MEMORANDUM

Hoisington Koegler Group Inc.

To: SRF Consulting Team

From: Britt Palmberg

Subject: Market Analysis – 66th and Nicollet area, Richfield

Date: 11 May 2017

This memo documents the findings of a market analysis focusing on determining the potential for various land uses (including retail, office, and residential) for the 66th and Nicollet sub-area in Richfield, Minnesota. This study area includes the "Hub" shopping center at the northwest corner of 66th and Nicollet, the Richfield Shops (to the north and south of 66th Street, and east of Nicollet), and nearby parcels on the southwest corner of 66th and Nicollet, in front of Holy Angels.

The market analysis outlines some of the key demographic and market factors impacting the 66th and Nicollet area, overall, and then concludes with some general land use recommendations for the study area. The findings of this memo and subsequent conversations with stakeholders informs the creation of two options for a land use plan for the 66th and Nicollet subarea, to be included in the update to the Richfield Comprehensive Plan in 2017.

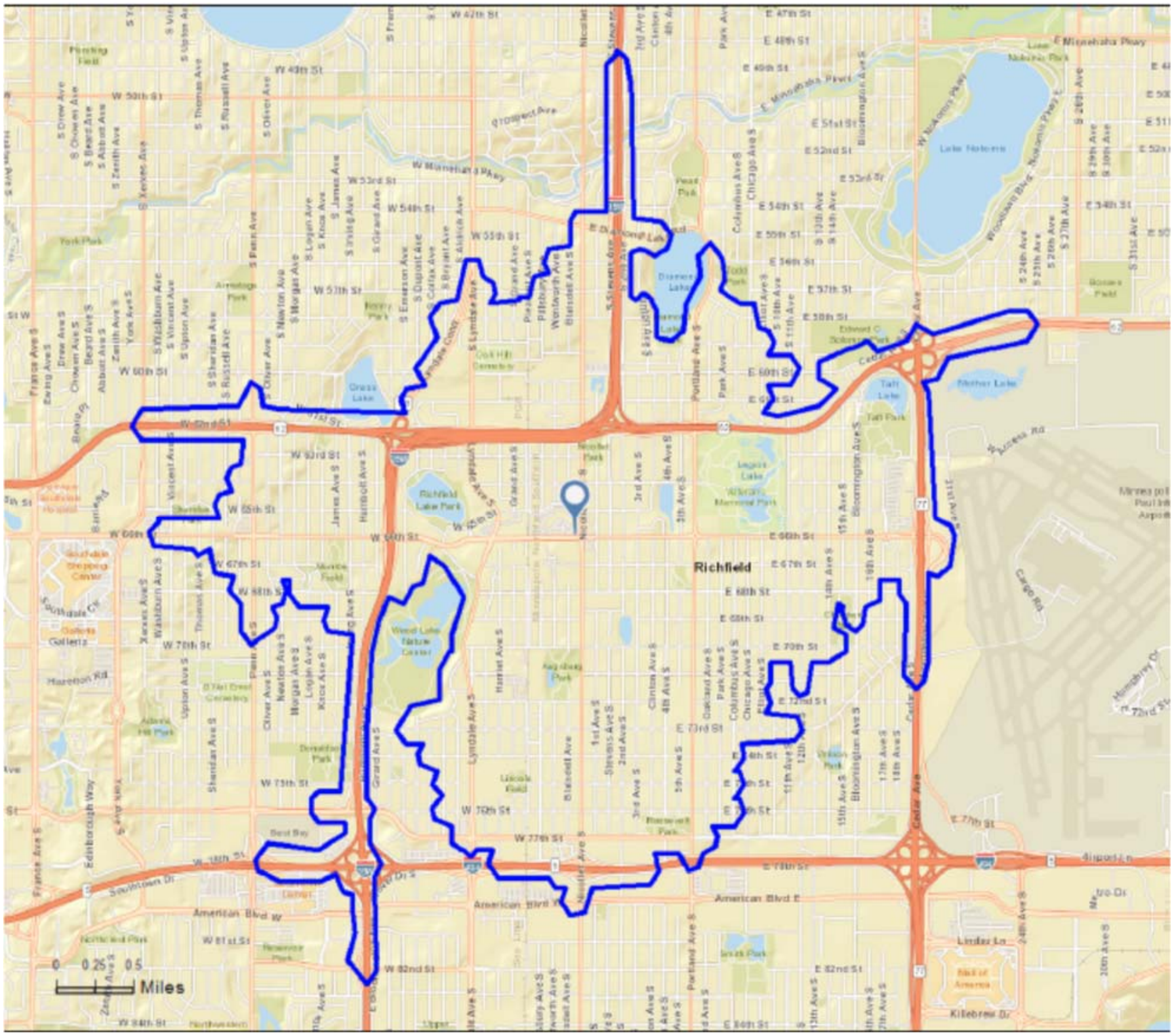
This market analysis draws from a review of demographic and market data compiled by ESRI and CoStar. ESRI is a national database service that gathers demographic and economic data, primarily from the U.S. Census, for any geographic area defined by the user. ESRI provides five year projections for the growth of population, households, and a variety of other demographic and economic data based upon an analysis of trends at the national and local levels. CoStar is a national research database that gathers, more specifically, data concerning the performance of real estate in various categories (including retail, office, and multi-family), drawing from information provided by local and regional brokerages and local CoStar staff that contact local property owners and representatives. CoStar gathers a range of real estate information, including data concerning lease rates, vacancies, inventory, and (where available) the names of tenants in various properties. While CoStar does not provide data for every property in a given local market, information provided by CoStar helps in outlining overall current real estate market conditions in a local area. The market analysis also draws from a site visit to Richfield and the 66th and Nicollet area and phone discussions with local brokers and representatives of property owners in the study area.

