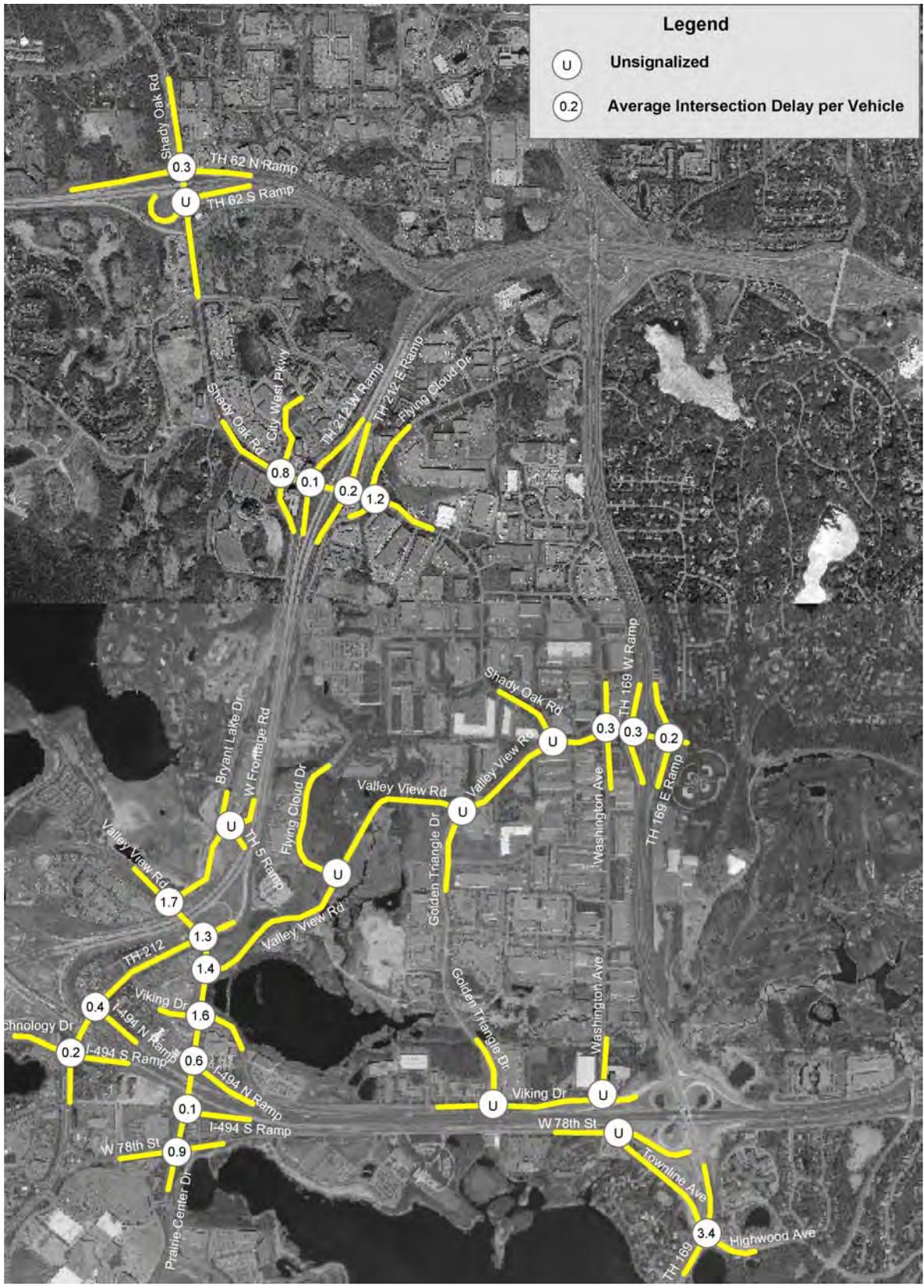


Figure 6-24C PM Peak Hour Average Intersection Delay (Minutes per Vehicle): 2025 Transit Village Scenario

Golden Triangle Land Use/Multi-Modal Transportation Evaluation

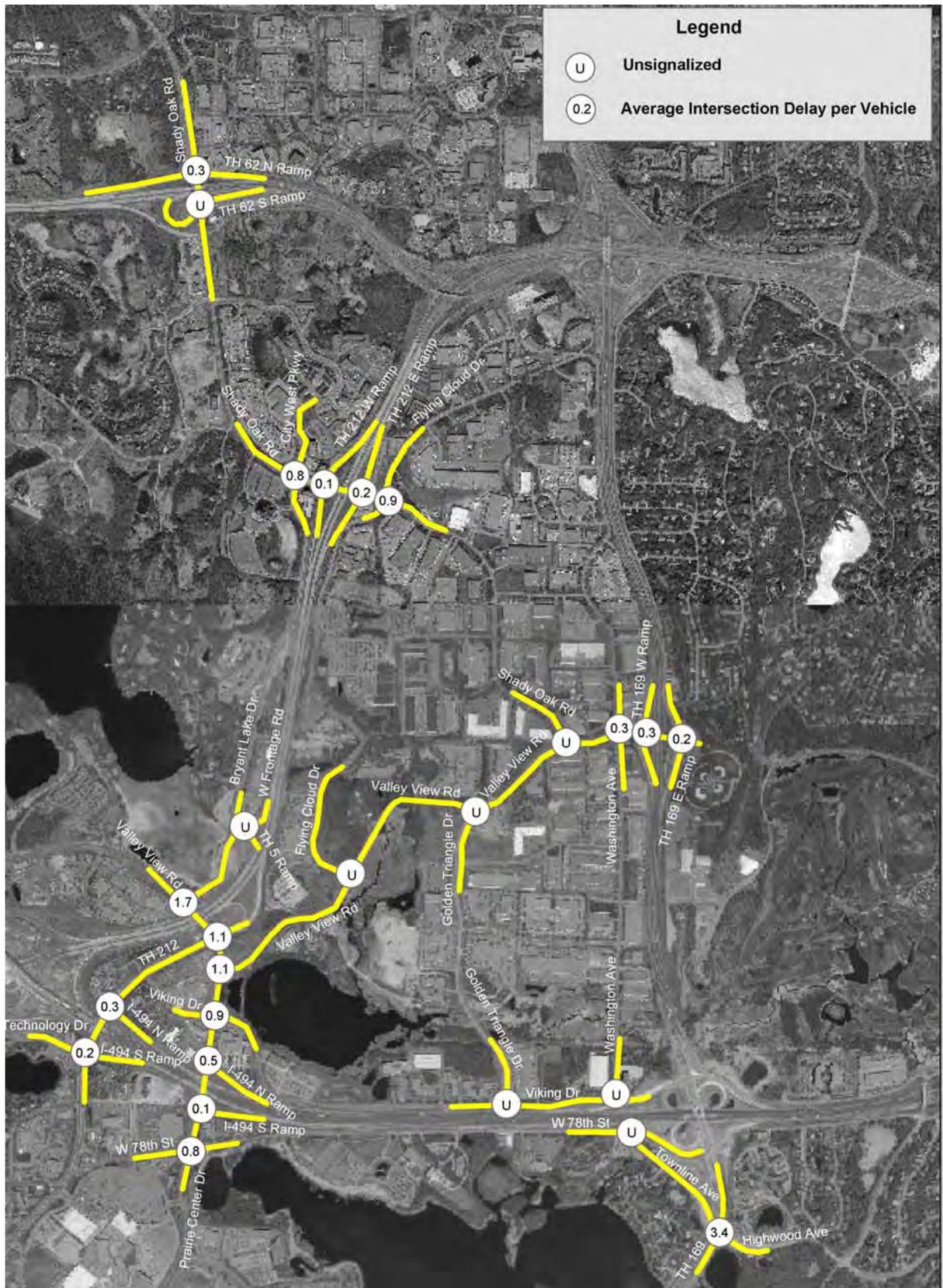


Figure 6-24D PM Peak Hour Average Intersection Delay (Minutes per Vehicle): 2025 Expanded Transit Village Scenario

Eden Prairie-Hennepin County

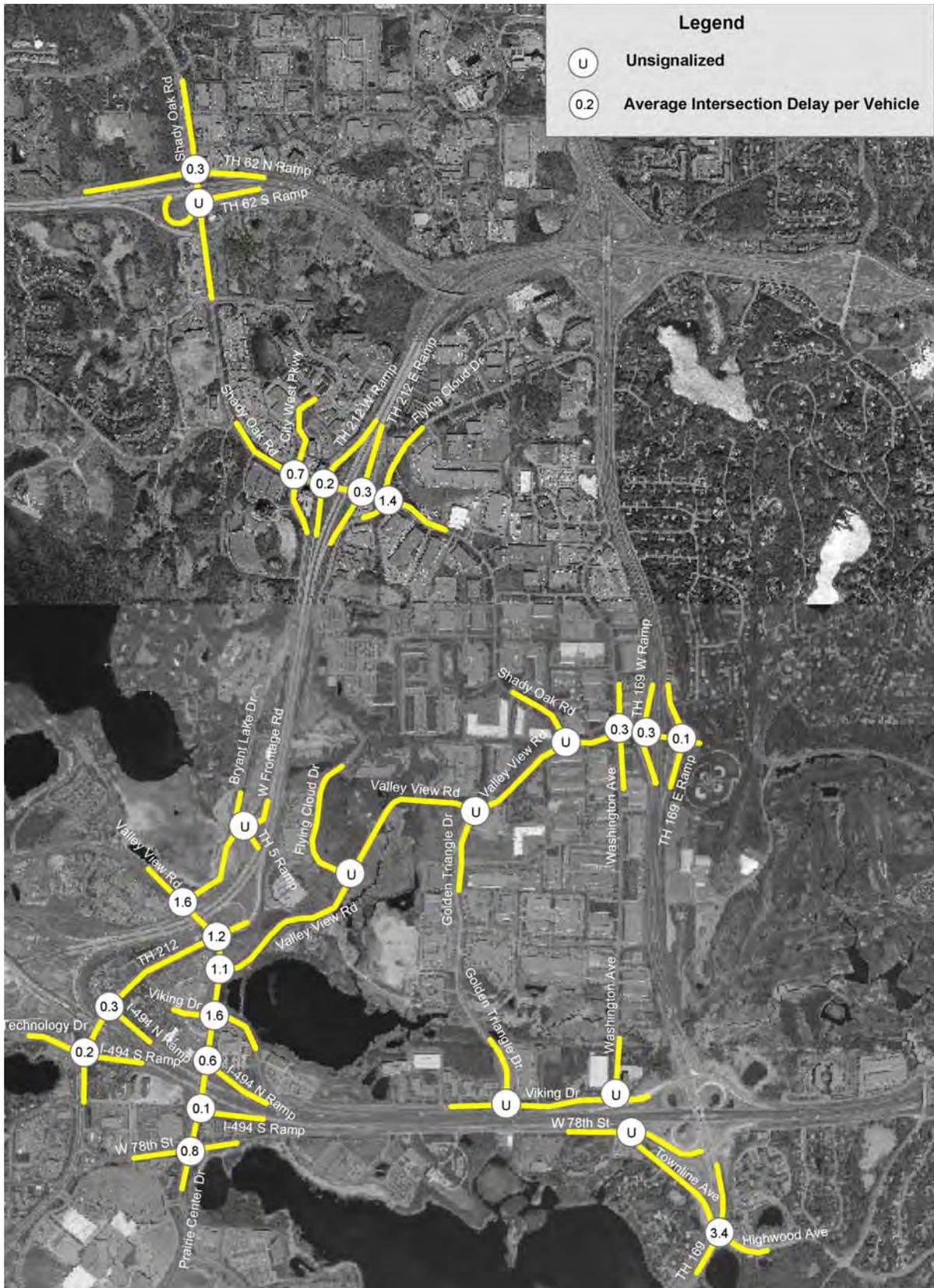


Figure 6-24E PM Peak Hour Average Intersection Delay (Minutes per Vehicle): 2025 Transit Village with SW LRT Scenario

Golden Triangle Land Use/Multi-Modal Transportation Evaluation

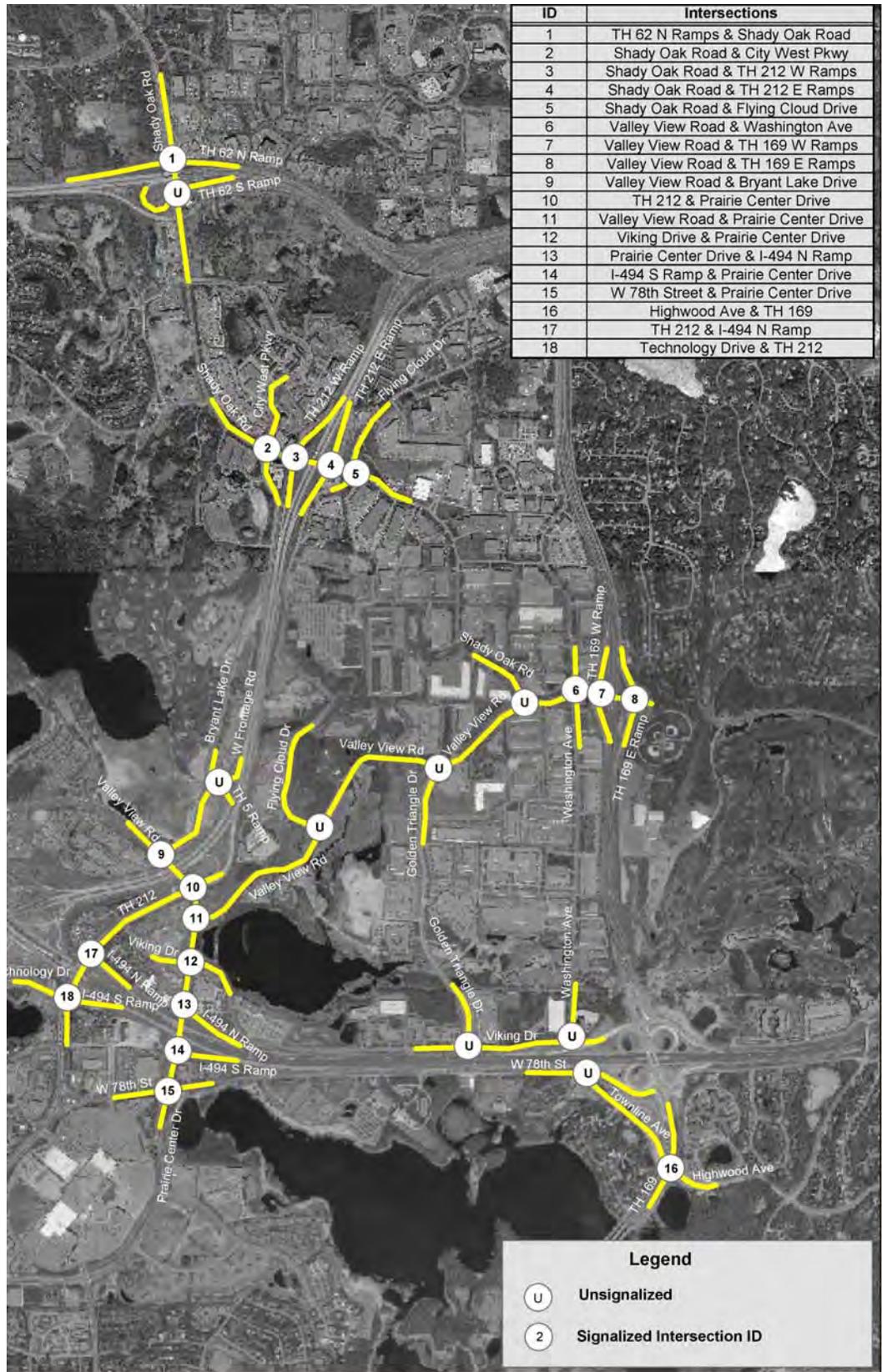


Figure 6-25 Intersections in Study Area

Eden Prairie-Hennepin County

Intersection No.	Intersection	Controller Type	Alternative	Measure	Eastbound			Westbound			Northbound			Southbound			Intersection Delay (min)		
					L	T	R	L	T	R	L	T	R	L	T	R			
1	TH 62 N Ramps & Shady Oak Road	Signalized	2000 Estimated	Vol				90	0	349	356	1002			817	291	0.2		
				Delay (min)				0.5	0.5	0.2	0.4	0.1			0.3	0.0			
			2025 Market Based	Vol				119	0	461	463	1303					1078	384	0.3
				Delay (min)				0.4	0.4	0.4	0.4	0.1					0.4	0.0	
			2025 Transit Village	Vol				118	0	457	459	1293					1119	399	0.3
				Delay (min)				0.4	0.4	0.4	0.4	0.1					0.4	0.0	
			2025 Enhanced Transit Village	Vol				123	0	478	459	1293					1152	410	0.3
				Delay (min)				0.4	0.4	0.4	0.4	0.1					0.4	0.0	
			2025 Transit Village with SW Transit	Vol				116	0	450	470	1323					1095	390	0.3
				Delay (min)				0.4	0.4	0.4	0.4	0.1					0.4	0.0	
2	Shady Oak Road & City West Pkwy	Signalized	2000 Estimated	Vol	2	561	70	55	920	93	55	8	53	295	45	27	0.2		
				Delay (min)		0.1			0.0			0.7		0.2	0.6	0.4		0.1	
			2025 Market Based	Vol	3	813	102	65	1086	109.7			55	8	53	531	81	49	0.7
				Delay (min)		0.1			0.1			0.7		0.2	3.6	0.4	0.1		
			2025 Transit Village	Vol	3	813	102	63	1058	107			55	8	53	531	81	49	0.8
				Delay (min)		0.1			0.1			0.7		0.2	3.6	0.4	0.1		
			2025 Enhanced Transit Village	Vol	3	774	97	65	1086	110			55	8	53	531	81	49	0.8
				Delay (min)		0.1			0.1			0.7		0.2	3.6	0.4	0.1		
			2025 Transit Village with SW Transit	Vol	3	808	101	65	1095	111			55	8	53	531	81	49	0.7
				Delay (min)		0.1			0.1			0.7		0.2	3.6	0.4	0.1		
3	Shady Oak Road & TH 212 W Ramps	Signalized	2000 Estimated	Vol		393	516	385	930					79	0	138	0.1		
				Delay (min)		0.1	0.0	0.1	0.1					0.7		0.1			
			2025 Market Based	Vol		499	655	566	1367							79	0	138	0.1
				Delay (min)		0.3	0.2	0.1	0.1							0.6	0.4		
			2025 Transit Village	Vol		511	671	543	1311							85	0	149	0.1
				Delay (min)		0.3	0.1	0.1	0.1							0.6	0.3		
			2025 Enhanced Transit Village	Vol		527	691	508	1228							85	0	149	0.1
				Delay (min)		0.2	0.1	0.1	0.1							0.6	0.3		
			2025 Transit Village with SW Transit	Vol		511	671	566	1367							86	0	150	0.2
				Delay (min)		0.3	0.2	0.1	0.1							0.6	0.4		
4	Shady Oak Road & TH 212 E Ramps	Signalized	2000 Estimated	Vol	175	297		1118	508	197	0	69					0.2		
				Delay (min)	0.3	0.1		0.2	0.0		0.6	0.1							
			2025 Market Based	Vol	196	333		1442	655	276	0	97						0.3	
				Delay (min)	0.3	0.1		0.3	0.0		0.6	0.1							
			2025 Transit Village	Vol	217	368		1342	610	266	0	93						0.2	
				Delay (min)	0.4	0.1		0.3	0.0		0.6	0.1							
			2025 Enhanced Transit Village	Vol	210	356		1174	533	264	0	92						0.2	
				Delay (min)	0.3	0.1		0.3	0.0		0.6	0.1							
			2025 Transit Village with SW Transit	Vol	212	359		1386	630	262	0	92						0.3	
				Delay (min)	0.3	0.1		0.3	0.0		0.6	0.1							
5	Shady Oak Road & Flying Cloud Drive	Signalized	2000 Estimated	Vol	94	189	83	8	807	11	431	20	14	31	48	388	0.8		
				Delay (min)	0.1	0.1	0.0	0.1	0.2	1.9	0.4		0.7	0.7	1.6				
			2025 Market Based	Vol	116	232	102	10	1001	14	487	23	16	45	70	563	1.5		
				Delay (min)	0.2	0.1	0.0	0.1	0.3		2.5	0.4		0.7	0.7	4.1			
			2025 Transit Village	Vol	121	244	107	10	1033	14	448	21	15	39	61	493	1.2		
				Delay (min)	0.2	0.1	0.0	0.1	0.3		2.1	0.4		0.7	0.7	3.5			
			2025 Enhanced Transit Village	Vol	116	232	102	9	936	13	431	20	14	34	53	427	0.9		
				Delay (min)	0.1	0.1	0.0	0.1	0.2		1.9	0.4		0.7	0.7	2.6			
			2025 Transit Village with SW Transit	Vol	120	242	106	9	920	13	491	23	16	43	67	539	1.4		
				Delay (min)	0.2	0.1	0.0	0.1	0.2		2.6	0.4		0.7	0.7	3.8			
6	Valley View Road & Washington Ave	Signalized	2000 Estimated	Vol	7	530	10	78	230	85	52	80	561	329	24	74	0.3		
				Delay (min)	0.9	0.6		0.7	0.5	0.1		0.1		0.2	0.2	0.0			
			2025 Market Based	Vol	7	530	10	98	290	107	72	110	774	517	38	116	0.4		
				Delay (min)	0.9	0.6		0.9	0.5	0.0		0.1		0.2	0.3	0.0			
			2025 Transit Village	Vol	7	530	10	99	292	108	74	114	802	470	34	106	0.3		
				Delay (min)	0.9	0.6		0.9	0.5	0.0		0.1		0.2	0.2	0.0			
			2025 Enhanced Transit Village	Vol	7	530	10	98	288	106	76	117	819	329	24	74	0.3		
				Delay (min)	0.9	0.6		0.9	0.5	0.0		0.1		0.3	0.2	0.0			
			2025 Transit Village with SW Transit	Vol	7	530	10	95	281	104	68	104	729	444	32	100	0.3		
				Delay (min)	0.9	0.6		0.9	0.5	0.0		0.1		0.2	0.2	0.0			
7	Valley View Road & TH 169 W Ramps	Signalized	2000 Estimated	Vol		1215	206	14	122					342	0	271	0.2		
				Delay (min)		0.1			0.0						1.0	0.1			
			2025 Market Based	Vol		1458	247	17	149							393	0	312	0.3
				Delay (min)		0.2			0.0							1.5	0.1		
			2025 Transit Village	Vol		1409	239	19	162							376	0	298	0.3
				Delay (min)		0.1			0.0							1.3	0.1		
			2025 Enhanced Transit Village	Vol		1300	220	19	167							366	0	290	0.3
				Delay (min)		0.1			0.0							1.2	0.1		
			2025 Transit Village with SW Transit	Vol		1409	239	18	153							369	0	293	0.3
				Delay (min)		0.1			0.0							1.2	0.1		

