

# Midway : A Vision for an Urban Center

Prepared by University UNITED

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## Background

The largest shopping district in St. Paul or Minneapolis is centered around three contiguous sites on University Avenue, from Snelling to Syndicate Avenues, and includes the Midway Shopping Center, the Midway Marketplace, and Target. Each of the sites is separately owned and managed, and there is currently very little cooperative planning or marketing among them. For a visioning exercise, University UNITED hypothesized that the three Midway shopping centers were part of one coordinated shopping district, comparable to a conventional mall such as the nearby Rosedale Mall in Roseville. Rosedale was selected because of its close proximity, and the fact that it has substantially the same trade area. In fact, a recent survey of Midway residents found that other than the Midway area, Rosedale was the retail location most frequented, favored by 46% of respondents. A direct comparison of these two shopping areas enabled us to better analyze the relative performance of Midway.

The three contiguous Midway centers have approximately 900,000 square feet of leasable space. If these centers were coordinated and marketed as one destination, this existing square footage would qualify the Midway as the eighth (8<sup>th</sup>) largest mall in the Twin Cities region. A standard definition of a regional mall is a shopping center of over 750,000 square feet, with several department stores serving as anchors. As can be seen in the attached chart, the combined Midway Centers occupy 72 acres, which is exactly the same size as Rosedale's 72 acres. Rosedale, however, has 1.1 million square feet of leasable retail space compared to 900,000 square feet for Midway. In addition, property values, based upon tax assessments, are substantially higher at Rosedale (\$153,342,800) than at Midway (\$65,336,400). Retail sales figures are not available to the public, but are available to county property assessors, and factored in their real estate assessments.

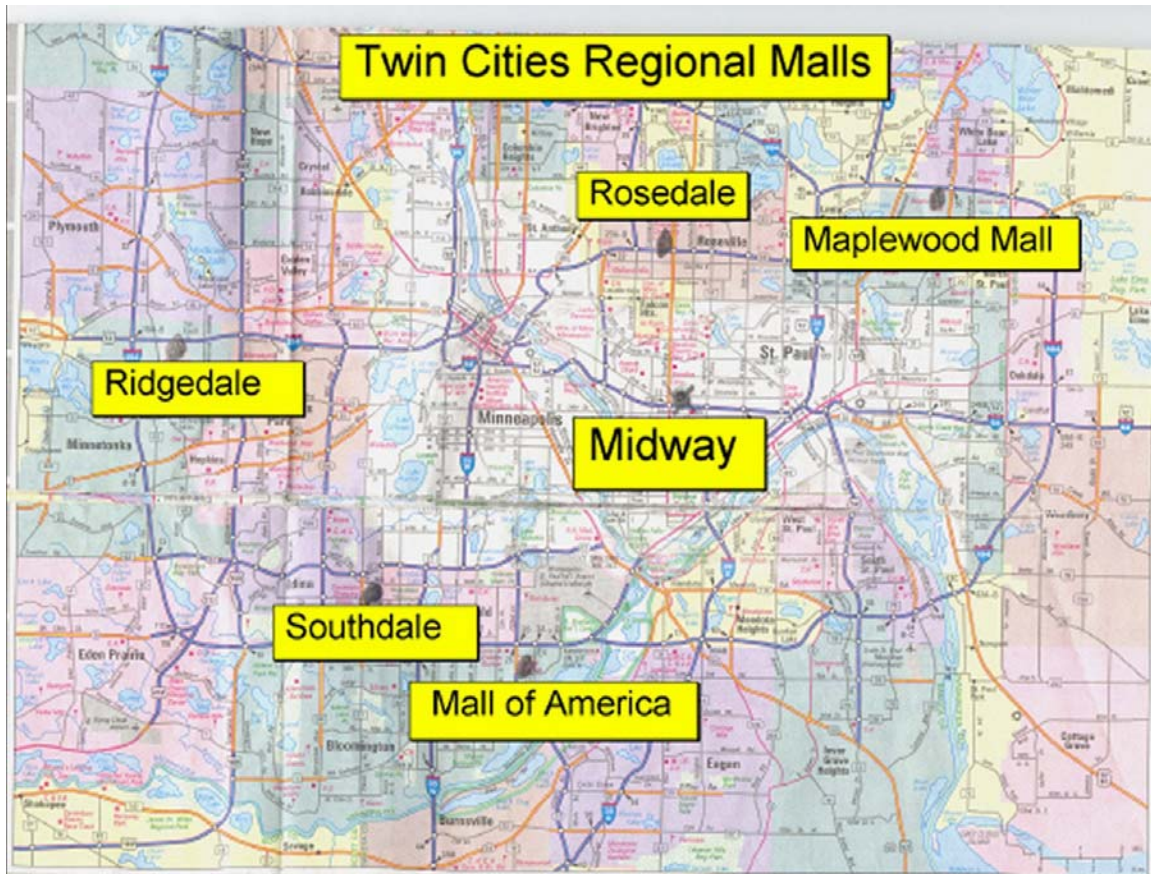
It is clear that a large proportion of St. Paul and Minneapolis residents do a substantial percentage of their overall shopping at Rosedale and other suburban malls. This report outlines a competitive strategy aimed to not only keep Midway residents shopping in the Midway, but also to attract people from throughout the region, and tourists, to a newly positioned retail center.

