5.0 ECONOMIC EFFECTS

This chapter of the SDEIS provides a summary and update of the economic effects of the Central Corridor Light Rail Transit (LRT) Project alternatives and their effect on the local economy. This chapter also summarizes the potential effects on station area development and land use and policy decisions aimed at transit-oriented development (TOD). With implementation of the project, direct, indirect, and induced economic effects related to the construction and long-term expenditures for operations and maintenance (O&M) would be realized. These effects would be realized to varying degrees throughout the region through increased economic output, earnings, and employment.

Section 5.1 provides an overview of the methodology and anticipated effects of the project on the local economy. This section summarizes the analysis disclosed in the Alternatives Analysis/Draft Environmental Impact Statement (AA/DEIS) and provides a basis for evaluation upon selection of a revised Local Preferred Alternative (LPA) and preparation of the Final Environmental Impact Statement (FEIS).

Section 5.2 provides an overview of the anticipated effects of the project on commercial and residential development located near transit stations and programs and policies that have been developed to encourage development. This section provides a description of the potential development effects related to the Key Project Elements and changes since adoption of the AA/DEIS LPA.

5.1 Economic Conditions

In preparing the Federal legislation for passage of the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU), legislators specifically included language for economic development as a selection criterion for fixed-guideway transit projects. As part of the Federal Transit Administration (FTA) review process, this legislation called for documentation of the degree to which a project would have a positive impact on local economic development.

As described in Chapter 1 of this SDEIS and documented in the AA/DEIS, the Central Corridor LRT Study Area, cities of Minneapolis and St. Paul, and the region are experiencing significant population and employment growth, which is expected to continue through 2030. The project would provide increased mobility to both residents and businesses within the Central Corridor LRT Study Area and is expected to contribute to this growth. New transportation capacity could create competitive advantages for businesses located in the Central Corridor LRT Study Area. The project would also provide a critical connection in the region's transportation system by providing an important link in Metro Transit's long-range plan. The Central Corridor LRT Project would effectively link the six primary activity and employment centers in the region: downtown St. Paul and Minneapolis, the University of Minnesota (U of M), State Capitol Complex, Minneapolis-St. Paul International Airport, and Mall of America region (four directly and two through connection to the Hiawatha LRT line).

The implementation and construction, continuing operation, and market reaction to the availability of this improved transit service would influence economic activity in the local economy. Construction of these facilities would expand local earnings for the duration of the

project's construction cycle. Operating the selected alternative would also, to a smaller degree, expand earnings. However, unlike the one-time capital construction spending, the new jobs required to operate and maintain the project would be a long-term benefit. Together, these jobs represent the direct effects of investment in the Central Corridor LRT Study Area. The earnings of these new construction and transit workers would translate into a proportional increase in consumer demand as these workers purchase goods and services in the region. A further increase of new employment across a wide variety of industrial sectors and occupational classifications is expected as employers hire to meet this increase in local consumer demand. This type of hiring represents the project's indirect impact.

The project is also anticipated to have positive effects on commercial and residential development located near transit stations, and would contribute economic benefits by encouraging and supporting higher-density residential and commercial land uses around transit stations. It is also expected that new development in this Central Corridor LRT Study Area would capture an increasing share of residential and employment growth as densities increase. Focused development in areas with existing infrastructure accrues benefits to the taxing jurisdictions. The project is an integral part of approved plans by both the cities of Minneapolis and St. Paul. Planning efforts in both cities incorporate elements of TOD along the Central Corridor LRT Study Area to achieve long range plans.

5.1.1 Effects from Capital and O&M Expenditures

This section assesses specific changes to the AA/DEIS LPA and their effect on the local economy. Significant changes to economic effects in terms of output, earnings, and employment reported in the AA/DEIS are not anticipated. After circulation of the SDEIS and adoption of a revised LPA, a detailed economic analysis will be performed. The analysis will follow the methodology described below and used in the development of the AA/DEIS. The results of this analysis will be included in the FEIS.

The area of economic effect used in the analysis of effects for the AA/DEIS LPA consisted of the two-county, two-city region. The economic effects associated with construction and O&M expenditures for the project are measured using regional multipliers from the U.S. Department of Commerce Bureau of Economic Analysis (BEA). Derived from the Regional Input-Output Modeling System (RIMS II), multipliers measure the total change (direct-plus-indirect effects) in output, employment, and earnings resulting from an incremental change relative to a particular industry. Data used in the analysis was based on the 1997 Benchmark Input-Output Table for the nation and 2004 regional accounts data.