Figure 6-26 Intersection delays (PM Peak Hour) in Study Area--(continued on next page)

Golden Triangle Land Use/Multi-Modal Transportation Evaluation

Intersection No.	Intersection	Controller Type	Alternative	Measure	Eastbound			Westbound			Northbound			Southbound			Intersection Delay (min)		
					L	T	R	L	T	R	L	T	R	L	T	R			
8	Valley View Road & TH 169 E Ramps	Signalized	2000 Estimated	Vol	634	922		56	39		80	0	21				0.1		
				Delay (min)	0.1	0.1		0.1			0.8	0.5							
			2025 Market Based	Vol	672	977		56	39		103	0	27						0.1
				Delay (min)	0.1	0.1		0.1			0.8	0.5							
			2025 Transit Village	Vol	653	950		56	39		115	0	30						0.2
				Delay (min)	0.1	0.1		0.1			0.8	0.5							
			2025 Enhanced Transit Village	Vol	634	922		56	39		120	0	32						0.2
				Delay (min)	0.1	0.1		0.1			0.8	0.5							
			2025 Transit Village with SW Transit	Vol	640	931		56	39		107	0	28						0.1
				Delay (min)	0.1	0.1		0.1			0.8	0.5							
9	Valley View Road & Bryant Lake Drive	Signalized	2000 Estimated	Vol				1086		348		912	142	96	804	0.9			
				Delay (min)				1.8		0.1		0.6	0.0	1.3	0.6				
			2025 Market Based	Vol				1086		348		1322	206	96	804			1.6	
				Delay (min)				1.8		0.1		2.7	0.0	1.3	0.6				
			2025 Transit Village	Vol				1086		348		1350	210	96	804			1.7	
				Delay (min)				1.8		0.1		2.8	0.0	1.3	0.6				
			2025 Enhanced Transit Village	Vol				1086		348		1341	209	96	804			1.7	
				Delay (min)				1.8		0.1		3.0	0.0	1.3	0.6				
			2025 Transit Village with SW Transit	Vol				1086		348		1313	204	96	804			1.6	
				Delay (min)				1.8		0.1		2.8	0.0	1.3	0.6				
10	TH 212 & Prairie Center Drive	Signalized	2000 Estimated	Vol	422	572	21	20	80	12	125	620	319	289	486	1115	1.1		
				Delay (min)	0.5	0.4	0.1	1.1	1.1	0.4	1.0	2.2	2.2	2.4	0.0				
			2025 Market Based	Vol	468	635	23	37	148	22	135	670	345	289	486	1115		1.3	
				Delay (min)	0.5	0.4	0.1	1.1	1.6	0.3	1.0	2.7	2.2	2.5	0.0				
			2025 Transit Village	Vol	460	623	23	36	144	22	140	694	357	289	486	1115		1.3	
				Delay (min)	0.5	0.3	0.0	1.1	1.5	0.3	1.0	2.9	2.2	2.5	0.0				
			2025 Enhanced Transit Village	Vol	473	641	24	36	144	22	125	620	319	289	486	1115		1.1	
				Delay (min)	0.5	0.4	0.1	1.1	1.5	0.3	1.0	2.2	2.2	2.4	0.0				
			2025 Transit Village with SW Transit	Vol	464	629	23	36	144	22	129	639	329	289	486	1115		1.2	
				Delay (min)	0.5	0.4	0.1	1.1	1.5	0.3	1.0	2.4	2.2	2.4	0.0				
11	Valley View Road & Prairie Center Drive	Signalized	2000 Estimated	Vol	37	4	18	664	9	402	10	625	43	50	460	17	0.7		
				Delay (min)	0.2			1.5		0.1	0.2	0.4	0.3	0.4					
			2025 Market Based	Vol	37	4	18	923	13	559	11	688	47	52	478	18		1.4	
				Delay (min)	0.2			3.6		0.2	0.3	0.5	0.3	0.4					
			2025 Transit Village	Vol	37	4	18	903	12	547	12	731	50	53	488	18		1.4	
				Delay (min)	0.2			3.5		0.2	0.2	0.5	0.3	0.4					
			2025 Enhanced Transit Village	Vol	37	4	18	810	11	490	10	638	44	50	460	17		1.1	
				Delay (min)	0.2			2.8		0.2	0.2	0.5	0.3	0.4					
			2025 Transit Village with SW Transit	Vol	37	4	18	810	11	490	12	763	52	54	497	18		1.1	
				Delay (min)	0.2			2.8		0.2	0.3	0.5	0.3	0.4					
12	Viking Drive & Prairie Center Drive	Signalized	2000 Estimated	Vol	16	8	68	1010	106	294	81	368	68	26	1088	28	0.9		
				Delay (min)	0.9	0.9	0.2	2.0	2.2	0.1	0.1	0.2	0.1	0.1	0.4				
			2025 Market Based	Vol	16	8	68	1252	131	365	83	375	69	34	1404	36		1.6	
				Delay (min)	0.9	0.9	0.2	3.3	3.5	0.2	0.2	0.3	0.1	0.2	0.7				
			2025 Transit Village	Vol	16	8	68	1283	135	373	89	405	75	31	1295	33		1.6	
				Delay (min)	0.9	0.9	0.2	3.4	3.6	0.2	0.2	0.3	0.1	0.1	0.5				
			2025 Enhanced Transit Village	Vol	16	8	68	1010	106	294	81	368	68	30	1262	32		0.9	
				Delay (min)	0.9	0.9	0.2	2.0	2.2	0.1	0.2	0.3	0.1	0.2	0.5				
			2025 Transit Village with SW Transit	Vol	16	8	68	1303	137	379	86	390	72	33	1371	35		1.6	
				Delay (min)	0.9	0.9	0.2	3.5	3.7	0.2	0.2	0.3	0.1	0.2	0.6				
13	Prairie Center Drive & I-494 N Ramp	Unsignalized	2000 Estimated	Vol				247		125		392			2166	14.1			
				Delay (min)						110.7					0.0				
		Signalized	2025 Market Based	Vol				445		225		392			2513		0.7		
				Delay (min)				4.6		0.2		0.0			0.1				
		2025 Transit Village	Vol				445		225		392				2448		0.6		
			Delay (min)				4.1		0.2		0.0				0.2				
		2025 Enhanced Transit Village	Vol				445		225		392				2166		0.5		
			Delay (min)				2.7		0.1		0.0				0.1				
		2025 Transit Village with SW Transit	Vol				445		225		392				2404		0.6		
			Delay (min)				4.1		0.2		0.0				0.1				
14	I-494 S Ramp & Prairie Center Drive	Unsignalized	2000 Estimated	Vol								392	107	224	2189	0.0			
				Delay (min)										0.0	0.0				
		Signalized	2025 Market Based	Vol									392	107	327	3196		0.1	
				Delay (min)										0.0	0.0	0.6	0.0		
		2025 Transit Village	Vol										392	107	311	3043		0.1	
			Delay (min)										0.1	0.0	0.6	0.0			
		2025 Enhanced Transit Village	Vol										392	107	307	2999		0.1	
			Delay (min)										0.1	0.0	0.6	0.0			
		2025 Transit Village with SW Transit	Vol										392	107	316	3086		0.1	
			Delay (min)										0.0	0.0	0.6	0.0			

Figure 6-26 (continued from previous page)

Eden Prairie-Hennepin County

Intersection No.	Intersection	Controller Type	Alternative	Measure	Eastbound			Westbound			Northbound			Southbound			Intersection Delay (min)
					L	T	R	L	T	R	L	T	R	L	T	R	
15	W 78th Street & Prairie Center Drive	Signalized	2000 Estimated	Vol	78	182	152	151	161	47	91	374	140	473	1425	291	0.3
				Delay (min)	0.7			1.2	0.7	0.0	0.2	0.3	0.1	0.1	0.2	0.0	
			2025 Market Based	Vol	140	328	274	272	290	85	91	374	140	610	1838	375	0.8
				Delay (min)	2.2			6.4	0.8	0.0	0.4	0.3	0.1	0.1	0.4	0.1	
			2025 Transit Village	Vol	140	328	274	272	290	85	91	374	140	582	1753	358	0.9
				Delay (min)	2.2			6.4	0.8	0.0	0.4	0.3	0.1	0.1	0.3	0.1	
			2025 Enhanced Transit Village	Vol	140	328	274	272	290	85	91	374	140	596	1796	367	0.8
				Delay (min)	2.2			6.4	0.8	0.0	0.4	0.3	0.1	0.2	0.3	0.1	
			2025 Transit Village with SW Transit	Vol	140	328	274	272	290	85	91	374	140	605	1824	372	0.8
				Delay (min)	2.2			6.4	0.8	0.0	0.4	0.3	0.1	0.2	0.3	0.1	
16	Highwood Ave & TH 169	Signalized	2000 Estimated	Vol	14	275	238	107	143	94	32	1311	66	289	2491	71	1.1
				Delay (min)	1.1	2.3		1.1	1.2	0.0	1.1	0.3	0.0	1.1	1.4	0.0	
			2025 Market Based	Vol	18	344	298	114	153	101	58	2360	119	520	4484	0	3.4
				Delay (min)	1.1	3.6		1.2	1.4	0.0	1.1	2.1	0.0	2.5	4.6	0.0	
			2025 Transit Village	Vol	18	344	298	117	156	102	58	2360	119	520	4484	0	3.4
				Delay (min)	1.1	3.6		1.2	1.5	0.0	1.1	2.1	0.0	2.5	4.6	0.0	
			2025 Enhanced Transit Village	Vol	17	325	281	116	154	102	58	2360	119	520	4484	0	3.4
				Delay (min)	1.1	3.3		1.2	1.5	0.0	1.1	2.1	0.0	2.5	4.6	0.0	
			2025 Transit Village with SW Transit	Vol	17	338	293	116	154	102	58	2360	119	520	4484	0	3.4
				Delay (min)	1.1	3.5		1.2	1.5	0.0	1.1	2.1	0.0	2.5	4.6	0.0	
17	TH 212 & I-494 N Ramp	Signalized	2000 Estimated	Vol												0.3	
				Delay (min)				0.9		0.0			0.1	0.1			
			2025 Market Based	Vol				566		46		839	1346				0.3
				Delay (min)				0.9		0.0		0.1	0.2				
			2025 Transit Village	Vol				641		52		824	1346				0.4
				Delay (min)				0.8		0.0		0.2	0.2				
			2025 Enhanced Transit Village	Vol				499		41		847	1320				0.3
				Delay (min)				0.9		0.0		0.1	0.2				
			2025 Transit Village with SW Transit	Vol				570		46		832	1333				0.3
				Delay (min)				0.9		0.0		0.1	0.2				
18	Technology Drive & TH 212	Signalized	2000 Estimated	Vol	47	28	135				40	709	166	34	1641	74	0.2
				Delay (min)	1.1						1.1	0.1	0.0	1.1	0.1	0.0	
			2025 Market Based	Vol	49	29	142				46	808	169	37	1789	81	0.2
				Delay (min)	1.1						1.1	0.1	0.0	1.0	0.1	0.0	
			2025 Transit Village	Vol	57	34	165				46	815	191	38	1838	83	0.2
				Delay (min)	1.1						1.1	0.1	0.0	1.0	0.1	0.0	
			2025 Enhanced Transit Village	Vol	47	28	135				46	815	191	35	1707	77	0.2
				Delay (min)	1.1						1.1	0.1	0.0	1.0	0.1	0.0	
			2025 Transit Village with SW Transit	Vol	52	31	149				46	808	189	37	1772	80	0.2
				Delay (min)	1.1						1.1	0.1	0.0	1.0	0.1	0.0	

Figure 6-26 (continued from previous page)

Route ID	Travel Routes	Signal Delay Time (minute)				
		2000 Estimated Traffic Condition	2025 Market Based Scenario	2025 Transit Village Scenario	2025 Enhanced Transit Village Scenario	2025 Enhanced Transit Village with SW Transit Scenario
Shady Oak Road/TH 212 Interchange Area						
1	From Golden Triangle Area east of TH 212 to northbound TH212	0.3	0.3	0.3	0.3	0.3
2	From Golden Triangle Area east of TH 212 to Shady Oak Road west of the TH 212 East Ramps intersection	0.6	0.7	0.7	0.7	0.7
Prairie Center Drive/TH212 Interchange Area						
3	From Valley View Road east of Prairie Center Drive to Prairie Center Drive south of I-494	2.1	4.8	4.5	3.8	4.0
4	From Valley View Road east of Prairie Center Drive to Valley View Road west of TH 212	3.0	5.7	6.0	5.5	5.4
Valley View Road/TH 169 Interchange Area						
5	From Golden Triangle Area west of TH 169 to northbound TH 169	0.8	0.9	0.9	0.9	0.9
6	From Golden Triangle Area west of TH 169 to Valley View Road east of TH 169	0.8	0.8	0.8	0.8	0.8

Figure 6-27 Comparison of Signal Delay Times for Key Intersections

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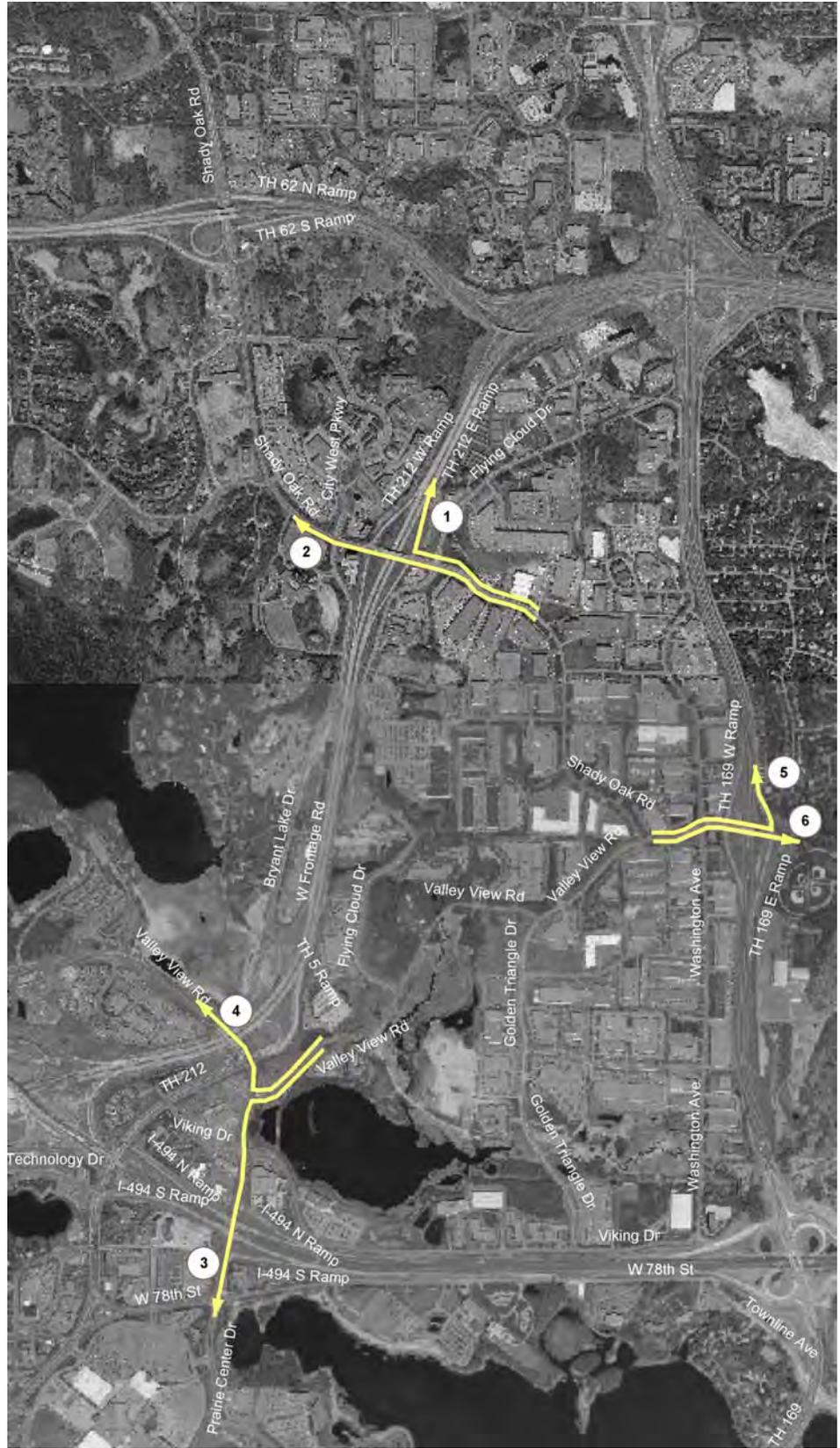


Figure 6-28 presents the six routes selected to compare travel times

SUMMARY OF TRAFFIC ANALYSIS

This traffic analysis has indicated that:

- Continued market based growth in the Golden Triangle is expected to increase traffic volumes and travel time delays by as much as 3 – 4 minutes, assuming ramp meters are not reactivated; if ramp meters are reactivated, the expected delays resulting from further growth will be much higher.
- A land use development pattern which promotes less employment growth and more population growth will provide a better balance of traffic entering and exiting the Golden Triangle area during the peak period and less growth in traffic congestion; however, the more balanced land use plan will not replace the need for planned infrastructure improvements but instead will help maximize the investment in existing and future transportation infrastructure.
- Introduction of significantly improved transit systems, such as a high capacity transit service to the southwest, will increase transit usage but not sufficiently to have a major impact on reducing traffic volumes and delays.
- Construction of the Washington Avenue overpass will result in a substantial reduction in traffic congestion exiting the Golden Triangle; other improvements of this nature need to be pursued, regardless of the land use plan which is adopted.
- If ramp meters are reactivated, traffic congestion exiting and entering the Golden Triangle will increase significantly. This situation will increase the need for a more balanced land use plan, travel demand management measures and infrastructure improvements, such as the Washington Avenue overpass, to address increased congestion.

ENDNOTES

¹ Demographic forecasts were based on the population and employment forecasts from the Blueprint 2030 prepared by Metropolitan Council, interpolated to 2025.

² The forecasts for population and employment were based on a series of assumptions established by research conducted by the consulting team with input from City staff, Hennepin County staff, Metropolitan Council staff, US Census, and Minnesota State Demographer. Employment was estimated based on a detailed inventory of existing and platted square footage and building use in an excel spreadsheet maintained by the City of Eden Prairie. This information was tied to the Hennepin County parcel map in GIS. Vacant parcels were given a code based on the assigned land uses for each concept. Employment was estimated consistently across all concepts using agreed upon ratios of employment. In order to arrive at a projection for undeveloped parcels, various floor areas ratios and densities were assumed and assigned. The FARs and employment ratios used are as follows:

- Office--FAR of 0.5--employee projection ratio of 1 per 248 square feet.
- Flex (50% manufacturing/50% office)--FAR of 0.35--employee projection ratio of 1 per 433 square feet.
- Industry--FAR of 0.35--employee projection ratio of 1 per 500 square feet.
- Regional Commercial--FAR of 0.2--employee projection ratio of 1 per 500 square feet.
- Neighborhood Commercial--FAR of 0.4--employee projection ratio of 1 per 300 square feet.
- Medium Density Residential--12 units per acre--population projection ratio 1.78 persons per unit.
- High Density Residential--20 units per acre--population projection ratio 1.3 persons per unit.

³ SYNCHRO is a traffic analysis software which incorporates the 2000 Highway Capacity Manual methodologies and is used for estimating intersection levels of service and delays.

Implementation

To be a useful and valuable tool, the Golden Triangle Land Use/Multi-Modal Transportation Evaluation must distill the results of the planning process into information and directions that help guide the actions of the City. To that end, this section summarizes two areas that frame a course of action.

- The first section, *Lessons Learned* highlights the key findings and conclusions from the planning process. This information provides a concise listing of the key issues influencing redevelopment in the Golden Triangle.
- *Recommended Actions* are listed in the second section. These actions are intended to help guide future decisions regarding development and redevelopment in the Golden Triangle.

LESSONS LEARNED

The Golden Triangle Land Use/Multi-Modal Transportation Evaluation was guided by four broad objectives:

- Explore the ability to alter the pattern of development to alleviate traffic problems.
- Find market opportunities for private investment in the Golden Triangle.
- Identify the public actions needed to achieve the redevelopment objectives and analyze the financial implications for the city.
- Explore the possibilities of creating additional regional commercial development opportunities in Eden Prairie

Through the process of evaluating these objectives, the study process identified a series of important conclusions:

1. The cost of redevelopment outweighs the benefits of vehicular traffic reductions. Focusing only on traffic and trip generation reductions, the costs associated with actively implementing the Transit Village and Expanded Transit Village options do not justify the magnitude of investments needed to serve as a catalyst for a substantial change in the land use pattern. Land acquisition costs alone associated with the Transit Village concept are estimated to exceed \$90 million with incrementally higher costs for the

Expanded Transit Village option and similar costs for the LRT concepts. Relative to the Market Based option, the Transit Village plan results in a reduction in A.M. and P.M. peak hour vehicle trips by 5% and 4% (a total reduction of 303 and 256 trips) respectively. The Expanded Transit Village results in a greater reduction in A.M. and P.M. peak hour vehicle trips by 18% and 15% (a total reduction of 1,065 and 1,075 trips) respectively. This reduction in trips is not enough to negate the need for planned infrastructure improvements (CIP).

In order to justify the level of public expenditures necessary to actively implement the land use pattern shown on the Transit Village options, other factors would need to be considered. Those factors might include the long-term creation of a more “sustainable” land use pattern and the creation of an environment that is more pedestrian friendly and supportive of transit usage.

2. The difference between traffic generated under the Market Based concept and the Transit Village concept is relatively minimal.

According to projections for the Market Based concept, the 2025 PM peak hour trips will total 10,300. Implementation of the Expanded Transit Village concept is projected to result in a total of 8,900 PM peak hour trips, a total reduction of 1,400 trips. The difference in the land use pattern is not significant enough to produce a greater disparity.

3. Transit usage within the Golden Triangle is projected to remain relatively low even with implementation of the Transit Village alternatives.