## Reasons for Undertaking this Visioning Exercise:

1. Significance for the Midway: The Midway shopping area is located at the most highly trafficked intersection in Minnesota, and one of the most visible locations in the state; it sets the image and the tone for the entire area. Nothing could have a larger impact on the "image problem" of the Midway than a repositioned and attractive urban retail complex.

	<u>Old Midway</u>	<u>Rosedale</u>	<u>New Midway</u>
1. Leasable Area Retail(LAR)	928,000 sf	1.139 million sf	1.476 million sf
2. Size of Site	72 acres	72 acres	72 acres
3. LAR/Acre	12,889	15,819	20,500
4. Anchors	594,472 sf	744,461 sf	752,000 sf
Herbergers	124,136 sf	150,923 sf	124,100sf
Mervyns	85,608 sf	169,313 sf	85,600sf
Marshall Fields		259,453 sf	
Target	130,000 sf		130,000 sf
Cub	75,120 sf		75,100 sf
Kmart	114,608		
Rainbow	65,000 sf		
JCPenney		164,772 sf	
Sears			126,600 sf
Cineplex			80,000 sf
Best Buy			61,600 sf
Other Big Box			69,000 sf
5. Parking	3,838 spaces	6,308 spaces	5,706 spaces
6. Parking types	all surface	surface/2 decks	all types
7. LAR/Parking Space	242	181	258
8. Total Stores	58	150	150
9. Housing	0	0	810 units/924,400 sf
10. Assessments	\$65,336,400	\$153,342,800	\$365,336,400
11. Assessments/Acre	\$907,450	\$2,129,761	\$5,074,117

2. TOD Study: A Transit-Oriented Development (TOD) planning effort, led by the City of St. Paul and involving many community stakeholders, will shortly produce a development framework for the Snelling and Lexington nodes on the University Avenue Corridor. This University UNITED visioning report goes beyond the scope of the development framework study, but is intended to compliment that effort.
3. Big-box Development Pressure: There are reports that a number of regional and national retailers such as Home Depot, Sam's Club, and WalMart, are currently considering locating in the Midway. In addition, KMart has recently announced that it is shutting down its store in the Midway Marketplace. This report can provide some larger context for analyzing any development proposals emerging from changes in the retail environment.
4. Synergies with New Housing: New housing developments, such as Emerald Gardens, will be bringing in thousands of new residents, increasing the customer base for the Midway. If 3,000 new residential units are built in the University Avenue corridor over the coming years, as recommended in a 2002 University UNITED Housing Report, these new households will spend over \$93 million annually in the local economy. In a related note, it is clear that property values have been escalating quite rapidly in the residential neighborhoods of the Midway. Homes in the Hamline-Midway area are now selling for more than comparable homes in some Roseville neighborhoods. This trend may suggest the need for Midway shopping center owners to reposition their marketing approach. An expanded and improved housing sector will enhance retail in the Midway, but it is also worth noting that improved retail will make new housing more marketable.
5. Relevant New Survey Data: University UNITED and the Midway Transportation Management Organization recently completed transportation and land use surveys of area residents and bus riders (on line at [www.universityunited.com](http://www.universityunited.com)) that have revealed compelling data about shopping patterns and retail preferences. This new information has been incorporated into this report.



