

**ECONOMIC IMPACT ANALYSIS:
ST. CROIX RIVER CROSSING
Minnesota TH 36 / Wisconsin STH 64**

**Prepared for:
Minnesota Department of Transportation
and
Wisconsin Department of Transportation**

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Under subcontract to SRF Consulting**

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EXECUTIVE SUMMARY

Overview. This report examines the local economic impact associated with a proposed new bridge across the St. Croix River, linking Washington County, MN and St. Croix County, WI. The new bridge is intended to functionally replace the aging and insufficient existing bridge crossing, and expand highway system capacity to meet current and projected future travel demand across the river. The Minnesota side of the existing bridge is located in downtown Stillwater. The proposed new bridge and highway approach would cause some or all river crossing traffic to bypass that area. This study focuses attention on economic impacts associated with the bypass of downtown Stillwater, the reconfiguration of interchanges and frontage roads along Minnesota Trunk Highway 36, and a new alignment in Houlton, WI.

Economic Profile of the Affected Area. Stillwater is the county seat of Washington County, with approximately 1,000 businesses and an employment base of over 10,000 workers. Stillwater and adjacent Oak Park Heights are characterized by a high concentration of retail and service businesses, which reflects their role as a commercial center serving residents of a broader region. The commercial activity is split into two areas: (1) the Highway 36 retail corridor, straddling Stillwater and Oak Park Heights, which is characterized by auto-oriented strip retail developments and “big box” chain stores, and (2) Stillwater’s historic downtown district, which offers specialty retail goods (e.g., crafts, art, antiques, books), restaurants, and historic visitor attractions. Houlton, on the Wisconsin side of the river, is an unincorporated area with just 26 businesses employing slightly over 100 total workers.

Downtown Shopper Patterns. A 1999 survey of downtown Stillwater visitors confirmed findings that downtown Stillwater’s historic retail district is a special destination that draws shoppers and tourists from a wide area. It showed that downtown Stillwater’s economic base is more dependent on access from the Twin Cities area to the west, than on cross-river access from the east. Those findings are still applicable today.

Bridge Use Patterns. A 1998 survey of travelers using the existing bridge indicated that most of the current river crossing trips have both origins and destinations outside of Stillwater, and pass through the downtown area without stopping. The survey indicated that major users of the current river crossing are Wisconsin residents who work and/or shop on the Minnesota side, and Minnesota residents who travel to Wisconsin for recreation. The most frequent destination for Wisconsin shoppers is the Highway 36 corridor. Those findings are still applicable today.

Traffic Movements in the Affected Area. Traffic intersection counts and traffic models conducted in 2003-2004 indicated that over half of the vehicles on Main Street in the core of downtown Stillwater are turning to the bridge and passing through downtown Stillwater without stopping. They indicate that Main Street faces relatively high and increasing traffic volumes, primarily because of that traffic.

Findings: Economic Impact on Downtown Stillwater. The downtown retail district represents a regional destination attraction that draws people from a wide area. The current traffic congestion is already widely perceived as a factor discouraging more visits to downtown Stillwater during peak summer periods, and projected future increases in traffic crossing the river will exacerbate that problem. The proposed new river crossing can potentially lessen downtown traffic delay, by eliminating from downtown streets the traffic that does not stop in the downtown area. In that way, a new river crossing can potentially *increase* the attractiveness of visitation to downtown Stillwater, particularly during peak summer months. However, the potentially positive impact on downtown growth can depend on the new bridge and highway approach being accompanied by: (1) a clearly marked and easy-to-understand turnoff to downtown Stillwater, (2) a direct access route to downtown, (3) sufficient parking for additional visitors, and (4) an easy return route back to the highway.

Findings: Economic Impact on the Highway 36 Commercial Corridor. Wisconsin residents traveling to Stillwater's Highway 36 commercial corridor would benefit from a new river crossing, as it would eliminate the current congestion and delays they now experience while passing through downtown Stillwater. Minnesota residents traveling to Stillwater and Oak Park Heights would also benefit from the proposed elimination of traffic signals along Highway 36. Completion of the proposed project is forecast to result in a 55% higher traffic volume along Highway 36 than would otherwise occur by the year 2030. In the long term, that represents a substantial increase in market potential for existing businesses to grow and for new businesses to open up in the area. It can lead to increases in business sales, jobs and local tax base.