The *Economic Impact Analysis of the Central Corridor Light Rail Project (AECOM Consult, Inc., 2005)* was completed for the Ramsey County Regional Railroad Authority in April 2005 using the RIMS II Input-Output Model. The study was based on the Metropolitan Council's socioeconomic forecasts of Central Corridor LRT Study Area growth between 2000 and 2030 (anticipated growth in households and employment) included in the 2030 Transportation Policy Plan.

The study estimated that construction of LRT in the Central Corridor LRT Study Area would contribute towards the following economic effects:

- 24,572 full-time equivalent jobs (one-year duration)
- $852 million in earnings income

- 2.7 million square feet of commercial space
- 3.9 million square feet of residential space

5.1.2 Long-Term Effects

5.1.2.1 No-Build Alternative

The No-Build Alternative would not have any project-related O&M costs and would not generate any project-related economic benefits.

5.1.2.2 Key Project Elements

As compared to the AA/DEIS LPA, changes in long-term effects related to the Key Project Elements are not anticipated. Long-term economic effects are associated with continuing O&M expenditures that are locally procured and recurring. O&M costs have not significantly changed since circulation of the AA/DEIS. These effects represent spending that would not have occurred except for implementation of this project. As described above, a detailed analysis of long-term effects related to project O&M costs will be disclosed in the FEIS.

5.1.3 Short-Term Effects

5.1.3.1 No-Build Alternative

The No-Build Alternative would not have any project-related capital costs and would not generate any project-related economic benefits.

5.1.3.2 Key Project Elements

There are no significant changes in the short-term economic benefits associated with the proposed changes to the AA/DEIS LPA. Short-term benefits are associated with construction expenditures, as these are one-time expenditures that last for the duration of project development and construction. As described above, a detailed analysis of short-term effects related to project capital costs will be disclosed in the FEIS.

5.2 Station Area Development

The station area development characteristics disclosed in the AA/DEIS have not significantly changed since publication of the AA/DEIS in April 2006. The following description summarizes development characteristics of the proposed station areas described in the AA/DEIS.

Similar to local experience with Hiawatha LRT stations, the anticipated implementation of Central Corridor LRT is thought to be attracting development interest. However, development directly attributable to this planning effort versus other market influences cannot be isolated. Multiple market factors direct development location decisions, such as the renewed interest in urban living and the attraction of riverfront development. The multifamily housing market has been particularly strong within the metropolitan area, including those areas around existing and proposed LRT stations. The location of a

proposed station, coupled with availability of redevelopment parcels and community-supported land use plans that favor redevelopment, are likely attracting development interest.

The two LRT corridors, Hiawatha and Central Corridor, will connect the largest employment centers in the state and upper Midwest. Both of these corridors are experiencing high levels of growth in population and employment (see Section 1.2). The Central Corridor LRT Study Area has a unique economic environment because it is anchored on both ends by downtowns that are economically thriving, and serves the U of M and the State Capitol Complex, two areas of high employment and strong economic activity. The remainder of the Central Corridor LRT Study Area is at the cusp of redevelopment and revitalization. In recent years, the Midway section of the Central Corridor LRT Study Area has seen a rapid growth in minority-owned retail and service businesses as well as the construction of multi-family housing and new commercial and office enterprises.

The summary of development characteristics are presented by their community planning segment as defined for the Central Corridor LRT Project. The six segments are:

- Downtown Saint Paul
- Capitol Area
- Midway East
- Midway West
- University of Minnesota/Prospect Park
- Downtown Minneapolis

5.2.1 Downtown St. Paul

Opportunities exist for infill development in the downtown St. Paul station areas. Scattered surface parking lots exist on one-quarter- to one-half-block parcels. All of the downtown station areas offer significant opportunities for redevelopment and reuse of existing buildings. As with Minneapolis, downtown St. Paul is currently experiencing a boom in loft and condominium housing. Numerous older warehouse and office buildings are being converted to residential uses. Most of these buildings have retail or office uses at the ground level. Urban villages, such as Wacouta Commons, are emerging. St. Paul recently adopted the *Central Corridor Development Strategy* (October 2007). The plan addresses development in the Central Corridor LRT Study Area and recommends a strategy for regulating future growth and development in the Central Corridor LRT Study Area (see Section 5.3.2 for a detailed description). Overall, the downtown station areas have moderate to high potential for infill development and excellent potential for redevelopment and reuse. The overall potential for TOD in these station areas is excellent.

5.2.2 Capitol Area

Institutional uses, including the State Capitol, two hospitals, and state office buildings, are the dominating land use surrounding the two Capitol Area stations is. There are some surface parking lots in this area associated with the State Capitol complex that have development potential for the expansion of state office buildings and other mixed uses.