6. Midway Losing Ground: Midway retail centers are losing ground to other shopping areas. In the 1970's, Midway was ahead of Rosedale and Har-Mar in retail sales, but has since declined considerably in relative terms. Annual listings of the largest shopping centers in the region have tracked the Midway centers' gradual decline relative to other shopping centers. Presently, the Midway Center (Snelling Avenue complex) is listed as the 23rd largest shopping center in the metro area, and the Midway Marketplace is ranked 17<sup>th</sup>. If the square footage of the Midway Center, the Midway Marketplace and Target were added together (Snelling to Syndicate), the Midway Centers would rank as the 8<sup>th</sup> largest shopping center in the region with 928,711 square feet. In 1982, the Midway ranked 4<sup>th</sup>.
7. Other Parts of Twin Cities Seeing Major Retail Investments: Approximately \$500 million in retail construction is currently occurring throughout the region, which will add 2.6 million square feet. Recent renovations or expansions include: Southdale, \$50 million; Eden Prairie, \$90 million; and Brookdale Center, \$60 million. Even the Mall of America recently announced a major overhaul, refurbishing 47 stores and relocating 13. They also are about to embark on a second phase addition which could cost between \$500 million to \$1 billion. These new or renovated centers will have a competitive impact on the Midway Centers. If the Midway does not respond, its market share will continue to decline.

8. Retail is Constantly Changing: According to Patrice Duker, of the International Council of Shopping Centers, “We normally see a mall renovating every seven to ten years to keep up with design trends and keep the space fresh”. The Midway Centers are long past due for a major overhaul.

### **Findings:**

1. Where People Shop: The Midway Shopping District (Midway) is the largest “shopping center” in either St. Paul or Minneapolis. A study recently released by the University of St. Thomas notes that shoppers clearly favored malls closest to home. Midway is probably “closest to home” for more people than any regional mall. Its trade area is comparable to that of Rosedale, which touts 1,133,606 people, an average household income in the \$60,000 range, and proximity to 10 colleges and universities with combined enrollments exceeding 100,000 students. If the Midway Centers were more attractively positioned, they would clearly see an increase in market share.

The Midway is declining relative to other retail areas. This decline is reflected in lower property and sales taxes being generated, which ultimately shifts the burden to other property owners, including home owners. As seen above, the Midway Centers have a land valuation \$88 million less than the Rosedale Shopping Center, even though they are substantially the same size. Despite its relative decline Midway is still a strong retail area, including such stores as Target, Herbergers, Cub, Rainbow, Office Max, Borders, Mervyn’s, and Walgreens.

2. Transportation: Midway probably has the best transportation access and the most central location of any regional mall. One hundred sixty thousand (160,000) car trips and 25,000 bus trips run immediately adjacent to the Midway Centers daily. Its proximity to adjoining neighborhoods is also of particular benefit. A recent survey determined that 60% of area residents have walked to the Centers on occasion, and 25% reported taking trips to Midway Centers on a bicycle. There are indications (subject to confirmation) that up to 50% of the shoppers at Rainbow and Cub arrive by a means other than an automobile.
3. Efficiency of Land-Use and Parking: Relative to its central location, and valuable real estate, Midway is inefficient in its use of land, with a high percentage of surface parking, vacant land, and interior ROW (approaching 80%). Retail at Rosedale, and all other regional malls, is distributed over two levels. Several malls, including Southdale, have up to four levels of retail. The Midway is mostly one-story retail, although some stores in the Midway Marketplace are two stories, including Mervyns, Herbergers, and Borders Books.

Rosedale has 6,308 parking spaces, compared to 3,838 at Midway. Rosedale has both surface and structured parking; the surface parking is designed to take advantage of the topography, allowing shoppers to directly enter stores on both levels. All the parking at Midway consists of one level surface lots. Compared to Rosedale or other suburban malls, a far higher percentage of Midway customers arrive on foot, bicycle, or bus. Midway should not need as much parking per retail square foot as a suburban location, making it inherently more efficient.

In addition to being very inefficient, using land for parking is very costly. A rule of thumb is that one acre of surface parking is necessary for every 100 cars. When land is selling for approximately \$1 million per acre, as with the Menards site at Prior and University, the cost of each surface parking stall is approximately \$10,000.