However, reconfiguration of the corridor's interchanges, frontage roads and local access routes will affect a significant fraction of the existing corridor businesses, through either land takings or changes in access patterns. This presents a risk of economic loss that could offset any longer term benefits of increased traffic. The risk of loss can be mitigated *if* planning efforts are made to accommodate some new and relocated businesses along the new frontage and access spur roads, and the project provides added signage and landscaping to attract visitors to businesses located along the newly configured frontage and access road systems.

Findings: Economic Impact on Houlton, WI. The proposed new river crossing would be accompanied by a new alignment for Wisconsin Highway 64, bypassing businesses located along its current route in Houlton. However, nearly all of the businesses in Houlton are not dependent on Highway 64 pass-by traffic, as they are either: (a) already located off of the current highway route, (b) not consumer-oriented businesses or (c) commercial services catering largely to a local clientele. The project is likely to require taking of three commercial parcels, and relocation of their specialty businesses. Only one remaining business to be directly bypassed, a gas station/convenience store, is at risk from a loss of pass-by traffic.

Findings: Economic Impact on the Metropolitan Area Economy. The Twin Cities Metropolitan Area spans both Wisconsin and Minnesota sides of the river. For that reason, all of the proposed changes in vehicular traffic patterns and expected economic impacts would be internal to the region, and hence classified as *localized redistributions of activity*.

ACKNOWLEDGEMENTS

This report was written by Economic Development Research Group -- Glen Weisbrod and Manisha Gupta. It builds upon the original 1999 report by Glen Weisbrod, Phil Henderson and Jinevra Howard.

Both this revised report and the original report build upon data provided by SRF Consulting, the Minnesota Department of Transportation and the Wisconsin Department of Transportation. The Greater Stillwater Chamber of Commerce also provided helpful information and insight for the revised report.

All conclusions and findings are those of the authors.

1. INTRODUCTION

1.1 Study Objective

This 2004 report updates a prior 1999 report assessing local economic impacts of a proposed new bridge across the St. Croix River, linking Washington County, MN and St. Croix County, WI. (See Figure 1-1.)

The project is designed to expand highway system capacity to meet current and projected future travel demand across the river. The existing river crossing and downtown Stillwater are currently both prone to traffic backups and delays caused by opening of the lift bridge, particularly during peak traffic periods and during weekends when tourists come to the historic center of the “birthplace of Minnesota.” A proposed new bridge is intended to provide greater capacity and improved flow. The proposed project will also include upgrading and realignment of highways connecting to the new bridge on both the Wisconsin and Minnesota sides of the river.

Figure 1-1. Project Location



Source: 2004 Amended Final Scoping Decision Document - March 2004

The economic impact study focuses on changes in jobs, income and business activity occurring in industrial and commercial sectors of the local economy as a result of the completed project. In the case of this project, there are negligible impacts on industrial activities and nearly all of the economic impacts are on the commercial (retail, wholesale and service) sectors of the economy. Such changes are expected as a consequence of: (a) changes in volume and pattern of traffic movements, (b) takings of commercial property to allow for expansion of connecting access properties, and (c) changes in ease of access to remaining commercial property businesses.

