Value Capture Metro Transit

Rail~Volition
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Lucy Galbraith, AICP
Director, TOD

Michael Krantz, PE, LEED AP-ND
Development Analyst
TOD Policy Goals

• Maximize the development impacts of transit investments
  – Community building

• Support regional economic competitiveness
  – More people connected to jobs; larger employment pool for employers

• Advance equity
  – Housing affordability & good jobs accessible by transit

• Support a 21st century transportation system
  – Ridership & revenue
• **Projects**
  – Snelling-Midway TOD
  – 38th St. Station TOD

• **Programs**
  – Forums, TOD tours, conferences, etc.

• **Resources**
  – Public property database, expanded
  – TOD Funding Guide, update annually
  – Developer’s Guide to TOD
  – Ground Lease Explainer

• **Partnerships**
  – Two corridor FTA TOD Pilot Planning Grants
  – Reviewer for TOD grants & plans as requested

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**www.metrotransit.org/tod**
TOD Resources on www.metrotransit.org/tod

ADVISORY SERVICES

Building 21st Century Suburbs:
The Future of Suburban Development in the Twin Cities

Metro Transit TOD Site Evaluation
A ULI Minnesota Technical Assistance Panel
for Metro Transit TOD Office
June 28, 2018

Metro Transit
Transit Oriented Development (TOD)

A Developers Guide to
Transit Oriented Development
(TOD)
TOD Partnerships – FTA TOD Pilot Planning Grants

Gold Line: Washington County: First dedicated ROW BRT
TOD Partnerships – FTA TOD Pilot Planning Grants

Blue Line Extension: Hennepin County is Subrecipient/Project Manager
TOD JD Projects

• **Standard Process**
  – Analyzed owned sites for potential TOD value
  – Conduct competitive solicitation
  – Select developer
  – Negotiate agreements

• **Unsolicited sole source projects**
  – Saint Paul MLS stadium
  – Minneapolis 38th Street Station
Allianz Field MLS Stadium

Testing the lighting, July 19, 2018
Opening March/April 2019

Ground Lease Terms

• Annual rent = $556,620; Total rent ~ $29.5 M
• Net Present Value ~ $13.4 M
• Rent accrues from April 1, 2017 until the first month of the first game, then all accrued rent & rent for the next year is due.
• From that first date (expected April 1, 2019), term is 50 years, with each year’s rent payable in advance.
• Lease is unsubordinated.
• This is a net lease; tenant is responsible for all costs & expenses, other than environmental remediation as agreed. Met Council participation in environmental remediation costs is capped at $4.5 M
Looking northwest from intersection of Hiawatha Ave. and 38th St.
Ground Lease terms

- Approximate area of lease = 29,500sf
- Year 1 rent = ~ $62,000
- Rent indexed to CPI annually and appraised value decennially
- Net Present Value: $9.4 – $10.6 million
- Rent commences when construction begins
- From the date lease is signed, term is 99 years.
- Lease is unsubordinated.
- Met Council will dedicate a portion of property to city for new 30th Avenue
Summary

• Value capture through FTA JD is rewarding. To maximize both continuing control and revenue generation, a ground lease is often the best transaction structure.

• Plan your work program with the properties you have. Get good at running various scenarios for financial feasibility.

• Be open to and ready for unsolicited proposals. Standard options for response:
  – Reject
  – Issue quick competitive solicitation
  – Accept as sole source with terms to be negotiated
  – Accept offer

• Maintain relationships with the development community, cities, counties, and other stakeholders who will be part of the development process.
Lucy.Galbraith@metrotransit.org
Michael.Krantz@metrotransit.org