### **Goals:**

- Create a destination retail attraction in St. Paul.
- Maximize efficiency and success of the Midway retail cluster.
- Promote better coordination and cooperation among centers, and possible integration into one management and/or ownership entity.
- Promote better linkage of Midway retail to consumers, neighborhoods and transportation
- Increase property and sales tax revenue. (See appendix)
- Prevent regional retail from dispersing along the avenue.
- Promote opportunities for local merchants or startup companies to locate in retail center
- Identify ways that the City and community can play a positive role

### **Recommendations:**

1. Community Collaboration We recommend the establishment of a public/ private/ community collaboration to encourage closer coordination among the Midway Centers, better linkage to consumers, neighborhoods, and transportation, and to explore the possibility of completely revamping the 72 acre site.
2. Structure Much of the Parking: As much surface parking as possible should be converted to structured parking, freeing up valuable land for new retail and amenity space. Structured parking should be located primarily to the rear of the Center, and could include an elevated ramp and roadway over St. Anthony Avenue, from Syndicate to Snelling. This would help keep traffic off local streets. It may be feasible to link this new structured parking to a new transit hub proposed by the Metro Transit, and perhaps even use as a “park and ride” lot, connecting to downtown express busses or future light rail service. Such parking would have a dual purpose as it would be available off peak hours to

entertainment and hospitality retail. The Rosedale Shopping Center is working with Metro Transit and Roseville to build a 500-stall parking ramp – scheduled to open in 2004 – to accommodate a regional transit hub. In addition, the recently opened Arbor Lakes shopping center includes a \$10 million transit facility which is owned and operated by the City of Maple Grove, and has parking for 780 cars.

The City, County and Metro Transit need to explore ways to work together to create financial incentives to build structured parking in the Midway Centers.

Some surface parking would be retained, strategically located adjacent to the appropriate retailers. Creative site plans, using topography or elevated ramps, could permit parking or access on several levels, as it is done in most regional malls. A re-grading or the use of ramps may also permit connections to be made over the streets dividing the three contiguous centers. Some exploration should be made into the feasibility of closing Pascal Street. There should also be an exploration of the possibility of a direct underground connection from I-94, below the frontage road, to underground parking at Midway.

Preliminary plans call for 736 parking spots located on surface lots or on internal streets, and 4970 spots to be in structured ramps or below grade. This would provide a total of 5,706 parking stalls.

3. Increase Retail Square Footage: We recommend increasing the amount of retail square footage from 928,000 to 1.4 million. This will create opportunities for additional big box, including a possible expansion of Target to a SuperTarget, and for mid-sized retailers such as Best Buy and SportMart, as well as other entertainment uses, restaurants, and smaller shops. (Best Buy, it should be noted, started in St. Paul but does not currently have a store here!) We also recommend the exploration of moving Sears from the State Capitol campus, to the newly designed and repositioned Midway Centers. This would greatly strengthen the Centers, probably benefit Sears and have the added benefit of freeing up one of the most significant developable sites downtown. (According to County records. Sears occupies 17.36 acres at its Marion Street site, which has an assessed valuation of \$6.04 million. This is considerably below “highest and best use”.) The addition of a Sears and Best Buy would considerably enhance the overall re-branding of the Midway Center.

An intensification of big box and commercial uses in the Midway Centers will help create retail synergies and other spin-off benefits, such as shared parking. It is strongly recommended that big box not be allowed outside this regional shopping cluster. Specifically, we urge that big box retail not be permitted at Lexington Parkway, a site which should be developed as a mixed-use urban village, adding to the customer base for the adjoining commercial area.

4. Add Public Amenities: Midway has substantially less public realm and pedestrian amenities or attractions than Rosedale and many other shopping areas, making it a less pleasant shopping experience. New attractively designed, pedestrian-friendly public spaces should be introduced, including an east-west pedestrian connection through the three superblocks, and also extending to new residential development at Lexington Parkway.
5. Demolish Current Midway Center: The Midway Center (Snelling and University) is poorly designed for today's market, and the entire complex should be demolished, including the McDonald's and Perkin's restaurants. This would make 34 acres available for complete redevelopment. Alternate locations for chain restaurants would be provided, perhaps around a shared amenity such as an indoor park or playground.
6. Add Entertainment/Attractions: The new Midway Shopping Center should greatly expand its hospitality, entertainment and recreational occupancy, and make a coordinated marketing effort to attract tourists. We believe a cineplex is feasible, as it would be the closest theater for approximately 250,000 people. A consumer preference survey by the Midway Transportation Management Organization uncovered a strong demand for movie theaters among area residents and bus riders. In addition, Pioneer Press market research data indicates that residents of the University Avenue/Midway area were more likely than the rest of the population to go to six or more movies over the prior three months.

