

Downtown Minneapolis Park Space Initiative

Final Report

Prepared for:

The City of Minneapolis

Prepared by:

The Smitten Group

Donjek

Hoisington Koegler Group Inc.

Metropolitan Design Center

The Trust for Public Land

In Conjunction with:

Minneapolis Park and Recreation Board

Funded by:

The McKnight Foundation

June 30, 2008

Index:

Executive Summary

Existing Conditions

Downtown Open Space Inventory

Related Downtown Conditions

Best Practices

Features and Uses of Successful

Downtown Parks

*Funding Methods, Management Structures,
and Costs*

New Methodology and Local Application

Site Selection

Preliminary Economic Feasibility Analysis

downtown minneapolis park space initiative

Executive Summary

Prepared for:

The City of Minneapolis

Prepared by:

The Smitten Group

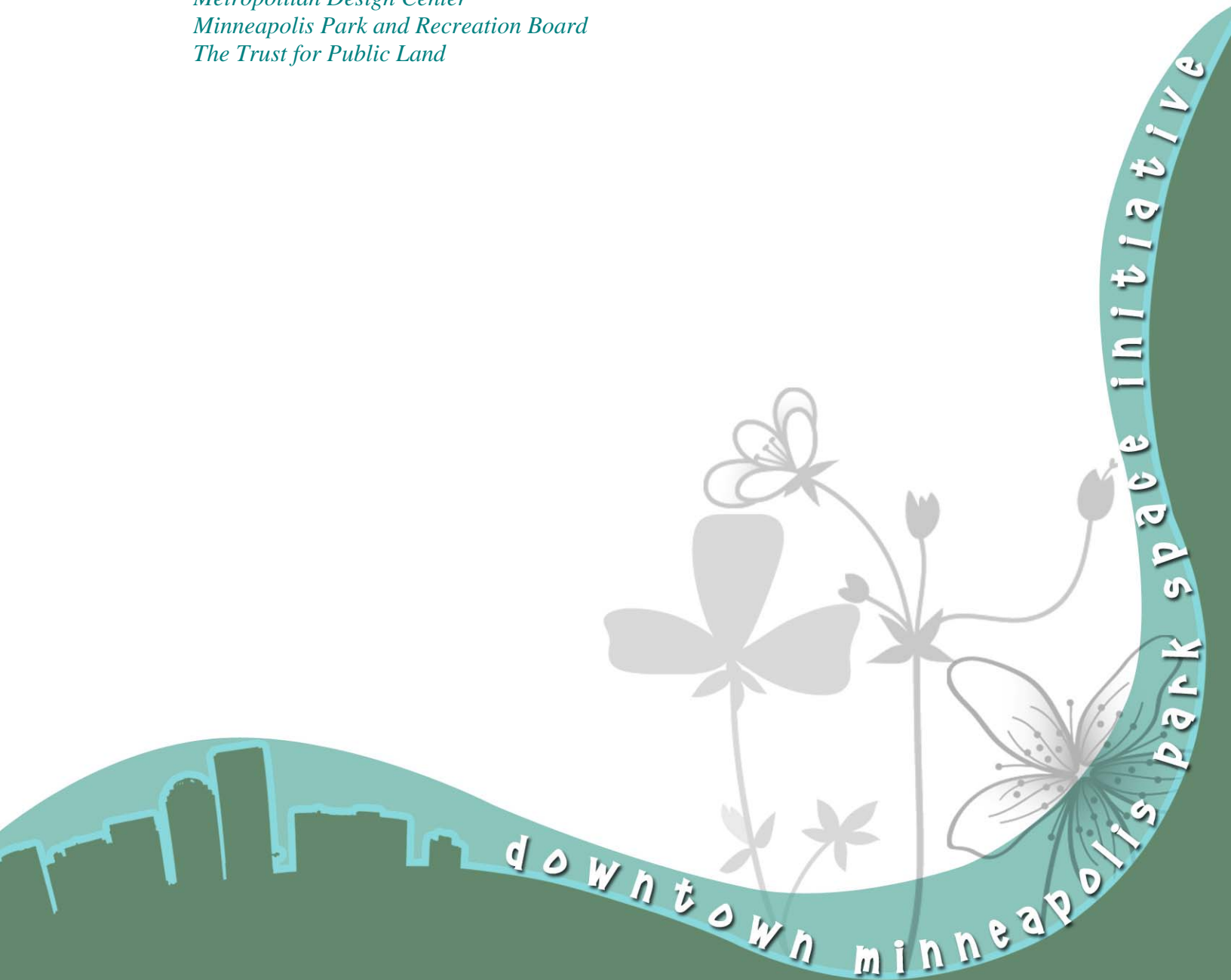
Donjek

Hoisington Koegler Group Inc.

Metropolitan Design Center

Minneapolis Park and Recreation Board

The Trust for Public Land



June 30, 2008

Executive Summary

Almost every major successful city in America has a downtown signature park that serves as a central public gathering place, a point of local pride, and a reflection of the city's public heart. The City of Minneapolis has a variety of downtown park spaces that serve its residents, visitors, and workforce and relate to a downtown park space network. However, the City recognizes the importance of better understanding how these downtown open spaces and future parks can better succeed and be financially viable. Through funding from The McKnight Foundation, the City is providing the following report which seeks to outline the general framework and analyze central variables for public and private entities that inform downtown park spaces decisions. Report deliverables fall into the three categories of Existing Conditions, Best Practices, and New Methodology and Local Application.

Existing Conditions

Inventory of Existing Spaces

An inventory of existing park spaces in downtown Minneapolis identified 58 locations where private or public open spaces are accessible to the public. These spaces were photographed and described. This inventory also offers a qualitative analysis of the spaces for size, ownership, type, maintenance level, and additional features such as tables or kiosks. The results are illustrated in a map and summarized in a spreadsheet.

Assessment of Related Downtown Conditions

A series of maps help illustrate the pre-existing transit and park, demographic, and economic conditions that inform any discussion about a future downtown park. The Existing Open Space System map outlines the locations of transit paths and parks. Two maps illustrate the density of residents and workers. Three

additional maps identify underutilized land as indicated by surface parking or vacant land, ratio of land value to building value, and estimated market value.

Best Practices

Successful Downtown Park Characteristics

To better inform the discussion of what a successful park might have, four case studies of successful downtown parks were reviewed. Portland's Pioneer Courthouse Square, Boston's Post Office Square, New York City's Bryant Park, and Detroit's Campus Martius Park offer examples of characteristics that Minneapolis might desire in a signature park as well as in existing Downtown open spaces. Successful park features can be categorized into areas such as Entertainment and Arts; Rest and Relaxation; Art and History; Education; Recreation; Attractive Logistics; Transportation; Seasonal and Evening Offerings; and Whimsy.

Funding Methods, Management Structures, and Costs Scenarios

Should the city of Minneapolis decide to create a new downtown park, a series of different approaches exist for funding the creation and maintenance of such a park. In addition, there are multiple models for managing the park. A report was prepared describing the expected costs, and potential funding sources of creating a signature park, as well as management costs and structure options.

New Methodology and Local Application

Establishment and Application of Site Selection Criteria

In order to objectively assess over 200 blocks in downtown for their appropriateness for park land, ten different criteria were defined. These blocks were then evaluated for nearby worker and resident densities; land boundaries and size; location relative to other parks; mix of adjacent

uses; proximity of supportive uses; pedestrian, transit and open space connectivity; visibility; microclimate; nearby architectural quality; appealing sight lines; and property values. This selection process identified three downtown blocks that are appropriate for further study.

Analysis of Economic Feasibility

To better discuss the economic impact of a new downtown park, a model was developed that would mimic the effect that a new park would have on tax revenues. While the conversion of any commercial or residential property into park land would mean the loss of tax revenue from that specific property, the resulting increase in property values and potential leasing rates for nearby parcels would likely compensate for that loss.

Downtown Open Space Inventory

Prepared for:

The City of Minneapolis

Prepared by:

**METROPOLITAN
DesignCenter**

University of Minnesota

In Conjunction with:

The Smitten Group

Donjek

Hoisington Koegler Group Inc.

Minneapolis Park and Recreation Board

The Trust for Public Land



June 30, 2008

Summary: **Downtown Open Space Inventory**

Direct Design Assistance by the Metropolitan Design Center at the University of Minnesota

An inventory of 58 open spaces in downtown Minneapolis is a preliminary assessment conducted by the Metropolitan Design Center for the Downtown Minneapolis Park Space Initiative. The inventory was made up of a list of several questions which analyzed the physical characteristics of the park including: size, amenities present, type of open space, and the presence of seating, lighting, and water (just to name a few). This inventory is an update of one conducted in 2005 and also includes the North Loop neighborhood. The investigation of the North Loop neighborhood only added one open space to the list. Additionally, spaces identified in 2005 were re-inventoried, checked for any changes, measured with a wheel or using digital orthophotos, photographed, and evaluated based on maintenance. In addition, four open spaces were inventoried that were not included in the 2005 inventory. For the purposes of this assessment the downtown was defined as the area bounded by I-94, I-35W, the Mississippi River, and Plymouth Ave.

The productions of this project include a table that summarizes the findings of the inventories for each open space, an illustrated handbook with photographs, short descriptions, and key facts for each open space, and a map locating each open space.

The project represents work through the Metropolitan Design Center's free Direct Design Assistance program.

The 116-page report is available upon request.

Related Downtown Conditions

Prepared for:

The City of Minneapolis

Prepared by:



Hoisington Koegler Group Inc.

In Conjunction with:

Smitten Group, LLC

Donjek

Metropolitan Design Center

Minneapolis Park and Recreation Board

Trust for Public Land



June 30, 2008

Summary: Related Downtown Conditions

Downtown Minneapolis today, a snapshot of features that relate to park development

Before identifying the best location for a new downtown park, it is essential to understand the existing downtown conditions that inform park development. A series of maps have been developed for downtown Minneapolis that depict the existing open space system, downtown activities, and underutilized land (blocks that are more financially feasible).

What does the existing open space system look like?

The map, *Existing Open Space System* shows the locations of existing pedestrian corridors; off-road bike trails; parks; plazas, which are primarily paved; and public greens where grass, trees, and landscaping dominate. All open spaces depicted are open to the public, though they may be privately or publicly owned. Potential future pedestrian corridors and parks locations that are identified in the *Downtown East/North Loop Master Plan*, *The Elliot Park Neighborhood Master Plan*, and the *Downtown Stadium Area Master Plan* are also identified.

While Loring Park, Elliot Park, Gold Medal Park, the Mississippi River Parkway, Nicollet Mall, and the Government District all stand out for their successful open spaces, there is a noticeable lack of open space in the North Loop and Downtown East near the Metrodome. Elsewhere downtown, there are scattered smaller plazas and public greens.

Where do people live and work?

Key to the popularity of an urban downtown park is its proximity to daytime and evening visitors (workers and residents). Two maps have been created to tell the story of where people

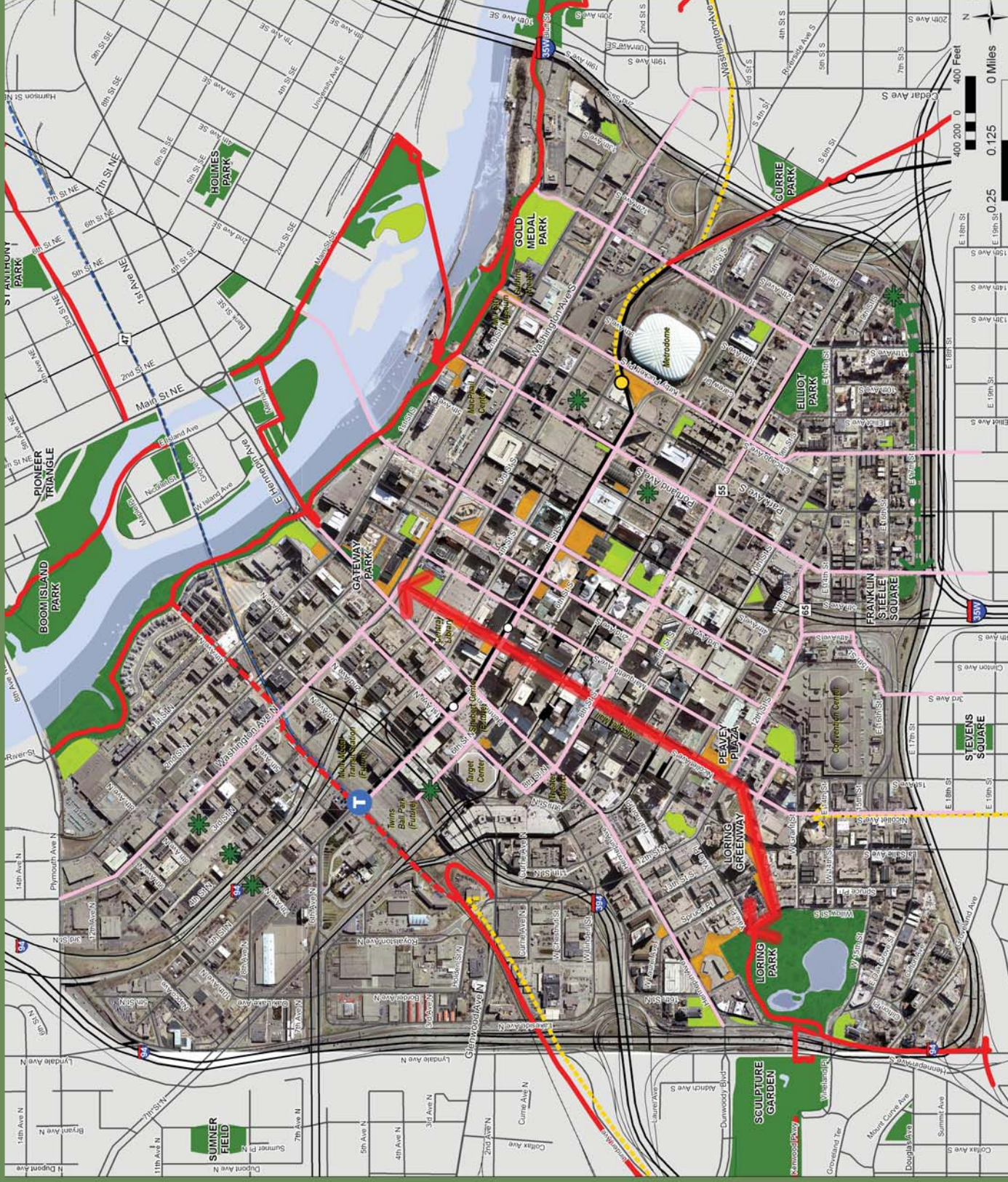
live and work. *Evening and weekend Intensity* shows residential density as well as the location of residential units. *Weekday Intensity* depicts employee density and the locations of large employers. The existing open space system, hotels, cultural and event venues, and educational institutions are all destinations that may generate activity at all times of day and are shown on both maps.

This pair of maps shows that, overall, the largest concentration of activity downtown is during the week in the downtown core with less activity both during the weekdays and in the evening/weekends in the downtown neighborhoods surrounding the core. A pattern also emerges to show higher residential populations near downtown's existing park and open space features such as the Mississippi River and Loring Park.

Where is the underutilized land downtown?

The less development that currently exists on a parcel, the more financially feasible it would be to develop it into a park. Three maps combine to paint a picture of where there may be underutilized land. *Surface Parking and Vacant Land* shows lands that do not currently have buildings, and therefore may be most feasible for redevelopment into park land. *Ratio of Land Value to Building Value* depicts the relationship between land and building value. If the ratio is greater than one, the building value is less than the value of the land it sits on and the site may be underutilized. *Estimated Market Value* portrays the relative value of land and begins to give us an understanding of which parcels downtown would be more or less feasible to convert to a new park.

Existing Open Space System

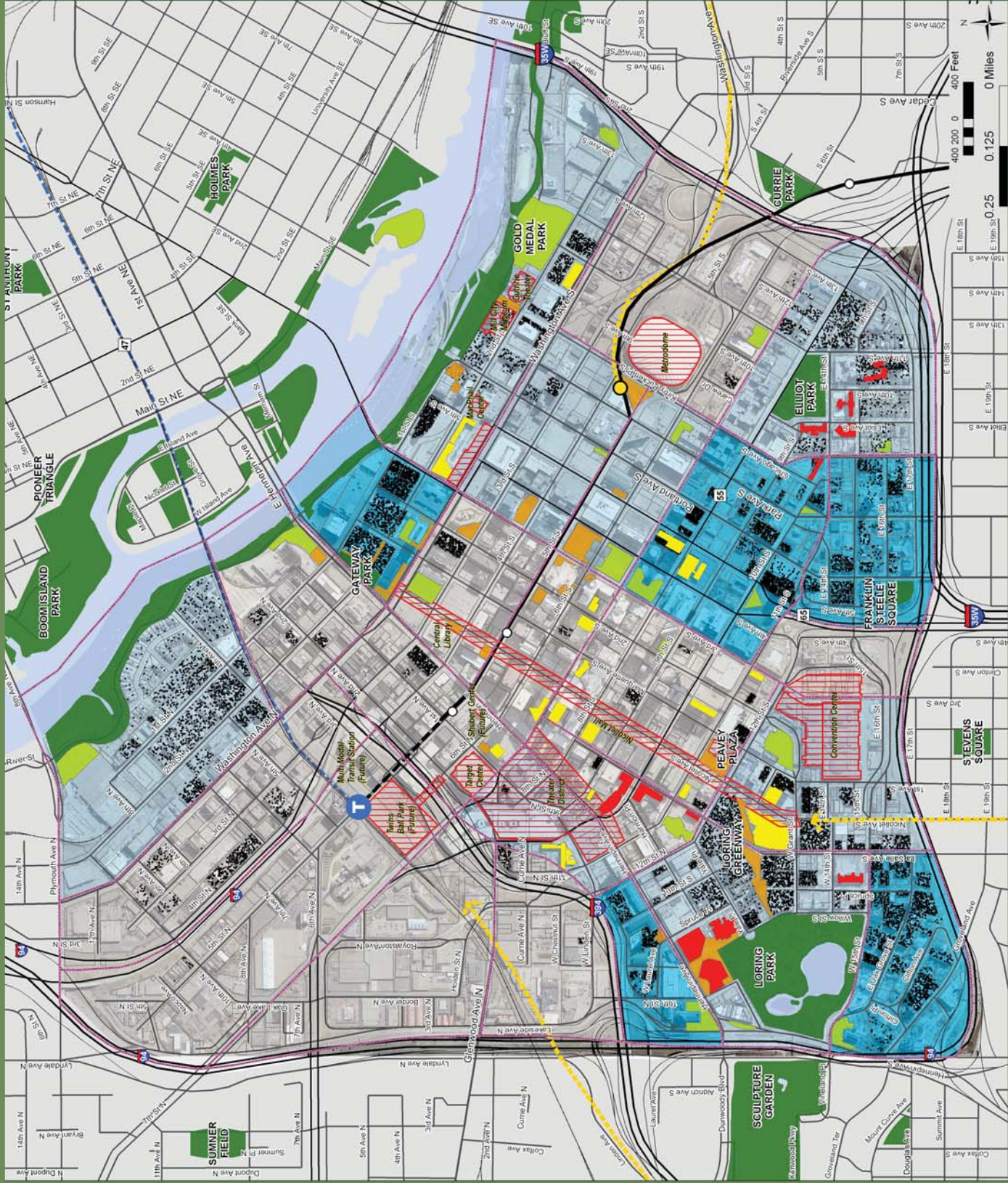


- Legend**
- Primary Pedestrian/Bike Corridor**
 - Existing off-street multi use path
 - Primary pedestrian corridors
 - Planned off-street multi use path
 - Planned pedestrian corridor
 - Existing pedestrian corridor
 - Parks, Plazas, and Open Space**
 - Minneapolis Park Board Park
 - Public Green
 - Plaza
 - Conceptual Future Open Space**
 - Identified by other planning efforts
 - Informational Items**
 - Proposed Future Fixed Transitways
 - Proposed LRT
 - North Star Commuter Rail
 - Existing LRT
 - Hiawatha Corridor
 - Hiawatha Corridor Extension
 - Stations**
 - Existing LRT Station
 - Planned LRT Station
 - Future Multi Modal Transit Station
 - Future Central Corridor Transfer
 - Railroad
 - Water

Parks, Plazas and Open Space: Metropolitan Design Center's Downtown Open Space Inventory

Conceptual Future Open Space Plans: Downtown Stadium Area Master Plan; Downtown East-Nor Loop Master Plan; Elliot Park Neighborhood Master Plan

Proposed Future Fixed Transitways: Metro GIS



Evening / Weekend Intensity

Legend

Residents per acre (by TAZ)
 0 - 9
 10 - 29
 30 - 49

Residential Units
 1 Dot = 1
 • downtown_parcel_total_unit
 • downtown_parcel_elu_HK_units
 • Educational institution
 • Cultural or event destination
 • Hotel

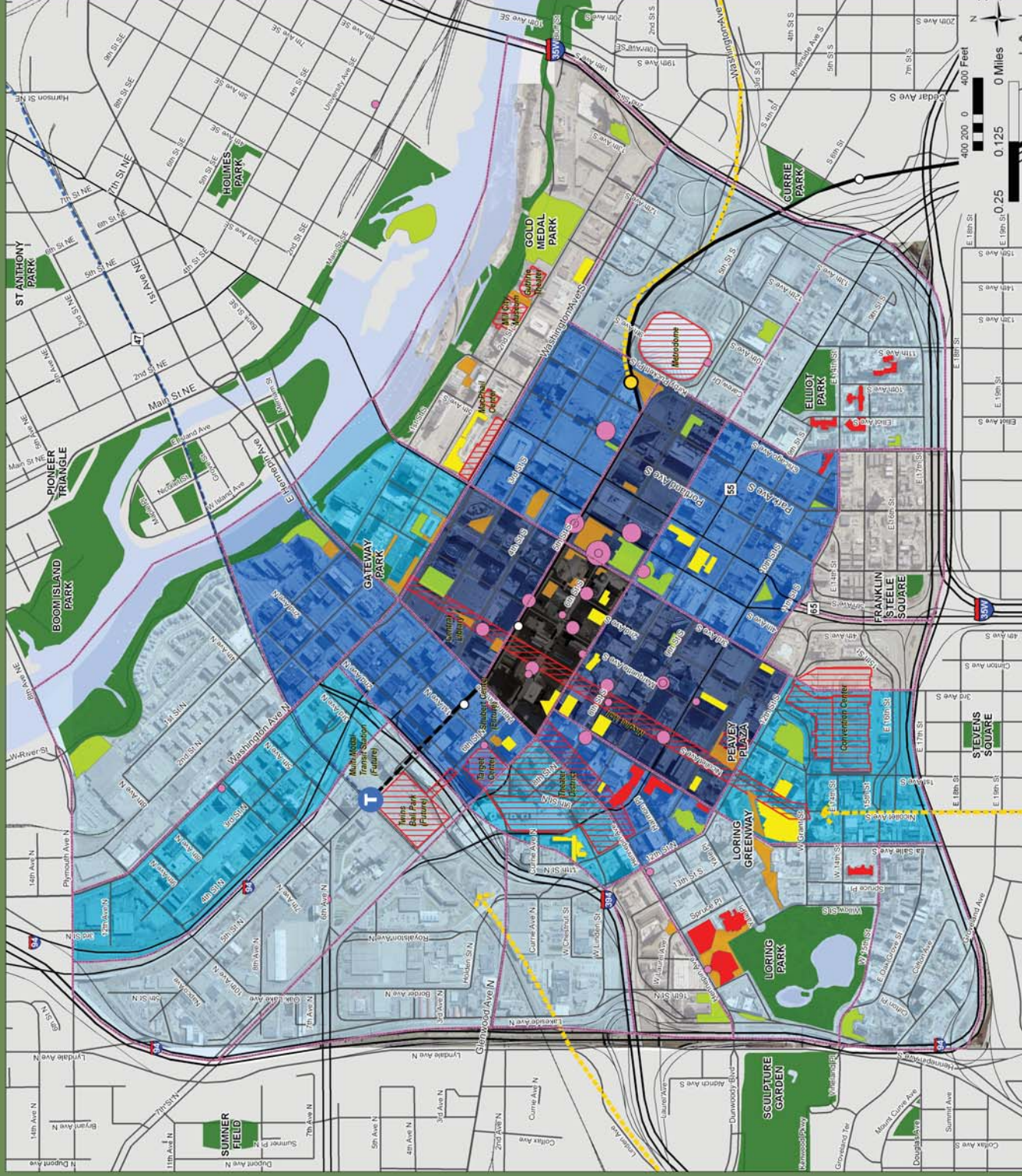
Informational Items
Proposed Future Fixed Transitways
 Proposed LRT
 North Star Commuter Rail
Existing LRT
 Hiawatha Corridor
 Hiawatha Corridor Extension