Demographic Background

The following provides an overview of demographic trends in and around the study area that affect the viability of development or redevelopment in the 66th and Nicollet vicinity. Importantly, in considering the potential market for various land uses, the analysis looks beyond the city limits of Richfield. The markets for retail, office, and residential space will draw from an area, primarily

123 North Third Street, Suite 100, Minneapolis, MN 55401-1659
Ph (612) 338-0800 Fx (612) 338-6838 www.hkgi.com
Direct (612) 252-7127 Email britt@hkgi.com

determined by drive times. As outlined in the map, the following tables summarize demographic information and projections for the area located within a five minute drive time of 66th and Nicollet.



Source: ESRI

The five-minute drive time includes most of the City of Richfield, with the exception of some neighborhoods along the 494 corridor, and to the west of Interstate 35W. It also includes parts of South Minneapolis on either side of Interstate 35W, as far north as the Diamond Lake Road corridor.

Demographic Trends, 5 Minute Drive Time Radii			
	2010	2016	2021 (Projected)
Population	13,398	13,666	14,010
Households	5,784	5,843	5,973
Average Household Size	2.26	2.28	2.29
Median Age	36.4	37.8	38.0

Source: ESRI

As outlined in the table, as the areas near 66th and Nicollet are built out, the population of the area has increased slowly, by only a few hundred people, over the last six years. The construction of some newer apartment complexes in the Richfield area and south Minneapolis appears to have resulted in the small increase in population over the last six years. ESRI projects that the population of the area within a five minute drive of 66th and Nicollet will increase by over 300 people over the next five years as well, given a trend toward infill development in the local area. In line with local and regional trends, the median age of the area will continue to increase over the next five years, reaching 38 years of age by 2021.

Population by Age, 5 Minute Drive Time Radius						
	2010		2016		2021 (Projected)	
	Number	Percent	Number	Percent	Number	Percent
0 - 4	1,107	8.3%	1,004	7.3%	1,010	7.2%
5 - 9	815	6.1%	935	6.8%	887	6.3%
10 - 14	653	4.9%	784	5.7%	856	6.1%
15 - 19	619	4.6%	679	5.0%	699	5.0%
20 - 24	637	4.8%	831	6.1%	872	6.2%
25 - 34	2,563	19.1%	1,950	14.3%	2,080	14.8%
35 - 44	2,089	15.6%	2,174	15.9%	2,038	14.5%
45 - 54	1,890	14.1%	1,864	13.6%	1,800	12.8%
55 - 64	1,467	10.9%	1,599	11.7%	1,645	11.7%
65 - 74	646	4.8%	953	7.0%	1,159	8.3%
75 - 84	516	3.9%	496	3.6%	575	4.1%
85 +	396	3.0%	397	2.9%	389	2.8%

Source: ESRI

The breakdown of ages within the five minute drive time indicates that adults in their prime earning and child rearing years, between 25 and 54 years of age, represent the most dominant age segments in the local population, as of 2016. The population segments most commonly associated with "Empty Nester" households, between the ages of 55 and 74, exhibited increases in population over the 2010 to 2016 timeframe. The area includes a broad distribution of children and young adults under the age of 19. In line with national trends, the proportion of the population age 55 or older is expected to continue to increase through 2021.