Perhaps a new baseball stadium for the St. Paul Saints could be developed on the eastern edge of the Center, which would reinforce the hospitality and entertainment attractions, and take advantage of the existing parking. Another place-making idea is to have Target re-erect the scaffolding for the Washington Monument, as it had previously offered to do in Minneapolis. This 550 foot tall structure would quickly become a major landmark and a significant tourist attraction.

A re-branded retail center, with increased attractions and amenities, would have great potential to attract the tourist trade traveling I-94 between the two downtowns.

7. Add Housing to the Retail Mix: A mix of land uses offers considerable economic benefits. New residents add to the customer base, as they will be making most purchases locally. We are recommending that over 800 units of new housing be included in this revamped retail center, to be located above first floor commercial space. We are also advocating for the intensification of housing in the adjoining site at Lexington Parkway.
8. Re-Brand and Reposition the Midway Centers: In addition to creating a whole new architectural design and layout, it is desirable to establish a marketing theme as part of a "branding" and re-positioning effort.

One possible theme is transportation – past, present and future – based upon the history and character of the Midway. The Midway started out as a railroad hub, and quickly became an important location for each successive transportation advance, including streetcars, trucking, and automotive. This transportation theme could be incorporated into the decorative motifs of the public areas, as well as the retail locations. For example, trolley car exhibits and rides could be offered, possibly as part of a functioning internal transportation system. There could also be a year round “auto show”, with dealers displaying new model cars interspersed with restaurants and bars. A local BMW dealer, Motorwerks, recently opened a special Mini Cooper store in the Southdale Mall. In addition, futuristic experimental transportation devices could be showcased and displayed, and possibly rented out.

9. Promote Retail Entrepreneurship: Efforts should be made to link the Midway Centers to the entrepreneurship training programs offered by several community groups in the adjacent neighborhoods. Start-up retail businesses have been the underpinnings of the revitalization of University Avenue and should be encouraged.

### **Costs:**

The Preliminary Program for this plan calls for an ambitious expansion of approximately 550,000 square feet of retail space, 810 units of new housing, as well as approximately 1.6 million square feet of structured parking. As this is a visioning exercise, and not a specific development proposal, a detailed construction budget is not possible or appropriate. However several general observations can be made.

Development costs for fairly intense mixed-use projects can roughly be estimated at approximately \$10 million per acre. This plan envisions funding coming from a variety of public and private sources and a number of different development groups and users. Because of its complexity and ambition, this plan would obviously require a mix of very creative and imaginative financing tools. However, there are some built-in advantages. A substantial offset to the cost of new development results from the conversion of non-productive surface parking areas to new leasable commercial space. Approximately 25 new acres of prime development property in the heart of the metropolitan region is created with this proposal. In addition, “found” leasable space could be created if developers could build over the frontage road and other internal streets. Perhaps five new acres of buildable area could be created by using the air rights over the public right of way.

Another potential advantage is the likely involvement of such public entities as the Met Council, Metro Transit, and the City of St. Paul. The Met Council owns a 9 acre site at Snelling and University, adjacent to the Midway Center. This area is ripe for redevelopment. In addition, Metro Transit has been discussing the possibility of locating a new transit hub at the corner of Pascal and University. These plans could be incorporated into a larger re-development vision.

Finally, it should be noted that development could be phased in over a period of time in accordance with an adopted master plan. This would enable investment to occur incrementally, in accordance with market conditions.

### **Architecture and Site Planning:**

University UNITED has retained the architectural firm of Hokanson/Lunning/Wende Associates, Inc, to develop a schematic site plan of the Midway Centers incorporating the above recommendations. This plan has been posted on our web page at [www.universityunited.com](http://www.universityunited.com), and is being circulated throughout the community for comment.

### **Next Steps:**

University UNITED is convening a public meeting to discuss its study of Midway retail on Thursday, March 13 at 6:00 PM at the Brownstone Building, 849 University Avenue. If there is community support for pursuing these recommendations, UNITED will develop an implementation plan. For additional information call (651) 647-6711.