Stations
 Existing LRT Station
 Planned LRT Station
 Future Multi Modal Transit Station
 Future Central Corridor Transfer
 Railroad
 Water

Parks, Plazas, and Open Space
 Significant Destinations
 Park
 Public Green
 Plaza
 Transportation Analysis Zone (TAZ)

Data Sources:
 Population by TAZ: 2005 Data from the City of Minneapolis
 adjusted to reflect projects currently under construction
 Parks, Plazas and Open Space: Metropolitan Design Center's Downtown Open Space Inventory
 Proposed Future Fixed Transitways: Metro GIS

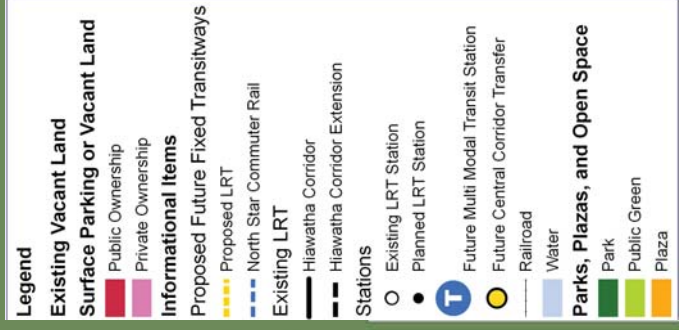
Weekday Intensity



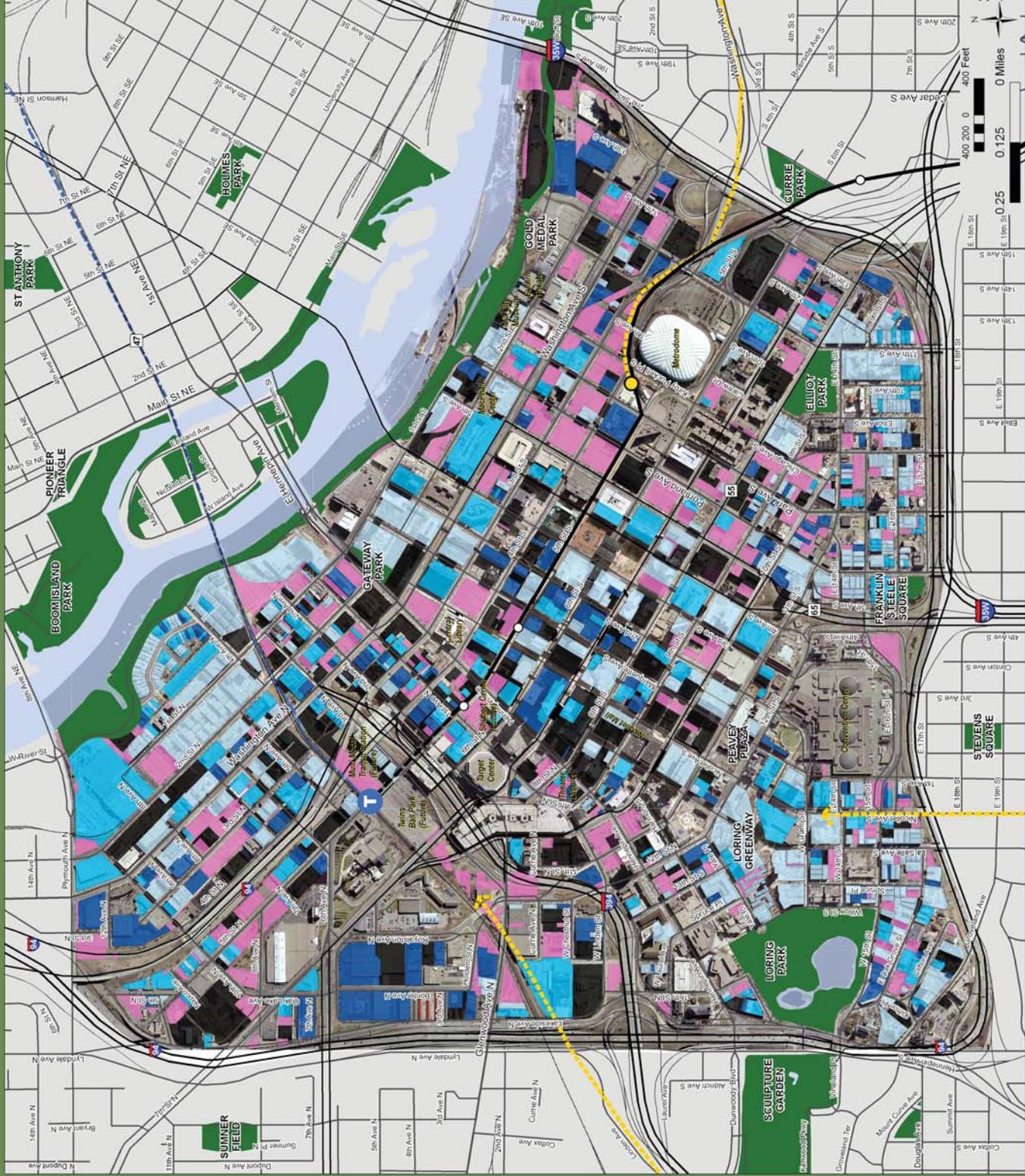
Data Sources:
Population by TAZ: 2000 TAZ Data from the Metropolitan Council
Parks, Plazas and Open Space: Metropolitan Design Center's
Downtown Open Space Inventory
Proposed Future Fixed Transitways: Metro GIS
Map Date: 11.06.07

Related Downtown Conditions

Surface Parking and Vacant Land



Related Downtown Conditions



Ratio of Land Value to Building Value

Legend

Ratio: Land Value to Building Value

- <= 0.25
- 0.26 - 0.5
- 0.51 - 1
- 1.01 +

Informational Items

- information unavailable/tax exempt
- vacant land or surface parking lot

Proposed Future Fixed Transitways

- Proposed LRT
- North Star Commuter Rail

Existing LRT

- Hiawatha Corridor
- Hiawatha Corridor Extension

Stations

- Existing LRT Station
- Planned LRT Station
- Future Multi Modal Transit Station

Other

- Future Central Corridor Transfer
- Railroad
- Water
- Park

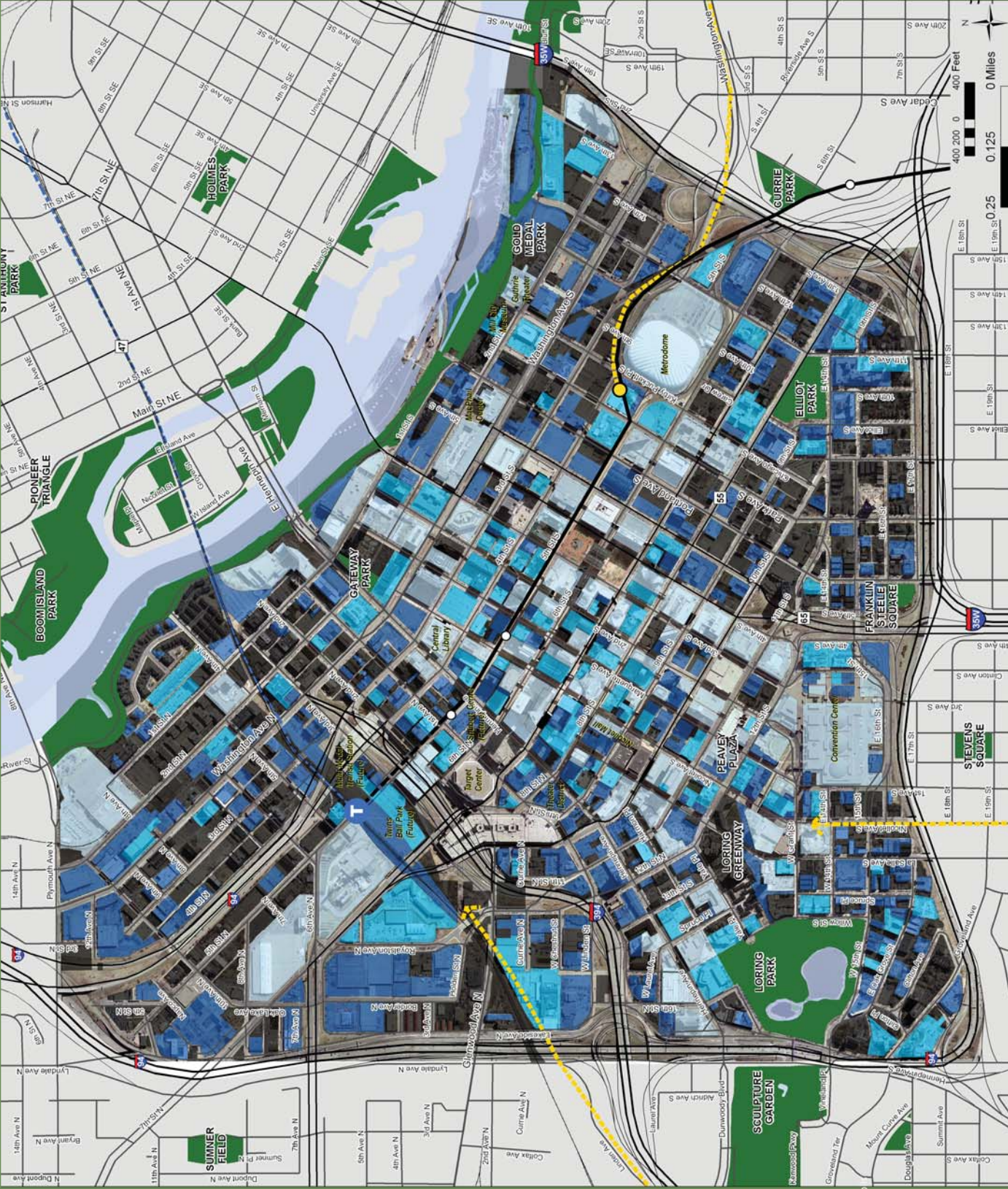
Data Sources:

Ratio: Land Value to Building Value:
City of Minneapolis Parcel Ownership Data

Parks, Plazas and Open Space: Metropolitan Design Center's Downtown Open Space Inventory

Proposed Future Fixed Transitways: Metro GIS

Map Date: 11.28.07



Estimated Market Value

Related Downtown Conditions

Features and Uses of Successful Downtown Parks

Prepared for:

The City of Minneapolis

Prepared by:



THE
TRUST
for PUBLIC
LAND

CONSERVING LAND FOR PEOPLE

The Trust for Public Land

Minnesota State Office
St. Paul, Minnesota

Center for City Park Excellence
Washington, D.C.

In Conjunction with:

The Smitten Group

Donjek

Hoisington Koegler Group Inc.

Metropolitan Design Center

Minneapolis Park and Recreation Board



downtown minneapolis park space initiative

downtown minneapolis park space initiative

June 30, 2008

Summary: Features and Uses of Successful Downtown Parks

Almost every major city in America has a downtown signature park, a place that serves as a central public gathering place, a point of local pride and a status symbol that acts as a city's public heart. These are places that belong to everyone – the rich, the poor, the young, the old, residents, and out-of-towners. While signature urban squares and parks often have outstanding trees, lawns, flower gardens and other ecological amenities, the true measure of success comes from being people-centered – places to meet friends, eat, enjoy a concert, stumble upon an unexpected exhibition, talk with visitors or just people-watch.

Successful downtown parks provide features that offer the following key elements:

Entertainment and Events, such as stages and art shows; **Rest and Relaxation**, such as moveable seating and fountains; **Arts and History**, such as sculptures and preservation; **Education**, such as outdoor classrooms; **Recreation**, such as a small bocce ball area; **Attractive Logistics**, such as night lighting and trash receptacles; **Transportation**, such as bike stations and transit links; **Seasonal and Evening Offerings**, such as night concerts and ice rinks; and lastly, **Whimsy**, features that are fun, playful and engaging. Below is a summary of four successful downtown parks and their features.

Pioneer Courthouse Square, Portland. This 1.6-acre park features a 75-seat surround-sound theater, a sculpture of a man offering his umbrella called "Allow Me," bronze chess boards, an amphitheater, sign posts showing distances to Portland's nine sister cities, the former Portland Hotel entry gate, a waterfall fountain, the "keystone" lectern for speaking events, a weather machine that shows different symbols for different weather, a Visitor Information Center (includes visitor information, a tour service, and Tri-Met transit

customer assistance), a Starbucks coffee shop, an ATM, wireless Internet, and vending carts for flowers, Philly cheese steaks, hot dogs, and burritos.

Post Office Square, Boston. This 1.7-acre park, built atop a 24-hour staffed parking garage, features the Milk Street Café, moveable chairs, benches, a garden trellis, two "fountain sculptures," a small open lawn, shoe shining, trees, decorative gardens, a performance area on the open lawn, and an information kiosk.

Bryant Park, New York City. This 8-acre park, which gets a whopping 4.2 million users a year, features the Bryant Park Grill & Café, wireless Internet, chess tables, gardens that include seasonal planting displays, a "boule" board, moveable chairs, a "Reading Room" (custom designed carts that have books and newspapers, and support children's and other programs offered at lunch time and after work), a carousel, four kiosks that separately host hot beverages and light food, and a 170' by 100' ice rink.

Campus Martius Park, Detroit. This 1.6-acre downtown centerpiece has helped revive downtown Detroit and features an ice rink, a holiday tree, wireless Internet, a café, a fountain, a "water wall" near sitting areas, the Michigan Soldiers & Sailors Monument, two 22' stainless steel "corner markers," and two performance/event stages that recess into the ground when not in use.

Features and Uses of Successful Downtown Parks

Minneapolis Deserves a Downtown Signature Park

Almost every major city in America has a downtown signature park, a place that serves as a central public gathering place, a point of local pride and a status symbol that acts as a city's public heart. These are places that belong to everyone – the rich, the poor, the young, the old, the educated, the non-educated, the employed, the unemployed, residents and out-of-towners.

Minneapolis is at the center of a dynamic 2.5-million-person metropolitan area. Approximately 163,000 people work downtown. In addition, there are conventions which regularly bring in upwards of 5,000 visitors and hotel occupants per day, not to mention transit users, restaurant frequenters, sports and cultural event attendees and others. Moreover, a downtown housing boom has increased downtown residents to an estimated 28,000, with a projection of 30,000 by 2010.ⁱ

Yet, despite this large and vibrant population, and the city's national reputation for a great park system, there is no signature park in downtown Minneapolis. Many people believe that an outstanding new park would add great environmental, cultural and economic value to the center and the city as a whole.

How do People Use Downtown Parks?

While signature urban squares and parks often have outstanding trees, lawns, flower gardens and other ecological amenities, the true measure of success comes from being people-intensive. Users engage in activities that involve other individuals – meeting friends, eating, enjoying a concert, stumbling upon an unexpected

exhibition, talking with strangers or just people watching. (*For specific activities, see Table 1.*) People use these parks as part of an urban experience that combines interests in recreation, socialization, environment and education while also allowing interpretation of cultural, natural and historic resources.

Of course, many users engage in contemplative activities, even despite the hustle and bustle. People relax on a bench with their eyes closed, read a book, or gaze at a fountain. Though not necessarily experiencing nature, they are enjoying a respite in an "urban paradise" – an island of tranquility in a sea of activity.

Famed urban observer Jane Jacobs painted a detailed picture of the "ballet" that takes place in a well-designed and well-used urban park. Referring to a downtown park near a residential neighborhood in Philadelphia, she wrote in *The Death and Life of Great American Cities*:

First, a few early-bird walkers who live beside the park take brisk strolls. They are shortly joined, and followed, by residents who cross the park on their way to work out of the district. Next come people from outside the district, crossing the park on their way to work within the neighborhood. Soon after these people have left the square the errand-goers start to come through, many of them lingering, and in mid-morning mothers and small children come in, along with an increasing number of shoppers. Before noon the mothers and children leave, but the square's population continues to grow because of employees on their lunch hour and also because of the people coming from elsewhere to lunch at the art club and the other restaurants around. In the afternoon mothers and children turn up again, the shoppers and errand-goers linger longer, and school children eventually add themselves in. In the afternoon the mothers have left but the homeward-bound workers come through – first those leaving the neighborhood, and then those returning to it. Some of these linger. From then on into the

Table 1. How Do People Use Signature Downtown Parks?

| | | |
|---|---|--|
| Eat at outdoor restaurants | Feed pigeons | Watch or listen to entertainment |
| Drink beverage or eat food brought from outside the park | Play musical instruments | Skateboard |
| Buy food or item from open-air market | Talk on cell phones | Ice Skate |
| Relax in the sun or shade | Play chess, play bocce | Read |
| Converse with others | Throw a Frisbee, toss balls | Listen to music with headsets |
| Congregate with others | Walk through the park en route to work | Panhandle |
| Meet someone | Walk through the park en route to other destination | Attend public celebration |
| People watch | Rest in between destinations | Attend protest/political event |
| Gaze at/listen to fountain | Pose for or take photos | Attend a class |
| Walk dogs or use dog run | Use toilet facilities | Read historical marker |
| Tend infants, toddlers | Sleep | Surf the Internet or work on laptop computer |
| Run around, kick or throw balls, play tag (mainly children) | Kiss, hug, or both | Jog through as part of route |
| View public art | Exercise | Waiting for the bus, streetcar or light rail |
| Explore labyrinth | Use play equipment or feature | Park a bike |

evening the square gets many young people on dates, some who are dining out nearby, some who live nearby, some who seem to come just because of the nice combination of liveliness and leisure. All through the day, there is a sprinkling of old people with time on their hands, some people who are indigent, and various unidentified idlers.ⁱⁱ

Jacobs' observations were taken a step further by urban design consultant Jan Gehl. Gehl, who studied public spaces for over 30 years and helped enliven Copenhagen, Denmark into a city of wonderful public spaces, came up with a five-part classification system:

- Everyday users. People who live and work in the area;

- Visitors and customers. People who visit the area from beyond;
- Passersby. People passing through the area, going or coming from other places;
- Recreational visitors. Those visiting a park for its beauty or for recreation; and
- Visitors to events. People who come for special programs.ⁱⁱⁱ

Urban sociologist William H. Whyte determined from his studies of New York City plazas in the late 1970s that the "market area" from which park users will travel is within three blocks – and that 80 percent of users will originate from this area. In downtowns, workers may not visit a park during lunchtime to have a sandwich, watch a musical performance, or meet a friend

unless they are within a five-minute walk, given an hour or less for lunch. The same goes for residents, visitors and the like. A study by the Center for City Park Excellence indicated that most people are unwilling to walk more than a quarter-mile to a park, and some will go no farther than one-eighth of a mile.

What Features and Amenities are Found Within Successful Downtown Parks?

It is important to recognize that there are two different kinds of downtown parks – *signature* parks which are designed to appeal to the entire city and region (and to attract tourists); and *neighborhood* parks aimed primarily at local residents living in lofts, condos and apartments on the fringe of the business district. In Minneapolis there is room for both – one within the central business district and one a few blocks away, perhaps in the North Loop neighborhood.

Of the two, the downtown signature park is likely to be the more expensive and difficult to define and design – which is why it is important to have a city-wide conversation about it.

In the last 20 years cities have invested a great deal of thought into signature facilities, and some of them have become extraordinarily successful. A review of those reveals several themes in features and amenities, from the gastronomical to the whimsical. *(See Table 2 for a full list of different features and the Appendix for a glance at five downtown parks.)*

Entertainment & Events. Parks attract people by incorporating places for live music, theater and speakers. Portland's Pioneer Courthouse Square has a speaking lectern built into the park for events. The square also was built so that the circular steps also act as an amphitheater for



events. Campus Martius Park in Detroit has a stage that recedes into the ground when not in use.

Rest & Relaxation. William H. Whyte observed that one of the most important components of a successful space is how it provides seating. In Bryant Park, moveable chairs are provided to park-goers who are free to place them wherever. As in the past, parks continue to showcase fountains and other water features that are fun to watch or soothing to hear. In St. Paul, Rice Park has a fountain and Mears Parks a stream that diagonally crosses the park. Post Office Square and Campus Martius both have fountains, small and large, respectively. Post Office Square also has a trellis-covered area for lounging in the shade.



Arts & History. Signature downtown parks are usually pieces of history themselves or are built atop land rich in city history, and the features of parks reflect this. Pioneer Courthouse Square features the entrance columns of the former hotel that graced the site. As central locations of civic activity, the parks also feature symbolic

public art or statues. Pioneer Courthouse Square also has a statue of a man offering his umbrella – reflecting Portlanders spirit and climate. Millennium Park in Chicago features a giant silver sculpture that cost over \$10 million and Chicagoans affectionately have nicknamed it "the bean" for its shape.

Eating & Drinking. Parks provide food carts and actual sit-down cafes on their grounds – some are locally-owned, others are national chains. Post Office Square features the Milk Street Café. Bryant Park has the Bryant Park Grill and four kiosks with different foods and beverages. Pioneer Courthouse Square and Campus Martius have chains, Starbucks Coffee and Au Bon Pain, respectively. A variety of vendor carts is common, too – Pioneer Courthouse has specially designed carts for hot dogs and burritos.

Education. Some parks leverage other nearby civic centers and incorporate them into usage. Bryant Park, next to the New York Public Library offers an outdoor reading room, with moveable chairs and carts carrying books, magazines and periodicals. Children gather for planned reading sessions during the lunch hour and after school.

Recreational. While downtown parks are often small in land area and often not more than two acres, recreational amenities are often provided. Chessboards are common – taking up little space and usually attracting a variety of users. Ice skating rinks are common in colder climates. Space for sports like bocce ball can be provided, and leagues organized. Bryant Park provides a "boule board," a French cousin of bocce.

Logistics. A park could not be safe, clean, accommodating or comfortable without the basic features – lighting at night, signage to explain things, and receptacles for trash. These

Table 2. Features of Downtown Parks

Eating & Drinking

- Vending carts
- Coffee shops
- Cafés
- Restaurants
- Farmers' markets

Recreational

- Ice rinks
- Dog runs
- Spraygrounds
- Playgrounds
- Bocce courts

Transportation

- Bike racks & garages
- Transit stops
- Car parking garages

Logistical

- Trash bins
- Lighting for day & night
- Signage
- Wireless Internet

Arts & History

- Public art
- Weather mains
- Statues & monuments
- Outdoor art galleries

Rest & Relaxation

- Benches & seating
- Fountains & water
- Gardens
- Trees & grass

Entertainment & Events

- Stages
- Speaking lecterns
- Amphitheaters

Educational

- Outdoor classrooms
- "Reading rooms"

basic items are not always as boring and routine as they seem, however. Trash receptacles and lighting can also be designed to be attractive and encourage use.

