

Real Estate Development Impacts of Transitway Funding Announcements

A Transitway Impacts Research Program (TIRP) Research Brief



Photo Michael McCarthy

Key Findings

- After Preliminary Engineering was announced in 2006, the number of building permits along the Green Line corridor was unaffected. The construction value of commercial permits declined, while residential permit value rose.
- After the Full Funding Grant Agreement was announced in 2011, the number of building permits in the corridor increased by about 24 percent and the overall construction value of permits increased by 80 percent.
- Proactive planning plays an important role in stimulating real estate development along LRT corridors.
- Building permit data are one tool for understanding the impacts of major transit projects on real estate development.

This study examined building permit activity following two key announcements in the development of the Green Line light-rail transit corridor: the Preliminary Engineering (PE) in 2006 and the Full Funding Grant Agreement (FFGA) in 2011. The 11-mile Green Line connects downtown Minneapolis and downtown St. Paul; construction on the line began in late 2010, and service began in mid-2014.

Project Design

The study used building permit data from the City of St. Paul and tax data from Ramsey County to examine changes in the number and construction value of building permits following the Green Line PE and FFGA announcements. To isolate the impacts of the line, researchers selected several mixed-use, high-frequency bus corridors in St. Paul as control corridors. The research team then measured the changes in building activity before and after the two key LRT announcements and compared them with the control corridors.

Project Findings

Impacts of the Preliminary Engineering Announcement

One of the first key milestones in the development of the Green Line corridor came in December 2006 with the PE announcement. This announcement incorporated the locally preferred route for the Green Line into the regional transportation plan, and the Federal Transit Administration (FTA) started to fund the line's planning. The PE announcement also led to additional media coverage for the project, and residents and

businesses in the corridor began to experience extensive planning activities such as station-area planning. However, it was still uncertain whether and when the Green Line would be approved and constructed.

Researchers found no significant change after the PE announcement in the number of permits for both residential and commercial properties in the Green Line corridor. In contrast, the construction value of commercial permits for all station areas decreased, while the construction value of residential permits for non-downtown stations increased.

The researchers note that the recession—which came right after the PE announcement—likely had an impact on these findings. The decline in commercial construction permit values may reflect developers' hesitance to make new investments at this time, and the Green Line (formerly Central) Corridor was particularly hit relative to its prior strong performance. Additionally, many retailers along the corridor were worried about how the future construction of the Green Line might impact their businesses. On the other hand, the increase in residential construction permit values may reflect the increasing popularity of location-efficient housing in the corridor during the recession.

Anoka County

Center for Transportation Studies, University of Minnesota

Center for Urban and Regional Affairs, University of Minnesota

Central Corridor Funders Collaborative

City of Bloomington

City of Minneapolis

City of Saint Paul

Dakota County

Federal Transit Administration

Hennepin County

Hennepin–University Partnership

ITS Institute, University of Minnesota

Metropolitan Council

Metro Transit

Minnesota Department of Transportation

Ramsey County

State and Local Policy Program, Humphrey School of Public Affairs, University of Minnesota

University Metropolitan Consortium, University of Minnesota

Washington County

Impacts of the Full Funding Grant Agreement Announcement

The announcement of the FFGA in April 2011 brought a far greater level of certainty to the Green Line's future. It indicated that the FTA was committed to funding half of the Green Line and set an expected opening date in 2014. Substantial real estate changes followed this greater level of certainty.

Overall, building activities in the Green Line corridor increased after the FFGA announcement: the number of permits around all station areas increased by about 24 percent and construction permit values increased by 80 percent.

Closer examination reveals that for commercial properties, the number of permits and the construction values of permits increased. For residential properties, the number of permits increased but the construction value decreased, implying that building activities occurred in low-cost housing.

Impacts of Local Planning Interventions

The researchers note that several local planning interventions contributed to the significant increase of building activity in LRT station areas following the FFGA announcement. These include:

- **Supportive land-use planning.** Land-use planning efforts—including public outreach, citizen task forces, and, particularly, zoning code changes—created a permissive and encouraging policy environment for real estate development.
- **Public subsidies and publicly funded projects.** Publicly funded real estate projects—including a \$243 million renovation of the Union Depot and the Penfield mixed-use apartment project—along with subsidized housing along the corridor and grants and loans to small business affected by LRT construction, contributed to the positive real-estate impacts of the Green Line.

Conclusions and Policy Implications

- **Building permit data is a vital resource for assessing the impacts of major transit projects on real estate development.** Building permit data can help planners understand development impacts in ways that may not be possible with aerial photographs or other data sources. For example, the study was able to point out significant changes in the number of permits following the FFGA. This suggests that many projects associated with the LRT may be small scale in nature, such as improving a storefront or remodeling a single-family home. While these projects are not easily visible to the public, they do represent signs of physical revitalization in central city areas that are already highly developed.
- **Proactive planning plays an important role in stimulating real estate development along LRT corridors.** Local governments interested in maximizing development could consider creating supportive policy environments and developing plans for transit-oriented development before the opening of rail transit projects.
- **The Green Line is revitalizing the corridor, but net growth versus a redistribution of growth is uncertain.** The study indicates that real estate development grew along the Central Corridor in anticipation of the Green Line. However, it cannot tell whether the building activities represent a net growth in the region or just a redistribution of growth. Nevertheless, the Green Line seems to revitalize neighborhoods in the Central Corridor and creates location-efficient neighborhoods.

About the Research

Real Estate Development in Anticipation of the Green Line Light Rail Transit in St. Paul was authored by Associate Professor Xinyu (Jason) Cao and graduate student Dean Porter of the Humphrey School of Public Affairs at the University of Minnesota.

“Public infrastructure can create the framework in which private development can happen. The true impact must be measured over time—10 and 20 years after LRT operation.”

—Donna Drummond, Director of Planning, City of St. Paul

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