West of Rice Street is a Sears department store, the Kelly Inn hotel, some office buildings, assorted commercial enterprises, and large surface parking lots. The potential for infill development on surface parking lots is high, especially on the Sears site. Other sites on the west side of the station area have potential for redevelopment as TOD, including the St. Paul bus depot and the League of Minnesota Cities site.

5.2.3 Midway East

The land in the immediate vicinity of the Dale/University Avenue intersection is underutilized. The Unidale Mall in the southeast quadrant provides an excellent opportunity for redevelopment. The southwest quadrant of the intersection was most recently used as an outdoor urban market, prior to the public/private library/housing/retail development project built on the corner. The northwest and northeast quadrants are older groupings of storefronts interrupted by parking lots. A redevelopment project is underway in this section. There are other vacant and underutilized parcels along University Avenue and scattered through the residential areas within a quarter-mile of the station. Beyond the quarter-mile on the north side of University Avenue are stable residential neighborhoods. Overall potential for TOD infill and redevelopment in this station area is good. Chapter 3 provides more detail about land use and neighborhoods in the Midway East planning segment.

Much of the land in the immediate vicinity of the Lexington Parkway Station is currently vacant, underutilized, or used for surface parking. Along the north side of University Avenue, commercial buildings line University Avenue backed by stable residential neighborhoods. Redevelopment opportunities of the existing residential neighborhoods are limited to minor infill. The southeast quadrant of the station area has an old shopping center and surface parking. The southwest quadrant of the Lexington Parkway intersection is being developed with housing and institutional uses. Beyond this 8-acre development parcel, there are a number of other redevelopment and infill opportunities in this quadrant of this station area. Overall, the potential for infill and redevelopment of TOD in this area is excellent.

Southeast of the Snelling/University Avenue intersection, the area is dominated by the Midway shopping area, new retail centers, a recently redeveloped Super Target and large vacant parcels used for parking. This quadrant offers significant long-term potential for redevelopment. The shopping center is economically viable, and other than the possibility of infill on surface parking lots, redevelopment, at least in the short-term, is unlikely.

5.2.4 Midway West

Generally, the development pattern of the Fairview Station area on the north side of University Avenue tends to be industrial and office uses, backed by residential neighborhoods. On the south frontage of University Avenue are retail uses backed by residential neighborhoods. The residential neighborhoods in these station areas are, for the most part, stable, low- to moderate-density neighborhoods with limited opportunity for infill or redevelopment. The industrial/office areas, north of University Avenue, offer long-term potential for infill, redevelopment, and reuse. The commercial properties along University Avenue also offer long-term potential for redevelopment, but the scale of development may be constrained if redevelopment is limited to the properties that front University Avenue.

The Raymond Avenue Station area is mixed with retail, office, and residential uses. This is a strong neighborhood commercial retail node. It is at the center of a locally designated

historic district that is eligible for the National Register of Historic Places. A number of stately 3-4 story brick manufacturing and office buildings, dating in the early 1900s, are being used for office, retail, and artist studios. The outlying land in this station area is occupied by residential and industrial uses. Most of the industrial buildings are single-story, used for warehouse and trucking activities. There are a number of open parcels suitable for infill sites, and significant potential for redevelopment over time. In the long-term, this station area has high potential for TOD.

The Westgate station area includes a mix of light industries in a business park north of University Avenue and higher-density office and residential uses south of University Avenue. Four significant transit-oriented high-density housing developments were built recently in this area. Potential for additional infill development is highest near the business park north of University Avenue. There is significant potential for continued redevelopment on the south side of University Avenue. It is likely that this development will be primarily high-density residential and mixed uses. The future density of development in this area should be consistent with TOD principles, which would include a mix of uses—retail, residential, and office.

5.2.5 University/Prospect Park

The area north of the 29th Avenue (Prospect Park) station is dominated by the Southeast Minneapolis Industrial Area (SEMI)—a brownfield area originally built around a major railroad yard serving grain elevators and other industries. The SEMI master plan, completed in 2000, outlines a major redevelopment project that would create a new light industrial and business park in what is now underutilized and vacant railroad land, and a draft station area master plan calls for a significant amount of development that strongly reflects TOD principles. Much of the area is adaptable to TOD, and potential for TOD in this station area is good. South of University Avenue, the 29th Avenue (Prospect Park) station area would be located in a stable residential neighborhood that offers limited opportunity for infill development or redevelopment.