Median Household Income, 5 Minute Drive Time				
Households by Income				
	2016		**2021**	
	Number	**Percent**	**Number**	**Percent**
Under $15,000	456	7.8%	469	7.9%
$15K - $25K	356	6.1%	337	5.6%
$25K - $35K	487	8.3%	440	7.4%
$35K - $50K	680	11.6%	740	12.4%
$50K - $75K	964	16.5%	661	11.1%
$75K - $100K	801	13.7%	810	13.6%
$100K - $150K	1,196	20.5%	1,414	23.7%
$150K - $200K	507	8.7%	653	10.9%
Over $200,000	396	6.8%	449	7.5%

Source: ESRI

The breakdown of household incomes in the area within five minutes of 66th and Nicollet reveals that while there is a fairly broad representation of households with incomes between $35,000 and $100,000, a significant proportion of the households in the area (over 35 percent) report household incomes in excess of $100,000, as of 2016. While many of the neighborhoods in Richfield report more modest household incomes, the broader area within five minutes of 66th and Nicollet has a greater concentration of higher income households. Some of the neighborhoods in south Minneapolis, in particular, report higher household incomes. While these individuals may not live in Richfield, their spending power may affect the viability of real estate development options in the 66th and Nicollet vicinity. Data from ESRI also projects that the number of households earning in excess of $100,000 will continue to increase through 2021, and will represent an even larger proportion of the total number of households in the immediate area by 2021.

Overview of Local Real Estate Conditions

The following outlines local market conditions, including CoStar data and observations from site visits and discussions with local brokers and real estate representatives.

Retail:

Data from CoStar indicate that the area within two miles of 66th and Nicollet (which includes essentially all of Richfield, plus some portions of south Minneapolis) reports somewhat higher vacancy rates than the overall Interstate 494 corridor (which includes areas from the International Airport west to the Eden Prairie area). However, the vacancy rates reported in the local market are generally favorable, given historic trends. Lease rates are generally in line with those of the broader 494 corridor.

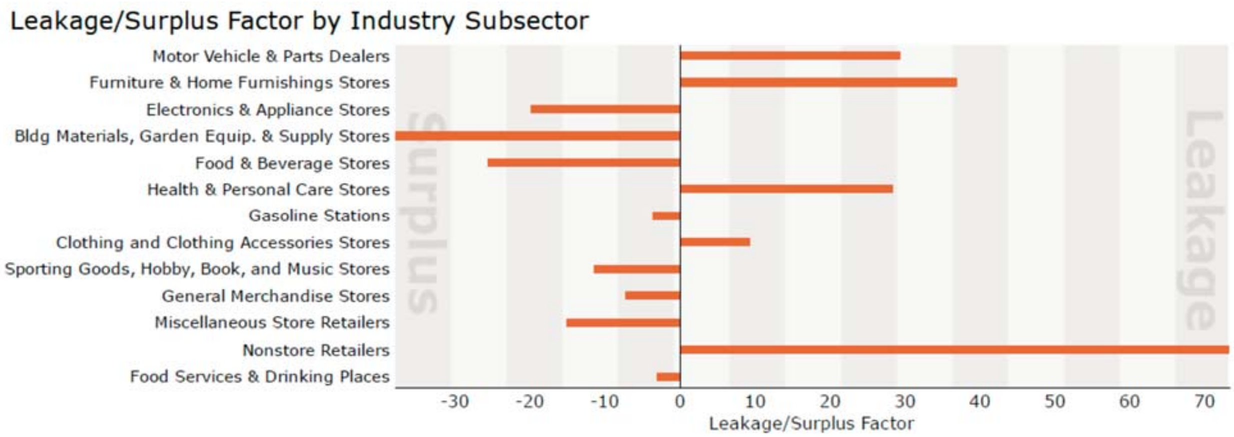
Retail Metrics						
	2 Mile Radius Surrounding 66th & Nicollet				494 Corridor Submarket	
	Total SF	Vacancy Rate	Average Rent / SF		Vacancy Rate	Average Rent / SF
2007 Q4	4,332,054	3.8%	$19.95		2.1%	$19.84
2008 Q4	4,442,818	4.1%	$20.05		2.8%	$18.49
2009 Q4	4,442,818	7.2%	$19.15		3.6%	$17.27
2010 Q4	4,387,669	6.0%	$19.13		3.5%	$16.98
2011 Q4	4,386,925	6.5%	$13.12		3.4%	$16.25
2012 Q4	4,291,928	3.6%	$16.45		2.6%	$16.89
2013 Q4	4,269,323	3.6%	$14.75		2.0%	$15.35
2014 Q4	4,285,112	3.1%	$13.66		2.1%	$15.19
2015 Q4	4,390,595	4.5%	$15.01		2.3%	$15.44
2016 Q4	4,288,335	3.0%	$16.74		1.7%	$17.01

Source: CoStar

According to CoStar, the local market, within two miles of 66th and Nicollet, has maintained around the same levels of retail square footage (on net) over the last several years.