Transportation. Many parks feature services or uses related to transportation. Parking garages are constructed under several downtown parks, such as Post Office Square in Boston, Union Square in San Francisco, Mellon Square in Pittsburgh, and Memorial Plaza in Cleveland. Bike racks are common and in Chicago's Millennium Park a bike garage, complete with showers, lockers, and staffing provides parking for 300 bikes. Other parks feature transit. Pioneer Courthouse Square has a light rail station and is the center of several bus routes. Tri-Met, the regional transit agency, operates an information and ticketing office within the park. Other parks may enhance existing bus stops.

Different Times of Day. Successful downtown parks provide features and amenities that respond to both daytime and nighttime uses. Campus Martius has a multi-colored ice rink in the winter that changes a normal ice rink into a holiday wonder. Cafes can stay open after dark. Stages can be built with lighting and equipment so that events can be conducted after dark. One

of the most popular events in New York City is the HBO-sponsored Monday night movie in Bryant Park, where attendance regularly reaches a whopping 10,000 people.^{iv}

Winter in Downtown Parks. Providing year-round features and uses is integral to a downtown park. Jan Gehl, from work in the Nordic climate of Denmark, says that when he started promoting more public spaces in the 1960s, locals remarked that Danes are not Italians and will not venture out into public spaces, partly because of the cold. It turned out they did – and part of that recipe is enticing usership.^v Ice skating rinks are probably the best-known and most reliable way. Other draws include selling hot soups, coffee, tea, hot chocolate, and cider. Post Office Square's café is open year-round. Parks also bring in Rockefeller Center-like holiday trees, often next to an ice rink, as in Campus Martius. Stages can be built with heaters, concerts or other events kept short and marketed on cold-weather kitsch. In St. Paul, the Winter Carnival ice sculptures are often located in downtown's Rice Park.

Whimsical. Lastly, successful downtown parks feature fun. From the weather guide in Pioneer Courthouse Square to the "bean" and interactive fountains in Millenium Park to the specially-

designed Bryant Park chairs, users are fascinated by the playful features provided in these downtown parks.

ⁱ 2007 Adopted Budget. (2007.) City of Minneapolis.

ⁱⁱ Jacobs, Jane. (1961). *The Death and Life of Great American Cities*. New York: Random House.

ⁱⁱⁱ Houstoun, Lawrence O. Jr.. (October, 2006). "Ingredients for Successful Public Spaces." *Urban Land*.

^{iv} Ryzik, Melena. (July 27, 2007). "Midsummer Night's Screen." *The New York Times*.

^v Vogel, Jennifer. (April, 2006.) "The Long Walk." *The Rake Magazine*.

Appendix: The Basics of Five Successful Downtown Signature Parks

Appendix: The Basics of Five Successful Downtown Signature Parks

| Park | City | Size (acres) | Description of Park's Location | Management Structure | Features | Brief History |
|---------------------------|----------------|--------------|--|---|--|---|
| Pioneer Courthouse Square | Portland, Ore. | 1.6 | Heart of downtown, adjacent to historic courthouse, retail, major transit crossing | Management Agreement between the City and a 501(c)(3) non-profit organization; separate downtown BID provide cleaning and security. | 75-seat surround sound theater; a sculpture of a man offering his umbrella called "Allow Me"; bronze chess boards, amphitheater, sign posts showing distances to Portland's nine sister cities, the former Portland Hotel entry gate, waterfall fountain, the "keystone" lectern for speaking events, a weather machine that shows different symbols for different weather, Portland Oregon Visitor Information Center (includes visitor information, a tour service, Tri-Met transit customer assistance); Starbucks coffee shop, Bank of America ATM, wireless Internet, and vending carts for flowers, Philly cheese steaks, hot dogs and burritos. | Formerly home to historic Portland Hotel; then parking garage; opened in 1986. |
| Post Office Square | Boston, Mass. | 1.7 | Heart of financial district, between Boston Common and harbor. | Privately managed by the Friends of Post Office Square (which also runs parking garage) | Milk Street Café, moveable chairs, a 24-hour staffed underground parking garage, benches, a garden trellis, two "fountain sculptures," a small open lawn, shoe shining, trees, decorative garden, park designed for performances using the open lawn, " and an information kiosk. | Cobblestone plaza until 1954; then four-story parking garage; in 1981 garage demolished; Friends of Post Office square successfully built parking garage underground and park above. |
| Bryant Park | New York, N.Y. | 8 | Midtown Manhattan, next to the New York Public Library. | Managed by the Bryant Park Restoration Corp. (part of Bryant Park Business Improvement District); improvements approved by the City's Landmarks Commission. | Bryant Park Grill & Café, wireless Internet, chess tables, gardens that include seasonal planting displays, a "boule" board, moveable chairs, a "Reading Room" (custom designed carts have books and newspapers, and children's and other programs are offered at lunch time and after work), a carousel, four kiosks that separately host coffee & hot beverages, creamery, soups & salads, and sandwiches, and a 170' by 100' ice rink. | Designated as a public space as far back as the 1700s; Bryant Park named in 1884; in 1980 Bryant Park Restoration Corporation created to manage park; in 1988 construction of two restaurant pavilions and four concession kiosks; most used park per square foot in country. |
| Millennium Park | Chicago, Ill. | 24.5 | Between the Loop and lakefront, near art museum, transit hub | Division of the Chicago Department of Cultural Affairs; aided by non-profit partner, the Millennium Park, Inc. | Underground parking, commuter rail station, band shell and large amphitheater lawn, music theater, interactive fountain with projected images, pedestrian bridge, the "Cloud Gate" sculpture, a landscaped promenade, various gardens with native plants, an ice rink, and restaurant | For years the site of railroad tracks and parking lots; in 1997 Mayor Richard M. Daley directed plans for a new music venue to be built over the active tracks and new parking garage; evolved into mega-project costing over \$400 million; opened in 2004. |
| Campus Martius | Detroit, Mich. | 1.6 | Employment center, at confluence of the City's main street, Woodward Avenue, Michigan Avenue, and Fort and Monroe Streets. | Managed, maintained and operated under a long-term contract with the City of Detroit by the non-profit Detroit 300 Conservancy. | Ice rink, holiday tree, wireless internet, park café, fountain, "water wall" near sitting areas, Michigan Soldiers & Sailors Monument, two 22 foot stainless steel "corner markers," two performance/event stages that recess into the ground when not in use. | Detroit's original central gathering point; lost to expanded roads; civic group Detroit 300 and City targeted area for legacy project in 1990s; plan approved in 2000 to redesign streets, create park; opened in 2004. |

Downtown Park Funding

Prepared for:

The City of Minneapolis

Prepared by:



The Trust for Public Land

In Conjunction with:

The Smitten Group

Donjek

Hoisington Koegler Group Inc.

Metropolitan Design Center

Minneapolis Park and Recreation Board

downtown minneapolis park space initiative

June 30, 2008

Summary: Downtown Park Funding

Creating and Maintaining a High-Profile Downtown Park

What does it cost to create and run a downtown park?

Creating a new park has two principal costs: acquiring the land and developing the facility itself. Cost estimates for acquisition depend upon the size and shape of the park, existing public ownership of the site or potential exchange sites, existing site conditions, and other market factors. After the land is secured, creating a downtown park can cost as little as \$500,000 per acre or as much as \$10 million per acre.¹ The annual costs to operate and maintain the popular and feature-rich parks can range from \$250,000 to \$900,000 per acre.²

Where would the money come from?

Most high-profile downtown parks benefit substantially from *private contributions*, including donations, fundraising events, sponsorships, and naming rights. Construction of Campus Martius Park in Detroit was funded entirely by private sources, and Olympic Centennial Park in Atlanta raised \$30 million through the sale of bricks. *Local government capital funds* almost always play a substantial role, either through general appropriations (Mears Park in St. Paul), bonding by the city council or via referendum (Dallas & Seattle), tax increment financing (Portland), park dedication fees, and grants and capital funds from other local governments such as counties or redevelopment authorities (San Francisco).

¹ Based on a review of 10 selected local and national downtown parks of varying features and types.

² Based on review of five highly programmed downtown parks and data from the Center for City Park Excellence, The Trust for Public Land.

State capital investment and grants are also common in funding downtown parks, especially when private and local dollars have been committed. For instance, state dollars were a substantial part of a new downtown park in Santa Fe, New Mexico. In addition, some cities have used *federal funds*, especially from transportation-related sources.

How about the money to run it?

Sources of income include a *general appropriation* by one or several public agencies; *special service district* funding that charges properties in the geographic area around the park or through a business improvement district arrangement; and *private donations and grants*, including operating endowments, annual fundraising events and foundation and corporate giving. Some operational costs can be recouped through *money-making activities*, such as fees, leasing, concessions, parking and other enterprises. Portland's Pioneer Courthouse Square receives about 44 percent of its revenue through such means, and Boston's Post Office Square runs independently off the revenue of its belowground parking.

Who would manage it?

In most recent examples the city owns the land, and enters into a contract in which a *nonprofit organization manages* the park, receives enterprise revenue, and conducts fundraising. These non-profits sometimes receive a stipend for basic maintenance from the land-owning city agency. Both Pioneer Courthouse Square and Discovery Green in Houston receive a small amount of public funds. Non-profits can be newly created organizations dedicated to managing the park, an existing organization, or a business improvement district or association. The other option is for an *existing public agency* to directly operate the park. St. Paul's Rice Park is run by the city's parks department.

Acknowledgements

With support from the McKnight Foundation, the City of Minneapolis contracted with the Trust for Public Land to evaluate finance and management options and issues related to a downtown park. The Trust for Public Land (TPL) conserves land for people to enjoy as parks, gardens, and other natural places, ensuring livable communities for generations to come. Founded in 1972, TPL works in 45 states and has protected more than 2.3 million acres with a fair market value of more than \$5.1 billion. TPL assists communities in identifying and securing public financing for conservation and recreation land acquisition. TPL's Conservation Finance Program offers technical assistance to elected officials, public agencies and community groups concerning finance options for parks.

Contributors to this report from the Trust for Public Land are:

- Andrew duMoulin, Senior Research Associate, National Conservation Finance
- Ben Welle, Program Coordinator, Center for City Park Excellence
- Peter Harnik, Director, Center for City Park Excellence
- Cordelia Pierson, Parks for People Twin Cities Program Director, Minnesota State Office.
- Kathy DeCoster, Director, Federal Affairs
- Bob McGillivray, Project Manager, Minnesota State Office
- Tom Evers, Development Director, Minnesota State Office

Members of the Downtown Minneapolis Park consulting team providing editorial assistance:

- Beth Elliott, City of Minneapolis, Community Planning and Economic Development
- Kristina Smitten, Smitten Group
- Jon Commers, Donjek
- Bruce Chamberlain and Lil Leatham, Hoisington Koegler Group Inc.
- Jennifer Ringold and Jud Rietkerk, Minneapolis Park and Recreation Board

We would also like to thank the City of Minneapolis and Minneapolis Park and Recreation Board and Mississippi Watershed Management Organization, whose staff all helped provide information and review the draft report.

Table of Contents

| | |
|---|-----------|
| Summary | 3 |
| Funding Sources for Creating and Maintaining a Downtown Park | 5 |
| <i>A. Traditional Tax-Generated Income</i> | <i>5</i> |
| <i>B. Borrowing</i> | <i>7</i> |
| <i>C. Special Taxing Districts</i> | <i>9</i> |
| <i>D. Taxes or Exactions from Development</i> | <i>11</i> |
| <i>E. User Fees and Contractual Revenue</i> | <i>13</i> |
| <i>F. Revenue from Other Entities: Grants and Contracts</i> | <i>14</i> |
| <i>G. Private Contributions to Parks</i> | <i>21</i> |
| Table A | 23 |
| Ownership and Management of Downtown Parks | 26 |
| Table B | 28 |
| Costs of Creating, Operating and Maintaining a Downtown Park | 29 |
| Table C: Construction Costs and Funding Sources | 31 |
| Table D: Forms of Management, Funding Sources, and Cost of Operations | 32 |

Summary

This report provides a summary of funding sources, management structures and costs for downtown parks throughout the United States. The report highlights legal and policy considerations specific to Minneapolis, and gives examples of other cities' experiences with particular downtown parks. In each section that follows this summary – funding sources, ownership and management structures, and costs of building, operating and maintaining a downtown park – a table with other cities' experiences precedes a discussion of the context for the City of Minneapolis.

What sources might fund a park?

Creating and supporting parks requires two distinct types of funding: capital funding for land acquisition and development, and operational funding for ongoing maintenance and management. Most successful downtown parks use a combination of funding from both private and public sources, and raising the necessary funding required public – private collaboration and leadership. *Table A, Funding Creation and Maintenance of Downtown Parks* (see page 23) and accompanying text describe options for both types of funding, with their allowed uses.

Capital Funding. Some combination of a few substantial funding sources is usually necessary to create a downtown park. Three sources stand out:

1. **Contributions from private sources** - donations, sponsorships and naming rights – demonstrate leadership essential to the success of the park; other cities have raised at least half of the capital costs from the private sector.

2. **Local general obligation bonding**, either by city council vote (local legislative authorization) or referendum, has been a primary source for many parks. Where a ballot measure is considered, some jurisdictions have tested public opinion on voter support before determining what funding strategies to use.
3. **State general obligation bonding, or capital investment**, can also provide substantial support, especially when private match dollars have already been committed.

Other capital sources can be important, but secondary, to these three substantial sources:

1. **General appropriations** based on the local property tax levy and other local revenues may provide substantial funds for some capital projects.
2. **Park dedication fees** can support capital investment, though it has not been a primary funding source for other downtown parks.
3. **Grants** from local, regional and federal sources may support particular features or uses of the park. Proposed uses and features of a park greatly affect its eligibility and competitiveness for various grants.

Three potentially significant capital sources require state legislative action and voter approval, which may require several years to make available:

1. **State authorized, voter-approved local sales tax** has been used in other Minnesota cities for park acquisition and improvement. This tool requires state legislative approval, and usually requires a local referendum.

2. **State constitutional dedication of sales tax increase** will likely be placed on the state November 2008 ballot as the “Clean Water, Wildlife, Cultural Heritage and Natural Areas” ballot question. If voters approve this measure, a portion of the funding to support parks and trails of regional and statewide significance might be available for park acquisition and operating costs.
3. **Tax increment financing** has been used by other cities, but current state law limits its availability to strictly economic development purposes. While state legislative action would likely be necessary for this tool to be used for a downtown park, voter approval is not required.

Operational Funding. The options range broadly; private and public sources are usually combined, depending on the management structure.

1. **General appropriation** by one or several public agencies, depending on park management and design, is a primary source.
2. **Special service district funding** is frequently used for operating funding, even though it can pay for capital costs as well. With the requirement that landowners petition to establish the district, this tool relies on strong private sector leadership in gaining landowner support in the service district area.
3. **Private donations** for an operating endowment can accompany a capital fundraising effort, as other cities have shown.
4. **Fees or marketing income** may be a component, depending on park design and public acceptance. Parking, advertising, and/or

concession revenues may provide some operating support. While some parks are supported primarily with parking fees, an analysis of the local parking market preceded selecting an underground parking structure as a viable funding source.

Who might own and manage a park?

The choice of an entity to own and manage a downtown park affects the funding strategies for creating and supporting a park. Park leaders frequently combine public and private roles in ownership and management to maximize support from a variety of sources, as described in a review of other cities' experiences presented in Table B, *Management Structure* (see page 28) and Table D, *Forms of Management Funding Sources and Cost of Operation* (page 31). In almost all of the examples provided, the city owns the land, and in half of the examples, a nonprofit organization manages the park and helps with fundraising. As cities have explored funding options, they have evaluated a variety of ownership and management options. Each city developed its own unique solution to fit its locality. The process of selecting an operating entity may include testing the preferences of public and private funding sources and evaluating potential uses and features of a park.

Participation of many public agencies and private entities in park management is common in the downtown areas of many cities, including Minneapolis. Thus, a variety of options exist for operating a downtown park in Minneapolis:

1. An **existing public agency**, with support from the agency's general revenue, special district revenue, and / or private donations; or
2. A **private non-profit organization**, such as a foundation or conservancy,

which could be partly or wholly supported with public funding. Options from other cities include a newly created organization dedicated to managing the park; an existing organization with appropriate mission, capacity and expertise to manage and program a downtown park; or a business improvement district or association.

How much might it cost to create, operate and maintain a park?

Creating a new park has two principal costs: acquiring the land and developing the facility itself, as illustrated in Table C, *Construction Costs and Funding Sources* (see page 31). Cost estimates for park creation take into account many factors: the size and shape of the park, existing public ownership of the site or potential exchange sites, existing site conditions, development features, complexity of design, and construction of support facilities like underground parking. For downtown parks researched for this study, costs ranged from \$481,333 with no land acquisition and few park features, to \$9,981,250 per acre including a wide range of park features and performance spaces.

The costs of operating and maintaining downtown parks vary widely, based on park design, programming, and use. The park management structure can also affect those costs. Table D: *Forms of Management, Funding Sources and Cost of Operations* (see page 32) provides specific examples from other cities. Existing downtown destination parks have annual operating costs ranging from \$229,000 to \$884,000 per acre, not including Boston Post Office Square, with its parking facility contributing to a \$7,846,734 per acre annual budget. An average acre of parkland in a U.S park system has lower operating costs – as low as

\$27,000 per acre – and does not have the type or number of features and level of programming.¹ In the destination parks, much of the costs are paid for through user fees, leasing arrangements, concession agreements and other enterprise efforts. (For instance, Pioneer Courthouse Square receives about 44 percent of its revenue through such means.)

Research from this project indicates that the costs of creating and maintaining a park vary widely, depending on features. A more highly programmed, designed and maintained park in Minneapolis may cost \$6,000,000 to \$8,000,000 per acre to develop and \$500,000 to \$700,000 to operate, while a park with fewer features and programming may cost \$1,000,000 to \$3,000,000 to develop and \$200,000 to \$400,000 to operate. These estimates do not include land acquisition costs.

Funding Sources for Creating and Maintaining a Park

The funding strategies listed in *Table A* (see page 23) are described more fully below, following the order of presentation in the table: local, special local, other public, and private.

A. Traditional Tax-Generated Income

Property Tax

Some public agencies use general appropriations, as supported primarily by property tax revenues and state local

¹ In 2005, in the nation's sixty largest cities, operations and maintenance cost an average of \$21,178 per designed acre of parkland. City Park Facts. (2007.) Center for City Park Excellence Annual Survey of City Park Systems. The Trust for Public Land. Washington, D.C.
www.tpl.org/cityparkfacts

government aid, to pay directly for operating costs or for capital investments. National examples include Bryant Park in New York City, Jamison Square and Pioneer Courthouse Square in Portland, OR, Millennium Park in Chicago, and Wacouta Commons in St. Paul. In Minneapolis, two agencies use these sources: the Minneapolis Park and Recreation Board (MPRB), and the City's Public Works Department.

In Minneapolis, the traditional method to fund park operations and some capital investments is through the Minneapolis Park and Recreation Board (MPRB). In 2007, the MPRB had an operating budget of \$53,312,202, which included "capital projects." The largest expenditures the MPRB made were on park maintenance and rehabilitation in forestry and its districts, which accounted for 38 percent of total expenditures.

The City of Minneapolis may also make a contribution to park operations and maintenance through its general appropriations. Because the Public Works Department maintains some land used as park or parkway, the Public Works budget includes those management costs. Within special service districts, such as Nicollet Mall, the special district revenues are meant to provide support above that of basic operations, as described separately below.

Sales and Use Tax

Local sales taxes are not widely used specifically to support downtown parks, though other states have given cities authority to create local sales taxes, and other cities, such as San Antonio, Phoenix and St. Paul (under its STAR program) have used this tool for park purposes. In St. Cloud, Minnesota, a city sales tax supported park improvements to Riverside Park and Munsinger Gardens, which are on the

Mississippi River near downtown. Atlanta's Centennial Olympic Park receives an allowance from the state-chartered World Congress Authority that runs the city's convention center and arenas; about eight percent of the Authority's revenue comes from a hotel tax.

Under Minnesota law, the state legislature must specifically authorize the imposition of any local sales tax. Before seeking legislative approval, the governing body – in this case, the city council - must adopt a resolution in support of the tax, including information on the proposed tax rate, how the revenues will be used, the total amount to be raised before the tax expires, and its estimated duration. If authorized by the legislature, the question must be put to a vote at a general election, which may be either a state or local general election. The enabling legislation may allow other methods of local approval. For instance, laws authorizing the Minneapolis, St. Paul, Bloomington, and Rochester (first authorization) sales taxes provided that the city council could impose the tax by ordinance, without a local ballot measure.²

Understanding the existing tax rate relative to other communities' rates is important in evaluating this tool. The City of Minneapolis has one of the highest sales tax rates locally.

| | |
|-----------------|---------------|
| Minnesota | 6.5% |
| Hennepin County | 0.15% |
| Minneapolis | 0.5% |
| Downtown | 3.0% |
| Total | 10.15% |

² Excerpted from: Minnesota Local Sales and Use Taxes: a report to the 2004 Legislature, http://www.taxes.state.mn.us/taxes/legal_policy/research_reports/content/local_sales_tax_study.pdf

The state legislature has granted a few of Minnesota's local governments authority to levy a local tax. According to the Minnesota Chamber of Commerce, in 2005, 16 local governments were exercising the authority given to them by the Legislature. They are Bemidji, Cook County, Duluth, Hermantown, Mankato, Minneapolis, New Ulm, Proctor, Rochester, the St. Cloud area (St. Cloud, St. Joseph, Sartell and Sauk Rapids), St. Paul, and Two Harbors.³ The City of St. Cloud supports park uses with its sales tax revenues, as does Bemidji. Albert Lea uses it for water quality projects.

A proposed state sales tax to support parks and trails is discussed below with other state funding sources.

Income Tax

A locally enacted income tax is not widely used for downtown parks. Pennsylvania is the only state that allows municipalities to use income taxes for parks; Minnesota state law does not now provide local government authority to enact a local income tax.

Revenues from income taxes collected at the state and federal levels help fund city parks indirectly, only as they might qualify for grant programs.

B. Borrowing

General Obligation Bonds: Overview

The most common and largest single source of funds for land acquisition and park development in Minnesota and nationwide is the issuance of general obligation (G.O.) bonds. These bonds are guaranteed by the full faith and credit of a local government unit and are most frequently backed by property tax revenues, though other revenue sources are possible. Local G.O. bonds can

be authorized by the city council, the county, the Metropolitan Council (for regional parks), or a voter referendum placed on the ballot by elected officials. The bonds are sold, the proceeds are used to purchase or develop the park, and then property tax revenue is used to repay the bonds and interest over a defined period, usually twenty years. Houston's Discovery Green and Portland's Pioneer Courthouse Square have both received some funds from city capital improvements allocations, following voter-approved ballot measures.

Minnesota statutes list various purposes for which any city may issue G.O. bonds, including the acquisition or betterment of parks, for which proceeds may be used to pay all expenses that are reasonably necessary.⁴ Proceeds from a general obligation bond issuance may not be used for ongoing expenses, such as maintenance. Two types of G.O. debt, capital investment plan and referendum debt, have been used for park creation and are detailed below.

General Obligation Bonds: Capital Investment

Capital improvement plan (CIP) bond issues use the net tax capacity of property, and may be issued by the local government with a vote of the elected body, and without voter approval. The annual debt service limit is more restrictive for CIP bonds than for referendum debt. Because more property tax types are included in the tax base for capital improvement bonds, the cost per year for the average homeowner may be lower for capital improvement bonds as compared to referendum-approved debt.⁵

³

http://www.mnchamber.com/priorities/localtax_bkgd.cfm

⁴ Minn. Stat. 475.52, Subds. 1 & 3.

⁵ Personal communication with Eric Willette, Policy Research Manager for the League of Minnesota Cities.