Transit use in the Golden Triangle area is projected to increase by 41% with the implementation of a Southwest Transitway. Relative to auto use, however, transit ridership in actual numbers remains low (*the regional model forecasts a total of 200 total trips for the AM peak hour*). Accordingly, transit is not projected to have a significant impact on vehicle traffic in and out of the Golden Triangle area, at least in the short term. However, penetration of an LRT system into the Golden Triangle, as is the case under the LRT land use concepts, will create a stronger market for transit systems and over time may have more of an impact on vehicle trips in and out of the Golden Triangle. This potential increases as employees and residents of the Golden Triangle learn to adjust living and commuting patterns to take advantage of a dedicated transit system.

4. Balancing traffic management and redevelopment objectives poses a complex challenge. A typical redevelopment plan focuses on the market setting and financial factors that will facilitate new development. By adding the need to reduce peak period traffic, certain development alternatives are discouraged or excluded. The combination of these objectives yields a narrower range of solutions and the need for greater public action.

5. Substantial roadway improvements will be necessary in the Golden Triangle area regardless of the land use pattern chosen.

Current capital improvement plans include street improvement projects in the Golden

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Triangle. These projects will be necessary regardless of the land use pattern chosen. Additional public infrastructure costs will occur under the Transit Village concepts since they require additional local roadways to serve new redevelopment areas. Some of these costs may be offset by leveraging and sharing costs with private redevelopment projects.

6. The development pattern in the Golden Triangle will not change without the intervention of the City.

The new neighborhoods of the Transit Village and Expanded Transit Village concepts require the assembly and reconfiguration of existing parcels into new development sites on an expansive scale. The process of site assembly and preparation is likely to require action and funding by the City. These new neighborhoods cannot materialize without City action to plan for, design, finance and build the supporting street system.

7. Absent major redevelopment efforts, limited sites exist within the Golden Triangle that will be suitable for new housing.

The market analysis that was conducted as part of this study identified opportunities for continued conversions of industrial buildings to office uses, new office development, big-box retail stores, new lodging facilities and multi-family residential developments. Of these uses, housing is the one that is the most constrained in terms of location options. Absent any major redevelopment efforts, new housing initiatives are likely to be located adjacent to existing amenities such as the open space system, wetlands, etc. These sites are generally concentrated in the southwest portion of the study area near new multi-family housing that has been built within the past five years. Other areas in the Golden Triangle can be developed for housing; however, in most cases these areas will need to be “created” as part of an extensive redevelopment effort.

8. The financing of public actions requires additional investigation.

If the City elects to use them, it has a variety of tools that are “conceptually” applicable for use in implementing the Plan. Additional investigation is needed to determine how to best use each tool and if the use meets the appropriate statutory criteria. The expenditures needed to implement the Plan should not be viewed as a pure “public cost”. Redevelopment in the Golden Triangle will generate revenues that can be used to offset public expenditures. Additional investigation should focus on matching revenues with expenditures and identifying areas of risk for the City.

CREATING CHANGE IN THE GOLDEN TRIANGLE - RECOMMENDED ACTIONS

If desired by the City, a course of action for change can be charted in the Golden Triangle area. This course of action draws on the key findings of the planning process:

- Traffic conditions in the Golden Triangle will not improve without public intervention.

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- The Land Use Concepts that integrate a broader mix of uses, especially housing, provide the best opportunities to reduce future peak hour traffic congestion levels in the Golden Triangle. Continuing the current trends (Market Based Concept) will only perpetuate the traffic problems of the Golden Triangle.
- The creation of a significant new residential neighborhood in the Golden Triangle increases the potential for expanded transit services to the area.
- The potential for future vacancies, deterioration or blight in the Golden Triangle may increase without a redevelopment strategy that builds a more sustainable environment.
- The Transit Village and Expanded Transit Village concepts represent significant undertakings for the City of Eden Prairie.
- Given current economic conditions and other needs in the community, it is unlikely that the City of Eden Prairie will be willing to undertake the risk and level of public investment needed to actively drive implementation of a Transit Village concept.
- Absent a major implementation initiative to change the face of the Golden Triangle area, the City will need to take incremental steps in conjunction with private redevelopment projects that will help define a future land use pattern that mixes land use types and creates an environment that is less traffic intensive and more transit supportive.

Based on these findings, the following steps are offered to implement this plan.

1. Adopt the Plan as an advisory tool.

The plan for redevelopment in the Golden Triangle seeks a balance between achieving the benefits of the Transit Village and/or Expanded Transit Village concepts and the challenges of implementing this form of redevelopment. Although the City is unlikely to commit the resources required to immediately implement one of these concepts, it can use this plan as an advisory tool as future decisions are made regarding proposed uses in the Golden Triangle.

In the future, the City may want to consider adopting a more flexible Guide Plan and zoning approach for the Golden Triangle. If change is warranted in the future, modifications might focus on creating a mixed use Guide Plan designation for the area that accommodates elements of the Transit Village concept and compatible overlay zoning provisions that establish controls to implement the City's long-term vision. Such an approach would avoid rendering substantial numbers of properties nonconforming, thereby creating a barrier to reinvestment and maintenance of existing properties. The process for obtaining parkland or cash for park improvements (park dedication) should be clarified as it relates to redevelopment projects and specifically transit oriented development.

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2. Determine the public purpose.

In a more traditional redevelopment setting, the need for public action to remove “slum and blight” is apparent. The rationale for public action in the Golden Triangle is not as readily obvious. Public actions to implement the Plan, such as condemnation and tax increment financing, require findings of public purpose. The Best Buy case in Richfield underscores the importance of public purpose as the foundation of City participation in the development process. As the process of defining public purpose occurs, consideration should be given to the following:

- A higher density, mixed land use pattern will help create a more sustainable land use pattern than the current conditions. This pattern presents the greatest opportunity to reduce traffic congestion and maintain the vitality of the Golden Triangle.
- As traffic congestion makes the Golden Triangle a less desirable location, the income potential of property will diminish. Redevelopment will stabilize or enhance the ability of sites within the Golden Triangle to generate income thus preventing the opportunity for property deterioration and blight and increasing opportunities for reinvestment and expansion of existing businesses.
- An environment that discourages the expansion and improvement of property reduces the tax base of the City and other local governments.
- A significant change in the land use pattern of the Golden Triangle is the only option for achieving any reduction in future traffic levels. This change will not occur without public action and financial participation.
- As land areas for commercial development in Eden Prairie are becoming more and more scarce, redevelopment in the Golden Triangle presents an opportunity to serve a demand for additional regional commercial (big box) development.

3. Conduct analyses of potential redevelopment sites based on private development initiatives on an incremental or area wide approach.

The research conducted in the planning process demonstrates that, in a general sense, the redevelopment proposed in the Transit Village and Expanded Transit Village concepts will not occur without significant financial participation by the City. Since the City is unlikely to commit to the magnitude of potential public investment required to actively implement one of the Transit Village scenarios, redevelopment initiatives will need to originate in the private sector. On a case by case basis, the City will need to carefully examine all redevelopment proposals. When possible, the City should consider leveraging public financial contributions associated with planning and infrastructure development against private investments in order to maximize the public and private sector’s combined investment.

Under the current system of local government finance, the best source of assistance for private redevelopment projects is tax increment financing. As noted in the plan, the ability to establish tax increment financing districts for private development projects is dependent on the presence of buildings that meet the statutory criteria for structurally

substandard. Based on development proposals, the City should be prepared to conduct an assessment of buildings for compliance with statutory criteria.

4. Take sustainable and incremental steps towards redevelopment.

The investigations conducted during this planning process point to the development potential in the area around the Shady Oak Road/Highway 212 interchange. Market research suggests that a large commercial user would be attracted to this location if it were available. Past experience suggests that the combination of location and market area minimize the need for public financial assistance to encourage the commercial development shown in the concepts.

This commercial development becomes the foundation for future redevelopment and begins the process of defining a different development pattern for the Golden Triangle. Site planning for the commercial area should occur with the objective of encouraging residential redevelopment on adjacent parcels.

The goal of redevelopment planning will be to create a sustainable site for an initial housing redevelopment project. This project can occur without the street improvements and site assembly requirements of subsequent phases of the transit oriented concepts. Such a project will also provide important insights about the development and financial issues connected with future housing and mixed use initiatives. This experience and information will help the City evaluate the opportunity to undertake the next steps in implementing future redevelopment.

5. Remain flexible.

Incremental improvement of the Golden Triangle area requires flexibility. Except for the Market Based concept, all concepts identify new development nodes in the Golden Triangle area. The location of the identified nodes was the result of an analysis of properties in the overall project area. The identified location, however, is not necessarily the only place that such redevelopment could occur. Other areas, particularly in the northern portion of the Golden Triangle area, may emerge as future candidates for a mixed use node. Other strong candidates are east of Shady Oak Road, particularly if LRT is routed along Shady Oak Road. The City should remain open to considering alternative locations for such development. Alternative sites should be assessed on their ability to establish the “critical mass” required for successful mixed use areas and the transit connection implications of their locations. This could be done on an incremental (project by project) basis or on a broader area wide basis.

The City should also continue to remain open to varying types of future development proposals for the Golden Triangle area in response to future fluctuations in the real estate market. The City may be able to leverage housing as a component of new office proposals in the area, depending on site and location characteristics. Such leverage may include direct City financial participation in order to fill financial gaps required to create a Transit Village land use pattern.

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6. Continue to include transit improvements as part of the vision for the Golden Triangle area. Both the short and long-term success of the Golden Triangle area as a business and residential environment depends on maintaining an appropriate level of accessibility for residents, employees, customers, and the movement of raw materials and finished products. Maintaining accessibility will help ensure the long-term viability of the area. Accordingly, the City of Eden Prairie and Hennepin County should continue planning efforts that enhance transit service to the Golden Triangle. Planning might include major, long-term initiatives like construction of a dedicated transitway, or smaller scale improvements such as accommodating bus shelters and sidewalks as part of upcoming roadway reconstruction projects in the area.

7. Explore other traffic management solutions.

Redevelopment should not be the only strategy for addressing traffic congestion in the Golden Triangle. The creation and use of effective traffic management programs is an ongoing task. Positive results in mitigation of traffic congestion help to maintain the viability of businesses in the Golden Triangle. Additional successes will enhance the impacts of redevelopment under this Plan.

8. Encourage redevelopment and reinvestment throughout the Golden Triangle.

The majority of the parcels in the Golden Triangle are not directly involved with the redevelopment concepts outlined in this Plan. It is important that the Golden Triangle continue as a successful environment for business operation. Such an environment encourages reinvestment and maintenance of properties and minimizes the risk of blight. Potential ongoing strategies for the area include:

- Using assessor's data to monitor property condition.
- Identifying potential parcels at risk.
- Working with property owners and developers to encourage maintenance of and reinvestment in existing buildings.
- Exploring options for creating a revolving loan fund and other financial incentive programs to encourage City objectives.

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Appendix A - Market Analysis

REGIONAL ECONOMIC CONTEXT

The following presents an overview of the regional economic context framing potential opportunities for development, investment, and business in the Golden Triangle Study Area.

A. GENERAL ECONOMIC CONDITIONS

The Twin Cities metropolitan area features a diverse economic base and, notwithstanding the current economic downturn, has shown consistent patterns of growth over time. As shown in Exhibit 1, the area's gross product grew at rates of five to seven percent annually during the late 1990s, while employment increased at two to three percent each year. The forecast for the year 2002 indicates slow growth and negative employment growth, with the economy in recovery by 2003. Over the next five years, regional forecasts project positive growth to resume in employment, personal income and gross product.

Exhibit 1
SELECTED ECONOMIC INDICATORS TWIN CITIES METROPOLITAN AREA: 1996-2005

<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>		<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
100.4	107.8	114.6	122.8	130.2	Gross Metro Product, C\$B	131.5	133.0	139.3	143.7	148.1
5.3%	7.3%	6.3%	7.2%	6.0%	<i>% Change</i>	1.0%	1.1%	4.7%	3.2%	3.1%
1,581.9	1,615.9	1,657.5	1,701.0	1,744.2	Total Employment (000)	1,758.0	1,752.8	1,791.7	1,822.8	1,844.2
5.6%	2.1%	2.6%	2.6%	2.5%	<i>% Change</i>	0.8%	-0.3%	2.2%	1.7%	1.2%
3.1	2.5	2.0	2.2	2.6	Unemployment Rate	3.3	4.2	4.0	3.8	3.8
7.0	7.2	8.2	6.0	8.1	Personal Income Growth	5.2	2.7	5.4	5.1	4.5
2,795.6	2,835.5	2,876.8	2,924.3	2,968.8	Population (000)	3,005.8	3,038.3	3,067.0	3,097.3	3,122.9
114.8	118.2	127.3	138.2	148.4	Existing Home Price (\$Ths)	167.5	179.1	184.1	188.7	193.0
18.1	16.5	18.3	23.8	20.6	Net Migration (000)	12.8	8.2	4.1	5.6	0.6
11,886	12,741	11,911	9,985	9,697	Personal Bankruptcies	11,508	14,787	15,445	14,639	13,789

Source: Economy.com.

Appendix A

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Most of the metropolitan area's economic growth, it should be noted, has been internally derived, driven by growth among the region's existing businesses rather than by the in-migration of non-local corporations relocating to the Twin Cities. As a result, economic indicators have not been skewed by major corporate relocations, and reflect the actual growth of a stable economic base.

B. DEMOGRAPHIC TRENDS

1. POPULATION GROWTH

The metropolitan area population increased by 320,000 in the 1990s. Within the metropolitan area, Hennepin County continues to contain the largest population concentration, with 43 percent of the metropolitan area population.

Demographic growth in the City of Eden Prairie proceeded at an annualized rate of 3.4 percent in the 1990s, producing a ten-year population increase of more than 40 percent. This growth far exceeds the overall suburban growth rate in Hennepin County. As shown below, population in Hennepin County's suburbs grew by approximately 70,000 in the 1990s, increasing at an annualized pace of 1 percent.

Exhibit 2
POPULATION GROWTH SELECTED AREAS: 1990-2000

	<u>1990</u>	<u>2000</u>	<u>Change</u>	
			<u>Number</u>	<u>Avg. Ann %</u>
Metropolitan Area	2,288,729	2,608,990	320,261	1.3%
Hennepin County	1,032,431	1,116,200	83,769	0.8%
Suburban Hennepin (excl. Minneapolis)	664,048	733,582	69,534	1.0%
Eden Prairie	39,311	54,901	15,590	3.4%

Source: U.S. Census Bureau

Unlike employment growth, metro area population growth has been driven by external as well as internal growth. In the late 1990s, as shown above in Exhibit 2, as population increased by roughly 173,200, total net in-migration of 97,300 accounted for 56 percent of overall population growth.

C. UNEMPLOYMENT

Twin Cities' unemployment rates ranged from two to three percent during the late 1990s, reflecting a tight labor market. While unemployment increased slightly to 3.3 percent for 2001¹, this figure remains well below corresponding Midwestern (4.4 percent) and national (4.7 percent) indicators. Unemployment is predicted to rise in 2002 to a high of 4.2 percent, due to recent layoffs associated with the economic recession. However, the tight labor market in the Minneapolis metro area has made it easier for displaced workers to find new jobs in the area relative to the rest of the nation, minimizing the impact of job losses on the local economy. Over the next five years, unemployment is expected to decrease again to below 4 percent.

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D. INDUSTRY SECTORS

1. LEADING EMPLOYERS

The Twin Cities economy rests upon a diverse employment base. As shown in the exhibit below, leading employment sectors include a broad range of services, manufacturing and retail industries.

Exhibit 3

Leading Industries in Twin Cities Metropolitan Area: 2000

<u>SIC #</u>	<u>2-Digit Sector</u>	<u>Industry</u>	<u>Employees (000s)</u>
531	Retail	Department Stores	40.1
737	Services	Computer/data processing services	39.9
801	Services	Medical offices/clinics	30.3
738	Services	Business Services	29.1
504	Retail	Professional/Commercial Equipment	21.5
632	Finance/Ins/Re. Estate	Medical Service/health insurance	17.1
832	Services	Individual and family services	16.4
267	Manufacturing	Paper Products	16.3
275	Manufacturing	Commercial printing	16.2
382	Manufacturing	Measuring/controlling devices	16.2
864	Services	Civic, social, fraternal associations	15.7
384	Manufacturing	Medical instruments & supplies	15.3
452	Transp/Comm/Util.	Air Transportation, nonscheduled	15.1
596	Retail	Nonstore retailers	14.7
621	Finance/Ins/Re. Estate	Security brokers and dealers	14.5

Source: Bureau of Labor Statistics; Economy.com

2. SERVICES SECTOR INDUSTRIES AND GROWTH

The services sector comprises the largest and fastest-growing industry sector in the Minneapolis - St. Paul MSA. From 1990 to 2001, services grew at an annualized rate of 3.4 percent, adding nearly 166,000 jobs. In comparison, overall metropolitan area employment has grown at an average annual rate of 2.2 percent during this period.

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*Exhibit 4
Twin Cities Employment by Industry Sector: 1990-2001*

	<u>1990</u>	<u>2001</u>	<u>Total Change</u>	<u>Avg Ann. %</u>
Construction	50,537	79,133	28,596	4.2%
Manufacturing	265,766	277,791	12,025	0.4%
Transp/Comm/Utils	78,863	98,050	19,187	2.0%
Wholesale Trade	86,054	106,709	20,655	2.0%
Retail Trade	250,457	307,498	57,041	1.9%
F.I.R.E	98,326	129,158	30,832	2.5%
Services	369,532	535,323	165,791	3.4%
Government	190,969	234,991	44,022	1.9%
Total	1,390,504	1,768,653	378,149	2.2%

Source: Economy.com.

Within the services sector, business services represents the largest category, with more than 150,000 jobs. This category encompasses fields such as advertising, software development, accounting and various business support services. From 1990 to 2001, business services experienced rapid growth, growing at an annualized rate of 6.2 percent and contributing more than 74,000 new jobs to the Twin Cities area. This growth accounts for 45 percent of new jobs in the service sector, and roughly 20 percent of total employment growth since 1990.

Health services comprises the second largest component of the services sector, with 126,800 jobs, or 24 percent of all services jobs. From 1990 to 2001, health services employment increased by 32,000 jobs, growing at an annual rate of 2.7 percent per year.

Social services and engineering services comprise the next-largest components of services employment. Growth rates in these industries have exceeded that of the regional economy, proceeding at annualized rates of 4.3 percent and 3.8 percent respectively, generating more than 17,000 and 13,000 new jobs since 1990.

For the most part, these high-growth services sectors emphasize high-paying, professional jobs. Consequently, strong growth in these sectors helps support new office development as well as rising personal incomes, which have been increasing at an average rate of 7.1 percent over the seven years from 1994 to 2000. This is well above the corresponding figure for the Midwestern United States, where personal income has risen at an average rate of 5.4 percent. The comparatively high personal income growth rates in the Twin

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Cities have helped drive increased demand for high-end retail goods and services as well as high-quality homes. Given the projected resumption of growth over the next few years, the region is expected to maintain a trend of rising personal incomes (See Exhibit 1 above).

Exhibit 5

Major Services Subsectors: Twin Cities, 1990-2001

	<u>1990</u>	<u>2001</u>	<u>Growth</u>	
			<u>Total Change</u>	<u>Avg Ann %</u>
Business services	78,829	152,929	74,100	6.2%
Health services	94,492	126,798	32,306	2.7%
Social services	30,191	47,980	17,789	4.3%
Engineering & management services	27,083	40,812	13,729	3.8%
Membership Organizations	28,102	32,348	4,246	1.3%
Educational Services	17,889	23,416	5,527	2.5%
Personal services	17,484	19,362	1,878	0.9%
Auto repair, services, and parking	13,887	18,416	4,529	2.6%
Amusement & recreation services	17,601	16,083	-1,518	-0.8%
Hotels and other lodging places	15,370	14,454	-916	-0.6%
Legal Services	12,654	13,754	1,100	0.8%
Total	362,888	525,971	163,083	3.4%

Source: Economy.com

3. OTHER SECTORS

After services, retail trade and manufacturing are the next-largest employment sectors in the Twin Cities. These have not grown as rapidly as services; employment in these sectors has increased by 1.9 percent and 0.4 percent per year, respectively. Retail trade has contributed over 57,000 new jobs to the Twin Cities area, comprising 15 percent of new employment. Despite fairly steady growth in the retail sector, it has been eclipsed by the services sector, as its share of total employment actually declined slightly from 18 percent to just over 17 percent.

Manufacturing still represents a significant part of the economy in the Twin Cities, although it has declined in importance in the past decade. Due to modest growth, employment in manufacturing has declined to 15.7 percent of total employment in 2001, whereas it accounted for 19 percent of total employment in 1990.

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4. SUBURBAN HENNEPIN COUNTY

While downtown Minneapolis comprises the dominant commercial center in the metropolitan area – and in the Upper Midwest – in Hennepin County the suburban communities have captured the larger share of employment growth. As shown in Exhibit 6, from 1994 to 2000 suburban Hennepin County accounted for more than three-quarters of the County’s employment growth.

Overall suburban employment grew by 2.5 percent per year, exceeding the 1.4 percent annual growth rate in Minneapolis, and suburban growth rates exceeded Minneapolis growth in virtually every industry sector. This disparity is especially notable in the manufacturing sector, where suburban growth counterbalanced net employment losses in Minneapolis. Most of this growth, it should be noted, is attributable to high technology categories such as electronics/precision instruments, which by itself increased at a rate of 2.8 percent annually, offsetting employment losses in other manufacturing sectors.

*Exhibit 6
Employment Growth and Annual Growth Rates by Industry Sector
Hennepin County, Suburban vs. Minneapolis: 1994-2000*

<u>Industry</u>	<u>Hennepin County</u>		<u>Minneapolis</u>		<u>Hennepin Suburban</u>	
	<u>Number</u>	<u>Ann. % rate</u>	<u>Number</u>	<u>Ann. % rate</u>	<u>Number</u>	<u>Ann. % rate</u>
Construction	9,301	5.9%	1,030	3.1%	8,271	6.6%
Manufacturing	-2,852	-0.4%	-6,670	-3.3%	3,818	0.7%
Durable	1,532	0.3%	-2,245	-2.4%	3,777	1.0%
Electr./Instruments	3,857	2.2%	-168	-0.6%	4,025	2.8%
Nondurable	-4,384	-1.7%	-4,425	-4.0%	41	0.0%
Transp/Comm/Utility	9,937	3.1%	774	0.9%	9,163	3.9%
Wholesale Trade	6,764	1.9%	546	0.7%	6,218	2.2%
Retail Trade	12,224	1.5%	2,794	1.1%	9,430	1.6%
F.I.R.E.	9,992	2.1%	3,675	1.8%	6,317	2.3%
Services	52,600	3.5%	20,062	3.3%	32,538	3.7%
Legal/health/business	64,830	6.8%	25,252	6.5%	39,578	7.1%
Government	3,708	0.7%	1,638	0.5%	2,070	1.0%
Total	102,813	2.1%	24,267	1.4%	78,546	2.5%

Source: Minnesota Dept. of Economic Security; Bonz/REA, Inc.