Data from ESRI indicate that the area within a five minute drive of 66th and Nicollet is “leaking” (or, losing retail spending to outside areas) in the retail categories of Motor Vehicles and Parts Dealers; Furniture and Home Furnishings Stores; Health and Personal Care Stores; Clothing and Clothing

Accessories Stores; and Non-Store Retailers. In general, the local area near 66th and Nicollet has a surplus (or, draws retail spending from other areas in addition to absorbing the retail spending generated from local residents) in terms of electronics goods, building materials, food and beverage stores (including grocery stores, liquor stores, and other specialty food stores), sporting goods stores, general merchandise stores, and eating and drinking places. The opening of the new Target and Home Depot at 66th and Cedar, along with other in-line retail spaces in the vicinity, coupled with the strength of other shopping areas in the local area, has contributed to the excess capacity of several categories of retail in the Richfield area. A portion of retail spending that had gone to the 66th and Nicollet area has migrated to the newer shopping areas along Cedar Avenue, over time.



Source: ESRI

The subarea around 66th and Nicollet has witnessed some deterioration of local retail market conditions in recent years. The Richfield Shops, on either side of 66th Street, has several vacancies for in-line spaces, as of April 2017, and a number of the tenants at the center cater to down-market segments (including check cashing, for example). The Hub development has two or three vacancies as of April 2017, as well. The area around 66th and Nicollet now represents some of the very oldest retail space in the Richfield and south Minneapolis area, dating to the late 1950s. Although renovations to the two shopping centers have occurred over the years, both developments appear dated and may face difficulties in leasing to tenants, as a result. Both shopping centers also lack the visibility to regional freeways and expressways enjoyed by the Target and Home Depot projects at 66th and Cedar, as well as various developments along the 494 corridor in Bloomington and Richfield. Spending for groceries, for example, has migrated to some extent to the 66th and Cedar area, and spending for some general goods has migrated from the area to the 494 corridor, including several larger box stores on the Bloomington side of the 494 corridor. The changes in the local retail marketplace have left the retailers at 66th and Nicollet catering primarily to local neighborhood residents in Richfield. While south Minneapolis is only a few blocks away, the area lacks developments that would logically attract business from outside the immediate area.

In general, the retail properties around 66th and Nicollet may move forward in one of two trajectories. In one scenario, the area around 66th and Nicollet may simply be able to support a smaller footprint (and square footage) of retail space than originally constructed, given the changes in the local market, and the less favorable connectivity of the site to the broader region, compared to shopping areas located along freeways in the Richfield vicinity. In another scenario, the area could redevelop into a shopping area that features unique tenants or experiences that conceivably could draw people from south Minneapolis, in addition to Richfield, as well as other residents from the general area. The areas around Richfield are relatively affluent, and Richfield continues to attract migration from new residents, seeking out the community for its prime location in the metro area and the relative affordability of its housing stock. As Richfield continues to attract residents with higher incomes over time, the area around 66th and Nicollet could reposition to serve a higher income demographic, with appropriate tenants and concepts over time.

Office:

The areas within two miles of 66th and Nicollet include around three million square feet of office space, including a number of larger office buildings along the 494 corridor in Richfield. The area immediately around 66th and Nicollet, however, features relatively smaller offices and office buildings, including a number of smaller and older buildings along 66th Street, between Nicollet and Cedar Avenue, and some newer office space in the vicinity of 66th and Lyndale. The immediate area tends to include the offices of local professional services (including dental, insurance, etc.) and other smaller spaces, serving smaller companies and tenants. Given its orientation away from freeway corridors, the heart of Richfield has never represented a key node of office development. Many of the offices in the immediate area are older and tend to command lower lease rates compared to newer space in this part of the metro area. In addition, a number of vacancies for office space exist along the 66th Street corridor, to the east of the study area, between Nicollet and Cedar Avenue.

Office Metrics	2 Mile Radius Surrounding 66th & Nicollet				494 Corridor Submarket	
	Total SF	Vacancy Rate	Average Rent / SF		Vacancy Rate	Average Rent / SF
2007 Q4	3,047,653	3.9%	$12.12		9.4%	$14.40
2008 Q4	3,021,668	3.2%	$14.38		8.8%	$15.11
2009 Q4	3,021,668	4.6%	$14.90		10.4%	$15.02
2010 Q4	3,015,508	2.3%	$12.74		9.6%	$14.70
2011 Q4	3,015,508	2.2%	$12.79		8.8%	$14.02
2012 Q4	3,015,508	1.5%	$12.63		8.8%	$13.36
2013 Q4	3,009,806	3.9%	$12.69		10.0%	$13.79
2014 Q4	3,084,806	4.2%	$13.03		10.7%	$14.09
2015 Q4	3,084,806	2.9%	$13.37		9.6%	$13.94
2016 Q4	3,084,806	2.4%	$13.06		9.1%	$14.68