The City of Minneapolis sets the capital improvement budget for both itself and the Minneapolis Park and Recreation Board (MPRB), with the typical approval process spanning a 16-month period. In the most recent five-year plan covering 2008-2012, the Park Board has been proposed to receive \$5.25 million for parks capital out of \$543.1 million total.

Table 1. Minneapolis CIP Bond Financing Costs

*Assumes 20-year bond at 5.0% interest rate; Net Tax Capacity = \$375 million.**

| Bond Issue | Annual Debt Svce | Prop Tax Increase | Cost/ Year/ \$100K AV | Cost/ Ave./ Homeowner** |
|--------------|------------------|-------------------|-----------------------|-------------------------|
| \$10,000,000 | \$802,426 | 0.2141 | \$2.14 | \$4.46 |
| \$15,000,000 | \$1,203,639 | 0.3211 | \$3.21 | \$6.70 |
| \$20,000,000 | \$1,604,852 | 0.4281 | \$4.28 | \$8.93 |
| \$30,000,000 | \$2,407,278 | 0.6422 | \$6.42 | \$13.39 |
| \$50,000,000 | \$4,012,129 | 1.0704 | \$10.70 | \$22.32 |

* Based 2008 Proposed Values, Hennepin County Assessors Office, Page 6

**Based on median home taxable value of \$208,500. Source: Minneapolis Assessors Office.

Table 2. Minneapolis Referendum Bond Financing Costs

*Assumes 20-year bond at 5.0% interest rate; Total Referendum Valuation = \$34.6 billion.**

| Bond Issue | Annual Debt Svce | Prop Tax Increase | Cost/ Year/ \$100K AV | Cost/ Ave./ Homeowner** |
|--------------|------------------|-------------------|-----------------------|-------------------------|
| \$10,000,000 | \$802,426 | 0.0023 | \$2.32 | \$4.94 |
| \$15,000,000 | \$1,203,639 | 0.0035 | \$3.48 | \$7.41 |
| \$20,000,000 | \$1,604,852 | 0.0046 | \$4.64 | \$9.88 |
| \$30,000,000 | \$2,407,278 | 0.0070 | \$6.96 | \$14.82 |
| \$50,000,000 | \$4,012,129 | 0.0116 | \$11.59 | \$24.69 |

* Based 2008 Proposed Values, Hennepin County Assessors Office, Page 6

**Based on median home market value of \$213,000. Source: Minneapolis Assessors Office.

If a tax capacity-based levy were used to raise \$15 million, the average homeowner would pay \$6.70 a year, and the debt service would be the same as a referendum bond issue. (See inset Table 1.) At \$50 million, the average homeowner would pay \$22.32 a year.

General Obligation Bonds: Voter Referendum

Many other cities have used referendum debt to fund parkland acquisition. Since 2000, about 17 cities with populations over 300,000 have passed ballot measures with some portion of funding dedicated to the acquisition and development of parkland, resulting in funding from \$2 million to \$150 million, depending on the city, and an

average of \$36.2 million. The funds serve either citywide purposes on a variety of projects, or specific purposes such as protecting natural areas or creating trails. Often downtown parks are not specifically included in these measures, but sometimes they do receive funding. For instance, in 2007 Denver voters passed a \$93-million parks referendum, of which \$10 million was dedicated to restore structures in downtown's Civic Center park. Also in 2007, Oklahoma City voters passed an \$89-million bond that included \$3.2 million for property acquisition and development of a new downtown park.

Referendum (voted) debt is payable from taxes levied on the referendum market value of all taxable property in the jurisdiction.⁶ A city or county resolution, including the ballot title and language, initiates proceedings to place a question on the ballot to authorize the issuance of bonds. Under state law, the ballot language must state the maximum amount of the increased levy as a percentage of market value and the amount that will be raised by the new referendum tax rate in the first year it is to be levied.

Since 1996, Minnesota voters have passed seventeen local measures; 75% of conservation referenda on the ballot in Minnesota since 1988 have passed.

A referendum bond issue in Minneapolis of \$50 million would add \$4.0 million to the city's annual debt service and cost the average homeowner (\$213,000 value home) \$24.69 per year, assuming a 20-year bond at 5 percent interest – a value of about \$2 per

⁶ This value is based on the market value of property, rather than taxable value. General property taxes are paid upon the taxable value of property, which are in most cases significantly less than market value and vary depending upon land use type.

month. (See inset Table 2, above, for bond scenarios.)

Hennepin County

As a county with one of the largest tax capacities in the state, and among the strongest bond ratings in the nation, Hennepin County is another possible source for capital funding. A referendum bond issue in Hennepin County of \$30 million would add just \$2.4 million to the county's annual debt service and cost the average homeowner (\$252,300 value home) \$4.50 per year, assuming a 20-year bond at 5 percent interest. (See inset Table 3.) However, the county is not likely to be the acquiring agency for a downtown park.

Hennepin County's bonding authority may provide a resource in a different way, through conduit financing, which the county is now evaluating partly for parkland. Because the bond rating for both the county and city is AAA, the conduit financing program may not benefit Minneapolis.

| Bond Issue | Annual Debt Svce | Prop Tax Increase | Cost/ Year/ \$100K AV | Cost/ Ave./ Homeowner** |
|--------------|------------------|-------------------|-----------------------|-------------------------|
| \$30,000,000 | \$2,407,278 | 0.0018 | \$1.78 | \$4.50 |
| \$50,000,000 | \$4,012,129 | 0.0030 | \$2.97 | \$7.50 |
| \$70,000,000 | \$5,616,981 | 0.0042 | \$4.16 | \$10.49 |

* Based 2008 Proposed Values, Hennepin County Assessors Office, Page 6
**Based on median home value of \$252,300. Source: 2006 US Census.

Revenue Bonds

Revenue bonds have not been widely used for downtown parks, though one strategy might be revenue bonds backed by future parking revenues. In 2000, the City of San Francisco began a \$25 million rebuild of its downtown park, 2.6-acre Union Square. To pay for the project, the city issued bonds from the revenue of a parking garage built underneath the park through the entity it created to manage the garage, the Uptown Garage Corporation. For Boston's Post Office Square, the projected revenues from

the parking facility were used for traditional private bank financing, not revenue bonds.

C. Special Taxing Districts

While special assessment districts are not widely used for downtown parks, special services districts, business improvement districts, and tax increment financing are more common.

Special Assessment Districts

Special assessment districts are special purpose government agencies that can generate revenue in a particular area for a distinct public purpose. Such a district is more likely to provide grant funding to a downtown park than to fund, own and manage a downtown park.

An example in Minneapolis is the Mississippi Watershed Management Organization (MWMO), whose mission includes water quality protection and stewardship. MWMO uses general appropriations from an annual tax levy to

pay for operating and capital improvements, including projects in parks.⁷ From 2002 to 2006, the levy ranged from \$3.5 to 4 million dollars annually, and about 75 percent was dedicated to capital projects. From 2002 – 2007, the MWMO has provided \$15.3

million for capital projects in Minneapolis, including parks near downtown as well as the green roof of the Central Library.

Special Services Districts

Minnesota law allows for the creation of special service districts (SSD) in which businesses or property owners within a specific geographic area are assessed

⁷ Minn. Stat. Section 103B.211; 103B.251: CAPITAL IMPROVEMENTS BY WATERSHED MANAGEMENT ORGANIZATIONS.

surcharges for the city to manage specific resources within the district. The fees are assessed “at a rate or amount sufficient to produce the revenues required to provide special services in the district.”⁸ The rate is based on net tax capacity of the property. The services provided include “improvements” and the operations and maintenance costs of those improvements; the statute does not mention land acquisition. The statute also states that after June 30, 2009, a special law authorizing new districts is required.

Cities are authorized under state law to adopt an ordinance establishing a SSD upon the petition of property owners within the boundaries of the proposed district.⁹ Expansion of a SSD follows the same procedure as creation of a new SSD.¹⁰ Landowners have to initiate this; no action may be taken by the city council unless a very specific group of landowners files a petition requesting a public hearing to establish a SSD:

- Owners of 25 percent or more of the land area of property that would be subject to service charges in the proposed district; and
- Owners of 25 percent or more of the net tax capacity of property that would be subject to service charges in the proposed district.

Advantages to SSDs are that they are custom-built around a democratically chosen geographic area and payment system, and are driven by local priorities, including

business retention, safety or parks. The city is authorized but not required to establish an advisory board to review city management of the district.

Downtown Minneapolis currently has three special service districts to support maintenance in defined areas – the Nicollet Mall District, the Hennepin Theater District and the Chicago Avenue Mall District. The City now collects revenues from the current Nicollet Mall SSD for maintenance by the City.

Several models have been used in other cities. In addition to a localized SSD, cities have combined SSDs to configure a park, creating a downtown-wide SSD. Nationally, such a larger-scale configuration would more closely mirror Business Improvement Districts (BIDs), described below, which also involve management by a private organization.

Analyzing a theoretical example illustrates the revenue generating potential of this tool. Based on the tax capacity of a downtown central business district block, an average property would be assessed \$5,102 and the median \$2,067 to achieve annual revenue of \$500,000 (with no property being charged more than \$15,000). A portion of these revenues could be devoted for capital debt, and another portion could be for operations. For example, borrowing \$5 million would cost about \$260,000 annually for 20 years.

Business Improvement Districts

Business Improvement Districts (BID) are organized public-private partnerships to promote and improve an area, most commonly in downtown areas and run by downtown associations. A BID is nationally proven as a successful tool for pooling revenue for collective purposes. Two extraordinarily successful examples are

⁸ Minn. Stat. sec. 428A.03. To determine the appropriate rate for a service charge based on net tax capacity, taxable property or net tax capacity must be determined without regard to captured or original net tax capacity under section 469.177 or to the distribution or contribution value under section 473E.08. Minn. Stat. sec. 428A.03.

⁹ Minn. Ch. 428A.

¹⁰ Minn. Stat. sec. 428A.04.

Philadelphia's Center City District and Washington, D.C.'s Downtown DC Business Improvement District. Bryant Park in New York City is another successful model BID. In Minnesota, a business improvement district can be set up under the special services district law described above, with a non-profit group managing the district as a BID. Both Rochester and Duluth, Minnesota, have established such an arrangement.

Case Example: City of Duluth, MN ¹¹

The Duluth Downtown Waterfront District was established in 2005 as a Special Service District managed by the Greater Downtown Council. Encompassing 90 blocks in the heart of Duluth, property owners in the district pay for enhanced services and programs to improve safety, cleanliness and economic vitality in the area. The District has a five-year renewal provision, and its first projected operating year budget was \$500,000. The Downtown Waterfront District is funded using service charges imposed on the basis of net tax capacity and collected in the same manner as property taxes. The assessment for services charges was based upon a target total assessment of \$300,000 in the year 2005 and incrementally rising to \$337,652 in 2009, with a maximum service charge imposed on any single property of \$7,878 in 2009. The assessment for property owners in 2005 was equal to approximately \$1.33 to \$1.77 per \$1,000 of taxable market value.

Tax Increment Financing

Some cities have used tax increment financing (TIF) as a major source of park acquisition and improvement funds. A TIF diverts increases in property tax revenue

within a set geographic area for specified purposes. Chicago's Millennium Park relies in part on revenues from the Central Loop TIF, and Portland used TIF for Pioneer Courthouse Square and Jamison Square. In the city's Pearl District, a new densely populated central neighborhood built near the Willamette River on a former railroad area, nearly \$23 million has been used to build three parks totaling 4.9 acres and renovate another acre of existing parkland.

In Minnesota, state law now limits the use of this tool to redevelopment, housing or economic development.¹² In the past, land acquisition for parks, as part of a larger project, could have been an authorized use of this financing tool.¹³ A state statutory amendment would be necessary to allow tax increment financing to support park purposes.

D. Taxes or Exactions from Development

Real Estate Transfer Tax

While several states, such as Pennsylvania, Illinois, New York and Rhode Island use real estate transfer taxes to fund parks, municipalities do not widely use the tax for parks and it has not been used specifically for downtown parks. Some local communities in Minnesota have considered the deed transfer tax as a funding source for specific purposes. Since 1974, mortgage and deed taxes have been entirely a state revenue source, except for the 3 percent county retention for administration.

In 1997, the state legislature authorized Hennepin County to collect a mortgage registry and deed tax for deposit into an Environmental Response Fund (ERF) for the

¹¹ <http://www.downtownduluth.com/district.htm>

¹² 469.176 LIMITATIONS. Subd. 4g. General government use prohibited.

¹³ Minnesota Statutes sections 469.174 to 469.1791.

very specific use of addressing special needs of contaminated lands in the county. In ten years, the county ERF awarded 152 grants for a total of approximately \$19,030,168. ERF grants are primarily used to address problem sites where investigation and/or clean up has been hampered because there is no other source of funds for the work, or sites where public use is intended.

Park Dedication Fee

Revenue from Park Dedication Fees - also called Impact Fees, Developer Exactions or System Development Charges – is a common source of park capital funding in Minnesota and nationally; however, it is not widely used in other cities for downtown parks specifically.

In Minnesota, local governments have statutory authority to regulate development so that “a reasonable portion of any proposed subdivision be dedicated to the public or preserved for conservation purposes for public use as parks, recreational facilities as defined in section, playgrounds, trails or open space.”¹⁴ Alternatively, at the local government’s option, the regulations may require a cash-equivalent donation, based on the fair market value of the land that otherwise would be dedicated.¹⁵ The cash must be put in a special fund and used for no other purpose than the relevant acquisition of interests in land or capital costs associated

with a park. The funds may not be used for park maintenance or operations. These cash dedications can be substantial and provide valuable funding for park acquisition.

Issues to consider in establishing a park dedication ordinance include: what types of development it will affect, the amount of land per dwelling unit, parking space, land area or other measure; the means of calculating the fee; what exceptions are provided; and the purposes for which funding may be used.

Case Example: City of St. Paul, March 2007.

In March 2007, the City of St. Paul passed a parkland dedication ordinance. The law requires new commercial, residential and industrial developers to dedicate land for public parks or pay into a fund that will be used to buy and build (but not operate) parks near the new development (within approximately a half-mile). New homes will be charged a \$200 to \$300 fee. Officials estimate that if the law had been in place since 2002, it would have generated up to 26 acres of new parks, or \$4.7 million to fund new parks.¹⁶

Incentives and Negotiations with Developers

Cities frequently negotiate with developers to provide public services in developments. An example is a wider right of way to provide linear park connections. Cities can provide an array of benefits or incentives, including an increase in density from permitted levels. This common tool is difficult to document. The City of Chicago used this tool to create Lakeshore East Park, as part of a redevelopment project.

¹⁴ Minn. Stat. 471.191

¹⁵ The Supreme Court held in *Dolan v. City of Tigard*, 512 U.S. 274 (1994), that a dedication requirement is a “taking” for which compensation must be provided unless the type of dedication and the amount of the dedication are reasonably related to the kinds of burdens the new development will place on the public. According to the Court, an “individualized determination” must be made in each case that these tests are met. See also, Kim Hopper, *The Trust for Public Land, Increasing Public Investment in Parks and Open Space: Local Parks Local Financing*, 1 (1998).

¹⁶ Personal Communication with Allan Torstenson, City of St. Paul.

E. User Fees and Contractual Revenue

User Fee

Depending on the park design, cities may collect user fees for particular park uses. The goal of the user fee is to pay for the service provided. In a study by the Trust for Public Land of 65 city park or recreation agencies, in the fifty cities with user fees, the average income per agency was \$7.6 million a year, or \$12.27 per resident; the median income per agency was \$4.2 million, or \$6.13 per resident. In a downtown park, user fees could be assessed for public speaking and public events, or other individual activities like ice skating, which carry a cost to operate. Post Office Square, Campus Martius and Bryant Park all receive revenue from user fees. Pioneer Courthouse Square receives about \$150,000 per year in event rental revenue.

Parking Fees. Other cities have used parking fees as a substantial funding source for downtown parks. Several strategies are possible, including increasing or redirecting existing parking fees, creating a downtown parking district, or building a parking facility underneath the park.

A city could dedicate revenue from parking meters (i.e. street parking) to parks or a special purpose. If parking is priced below its market rate, a city could conceivably increase parking rates, especially in a downtown where street parking is in high demand, and dedicate the incremental revenue to a special service such as parks. Pasadena, California dedicated meter revenue to a downtown improvement fund that is priced accordingly and generates \$80,000 per block annually. The city used the funds to borrow \$5 million and also uses the funds for maintenance and

beautification.¹⁷ Austin, Texas has a similar program underway – a "parking benefit district" that helps pay for neighborhood improvements. The city's 2007 annual budget lists "parking lots and meters" citywide as receiving \$812,500 in operating revenues.

Where meters or public facilities already exist, rates could be raised and dedicated to supporting a park. The MPRB, which has installed parking meters in selected regional parks, brought in about \$800,000 in 2005 from that source, much of it from non-city residents. Alternatively, the city could create what essentially amounts to a downtown parking special district by enacting a tax on private and public parking in the downtown area and dedicating the revenues to parks in the area. This may require approval from the state legislature.

Other cities are using the "parking below, park above" strategy to finance parks. Several factors are important if a new parking facility is being considered:

- Whether the market value of parking can support the cost of building special parking facilities in the park itself, frequently underground.
- Whether building a parking structure is feasible structurally and in the specific park location

Boston's tiny, jewel-like Post Office Square is a public park that was paid for and is operated by a private corporation supported entirely by parking fees from the garage below, at no cost to the City of Boston or other public agency. The privately run park cost \$80 million to create, all of which was privately supported, including a conventional private loan from Fleet Bank

¹⁷ Shoup, Donald C. (March 29, 2006). "The Price of Parking on Great Streets." *Planetizen*. www.planetizen.com

of \$50 million. Other cities with similar facilities include Pittsburgh (Mellon Square), San Francisco (Union Square), Boston (Boston Common) and Los Angeles (Pershing Square). Table D, *Forms of Management, Funding Sources, and Cost of Operations*, provides more detail on the parks with parking facilities.

An analysis of the central business district market rate for parking is necessary to evaluate whether local rates would support construction and maintenance of an underground parking structure in Minneapolis. In Boston, for example, Post Office Square charges \$33 a day. In Minneapolis, at the Central Library, the daily rate posted on its web site is \$8.

Concessionaire and Leasing Agreements

If an agreement can be reached over the allocation of revenue, destination parks can potentially provide several opportunities for restaurants, cafes and even pushcarts – either through concessions fees or leasing agreements. Concession fees are a major source of revenue for park agencies in New York, St. Louis, Chicago, New Orleans, Cincinnati and other cities, and are authorized in Minneapolis. Minneapolis code allows the MPRB to grant authority for commercial activities that are consistent with the general welfare of the public and consistent with zoning regulations for that site. The Park Board has granted the authority to restaurants operating within certain parks, including outdoor cafes in the Lake Calhoun and Minnehaha Falls park pavilions. At Lake Calhoun, revenues increased from \$20,000 gross annually to \$85,000 to \$100,000 net income annually.

Even pushcarts can generate revenue in destination parks; New York receives \$250,000 from a single pushcart in Central Park in front of the Metropolitan Museum of

Art, with the museum's estimated 4,000,000 visitors a year. Stands or pushcarts can be placed within a park, such as the stands in Portland's Pioneer Courthouse Square, to bring in more revenue than the average city pushcart. Currently, the City of Minneapolis charges an annual license fee of only about \$660 per cart. In 2007, the Minneapolis Municipal Code established a year-long license for a "Kiosk Food Cart Vendor" at \$410.00. For vendors within the Nicollet Mall special service district, sidewalk cart food vendors can be charged an additional fee not to exceed \$250.00 per year to defray the cost of mall cleanup and maintenance. For comparison, Bryant Park in New York makes about \$470,000 from its four food kiosks and newsstands and Pioneer Courthouse Square about \$250,000 in food cart and leasing arrangements.

Advertising

The public does not always accept advertising in public parks, though it is used at Millennium Park. For instance, Toyota gave \$800,000 to the park in 2005 to help pay for park operations, and in turn, Toyota received its name on Millennium Park brochures, the park's website and signs posted in the park that also advertised free concerts. The Minnesota Recreation and Park Association highlighted a few examples in its association magazine last year, combining advertising, sponsorships and naming rights. The level of funding noted in the articles was \$50,000 to \$100,000 a year. In the private funding section below, naming and sponsorships are described.

F. Revenue from Other Entities: Grants and Contracts

Funds may also be available from other levels of government, described below in this order: state, metropolitan, county, special district, and federal.

State Sources

Several existing or proposed state sources may provide funding for a downtown park: capital investment, lottery proceeds, sales taxes, and grants.

Capital Investment. Other states have supported downtown parks with capital investment. For example, the State of New Mexico provided \$1 million in capital funds to support the Railyard Park in Santa Fe.

This tool is a potential source for a downtown Minneapolis park as well. Every two years, in even-numbered years, the Minnesota legislature drafts a state omnibus capital investment bill – a “bonding bill” – including projects of state and regional significance as well as some local grant programs, subject to line-item veto by the Governor. The \$1 billion in the 2006 “bonding bill” included an array of projects addressing cultural, health, safety, education, transportation and other needs. The City of Minneapolis and the Minneapolis Park and Recreation Board develop separate lists of preferred projects to receive funding; recent projects have included the Guthrie and Shubert Theaters, as well as parks projects around the city. In 2004, Minneapolis and MPRB received \$3.45 million for a specific park improvement and park plan and for planning a Mississippi River bridge. In 2006, \$31.55 million came to the MPRB and the city for two cultural projects – a music school and a theater; a community development project; and some park and trail improvements and planning. The City of Saint Paul has received substantial state bonding funds for its regional Como Zoo, Park, and Conservatory, in matched by privately raised funds.

Receiving state bonding for a downtown park is possible, but may take a sustained effort over several legislative sessions or substantial committed match, as seen with the McPhail School of Music’s privately raised \$15 million to match the state’s \$5 million.

State Lottery Proceeds (Environment and Natural Resources Trust Fund) and State Future Resources Fund. Another potential source of capital funds is the Minnesota Environment and Natural Resources Trust Fund. The Legislative-Citizen Commission on Minnesota Resources (LCCMR; formerly LCMR) makes recommendations to the legislature for natural resource projects from the trust fund.¹⁸ In 2007, this commission recommended about \$22 million statewide, with no urban parks specifically included. While land acquisition is an authorized use of these funds, acquisition of a central business district park is unlikely to be competitive with native habitat protection projects. Park development is not likely to be eligible at all.

The Minnesota Future Resources Fund, which received revenues from cigarette taxes, is currently an unfunded program, but statutory authorization remains allowing legislators to revive that source more easily.

Proposed State Sales Taxes Revenue.

Pending before the legislature in 2008 is a proposal to ask voters in November 2008 to increase the sales tax by 3/8 of one percent to protect clean water, wildlife, cultural heritage, and natural areas – providing nearly \$40 million per year to support parks and trails. The funds could support both capital and operating costs for sites of statewide and regional significance. While the legislature has not yet defined

¹⁸ MN Constitution Chapter 116P §05

“significance,” Minneapolis could seek regional status for a downtown park.

State Natural Resource Grants. The Department of Natural Resources (DNR) uses federal grants, state capital bond funds, and state lottery proceeds for grant programs supporting local governments acquiring conservation lands, and for direct state acquisition. While the DNR administers several grant programs, only one seems a good match for a downtown park: the Outdoor Recreation Grant program.¹⁹ Other DNR grant programs favor non-urban natural resources.

The DNR’s Outdoor Recreation Grant program, funded by state bonding and federal Land and Water Conservation Fund, distributes grants to local governments for park acquisition and development. Grants may not exceed \$500,000, and require a minimum 50% match of cash or in-kind contributions, and a detailed plan for the proposed project. Eligible grant recipients include cities and school districts. Grant applications are evaluated based on project feasibility, the public/private partnerships, and how the project addresses the identified needs and priorities of a statewide comprehensive plan. Funding levels for this statewide program have dropped to under \$500,000 a year, and a downtown park would be competing against other projects statewide.