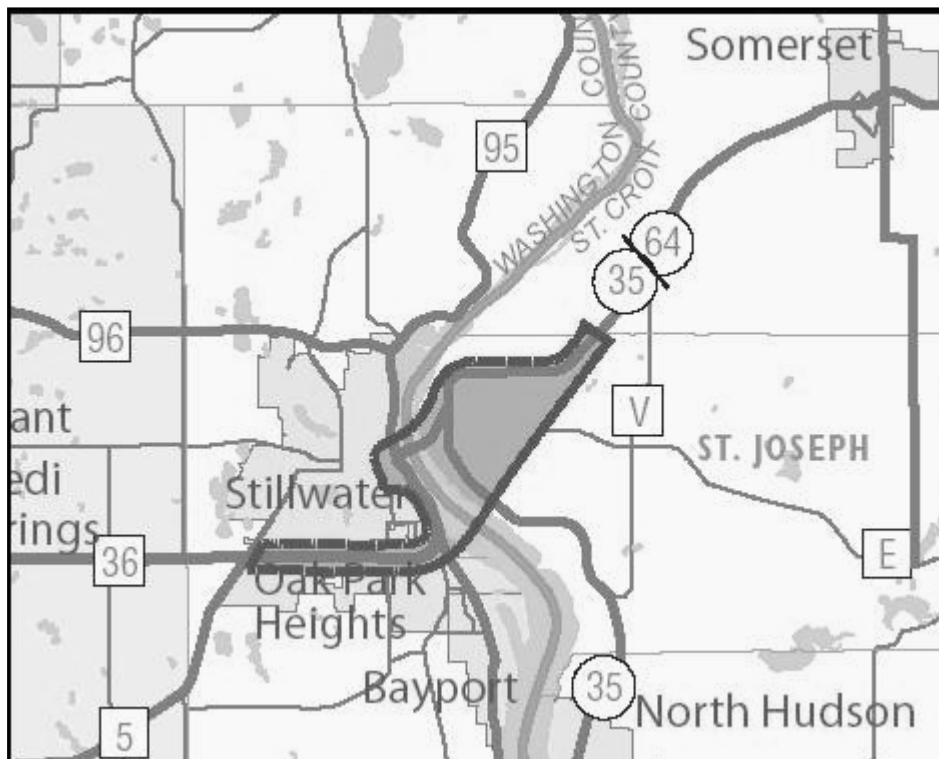
This report focuses on the two areas of primary economic impact: (1) Stillwater’s downtown commercial district and (2) the commercial corridor alongside Minnesota Trunk Highway 36, which straddles Stillwater and Oak Park Heights, MN. While there are also proposed land takings of residential property on the Minnesota and Wisconsin sides of the river, these residential takings do not by themselves displace or change activity levels (business sales, jobs and wages) for existing businesses.

1.2 Definition of Study Areas

Project Location. Figure 1-2 shows the general project location along the St. Croix River between Minnesota and Wisconsin. The local communities in the project area are as follows:

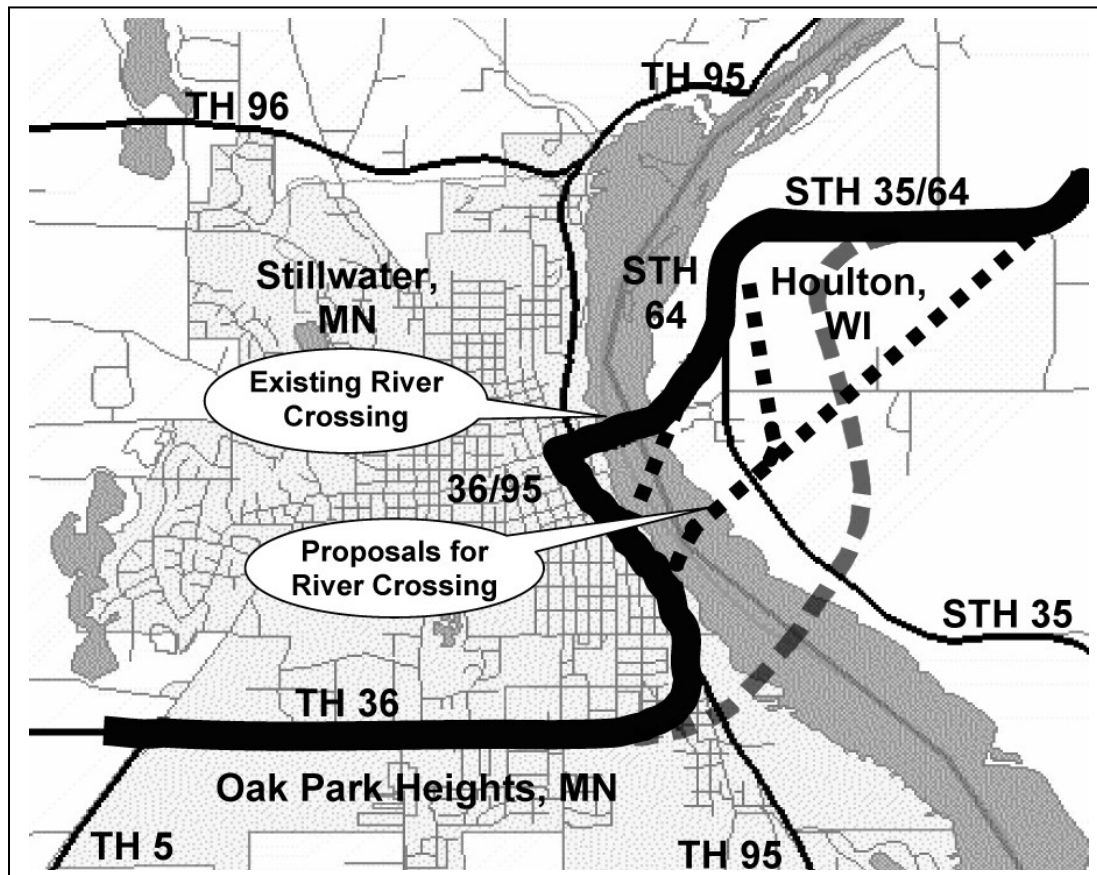
- On the Minnesota side of the river is the City of Stillwater, which is the seat of Washington County. Directly adjacent to it (on the south) is the City of Oak Park Heights. The existing bridge is located at the heart of Stillwater's historic downtown commercial district, while all of the proposed alignments for a new bridge are located within the City of Stillwater but south of the downtown area. The major access route from the Twin Cities Metro Area to the bridge is via Minnesota Trunk Highway (TH) 36, which straddles the southern edge of Stillwater and the northern edge of Oak Park Heights.
- On the Wisconsin side of the river is the unincorporated area of Houlton, part of rural St. Joseph township (referred to as the Town of St. Joseph) within St. Croix County. Also nearby is the City of Hudson to the south and the City of Somerset to the north. The major access route from Central Wisconsin to the bridge is via State Trunk Highway (STH) 36/64, which the State of Wisconsin has been upgrading from a two-lane road to a four-lane divided highway. That upgraded route extends from east of Houlton to the Somerset area and then onward to the New Richmond area,