Source: CoStar

Outside of the immediate area, the City of Bloomington has plans for significant office development in the South Loop area, defined as the area surrounding the Mall of America. Over the last few years, the City has approved preliminary plans for Phase I and Phase II of the Mall of America's (MOA) expansion. The approval includes a total of 3 million square feet of additional retail construction, 546,000 square feet of office space and a total of 1,650 hotel rooms. The MOA's office product is geared to appeal to higher-end office tenants and in particularly to the Millennial generation, which desires work spaces that offer a range of amenities nearby. The MOA's expansion is part of the overall South Loop area plan for the eastern end of Bloomington, which calls for a variety of infill residential, retail, and office development to the south and east of the existing Mall of America, toward the Minnesota Valley riparian zone. Overall, as South Loop continues to build out over time, the area could generate at least a few thousand additional jobs in the Bloomington community.

Overall Conclusions, Office:

The area around 66th and Nicollet is unlikely to develop as a major office or employment area, given the lack of direct connectivity to surrounding freeways. The Interstate 494 corridor has traditionally attracted larger office users, including a variety of corporate style campus buildings. Instead, the area around 66th and Nicollet is more likely to remain a focal point for smaller scale or neighborhood-oriented office uses. The area could accommodate, over time, a relatively small quantity of smaller office space, geared to professional offices (including medical office, professional services, etc.). This office space could orient above retail spaces (in the case of mixed-use development) or behind more active retail frontages in the 66th and Nicollet area. Office development in the study area is more likely to include a collection of smaller offices (perhaps as small as a few thousand square feet per office), as opposed to medium or larger scale footprints.

Multi-Family and Residential:

The multi-family market in the Twin Cities region has demonstrated considerable strength over the last five years, with developers completing a variety of projects around the region. A significant number of these projects have focused on the urban core areas in Minneapolis and St. Paul. However, the multi-family boom has expanded to suburban communities over the last few years, as the region has continued to gain employment and population. The metro area added an impressive 28,000 jobs from 2015 to 2016, and continues to benefit from the presence of sixteen Fortune 500 companies in the region. The significant strength of the for-sale residential market in the Twin Cities has led many would-be buyers to rent apartments, instead of purchasing homes. In addition, the tendency of the Millennial generation to delay home purchases or to avoid home purchases altogether has contributed to the multi-family construction boom witnessed in metro areas around the country, including the Twin Cities. Furthermore, homeownership rates for the Baby Boomer generation have continued to decline, as more residents choose the maintenance-free aspects of rental living. From the fourth quarter of 2015 to the fourth quarter of 2016, the metro area added around 5,000 new apartment units, and the region expects the delivery of another 4,000 units in 2017.[1] Data from Colliers indicate that the market for tenants among Class A apartment communities has become more competitive, with operators offering concessions over the last few quarters. The rents for Class B and Class C apartments, however, have increased more than those of Class A, as the overall multi-family market has tightened and rising rents across the metro have forced many people to consider Class B and Class C apartment living options.

Data from CoStar indicate that the area within two miles of 66th and Nicollet has added a few hundred additional multi-family units over the last decade, in the form of infill construction. In line with regional trends, average rents per square foot have continued to escalate over the last several years of the economic recovery, as vacancy rates have continued to decline. The multi-family market within two miles of the Hub reported a vacancy rate of around three percent at the end of 2016, reflecting a market that has very limited excess capacity and would likely absorb additional units of construction. The areas near 66th and Nicollet have even lower vacancies that the overall vacancy reported in the Interstate 494 submarket.

[1] Minneapolis-St. Paul Research & Forecast Report, Fall 2016, Colliers International

Multi-Family Metrics						
	2 Mile Radius Surrounding 66th & Nicollet				494 Corridor Submarket	
	Total Units	Vacancy Rate	Average Rent / SF		Vacancy Rate	Average Rent / SF
2007 Q4	5,668	6.4%	$1.00		5.8%	$1.03
2008 Q4	5,668	6.0%	$1.01		5.6%	$1.04
2009 Q4	5,782	6.8%	$1.00		6.2%	$1.01
2010 Q4	5,782	5.8%	$1.01		5.2%	$1.02
2011 Q4	5,782	5.4%	$1.02		4.9%	$1.04
2012 Q4	5,876	5.3%	$1.06		4.7%	$1.07
2013 Q4	5,876	4.5%	$1.08		4.7%	$1.12
2014 Q4	5,876	3.9%	$1.09		4.8%	$1.17
2015 Q4	5,876	3.2%	$1.14		4.4%	$1.23
2016 Q4	5,920	3.1%	$1.21		5.5%	$1.29