Metropolitan Sources

The Metropolitan Council administers two funding sources that could provide partial funding for a downtown park.

Metropolitan Council Parks and Open Space Grants. The Metropolitan Council awards grants for parks that meet “regional park” criteria to specific agencies designated

“regional park implementing agencies,” which includes the Minneapolis Park and Recreation Board. Since 1998, the Metropolitan Council has spent over \$20 million on new land acquisition only for sites defined as “regional parks,” mostly through Park Acquisition Opportunity Fund Grants. These funds have come from a combination of state bonding and Metropolitan Council tax revenues. A downtown signature park might not qualify as a “regional” park under the Council’s standards.

If it does qualify as “regional,” the regional park implementing agency has two potential funding sources. A grant from the Park Acquisition Opportunity Fund may finance up to 40% of the fair market value of the parcel and related acquisition costs, with a \$1 million cap per agency. The remaining 60% match can be provided by either the park agency or other funds, or the land seller can reduce the sale price of the parcel by 60%. The park agency can request to be considered for reimbursement of its cash contribution in a future regional parks spending plan. Under a revised policy in 2008, the grant might be up to 75% of the land acquisition cost, with no later reimbursement possible. The maximum grant would be raised to \$1.5 million.

Metropolitan Council Livable Communities Grants. The Metropolitan Council also administers the Livable Communities Grant Program, and has awarded 472 grants totaling more than \$160 million for housing and economic development projects. The grants are expected to leverage billions of dollars in private and other public investments. Funds may be used for the restoration of natural resources, improved transportation options, new community amenities and thriving new neighborhoods. While some of these

¹⁹ <http://www.dnr.state.mn.us/grants/index.html>

projects have included restoring natural resources and parks such as St. Paul's Wacouta Commons, eligibility of a downtown park for this funding source would have to be further explored with the Council.

The Metropolitan Council also administers certain transportation funds, discussed below.

Hennepin County

Hennepin County has an existing program and is considering an additional program to assist local governments with conservation.

Environmental Grants. Hennepin County's Environmental Response Fund collects a mortgage registry and deed tax for deposit into an Environmental Response Fund (ERF) for the very specific use of addressing special needs of contaminated lands in the county. In ten years, the county ERF awarded 152 grants for a total of approximately \$19,030,168. ERF grants are primarily used to address problem sites where investigation and/or clean up has been hampered because there is no other source of funds for the work, or sites where public use is intended.

Potential County Grant Assistance. As noted above in bonding, Hennepin County is considering offering grants to local governments to help acquire land for parks and natural areas, particularly to protect water quality. The grants might be helpful for a downtown park if it includes design features to protect or improve water quality. This potential grant program has not yet been approved by the Hennepin County Board, and would be in conjunction with a conduit financing program described above in bonding.

Special District Grants

Special district grants could augment other funding sources for park acquisition or development, but are not widely used for downtown parks. As noted in the special assessment district section, the Mississippi Watershed Management Organization, or MWMO, has provided funding for Minneapolis projects improving water quality or stewardship. If park features address these purposes, some grant funding might be available for acquisition or development. For operations, programs addressing water quality education might also be eligible.

Federal Funding

Potential federal funding covers a wide spectrum of public purposes, ranging from transportation and natural resource protection, to economic development and brownfields redevelopment.

Federal Transportation and Trails

Funding. Transportation funding sources have provided substantial support for park and trail acquisition and features, depending on the design and proposed uses for a park. Some cities incorporate bicycle and pedestrian facilities in parks, including improved connections and features that increase use of non-motorized transportation. Others design for increasing transit use, such as appealing bus shelters or kiosks. In Santa Fe, the Railyard Park received \$2.6 million in federal transportation funds out of the construction total of \$13.5 million.

Three vehicles provide access to transportation funds for park creation, depending on the design of the park and its transportation or enhancement-related functions. Every five years, Congress passes a surface transportation authorization bill. Congress also passes annual

appropriation bills to release funding. Both bills provide opportunities for Congress to include line-item funding for individual transportation-related projects (including trails and greenways), in addition to establishing and funding programs. Third, the funding programs distribute grants at the regional level, based on grant applications submitted by government agencies. These three categories are described more fully below.

Transportation Authorization Line-item Opportunities. The most recent authorization bill was the 2005 SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act—A Legacy for Users) bill. One possibility is including specific funding in an authorization bill. Minneapolis has access to funding secured in this way. The most recent authorization bill designated Minneapolis-St. Paul as one of four communities authorized to receive up to \$21.5 million over four years to increase bicycle and pedestrian use. The purpose of this Non-motorized Transportation Pilot Program is to develop and expand the emerging bicycle and pedestrian network to increase connections with transit stations, schools, residences, businesses, recreation areas, and other community activity centers. The legislation permits the sub-granting of funds to nonprofit organizations, and Transit for Livable Communities has received funds to carry out this program. This pilot funding could support some aspect of a downtown park development that improves bicycle and pedestrian access.

Transportation Appropriation Line-item Opportunities. The FY 2008 transportation appropriations bill passed by both houses of Congress included several earmarks for bike trails, greenways, and even parks. An earmark related to improving bicycle and

pedestrian access or addressing parking needs is a potential way of raising funds.

Authorized Programs in 2005

SAFETEA-LU. Within the federal transportation act, SAFETEA-LU, several authorized programs could provide funding to support park acquisition and development, and potentially park programming related to increasing non-motorized transportation uses. The Metropolitan Council administers three of these programs, with applications received every other year from local governments. The federal government provides 80% of the funds, and the municipalities provide a minimum 20% match from non-federal sources. However, the federal funding must be at least 50% of the total project cost, and project proposals have to be prepared carefully to maintain eligibility for parts of large projects. The federal government gives final approval to the projects and distributes the funds directly to the municipalities or nonprofits on a reimbursement basis.

Three primary funding sources – Surface Transportation, Transportation Enhancements, and Congestion Mitigation and Air Quality – follow this process, and could provide funding for a downtown park. These sources are described briefly below. Additional sources – National Scenic Byways, Recreational Trails, and Safe Routes to School – are administered by other agencies, with their own application timing and processes. Links for more information about these programs concludes the transportation funding section.

First, the *Surface Transportation Program (STP)* provides flexible funding that may be used by states and localities for projects on any Federal-aid highway, bridge projects on any public road, transit capital projects, and intracity and intercity bus terminals and

facilities. Because the maximum project size, at \$10 million, is bigger than Transportation Enhancements' maximum at \$1 million, this source may be more promising if substantial transportation-related improvements are included in a downtown park. An example might be enhancements for commuters, including pedestrians and transit users.

(<http://www.fhwa.dot.gov/safetealu/factsheets/stp.htm>)

Second, each state must reserve at least 10% of its Surface Transportation Program dollars for Transportation Enhancements activities. These enhancement projects include historic preservation, rails to trails programs, easement and land acquisition, transportation museums, water pollution mitigation, wildlife connectivity, and scenic beautification. All projects must be related, in some way, to transportation. In FY 2006, Minnesota's share of TE funds was \$14.8 million. Among the projects funded in FY 2005 and FY 2006 were several in Minneapolis and St. Paul. They included streetscape projects and pedestrian and bike trail projects. Park development with a clear transportation connection might be competitive for this funding. (www.enhancements.org)

Third, the *Congestion Mitigation and Air Quality Program (CMAQ)* provides funds, generally with a 20% match requirement, to areas designated as air-quality non-attainment areas. The funds are to be spent on projects to help reduce ozone, carbon monoxide or particulate matter pollution. CMAQ funds can be used for bicycle and pedestrian facilities as a transportation control measure. Minnesota's anticipated FY 2008 apportionment under CMAQ is approximately \$23.3 million. The Minneapolis Downtown

transit management organization has competed successfully for these funds to increase transit use.

(<http://www.fhwa.dot.gov/environment/cmaqpgs/>)

Lastly, if a downtown park might provide connections to schools, the Mississippi River - a national scenic byway, or other recreation trails, funding sources may be available from the following programs: 1) **National Scenic Byways** (<http://www.bywaysonline.org/grants/>); 2) **Recreational Trails Grants Program**; (<http://www.dnr.state.mn.us/grants/recreation>); and 3) the **Safe Routes to School Program** (<http://www.dot.state.mn.us/saferoutes/index.html>).

Federal Natural Resource Funding. There are two programs, though one remains unfunded, that could conceivably provide support to a park.

Land and Water Conservation Fund (LWCF). LWCF provides funding to assist in the acquiring, preserving, developing and assuring accessibility to outdoor recreation resources, including but not limited to open space, parks, trails, wildlife lands and other lands and facilities desirable for individual active participation. Under this program, a portion of the funding goes to the states as matching grants for land protection projects.

A downtown park might be eligible for LWCF support in three ways. Direct funding to a unit of the National Park Service, or the Mississippi National River Recreation Area (MNRRA); indirect funding through a federal grant from MNRRA; or indirect funding through the state side of the program, through the Department of Natural Resources (DNR), which is described in

the state grants section of this report. To be eligible for MNRRA funding, as noted above, the site must be within the defined boundaries for MNRRA, which lie just north of downtown's central business district. MNRRA has authority to make cost-share grants to local entities for acquisitions.

Urban Park and Recreation

Recovery Program (UPARR). The Urban Park and Recreation Recovery Program grants fund: rehabilitation (capital funding for renovation or redesign of existing facilities), innovation (funding aimed to support specific activities that either increase recreation programs or improve the efficiency of the local government to operate recreation programs), and planning (funding for development of recovery action program plans) for recreational services in urban areas. From 1978 to 2002, it distributed approximately \$272 million for 1,461 grants to local jurisdictions across the country. A local match of 30 percent is required. While a downtown park might qualify for funding in this program, the program has not been funded for the past five fiscal years and is not included in the most recent President's budget proposal for fiscal year 2008. The National Park and Recreation Association has launched an initiative with cities nationwide to restore funding to this program. In the past, for example, in 2002, The Trust for Public Land and the City of Newark, NJ, received a \$1 million grant from the National Park Service through UPARR for a park rehabilitation project.

<http://www.nps.gov/uprr/>

Economic Development. Other cities have tapped two federal economic development-related funding sources for park projects: Community Development Block Grants, and Economic Development Initiative grants. Only brief mention is included here because the city may choose to use these funds for other eligible uses, and this source has not been widely used for other downtown parks, though some cities have used these funds for city park improvements.

Brownfields. If a property identified for acquisition or redevelopment is or might be a "brownfields" site, many programs and other benefits at the local, state and federal levels encourage its redevelopment. The U.S. Environmental Protection Agency's Brownfields Program provides direct funding for brownfields assessment, cleanup, revolving loans, and environmental job training. In addition, legislation signed into law in 2001 limits the liability of certain contiguous property owners and prospective purchasers of brownfields properties, and innocent landowners are also afforded liability benefits to encourage revitalization and reuse of brownfield sites. EPA's brownfields program provides the following types of grants: assessment Grants; remediation grants; and Revolving Loan Fund grants (RLF), which provide funding for a grant recipient to capitalize a revolving loan fund to provide sub grants to carry out cleanup activities at brownfields sites.

In Rhode Island, an EPA Brownfields grant assisted the City of Providence in converting a 1.5-acre property to part of the Woonasquatucket Greenways, with funding for capping a landfill. In St. Paul, the City of St. Paul, cleaning up the Bruce Vento Nature Sanctuary, received two awards totaling \$400,000.

G. Private Contributions to Parks

Cities are increasingly raising funds from the private sector: soliciting direct donations, working with park conservancies to raise funds, and selling advertising, sponsorship and naming rights in return for contributions, gifts and fees. They are most often doing this to raise funds for downtown and other signature parks. Almost every downtown park highlighted for this study included at least some private support for park creation or operations and management, and some parks rely solely on private funds. (See page 31, *Table C, Construction Costs and Funding Sources*, and page 32, *Table D, Forms of Management, Funding Sources, and Cost of Operations*).

Direct Donations: Funds and Time

While cities can be successful in receiving donations directly, cities more frequently work with a nonprofit organization that raises and holds the funds to transfer to the city or to manage the park directly. Cities and park agencies frequently establish volunteer programs or “adopt a park” programs to encourage donation of time and talent, not just cash. These programs can help reduce operations and maintenance costs

Park Conservancies and Trusts

Non-profit organizations are sometimes created primarily to raise and manage funds for capital and/or operating costs of signature parks.

Some examples:

- Detroit's \$15 million Campus Martius Park was fully funded through Detroit 300, a non-profit that raised funds among the city's philanthropic community. Their annual budget of \$2.47 million is from donations alone.
- The Discovery Green Conservancy, or Houston Downtown Park Conservancy,

has raised nearly \$53 million from foundations and individuals for Houston's new downtown park, with contributions ranging from \$250 up to \$10 million.

- For Millennium Park in Chicago, \$20 million was raised for an operations and maintenance endowment, in addition to the much larger park capital fundraising; a nonprofit organization Millennium Park, Inc., holds those funds, and provides funds to the City of Chicago to operate the park.
- Portland's Pioneer Courthouse Square, a city park, is managed by Pioneer Courthouse Square, Inc., which operates through a management agreement with the City of Portland. Of the \$2.0 million raised in one year, 30% was from individual contributions, 20% from government support, and 50% was from program revenues.
- The Prospect Park Alliance raises individual, foundation, and corporate contributions as well as earning revenue (rentals, sales, design and construction contracts), all totaling \$25 million since 1987.
- In Boston, the Friends of Post Office Square manages and operates all of the park facilities from parking revenues.

Naming Rights and Sponsorships

Providing donors with the opportunity to gain public recognition is a common strategy to increase private sector support for downtown parks. In Chicago's Millennium Park, the private sector provided \$275 million in capital, with major portions coming from corporations that are now memorialized with sites such as SBC Plaza and Bank One Promenade. Pioneer Courthouse Square in Portland raised over \$500,000 from selling bricks and about \$254,000 in fiscal year 2007 from sponsorships to support park operations. Other cities invite corporations to support free-to-the-public events; St. Paul offers free-to-the-public skating from November to

February, thanks to the Wells Fargo
WinterSkate ice rink at Landmark Plaza.

Table A: Funding for Creating and Maintaining a Downtown Park

| Table A. Funding for Creating and Maintaining a Park | | | | |
|--|--|---|---|---|
| Method | Description | Paid by | Allowed Uses | Process |
| A. Traditional Tax-Generated Income | | | | |
| Property tax | Tax on real property | Commercial and residential property owners | Operations & Maintenance, Capital, Construction | Legislative (city) and/or referendum |
| Sales and use tax | Tax on the sales of goods or services | Purchasers of goods and services | Operations & Maintenance, Capital, Construction | Legislative (state and city) and/or referendum |
| Income tax | Tax on individual income | Individual taxpayers/income earners | Operations & Maintenance, Capital, Construction | Legislative (state and city) and/or referendum |
| B. Borrowing | | | | |
| Bond - General Obligation: Capital Investment | Loan taken out by government agency against the value of taxable property in its jurisdiction | Government agency via annual property levy and capital investment budget | Capital; Acquisition, Construction | Legislative (city, park board and city; county) |
| Bond - General Obligation: Voter Referendum | Loan taken out by government agency and approved by voters; restrictions on taxable property | Government agency via a dedicated property tax levy increase | Capital; Acquisition, Construction | Legislative (city, park board and city) and referendum |
| Bond - Revenue | Loan taken out by government agency against the projected proceeds of a specific tax or fee | Government agency via revenues from tax or fee | Capital; Acquisition, Construction | Legislative (city) |
| C. Special Taxing Districts | | | | |
| Special Assessment District (e.g. watershed organization) | Separate unit of government that manages specific resources within defined boundaries | Residents of the district through property tax surcharges, user fees or bonds | Operations & Maintenance, Capital, Construction | Legislative (state and city) |
| Special Services District | Specific resources used for specific purposes within a specified geographic area. | Businesses or residents within the geographically defined boundaries | Operations & Maintenance, Capital, Construction | Legislative (city) |
| Special Services District configured as a Business Improvement District | A specific type of special services district structured so that non-profits or separate units of government manage specific resources within defined boundaries. | Businesses within the geographically defined boundaries | Operations & Maintenance, Capital, Construction | Legislative (state and city) |
| Tax Increment Financing | Capture the increase in tax revenue due to project | Property owners, when project results in increased property values | Capital; Construction | Legislative (city, state); park uses may be restricted in Minn. |
| D. Taxes or Exactions from Development | | | | |
| Real Estate Transfer Tax | Tax on the sale of property | Sellers or buyers of property | Capital | Legislative (state) |
| | | | Not widely used for downtown signature parks | |

Wacouta Commons, Jamison Square, Bryant Park, Pioneer Courthouse Square, Millennium Park

Not widely used for downtown signature parks

Not widely used for downtown signature parks

Legislative (city, park board and city; county)

Legislative (city, park board and city) and referendum

Union Square, San Francisco (parking garage revenue)

Legislative (state and city)

Legislative (city)

Used for all funding for Bryant Park, and used with other sources for Union Square, New York City

Jamison Square, Pioneer Courthouse Square, Millennium Park

Legislative (state)

Not widely used for downtown signature parks

| | | | | | |
|--|---|--|---|--|---|
| Park Dedication Fee | One-time fee to off-set costs of infrastructure caused by new development | Developers | Capital | Legislative (city) | Not widely used for downtown signature parks |
| Incentives and Negotiations with Developers | Developer set-aside of land or development and/or maintenance of park features on private land | Developers of projects | Capital; potentially Operations & Maintenance | Legislative (city) - Development negotiations | Lakeshore East Park, Chicago (part of redevelopment of Illinois Center land in East Loop) |
| E. User Fees and Contractual Revenue | | | | | |
| User Fee | Fee for service (e.g. events, ice rinks) | Users of services & government goods | Operations & Maintenance | Administrative and/or legislative (city and/or park board) | Pioneer Courthouse Square, Bryant Park, Post Office Square |
| Concessionaire Agreements | Putting concessions up for private bidding | Companies or small business people operating concessions within parks | Operations & Maintenance | Administrative (city and/or park board) | Pioneer Courthouse Square, Bryant Park |
| Leasing Arrangements | Contracting out park buildings or land to private entities for public or private purposes | Private entities pay rent under lease | Operations & Maintenance | Administrative (city and/or park board) | Campus Marius Park, Pioneer Courthouse Square, Post Office Square, Discovery Green |
| Advertising | Selling advertising in parks | Organizations and individuals willing to pay for advertising in the parks | Operations & Maintenance | Administrative (city and/or park board) | Millennium Park |
| F. Revenue From Other Entities: Grants and Contracts | | | | | |
| State Capital Investment | State borrows money and allocates it to a local government | State bonding | Capital | Legislative (state) | Santa Fe Railway Park |
| State Lottery Proceeds (ENRTF); Future Resources Fund | State contracts with private or public organizations for natural resource projects | State lottery proceeds | Capital; potentially other uses | Legislative (state); Administrative | Not widely used for downtown signature parks |
| Proposed State Sales Tax Revenue | Constitutionally dedicated to "support parks and trails" of regional and statewide significance; likely on ballot November 2008 | State Sales Tax 3/8% for 25 years | Capital; potentially Operations & Maintenance | Legislative (state); Voter referendum | (not yet available) |
| State Natural Resource Grants | Application to grant program (e.g., Outdoor Recreation) | State revenue, including bonding, lottery and proposed sales tax; federal grants; local matching funds likely required | Capital | Administrative and/or legislative (city and state) | Not widely used for downtown signature parks |
| Metropolitan Council Parks and Open Space Grants | For "regional" facilities in grants to "Regional Park Implementing Agency" (Minneapolis Park and Recreation Board) | Metropolitan Council funds; local matching funds may be required | Capital | Administrative and/or legislative | Mill Ruins Park, Minneapolis |

| | | | | | |
|---|---|--|--|---|---|
| Met Council Livable Communities Grants | Application to grant program (Livable Communities) | Metropolitan Council funds; local matching funds may be required | Capital | Administrative and/or legislative | Wacouta Commons |
| County Grants | Application to grant program | County funds and bonding; local matching funds may be required | Capital; other brownfields cleanup-specific purposes | Administrative and legislative (city and county) | |
| Special District Grants | Application to watershed management organization grant program | Special district revenue and bonding | Capital | Administrative and legislative (city, special district) | |
| Federal Grants: Transportation, Parks, Economic Development, Brownfields | Application to grant program | Federal revenue; local matching funds may be required | Capital, Operations and Maintenance | Administrative and legislative (city and federal) | Pioneer Courthouse Square (transit), SF Railyard Park (highway funding for bikes/walkways) |
| G. Private Contributions to Parks | | | | | |
| Direct Donations | Citizens, families, companies, foundations, community groups making charitable donations of money or land, either one time or as an endowment | Citizens, families, companies, foundations, community groups | Operations & Maintenance, Capital | Donations; Administrative | Campus Martius, Detroit, Santa Fe Railyard Park, Houston Discovery Green |
| General Volunteer Program | Citizens offering help in the parks | Citizen "sweat equity" is worth the labor costs needed to hire workers. | Operations & Maintenance | Administrative; Volunteer cultivation | |
| Arranging for "Adopt a Park" | Citizens, families, companies, community groups agreeing to maintain certain parks | | Operations & Maintenance | Marketing; Administrative | |
| Park Conservancies and Trusts | Non-profit organizations that raise and spend funds and/or maintain a park | Donors, including corporations, individuals, foundations and governments | Operations & Maintenance, Capital | Memorandum of Understanding/Donations | Houston Discovery Green Conservancy |
| Naming Rights | Private entity paying large percentage of park cost (acquisition or features) and receiving right to name park or feature | Private entities or individuals | Operations & Maintenance, Capital | Administrative and/or legislative | Millennium Park, Gold Medal Park |
| Sponsorships (similar to advertising) | Features or maintenance funds sponsored by private entity or individual | Private entities or individuals | Operations & Maintenance, Capital | Administrative and/or legislative | Rice Park (Wells Fargo Ice Rink), Pioneer Courthouse Square, Millennium Park, Discovery Green |

Ownership and Management

Cities and private interests have been very creative in shaping solutions to ownership and management of downtown parks. As summarized in Table B (see page 30) and further illustrated in Tables C and D (see page 33), ownership and management of downtown parks are rarely exclusively public or private activities. Leadership capacity, experience and commitment, in both the private and public sectors, likely affect local choices. Park features also have an impact, including development of potentially privately operated facilities like parking ramps. Availability and requirements of funding sources shape these decisions as well. A more highly programmed park may require a manager responsible exclusively for that park.

Government Agencies

In other cities, government agencies sometimes own, build and manage downtown parks, as is common with other types of city parks. Jamison Park in Portland is owned and operated by the City of Portland, and the City of St. Paul owns and operates Mears Park and Wacouta Square.

While the Minneapolis Park and Recreation Board (MPRB) is the principal steward of parks in the city, other public agencies and some nonprofit organizations can also own and operate parks, particularly downtown. MPRB owns and operates Gateway Park and Mill Ruins Park; Hennepin County owns and manages the Hennepin County Government Center Plaza; and the City of Minneapolis owns and maintains Peavey Plaza, Cancer Survivors Park, the Loring Greenway and Nicollet Mall.

Nonprofit Management Organizations (“501(c) 3” organizations)

A private non-profit organization, such as a foundation or conservancy, which could be partly or wholly aided by a special services district, is becoming common. This private organization could be a newly created non-profit “501(c)3,” such as Portland’s Pioneer Courthouse Square, Inc. It also could be an existing organization that is well equipped in capacity and expertise to manage and program a downtown park, among other things, related to public space in the downtown. In Detroit, for instance, a nonprofit established by philanthropic leaders to celebrate the city’s 300th Anniversary was converted into a legacy organization solely to manage Campus Martius. In Minneapolis, Gold Medal Park is owned by the city and run by the William and Nadine McGuire Foundation.