Figure 1-2 Communities Affected by the Project



Treatment of Project Alternatives. Figure 1-3 illustrates the range of alternative locations for a new bridge.

Figure 1-3. Approximate Location of Existing Bridge and Proposed New Bridge for St. Croix River Crossing (Minnesota TH 36 / Wisconsin STH 64)



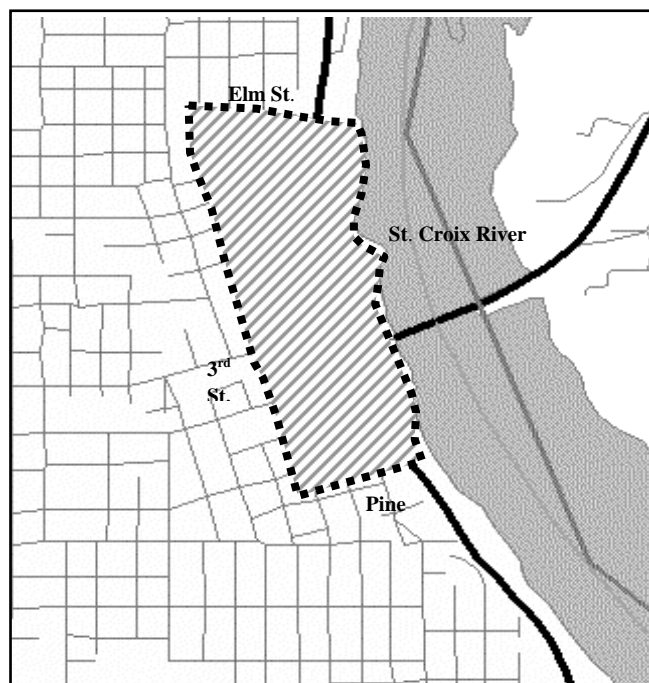
For economic impact analysis, there are three notable facts about all of these alternatives:

- Stillwater Downtown Bypass. While the existing bridge is located at the heart of Stillwater's historic downtown commercial district, all of the proposed alignments for a new bridge are located within the City but south of the downtown area. All of the new bridge alternatives cause eastbound traffic to bypass the City's core downtown area and all but one alternative (which uses the old bridge as part of a pair of one-way river crossings) also causes westbound traffic to fully bypass the downtown area. As a result, all of the new bridge alternatives will lead to economic impacts on downtown Stillwater insofar as they all diminish traffic volumes passing through the downtown area.