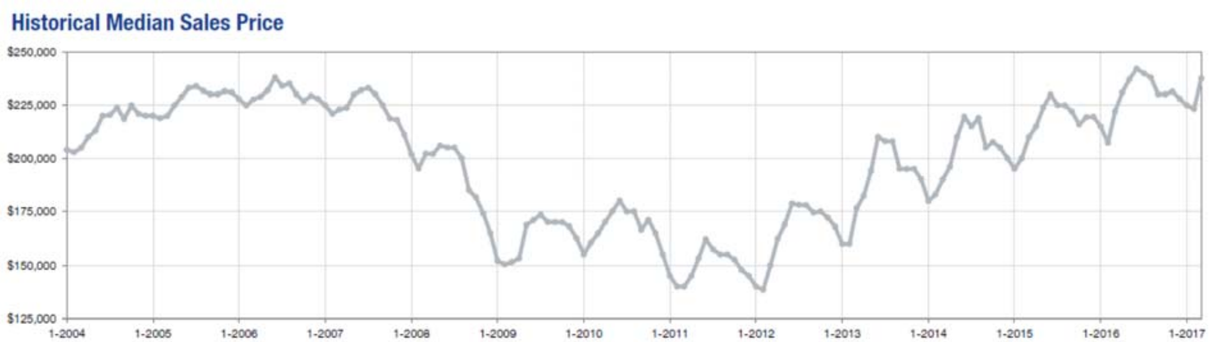
Source: CoStar

The for-sale residential market in the Twin Cities region has largely recovered to pre-Recession levels in terms of sales prices and activity, following four to five years of price appreciation and ongoing increases in single family residential construction. As outlined in the tables that follow, the median home prices in the overall region have increased significantly over the last year. The number of days on market and the months supply of inventory have also improved significantly over the last year. Overall, the housing market in the Twin Cities has remained very tight, in particular for homes in the $200,000 to $300,000 price range, as builders continue to struggle to keep pace with demand.

Local Housing Market Data, March 2017			
	Twin Cities Region		
	March '16 YTD	March '17 YTD	% Change
Closed Sales	9,556	9,867	3.3%
Median Home Price	$216,000	$230,000	6.5%
Price / Square Foot	$126	$136	8.0%
Days on Market Until Sale	88	77	-12.5%
Months Supply of Inventory	2.6	2.0	-23.1%

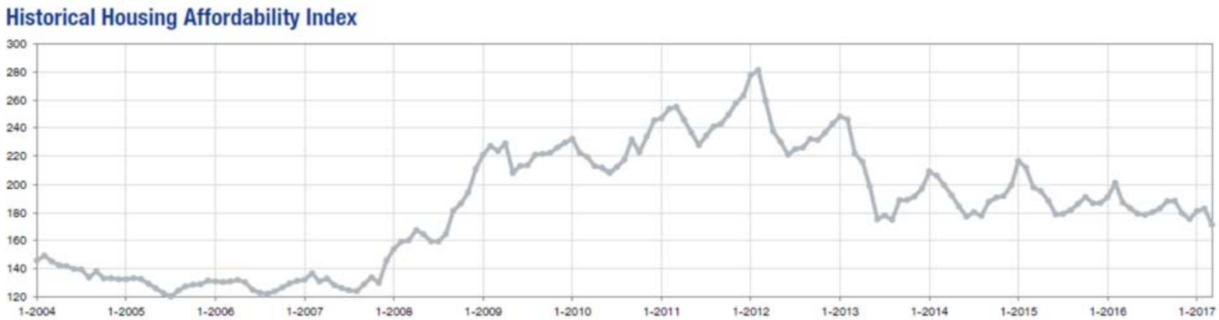
Source: Minneapolis Area Association of Realtors

The graph below from the Minneapolis Area Association of Realtors reveals that the median home sales price in the region has returned to the peaks last experienced in 2006, before the Great Recession.



Source: Minneapolis Area Association of Realtors

However, as incomes have increased over the last ten years across the region, the level of affordability has remained above the levels experienced prior to the last recession, as outlined in the following table.



Source: Minneapolis Area Association of Realtors

Housing affordability peaked during and following the Great Recession, as home values declined across the Twin Cities (and across many parts of the nation). Affordability has decreased over the last four years as home prices have continued to escalate. The increases in home sales prices have impacted both single-family detached and townhome / condo attached products, across the Twin Cities region.