Business Improvement District

In some cases, a business improvement district manages a park, under contract with the city. Two examples from New York City are Union Square and Bryant Park. Private sector leadership and engagement is vital, and the legal structure needs to be authorized.

Private – Public Partnership

Cities and private interests have created many variations and combinations of the management structures above to meet their particular needs. Private - public partnerships are more common than ownership and management that is exclusively public or private. With many public capital sources available for only public agencies, many cities choose to own the parkland and partner with private

organizations to manage and program the downtown park

At Landmark Plaza, in St. Paul, the St. Paul Riverfront Corporation holds title to the land with a conservation easement held by the city, and fundraised for the \$4.1 million acquisition and construction costs. The city now maintains and repairs the park on a \$20,000 annual budget, with earned income from events and activities in the plaza.

In some cases, the public agency plays a minor role, while the public benefits. In Minneapolis, the Xcel Energy Plaza is owned and managed privately but open to the public.

Table B: Ownership and Management of a Downtown Park

Table B. Ownership and Management of a Downtown Park

| <i>Method</i> | <i>Description</i> | <i>Paid by</i> | <i>Examples</i> | <i>Considerations</i> |
|---|---|--|--|---|
| City Park Agency (Minneapolis Park and Recreation Board) | Elected board with employees; budget approved by city. | Taxes or other agency revenues (e.g., concessions, leases, parking fees, grants, donations) | Loring Park, Gateway Park, Mill Ruins Park; San Francisco's Union Square | Agency equipped to operate parks, possible limitations in ability to raise private funds |
| City Department | Department of Public Works; budget approved by city. | Taxes or other city revenues | Loring Greenway, Peavey Plaza; Millennium Park, Chicago | Possible lack of park management expertise, possible limitations in ability to raise private funds, separated from park agency can give separate status. |
| Other Government Agency | County, special purpose agency (e.g. convention center, redevelopment authority); budget approved by entity. | Taxes or fees | Hennepin County Government Center plaza; Atlanta Olympic Centennial Park | Dedication of portion of entity's budget to park; may require additional trained staff, possible limitations in ability to raise private funds, separated from city government |
| Nonprofit Management Organization "501(c)3" | A nonprofit organization set up exclusively to run the park through a contractual arrangement with the city. | Donations, endowments, government agency contributions | Campus Martius Park, Detroit | Requires creation of new entity, trained staff. Coordination with public agencies, managed outside the limitations of government agency, privatization concerns, ability to raise private funds |
| Business Improvement District | A nonprofit that manages and operates a park under contract with the city | Fees from a geographically defined group of businesses in the Business Improvement District. | Bryant Park and Union Square, New York City | Requires creation of new entity, trained staff, privatization concerns, dedicated funding |
| Private-Public Partnership | A combination, on varying scales, of one of the above nonprofit partner organizations and a government agency | Combination of nonprofit's revenue and government agency revenue | Pioneer Courthouse Square, Portland, Oregon; Discovery Green, Houston | Requires creation of new entity and trained staff, some privatization concerns, ability to raise private funds |

Costs of Creating, Operating and Maintaining a Downtown Park

Acquisition

The acquisition costs of other parks vary widely based on the size and prior ownership of the park. Parks highlighted in Table C range from 1 or 2 acres – the equivalent of a city block in downtown Minneapolis – to 12, or even 24 acres. Some parks involve an assemblage of parts of more than one block, involving acquisitions from more than one landowner.

The cost of acquisition depends on the property values in the particular city and location. A property value study for this project indicates that undeveloped land values in downtown Minneapolis average around \$12.6 million per acre, suggesting that one square block or its equivalent area, about 2.3 acres, would cost about \$30 million. The cost of acquisition would be lower if a city-owned parcel were converted to a park or were traded for a more suitable parcel. The cost of acquisition would be higher if more than the equivalent of one block is needed.

Development: Programmatic Elements in Downtown Parks

Park development costs also vary widely based on the planned uses, the type of features, and the complexity of the design. Quality, size and customization also affect the cost of particular features; higher quality and more design customization may be appropriate for a regional-destination, high-visitor, urban downtown park. Proposed uses of the park greatly impact funding strategies for both acquisition and development; for example, features improving water quality and supporting non-

motorized transportation are essential for eligibility for particular funding sources. If user fees, leases, or concessions are proposed to help fund the park, park development design needs to reflect those plans. Building an underground parking ramp whose revenues would fund the park requires extensive feasibility assessment.

A look at several recent small downtown parks – Pioneer Courthouse Square in Portland, Oregon; Campus Martius in Detroit; and Post Office Square in Boston – reveals a cost range of \$6 million to \$10 million per acre for park development. (See *Table C: Construction Costs and Funding Sources*) If development for other purposes is included – like Post Office Square’s seven-level underground parking ramp, at \$47 million per acre - total costs can be much higher.

Inset *Table 4* on the following page reflects estimates of park development costs for features often considered for downtown parks.

Operations and Management Costs

The costs of operating and maintaining downtown parks vary widely depending on the parks' features, programming, and the intensity of use. In 2005, in the nation’s sixty largest cities, operations and maintenance cost an average of \$21,178 per designed acre of parkland.¹ Maintaining a signature park costs much more, given its status, programming and heavy use; existing downtown parks have annual operating costs ranging from \$433,000 to \$884,000 per acre. Table D includes annual operations costs as well as estimated cost per acre. While parks with performance venues require more

¹ City Park Facts. (2007.) Center for City Park Excellence Annual Survey of City Park Systems. The Trust for Public Land. Washington, D.C.
www.tpl.org/cityparkfacts

programming funding, they also help attract park visitors.

Table 4. Estimated Park Development Costs for Features Commonly Found in Downtown Parks

| | | | |
|---|---------------------|-------------|-----------------------|
| <u>The Basics</u> | | | |
| \$ | Lawn | \$200,000 | -\$600,000 per acre |
| \$ | Garden | \$500,000 | -\$800,000 per acre |
| \$\$\$ | Plaza | \$2,000,000 | -\$5,000,000 per acre |
| (The Basics include elements such as lighting, furnishings and signage) | | | |
| <u>Food</u> | | | |
| \$ | Food vendor / kiosk | \$10,000 | -\$200,000 |
| \$ | Cafe | \$500,000 | -\$2,000,000 |
| \$\$\$ | Restaurant | \$2,000,000 | -\$5,000,000 |
| <u>Retail</u> | | | |
| \$ | Retail Kiosk | \$30,000 | -\$100,000 |
| \$\$\$ | Market Pavilion | \$500,000 | -\$2,000,000 |
| <u>Recreation</u> | | | |
| \$ | Playground | \$150,000 | -\$500,000 |
| \$ | Splash pad | \$300,000 | -\$800,000 |
| \$\$\$ | Pond / Rink | \$500,000 | -\$1,500,000 |
| \$\$\$ | Carousel | \$1,000,000 | -\$5,000,000 |
| <u>Entertainment</u> | | | |
| \$\$\$ | Performance Stage | \$200,000 | -\$1,000,000 |
| \$\$\$ | Fountain | \$500,000 | -\$2,000,000 |
| \$\$\$ | Small Amphitheater | \$500,000 | -\$3,000,000 |

Table C: Construction Costs and Funding Sources

| Table C. Construction Costs & Funding Sources | | | | | | |
|---|-------------------|------------|-------|---------------------|------------------------------|--|
| Park | Construction Cost | Year built | Acres | Cost (2007 dollars) | Cost per Acre (2007 dollars) | Funding Sources |
| Campus Martius Park, Detroit | \$15,000,000 | 2005 | 1.6 | \$15,970,000 | \$9,981,250 | Almost entirely funded by private donors and corporate sponsors, as a legacy gift of Detroit's 300th birthday |
| Millennium Park, Chicago | \$190,000,000 | 2004 | 24.0 | \$209,000,000 | \$8,708,333 | City bonding and Central Loop Tax Increment Financing paid \$269 million, remainder of costs, mostly for high cost features were provided by private donors and sponsors |
| Post Office Square, Boston | \$7,200,000 | 1992 | 1.7 | \$10,600,000 | \$6,235,294 | No public funding. Privately sold shares of \$30 million and a private loan of \$48.5 million through Friends of Post Office Square, Inc. |
| Discovery Green, Houston | \$71,000,000 | 2007 | 12.0 | \$71,000,000 | \$5,916,667 | City gave \$21 million for parking garage and \$7.9 million in land; nonprofit raised \$52+ million for additional land and park development |
| Pioneer Courthouse Square, Portland, Ore. | \$4,300,000 | 1984 | 1.6 | \$8,980,000 | \$5,756,410 | Portland Development Commission tax increment bond funds, the City of Portland, an adjacent department store and Pioneer Courthouse Square, Inc. fundraising, matched by approx. \$1.6 million in federal grants for transportation and conservation |
| Jamison Square, Portland, Ore. | \$2,750,000 | 2004 | 1.0 | \$3,030,000 | \$3,030,000 | Portland Development Commission paid entire cost through tax increment financing |
| Wacouta Square, St. Paul | \$1,200,000 | 2005 | 1.2 | \$1,280,000 | \$1,113,043 | Grant received for development from Minn. Livable Communities Act |
| Railyard Park, Santa Fe | \$13,500,000 | 2007 | 13.0 | \$13,500,000 | \$1,038,462 | \$2.6 million federal transportation funds, \$1 million State of New Mexico capital funds, remainder private donations |
| Mears Park (total reconstruction) | \$1,350,000 | 1992 | 2.0 | \$2,000,000 | \$1,000,000 | City capital funds |
| Gold Medal Park, Minneapolis | \$3,500,000 | 2006 | 7.5 | \$3,610,000 | \$481,333 | Private foundation paid entire cost (and will maintain park) |
| Average | | | 6.6 | \$33,897,000 | \$4,326,079 | |

Table D: Forms of Management, Funding Sources and Cost of Operations

| Parks | Features | Form of Management | Funding Sources | Annual Operations Costs | Estimated Cost of Park Operations per Acre |
|-------------------------------------|---|---|--|-------------------------|--|
| Campus Martius Park | Ice rink, holiday tree, wireless, café, fountain, "water wall," Soldiers & Sailors Monument, two stainless steel "corner markers," two performance/event stages that recess into the ground | Land owned by city, fully operated and managed by non-profit organization | Private funding - endowment and enterprise revenue | \$1,100,000 | \$699,000 |
| Millennium Park, Chicago | Underground parking, commuter rail station, band shell and large amphitheater lawn, theater, fountain with projected images, pedestrian bridge, the "Cloud Gate" sculpture, a landscaped promenade, gardens with native plants, an ice rink, and restaurant | Operated under City of Chicago, aided by Millennium Park, Inc an endowed nonprofit organization | Public-private - endowment established for maintenance, enterprise revenue and city appropriation | \$7,400,000 | \$308,333 |
| Post Office Square, Boston | Café, moveable chairs, underground parking garage, benches, a garden trellis, two "fountain sculptures," a small open lawn, shoe shining, trees, decorative garden, park designed for performances using lawn, "information kiosk | Land owned by city, garage and park fully operated and managed by for-profit organization | Revenue from parking garage and other enterprises | \$1,333,944 | \$784,673 |
| Discovery Green, Houston | Café, parking garage, promenade, fountains, open lawn, mature trees, restaurant, dog run, amphitheater, pond, "tree house deck," dining terraces, playground, "sprayground," model boat area, gateway features | Land owned by City of Houston, operated and managed by nonprofit organization, with some city funds City established a "local government corporation" specifically for the parks as the development arm of city | City provides basic maintenance stipend (approx \$750,000) and remainder is through fundraising and enterprise revenue | \$2,750,000 | \$229,177 |
| Pioneer Courthouse Square, Portland | Indoor theater; a sculpture; bronze chess boards, amphitheater, unique sign posts, former Portland Hotel entry, waterfall, lectern for speaking, a weather machine, information center, coffee shop, ATM, wireless, 5 vending carts | Land owned by City of Portland, operated and managed by nonprofit organization, with some city maintenance funds | City provides basic maintenance stipend (approx \$250,000) and remainder is through fundraising and enterprise revenue | \$1,400,000 | \$884,000 |

| | | | | | |
|-----------------------------------|---|--|--|-------------|-----------|
| Jamison Square, Portland | Interactive water feature, play area, terraced fountain, mature trees, vendors | Owned and operated by City of Portland | City parks department maintains from general appropriation (concessions are located in the park, but revenue goes to general fund) | n.a | n.a. |
| Wacouta Square, St. Paul | Fountain, playground, open lawn, trees | Owned and operated by City of St Paul, with some tasks (eg flowers) by adjacent building association | City parks department general appropriation (some contribution by building association) | n.a | n.a. |
| Railyard Park, Santa Fe | Plaza, water tower fountain, playground, gardens, market area, toddler play area, performance area, bike path, climbing wall, picnic area | Not yet determined, looking to create a nonprofit organization to operate and manage the city-owned park | Not yet determined, looking to create a nonprofit organization to operate and manage the city-owned park | n.a | n.a. |
| Mears Park (total reconstruction) | Performance pavilion and plaza, terraced natural looking stream, paths, benches, large rocks, lawn | Owned and operated by the City of St Paul | City parks department general appropriation | n.a | n.a. |
| Gold Medal Park, Minneapolis | Central mound with trail, benches with lighting, mature trees, life-size park name sign, grass | Land owned by City of Minneapolis and operated and maintained by nonprofit organization | Private foundation | \$200,000 | \$26,667 |
| Bryant Park, New York City | Bryant Park Grill & Café, chess, gardens, a "boule" board, moveable chairs, custom designed book/news carts, "reading room," carousel, four food kiosks, ice rink | Land owned by city, park operated by non-profit organization that is set up as a business improvement district | Business improvement district and enterprise revenue through leasing, fees and concessions | \$3,400,000 | \$433,000 |

Site Selection

Prepared for:

The City of Minneapolis

Prepared by:



Hoisington Koepler Group Inc.

In Conjunction with:

The Smitten Group

Donjek

Metropolitan Design Center

Minneapolis Park and Recreation Board

Trust for Public Land



June 30, 2008

Summary: Site Selection

Where is the best location in downtown for a new signature downtown park?

Selecting the “right” location is the first decision of many that will lead to the success or failure of an urban downtown park. How should a potential park site be selected: available land; proximity to other attractions; filling a gap in park space? The answer can be complex and dependent on many criteria. In order to objectively assess the over 200 blocks in downtown Minneapolis and identify the prime signature park sites, a number of physical and feasibility criteria were first identified.

Nearby worker and resident densities – To be successful, a park must be near people. In downtowns, most workers will not visit a park unless they are within a five-minute walk or a quarter mile of a park. Some will go no farther than one-eighth of a mile.

Land boundaries and size – Parks are more successful if there is a clear delineation between public and private land. For a downtown park, a full block, bounded on all sides by public streets, is ideal, and a half block (about the size of Peavey Plaza) is the minimum size.

Location relative to other parks – A new park should not duplicate existing park resources or draw users away from other successful open spaces.

Mix of adjacent existing uses and potential mix of adjacent uses – The perception of safety is essential for a successful park. One well-known strategy is to have nearby people who are likely to be observing– or “eyes” on the park– at all hours. Therefore, the mix of uses adjacent to the park should support activity nearby and within the park at all times of day.

Proximity of existing supportive uses – How close the site is to uses that have complimentary services or overlapping audiences with the park is important for attracting visitors. Examples include retail stores, restaurants, and entertainment venues.

Pedestrian, transit, and open space connectivity – Connections to primary pedestrian corridors and transit links promote equitable park access and attract people going or coming from other places to visit the park.

Visibility – If a park is visible from important destinations such as theater or sports venues, it will promote synergy between uses as well as increase community recognition of the park resource.

Microclimate – To be appealing throughout the year, a park site must have opportunities for sun and shade as well as areas that will allow for respite from the noise of the city.

Architectural quality of surrounding building facades – If there are aesthetically pleasing buildings surrounding a park site, it will enhance the atmosphere of the park.

Sight lines to architectural or natural landmarks – Views of landmarks enhance the experience of being on the park site, and help park visitors contextualize and orient a park in the broader downtown area.

Property value and existing buildings – It is essential that a site be financially obtainable for conversion to a park. The less expensive a property, the more likely it will be feasible to convert it to park space. Conversely, the presence of historic buildings on a site may make it inappropriate or unfeasible to convert the site to park space.

Process

Using the criteria for potential park locations, the Project Team created a three-part site selection and assessment process. The first round was designed to quickly eliminate unsuitable property based on minimum thresholds for *density of surrounding uses, land area and size, location relative to other parks, mix of adjacent uses, pedestrian transit and open space connectivity, and property value.*

This process identified 17 sites that have potential for future park development. Since the intent of this study is to identify a *signature* park site, and the success of this type of park will be highly dependent on attracting significant numbers of park users, a second round of selection applied three additional thresholds related to proximity to potential park users. This narrowed the potential park location to six sites, three near the Central Library in the Downtown Core, and three near the Metrodome in Downtown East. These six possible sites then underwent detailed analysis using all of the criteria.

Conclusion

There are both needs and opportunities for parks in two areas of downtown: the Central Library area (Downtown Core) and the Metrodome area (Downtown East). Detailed analysis of potential park sites revealed that, today, the Metrodome area does not have the critical mass of uses and activity needed to support a successful signature park, but a significant park should be established in this area in the future, preferably in conjunction with the redevelopment of the stadium land. The three identified blocks in the Downtown Core near the Central Library offer the greatest opportunity for a successful new signature park. The ultimate recommendation for which of these three blocks is most suitable depends on a variety of factors that are more detailed and more nuanced than this current stage of analysis provides.

Site Selection

HKGi conducted an analysis of downtown Minneapolis to identify sites that are strong candidates for a new, signature, urban park. This analysis was done in three rounds.

Process

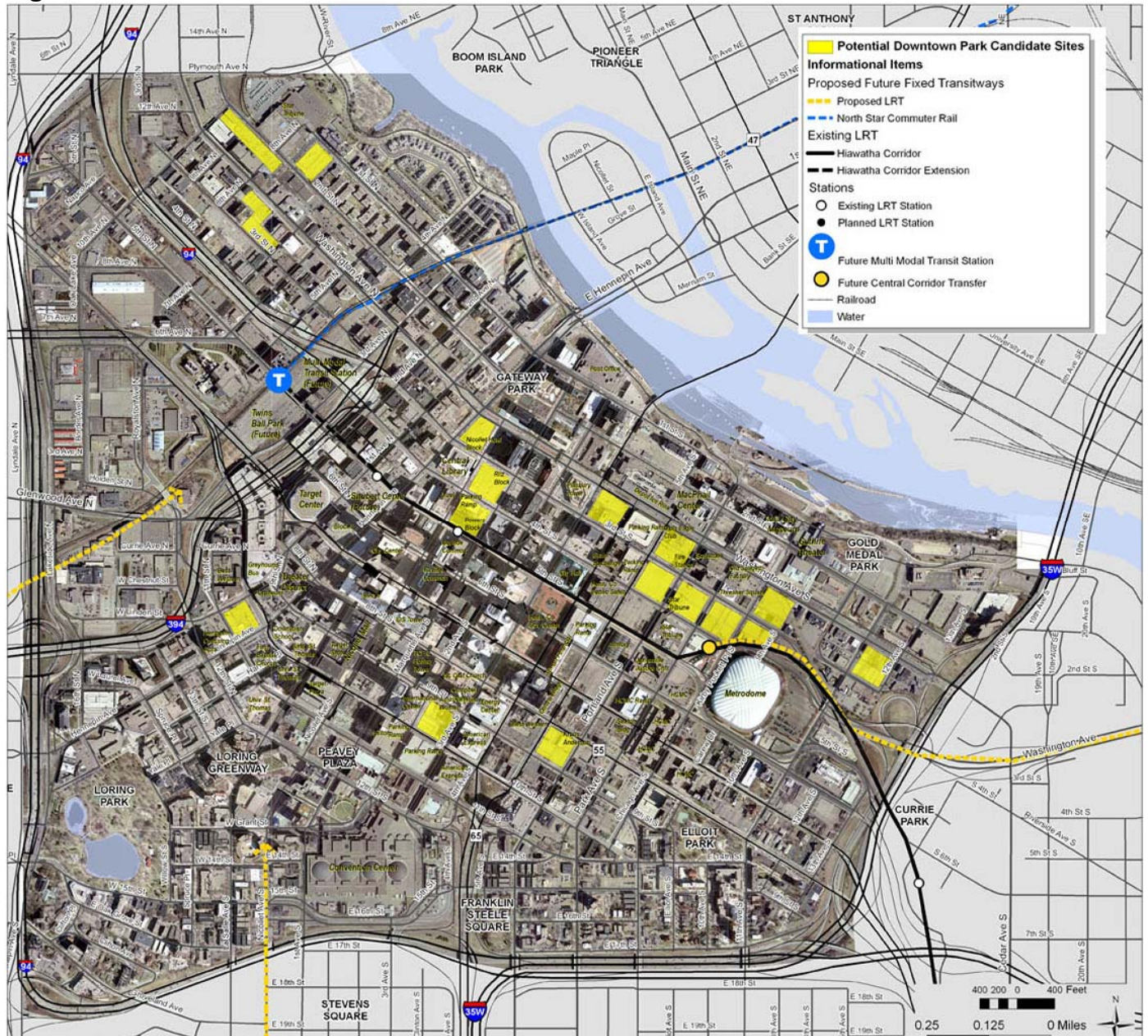
Round 1 identified and applied minimum criteria a site would have to meet to receive further consideration (*Table 1*). This process yielded 17 sites scattered throughout downtown

(*Figure 1*). Since the success of a future signature urban park is highly dependent on it being people-intensive, Round 2 applied three criteria related to proximity to potential park users to remain in contention (*Table 2*). This yielded 6 Potential Park Candidate Sites for consideration, three in the Downtown East neighborhood and three in the Downtown Core. The third round, which is discussed in detail in this memo, assessed the remaining six sites based on 14 physical and feasibility criteria (*Tables 3 and 4*), with the intention of selecting the three sites with the highest potential for

Table 1 - Round One Selection Criteria

| | Criteria | Definition | Rating of Poor (thrown out) |
|-------------|---|---|---|
| Physical | density of surrounding uses | <i>There is intensity of use and population</i> | Site is within a TAZ low employment density (<10 employees per acre) |
| | land area / size | <i>Large enough to support prominent space that can accommodate a variety of park space needs. Large enough to be clearly a public park for use by anyone and not just a certain business or group of residences.</i> | Site is on a small block (less than 1.25 acres) or has existing buildings on more than 1/2 of a standard block (2.5 acres) |
| | location relative to other parks | <i>MPRB policy of a park within six blocks of every resident in city – does the site support or suplicate other park resources.</i> | Site is within 1/4 mile of Loring Park, Elliot Park or Franklin Steele Square or within 1/8 mile of Peavey Plaza or Hennepin. Co. Government Center Plaza North, or has another existing park, plaza or open space on the same block. |
| | mix of adjacent uses | <i>Mix of uses supports wider range of hours of activity nearby and within the park. Provides safer-feeling environment and avoids park dead space.</i> | adjacent to a highway |
| | pedestrian, transit and open space connectivity | <i>Park has connections to other open spaces, business needs, transit (equity – not just for people living or working in close proximity), and/or cultural amenities.</i> | Site is isolated from downtown core by highways |
| Feasibility | property value | <i>Property is financially obtainable for park space conversion.</i> | There is a parcel with high Estimated Market Value on the block (>= \$15,000,000) |

Figure 1 – Round 1 Candidate Sites



more detailed study.

