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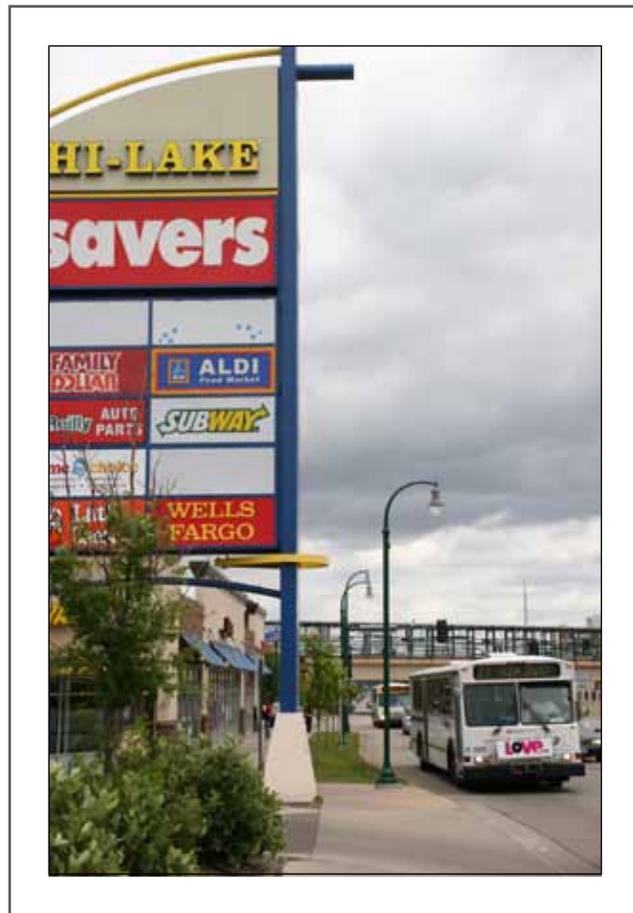
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Humphrey Institute of  
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Minnesota

## Impacts of the Hiawatha Light Rail Line on Commercial and Industrial Property Values in Minneapolis



CTS Report 10-05

## Technical Report Documentation Page

1. Report No. CTS 10-05	2.	3. Recipients Accession No.	
4. Title and Subtitle <b>Impacts of the Hiawatha Light Rail Line on Commercial and Industrial Property Values in Minneapolis</b>		5. Report Date <b>June 2010</b>	
		6.	
7. Author(s) Kate Ko and Xinyu (Jason) Cao		8. Performing Organization Report No.	
9. Performing Organization Name and Address Humphrey Institute of Public Affairs University of Minnesota 301 19 <sup>th</sup> Ave. S. Minneapolis, MN 55455		10. Project/Task/Work Unit No.	
		11. Contract (C) or Grant (G) No.  CTS Project # 2009061	
12. Sponsoring Organization Name and Address Anoka County, Hennepin County, Mn/DOT, Ramsey County, University Metropolitan Consortium, Washington County		13. Type of Report and Period Covered <b>Final Report</b>	
		14. Sponsoring Agency Code	
15. Supplementary Notes <a href="http://www.cts.umn.edu/Publications/ResearchReports/">http://www.cts.umn.edu/Publications/ResearchReports/</a>			
16. Abstract (Limit: 250 words)  Metropolitan Council has proposed a network of dedicated transitways in its 2030 Transportation Policy Plan to coordinate transportation and land use development and ultimately manage congestion. Since transitways require substantial funding from federal, state, and local governments, the public is interested in knowing if transitway investments bring about meaningful economic benefits to local communities. In this report, we analyzed the impact of proximity to Hiawatha light rail line stations on sales prices for commercial and industrial properties. We applied a linear hedonic pricing model on the 2000-2008 sales data spanning before and after completion of the line (2004). We expect the findings will illuminate questions about light rail transit's economic benefits. They can provide evidence for transit agencies to justify transitway investments and address concerns of local developers and lenders regarding economic benefits of transitways.			
17. Document Analysis/Descriptors Accessibility, Economic development, Guideways, Hedonic model, Land use planning, Development, New Starts, Transitway, Transportation investment		18. Availability Statement No restrictions. Document available from: National Technical Information Services, Springfield, Virginia 22161	
19. Security Class (this report) Unclassified	20. Security Class (this page) Unclassified	21. No. of Pages 38	22. Price

# **Impacts of the Hiawatha Light Rail Line on Commercial and Industrial Property Values in Minneapolis**

## **Final Report**

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**June 2010**

*Published by:*

Center for Transportation Studies  
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## **EXECUTIVE SUMMARY**

The 2030 Transportation Policy Plan developed by the Metropolitan Council identifies several potential transitway corridors for the Twin Cities metropolitan area. Because these transitways are major transportation investments, it is imperative to know whether they bring measurable economic benefits. Urban economic theories state that a relative increase in accessibility tends to boost the values of nearby properties because the demand for highly accessible locations drives up the bid for the locations. As a companion work on residential property led by Dr. Ed Goetz, this study investigates the impact of proximity to transitways on the values of commercial and industrial properties. Through a case study of the Hiawatha Light Rail Line, this study aims to address the following question: How does the proximity to light rail stations impact the values of properties along the corridor?

The study examines the first operational section of the Hiawatha Line, a 12-mile section of light rail line connecting downtown Minneapolis, Minnesota, to its southern suburbs. Using the 2000-2008 property sales data, we applied a linear hedonic pricing model to isolate the value-added impact of the proximity to light rail stations, while controlling for other key factors that determine commercial and industrial property values. These factors include those related to property structural characteristics, access to transportation network, agglomeration economy, prestige of location, and access to labor pool. We developed two models: one for one-mile station area and the other for a sub-region.

According to the model for the sub-region, we did not find a statistically significant impact of the Hiawatha Line on property values in the sub-region. Therefore, the impact of the light rail line, if any, tends to be along the line. The station area model showed that the Hiawatha Line has increased the demand for commercial and industrial properties along the corridor; properties closer to light rail stations were sold at higher prices and the benefits of the Hiawatha Line extended nearly a mile from stations.

Overall, the Hiawatha Line has increased the values of commercial and industrial properties within a one-mile radius of light rail stations. However, this study is unable to tell whether the increases along the line represent generative economic benefits or the increases are at the expense of losses in other areas in the region.