Twin Cities Metro Region Median Sales Price: Single Family Detached Homes			Twin Cities Metro Region Median Sales Price: Townhome or Condo Attached Homes		
	Median Price	% Increase		Median Price	% Increase
2012	$184,000	-	**2012**	$125,000	-
2013	$211,000	14.7%	**2013**	$147,000	17.6%
2014	$225,000	6.6%	**2014**	$159,000	8.2%
2015	$238,000	5.8%	**2015**	$165,000	3.8%
2016	$251,000	5.5%	**2016**	$173,000	4.8%

Source: Minneapolis Area Association of Realtors

Like most areas around the country, the Twin Cities region experienced a significant decrease in housing construction activity during and after the Great Recession. The total number of residential building permits issued in the seven-county region decreased from around 21,000 in 2003 and 2004 to around 4,400 in 2009, but returned to a range of 10,000 to 12,000 annual permits from 2012 through 2015. While the region continued to permit 4,000 to 5,000 single family detached residential building permits on average, from 2012 through 2015, multi-family construction has accounted for over half of all residential construction during this period of economic recovery. Townhome permits, which had accounted for over 20 percent of all permit activity prior to the housing crash (from 2003 through 2007), now represent from 4 to 7 percent of all residential permits, over the last four years. The focus on multi-family construction in the Twin Cities region mirrors similar trends in other larger metro areas around the country. Developers in the local region have added a significant pool of multi-family units to local inventories, particularly in the two major downtown areas and in other urban neighborhoods that feature a variety of amenities and good access to the rest of the city. The supply of single-family detached homes has not caught up with demand over the last few years, contributing to increases in the median home price in the Twin Cities region.

Twin Cities Region - Residential Building Permit History										
	Single Family Detached	**Percentage of Total**	**Townhome**	**Percentage of Total**	**Duplex**	**Percentage of Total**	**Multi-Family**	**Percentage of Total**		**Total**
2003	9,034	42.4%	4,619	21.7%	216	1.0%	7,414	34.8%		**21,283**
2004	8,244	38.6%	5,126	24.0%	579	2.7%	7,401	34.7%		**21,350**
2005	6,877	39.0%	3,795	21.5%	572	3.2%	6,375	36.2%		**17,619**
2006	5,252	41.6%	2,961	23.4%	229	1.8%	4,185	33.1%		**12,627**
2007	3,648	42.9%	1,851	21.7%	84	1.0%	2,929	34.4%		**8,512**
2008	2,281	44.4%	957	18.6%	27	0.5%	1,867	36.4%		**5,132**
2009	2,412	54.2%	597	13.4%	26	0.6%	1,412	31.8%		**4,447**
2010	2,776	47.7%	589	10.1%	36	0.6%	2,420	41.6%		**5,821**
2011	2,821	44.7%	526	8.3%	21	0.3%	2,938	46.6%		**6,306**
2012	4,271	39.0%	621	5.7%	28	0.3%	6,032	55.1%		**10,952**
2013	5,207	41.9%	678	5.5%	19	0.2%	6,520	52.5%		**12,424**
2014	4,559	42.4%	684	6.4%	86	0.8%	5,414	50.4%		**10,743**
2015	4,746	37.1%	554	4.3%	43	0.3%	7,437	58.2%		**12,780**

Source: Metropolitan Council

The Richfield area, and nearby areas of south Minneapolis, in particular have experienced a very strong housing market over the last few years. The Richfield area benefits from its close-in location to the heart of Minneapolis, coupled with its access to the Mall of America, the airport, and the employment centers along the 494 corridor. Local observers have called Richfield the "hottest" housing market in the metro area in recent months. A significant number of younger buyers, including families, have sought out Richfield as an option to live more affordably than in Minneapolis, while enjoying the benefits of a single family home in a strategic location.

The following table outlines the changes in home prices for Richfield, Edina, Bloomington, the region overall, and for the four neighborhoods in south Minneapolis that border onto Richfield (Armatage, Diamond Lake, Kenny, and Windom). The median home price in Richfield increased 43 percent from 2012 to 2016, and prices in two south Minneapolis neighborhoods (Diamond Lake, and Windom) increased by over 40 percent during this period, as well.

Changes in Median Home Prices, 2012 - 2016	2012	2013	2014	2015	2016	Change from 2015	Change from 2012 - 2016
Minneapolis							
Armatage Neighborhood	$218,000	$250,000	$265,000	$286,600	$277,500	4.5%	39.4%
Diamond Lake	$210,000	$245,000	$257,000	$272,000	$300,000	10.3%	42.9%
Kenny	$246,950	$256,850	$272,500	$313,672	$302,500	-3.6%	22.5%
Windom	$185,915	$218,900	$216,850	$262,225	$271,450	3.5%	46.0%
Richfield	**$155,000**	**$174,950**	**$183,750**	**$205,000**	**$221,625**	**8.1%**	**43.0%**
Edina	$344,000	$350,000	$380,000	$397,000	$436,430	9.9%	26.9%
Bloomington	$171,000	$193,100	$201,000	$218,000	$232,000	6.4%	35.7%
Overall Twin Cities Region	**$167,900**	**$192,000**	**$205,600**	**$220,000**	**$232,000**	**5.5%**	**38.2%**

Source: Minneapolis Area Association of Realtors

Increasingly, buyers are migrating from south Minneapolis and other areas around the city to Richfield, in order to take advantage of the lower overall sales price in the community. While Richfield has experienced significant growth in home prices, as of 2016 its median home price remains lower than those of neighboring communities.