Institutional buildings on the U of M campus dominate the East Bank and Stadium Village Station areas. The primary development that is expected to occur is an expansion of the campus and medical facilities, and the new Gopher Football stadium. A number of new student housing projects have been built recently. The overall character of development in this area is transit-oriented with high density student housing, retail, entertainment, and institutional buildings in proximity to transit stations. This transit-oriented character is anticipated to continue in the future with density gradually increasing over time.

The West Bank Station area is also dominated by institutional buildings on the U of M campus. The overall character of development in this area is transit-oriented with high density residential (particularly west of Cedar Avenue), retail, office, entertainment, and educational uses located close together. Redevelopment into high-rise residential of about 4 acres near the Cedar-Riverside Station, consistent with the character of existing development, is proposed. The mixed-use character of the West Bank and Cedar-Riverside Stations is expected to continue to exist in the area, with high densities increasing over time.

5.2.6 Downtown Minneapolis

Within one half-mile of the downtown Minneapolis stations, there is significant potential for infill and redevelopment. Sites, particularly those currently used for surface parking, are located within walking distance of the LRT stations. A large number of high-density housing projects are being constructed, or are in various stages of planning. There is continued high potential for infill and redevelopment. The Multimodal Station and recently funded Twins Ballpark will attract new housing and mixed-use development to the current parking lot site.

While the Metrodome dominates the land area on the eastern edge of downtown, the Downtown East/Metrodome Station area is undergoing a redevelopment boom, with numerous housing, entertainment, and mixed-use developments under construction or in various stages of planning. A large amount of land in this station area is currently devoted to surface parking. Infill and redevelopment within a half-mile radius of this station is very high. The possible closing of Metrodome Stadium (due to the relocation of the Twins Stadium and the possibility of Vikings Stadium relocation) would turn the Metrodome site into a major redevelopment opportunity for the city. The city's master plan describes a number of high-intensity redevelopment alternatives for the site. Overall, the potential for TOD for station areas in this segment is considered excellent.

5.3 Long-Term Effects

5.3.1 No-Build Alternative

The No-Build Alternative would not generate additional project-related development benefits over current planned development.

5.3.2 Key Project Elements

Generally, station area development characteristics proposed in the AA/DEIS have not significantly changed since publication of the AA/DEIS in April 2006. The long-term effects on development by the proposed changes to the AA/DEIS LPA are similar to those described in the AA/DEIS. The Key Project Elements that do not impact development are not presented in this section. Upon selection of a revised LPA, station area development will be updated and disclosed in the FEIS. Station area development related to the Key Project Elements is described below.

Downtown St. Paul

Downtown St. Paul Alignment and Stations

Several proposed changes to the AA/DEIS LPA affecting development occur in downtown St. Paul. The option selected for evaluation in the SDEIS includes an alternative strategy to combine the 6th Street and 4th Street stations into one station that would cut diagonally across the block formed by 5th, Minnesota, 4th, and Cedar streets. The City of St. Paul requested this change to the AA/DEIS LPA for consistency with plans adopted after circulation of the AA/DEIS. The City of St. Paul is exploring acquisition of this site and will be reserving an envelope through the site for the LRT station. Development and redevelopment potential around this station is strong. Implementation of the Central Corridor LRT will further the development strategies being pursued by the City of St. Paul and Ramsey County.

St. Paul recently adopted the *Central Corridor Development Strategy* (October 2007). The plan addresses development in the Central Corridor LRT Study Area and recommends a strategy for regulating future growth and development in the Central Corridor LRT Study Area. The recommended strategy includes establishing location-specific transit opportunity zones (TOZs) along the Central Corridor LRT Study Area. The proposed station change and Key Project Element for the diagonal at 4th/Cedar Street is included as one of the programmed TOZs. The TOZs are overlay districts (zones), which generally would be established to preserve and protect underlying zoning, while simulateneously promoting and facilitating a desired change or improvement through redevelopment and rehabilitation activities. In the specific case of the TOZs, two policy layers would be included to promote mixed-use development by establishing:

- An enabling layer that establishes a priority approach for a range of financial and policy incentives, planning efforts, infrastructure investments, economic development initiatives, and capital improvements
- A regulatory layer that consists of a set of transit-supportive planning and development directions.

Within each TOZ, multi-disciplinary city TOZ teams would be established to implement policy directions, work with developers on incentives and bonus packages, alternate redevelopment scenarios, and financing models that optimize the development potential of strategic sites; prepare future station area plans; and coordinate, consult, and communicate with area residents, businesses, and stakeholders.