- **Minnesota Highway Access Improvements.** All of the alternatives for a new river crossing create the same need for widening Minnesota TH 36 as the access route from the Twin Cities area to the new river crossing. All of the alternatives call for adding lanes to the main highway, realigning frontage roads and putting in three interchanges to replace signal-controlled intersections. As a result, all of the alternatives will lead to economic impacts associated with land takings and access changes.
- **Wisconsin Highway Access Improvements.** The alternative locations for a new river crossing each create different needs for residential land takings to realign Wisconsin TH 36/64 in Houlton, WI. They will change the location of access to the small number of commercial businesses there, though no takings of commercial properties in Houlton are anticipated. Overall, there is relatively little current commercial business activity in Houlton and hence little impact on the overall commercial activity in that community is anticipated.

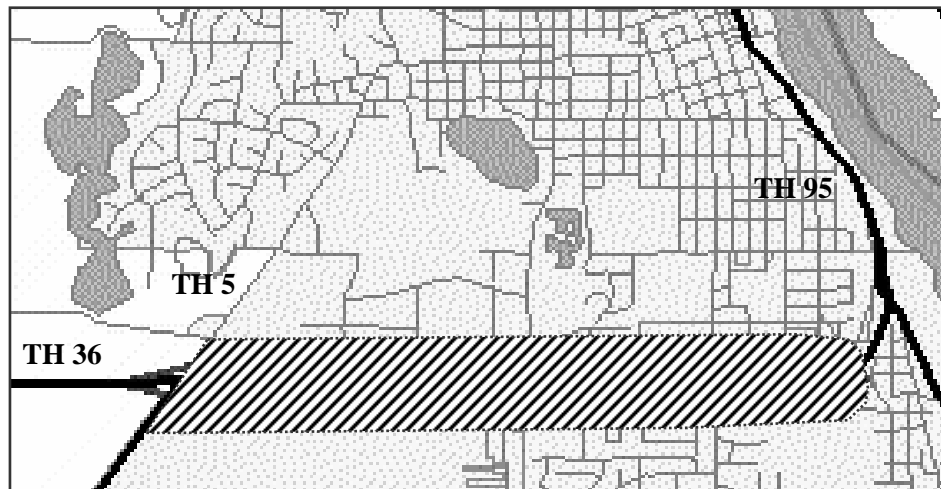
Definition of Downtown Stillwater. For purposes of this analysis, the downtown business district is defined as the area that has historically comprised the center of Stillwater since the 1850's -- extending approximately from Pine Street on the south to Elm Street on the north, and from the St. Croix River on the east to Third Street on the west. (See Figure 1-4.) Within this district today are found most of the major traffic arteries, including Main and Chestnut Streets, which connect to the existing bridge as well as public parking areas. Also within the area are most of Stillwater's downtown businesses (retail, services, food and drink, lodging) as well as some industrial uses, and several historic sites and public parks. Stillwater's City Hall is located one block west of this area. Several buildings in the downtown area, as well as the bridge itself, are listed on the National Register of Historic Places.

Figure 1-4. Downtown Stillwater Commercial District Study Area



Definition of Highway 36 Commercial Corridor. For purposes of this analysis, the affected Trunk Highway (TH) 36 corridor is defined as the East-West stretch of TH 36 east of the intersection with TH 5 (Stillwater Blvd.) and west of the intersection with TH 95 (Main Street). Essentially all of the commercial activity is located either on frontage roads or on cross streets within one block of those frontage roads. Much of this corridor straddles the boundary of Stillwater and Oak Park Heights

Figure 1-4. Minnesota TH 36 Commercial Corridor



1.3 Report Organization

The remainder of this report is organized into three chapters: background on the economy of the affected area (Section 2), expected changes in transportation conditions in the affected area (Section 3), and analysis of expected economic impacts (Section 4).

2. ECONOMY OF THE AFFECTED AREA

In order to assess the potential economic impacts of project changes affecting Stillwater and Oak Park Heights (MN) and Houlton (WI), it is important to understand the specific economic characteristics of the affected area. This section presents findings on the regional and local economies of the affected area, and then examines the market base and business characteristics of downtown Stillwater and the Highway 36 commercial corridor. This information, together with information on changes in transportation conditions in Section 3, provides a basis for assessing impacts of alternative highway and bridge routings.