MARKET CONDITIONS

This section presents an overview of prevailing market conditions in the Golden Triangle Study Area. The analyses proceed on a sector-by-sector basis, examining the industrial, office, residential, retail and lodging markets in turn.

A. GENERAL INVENTORY

The general inventory of existing (year-2000) properties in the Golden Triangle² includes approximately 7.6 million square feet of industrial building space, 1.8 million square feet

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of office space, and 332,000 square feet of commercial space (which includes businesses such as hotels, banks, retail stores, restaurants, etc.). As shown in Exhibit 7, industrial properties comprise the bulk of land uses in the Golden Triangle. While buildings classified as industrial contain substantial office components, the area remains primarily low-rise industrial in nature. Commercial uses are located mostly along the area's outside edges; residential uses comprise a relatively small component of the area's uses.

*Exhibit 7
Golden Triangle Property Inventory¹*

Industrial	7,624,124 sq. ft.
Office	1,832,650 sq. ft.
Commercial	332,627 sq. ft.
Residential	91 units

¹ *As of 2000. Excludes NW portion of Study Area.*

*Source: City of Eden Prairie; City of Edina;
City of Bloomington.*

B. INDUSTRIAL MARKET

The Golden Triangle industrial market currently sustains high vacancy rates and little development activity. As regional economic growth resumes, however, the market will regain viability for industrial properties, particularly for properties suitable for office uses and high-technology industrial uses.

1. SOUTHWEST MARKET

The Golden Triangle is situated within the Twin Cities' southwest submarket. While the Southwest region holds no universally applied definition, it generally encompasses the Cities of Edina, Bloomington, Eden Prairie and the southern portions of Minnetonka, as far north as approximately Highway 7. According to United Properties,³ the southwest market consists of roughly 19.2 million square feet, including 9.3 million square feet of bulk warehouse, 5.9 million square feet of office/showroom, and 4 million square feet of office/warehouse space. As such, the Southwest market accounts for 23 percent of the metropolitan area inventory. Relative to the overall metropolitan area inventory, however, the Southwest contains higher percentages of bulk warehouse and office/showroom space. While the Southwest accounts for more than one-third of the metropolitan area's bulk warehouse space and nearly 40 percent of its office/showroom inventory, it accounts for less than 10 percent of the metro area office/warehouse market.

As in the office sector, vacancy rates have increased recently, reaching 12.2 percent by

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year-end 2001. When available sublease space is considered, the effective vacancy rate increases to 16.5 percent.⁴

Bulk warehouse vacancies are considerably lower in the Southwest than in the overall metro area, but vacancy rates in the other industrial categories are consistent with the overall metropolitan area averages.

*Exhibit 8
Multi-Tenant Industrial Space
Twin Cities and Southwest Submarket*

	<u>Current Inventory (sq. ft)</u>	<u>Vacancy (excl. sublease)</u>	<u>Avg. Net Asking Rate/sq. ft.</u>
Twin Cities	84,081,939	13.3%	\$3.50-\$5.50
Bulk Warehouse	26,230,671	16.2%	
Office/Showroom	16,175,645	12.8%	
Office/Warehouse	41,675,623	11.6%	
Southwest	19,206,102	12.2%	\$4-\$5.50
Bulk Warehouse	9,311,937	12.5%	
Office/Showroom	5,918,698	12.9%	
Office/Warehouse	3,975,467	11.6%	

Source: United Properties; Bonz/REA, Inc.

Historically, industrial occupancy rates have fluctuated widely. As shown in the exhibit below, vacancy rates have ranged from 6 percent in 1996 to 10 percent in 1998, followed by 6.4 percent in 1999 and then 12.2 percent in 2001. Throughout this period, average rent rates have continued to increase, and absorption has been positive until the second half of 2001.

*Exhibit 9
Historical Industrial Market Trends
Southwest Suburban Market*

<u>Year</u>	<u>Vacancy</u>	<u>Absorption</u>	<u>Net Rental Rates</u>	
			<u>Warehouse</u>	<u>Office</u>
1995	6.2%	1,018,346	\$3.85	\$7.53
1996	6.0%	87,888	\$4.04	\$7.66
1997	9.6%	326,299	\$4.21	\$7.96
1998	10.1%	649,854	\$4.42	\$8.16
1999	6.4%	970,063	\$4.44	\$8.28
2000	8.2%	859,772	\$4.51	\$8.39
2001	12.2%	(202,312)	\$4.60	\$8.69

Source: United Properties.

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Many of these fluctuations have been attributable to dislocations caused when large and rapidly growing corporations have built, purchased or leased large spaces in new locations. Such transactions result in the vacation of large leased inventory, often in several buildings, while other buildings – owner-occupied as well as multi-tenant – are removed from the inventory of multi-tenant space. In suburban Hennepin County, tenants such as Pillsbury, Best Buy, Surmodics, ADC Telecommunications, Allina Medica and United Health Group provide just a few examples of major corporate tenants shifting their locations and causing substantial changes in market occupancy rates.

Recent trends have featured new industrial development activity in communities such as Chanhassen and Shakopee. Three factors account for this trend. First, these areas are situated closer to blue-collar industrial labor concentrations. Second, land costs in these more outlying areas are considerably lower than in the Golden Triangle and other areas along I-494. Finally, these locations offer advantages for super-regional distribution uses, as they offer excellent, relatively uncongested access to and from the interstate highway system and the major Midwestern and national markets.

2. GOLDEN TRIANGLE CONDITIONS

As of the spring of 2002, Golden Triangle industrial buildings sustained vacancy rates that were generally consistent with the overall southwest market. The majority of buildings maintain vacancies; a sample of actively leasing properties provided by Welsh Companies reveals an overall vacancy rate of more than 20 percent. Net lease rates ranged from \$9.50 to \$11 for the office components of industrial buildings, and from \$4 to \$5 for industrial space.

Public officials, as well as real estate brokers and developers, report that increasing portions of these industrial properties have been converted to office uses. In such endeavors, retrofitted warehouse space provides a cost-efficient alternative to new construction or more expensive Class-B or Class-C office space.

Brokers active in the Golden Triangle and throughout the Southwest market identify a pattern wherein industrial buildings divided into 85 percent warehouse and 15 percent office uses are renovated to accommodate a modified [60/40 or 50/50] warehouse/office split. These converted office spaces are used for functions such as telecommunications/back office functions, lab work, software development, etc.

This trend is likely to continue. As discussed above, distribution and manufacturing uses will increasingly target locations offering combinations of labor access, inexpensive land, and easy access to the national highway networks. Also, the Golden Triangle features many older buildings with comparatively low ceiling heights – lower than 18-20 feet clear span – which no longer offer state-of-the-art distribution facilities, and may be difficult to lease to new industrial tenants. Such buildings will become increasingly attractive for lower-end office uses.

3. OUTLOOK

Over time, ongoing economic growth – particularly in technology-driven sectors — will generate renewed support for new industrial development in the Golden Triangle. While our earlier analysis anticipates office-oriented services growth to lead the regional economy, suburban high-tech manufacturing growth will continue to drive industrial development as well. While office development will grow increasingly attractive over time, technology-driven industrial development offers high revenues (as compared with heavy industrial/distribution uses) while avoiding the higher volumes – and greater risks – associated with multi-story office developments. Industrial uses involving distribution and manufacturing will most likely offer diminished demand.

While future development will depend on the availability of developable property, in projecting *supportable* future development (as opposed to actual development), this constraint is removed. Relevant growth factors considered in projecting future industrial development (assuming the availability of developable sites) include various historical and projected indicators relating to industrial employment, metro area production, and past industrial space absorption. These are shown in Exhibit 10:

*Exhibit 10
Growth Factors Considered in Projecting
Supportable Industrial Development*

<u>Factor</u>	<u>Source</u>	<u>Growth Factor</u>	<u>Growth Period</u>
SW Suburban Non-Retail Employment Projection	Met Council	3.32%	2000-2020
Twin Cities MFG/TCU Employment Projection	MN Dept. of Economic Security	1.74%	1998-2008
Twin Cities MFG Employment Projection	MN Dept. of Economic Security	0.75%	1998-2008
Suburban Hennepin Co. Employment	MN Dept. of Economic Security	2.50%	1994-2000
Twin Cities Gross Metro Product forecast	economy.com	2.60%	2000-2005
Historical SW Industrial Absorption	United Properties	529,987	1995-2001

After considering these various factors, over the next twenty years, the following exhibit applies reasonable annual growth factors ranging from 1.5 to 2.0 percent. While many of the indicators shown above exceed the 2.0 percent growth rate, the lower rates are applied based on the preceding discussion, which offers evidence that (1) large-scale industrial development will seek alternative locations; and (2) office space will increasingly offer preferable development investments for the Golden Triangle.

Applying these growth factors to the existing inventories, (and then subtracting 10 percent of the current inventory from the 2011 projection to account for the absorption of existing vacancies), over the next twenty years the southwest industrial office market could support an approximate range of 4.4 million to 6.9 million additional square feet of leased industrial space, or 219,000 to 346,000 square feet annually.

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Of this total, given available land for new development, the Golden Triangle would be able to support 1.8 million to 2.8 million, 14 square feet, or roughly 132,000 to 185,000 square feet per year.

*Exhibit 11
Supportable Industrial Market Projection*

	Projected	Current	2011	Less 10% current vac.	10-Year Growth Forecast		2021	20-Year Growth Forecast	
	Growth Rate	Estimate			Total	Avg./Yr.		Total	Avg./Yr.
<u>Southwest Inventory (multi-tenant)</u>									
Low	1.50%	19,000,000	22,050,276	20,150,276	1,150,276	115,000	23,385,218	4,385,218	219,000
High	2.00%	19,000,000	23,160,894	21,260,894	2,260,894	226,000	25,916,911	6,916,911	346,000
1991-2001 Comparison						530,000			530,000
<u>Golden Triangle Inventory (including owner-occupied)</u>									
Low	1.50%	7,624,124	8,848,107	8,085,695	461,571	46,000	9,383,779	1,759,655	88,000
High	2.00%	7,624,124	9,293,765	8,531,353	907,228	91,000	10,399,671	2,775,547	139,000

Source: Metropolitan Council; Minnesota Dept. of Economic Security; economy.com; Colliers Towle; United Properties; CB Richard Ellis; City of Edina; City of Bloomington; City of Eden Prairie; Bonz/REA.

B. OFFICE MARKET

Office markets in the Golden Triangle and the entire metropolitan area suffer from high vacancy rates. These are likely to persist until a national and regional economic recovery gains sufficient momentum to compel new activity that will drive need for additional space. Notwithstanding this short-term outlook, over a ten-year time frame, given developable properties, the Study Area's strategic location in the metropolitan area's largest and most prestigious suburban office corridor will drive market demand for roughly 370,000 to 500,000 square feet of additional office space.

1. SOUTHWEST SUBURBAN OFFICE MARKET

Golden Triangle office space falls within the Southwest suburban office submarket. The southwest office market currently contains approximately 15 million square feet of leased space, comprising 22.6 percent of the metropolitan area market. Excluding downtown Minneapolis, this submarket is the largest in the Twin Cities region.

Within the overall southwest market, Class-A space comprises 6.6 million square feet, or 44 percent of the market. Net asking rents in these buildings range from \$13 to \$20 per square foot, with an average of nearly \$16 per square foot.

Class-B space accounts for the largest share — 47 percent — of the office inventory, with 7.1 million square feet. Net asking rents for Class-B properties range widely, with an average of approximately \$12. Class-C buildings generally include single-story buildings, older (30 to 40 years) buildings, and other lower-end buildings.

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*Exhibit 12
Office Market Summary
Twin Cities and Southwest Suburban Markets*

	<u>Current Inventory (sq. ft)</u>	<u>Vacancy (excl. sublease)</u>	<u>Avg. Net Asking Rate/sq. ft.</u>
Twin Cities	66,680,000	13.1%	\$12-\$13
Class A	30,550,000	n/a	\$13-\$16
Class B	24,430,000	n/a	\$9.50-\$12.50
Class C	11,700,000	n/a	\$6-\$10.50
Southwest	15,059,000	12-14%	\$13.55
Class A	6,626,000	12.5-13.5%	\$15.85
Class B	7,108,000	14-15%	\$11.93
Class C	1,326,000	14-16%	\$10.75

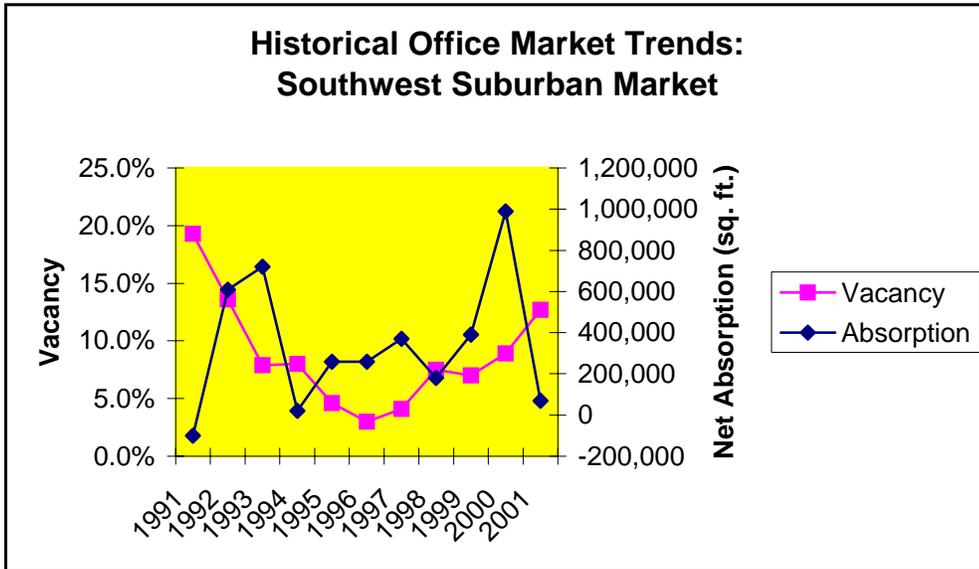
Source: Colliers Towle; United Properties; CB Richard Ellis; Bonz/REA, Inc.

Historically, this total inventory increased by nearly 3 million square feet, from roughly 12 million, in the 1990s. Vacancy rates reached a high of 19.3 percent in 1991, then fell to 3 percent in 1996 as growing demand absorbed excess inventory. In the late 1990s, vacancy rates climbed back to 7.5 percent as new construction added to the available space. By year-end 2001, vacancies had risen to nearly 13 percent, and when vacant (but leased) space available for sublease is included, effective vacancy rates increases to roughly 16 percent.⁵

*Exhibit 13
Historical Performance Indicators
Southwest Suburban Office Market*

<u>Year</u>	<u>Vacancy</u>	<u>Absorption</u>	<u>Net Rental Rates</u>		
			<u>Class A</u>	<u>Class B</u>	<u>Class C</u>
1991	19.3%	-100,000	--	--	--
1992	13.6%	610,000	--	--	--
1993	7.9%	720,000	--	--	--
1994	8.0%	20,000	--	--	--
1995	4.6%	260,000	\$13.97	\$9.88	\$8.62
1996	3.0%	260,000	\$14.89	\$10.67	\$9.25
1997	4.1%	370,000	\$15.58	\$11.36	\$9.94
1998	7.5%	180,000	\$15.93	\$12.30	\$10.93
1999	7.0%	390,000	\$15.50	\$12.51	\$11.31
2000	8.9%	990,000	\$15.65	\$12.28	\$10.76
2001	12.7%	70,000	\$15.49	\$12.02	\$10.99

Source: United Properties.



In the last two years, new office buildings in the vicinity of the Golden Triangle have included buildings in the Flying Cloud Corporate Campus and the Flagship Corporate Center to the south and west of the Golden Triangle. In the near future, however, aside from projects already under construction, minimal new construction is anticipated, and positive new absorption will be difficult as companies continue to add sublease space to the available space inventory.

2. GOLDEN TRIANGLE CONDITIONS

Office space in the Golden Triangle generally reflects the overall conditions – featuring high vacancies — throughout the southwest submarket. The overall inventory of office space comprises 1.8 million square feet – including owner-occupied space, which accounts for roughly 20 percent of total space.

As above, a substantial volume of additional office space is contained in industrial buildings. Such buildings include office/showroom and office/warehouse properties, many of which contain as much as 50 percent office space. Office users in these industrial buildings typically conduct lab uses, back office operations, and various research functions. Many of these conversions to office space occurred during the 1990s. Parking issues have limited these conversions, as many properties have not offered sufficient parking to satisfy office parking requirements.

3. OUTLOOK AND FORECAST

Over time, three factors will generate market support for additional office development in the Golden Triangle. These include: the strength of the regional economy, the southwestern submarket’s strong position, and the increasing scarcity of conveniently accessible locations. Given these factors, and given the economy’s office-oriented base, it is

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reasonable to expect new office development to proceed in step with the region's overall economic indicators.

While future development will depend on the availability of developable property, in projecting market support for future development, this constraint is removed. Relevant growth factors considered in projecting future office development (assuming the availability of developable sites) are shown in Exhibit 14:

*Exhibit 14
Growth Factors Considered in Projecting Supportable Office Development*

<u>Indicator</u>	<u>Source</u>	<u>Annual Growth Factor</u>	<u>Growth Period</u>
SW Suburban Non-Retail Employment Projection	Met Council	3.32%	2000-2020
Twin Cities Office Employment Projection	MN Dept. Employment Services	3.0%	1998-2008
Suburban Hennepin Co. Employment	MN Dept. Employment Services	2.5%	1994-2000
Twin Cities Gross Metro Product forecast	economy.com	2.6%	2000-2005
Historical SW Office Absorption	United Properties	387,000	1991-2001

After considering these various factors, office growth over the next ten years can reasonably be anticipated at 2.5 to 3.0 percent annually. Applying these factors (and subtracting 10 percent of the current inventory, in order to account for the absorption of existing vacancies) over the next 20 years the southwestern suburban office market could support a rough range of 9.6 million to 1.2 million square feet of new leased office space, or 270,000 to 370,000 square feet annually.

Of this total, the Golden Triangle would be able to support 1.3 million to 1.7 million square feet, or approximately 66,000 to 83,000 square feet per year.

*Exhibit 15
Supportable Office Market Projection*

SUPPORTABLE OFFICE MARKET PROJECTION

	Projected Growth Rate	Current Estimate ¹	2011	Less 10% current vac.	10-Year Growth Forecast		2021	20-Year Growth	
					Total	Avg./yr.		Total	Avg./yr.
Southwest Inventory (multi-tenant)									
Low	2.50%	15,059,000	19,276,790	17,770,890	2,711,890	271,000	22,748,240	7,689,240	384,000
High	3.00%	15,059,000	20,238,040	18,732,140	3,673,140	367,000	25,174,430	10,115,430	506,000
						387,000			387,000
Golden Triangle Inventory (including owner-occupied)									
Low	2.50%	2,062,850	2,640,623	2,434,338	371,487	37,000	3,116,160	1,053,310	53,000
High	3.00%	2,062,850	2,772,298	2,566,013	503,163	50,000	3,448,510	1,385,660	69,000

¹ Golden Triangle Inventory includes figures provided by Eden Prairie, Edina and Bloomington, with additional inventory located in the northwest portion of the Study Area as provided by the Minnesota Leasing Guide.

Source: Metropolitan Council; MN Dept. of Economic Security; economy.com; Colliers Towle; United Properties; CB Richard Ellis; City of Eden Prairie; City of Edina; City of Bloomington; Bonz/REA

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C. RESIDENTIAL MARKET

In exploring Golden Triangle's potential for residential redevelopment, this analysis takes into consideration the Study Area's limited availability of land and its prevailing office/industrial character. Accordingly, the analysis focuses on various attached housing forms, as opposed to single-family subdivision projects.

In general, the Study Area is likely to offer the following residential development opportunities:

- Upon resumption of economic growth and renewed commercial and industrial tenancies, rental housing targeting the area's employment base;
- For-sale townhouse and/or midrise condominium developments, assuming the creation of amenities and a residential orientation.

The following present overview analyses of various attached housing residential markets, followed by a general projection of development potentials and contingencies.

1. RENTAL HOUSING MARKET

During the late 1990s, the metropolitan area rental apartment market operated at consistently low vacancy rates, which generally ranged from 1 to 2 percent. In recent years, however, the market has weakened as the economy has declined and new inventory has been built.

As of mid-year 2002, the average vacancy rate is estimated at 5.1 percent, as compared to 2.2 percent at mid-year 2001. Rents have remained stable; in many communities this apparent stability represents a counterbalance between declining rates at existing properties and higher rates at newly constructed buildings.

According to most benchmarks, the prevailing five percent vacancy rate signals a healthy market. In the southwest suburban markets, however, new inventory is scheduled for opening in the near future; this will increase vacancy rates further.

*Exhibit 16
Apartment Market Indicators for Selected Areas: mid-year 2001-02*

	Standard One-Bedroom Units				Standard Two-Bedroom Units				Total Units	
	Average Rent		Average Vacancy		Average Rent		Average Vacancy		Average Vacancy	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Eden Prairie	\$828	\$838	5.4%	3.2%	\$1,022	\$1,035	5.3%	2.8%	7.3%	3.1%
Bloomington	\$769	\$771	5.7%	2.9%	\$953	\$960	4.2%	1.7%	4.8%	2.2%
Chanhassen	\$726	\$725	8.9%	1.5%	\$1,005	\$935	19.2%	0.7%	15.5%	1.0%
Edina	\$874	\$866	4.1%	1.1%	\$1,089	\$1,063	3.1%	1.8%	3.7%	1.4%
Minnetonka	\$899	\$917	4.5%	2.7%	\$1,030	\$1,081	7.1%	3.5%	6.3%	3.4%
Twin Cities	\$734	\$735	5.1%	2.2%	\$916	\$917	4.9%	2.1%	5.1%	2.2%

Source: GVA Marquette Advisors.

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Apartment lease rates for newer high-quality projects generally range from \$1 up to \$1.30 per square foot. Townhomes offer larger units with more three- and four-bedroom configurations; lease rates exceed \$2,000 for many of these larger units. On a cost-per-square foot basis, rates are similar to apartment rentals, generally approximating \$1.10 per square foot.