### **Appendix A: Increasing the Property Tax Base**

It is clear that St. Paul will be receiving far less Local Government Aid from the State than it has in the past. What are the options for replacing those funds? Significant increases in fees or taxes will likely face taxpayer resistance. The best alternative for the City is to increase its property tax base. Land is our principal economic asset and in order to raise its value, it must be used more efficiently and productively. The City should strategically utilize its land use policies and practices to promote new development that achieves “highest and best use”, and conversely, should provide disincentives or penalties for inefficient land use. To accomplish this, the City must examine the total array of its activities including spending and taxing policies, regulatory actions, and planning and zoning functions, to insure that it is consistently working to promote more productive use of land.

Property valuations are determined by the type, quality, and intensity of land uses, and will fluctuate in accordance with market conditions. However, an analysis of real estate trends in the Midway suggests how to go about strategically increasing property values. The new Emerald Gardens and 808 Berry Place housing developments, at the city line, are converting a 7 acre industrial site valued at \$2.45 million to a residential complex projected to be valued at \$70 million. The City used its planning staff, zoning authority,

condemnation powers, and financial assistance programs to help create this development. This 7 acre site will have increased in value by \$67.5 million, because of a change in both land use and intensity of development. Its annual property tax payments will increase from \$97,820 to \$984,282.

This project demonstrates the benefits of Transit-Oriented Development, which, by definition, is an intense and productive use of land. Another property comparison is instructive because it helps debunk the myth that large commercial sites are inherently more valuable than residential properties. The principal Midway shopping area is a 72 acre tract of 3 contiguous retail developments including the Midway Center, the Midway Marketplace, and Target. Most people would assume that these shopping centers, consisting of the marquee names in regional retail, would have a land valuation far in excess of a similarly sized residential area, but this is not so. In fact, these three retail parcels of 72 acres have a valuation of \$65 million, which is less than the projected value of the 7 acre Emerald Gardens housing site. It is also less than the property valuation of most comparably sized residential neighborhoods. In St. Paul, residential properties make up approximately 80% of total estimated land valuation, and with the differential rate system pay 63% of all property taxes.

Commercial property, including retail, clearly serves an important community need. But in weighing the relative merits of different types of land use we must be mindful of the lost opportunity costs of inefficient development. Specifically, this City cannot afford acres of surface parking lots. It takes approximately one acre to provide surface parking for 100 cars. That same acre could provide 50 units of housing which would have an enormous economic benefit to the city. Public policies that permit inefficient land use lessen available revenues for important city services, or shift the property tax burden to other more productive land users - especially our residential neighborhoods.

The City also cannot afford to allow property owners to allow their buildings to fall into a state of disrepair. One of the more egregious examples is the blighted Lexington Mall at the critical corner of Lexington Parkway and University Avenue. This property, sitting empty for years, has had the effect of dragging down the real and perceived value of all properties in the surrounding neighborhood.

In addition to analyzing the tax-paying potential of different types of development, St. Paul must also recognize the costs of servicing different land uses. The City of Barnstable, Massachusetts recently conducted a study comparing the tax revenue generated by different kinds of residential and commercial development with the actual cost of providing public services for each land use. The study found that suburban style retail generates a net annual deficit of approximately \$400 per 1,000 square feet. By far, the most costly type of development are fast food restaurants, which have a net annual cost of \$5,168 per 1,000 square feet. Specialty retail, as typified by Main Street businesses produced a net return of \$326 per square feet. Other commercial uses that generate substantial benefits include offices and hotels.

Clearly, some land uses will provide more property taxes to the city, and require less in the way of city services. University UNITED is undertaking a comprehensive land-use survey of the University Avenue corridor to identify locations where transit oriented development could bring property to a higher and better use. We believe there is no place in the entire region that has as much untapped land potential. We recently published a housing report that identifies a number of specific sites that could be redeveloped, and have also looked at the Midway regional retail cluster and made recommendations on how to increase density and greatly improve the appearance of the shopping centers. These reports are available online at [www.universityunited.com](http://www.universityunited.com).

Taxpayers in St. Paul have a personal stake in insuring that all future development uses land efficiently in order to increase the tax base of the city.