2.1 Overview of County and Local Economies

Minnesota Side of the River. The City of Stillwater is the county seat of Washington County, Minnesota. It has approximately 10,000 workers, counting all state and local government workers. To the south, the smaller City of Oak Park Heights has approximately 2,000 workers, counting all state and local government workers. Table 2.1 shows a profile of Minnesota-side employment at the state, county and city levels based on the US Economic Census (which excludes most government jobs). It shows that retail and services account over half of all jobs in both cities. This pattern reflects the role of the Stillwater and Oak Park Heights combined area as a commercial center serving residents of a broader region. (That is also borne out by traffic and bridge data, discussed later in Section 3.)

Wisconsin Side of the River. The Wisconsin side of the river is St. Croix County. Its major city is New Richmond, 15 miles east of the bridge. The closest incorporated community is the village of Somerset, 8 miles from the bridge. On the Wisconsin side, the proposed new bridge and highway connection would only affect traffic routing in the unincorporated area of Houlton, which is directly across the river from Stillwater. Table 2.2 shows a profile of Wisconsin-side employment at the state, county and city levels based on the US Economic Census (which excludes most government jobs) and Zip Code Business Patterns (for unincorporated Houlton). The community of Houlton has 26 private business establishments, employing approximately 116 persons (out of the countywide business employment base of over 15,000). Houlton is also the site of an elementary school and a veterans building.

The largest sector of Houlton's economy is seven construction companies, two of which are the only local private businesses with more than 20 employees each. There are also several retail stores and service businesses. The only consumer-oriented activities located along the existing Highway 64 route (leading to the bridge) are a mini storage facility, nightclub and gas station/convenience store. There is also a bank, liquor store, real estate agent, kennel, and small auto dealer located on other roads in the Houlton area.

Economic Impact Analysis: St. Croix River Crossing

Table 2.1 Profile of Minnesota Side -- Local, County and State Employment, Year 2000

| <u>Economic Sector (see note 1)</u> | <u>Minnesota</u> | <u>Washington Co.</u> | <u>Stillwater City</u> | <u>Oak Park Heights City</u> |
|-------------------------------------|------------------|-----------------------|------------------------|------------------------------|
| Number of Employees | | | | |
| Agric. Services | 67,883 | 452 | 9 | 8 |
| Construction | 153,267 | 6,120 | 307 | 110 |
| Manufacturing | 419,271 | 19,165 | 1,327 | 367 |
| Wholesale | 92,854 | 4,092 | 250 | 40 |
| Retail (see note 2) | 307,714 | 12,372 | 1,167 | 203 |
| Trans, Comm & Utilities | 131,683 | 6,263 | 331 | 104 |
| Information Processing | 65,460 | 2,968 | 179 | 39 |
| Finance, Insur & Real Est. | 184,874 | 10,340 | 652 | 93 |
| Services (see note 2) | 1,070,498 | 41,511 | 3409 | 756 |
| Public Administration | 86,542 | 5,521 | 503 | 100 |
| Total (see note 3) | 2,580,046 | 108,822 | 8134 | 1820 |
| Percent of All Jobs | | | | |
| Agric. Services | 2.6 | 0.4 | 0.1 | 0.4 |
| Construction | 5.9 | 5.6 | 3.8 | 6.0 |
| Manufacturing | 16.3 | 17.6 | 16.3 | 20.2 |
| Wholesale | 3.6 | 3.8 | 3.1 | 2.2 |
| Retail (see note 2) | 11.9 | 11.4 | 14.3 | 11.2 |
| Trans, Comm & Utilities | 5.1 | 5.8 | 4.1 | 5.7 |
| Information Processing Sector | 2.5 | 2.7 | 2.2 | 2.1 |
| Finance, Insur & Real Est. | 7.2 | 9.5 | 8.0 | 5.1 |
| Services (see note 2) | 42.0 | 38.2 | 42.0 | 41.6 |
| Public Administration | 3.4 | 5.1 | 6.2 | 5.5 |
| Total (see note 3) | 100% | 100% | 100% | 100% |

Source: US Bureau of Census, Economic Census for Year 2000

Note 1: The economic categories are based on the new North American Industrial Classification System (NAICS), which replaced the old Standard Industrial Classification (SIC) system for economic sectors.