In the Golden Triangle Study Area, the rental housing inventory consists of two projects: the *Park at City West*, and *Regency Parc at City West Parkway*. These are located adjacent to one another on City West Parkway, in the northwest portion of the Study Area.

The Park at City West, built in 1988, features 288 apartment units. It offers ample unit amenities — garage parking, in-unit washer/dryer units, walk-in closets and fireplaces (some units) – as well as project amenities such as a fitness center and pool. Rents range from \$880 to \$1,195; average cost-per-square-foot rents are \$1.11.

Regency Parc is a rental townhouse development offering 85 three-bedroom units. Built in 1996, this project offers an array of luxury amenities similar to those available at the Park at City West. Monthly rents range from \$1,570 to \$1,890, or \$1.08 to \$1.30 per square foot.

*Exhibit 17
Basic Rent Structures - Golden Triangle Rental Housing*

Project	Type	Unit #BR	Rents		Square Footage		Rent/Sq. ft.	
			Low	High	Low	High	Low	High
The Park at City West	Apartment	1	\$880	\$980	688	933	\$1.05	\$1.28
The Park at City West	Apartment	2	\$1,095	\$1,195	1,094	0	\$1.00	\$1.09
Regency Parc at City West Parkway	Townhomes	3	\$1,570	\$1,890	1,450	1,450	\$1.08	\$1.30

In both of these projects, management reports that occupancies are driven by local employment growth; relocating employees from outside the region comprise roughly 50 percent of the tenants. Among these, most rent only for the length of their one-year leases as they seek homes for purchase. In general, leasing staff reports that renters include substantial numbers of: foreign-born immigrants, corporate rental units, young professionals, divorcees, and empty nesters.

Given their reliance on local employment, combined with their limited exposure to the nearby highways, it is not surprising that these projects have suffered increased vacancies as Golden Triangle employment and occupancy have declined. While neither of these projects offers high visibility, they offer competitive advantages such as easy access to transportation routes, as well as close proximity to shopping and restaurants.

In general, despite recent increases in vacancy rates, the regional apartment market is healthy. Within this market, the Golden Triangle Study Area can offer proximity to shopping, major employment centers, and easy access to the regional highway network. Specific sites within the Golden Triangle can provide high visibility from one or more

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major highways. Given a strategic site, upon resumption of local and regional economic growth, new apartment development may be feasible in the Study Area.

2. FOR-SALE ATTACHED HOUSING MARKET

Excluding those units in age-restricted senior housing coops, the Golden Triangle contains no for-sale housing units. This is due to the area's non-residential character: home buyers seeking to protect their investments seek residential environments offering residential amenities and separation from the traffic, visual images and potential emissions of a business park environment.

A. CONDOMINIUMS VS. TOWNHOUSES

Despite the prevailing nonresidential environment, the market offers the potential to support new attached for-sale housing development in the Golden Triangle. The strongest potential opportunities for such development would focus on townhouses rather than condominiums set in midrise apartment configurations.

In recent years, attached housing projects in western and southwestern Hennepin County have focused primarily on townhomes. While condominium projects have been built, they have compiled a mixed record of success.

The *Grandview Square* project in Edina has been perhaps the most successful of these. This project achieved rapid initial absorption rates, but these slowed in later months, and after nine months, the project's overall absorption has averaged roughly four units a month. The *MarketPlace Lofts* in Hopkins has also achieved a strong response (with 25 \$1,000 deposits) in the initial weeks of its marketing campaign. Both of these projects, however, have offered mixed use environments and walking distance to amenities (e.g., library, public recreation center, downtown retail district).

Where such amenities have not been available, the *Normandale Towers* project in Bloomington represents one of the region's few recent examples of high-rise suburban condominium development. This project has encountered various problems in marketing and absorption; while these may or may not be attributable to market demand, the region has experienced limited success with this type of product. While future high-rise efforts may achieve success, at this time the market for such projects remains unproven; accordingly planning efforts should not rely on the viability of midrise or high-rise condominium development.

In contrast to condominiums, townhouse projects have gained popularity throughout suburban Hennepin County. Projects in Eden Prairie, Edina, Minnetonka and other locations have attracted the region's upscale residential developers.

Among recent projects in the general vicinity, new townhouses have ranged in price from \$180,000 to \$670,000; most occupy a range from \$200,000 to \$400,000. Unit sizes for two- and three-bedroom units typically range from roughly 1,500 to 2,500 square feet. On a price-per-square-foot basis, most prices fall within a range of \$130 to \$200.

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Exhibit 18

Unit Prices: Recent Townhouse Projects

Project	Location	Price Range (\$000s)		Size Range (sq. ft.)		Price/sq. ft		
		Low	High	Low	High	Low	High	
Townhomes	Oakparke Lodges	Eden Prairie	\$182	\$206	1,390	1,565	\$131	\$132
	Oakparke Townhomes	Eden Prairie	\$320	\$400	1,613	1,858	\$198	\$215
Condos/TH	Hartford Commons	Eden Prairie	\$220	\$250	1,493	1,727	\$145	\$147
Condos/TH	Bluff Country	Eden Prairie	\$215	\$425	1,625	3,225	\$132	\$132
Townhomes	Heritage Place	Eden Prairie	\$240	\$285	2,300	2,500	\$104	\$114
Townhomes	Centennial Lakes	Edina	\$359	\$359	2,142	2,257	\$159	\$168
Townhomes	Willoughby Townhomes	Minnetonka	\$400	\$669	2,000	3,335	\$200	\$201

These projects have achieved varying absorption rates. Centennial Lakes in Edina reports an average absorption of approximately seven units per month; others achieved absorptions ranging from one to four units per month.

Home buyers have been “empty nester” householders in their late 50s and 60s; young professional couples and other childless (e.g., singles, divorcees) households have comprised slightly less significant market components. The strong demand from empty nester households is typical, with householders in this age group seeking to (1) ease maintenance burdens while (2) downsizing as their children leave home.

B. EMPTY NESTER MARKET GROWTH

The targeted empty nester market – concentrated primarily in the 55 to 64 age cohort – comprises the fastest growing cohort in Eden Prairie. Over the five years between 2001 and 2006, this group is expected to achieve the City’s largest population increase in terms of both percentage rates and actual numbers. While the overall City is expected to grow at a rate of 2 percent per year, the 65 to 74 age group anticipates an average growth rate of 8 percent per year. Furthermore, this is expected to continue, for in 2006 the 45 to 54 age group will still represent the largest age group, and the continued aging of this cohort will continue to fuel demand for townhouse and other attached housing forms.

This demographic pattern also holds true for the adjacent southwestern suburban communities of Edina, Bloomington and Minnetonka. As shown below, over the next five years the 55 to 64 age group will achieve the most rapid growth in the region, and this pattern will continue as the 45 to 54 cohort continues to age.

3. SENIOR HOUSING

The Golden Triangle area contains two senior housing projects. Located adjacent to one another on Viking Drive, *Realife* and *Summerhill* are limited-equity coop projects for persons age 55 and over. The *Realife* project reports 100 percent occupancy; the newer *Summerhill* project is nearing completion of its initial absorption, with two of its 48 units remaining unsold. Both projects draw residents from throughout western Hennepin County, from Bloomington to Plymouth and farther west.

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Exhibit 19

Eden Prairie Households by Age: 2001-2006

<u>Age</u>	2001		2006		Increase	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Ann. %</u>
Under 25	1,074	5.3%	1,272	5.6%	198	3.4%
25 to 34	4,362	21.4%	4,228	18.8%	-134	-0.6%
35 to 44	5,467	26.8%	5,006	22.2%	-461	-1.7%
45 to 54	5,190	25.4%	5,775	25.6%	585	2.2%
55 to 64	2,650	13.0%	3,892	17.3%	1,242	8.0%
65 to 74	1,146	5.6%	1,632	7.2%	486	7.3%
75 and older	524	2.6%	715	3.2%	191	6.4%
Totals	20,413	100.0%	22,520	100.0%	2,107	2.0%

Source: Claritas, Inc.

Exhibit 20

Households by Age 2001-2006: Bloomington, Edina and Minnetonka

<u>Age</u>	2001		2006		Increase	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Ann. %</u>
Under 25	2,404	3.2%	2,474	3.3%	70	0.6%
25 to 34	12,078	16.2%	11,276	15.1%	-802	-1.4%
35 to 44	14,097	18.9%	13,315	17.8%	-782	-1.1%
45 to 54	15,548	20.9%	14,769	19.8%	-779	-1.0%
55 to 64	12,428	16.7%	14,241	19.1%	1,813	2.8%
65 to 74	9,863	13.3%	9,971	13.3%	108	0.2%
75 and older	7,988	10.7%	8,684	11.6%	696	1.7%
Totals	74,406	100.0%	74,730	100.0%	324	0.1%

Source: Claritas, Inc.

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Exhibit 21
Basic Price Structures
Golden Triangle Senior Housing Cooperatives

	Year Built	Unit # BR	Sq. Ft.	Buy In Cost	Monthly Fees
Realife Valley View Coop	1999	1	836	\$25,472	\$723
		2	1,222	\$34,252	\$999
Summerhill Cooperative of Eden Prairie	2001-2002	1	1,800	\$50,847	\$1,550
		2	1,973	\$54,451	\$1,675
		2+	2,134	\$60,676	\$1,900

4. PLANNED PROJECTS

Three apartment developments are planned for development or are currently under construction in and around the Golden Triangle area. These include two projects to be developed by North American Properties. These projects will both be located west of Eden Prairie Center, at the Southwest Metro Transit Hub (*Southwest Station*) and in the “Marketcenter on Singletree” development on Singletree Lane (*Water Tower*). These will contain a combined total of approximately 400 to 450 luxury rental units, with ample amenities set amid a mix of uses. The *Southwest Station* project will include 225 luxury apartments, 25 townhouses, and 50,000 square feet of restaurant space. The *Water Tower* project will offer luxury apartments situated above ground-floor commercial space, with skyway connections between project components. Apartment units are expected to target the high-end market tiers, with rents approaching a range of \$1.40 - \$1.50 per square foot.

The third planned project in the immediate vicinity of the Study Area is located in the Golden Triangle itself. This project, still in its initial planning, is expected to feature 186 dwelling units in a midrise configuration. Like the two North American Properties projects, this project will target the market’s high-rent tiers, with amenities such as fitness center, pool, nine-foot ceilings, in-unit washer/dryers, and anticipated rents targeted at \$1.20 per square foot.

5. OUTLOOKS

Overall, the market outlook for residential development in the Golden Triangle Study Area will offer the following opportunities:

- Contingent on the availability of strategic sites with high visibility, rental apartments will likely be viable;
- Contingent on the creation of a residential setting with access to recreational, entertainment, or retail amenities, the market will likely support the development of for-sale townhouses, and possibly condominium projects.

Much of the private sector’s interest in residential development, it should be noted, will depend on the prospects for alternative development opportunities. Current conditions feature weak office and industrial markets, thus favoring residential alternatives,

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which offer relatively attractive prospects. At this time, then, residential development alternatives may prevail over office alternatives. In the long run, however, commercial and industrial development opportunities are more likely to provide attractive returns for prospective developers.

D. RETAIL

Two niches may present potential retail development prospects in and around the Golden Triangle area. The first niche targets large-format retailers seeking access to a regional market via the freeway system as well as proximity to the still-growing communities and in and around the Eden Prairie Shopping Center. The second niche features neighborhood shopping centers. While not currently supportable, such centers may provide opportunities if and when a critical mass – at least 1,000 new dwelling units — of new residential development occurs in the Golden Triangle Study Area.

1. MARKET PROFILES AND TRENDS

Retailers seek strategic locations in markets with household buying power that is growing and/or underserved. Eden Prairie fits both of these criteria. As shown previously, Eden Prairie’s population grew by 3.4 percent annually during the 1990s. Equally important, growth is expected to continue, and income levels are among the highest in the metropolitan area.

The following exhibit compares demographic indicators for the 3- and 5-mile radii around the Eden Prairie Center, Southdale and Ridgedale malls. As shown, Eden Prairie Center’s market, while comparable in size to Ridgedale’s, is substantially smaller than Southdale’s. Its median and mean income levels are considerably higher than those in the Southdale and Ridgedale markets. In addition, its five-year growth outlook shows significantly higher growth forecasts than either Southdale or Ridgedale.

Exhibit 22
Market Comparisons: Eden Prairie Center, Southdale, Ridgedale

	<u>Eden Prairie Center</u>	<u>Southdale</u>	<u>Ridgedale</u>
3-Mile Radius			
Population	47,205	106,173	49,783
Households	18,025	45,976	20,113
5-Year Household Growth Projection	8.1%	-0.9%	2.0%
Median Household Income	\$99,275	\$71,127	\$81,904
Avg. Household Income	\$137,366	\$101,247	\$114,660
Household Income (\$millions)	\$2,476	\$4,655	\$2,306
5-Mile Radius			
Population	135,648	283,281	180,241
Households	52,310	123,518	72,860
5-Year Household Growth Projection	5.3%	-0.3%	1.5%
Median Household Income	\$92,817	\$64,277	\$75,125
Avg. Household Income	\$126,686	\$86,509	\$101,703
Household Income (\$millions)	\$6,627	\$10,685	\$7,410

Source: Claritas, Inc.; Bonz/REA, Inc.

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In serving its growing, high-income market, Eden Prairie's retail sales have increased in recent years. In the City of Eden Prairie, total retail sales have increased at an average rate of 3.6 percent per year over the last five years. Within this overall envelope, the most rapid growth has occurred in hardware/building materials. Eating and drinking and home furnishings have also increased at rates in excess of the community's 3.4 percent growth rate in the 1990s. In sectors such as apparel stores and miscellaneous, however, sales have actually declined.

In many cases, these trends may reflect issues relating to new supply rather than demand, as new big box store locations have drawn spending from nearby communities. In general, to the extent that sales growth in any category has outpaced household growth (or grocery sales growth, which often follow close parallels to household growth), this reflects a combination of inflation with either a previous level of pentup demand or increased spending inflows from other areas.

Exhibit 23
Eden Prairie Non-Automotive Retail Sales: 1995-2000

	<u>1995</u>	<u>1996</u>	<u>1998</u>	<u>2000</u>	<u>5-year avg. Annual Change</u>
Hardware/Bldg. Materials	\$41,797,083	\$45,571,211	\$46,895,126	\$76,979,721	13.0%
Gen. Merchandise	\$112,738,541	\$120,454,759	\$136,039,674	\$146,860,434	5.4%
Food/Grocery	\$92,786,964	\$111,699,967	\$114,868,200	\$114,267,911	4.3%
Apparel	\$17,063,394	\$20,783,866	\$19,349,981	\$13,490,773	-4.6%
Home Furn./Electronic	\$72,450,721	\$114,778,363	\$134,836,969	\$110,751,273	8.9%
Eating & Drinking	\$47,027,520	\$52,447,744	\$56,833,198	\$71,853,871	8.8%
Miscellaneous	\$169,525,559	\$163,615,502	\$118,968,334	\$126,647,200	-5.7%
TOTAL	\$553,389,782	\$629,351,412	\$627,791,482	\$660,851,183	3.6%

Source: Minnesota Dept. of Revenue.

2. LOCAL MARKET CONDITIONS AND DYNAMICS

A. EDEN PRAIRIE CENTER

The Eden Prairie Center mall comprises the primary anchor that drives location decisions for other retailers targeting the southwest portion of the metropolitan area. Situated just south of the Golden Triangle on Prairie Center Drive, this mall recently finished an expansion in October, 2001, adding an entertainment center, an 18-screen movie theater, two new restaurants, a Barnes and Noble, a Von Maur, and an expansion of its Target into a Target Greatland. Eden Prairie Center's gross leasable area currently comprises approximately 1.2 million square feet.

While the center has sustained occupancy rates as low as 60 percent in recent years, after recent renovations and improvements, the center's occupancy is currently estimated at 85

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to 90 percent, and management expects further increases. Net lease rates range from the mid-teens to \$100 per square foot for spaces that range in size from 500 to 165,000 square feet. Eden Prairie Center draws its shoppers from local radii, as well as the growing areas to west, including suburban communities in Waconia, Chaska, Chanhassen and other parts of Carver and Scott Counties.

B. OTHER RETAIL CENTERS

Outside the Eden Prairie Center mall, the inventory of nearby retail space includes a variety of neighborhood and commercial centers. Most of these are located south and west of the Study Area along Prairie Center Drive and/or the perimeter of the Eden Prairie Center mall.

Big box retailers are underrepresented in these areas. The Eden Prairie submarket features a conspicuous absence of warehouse clubs (e.g., Costco, Sam's Club) and "category killer" retailers, which feature comprehensive selections in specific retail categories. While categories such as books and building materials are represented, the area lacks representation in categories such as home furnishings (e.g., Bed Bath & Beyond, HOM, etc.), electronics (Best Buy, Circuit City), toys/childrens' goods, sporting goods and other categories. Retail brokers report strong interest in the area from both types of big box stores, and the scarcity of suitable sites in the southwest portion of the metro area increases the interest in available sites.

C. SUBMARKET COMPARISONS

Overall, as shown in the exhibit below, retail inventory in the Eden Prairie submarket falls well below the volumes of leaseable space in the Southdale and Ridgedale submarkets.⁶

This relatively low volume may indicate the presence of market opportunity. As shown previously in Exhibit 22, the Eden Prairie submarket offers total household incomes comparable to Ridgedale's, as well as favorable growth prospects and income profiles.

Despite the apparent opportunity, vacancy rates in the Eden Prairie submarket are considerably higher, at nearly 8 percent, than Southdale or Ridgedale, which maintain vacancy rates of 4 percent and 3 percent, respectively. In addition, many of the smaller retail centers adjacent to Eden Prairie Center mall contain low-profile tenants providing goods and services relating to businesses such as martial arts instruction, nail care, second hand goods, tanning, and other such uses. While these may represent viable businesses, their presence indicates that, despite the area's favorable demographics, many high-rent tenants have not targeted these locations.

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Exhibit 24
RETAIL SUBMARKET COMPARISONS

<u>Submarket</u>	<u>Leasable Area</u> ¹	<u>Vacancy</u>	
		<u>#</u>	<u>%</u>
Eden Prairie	3,328,948	258,831	7.8%
Twin Cities Metro Area	51,654,413	2,867,990	5.6%
Southdale	8,796,277	339,872	3.9%
Ridgedale	4,980,309	157,444	3.2%

¹ Includes leasable space in retail centers with 30,000 sq. ft. or more.

Source: CBRichard Ellis.

Exhibit 25
NEIGHBORHOOD AND COMMUNITY SHOPPING CENTERS
EDEN PRAIRIE SUBMARKET

<u>Center</u>	<u>Year Opened</u>	<u>Leaseable Sq. ft.</u>	<u>Vacancy</u>	<u>Net Lease Range</u>	<u>Expenses</u>	<u>Tenant Sample</u>
<u>GOLDEN TRIANGLE</u>						
Crossroads Center Flying Cloud	1986	27,708	18%	\$14-\$16	\$5.97	Subway, Summit Home Ctr., Red Cross,
Shady Oak Center City West Parkway	1986	33,271	0%	\$12-\$14	\$7.31	Campiello's, American Hero, Pepper's, Tuesday Morning
<u>EDEN PRAIRIE MARKET</u>						
Lariat I Prairie Ctr. Dr/Hwy. 212	1990	22,830	11%	\$12-\$14	8.04	Applebee's, Countryside Home Mtge.
Prairieview Prairie Ctr. Dr/Hwy. 5	1986	114,852	2%	\$17-\$20	5.99	Rainbow, Baker Sq., Snyder Drug
Prairie Village Mall W 78th	1976	75,736	4%	\$14-\$20	\$5.28	Driskell New Mkt., Eden Prairie Liquor Snyder Drug
Lariat II Prairie Ctr. Dr/Commonwealth Dr.	1990	28,684	5%	\$14-\$20	\$8.50	Green Mill, Sherwin Williams, Shinders
Tower Square 582 Prairie Ctr. Dr.	1989	62,757	20%	\$17-\$20	\$8.66	McDonald's, Starbucks, Paper Warehouse, Grow Biz, Wolf Camera
SUMMARY		365,838	8%	\$12-\$20	\$7.11	

Source: United Properties; Bonz/REA, Inc.

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Brokers universally attribute this underperformance to the traffic circulation patterns in the areas around Eden Prairie Center. These patterns create a confusing orientation, and thereby negate much of the synergy to be gained from a location near a regional mall. Given the availability of new sites in areas with good highway access and visibility and orderly circulation patterns, the Eden Prairie submarket is likely to support additional space.

D. OPPORTUNITIES

If the Eden Prairie market inventory were to grow to Ridgedale's size, it would support an additional 1.6 million square feet of space. This volume of increase is not likely to occur in a short-term time frame; this analysis does not target this volume of potential development, but merely points out Eden Prairie's comparative undersupply as between roughly comparable areas.

Nonetheless, if strategic sites were to become available, big box retailers would be able to recognize immediate opportunities to add substantial volumes to Eden Prairie's current inventory.

Given the area's current vacancy levels, neighborhood and community shopping centers do not offer a similarly strong opportunity. Such development opportunities would follow growth: given substantial new residential development, the Study Area is likely to support additional retailers providing convenience goods and services as well as neighborhood-oriented retailers such as coffee shops, pizza restaurants, cleaners, stationery stores, etc.

E. LODGING MARKET

Given a return to stability in the office and industrial markets, over the next ten years the Study Area should be able to support one or two additional lodging facilities. These would most likely fit a "mid-price with food service" profile, and would target locations in the northwest portion of the Study Area.

1. GENERAL TRENDS AND CONDITIONS

The lodging market in the Golden Triangle and Eden Prairie is driven primarily by business travelers and corporate groups. The former group comprises sales representatives targeting local businesses; the latter group involves the major corporations located in the area (e.g., ADC, Best Buy, etc.).

Statistics for the lodging facilities in the Golden Triangle show substantial performance improvements during the late 1990s. From 1997 to 2001, room inventory increased by 55 percent. Despite this increase in supply, room rates continued to increase, and average occupancy rates fluctuated between 71 and 75 percent. Occupancy rates experienced a substantial decline in 2001⁷, however, as the local business climate slumped along with the national and regional economies.

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The performance of this local market bears a close correlation to general business conditions, as reflected in the southwest suburban office and industrial markets. Where office and industrial vacancies declined and absorption increased in the late 1990s, lodging performances achieved similar gains. Then, as absorption turned negative and vacancies increased in 2001, lodging industries declined accordingly.