The Richfield area, and surrounding communities to the south of the City of Minneapolis, should remain highly attractive for both multi-family and for-sale residential products for the foreseeable future, given its orientation in the metro area. While the area may experience a softening in the market with the next downturn, the geographic advantages of Richfield relative to the rest of the metro area and its relative affordability should continue to drive the viability of residential projects in the Richfield vicinity.

OVERALL CONCLUSIONS / DEVELOPMENT RECOMMENDATIONS FOR 66TH AND NICOLLET:

While this market analysis does not provide detailed forecasts or absorption estimates for different types of development components, for the 66th and Nicollet area, the following summarizes the takeaways from the analysis, as it relates to potential redevelopment in the study area.

- The area around 66th and Nicollet will likely remain as a neighborhood oriented retail area in the future. Due to the arrival of additional retail space at 66th and Cedar and other retail projects along and near the 494 corridor, the 66th and Nicollet area may never regain the retail dominance it had (in terms of size) in the 1950s and 1960s. Larger format retail uses (including junior boxes and bigger boxes) will likely continue to migrate to the 494 corridor, Cedar Avenue, and other locations in the vicinity with better access to other communities. The quantity of overall retail space in the 66th and Nicollet area may in fact decline over time.

- Retail offerings in the 66th and Nicollet area may be able to reposition to serve more upscale household types, as Richfield continues to evolve. As more families and other buyers from around the metro area move into Richfield, help escalate home prices, and bring more spending power with them, the mix of retail and services at 66th and Nicollet may move more upmarket over time. The introduction of the Lyndale Cooperative market on Lyndale Avenue, to the west, reflects this trend. The 66th and Nicollet area may be able to offer more attractive eating and drinking places and unique, more neighborhood oriented retail tenants over time that could begin to attract more business from south Minneapolis. The area will continue to serve some everyday needs (for pharmacies, some groceries, and casual dining) but may be able to add some better restaurants and more unique retail shops over time, as potential redevelopment may move forward.

- As mentioned, the local housing market in Richfield remains very strong and is changing to serve a higher income demographic. The area around 66th and Nicollet will likely be able to attract additional multi-family construction, as well as potentially townhomes or similar forms of attached housing. Given the size of the parcels around 66th and Nicollet, developing single family detached products is less likely. All of the parcels in the area could develop with a mixture of multi-family and attached properties. The Academy of Holy Angels could develop a portion of its property as multi-family or townhome as well.

- The area around 66th and Nicollet could develop a relatively small amount of additional office space, geared to professional services and other local uses, as part of mixed-use development. The area will likely not develop as a more significant area of office space or employment centers. However, office space could complement the introduction of higher quality residential or retail space in the vicinity of 66th and Nicollet, as part of a mixed-use orientation (with office located either above or to the rear of retail space).

- In terms of forms and orientations of development, future development may proceed as follows:
  - The northeast corner of the Holy Angels property (at the southwest corner of 66th and Nicollet) may develop as purely residential, with attached homes or multi-family units oriented and developed to preserve the character and aesthetic qualities of the school

campus and to attract minimal traffic or additional activity to the Holy Angels property.

- The Richfield Shops, along the east side of Nicollet, could develop with a mixture of retail / restaurant space on ground floors, with residential space above. The redevelopment of these spaces could resemble other successful infill projects around the Minneapolis area in recent years, in which below-grade parking serves residents, the first floors contain a mixture of limited retail space, coupled with amenity spaces for residents, and upper floors contain either multi-family units or condominiums. The shape and scale of the parcels on the east side of Nicollet logically orient toward a mixed-use configuration that has worked well in the Twin Cities over the last ten years.

- The Hub property is larger and would, logically, provide a developer with greater flexibility. A developer may choose to keep parts of the existing footprints for retail operational while developing other portions of the site. For example, the Rainbow grocery property could continue to operate while a developer proceeded with the demolition and reconstruction of the actual Hub building as a property with a mixture of office, residential, and some retail uses. In addition, a developer could explore options to keep part of the Hub building intact, and to infill underutilized parking spaces and underutilized portions of the Hub with mixed use space as well. The Hub could be developed in phases, over time. The overall Hub could support a mixture of neighborhood retail, various residential forms (including attached product and multi-family) and limited quantities of office space.