Note 2: The new NAICS groups that are shown here place eating and drinking establishments within Services, which differs from their old SIC assignment within Retailing. The new NAICS also moves computer data and information-based industries into a separate category, which differs from its old SIC inclusion within Services.

Note 3: This table excludes approximately 70,000 additional farm jobs and 300,000 additional government jobs in the State of Minnesota, 600 additional farm jobs and 4,000 additional government jobs in Washington County, and roughly 1700 additional government jobs in the City of Stillwater.

Table 2.2 Profile of Profile of Wisconsin Side -- Local, County and State Employment

| <u>Economic Sector (see note 1)</u> | <u>Wisconsin</u> | <u>St. Croix Co.</u> | <u>Houlton*</u> |
|-------------------------------------|------------------|----------------------|-----------------|
| <u>Number of Employees</u> | | | |
| Agric. Services | 75,418 | 1,093 | - |
| Construction | 161,625 | 2,581 | 60 (7) |
| Manufacturing | 606,845 | 8,268 | 2 (1) |
| Wholesale | 87,979 | 837 | 6 (1) |
| Retail (see note 2) | 317,881 | 3,761 | 16 (4) |
| Trans, Comm & Utilities | 123,657 | 2,131 | 2 (1) |
| Information | 60,142 | 610 | -- |
| Finance, Insur & Real Est. | 168,060 | 2,471 | 8 (2) |
| Services (see note 2) | 1,037,170 | 12,036 | 22 (10) |
| <u>Public Administration</u> | <u>96,418</u> | <u>1,117</u> | <u>--</u> |
| Total (see note 3) | 2,734,925 | 34,905 | 116 (26) |
| <u>Percent of Employees</u> | | | |
| Agric. Services | 2.8% | 3.1% | -- |
| Construction | 5.9% | 7.4% | 51.7% |
| Manufacturing | 22.2% | 23.7% | 1.7% |
| Wholesale | 3.2% | 2.4% | 5.2% |
| Retail (see note 2) | 11.6% | 10.8% | 13.8% |
| Trans, Comm & Utilities | 4.5% | 6.1% | 1.7% |
| Information | 2.2% | 1.7% | -- |
| Finance, Insur & Real Est. | 6.1% | 7.1% | 6.9% |
| Services (see note 2) | 37.9% | 34.5% | 19.0% |
| <u>Public Administration</u> | <u>3.5%</u> | <u>3.2%</u> | <u>--</u> |
| Total (see note 3) | 100% | 100% | 100% |

Source: US Bureau of Census, 2000 (except Houlton, which is estimated from US Dept. Of Commerce, Zip Code Business Patterns, 2001.

* because of the small size of Houlton, its employment numbers are estimated from data on number of establishments by employment size category, as reported by Zip Code Business Patterns. Numbers in parentheses indicate total number of establishments.

Note 1: The economic categories are based on the new North American Industrial Classification System (NAICS), which replaced the old Standard Industrial Classification (SIC) system for economic sectors.

Note 2: The new NAICS groups that are shown here place eating and drinking establishments within Services, which differs from their old SIC assignment within Retailing. The new NAICS also moves computer data and information-based industries into a separate category, which differs from its old SIC inclusion within Services.