*Exhibit 26
Hotel Market in the Golden Triangle*

Year	Avg. Room Rate		REVPAR		Revenues		Available Rm-nights		
	Avg. Occupancy	Total	% Change	Total	% Change	Total	% Change	Total	% Change
1997	70.6%	\$75.72	--	\$53.42	--	\$11,971,229	--	224,110	--
1998	74.7%	\$73.11	-3.4%	\$54.62	2.2%	\$15,572,409	30.1%	285,115	27.2%
1999	72.0%	\$74.93	2.5%	\$53.96	-1.2%	\$16,052,040	3.1%	297,475	4.3%
2000	75.3%	\$78.56	4.8%	\$59.14	9.6%	\$18,999,137	18.4%	321,240	8.0%
2001	58.0%	\$81.81	4.1%	\$55.63	-5.9%	\$19,325,298	1.7%	347,398	8.1%
Avg. Ann. Increase			2.0%	1.0%		12.7%		11.6%	

* Includes statistics for property sample including: Homestead Suites, Towneplace Suites, Hilton Garden Inn, Springhill Suites, Residence Inn, Hampton Inn, Marriott Courtyard, AmeriSuites and Fairfield Inn.

Source: Smith Travel Research, Bonz/REA, Inc.

In the future, as the area's office and industrial markets regain stability, the hotel market can return to its earlier performance levels, with occupancy rates exceeding 70 percent. The strength of this earlier performance would in and of itself signal an opportunity for new lodging development. In addition, if new development – or intensified redevelopment — occurs, the hotel market will offer even stronger potential development opportunities.⁸

Over a long-term time frame, if regional (encompassing areas beyond the Golden Triangle) office/industrial occupied space increases at average rates of 1.5 to 2.5 percent annually (as contemplated in the preceding office and industrial sector analyses), the local inventory of hotel space is likely to increase at similar rates. This would provide an opportunity for approximately 150 to 250 new rooms – most likely contained in one to three properties — over the next ten years. If the such office/industrial growth can be accommodated locally, then the local hotel market can continue at similar rates, with further increases of another 150 to 350 rooms – in three to six properties — over the following ten-year period.

*Exhibit 27
Lodging Growth Projection (in rooms)*

	<u>2001</u>	<u>2011</u> <u>Projection</u>	<u>10-Yr.</u> <u>Increase</u>	<u>2021</u> <u>Projection</u>	<u>20-Yr</u> <u>Increase</u>
<u>Room Inventory</u>					
1.5% annual growth	952	1,105	153	1,282	330
2.5% annual growth	952	1,218	267	1,560	608

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Likely locations for new development include locations along I-494, as well as potential sites that may be available in the northwestern portions of the Study Area. Absent new land availability along I-494, this area would offer direct proximity not only to the Golden Triangle but also to the Opus Business Park – one of the region’s most prominent office parks. Despite the prominence of Opus Business Park, new lodging properties in this area would face limited competition, with only the Marriott Southwest, Hilton Garden Inn, and a Holiday Inn Express located in the immediate vicinity.

Overall, while traffic flows on Highways 62 and 212 (40-45,000 and 52-54,000 ADT, respectively) fall below ADT levels on I-494 (70,000), this part of the Study Area would nonetheless offer a strategic location for potential hotel development.

2. FULL-SERVICE NICHE

Most of the lodging properties in the Golden Triangle and its immediate surroundings offer limited food services and meeting facilities. Given the absence of full-service properties, the following presents a brief analysis of market prospects in the full-service niche.

The full-service market in the Southwest portion of the metro area supports three competitive properties, including the Marriott Southwest, the Hotel Sofitel, and the Radisson South and Chaska’s Oak Ridge Conference Center. While each of these identify distinct niches, their overall collective performance has not shown sufficient strength to signal unmet demand for additional properties.

*Exhibit 28
Full-Service Hotel Market, West and Southwest Suburbs*

Year	Avg. Occupancy		Avg. Room Rate		REVPAR		Revenues		Available Rm-nights	
	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change
1996	73.9%		\$87.84	--	\$64.90	--	\$38,420,337	--	592,030	--
1997	70.1%		\$94.29	7.3%	\$66.12	1.9%	\$39,143,864	1.9%	592,030	0.0%
1998	68.3%		\$98.73	4.7%	\$67.41	2.0%	\$39,803,550	1.7%	590,500	-0.3%
1999	65.7%		\$102.76	4.1%	\$67.50	0.1%	\$39,717,270	-0.2%	588,380	-0.4%
2000	65.9%		\$108.94	6.0%	\$71.84	6.4%	\$42,270,621	6.4%	588,380	0.0%
2001	58.4%		\$106.04	-2.7%	\$61.89	-13.9%	\$36,416,729	-13.8%	588,380	0.0%
Avg. Ann. Increase				3.8%		-0.9%		-1.1%		-0.1%

* Includes statistics for property sample including: Marriott Southwest, Hotel Sofitel, Radisson South, Doubletree Park Place and Oak Ridge Conference Center.

Source: Smith Travel Research, Bonz/REA, Inc.

Exhibit 28 shows market indicators for full-service facilities within the southwestern and western suburban region of the Twin Cities.⁹ Within this higher-end niche, average room rates are roughly \$20 higher than in the limited-service Golden Triangle

hotels. Occupancy rates, however, have been comparatively low, and declined even during the strong growth period of the late 1990s — from 74 percent in 1996 to 66 percent in 2000. This decline occurred even as the supply of full-service properties has remained constant. The inventory of limited-service properties, however, has increased during this period, and these lower-priced properties have achieved considerably higher occupancy rates, as discussed above. Taken together, these trends suggest that guests have opted for new limited-service properties in lieu of the full-service properties.

To the extent that the Twin Cities metropolitan area market offers potential for new full-service facilities, such developments would most likely occur in limited pockets of opportunity near major convention centers and other amenities. The two locations most likely to support new full-service hotel development include downtown Minneapolis and the Mall of America/Airport area. The potential for new full-service developments in these locations would most likely preclude the potential for full-service properties in the Golden Triangle area.

F. SUMMARY OF OVERALL OUTLOOKS

The following summarizes the basic findings of the preceding overview analyses:

- In the short-term, the Golden Triangle Study Area's office and industrial markets will continue to suffer from high vacancy rates. Immediate development opportunities are limited to big box retail stores, contingent upon the availability of suitable sites at strategic highway access points.
- In addition to big box formats, the potential development of additional neighborhood and community shopping centers will be driven by the emergence of new residential neighborhoods in the Study Area.
- Despite rising vacancy rates, rental apartment developments may also proceed. Other for-sale residential development opportunities will be contingent upon the emergence of a residential setting with recreational, entertainment, and/or nearby retail amenities.
- Over a long-term, twenty-year time frame, office development offers the strongest development niche. The strength of this niche rests upon the metropolitan area's expected growth in office-oriented professional service sectors, and the Study Area's strategic location in the region's largest and most prestigious office corridor. Over the next twenty years, assuming the availability of developable sites to accommodate growth, market demand could likely support the development of roughly 1.1 million to 1.4 million square feet of new office space.
- While the Study Area is known primarily as an industrial area, many industrial uses will seek alternative locations that are less expensive and more convenient

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to concentrations of industrial labor. Nonetheless, the southwest industrial market will continue to offer opportunities for new development, particularly in technology-related manufacturing sectors. Over twenty years, assuming sufficient land to accommodate new development, the Study Area could support demand for 1.8 to 2.8 million square feet of new industrial development.

- Over a twenty-year time frame, assuming ongoing office and industrial market growth, the lodging market should support an additional three to six properties, most likely occupying a “mid-price with food service” niche, with likely locations in the northwest portion of the Study Area.

(FOOTNOTES)

¹ Economy.com, February 2002.

² These inventories exclude the northwestern portion of the Study Area bounded by Highway 212 on the southeast, Shady Oak Road on the south and west, and Highway 62 on the north.

³ Reports provided by the area’s major real estate brokerage firms (Colliers Towle, CB Richard Ellis, Welsh Company) applying varying geographical definitions for the industrial submarkets, and varying definitions for different building types. Consequently, industrial market figures reported by the various brokerage firms vary substantially. The text presented herein features United Properties reports because this report applies a definition of the “Southwest” market that closely matches the Southwest office submarket. Industrial figures include multi-tenant bulk warehouse, office/showroom and office/warehouse buildings. They do not include manufacturing buildings or owner-occupied buildings.

⁴ Research for this document was conducted during the first half of 2002. Subsequent updates show that vacancies have continued to increase, to 13.2 percent at mid-year 2002.

⁵ Research for this document was conducted during the first half of 2002. Subsequent updates show that vacancies have continued to increase, to 14 percent at mid-year 2002.

⁶ These submarket area definitions, as applied by CB Richard Ellis, do not coincide precisely with 3- or 5-mile radii.

⁷ This decline, while most pronounced in the months following Sept. 11, had begun prior to Sept. 11.

⁸ However, given the primarily built-out conditions in the Golden Triangle and nearby areas such as the Opus Business Park, if the mix of uses shifts to a less intensive commercial character, the hotel inventory will not likely increase.

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⁹ The data include performance statistics for Marriott Southwest, Hotel Sofitel, Radisson South, Doubletree Park Place and Oak Ridge Conference Center. While the Doubletree Park Place is located along interstate highway 394 in the western suburban corridor, Smith Travel Research's research parameters required the inclusion of a fifth property in the available data set.

Appendix B - Transit Strategies Report

INTRODUCTION

Travel Demand Forecasting involves developing travel demand forecasts corresponding to alternative land use scenarios and complementary road and transit networks.

The Golden Triangle Traffic Study prepared by SRF Consulting Group dated April 20, 2001, lists a number of possible road, land use and travel demand management measures which are aimed at reducing chronic levels of roadway congestion entering and exiting the Golden Triangle.

Another possible measure to reduce road congestion would be improvements to the public transit system serving the Golden Triangle encouraging a shift in mode from auto to transit.

This appendix provides a preliminary analysis of current transit services in the Golden Triangle employment and residential area of northeast Eden Prairie, along with some initial thoughts on potential improvements. This analysis has been done by looking at the existing route network and the future transportation plans for the area (e.g. Metro Transit's 2025 Transitway Map). More fully developed recommendations would need to come from a more thorough analysis of the services in the area.

CURRENT TRANSIT SERVICE

DESCRIPTION OF CURRENT SERVICES

Both Metro Transit and Southwest Metro Transit serve the southwest part of the Twin Cities area. These operators run a number of transit routes in the Eden Prairie, Hopkins and South Edina areas, mostly to and from downtown Minneapolis, but very few of these are conveniently located to serve the Golden Triangle. Most of these routes are peak period services, covering not only commuter runs but also "reverse commute" trips to serve employment areas in the Golden Triangle and other areas nearby.

Appendix B

Golden Triangle Land Use/Multi-Modal Transportation Evaluation

Of all the services in the area, there are only three that actually route through the Golden Triangle. These are operated by Southwest Metro Transit and are described as follows (see Figure B1 Current Transit Service):

- **Route 681** – this is essentially a reverse commute service from downtown Minneapolis to the Golden Triangle and adjacent destination points to serve the large employment areas in the Golden Triangle. It also operates during mid-day but does not provide peak-direction service into Minneapolis (i.e. for downtown commuters). Service characteristics of Route 681 are as follows:
 - **Routing** – From downtown Minneapolis via Highways 35W and 62, via Southdale Shopping Center, to Shady Oak Park-and-Ride; then via Flying Cloud Drive, Valley View Road and Prairie Center Drive to Eden Prairie Shopping Center and Southwest Transit Station.

During peak hours, 2 morning and 3 afternoon “Golden Triangle” trips divert further east to serve more of the central part of the employment area (Golden Triangle Drive, Washington Avenue), while in the early morning, 2 “Earlybird” trips follow a similar but not identical routing in the central area.
 - **Hours of Service** – Monday to Friday from about 5:30 a.m. to about 7:30 p.m.
 - **Service Frequency** – Approximately hourly service throughout the day, with some added reverse-commute peak period trips; a.m. peak service ranges from 40 to 59 minutes while p.m. peak service ranges from 20 to 51 minutes.
 - **Transfer Connections** – Transfers can be made with Route 681 at the following locations:
 - Downtown Minneapolis;
 - Southdale Shopping Center (connects with several routes in South Minneapolis, Richfield, Edina and Bloomington);
 - Southwest Transit Center (connects with other Eden Prairie routes).
- **Routes 633 and 634** – these are two new Southwest Metro Transit routes that provide local connections from Eden Prairie (Southwest Transit Station) to the Golden Triangle employment areas. They both operate primarily during peak periods but also offer a few mid-day trips. Service characteristics of Routes 633 and 634 are as follows:
 - **Routing** – Route 633: from Southwest Transit Station via Prairie Center Drive (and Eden Prairie Shopping Center) and Valley View Road, then via “eastern” routing through the Golden Triangle (Golden

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Triangle Drive, Washington Avenue) to Shady Oak Park-and-Ride;

Route 634: from Southwest Transit Station via Technology Drive to Eden Prairie Shopping Center and Valley View Road, then via “western” routing through the Golden Triangle (Valley View Road, Flying Cloud Drive) to Shady Oak Park-and-Ride.

- *Hours of Service* – Monday to Friday peak periods (peak direction) plus a few mid-day trips.
- *Service Frequency* – For each route, four to five peak direction trips with varying headways during peak periods; Route 634 adds three to four peak trips in the reverse-commute direction with 45 to 60 minute frequencies, and Route 633 provides two to three mid-day trips in both directions with approximately two-hourly frequencies.
- *Transfer Connections* – Transfers can be made with either route at the following locations:
 - Southwest Transit Center (connects with other Eden Prairie routes);
 - Shady Oak Park-and-Ride.

ASSESSMENT OF CURRENT SERVICES

Transit service to the Golden Triangle is fairly limited, although it has recently been improved. The current service essentially provides connections from downtown Minneapolis and Southwest Transit Station to the employment areas. The residential areas have minimal service. Specific deficiencies are as follows:

- *Service Coverage* – The routes currently serving the area provide limited connections to residential areas and locations where connections can be made to other services. In addition to the transit focal points that are now served, there are several others within reasonable distance and have significant services but are not directly connected. The most notable of these is the Mall of America, which has direct connections to St. Paul, the Airport and many other communities and will be the terminus of the new Hiawatha LRT line. Other significant transit focal points not connected with the Golden Triangle include Hopkins, Plymouth Road, Louisiana Avenue and 82nd Street (Southtown), although new Route 661 now connects Hopkins and Plymouth Road with the Shady Oak Park-and-Ride.
- *Internal Routings* – With the addition of new Routes 633 and 634, the internal routings are fairly well balanced between the “western” routing on Flying Cloud Drive, and the “eastern” routing on Golden Triangle Drive. New Route 661 now provides service to the residences west of Highway 212 but not to downtown Minneapolis.

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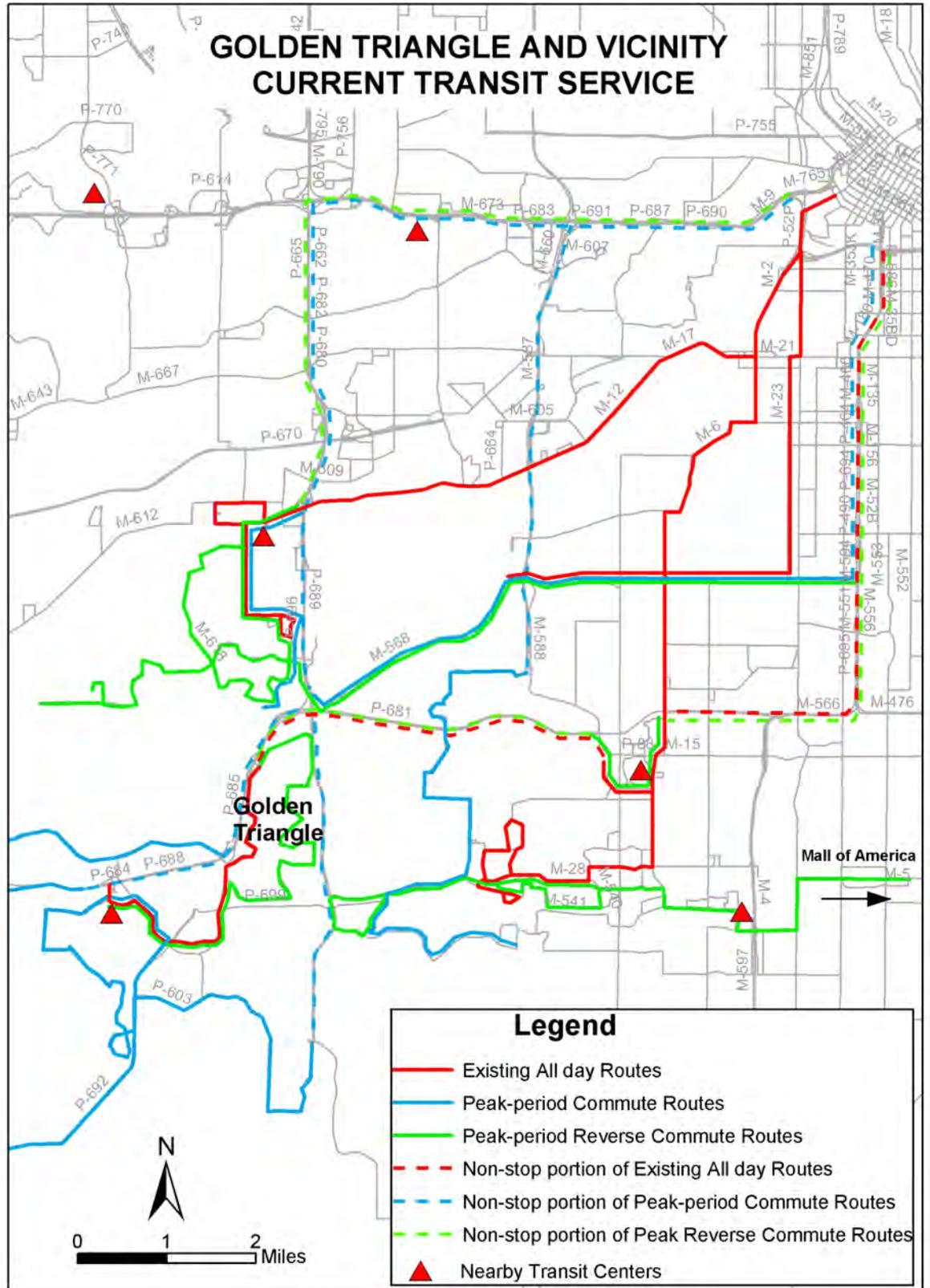


Figure B1 - Current Transit Service

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- **Service Frequency** – With some exceptions, service frequencies are typically hourly or close to it, which likely is not sufficient to serve the main work start and finish times nor the residences in the area. A survey of employers may be necessary (if data is not already available) to determine whether or not this is the case and to quantify the number of employees starting and finishing at key times. Even if current frequencies are deemed to be sufficient for current demand, significant improvements would be needed for major increases in both residential and employment levels.

SERVICES IN ADJACENT AREAS

There are also several other routes in the area, but these do not actually serve the Golden Triangle, although some come fairly close (e.g. stops at Shady Oak Park-and-Ride). Any of these could potentially be extended or diverted to provide enhanced service to the Golden Triangle. These are summarized below:

Eden Prairie Routes – There are several routes that are essentially commuter routes from the residential areas of Eden Prairie, routing mostly to downtown Minneapolis (Routes 680 to 696). Most route via Highway 212 adjacent to the Golden Triangle and several make a stop at the Shady Oak Park-and-Ride facility at Shady Oak and Flying Cloud (just east of Highway 212 on the western edge of the Golden Triangle). These services operate during peak periods only. Route 631 is a recent addition, which connects Southwest Transit Station with Southdale and several destinations along the I-494 corridor (south and east of the Golden Triangle), with trips about every two hours throughout the day.

- **Hopkins Area Routes** – Several routes serve the Opportunity Court and Bren Road employment areas just north of Highway 62 and the Golden Triangle area. Routes trunk on either 11th Avenue from Hopkins or Vernon Avenue from Edina. The main route in the area is Route 12, which runs south of Hopkins throughout the day to Opportunity Court with some peak trips extended to Bren Road and Shady Oak Road. Most other routes are reverse commute services (Routes 568, 618, 662 and an extension of Route 4). There are also two commuter routes serving adjacent residential areas (Routes 35B and 665).

Route 661 is a new route that now provides service on Highway 61 north of Shady Oak Park-and-Ride, connects to Bren Road and then runs as an express to both the Hopkins and Plymouth Road Transit Centers. Service runs two ways approximately every 45 minutes during peak periods and connects with Route 681 at Shady Oak Park-and-Ride.

- **South Edina Area Routes** – A few routes serve the South Edina area to the east of the Golden Triangle. The all day service is Route 28 but it only serves the

area immediately east of Highway 100. One commute route (588) and one reverse commute route (540) run close to the eastern edge of the Golden Triangle. There is also another reverse commute route operated by Southwest Metro Transit (Route 699) that runs non-stop adjacent to I-494 to Eden Prairie Shopping Center and Southwest Station but does not serve the Golden Triangle.

OPPORTUNITIES FOR TRANSIT IMPROVEMENTS

DESIGN STRATEGIES FOR ADDING TRANSIT SERVICE

As new developments take place in the Golden Triangle area, there are a number of opportunities to increase transit services to meet increased demand. Many of these can be done quite cost-effectively by extending existing routes and trips. The following transit service improvement strategies are suggested as ways to incrementally improve transit services to and from the Golden Triangle as development occurs and additional demand is created:

- Additional reverse commute trips.
- Extensions of existing local routes.
- Improved internal routings.
- Bus rapid transit service extensions.

Following is a description of each of these service improvement strategies which are also illustrated in Figure B2 Concept for Improved Transit Service to the Golden Triangle.

ADDITIONAL REVERSE COMMUTE TRIPS

In general, because improved service to the Golden Triangle would primarily consist of “reverse commute” services (those operating in the reverse direction to the vast majority of downtown-oriented commuter services), considerable additions to the service should be possible for relatively low cost, especially in terms of peak vehicles. This is because reverse commute trips should typically be possible to operate either before or after a downtown commute trip and would be done by existing buses already committed for commuter trips. For example, early morning trips to the Golden Triangle could be added before the start of a later Southwest Metro commuter run. Later morning trips to the Golden Triangle could be added after the end of an earlier commuter run. The opposite would apply just as effectively in the afternoon peak period.