Criteria considered in Round 3 include:

- Density of surrounding employee population
- Density of surrounding residential population
- Land area and size
- Location relative to other parks
- Mix of adjacent existing uses
- Proximity of existing supportive uses
- Potential mix of future adjacent uses

- Pedestrian, transit and open space connectivity
- Visibility
- Micro-climate
- Architectural quality of existing surrounding building facades
- The ability to preserve prominent views of architectural or natural landmarks
- Property value
- Historic value of buildings on the site

Table 2 – Round 2 Site Selection: Refinement

| | Criteria | Definition | Threshold for site to remain in contention |
|----------|--|---|--|
| Physical | density of surrounding uses | <i>There is intensity of use and population</i> | Site is within a TAZ with high employment density (≥ 50 employees per acre) and within 1/4 mile of a TAZ with high residential density (≥ 30 residents per acre) |
| | proximity to supportive uses | <i>Uses that create an instant demand; synergy between uses (going out for lunch then to the park)</i> | Site is within 1/8 mile of an event or retail destination (Theatre District, Future Twins Stadium, Target Center Guthrie Theatre/Mill City Museum, Metrodome, Nicollet Mall) |
| | pedestrian, transit and open space connectivity | <i>Park has connections to other open spaces, business needs, transit (equity – not just for people living or working in close proximity), and/or cultural amenities.</i> | Site is with 1/8 mile of a fixed transit route (Nicollet Mall, LRT Line, Future Multi Modal Station) |

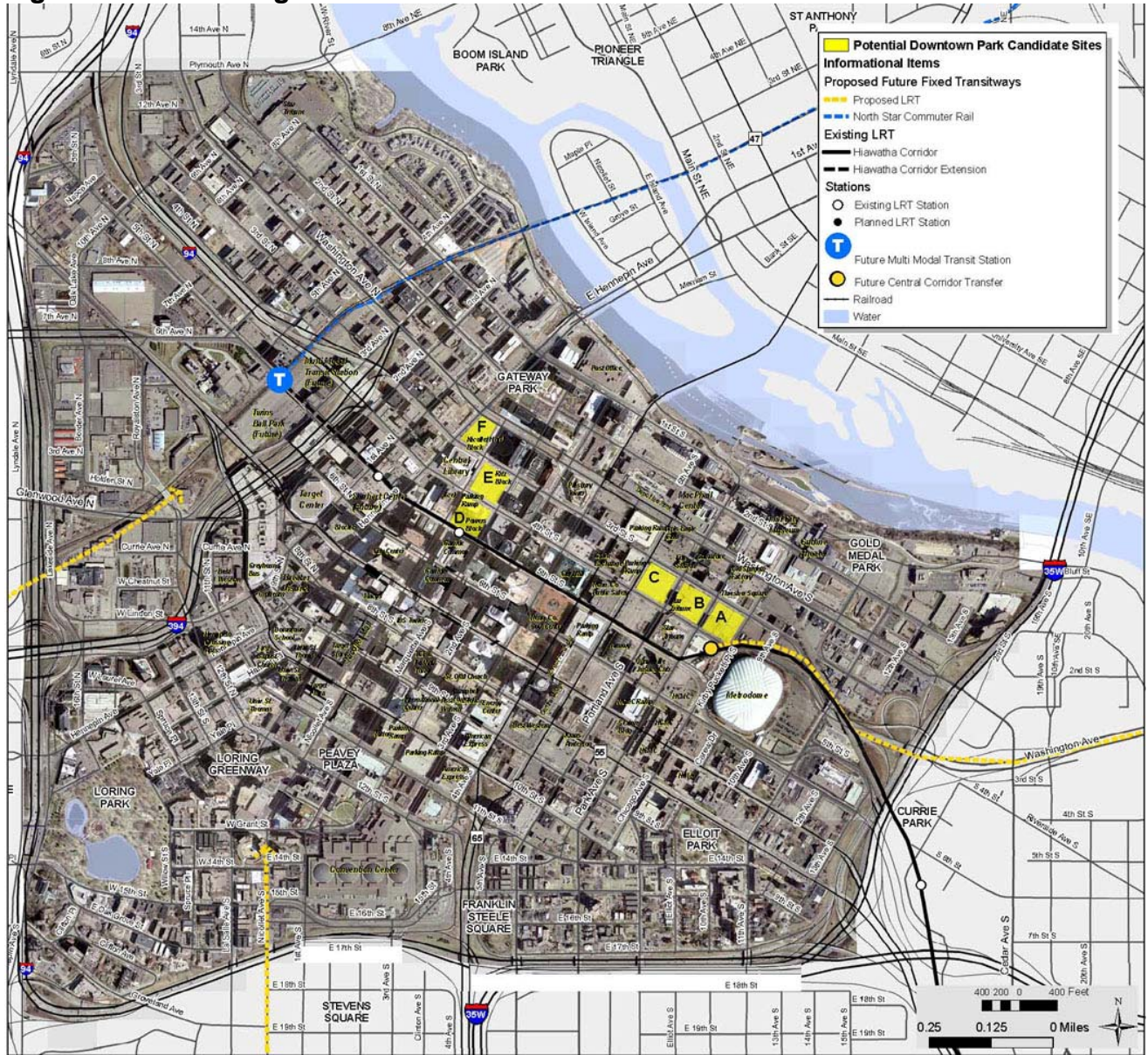
For each criterion, metrics were established and each site was evaluated and given a Rating of Best, Good, or Fair. To facilitate comparison of the results, the ratings were quantified and tallied. Best was given a numeric value of 2, Good a value of 1, and Fair a value of 0. Each criteria was given equal weight and, when tallied, the possible numeric scores range from 0-28 (*Table 4*).

Because the proximity to potential park users is so important for the ultimate success of an urban park, this aspect is being measured in many of the criteria. *Mix of existing adjacent uses, mix of future adjacent uses* and *proximity to supportive uses* all measure different aspects of surrounding uses and building orientation on the critical four blocks surrounding the site. *Pedestrian, transit and open space connectivity, density of surrounding employment uses, and density of surrounding residential uses* also look at the proximity to potential park users. Of the six categories relating proximity to potential park users, two, *mix of future adjacent use* and *proximity to supportive uses*, take into account

the extent to which blocks surrounding the park could be redeveloped in the future to be supportive of a new park. The four other categories address only current development patterns. Therefore, while potential for future change is taken into account, heavier emphasis is placed on existing conditions.

The distribution of the six potential sites indicates both the northern end of the Downtown Core and the Downtown East neighborhoods are prime locations for future parks. Results of the Round 3 analysis show sites in the Downtown Core scoring higher and therefore are stronger candidates, than sites in Downtown East (*Table 4*). This reflects that there is more existing activity and more supportive uses in the Downtown Core than Downtown East, where there is uncertainty with respect to future development. A brief description of each site along with its advantages and disadvantages follows.

Figure 2 Potential Signature Park Candidate Sites



Downtown East Sites

Site A: Numeric Score – 8

Description

Site A is adjacent to the Metrodome and north of the Metrodome LRT Stop. Most of the site is currently being used as a surface parking lot but a historic building, with potential for historic designation, sits on the southwest corner of the site. The block immediately to the south is owned by the City and has a foundation for a new building. The block to the west is a

surface parking lot. On the block to the north sits Thresher Square which is being used as office space and is a designated historic building with entries facing the park. The block to the east has utilities related to LRT on the southwest corner and the remainder of the block is surface parking.

Discussion

The strength of this site is that the blocks to the south and west of the site have a strong potential to be redeveloped into supportive uses. In

addition, the orientation, use and architectural quality of Thresher Square would be a strong supporting adjacent use for a future park. The east facing block is more problematic; the LRT utilities are surrounded by an unattractive wall facing Site A and are unlikely to be relocated. Other advantages to this site are the close proximity to an LRT stop and visibility from the Metrodome. The primary disadvantage of this site is that the surrounding blocks do not have existing supportive uses and are dependent on future development. Another, potentially serious, disadvantage is that the existing building on the site has potential for historic designation which may make it difficult to remove to allow for a full-block site. Though it is not accounted for in the ranking system, is also worth noting that current future plans for the Metrodome call for a plaza in front of the Metrodome which may make a park on Site A redundant.

Site B: Numeric Score – 8

Description

Three quarters of Site B is being used as a surface parking lot. A Star Tribune office building with low architectural value sits on the southwest corner. On the block immediately to the south sits a Star Tribune warehouse/office building. This building has garage doors facing Site B and has potential for historic designation. The block to the west of the site is a surface parking lot. The block to the north has two buildings facing Site B, one is a designated historic building currently being used as an office and the other is housing. The block to the east of the site is Site A, containing a surface parking lot and a building with potential for historic designation.

Discussion

Like Site A, the primary advantage of this site is that the surrounding uses have strong potential for redevelopment into supportive uses. The blocks to the east and south have historic buildings that would need to be rehabilitated

and the surface parking lot to the west has strong potential for future redevelopment. The existing office and residential uses facing the site on the north side would be assets to a new park. While Star Tribune building on the site is scheduled to be vacated and has little architectural value, the fact that it would have to be demolished for a full-block park is a disadvantage for this site. In addition, the building on the site increases the site's value, which could complicate acquisition. The other major disadvantage for this site is that, like Sites A and C, the surrounding blocks have few existing supportive uses and are dependent on future development.

Site C: Numeric Score – 10

Description

Site C is a surface parking lot. The block immediately to the south is also a surface parking lot and to the west is a newer parking ramp with street level storefronts facing the site. To the north is a surface parking lot and fire station and to the east is Site B, with a Star Tribune building on the southwest corner and surface parking on the remainder of the block.

Discussion

Again, the primary advantage of this site is that the surrounding uses have strong potential for redevelopment into supportive uses. The blocks to the north, south, and east are all strong candidates for redevelopment. This site scores slightly better than Sites A and B primarily because there are no existing buildings and the total value of the block is relatively low, making conversion to a full-block park more likely. Disadvantages to this site include an existing parking ramp building on the west facing block; that the remaining blocks are dependent on future development for supportive uses; and the site is further away from the Metrodome LRT stop than Sites A and B.

Downtown Core Sites

Site D: Numeric Score – 17

Description

Site D is the Powers Block and is bound by 5th Street on the south and Nicollet Mall on the west. A parking ramp and retail space (much of it vacant) occupy half of the site and half the site is surface parking. Immediately to the south are a LRT station and the north end of Gadiive Plaza, currently occupied retail space. West of the site and across Nicollet Mall is the Excel Energy Building. Northwest of the site is the Central Library and immediately north of the site is a surface parking lot. East of the site is the 5th Street Tower on half the block and a parking ramp on the other half block. There is a built skyway connection extending from the 5th Street Tower across Marquette Ave. to the site.

Discussion

This site is probably the strongest site from a location perspective. It is immediately to the north of the portion of downtown with the highest employment density and is at the intersection of the City's two primary pedestrian/transit streets, 5th Street and Nicollet Mall. There are also strong existing supporting uses on three facing blocks and nearby blocks have supportive uses and street level retail or street level space that could easily convert to retail or restaurant uses. In addition this site is likely the strongest in terms of micro-climate. Two of the fronting streets have low traffic volumes and the building immediately to the south is low (4 stories) allowing sunlight into the park. The primary disadvantage to this site is the existing parking ramp/ retail space, which would need to be demolished for a full-block park. In addition, because of the existing buildings and the location, this block has the highest value of any being considered.

Site E: Numeric Score – 19

Description

Site E is the Ritz Block and is a surface parking lot. South of this site is the Powers Block with a

parking ramp. On the west is Nicollet Mall and the Central Library. The north facing block has a high (6' +/- retaining wall) facing the site with the Cancer Survivor's park and Marquette Plaza above. Hennepin County Family Services, a mid-scale office building with little architectural value, is on the block to the east and while there are side doors facing the park, the main entrance is on 4th Street.

Discussion

The primary advantage of this block is the proximity and relationship to the library's main entrance. A park in this location would enhance views to/and from the library and preserve the current view from the library to City Hall's Clock tower. Also a plus is its current use as a surface parking lot, unencumbered by buildings that would need to be removed for a full-block park. In addition, the site to the south, Power's Block, has high potential to be redeveloped into a supportive use. Disadvantages of this block are non-supportive uses on the north and east sides that are unlikely to change in the foreseeable future and being slightly further from the heart of downtown than Site D.

Site F: Numeric Score – 15

Description

Site F is the Nicollet Hotel Block and is currently a surface parking lot. To the south of this block is the Central Library; to the west is Hennepin Avenue and a new development currently under construction; and to the north is Washington Avenue and a significant office building. To the east is the Cancer Survivor's Park and Marquette Plaza.

Discussion

Advantages to this block are a relatively low property value and lack of any existing buildings. The architectural quality of surrounding buildings is good. The primary disadvantage is the mix of adjacent uses and their relationship to the block. Though the office building to the north and the Library to

the south are architecturally attractive buildings, they are not oriented with entrances to the site. There is a nice synergy between the Cancer Survivor's Park to the east and a potential future park, but Marquette Plaza is set back beyond Cancer Survivor's Park and does not significantly contribute to street activity on Nicollet Ave. Overall, proximity to supportive uses is not as strong for this park as the other two Downtown Core blocks. The site is three blocks from the LRT station and the center of downtown employment density and the reduction in activity is noticeable. Advantages that have not been quantified but are worth mentioning include: a park on this site would be supportive of the Mayor's plans for Washington Avenue; a park on this block would strengthen the connection between the Downtown Core and the River; and the site could provide a gateway from the North Loop area to the Downtown Core.

There are both needs and opportunities for parks in two areas of downtown: the Central Library area (Downtown Core) and the Metrodome area (Downtown East).

The Metrodome area does not currently possess the critical mass of uses and activity needed to support a successful park. However, a significant park (full block) should be established in conjunction with the redevelopment of the Metrodome area. The three identified blocks near the Central Library clearly offer the greatest opportunity for a new downtown Minneapolis signature park. The one of these three ultimately pursued will depend on a variety of factors more detailed and more nuanced than this current stage of analysis provides.

Conclusion

There are several primary conclusions that can be drawn from this comparative analysis.

Table 3 – Round Detailed Analysis of Potential Candidate Sites

| | Criteria | Definition | Rating | | |
|----------|---|---|---|---|---|
| | | | Best | Good | Fair |
| Physical | density of surrounding employment uses | <i>There is intensity of use and population</i> | Site is within a TAZ (Transportation Analysis Zone) with high employment density (200- 450 emp/acre) and is immediately adjacent to a TAZ with the highest employment density (450 + emp/acre) | Site is within a TAZ (Transportation Analysis Zone) with high employment density (200 -450 emp/acre) | Site is within a TAZ with the moderate employment density (50-200 emp/acre) |
| | density of surrounding residential uses | <i>There is intensity of use and population</i> | | Site is within a TAZ with moderate residential density (10-29 res/acre) or is within 1/8 mile of a TAZ with the high residential density (30-49 residents per acre) | Site is between 1/8- 1/4 mile of a TAZ with high residential density (30-49 res/acre) |
| | land area / size | <i>Large enough to support prominent space that can accommodate a variety of park space needs. Large enough to be clearly a public park for use by anyone and not just a certain business or group of residences.</i> | Site is entire typical city block (2.5 acres) with no existing buildings | Site is an entire small block (between 1.25-2.5 acre) with no existing buildings | Site is an entire typical city block (2.5acres approx.) with existing buildings |

Table 3 Continued

| | Criteria | Definition | Rating | | |
|-------------|---|---|--|--|--|
| | | | Best | Good | Fair |
| Physical | location relative to other parks | <i>MPRB policy of a park within six blocks (approx. 1/2 mile) of every resident in city – does the site support or suplicate other park resources.</i> | Site is 1/2 mile or more from existing neighborhood parks and is 1/4 mile or more from existing programmed plazas | Site is between 1/4-1/2 mile from existing neighborhood parks and is between 1/8-1/4 mile from an existing programmed plaza | |
| | mix of existing adjacent uses | <i>Mix of uses supports wider range of hours of activity nearby and within the park. Provides safer-feeling environment and avoids park dead space.</i> | Supportive uses (office, residential or prominent destination) with building entrances on at least 3 facing blocks | Supportive uses (office, residential or prominent destination) with building entries oriented to site on 2 facing blocks | Supportive use (office, residential or prominent destination) with primary building entries on 1 facing block or less |
| | potential future mix of adjacent uses | <i>Adjacent blocks have a strong potential for redevelopment into supportive uses</i> | Three or more adjacent blocks are surface parking or have buildings that are likely to be redeveloped/reused in the future | Two or more adjacent blocks are surface parking or have buildings that are likely to be redeveloped/reused in the future | One or more adjacent blocks is surface parking or has buildings that are likely to be redeveloped/reused in the future |
| | proximity to supportive uses | <i>Uses that will create instant demand: synergy between uses (going out for lunch then to park).</i> | Existing first floor retail/restaurant facing the site and buildings with space suitable for conversion to first floor retail (windows and building entries) on 5 surrounding blocks | Existing first floor retail/restaurant on one block facing the site and buildings space suitable for conversion to first floor retail (windows and building entries) on 1-4 surrounding blocks | No existing first floor retail/restaurant space on any blocks facing the site |
| | pedestrian, transit and open space connectivity | <i>Park has connections to other open spaces, business needs, transit (equity – not just for people living or working in close proximity), and/or cultural amenities.</i> | Adjacent to Nicollet Mall and an LRT station and skyway access | Adjacent to Nicollet Mall or within 1 block of an LRT station | Not adjacent to Nicollet Mall or within 1 block of an LRT station |
| | visibility | <i>Park is visible from prominent destinations</i> | Direct sightline from prominent destination (from a facing block) | Sightline from a prominent destination (from a surrounding block) | Site does not have a direct sightline from prominent destination |
| | micro-climate | <i>Park space has a pleasant environment.</i> | Existing buildings on block to the south do not block sun and site is adjacent to two or more low traffic adjacent streets (Nicollet Mall, 5th Street) | Existing buildings on block to the south do not block sun and site is adjacent to 1 low traffic Street (Nicollet Mall, 5th Street) | There are no existing buildings on the block to the south and site is not adjacent to a low traffic street |
| | architectural quality of surrounding building facades | <i>Building facades attractive and enhance the overall aesthetics/view from the park site.</i> | Existing contributing building facades on a minimum of 2 adjacent blocks and no detracting building facades on any facing blocks | Existing contributing building facades on a minimum of 1 adjacent block with no more than 1 adjacent block with detracting building facades | No more than one adjacent block with detracting building facades |
| | ability to preserve prominent views | <i>Park can help preserve views to river, historic buildings or other prominent buildings/city features.</i> | Has a direct sightline to architectural or natural landmark (on an adjacent block) | Has an indirect sightline to an existing architectural or natural landmark (on a surrounding block or a distant view) | Does not have a sightline to an existing architectural or natural landmark |
| Feasibility | property value | <i>Property is financially obtainable for park space conversion.</i> | Total Estimated Market Value is less than \$5,000,000 | Total Estimated Market Value is between \$5,000,000 - \$15,000,000 | Total Estimated Market Value is more than \$15,000,000 |
| | unconstrained by easements, long-term uses, buildings, etc. | <i>Site is not limited in ability to change use to park space</i> | There are no buildings with potential for historic significance on the site | | There are building with potential historic significance on the site |

Table 4 - Detailed Assessment of Candidate Sites

| | Criteria | Definition | Site | | | | | | | | | | | |
|-------------|---|--|---------------|---|------|---|------|----|---------------|----|------|----|------|----|
| | | | Downtown East | | | | | | Downtown Core | | | | | |
| | | | A | | B | | C | | D | | E | | F | |
| Physical | density of surrounding employment uses | There is intensity of use and population | Fair | 0 | Fair | 0 | Fair | 0 | Best | 2 | Good | 1 | Good | 1 |
| | density of surrounding residential uses | There is intensity of population | Good | 1 | Good | 1 | Good | 1 | Fair | 0 | Good | 1 | Good | 1 |
| | land area / size | Large enough to support prominent space that can accommodate a variety of park space needs. Large enough to be clearly a public park for use by anyone and not just a certain business or group of residences. | Fair | 0 | Fair | 0 | Best | 2 | Fair | 0 | Best | 2 | Good | 1 |
| | location relative to other parks | MPRB policy of a park within six blocks (approx. 1/2 mile) of every resident in city – does the site support or supplant other park resources. | Good | 1 | Good | 1 | Good | 1 | Good | 1 | Good | 1 | Best | 2 |
| | mix of existing adjacent uses | Mix of uses supports wider range of hours of activity nearby and within the park. Provides safer-feeling environment and avoids park dead space. | Fair | 0 | Fair | 0 | Fair | 0 | Best | 2 | Good | 1 | Fair | 0 |
| | potential future mix of adjacent uses | Surrounding uses have high potential for redevelopment | Best | 2 | Best | 2 | Best | 2 | Fair | 0 | Good | 1 | Fair | 0 |
| | proximity to supportive uses | Uses that will create instant demand; synergy between uses (going out for lunch then to park). | Fair | 0 | Fair | 0 | Fair | 0 | Best | 2 | Good | 1 | Fair | 0 |
| | pedestrian, transit and open space connectivity | Park has connections to other open spaces, business needs, transit (equity – not just for people living or working in close proximity), and/or cultural amenities. | Good | 1 | Good | 1 | Fair | 0 | Best | 2 | Good | 1 | Good | 1 |
| | visibility | Park is visible from prominent destinations | Good | 1 | Fair | 0 | Fair | 0 | Good | 1 | Best | 2 | Good | 1 |
| | micro-climate | Park space has a pleasant environment. | Fair | 0 | Fair | 0 | Fair | 0 | Best | 2 | Good | 1 | Good | 1 |
| | architectural quality of surrounding building facades | Building facades attractive and enhance the overall aesthetics/view from the park site. | Fair | 0 | Fair | 0 | Fair | 0 | Best | 2 | Good | 1 | Best | 2 |
| | ability to preserve prominent views | Park can help preserve views to river, historic buildings or other prominent buildings/city features. | Fair | 0 | Fair | 0 | Fair | 0 | Good | 1 | Best | 2 | Good | 1 |
| Feasibility | property value | Property is financially obtainable for park space conversion. | Best | 2 | Good | 1 | Best | 2 | Fair | 0 | Best | 2 | Best | 2 |
| | unconstrained by easements, long-term uses, buildings, etc. | Site is not limited in ability to change use to park space | Fair | 0 | Best | 2 | Best | 2 | Best | 2 | Best | 2 | Best | 2 |
| | Total Numeric Score | | | 8 | | 8 | | 10 | | 17 | | 19 | | 15 |

Preliminary Economic Feasibility Analysis

Prepared for:

The City of Minneapolis

Prepared by:



Public Finance for Placemakers

In Conjunction with:

The Smitten Group

Hoisington Koegler Group Inc.

Metropolitan Design Center

Minneapolis Park and Recreation Board

The Trust for Public Land

downtown minneapolis park space initiative

June 30, 2008

Summary: Preliminary Economic Feasibility Analysis

Analytic Methods and Tools

Recent analysis, particularly in an academic setting, has sought to quantify the premium buyers will pay for property located near open spaces, including parks. According to many experts, the premium placed on residential property located very near open space is 20-25%. The figure declines as distance from the park increases, diminishing significantly in various studies beyond 1,000 to 2,500 feet.¹ We have built a modeling tool for commercial property designed to mimic impacts on property values using data for 10,400 parcels in the Minneapolis Central Business District.

To create the model, we first produced a matrix of properties located within a range of distances (100, 200, 300, 400, 500, and 1000 feet) of a number of prospective park blocks. We then assigned to each distance category a level of estimated average property value increase attributable to park conversion, ranging from 0% for property more than 1,000 feet from open space, to 17% for property within 100 feet. These values are conservative when compared with studies of properties in other cities as well as with local leasing agents' estimations.² Property investors and brokers in the

Minneapolis area suggested that a well-maintained park within two blocks could add a premium of up to 40% to commercial leasing rates.