The SDEIS is evaluating a future extension of the alignment providing access to the St. Paul Union Depot concourse level. This site is also part of the planning efforts described above and is included as a TOZ in the *Central Corridor Development Strategy*. This future extension would provide access to future multimodal connections being planned for Union Depot. Two alternative routes are being evaluated for this connection: Wacouta Mid-block and Broadway. The extension and reconfiguration of the site would not necessarily accrue addition development benefits. However, if plans are moved forward for a future multimodal terminal, the intensity of development planned for this station area would likely increase.

Vehicle Maintenance and Storage Facility

The proposed Vehicle Maintenance and Storage facility site would be located east of Broadway Street and south of Kellogg Boulevard and would occupy land currently used for surface parking lots. Surface parking facilities are often described as having development potential. The lack of structures and proximity to higher density uses contributes to their value for future development. Conversion of these parking lots to permanent transit use may limit the type of redevelopment suitable for adjacent properties. The airport zoning classification also limits the adaptability of this area.

Capitol Area

There are no changes to development effects evaluated and disclosed in the AA/DEIS. Changes to the proposed AA/DEIS LPA do not significantly modify development impacts anticipated at Capitol Area stations.

Midway East

Proposed stations within the Midway East segment include Dale Street, Lexington Parkway, and Snelling Avenue. The development character and potential to accrue development benefits were disclosed in Chapter 5 of the AA/DEIS and are summarized in the preceding section. These would each serve community-level commercial and institutional nodes that exist today, formed at intersections where University Avenue crosses three key streets built at one-mile intervals: Dale, Lexington, and Snelling.

The City of Saint Paul, in an effort to facilitate transit riders' access to stations and recognizing the potential for LRT stations to enhance growth and development, has proposed the addition of three future stations in the Midway East segment. The addition of these stations would be consistent with the adopted *Central Corridor Development Strategy* described above. St. Paul plans to address the planning issues in these station areas through application of the TOZ and provisions to promote mixed-use. The stations would be located at Western Avenue, Victoria Street, and Hamline Avenue. These streets are located at half-mile points between the major mile streets and stations included in the AA/DEIS. Introduction of these potential stations would reduce the station spacing from approximately 1 mile to a half-mile along the Central Corridor LRT Study Area. Though these stations are not included in the project as described in Section 2.3, the underlying infrastructure would be constructed so that these stations could be implemented as potential ridership and finances allow, without disruption to operation of the Central Corridor LRT.

Much of the land in the immediate vicinity of the three proposed future stations is currently vacant, underutilized, or being used for surface parking. The commercial buildings that line University Avenue are backed by stable residential neighborhoods. Redevelopment opportunities in the existing residential neighborhoods are limited to minor infill. The future station locations all include community-level and neighborhood-level businesses located along University Avenue.

The Hamline Avenue Station would serve the Snelling-Hamline, Lexington-Hamline, and Hamline-Midway neighborhoods, and would provide increased access to several regional retail centers that include anchor tenants such as Target, Wal-Mart, and Borders.

The Victoria Avenue Station would serve the Summit-University and Thomas-Dale neighborhoods, an area mainly consisting of commercial uses fronting on University Avenue with single-family homes extending north and south of University Avenue.

The Western Avenue Station displays similar development characteristics as the other proposed future stations. This station would serve the Summit-University and Thomas-Dale neighborhoods.

Midway West

There are no changes to development effects evaluated and disclosed in the AA/DEIS. Changes to the proposed AA/DEIS LPA do not significantly change development impacts anticipated at Midway West stations.

University/Prospect Park

The Central Corridor LRT would travel at-grade down the center of Washington Avenue from the Washington Avenue Bridge to Huron Boulevard. Washington Avenue would be closed to all vehicle traffic, creating a transit/pedestrian mall. The AA/DEIS evaluated two stations located at Stadium Village and Washington at Union Street. The proposed changes to the AA/DEIS LPA include locating both of these stations at-grade, and moving the Stadium Village to the future location of the multi-modal facility proposed by the U of M. The net economic effect of locating these stations at-grade versus a depressed station is not significant. The prominent distinction will be the operation of this part of the Central Corridor LRT Study Area as a transit/pedestrian mall with no automobile traffic allowed. With the introduction of a more pedestrian-friendly environment with easily accessible transit, this investment is expected to have positive economic benefits on commercial and residential development near station areas.

Downtown Minneapolis

There are no changes to development effects evaluated and disclosed in the AA/DEIS. Changes to the proposed AA/DEIS LPA do not significantly change development impacts anticipated at Downtown Minneapolis stations.

5.4 Mitigation

The Key Project Elements would have, overall, positive economic effects on the local community and region. Therefore, no mitigation is necessary or proposed.