The services currently operated by Southwest Metro Transit in the Eden Prairie area are as follows:

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- A.M. – commute trips to downtown Minneapolis – 27
- A.M. – reverse commute trips to the Golden Triangle – 5
- P.M. – commute trips from downtown Minneapolis – 28
- P.M. – reverse commute trips from the Golden Triangle – 6

Likely, the reverse commute trips already operated are linked to a downtown commute trip. Thus, subject to a more detailed review of the schedules, as many as 22 commute trips in each peak period may be potentially available to be extended to add a reverse commute trip to the Golden Triangle.

As noted above, additional reverse commute trips to the Golden Triangle should be possible using existing commuter buses. These could be applied in several ways, as follows:

- Added trips to Route 681 – At least a couple of trips could be added during each peak period in order to bring the service to a consistent 30-minute frequency, and timed as closely as possible to meet work start and finish times.
- New routes to other significant transit focal points – Using the same principles as for reverse commute trips from downtown, additional routes could be added to other major transit centers, even though this might involve some additional time to deadhead buses to or from downtown to these centers. The most promising of these would be the Mall of America, while others could include Hopkins, Plymouth Road, Louisiana Avenue and 82nd Street (Southtown).

EXTENSIONS OF SELECTED LOCAL ROUTES

To provide links to nearby residential areas (e.g. Edina and Hopkins), certain local routes currently running close to the Golden Triangle could be extended to provide local residential links to the employment areas. Such extensions could also serve the existing and planned residential areas in or on the edge of the Golden Triangle.

Depending on the nature of the routes in question, these types of route extensions may be possible by extending existing runs or adding an additional bus to a route's round trip cycle. Possible candidates might include:

- Routes 4, 12 and 28 (all day) – additional vehicles would likely be needed.
- Routes 540, 568, 618 and 662 (reverse commute routes, peak hours only) – existing runs could be extended.
- Route 35B, 35J, 588 and 665 (commuter routes, peak hours only) – existing runs could be extended.

New services to residential areas, especially peak-period commuter services, will likely require additional vehicles and/or additional vehicle hours. Other than adding new

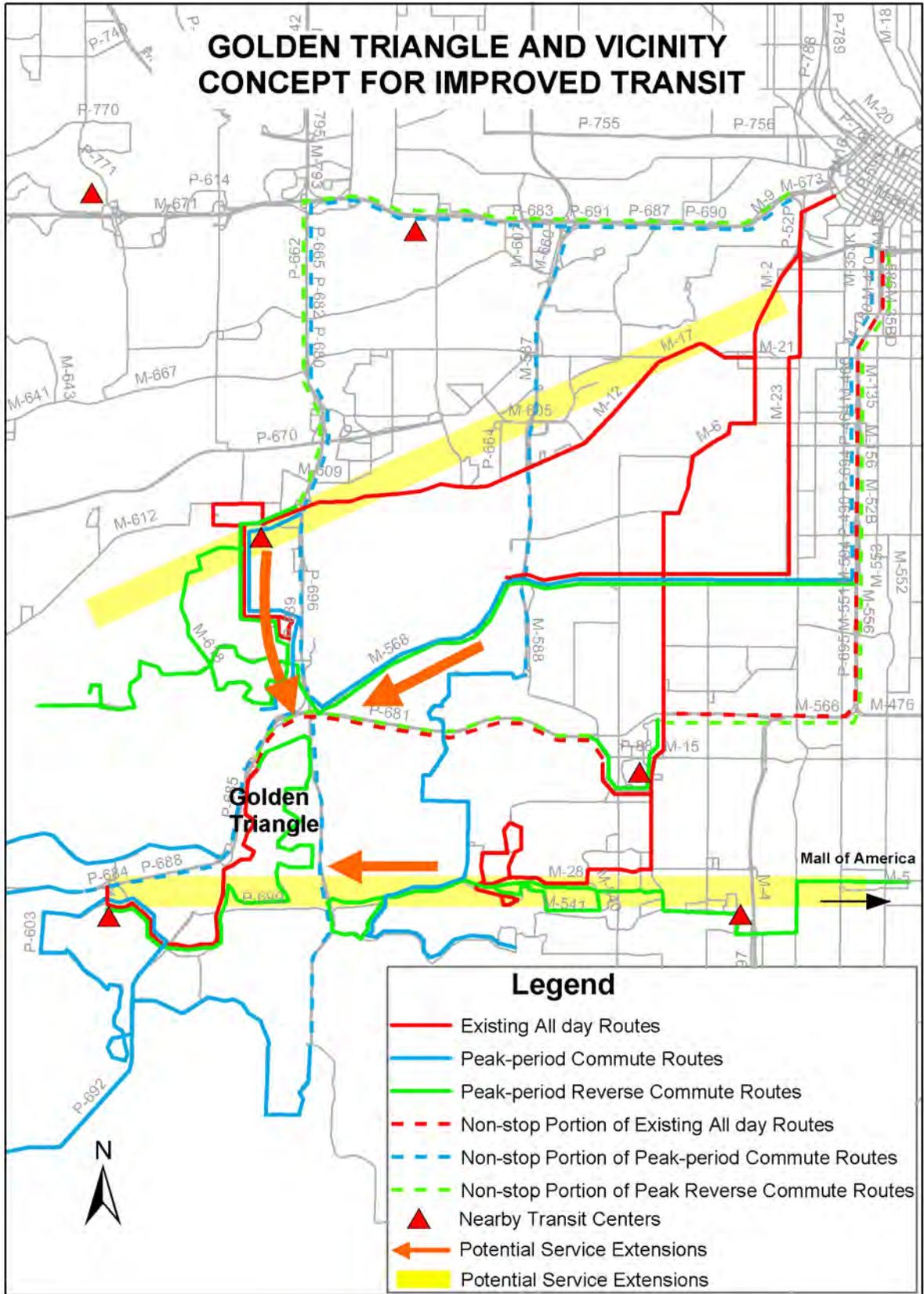


Figure B2 - Concept for Improved Transit Service to the Golden Triangle

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routes, some of this service could potentially be provided by extending or diverting existing trips, including the Southwest Metro Transit commuter routes that trunk on Highway 212.

As most of these routes currently serve specific destinations in the area, extensions or diversions to the Golden Triangle would likely need an overall service review of the area.

IMPROVED INTERNAL ROUTINGS

Even though the addition of Routes 633 and 634 has improved internal routings, longer-term consideration should be given to routing more services on more centrally located streets, for both additional reverse commute trips and extended local routes. Specific routings would need to be developed from a more thorough analysis of employer locations and employee numbers at each location.

Another alternative may be to run shuttles to peripheral transfer points (e.g. Shady Oak Park-and-Ride). This could be beneficial by increasing the internal coverage and reducing walking distances, but that may be offset by the additional transfer. This strategy should be investigated further as part of the broader analysis of determining optimal internal routings for all services in the area.

The existing and planned residential areas along Shady Oak Road, west of Highway 212, currently have minimal service and should be covered by one or more potential route extensions.

BUS RAPID TRANSIT (BRT)

By their nature, suburban business or industrial parks have far less potential to attract transit trips compared to a traditional downtown center. The primary reasons for this are lower densities, longer walking distances, (often) poor pedestrian amenities and, especially, a large supply of free parking. Thus, it is most unlikely that any suburban employment center, even fairly large ones, could justify Bus Rapid Transit or any other form of higher order transit on its own merits.

However, similar to the strategies for reverse commute express services, suburban centers could benefit by either being located at or near the end of a downtown-oriented BRT line or providing shuttle connections to a station at or near the end of a BRT or an LRT (light rail) line. In the case of the Golden Triangle, this could potentially provide upgraded transit service to both the employment centers and the residences in the area.

The Minneapolis area has longer-term plans for such lines that could benefit the Golden Triangle area. Strategies to link with these lines include:

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- **Southwest Corridor** – Quick shuttle connections could be made to a station in Hopkins using Highway 169 for either LRT or BRT. If the corridor uses BRT, branch routings from the BRT facility could extend to the Golden Triangle.
- **I-494** – As this is intended to be a BRT corridor, branch routings could again be extended to the Golden Triangle, specifically to provide a quick connection to the Mall of America with frequent transfers both to St. Paul and the new Hiawatha LRT line.

The potential impacts of these improvements are discussed in Chapter 6.

Appendix C

Framework for Redevelopment

An evaluation of redevelopment concepts for the Golden Triangle leads to two important questions: (1) Will the private sector respond and build the proposed development?, and (2) What City actions and investments are needed to create the redevelopment described in the concepts? This study previously discussed the market potential for the Golden Triangle. The other important component of redevelopment is the financial feasibility from the developer perspective. In order for redevelopment to be successful, a developer must be able to realize a positive return on investment. The economic barriers to achieving this return are created by high site assembly and preparation costs due to existing development that is in many respects already providing an investor with a positive return even though the property may not be generating its highest possible rate of return.

The information in this appendix provides a framework for guiding public actions to encourage and participate in redevelopment projects. This appendix is divided into four primary sections:

- Factors Influencing Redevelopment discusses the critical elements of redevelopment.
- Overview of Property Tax System examines how the operation of the property tax system affects the outcomes of redevelopment.
- Certain Public Actions will be needed to create redevelopment in the manner contemplated in this Plan.
- Funding Strategies for Public Actions links actions with specific sources of funding.
- Finance Tools provides background information and guidance on the array of funding options for participating in redevelopment projects.

FACTORS INFLUENCING REDEVELOPMENT

Implementing the Transit Village or Expanded Transit Village means making public investments and attracting private investment to achieve the desired pattern of development. The ability to attract private investment that is consistent with a plan will be influenced by market forces, development setting and financial feasibility.

Appendix C

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MARKET FORCES

Implementing the plan matches market demand with community development objectives. Development occurs when there is a demand for the building. This demand means that the space will be leased or sold upon completion of development. The results of the market research performed in the planning process (see Appendix A) show that the development envisioned for the Golden Triangle is possible.

DEVELOPMENT SETTING

Implementing the plan seeks to organize development for mutual support and minimal conflict. Land uses tend to cluster because they share objectives in a desired setting. Industrial uses require a transportation system that provides access for employees and shipping of materials. Industrial uses cluster because the by-products of operations (noise, odors, traffic) are more readily accepted by similar land uses.

The same features that attract industrial are often a disincentive for residential use. Residential uses have less acceptance of the by-products of an industrial-oriented environment. Residential neighborhoods want a safe, peaceful and attractive setting.

Part of implementation seeks to redefine the development setting in the Golden Triangle. The new setting will provide a neighborhood environment for residential development with sufficient separation to minimize conflicts with ongoing industrial, office and commercial uses.

FINANCIAL FEASIBILITY

Development will not occur unless a project is financially feasible. The developer must be able to pay for the costs of developing on the site and generate income in a manner that produces a reasonable return on investment. Several factors produce financial barriers to redevelopment.

- Land costs are higher. For vacant parcels in the Golden Triangle, the average Estimated Market Value is \$2.18 per square foot. The average EMV rises to \$20.31 per square foot on parcels with a building. Assembling built-on sites for redevelopment projects may result in costs of 150% to 170% of EMV.
- Site assembly adds to the time and effort of project development. Redevelopment often requires the assembly and reconfiguration of current parcels into larger sites.
- Redevelopment sites require additional preparation expense. Buildings must be demolished and cleared. New parcel configurations may require reconstruction of streets and utilities.
- Redevelopment settings may not be able to attract the same revenues as more established locations. Revenue constraints limit the capacity of private investment

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to support development costs. Redevelopment seeks to improve the economic environment, increase the revenue potential and make future development more feasible.

- Redefining a development pattern increases risk. Current uses (office and industrial) provide real information on lease and vacancy rates. This information allows developers and lenders to assess the risk of a project. The current development pattern provides little guidance for the commercial, residential and mixed use projects described in the plan. This uncertainty creates risk. Risk adds to the cost of development.

Public actions and assistance will be needed to eliminate the financial barriers to redevelopment in the Golden Triangle.

OVERVIEW OF PROPERTY TAX SYSTEM

One objective of promoting the redevelopment of the Golden Triangle is to enhance the tax base of the City and other local governments. The operation of the property tax system shapes the tax implications from redevelopment alternatives. This section provides a brief explanation of the property tax system.

VALUATION

There are three forms of property valuation. The foundation of the property tax system is Estimated Market Value. This amount is the value of a parcel of property as set by the City's Assessing Department. In some circumstances, the State Legislature limits the amount of Estimated Market Value that can be used for taxation. These adjustments result in the Taxable Market Value. The value used to calculate property taxes is Tax Capacity. Tax Capacity Value is a percentage of Taxable Market Value. The percentage factors are set by the State Legislature and vary by class of property. The table in Figure C-1 contains the current rate schedule for converting market value to tax capacity.

Property Classification	Estimated/Taxable Market Value	Rate
Residential	First \$500,000	1.00%
Homestead	Over	1.25%
Commercial/ Industrial	First \$150,000	1.50%
	Over	2.00%
Rental Housing (2-3 units)	All	1.25%
Apartments (4 or more units)		1.80%

Figure C-1 Current Tax Capacity Rates

FISCAL DISPARITIES

The ability of local government to benefit from the increase in taxable value is affected by the fiscal disparities program. The program is a tool for redistributing the property value from commercial-industrial property across the seven-county metropolitan area. Every City is required to make a contribution to the system equal to 40% of the estimated market value of commercial-industrial property added to the City since 1972. A distribution

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from the system returns from the system in the form of property tax revenues. A complicated formula is used to calculate the distributions.

When the distribution is converted to property value, it shows that Eden Prairie is a net contributor to fiscal disparities. For taxes payable 2002, Eden Prairie contributed \$10,134,643 in tax capacity value to the fiscal disparities pool. The City received a distribution valued at \$2,716,937.

LEGISLATIVE CHANGE

While the City Assessor determines Estimated Market Value, the State Legislature controls how this value translates into tax base. In recent years, the Legislature has enacted a series of “reforms” in the property tax system. These changes have reduced the rates used to convert EMV to Tax Capacity. The result has been significant reductions in the taxable value of property.

These changes have been greatest for commercial-industrial property. The chart in Figure C-2 shows how legislative changes have reduced the tax base created by commercial-industrial development. This chart is based on the tax capacity value for a parcel containing \$3,000,000 of Estimated Market Value. The changes in the rates used to set tax capacity means that this property produced 56% less tax base in 2002 than in 1997.

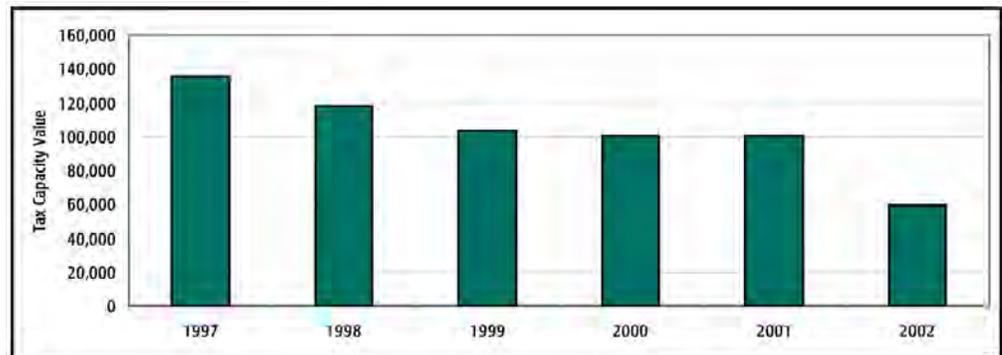


Figure C-2 Changes in Commercial-Industrial Tax Capacity Values

These changes highlight the risk of placing too much emphasis on tax base as a decision making factor. Legislative changes can significantly alter the anticipated tax base created by development.

CHANGES FROM REDEVELOPMENT

This plan explores options for changing the pattern of development in the Golden Triangle. These changes will result in increased taxable property value through enhanced land values, additional private investment, greater density and changes in property classification.

INCREASED LAND VALUE

Redevelopment will increase the value of land. A review of property data demonstrates the impacts of development on land value.

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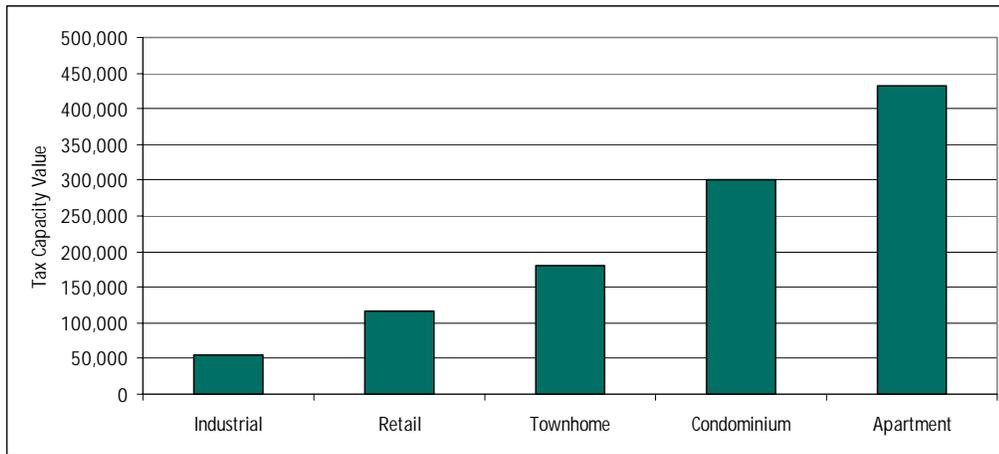
Twenty-two parcels in the Golden Triangle contain buildings constructed in 1995 or later. The average estimated market value for land was \$4.98 per square foot. In comparison, the area contains 57 parcels with buildings constructed in 1980 or earlier. The average EMV of land for these parcels was \$3.28 per square foot. On average, the newer buildings enhanced the estimated market value of land by 52%.

ENHANCED BUILDING VALUE

Regardless of the form and scale, new development will increase the property value derived from buildings in the Golden Triangle. Using the same parcels from the previous example, the new development (1995 and after) produced an average estimated market value of \$70 per square foot of gross building area. This value ratio dropped to \$29 per square foot for the older buildings (1980 and earlier). Based on these parcels, the newer buildings created 144% more property valuation per square foot of building area.

CHANGES IN DENSITY AND USE

The redevelopment scenarios depict alternatives for replacing current industrial uses with retail and residential uses. These changes will alter property valuation by increasing the density of development and changing the classification for calculating tax capacity values. The chart in Figure C-3 illustrates the potential implications of these changes.



	<u>Industrial</u>	<u>Retail</u>	<u>Townhome</u>	<u>Condominium</u>	<u>Apartment</u>
Acres Developed	10	10	10	10	10
Area Coverage/Density	30%	30%	6	12	12
EMV per SF/Unit	35	75	300,000	250,000	200,000
EMV	4,573,800	9,801,000	18,000,000	30,000,000	24,000,000
Gross Tax Capacity	90,726	195,270	180,000	300,000	432,000
Fiscal Disparities Contributor	40%	40%	0%	0%	0%
Net Local Tax Base	54,436	117,162	180,000	300,000	432,000

Figure C-3 Tax Capacity from Alternative Forms of Development

The information in this chart is based on the development of ten acres. The industrial and retail examples assume that 30% of the property can be built upon. The assumptions for

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estimated market value approximate the current value trends for the Golden Triangle (discussed earlier in this section). Both industrial and retail uses are subject to the fiscal disparities contribution.

The residential examples rely on basic assumptions for the value and density of housing types. The townhome and condominium types are classified as residential homestead property with a tax capacity of 1% of estimated market value. The apartment option classifies the property as rental housing and converts EMV to tax capacity at a rate of 1.8%.

This chart demonstrates how overall value, density, legislative policy and fiscal disparities combine to enhance the tax base potential for redevelopment options that convert industrial uses to residential.

USE OF TAX INCREMENT FINANCING

The redevelopment of the Golden Triangle will create more taxable property value. The ability of local governments to benefit from the new tax base is tied to the use of tax increment financing. It is likely that some of the redevelopment projects will take place in tax increment financing districts. When property is placed in a TIF district, local governments only receive property tax revenues from the parcel value existing at the time the district is created. State Law governing TIF calls this the “Original Tax Capacity Value.” All growth in value is captured by the TIF district. The tax revenues from this captured value become tax increments and are used to support redevelopment costs. Local governments will not receive use of the full redeveloped tax base until the TIF district is terminated.

A more subtle property tax implication of redevelopment and the use of TIF come from changes in the base/original value of the TIF district. In reality, the market value (not tax capacity) establishes the original value of a TIF district. The tax capacity value of this base changes with the use and classification of the parcels. This change affects the value of property available for general taxation.

The table in Figure C-4 shows the potential effect of this situation. This example puts three parcels into a TIF district. The parcels are currently classified as commercial-industrial and contribute to the fiscal disparities pool. If the parcels are redeveloped into owner-occupied housing, the original tax capacity value will decline. Redevelopment as rental housing creates a high net value to local governments.

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	Current EMV	Tax Capacity		
		CI	Owned	Rental
Parcel 1	442,000	8,090	4,420	7,956
Parcel 2	605,000	11,350	6,050	10,890
Parcel 3	289,000	5,030	2,890	5,202
Total Value		24,470	13,360	24,048
Fiscal Disparities Contribution		-9,788	0	0
Net Value		14,682	13,360	24,048

Figure C-4 Effect on TIF District Original Value from Redevelopment

PUBLIC ACTIONS

Implementation of a new land use pattern in the Golden Triangle will not occur without public actions. The additional costs of land and the site preparation create financial barriers to redevelopment. The income capacity of a project may not be adequate to cover these additional expenses. Public actions are needed to provide the setting and remove the economic barriers to redevelopment. The public actions needed to implement either the Transit Village or the Expanded Transit Village include site assembly, site preparation, and public improvements.

SITE ASSEMBLY

Redevelopment often requires the assembly of parcels into new redevelopment sites. In implementing either of the Transit Village alternatives, the City must anticipate taking the lead in the site assembly process. The need for City action to assemble sites comes from several factors:

- The City provides certainty in the ability to assemble the site. Only the municipal powers of eminent domain can eliminate the risk of unwilling sellers.
- The City can monitor the costs of acquisition. When city financial assistance covers land acquisition, a developer may be motivated to overpay for land rather than undertake time consuming negotiations.
- Land ownership gives the City greater control in project negotiations.

More control over development of site

Timing and funding are important elements of a site assembly strategy. In a perfect world, site assembly occurs in conjunction with a specific redevelopment project. This timing allows the City to acquire land based on a definitive plan for funding and development. A specific development agreement may also be part of the acquisition strategy. The City may wish to have the terms of the relationship between the City and the developer agreed upon prior to acquiring land.