We then projected the amount of property taxes the City could reasonably anticipate collecting for each parcel by assuming annual appreciation of 3.03% (a twenty-year average), assuming no significant changes in the property tax system, and using constant tax rates based on current levels. The data used for the analysis is the latest available and reflects assessments for property taxes payable in 2008. We calculated the estimated tax capacity (the basis for property taxation) and the estimated amount of property tax payable to the City of Minneapolis and the Minneapolis Park and Recreation Board.

| Property Value Assumptions | |
|-------------------------------------|--|
| <i>Radius from Park Parcel (ft)</i> | <i>Increase in Value Attributable to Park Conversion (Yrs 0-2)</i> |
| on block | 0% |
| 100 | 17.00% |
| 200 | 15.00% |
| 300 | 12.00% |
| 400 | 10.00% |
| 500 | 5.00% |
| 1000 | 1.00% |
| >1000 | 0.00% |

The model does not consider factors such as created views or transit links as components of property value in conjunction with open space. It does reflect the consensus view that property located close to well-maintained open space is more valuable than comparable property found a longer distance from the open space. Analysis of a range of sites suggests that creating a new downtown park could boost values to the extent that up to an additional \$1.2 million of property tax revenue (for the City and Park Board combined) could be raised –without increasing the tax rate. At current interest rates, the

¹ See attached appendix for additional detail on basis for assumptions used in this analysis. Summaries of the literature on residential values and open space include Crompton, John L., "The Impact of Parks on Property Values: Empirical Evidence from the Past Two Decades in the United States," *Managing Leisure* (10: October 2005, 203-218), and Fausold, Charles J., "The Economic Value of Open Space: A Review and Synthesis," *Lincoln Institute of Land Policy*, 1996.

² This methodology is similar to that used for a substantive study of 36 urban parks undertaken by New Yorkers for Parks and Ernst and Young, LLP. In that case, the analysis of rent and property value data and interviews with owners of adjacent property revealed a premium of 42% to 184%.

increased revenue could likely support a capital financing of over \$10 million.

any of the adjacent property, but would be concentrated only in the new redevelopment.

The modeling described here provides a tool of lasting application for the City, to examine downtown sites using the methods described. While no tool can be used to predict the future, this model can be used by the City to prioritize potential park conversions by looking at the impact of given levels of park-induced appreciation for neighboring property.

A Sample Site

A one-block site in downtown Minneapolis is surrounded by a ring of property within 1,000 feet that is worth an estimated \$1.4 billion, including \$10.9 million on the block itself. If the parcel is converted from commercial-industrial use to open space, the taxable property worth \$10.9 million becomes tax-exempt; this is an ongoing cost to the City from a property tax perspective.

However, the property surrounding the space will experience appreciation that is attributable to the demand lessors will have for property adjacent to a park. The net effect is likely to be positive and significant.

Comparison of Park Conversion to Traditional Building Development

The alternative of potential commercial redevelopment of urban space also merits consideration. If the singular policy objective is to generate tax base, even with the proximate effects discussed above, traditional commercial redevelopment is very likely to produce an outcome superior to a park.

For example, the Fifth Street Towers are, for taxes payable this year, valued at \$2,773 per square foot of land. If the sample site above were razed and redeveloped at this high level of density, the additional value is estimated to be able to generate additional tax revenue of \$3.3 million per year. This value would not occur in

| Quantity of Parcels | | | |
|--|-----------------------------|---------------------|-------------------|
| <i>Radius from Park Parcel (ft)</i> | <i>Nicollet Hotel Block</i> | <i>Powers Block</i> | <i>Ritz Block</i> |
| on block | - | 7 | 1 |
| 100 | 3 | 6 | 5 |
| 200 | 4 | 4 | 5 |
| 300 | 3 | 9 | 8 |
| 400 | 7 | 5 | 4 |
| 500 | 8 | 10 | 9 |
| 1000 | 108 | 77 | 83 |
| >1000 | 10,278 | 10,294 | 10,297 |
| Total | 10,412 | 10,412 | 10,412 |
| Number Located Within 1000 Feet as Proportion of CBD | 1.30% | 1.15% | 1.12% |

| Estimated Market Value of Parcels | | | |
|---|-----------------------------|---------------------|-------------------|
| <i>Radius from Park Parcel (ft)</i> | <i>Nicollet Hotel Block</i> | <i>Powers Block</i> | <i>Ritz Block</i> |
| on block | - | 17,358,400 | 10,899,000 |
| 100 | 37,575,000 | 203,509,500 | 45,060,400 |
| 200 | 27,126,200 | 20,000,000 | 64,541,700 |
| 300 | 4,620,700 | 291,972,000 | 80,582,100 |
| 400 | 4,568,200 | 30,483,400 | 85,095,300 |
| 500 | 48,464,900 | 233,131,600 | 137,575,000 |
| 1000 | 678,636,500 | 1,119,179,200 | 975,071,600 |
| >1000 | 7,371,664,600 | 6,257,022,000 | 6,773,831,000 |
| Total | 8,172,656,100 | 8,172,656,100 | 8,172,656,100 |
| Value Located Within 1000 Feet as Proportion of CBD | 10.94% | 30.62% | 20.65% |

feet, 200 feet, et cetera) a level of property value increase attributable to park conversion. These values can be characterized as conservative when compared with a range of studies in other cities as well as conversations with leasing agents operating in the commercial market in Minneapolis.² Property investors and brokers suggested in conversations that a well-maintained park within two blocks could be expected to add a premium of up to 40% to commercial leasing rates. The adjacent table shows the incremental increases in property values attributable to a park conversion in this analysis.

The data used for the analysis are the latest available and reflect assessments for property taxes payable in 2008. In addition to assessor's

² This methodology is similar to that used for a substantive study of 36 urban parks undertaken by New Yorkers for Parks and Ernst and Young, LLP.² In that case, a premium of 42% to 184% has been revealed by a study of rent and property value data, and supplemented by interviews with owners of adjacent property.³

estimated market values for land and building for each parcel, I collected the zoning, gross building area, property type, square footage of land, and taxpayer data. Using this information, I calculated estimated tax capacity (the basis for property taxation) and the estimated amount of property tax payable to the City of Minneapolis and the Minneapolis Park and Recreation Board, omitting the amounts paid to the Minneapolis School District, Hennepin County, the State of Minnesota, and others.

Using this process, I evaluated the amount of additional property value projected to result from construction of open space in one

of the three blocks under consideration. The lion's share of the appreciation represented in the model takes place within two years of park construction, with much diminished park-induced appreciation that follows. For the sake of clarity with property value definitions, the reader should note that the "estimated market value" is a figure derived by the City Assessor's office, and this figure serves as the basis for determining the property tax payable for each parcel. The estimated market value is not the price a buyer on the open market would likely

| Property Value Assumptions | |
|-------------------------------------|--|
| <i>Radius from Park Parcel (ft)</i> | <i>Increase in Value Attributable to Park Conversion (Yrs 0-2)</i> |
| on block | 0% |
| 100 | 17.00% |
| 200 | 15.00% |
| 300 | 12.00% |
| 400 | 10.00% |
| 500 | 5.00% |
| 1000 | 1.00% |
| >1000 | 0.00% |

pay for the parcel; that figure is approximated by the “indicated market value.”

I also projected the amount of property taxes the City could reasonably anticipate collecting for each parcel, assuming long-term property value growth factors for each zone, with no significant changes in the property tax system. I have also assumed that the current tax rates for the City and the Parks and Recreation Board remain constant (at 46.046% and 10.535%, respectively), suggesting that the two property tax levies will increase at a comparable rate to net tax capacity. Finally, I added up the City and Park Board property taxes attributable to the new park, and present-valued these revenues back to today’s dollars for the sake of comparison.

Findings

The concentration of tax base in downtown increases significantly moving southward from Second Street to Seventh Street. For this reason, the highest numbers for tax capacity and tax revenue attributable to a park conversion are observed for the Powers block, followed by the Ritz and Nicollet Hotel blocks.

The additional net tax capacity prompted by park-induced appreciation for the various distance categories and potential locations is summarized in the adjacent table. The negative change in net tax capacity for property on the Ritz and Powers blocks reflects the removal of taxable property from tax rolls, while the Nicollet Hotel block is currently publicly held and tax-exempt. Not considered in this property tax analysis but of interest are the roughly \$180,000 in annual net receipts collected by the City of Minneapolis from

parking revenues on the Nicollet Hotel block. These revenues would be eliminated as a source for the City if the Nicollet Hotel Block is converted exclusively to open space.

From a perspective solely focused on economic and property impact, the City stands to enhance the value of the largest body of property (in terms of tax base value) by converting the Powers block to open space. As mentioned above, over 30% of the total market value in the Central Business District is within 1,000 feet of the Powers block – a very significant proportion. Within this 1,000-foot radius are some of downtown’s most densely developed blocks. Projections for the Ritz block suggest a park could produce about half as much additional net tax capacity as the Powers; and Nicollet Hotel block about half again as much net tax capacity.

| NTC Attributable to Park in Year 2 | | | | |
|-------------------------------------|-----------------------------|---------------------|-------------------|--|
| <i>Radius from Park Parcel (ft)</i> | <i>Nicollet Hotel Block</i> | <i>Powers Block</i> | <i>Ritz Block</i> | |
| on block | - | (377,503) | (239,573) | |
| 100 | 164,496 | 891,646 | 197,176 | |
| 200 | 102,790 | 75,814 | 225,171 | |
| 300 | 13,391 | 864,358 | 237,731 | |
| 400 | 10,616 | 73,525 | 206,069 | |
| 500 | 55,789 | 263,497 | 158,985 | |
| 1000 | 147,341 | 248,662 | 214,073 | |
| >1000 | - | - | - | |
| Totals | 494,423 | 2,039,998 | 999,631 | |

| Added City Tax Revenue Attributable to Park in Year 2 | | | | |
|---|-----------------------------|---------------------|-------------------|--|
| <i>Radius from Park Parcel (ft)</i> | <i>Nicollet Hotel Block</i> | <i>Powers Block</i> | <i>Ritz Block</i> | |
| on block | - | (173,826) | (110,314) | |
| 100 | 75,744 | 410,569 | 90,792 | |
| 200 | 47,331 | 34,909 | 103,683 | |
| 300 | 6,166 | 398,004 | 109,466 | |
| 400 | 4,888 | 33,855 | 94,887 | |
| 500 | 25,689 | 121,331 | 73,206 | |
| 1000 | 67,845 | 114,499 | 98,573 | |
| >1000 | - | - | - | |
| Totals | 227,663 | 939,343 | 460,292 | |

| Added Parks and Rec Board Tax Revenue Attributable to Park in Year 2 | | | | |
|--|-----------------------------|---------------------|-------------------|--|
| <i>Radius from Park Parcel (ft)</i> | <i>Nicollet Hotel Block</i> | <i>Powers Block</i> | <i>Ritz Block</i> | |
| on block | - | (39,769) | (25,238) | |
| 100 | 17,329 | 93,932 | 20,772 | |
| 200 | 10,829 | 7,987 | 23,721 | |
| 300 | 1,411 | 91,058 | 25,044 | |
| 400 | 1,118 | 7,746 | 21,709 | |
| 500 | 5,877 | 27,759 | 16,749 | |
| 1000 | 15,522 | 26,196 | 22,552 | |
| >1000 | - | - | - | |
| Totals | 52,086 | 214,908 | 105,308 | |

Capacity for Financing

Examining a project on a cost-benefit basis is useful in communicating how and why a park conversion is prudent for the City. Over the course of twenty years starting with taxes paid in 2010, I have projected growth in revenues attributable to the park conversion at 3.03% per year, reflecting a twenty-year average inflation rate. I have also assumed a discount rate – the rate used to equate future cash flows with their present value – of 6.22%, which is the twenty-year average Bond Buyer’s Index (BBI) plus 0.50%. Industry standard is generally to use the cost of capital or bond borrowing rate as the discount rate, and the discount rate used here is more than 1.50% higher than the current tax-exempt bond rate the City could likely secure if borrowing today. A higher discount rate reduces present value, and hence the estimation of how much financing the additional tax revenue could potentially support.

redevelopment of the three blocks under consideration. While a park is very likely to have significant and positive impacts on properties in the Central Business District and therefore tax capacity, a commercial redevelopment may bear superior (but private and more concentrated) improvements to market value and tax capacity. Estimating the impact of redevelopment scenarios is speculative and of uncertain value in this process.

| Present Value of Projected Additional Property Tax Revenues, 2010-30 | | | |
|--|---------------|---------------------|----------------|
| | City Revenues | Park Board Revenues | Total Revenues |
| Powers Block | 13,116,111 | 3,000,778 | 16,116,890 |
| Ritz Block | 6,427,096 | 1,470,428 | 7,897,524 |
| Nicollet Hotel Block | 3,178,881 | 727,282 | 3,906,164 |

Conclusion

The present value of the projected additional property tax receipts to the City for the three prospective parcels are shown in the table shown above. These data suggest that the City could potentially finance \$16.1 million in acquisition and improvements for a park conversion of the Powers block, \$7.9 million for the Ritz block, and \$3.9 million for the Nicollet Hotel block, using the property tax revenues projected by the model described above. A more detailed spreadsheet showing the projected revenue stream is attached to this document.

An important additional note for the team’s consideration is that this analysis does not consider the potential commercial

Appendix A: Additional Detail on Present Value Analysis

PROJECTIONS OF PROPERTY TAX REVENUE

Minneapolis Open Space Initiative
October 29, 2007

**Twenty-Year Revenue Projection**

| Present Value Calculations | | | Present Values of Tax Revenue Attributable to Park | | | | | |
|---|----------------|----------------------|--|---------------------------|-------------------------------|-------------------------|---|-----------------------------------|
| Year | Years from Now | Present Value Factor | Powers Block - City and Library | Powers Block - Park Board | Ritz Block - City and Library | Ritz Block - Park Board | Nicollet Hotel Block - City and Library | Nicollet Hotel Block - Park Board |
| Levy '09 / Pay '10 | 2.0 | 0.8864 | 832,630 | 190,494 | 408,002 | 93,345 | 201,800 | 46,169 |
| Levy '10 / Pay '11 | 3.0 | 0.8345 | 807,663 | 184,782 | 395,767 | 90,546 | 195,749 | 44,785 |
| Levy '11 / Pay '12 | 4.0 | 0.7857 | 783,444 | 179,241 | 383,900 | 87,831 | 189,879 | 43,442 |
| Levy '12 / Pay '13 | 5.0 | 0.7397 | 759,951 | 173,866 | 372,388 | 85,197 | 184,185 | 42,139 |
| Levy '13 / Pay '14 | 6.0 | 0.6964 | 737,163 | 168,652 | 361,221 | 82,642 | 178,662 | 40,875 |
| Levy '14 / Pay '15 | 7.0 | 0.6557 | 715,058 | 163,595 | 350,390 | 80,164 | 173,305 | 39,650 |
| Levy '15 / Pay '16 | 8.0 | 0.6173 | 693,616 | 158,689 | 339,883 | 77,760 | 168,108 | 38,461 |
| Levy '16 / Pay '17 | 9.0 | 0.5812 | 672,817 | 153,931 | 329,691 | 75,429 | 163,067 | 37,307 |
| Levy '17 / Pay '18 | 10.0 | 0.5472 | 652,642 | 149,315 | 319,805 | 73,167 | 158,177 | 36,189 |
| Levy '18 / Pay '19 | 11.0 | 0.5152 | 633,072 | 144,838 | 310,215 | 70,973 | 153,434 | 35,104 |
| Levy '19 / Pay '20 | 12.0 | 0.4850 | 614,088 | 140,495 | 300,913 | 68,845 | 148,833 | 34,051 |
| Levy '20 / Pay '21 | 13.0 | 0.4567 | 595,674 | 136,282 | 291,889 | 66,780 | 144,370 | 33,030 |
| Levy '21 / Pay '22 | 14.0 | 0.4299 | 577,812 | 132,195 | 283,137 | 64,778 | 140,041 | 32,039 |
| Levy '22 / Pay '23 | 15.0 | 0.4048 | 560,485 | 128,231 | 274,646 | 62,835 | 135,842 | 31,079 |
| Levy '23 / Pay '24 | 16.0 | 0.3811 | 543,678 | 124,386 | 266,411 | 60,951 | 131,768 | 30,147 |
| Levy '24 / Pay '25 | 17.0 | 0.3588 | 527,376 | 120,656 | 258,422 | 59,123 | 127,817 | 29,243 |
| Levy '25 / Pay '26 | 18.0 | 0.3378 | 511,561 | 117,038 | 250,673 | 57,350 | 123,984 | 28,366 |
| Levy '26 / Pay '27 | 19.0 | 0.3180 | 496,222 | 113,528 | 243,156 | 55,631 | 120,267 | 27,515 |
| Levy '27 / Pay '28 | 20.0 | 0.2994 | 481,342 | 110,124 | 235,865 | 53,963 | 116,660 | 26,690 |
| Levy '28 / Pay '29 | 21.0 | 0.2819 | 466,908 | 106,822 | 228,792 | 52,344 | 113,162 | 25,890 |
| Levy '29 / Pay '30 | 22.0 | 0.2654 | 452,907 | 103,619 | 221,931 | 50,775 | 109,769 | 25,113 |
| Total | | | 13,116,111 | 3,000,778 | 6,427,096 | 1,470,428 | 3,178,881 | 727,282 |
| Present Value Analysis of Property Tax Revenue Stream | | | Discount Rate: | | | (20-Yr Avg BBI + .5%) | | |
| Growth Rate of Net Tax Capacity | | | | | | 3.03% | | |

Appendix B: Methodology and Assumptions for Property Impacts

A large volume of studies of the impact of open spaces on residential property values has been published in recent years, very firmly establishing the positive and significant contribution of parks to home values (Embrace Open Space, 2007; Anton, 2005; Crompton, 2005; Wachter, 2005; Ernst and Young, 2003).

Unlike studies of residential real estate, analyses for commercial property values are made difficult by the proprietary nature of financial information and reduced turnover, in particular. In addition, while residential property is more easily categorized by numbers of bedrooms, neighborhood, size of lots and other attributes, commercial property is characterized by more variables. Still, improved analysis and interest in the topic by stakeholders in the public and private sectors have led to some notable studies of both residential and commercial property, a sample of which is summarized below.

A 2003 study undertaken by New Yorkers for Parks with Ernst and Young examined thirty parks in New York City. The analysis found residential premiums for proximity to open space ranged from 8% to 30%, and leasing rates for commercial space near parks ranged in the area of 300% of the rates in surrounding submarkets.

The Insight Research Corporation produced an economic impact analysis in 2006 for Woodall Rodgers Deck Park in Dallas Texas. Over the period 2006-25, the authors projected a 25.0% premium on property adjacent to the park, and a 10.0% premium on property within a five-minute pedestrian zone,

which equates to over 1,000 feet using the standards in use at the Metropolitan Council. Based on a consensus of Dallas developers, the study assumed a 10% premium for all other property within 0.25 miles, or about 1,300 feet. The study findings also cited a 2004 study by Dr. John Crompton that concluded commercial properties located next to parks enjoy a 20-25% increase in value above similar properties not adjacent to parks.

Dr. Crompton has been a prolific voice on the proximate principle, and several of his articles have informed this analysis. His 2005 article, “The Impact of Parks on Property Values,” cited analysis of Philadelphia’s Pennypack Park, where the park was shown to represent 33.0% of property values at 40 feet, 9.0% at 1,000 feet and 4.2% at 2,500 feet. Crompton also cites a 2001 study of Dallas, where homes adjacent to one of fourteen parks were found to be worth 22.0% more than homes more than one half mile from the respective park.

A seminal study, if not the most recent, of the “proximate principle,” was published in 1978 by lead researcher M. R. Correll. The study found that properties adjacent to greenbelts in three neighborhoods in Boulder, Colorado were worth an average of 32% more than those 3,200 walking feet away.

In 2005, a study of a Philadelphia neighborhood authored at the Wharton School of Business reported that cleaning and greening of vacant lots can increase adjacent property values by as much as 30.0%, and that houses within 0.25 mile (roughly 1,300 feet) of a park exhibit 10% higher values than those located further from the park.

Appendix C: Walking Times and Distances

The distances in feet described in this report should be viewed in the context of an average pedestrian speed of 2.5 miles per hour. The following tables reflect this rate, which is identical to the standard used in transit planning at the Metropolitan Council. *Source: Mark Filipe, Metropolitan Council*

| Feet | Minutes |
|------|---------|
| 100 | 0.5 |
| 200 | 0.9 |
| 300 | 1.4 |
| 400 | 1.8 |
| 500 | 2.3 |
| 1000 | 4.6 |

| Miles | Minutes |
|-------|---------|
| 0.125 | 3.0 |
| 0.25 | 6.0 |
| 0.50 | 12.0 |
| 0.75 | 18.0 |
| 1.00 | 24.0 |

Appendix D: Analysis of Traditional Development on Prospective Park Blocks

ANALYSIS OF PROPERTY TAX IMPACT OF TRADITIONAL DEVELOPMENT

Key Information

| | |
|--|---------|
| Land Square Footage for Nicollet Hotel Block | 72,382 |
| Land Square Footage for Powers Block | 102,201 |
| Land Square Footage for Ritz Block | 108,986 |
| City Current Tax Rate | 46.0% |
| Parks and Rec Current Tax Rate | 10.5% |

Analysis of Traditional Development on Prospective Park Blocks

| Density of Prospective Development | <i>Median</i> | <i>Mean</i> | <i>Maximum</i> |
|------------------------------------|---------------------|------------------------|-------------------------------------|
| Address | 24 North 3rd Street | 400 North First Avenue | 150 South Fifth Street |
| Building | McKesson Building | The Wyman Building | Fifth Street Towers (One of Two) |
| EMV/Land SF | 193 | 309 | 2773 |

If Nicollet Hotel Block Developed at This Density:

| | | | |
|---|------------|------------|-------------|
| Estimated Market Value | 13,969,726 | 22,366,038 | 200,715,286 |
| Net Tax Capacity | 278,645 | 446,571 | 4,013,556 |
| City Tax Revenue at Current Tax Rate | 128,305 | 205,629 | 1,848,091 |
| Parks and Rec Board Tax Revenue at Current Tax Rate | 29,354 | 47,045 | 422,817 |
| Total Tax Revenue at Current Tax Rates | 157,660 | 252,674 | 2,270,908 |

If Ritz Block Developed at This Density:

| | | | |
|---|------------|------------|-------------|
| Estimated Market Value | 21,034,298 | 33,676,674 | 302,218,178 |
| Net Tax Capacity | 419,936 | 672,783 | 6,043,614 |
| City Tax Revenue at Current Tax Rate | 193,365 | 309,791 | 2,782,857 |
| Parks and Rec Board Tax Revenue at Current Tax Rate | 44,239 | 70,876 | 636,678 |
| Total Tax Revenue at Current Tax Rates | 237,604 | 380,667 | 3,419,535 |

If Powers Block Developed at This Density:

| | | | |
|---|------------|------------|-------------|
| Estimated Market Value | 19,724,793 | 31,580,109 | 283,403,373 |
| Net Tax Capacity | 393,746 | 630,852 | 5,667,317 |
| City Tax Revenue at Current Tax Rate | 181,305 | 290,484 | 2,609,587 |
| Parks and Rec Board Tax Revenue at Current Tax Rate | 41,480 | 66,459 | 597,036 |
| Total Tax Revenue at Current Tax Rates | 222,785 | 356,942 | 3,206,623 |

Attachment A: Maps of Candidate Blocks and Surrounding Areas (maps courtesy of Hoisington Koegler Group)