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CONDEMNATION

Cities must approach redevelopment with a willingness to condemn property. With the need to assemble multiple properties, a single property can become the only barrier to redevelopment. In some cases, the threat of condemnation is sufficient to promote acquisition. Property owners cannot make redevelopment disappear by stonewalling.

SITE IMPROVEMENTS

Redevelopment often involves site preparation costs not present on vacant land. Existing buildings must be demolished and removed from the site. The role of the City in this process is directly related to land acquisition. Assembly of the site and the removal of buildings may be needed to attract a developer. In many cases, the city role is more economics than action. Public financial assistance is used to offset the additional site development costs.

Parking creates another site-related cost of redevelopment. The plan for the Golden Triangle intensifies the development pattern. This pattern cannot be achieved without structured parking. Parking ramps may be three to five time more expensive than surface parking lots. Public assistance may be needed to offset these development costs.

PUBLIC IMPROVEMENTS

The transit-oriented redevelopment options cannot be achieved without public infrastructure investments. The proposed improvements in streets and public open space are essential elements of defining a new development pattern.

The basic financial tools available to the City to undertake these actions in the Golden Triangle include Tax Increment Financing and Tax Abatement.

FUNDING STRATEGIES FOR PUBLIC ACTIONS

SITE ASSEMBLY

Tax increment financing is well suited to the task of site assembly. The City can issue both long-term and temporary general obligation bonds to provide the capital needed to assemble a site. The challenge of using TIF bonds to finance land acquisition is not capacity. The City should be able to use this debt tool to undertake any site assembly set forth in this plan. The challenge lies with creating a viable plan to support the debt. These concerns tie back to the resulting development project, the flow of revenues and the projections provided by the development agreement.

The TIF Act requires that not more than 25% (by acreage) of the land to be acquired in a project area containing a redevelopment district shall be acquired using the proceeds of TIF bonds without a development agreement that provides recourse for the City should the redevelopment not be completed (M.S. 469.176, Subd. 5). This statutory limitation supports the establishment of a project area that covers the entire Golden Triangle and

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designating the majority of parcels as eligible for acquisition. This designation does not require any action by the City nor signal any pending acquisition. The designation simply reserves the ability to use public monies for acquisition should the need arise. It would also give the City the flexibility to use bonds in the acquisition of potential redevelopment sites without a development agreement that provides recourse.

Tax abatement is another site assembly tool. Land acquisition is one of the basic uses of abatement described in the enabling statutes. The combined abatement power of the City and the county provide a significant funding resource. Abatement may become an alternative when the requirements of TIF do not fit a particular site or use. Abatement bonds can be issued to fund site acquisition.

Site acquisition can also be financed through public improvement projects. Some street and park improvement projects described in the plan require new routes and the acquisition of land. Given parcel configurations, land acquired for public improvements could produce properties that form redevelopment sites. Public improvement funding tools contribute another set of revenues and bonding options.

SITE IMPROVEMENTS

TIF and tax abatement are best suited to site improvement applications. These tools are specifically designed to provide this form of assistance to redevelopment projects.

PUBLIC IMPROVEMENTS

State Law provides a variety of options for financing the public improvement investments required to implement the plan.

- Public improvement projects are often financed using Improvement Bonds. Using this tool requires that at least 20% of the improvement costs be assessed to properties benefiting from the improvements. If only a portion of the costs are assessed, then the City may use any legally available source of revenue to help pay debt service.
- TIF and tax abatement can be used to finance public improvements. The funding capacity of these tools may be limited. Land acquisition and site development costs may consume all available revenues.
- Special taxing districts have improvement funding powers. A special service district can be used to finance improvements in areas of commercial and industrial development. A housing improvement area provides similar authority for owner-occupied housing.
- Cities have specific powers related to the construction of roads. The City receives state aid for the construction and maintenance of streets included in a designated state aid system. Cities have the power to issue bonds to finance street construction projects.

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Like site assembly, the key will be crafting a reasonable finance plan, not finding the capacity to raise capital.

Timing will be an important factor in undertaking public improvement projects. Some street improvements must occur prior to redevelopment. Street reconfiguration defines new development parcels. It is likely that the redevelopment of some, but not all, of the redevelopment sites adjacent to new streets can be undertaken in conjunction with the public improvements.

FINANCE TOOLS

This Plan makes specific reference to a number of key financial tools. As a reference, this Appendix presents an overview of the most commonly used finance tools. This discussion focuses on the highlights of those tools, but the specific statutory requirements for using them are not fully described. In addition, the laws governing these programs change over time. Finance plans for actual projects should be made using appropriate technical and legal advice.

STATUTORY AUTHORITY

City government plays an essential role in implementing the Plan. The powers to take actions required to implement the Plan come from State Law. Some key sources of statutory authority come from the following:

- Constructing public improvements and levying special assessments - Chapter 429.
- Constructing, operating, and financing (including special assessments) automobile parking facilities - Section 459.14.
- Creating and using special service districts - Sections 428A.01 through 428A.101.
- Creating and using housing improvement areas - Sections 428A.11 through 428A.21.
- Establishing and using tax increment financing districts - Sections 469.174 through 469.1791.
- Making and using tax abatement levies - Sections 469.1812 through 469.1812.
- Powers granted to cities through housing and redevelopment authorities - Sections 469.001 through 469.047.
- Powers granted to cities through economic development authorities - Sections 469.090 through 469.1081.
- Lease financing for real and personal property - Section 465.71.

These statutes are available on the Internet at www.revisor.leg.state.mn.us/stats.

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Each statute contains a unique set of authorizations and restrictions. Understanding these provisions is a key to effective implementation. In some cases, the City may have several options. For example, public improvements can be financed with special assessments, special service districts, housing improvement areas, tax abatement and tax increment financing. To evaluate the use of potential statutory powers, the City should find the answers to the following questions.

Who can use the powers? Most municipal powers are granted directly to the City. In these cases, the City council can act without the involvement of any other body. Some development powers reside solely with another entity, such as a housing and redevelopment authority.

How do the powers function? Every municipal development power carries certain requirements and implications of use. For example, tax increment financing involves a complex set of statutory requirements. Property owners must petition to start the process for establishing a special service district. Tax abatement discussions should involve the County. These are just some of the important issues that shape decisions on finding and using the right tools to implement the plan.

Does the power provide funding capacity? Many statutes provide access to revenues and debt that can be used to finance implementation initiatives. Several questions can help guide the evaluation of the funding capacity in a given statute:

- What revenues are authorized?
- How can the revenues be used?
- Can the City issue the bonds as “general obligations”, achieving the lowest interest rates?
- Do the bonds count against the City’s debt limit?
- What approvals are needed to authorize use of these powers?

The following sections provide additional explanation of the primary finance powers related to the implementation of the plan.

TAX INCREMENT FINANCING

Tax increment financing (TIF) is the primary development finance tool available to Minnesota cities (Minnesota Statutes, Sections 469.174 through 469.179). TIF is simple in concept, but complex in its application. Through tax increment financing, the property taxes created by new development (or redevelopment) are captured and used to finance activities needed to encourage the development. The challenge in using TIF lies with the complex and ever-changing statutory limitations. These complexities make it impractical to provide a thorough explanation of tax increment financing as part of this plan. Instead, this section highlights the use of TIF as it relates to the implementation of the plan.

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USES

Tax increment financing can be used to finance all of the important implementation actions facing the City: land acquisition, site preparation, parking, and public improvements. In addition, TIF creates a means to borrow money needed to pay for redevelopment costs. The City can issue general obligation bonds without an election if 20% or more of the debt is supported by tax increment revenues. These bonds are not subject to any debt limit.

TYPE OF TIF DISTRICTS

The implementation of the plan may require the creation of one or more new TIF districts. The following overview highlights some of the considerations in creating a TIF district. This information is intended solely as a basic framework for finding applications within the Golden Triangle. All specific uses will require a thorough analysis of all statutory factors.

The ability to meet the statutory criteria for establishing a district is a key to the use of TIF. Three types of TIF districts have application to the plan.

- **Redevelopment:** A redevelopment TIF district has two basic criteria. (1) Parcels consisting of 70% of the area of the district are occupied by buildings, streets, utilities, or other improvements. To be occupied, not less than 15% of the parcel's area must be covered by the improvements. (2) More than 50% of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance (as defined by statute). A redevelopment district may consist of noncontiguous areas, but each area and the entire area must meet these criteria.
- **Renewal and renovation:** A renewal and renovation district requires similar, but reduced criteria. The following three factors must exist. (1) The same 70% occupied test applies. (2) The minimum amount of structurally substandard buildings drops to 20%. (3) 30% of the other buildings require substantial renovation or clearance to remove existing conditions such as: inadequate street layout; incompatible uses or land use relationships; overcrowding of buildings on the land; excessive dwelling unit density; obsolete buildings not suitable for improvement or conversion; or other identified hazards to the health, safety, and general well being of the community.
- **Housing:** A housing TIF district is intended to contain a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income. This district is an option for both workforce and senior housing.

PROJECT AREA

The use of TIF involves two different types of "areas". The TIF district contains the parcels for the capture of property valuation and the generation of tax increment revenues. Every TIF district is located within a "project area". A project area may carry a different

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name based on the requirements of the enabling statute. For example, a TIF district established by a city under M.S. 469.124-469.134 are located within development districts.

From a planning perspective, the boundaries of the project area are important. These boundaries control the expenditure of tax increments outside of the TIF district. Certain statutory restrictions limit these expenditures, more commonly called “pooling”. To maximize the resources available to implement this Plan, all TIF districts in the Golden Triangle should be located in a single, common project area. The plan (or development program) for the project area should be based on the overall redevelopment plan for the Golden Triangle.

KEY ISSUES FOR TIF

Tax increment financing (TIF) is the most powerful tool available to undertake the public actions needed to implement the plan. The use of TIF in the Golden Triangle requires careful planning and an understanding of several key issues.

But For Test

The fundamental rationale for the use of TIF is often referred to as the “but for” test. This test focuses on the need for public assistance. The City must determine that the proposed redevelopment would not occur without (but for) the use of TIF and the related public participation. The market and financial analysis performed in the planning process clearly demonstrates the need for public financial participation in the redevelopment process. This participation is needed to build public improvements and remove the economic barriers to private investment. This plan cannot be implemented without public actions and financial assistance.

Building Condition

Two types of TIF districts are best suited for use in the Golden Triangle: (1) redevelopment and (2) renewal and renovation. Both of these districts require the presence of “structurally substandard” buildings. This factor will be the key to using TIF for implementation.

It is important to note that structurally substandard does not mean that a building is deteriorated. For TIF purposes, this term refers to specific statutory criteria. The TIF Act uses a two-part test for qualifying a building as structurally substandard:

- (1) A building must contain structural defects or deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors.
- (2) These deficiencies must be of a sufficient magnitude to justify substantial renovation or clearance. The TIF Act sets forth the criteria to be used in determining the magnitude of the deficiencies. In finding a building to be structurally substandard, the City must determine that it is not in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less

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than 15 % of the cost of constructing a new structure of the same square footage and type on the site.

The structurally substandard requirement does not apply to all buildings in a TIF district. In a redevelopment district, more than 50% of the buildings must qualify. For a renewal and renovation district, the level drops to 20% of the buildings.

Recent court decisions related to the use of TIF on the Best Buy complex in Richfield emphasize the need for care in making these findings. In evaluating the potential for establishing a TIF district, it is desirable to conduct a physical inspection of each building and to provide for thorough analysis of correcting identified deficiencies.

Such inspection and analysis was not conducted as part of this planning process. City assessing records do provide some insights on building quality and the potential for TIF qualification. The majority of buildings targeted for redevelopment are 20 or more years old. Fifteen of the 20 buildings included in the Market Based concept fall into the lower half of the building condition ratings performed by the assessing department. In the Transit Village concept, 23 of 37 buildings have the lower rating. While these factors do not assure the ability to the statutory test, they do indicate potential for further evaluation.

Vacant Parcels

With the criteria for structurally substandard buildings, vacant parcels cannot be the sole basis for redevelopment or renewal and renovation TIF districts. Contiguous built and vacant parcels can be combined into a common TIF district. The vacant parcels cannot account for more than 30% of the district area.

Base Value

While buildings are a necessity for the establishment of a TIF district, they may pose a financial liability. The base (original) value of a TIF district uses the property valuation at the time the district is created. In a built setting, this value includes both land and building. After redevelopment, the district captures value and produces tax increment revenues only on the next value that exceeds the base.

An example illustrates the implications of this situation. A single parcel TIF district contains land with an estimate market value of \$1,250,000 and a building valued at \$4,500,000. Under current statutory rates, this EMV converts to a base (tax capacity) value of \$114,250 for the TIF district. The redevelopment of this parcel involves an office/warehouse project of 135,000 square feet. Assuming an EMV of \$70/sf, the project creates \$188,250 in new tax capacity value. The captured value ($\$188,250 - \$114,250 = \$74,000$) produces \$84,360 in annual tax increment (at a tax rate of 114%). Assuming using the tax increment for the maximum 25 years, the district will support \$900,500 in up-front redevelopment expense (using an 8% interest rate).

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If this same parcel is vacant, the funding capacity increases significantly. Removal of the building from the base value adds \$90,000 to the tax capacity value captured by the TIF district. Over the 25 year period, this additional value increases the up-front funding capacity to \$1,995,000.

Timing

TIF districts are governed by a series of timing constraints. The most important of these time factors is the five year rule. In simple terms, this rule requires that the tax increment revenues be spent or committed within five years of the date the district is certified. This limitation is not a constraint when the district is created in conjunction with a specific development project. The five year rule is an important consideration when the district will include multiple development projects or phases that do not commit the increment with the initial development agreement. This rule becomes a factor in a proactive approach to redevelopment. If the City were to assemble a site and establish a TIF district as the basis to attract developers, the tax increments must be committed within five years.

Use of Tax Increments.

The use of tax increment revenues is controlled by both State Law and by local plan. State Law sets forth specific limitations based on the type of TIF district. These limitations generally tie back to the original criteria used for establishing the district. For example, at least 90% of the revenues derived from tax increments from a redevelopment district or renewal and renovation district must be used to finance the cost of correcting conditions that allowed for the designation of the district. This limitation requires careful consideration of the links between individual projects and the broader Redevelopment Plan. The use of tax increments must also be authorized by a tax increment financing plan adopted by the City.

Pooling

The term pooling refers to the ability to spend money outside of the boundaries of the TIF district. For redevelopment districts, not more than 25% of revenues can be spent on activities outside of the TIF district. The limit is 20% for all other districts. Monies spent on administrative expense count against this limit. This limit reduces the ability of TIF to pay for area-wide improvements and to use excess revenues to support other development sites.

TAX ABATEMENT

Tax abatement acts like a simpler and less powerful version of tax increment financing. With TIF, the City controls the entire property tax revenue from new development. Under the abatement statute (Minnesota Statutes, Sections 469.1812 through 469.1815), the City, county and school district have independent authority to grant an abatement.

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USES

Abatement in Minnesota works more like a rebate than an abatement. The City (and other units abating taxes) adds a tax levy equal to the amount of taxes to be abated. The revenue from the abatement levy can be returned to the property owner or retained and used to finance development activities. Tax abatement can be used to finance the key redevelopment actions in the Golden Triangle: land acquisition, site preparation and public improvements.

Tax abatement is perhaps best suited as an incentive for reinvestment in existing property. While TIF deals with only the value from new development, abatement can apply to both new and existing value. This power provides the means to encourage building rehabilitation and storefront improvements. The City could agree to abate all or part of the municipal share of taxes to encourage reinvestment tied to the plan.

The statute grants the authority to issue general obligation bonds supported by the collection of abated taxes. The proceeds of the bonds may be used to pay for (1) public improvements that benefit the property, (2) land acquisition, (3) reimbursement to the property owner for improvements to the property, and (4) the costs of issuing the bonds. These bonds can be issued without an election and are not subject to the debt limit.

KEY ISSUES FOR TAX ABATEMENT

Tax abatement provides the opportunity to extend City/County collaboration from planning to implementation. The powers of tax abatement allow each unit of local government to make abatement levies and use these revenues to pay redevelopment expenses. In comparison with TIF, tax abatement offers several advantages

- Tax abatement can be used on vacant parcels.
- Tax abatement does not require the presence of structurally substandard buildings.
- Tax abatement does account for the existing value of property, avoiding the base value constraints in a TIF district.

Tax abatement can be used independently by the City. A city-only abatement levy has limited revenue capacity. Eden Prairie's 2002 tax rate accounted for one-third of the total tax rate. A city-county initiative significantly increases the funding power of tax abatement. Together, these jurisdictions represent almost 80% of the total 2002 tax rate.

The example redevelopment TIF parcel in the previous section also shows the application of tax abatement. With the impacts of a high base value, this redevelopment project supported \$900,500 in up-front costs with 25 years of tax increment revenue. If both the City and County make abatement levies based on the entire parcel value after redevelopment, supportable redevelopment costs grow to \$1,418,000, a 57% increase. This example uses the same 8% interest rate and the maximum 15 years of levy authority.

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OTHER LIMITATIONS

State law places several important limitations on the use of tax abatement:

- In any year, the total taxes abated by a political subdivision may not exceed the greater of 5% of the current levy or \$100,000.
- If one political subdivision declines to abate, then the abatement levy can be made for a maximum of 15 years. If the City, county and school district all abate, then the maximum period drops to 10 years.
- Taxes cannot be abated for property located within a tax increment financing district.

SPECIAL ASSESSMENTS

Public improvements are often financed using the power to levy special assessments (Minnesota Statutes Chapter 429). A special assessment is a means for benefiting properties to pay for all or part of the costs associated with improvements, and to spread the impact over a period of years. From a City perspective, this authority provides an important means of raising capital.

USES

Special assessments can be used to finance all of the public improvements needed to implement the Plan. Eligible improvements include streets, sidewalks, street lighting, streetscape, and parking.

Special assessments provide a means to borrow money to finance public improvements. Chapter 429 conveys the power to issue general obligation improvement bonds to finance the design and construction of public improvements. Important factors in the use of improvement bonds include:

- A minimum of 20% of the cost of the improvement must be assessed against benefited properties.
- Beyond the 20% threshold, any other legally available source of municipal revenue may be used to pay debt service on improvement bonds.
- Improvements bonds are not subject to any statutory debt limit.
- Improvement bonds may be issued without voter approval.

LIMITATIONS

Careful consideration must be given to setting the amount of the assessment. From a legal perspective, the amount of an assessment cannot exceed the benefit to property as measured by increased market value. There are also practical considerations. Benefiting property owners should pay for a fair share of improvement costs without creating an

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economic disincentive to operating a business. Within this limitation, several factors will shape the amount of the assessment.

- The amount of the assessment must be 20% or more of the improvement cost to allow the issuance of bonds.
- Local improvement policies and/or decisions made on previous projects often create parameters for assessments. Likewise, assessment decisions should be made with consideration of the potential implications for future similar projects.
- The assessment must strike a balance between equity and feasibility. Properties that benefit from improvements should pay a fair share of the costs. The assessment must be affordable for both the property owner and the City. Reducing the assessment to the property requires the City to allocate other revenues to the project.

SPECIAL SERVICE DISTRICT

A special service district is a tool for financing the construction and maintenance of public improvements within a defined area. Minnesota Statutes, Sections 428A.01 through 428A.10, govern the creation and use of special service districts. This legislation is currently scheduled to sunset in 2005. A special service district provides a means to levy taxes (service charge) and provide improvements and service to a commercial area.

USES

A special service district has several applications for the Golden Triangle area. The district can provide an alternative means of financing the construction of any of the public improvements discussed previously with special assessments. The service district approach avoids the benefits test imposed by special assessments; the test for the district is that the amount of service charges imposed must be reasonably related to the special services provided. The costs of parking or streetscape improvements, for example, may be better spread across a district than through assessments to individual properties.

An important use of the special service district is the maintenance of public improvements. Some of the improvements described in the plan require a level of maintenance above the typical public improvement. Items such as banners and planted materials must be maintained and replaced. Higher levels of cleaning and snow removal may be needed. Without a special service district, these costs are typically borne through the General Fund of the City.

LIMITATIONS

The use of a special service district is subject to some important constraints:

- The process to create a special service district and to levy taxes to use must be

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initiated by petition of property owners and is subject to owner veto. The use of a special service district requires a collaboration of property owners and the City. There are two separate steps in the process: (1) adoption of an ordinance establishing the service district and (2) adoption of a resolution imposing the service charges. Neither step can be initiated by the City; the City must be petitioned to undertake the processes to create a special service district and to impose service charges. At a minimum, the petitions must be signed by owners representing 25% of the area that would be included in the district, and 25% of the tax capacity subject to the service charge.

- The actions of the City Council to adopt the ordinance and the resolution are subject to veto of the property owners. To veto the ordinance or the resolution, objections must be filed with the City Clerk within 45 days of initial City Council action to approve. The objections must exceed 35% of area, tax capacity, or individual/business organizations in the proposed district.
- The service charge applies solely to non-residential property. State Law limits the application of a service charge to only property that is classified for property taxation and used for commercial, industrial, or public utility purposes, or is vacant land zoned or designated on a land use plan for commercial or industrial use. Other types of property may be part of the service district, but may not be subject to the service charge.

HOUSING IMPROVEMENT AREA

The City has the power to establish a special taxing district to make improvements in areas of owner-occupied housing (Minnesota Statutes, Sections 428A.11 through 428A.21). The housing improvement area is similar in concept to the special service district. It is a special taxing district that can be used to finance a variety of improvements. However, there is an important administrative difference with the housing improvement area. The City has the ability to assign the procedures for imposing “fees” and administering the area to another “authority,” such as the HRA or EDA.

A housing improvement area is a defined collection of parcels. The area may cover a single housing project or a broader area within the Golden Triangle.

The City has the power to levy a “fee” on the housing units in the area. This fee may work like a property tax or may be spread using another approach determined by the City. The fee can be collected through the property tax system.

USES

The statute allows each city to define the nature of housing improvements. This tool can be used to finance any form of public improvement, including streetscape, parking and trails. A housing improvement area can also be used for private improvements that are part of new or existing housing developments.

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LIMITATIONS

The City does not have the unilateral power to establish a housing improvement area. The process must be initiated by petition of property owners. In addition, the actions to establish the area and impose the fees are subject to veto by the property owners. These potential complications become moot if the area is set up at the beginning of the development process. Typically, there is a single property owner at this stage of the process. In existing neighborhoods, this tool allows residents to take the initiative to improve local parks.

The current law is scheduled to sunset on June 30, 2005. If this tool becomes part of the ongoing redevelopment plans of the City, then an extension or removal of the sunset provision will be necessary.