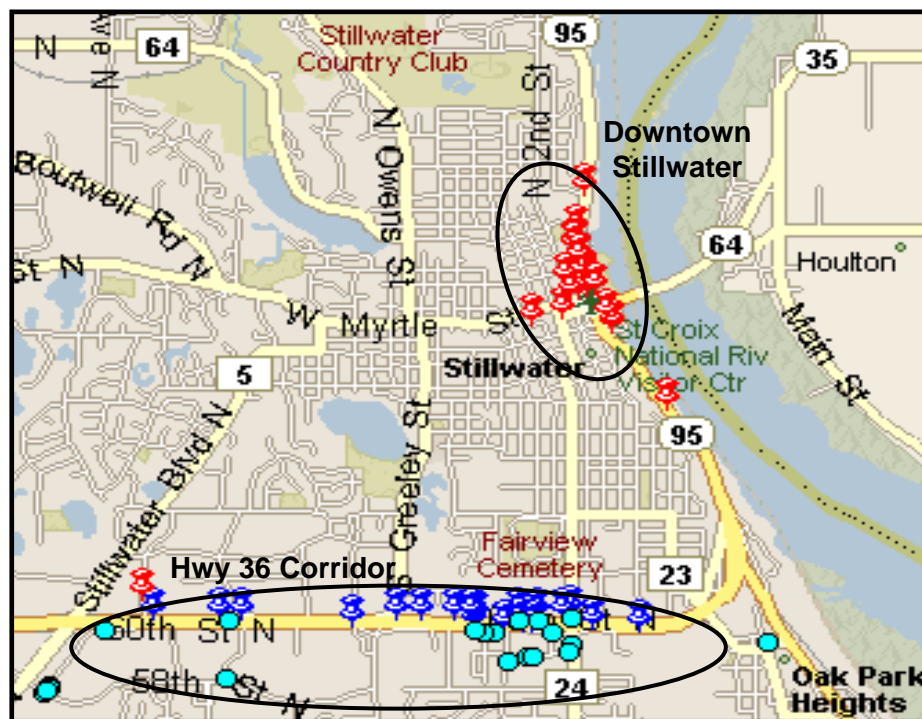
Note 3: This table excludes approximately 60,000 additional farm jobs and 290,000 additional government jobs in the State of Wisconsin, as well as roughly 1,400 additional farm jobs and 2,200 additional government jobs in St. Croix County.

2.2 Commercial Activity Within Stillwater

The primary sectors of Stillwater's economy -- retail and service activities -- are concentrated in two areas, shown in Figure 2.1:

- One is downtown Stillwater, which offers a pedestrian-oriented cluster of specialty retail goods (crafts, art, antiques, gifts, new and antiquarian books, clocks, etc.) as well as clothing accessory stores, bed-and-breakfast establishments, and eating and drinking establishments.
- The other is the Highway 36 commercial corridor, straddling the southern edge of Stillwater and the northern edge of Oak Park Heights. It features automobile-oriented shopping centers and strips, includes large discount stores, building materials and garden supplies, supermarkets, automotive dealers, gasoline stations and fast food restaurants.

Figure 2-1. Location of Retail Activities in Stillwater and Oak Park Heights



Note: "Pushpins" denote retail establishments in Stillwater; "Circles" denote retail establishments in Oak Park Heights. Source: Info USA business database.

Table 2.3 shows a profile of the retail and selected service economy of downtown Stillwater compared to the rest of the city. It shows that downtown has a high representation of restaurants, apparel/ accessories, furniture/antiques, jewelry, and specialty retail. However, the rest of the City (including the northern side of the Hwy 36 corridor) has the higher representation of apparel, grocery, automotive, sporting goods and hardware stores. This reflects the role of downtown Stillwater as a specialty destination center for outside visitors. (That role is discussed further in the next section.)

Table 2.3 Profile of Retail and Service Employment: Downtown Stillwater and Rest of City

| <u>Type of Business*</u> | <u>Employment</u> | | <u>Percent of Total</u> | | <u>Ratio of Shares:</u> |
|----------------------------------|-------------------|---------------------|-------------------------|---------------------|--------------------------------|
| | <u>Down-Town</u> | <u>Rest of City</u> | <u>Down-Town</u> | <u>Rest of City</u> | <u>Downtown / Rest of City</u> |
| Retail – Hardware stores | 5 | 35 | 0.4% | 1.3% | 0.3 |
| Retail – Apparels stores | 17 | 53 | 1.4% | 1.9% | 0.7 |
| Retail – Furniture stores | 25 | 39 | 2.0% | 1.4% | 1.4 |
| Retail – Grocery & Convenience | 37 | 392 | 3.0% | 14.4% | 0.2 |
| Retail – Used Merchandise stores | 3 | 22 | 0.2% | 0.8% | 0.3 |
| Retail – Specialty stores | 108 | 51 | 8.9% | 1.9% | 4.8 |
| Retail – Misc. stores | 40 | 486 | 3.3% | 17.8% | 0.2 |
| Retail – Sporting goods | 8 | 51 | 0.6% | 1.9% | 0.3 |
| Retail – Jewelry stores | 13 | 4 | 1.0% | 0.1% | 7.0 |
| Retail – Toys & Hobbies stores | 4 | 1 | 0.3% | 0.1% | 3.2 |
| Retail – Gifts & Florist shops | 20 | 108 | 1.6% | 3.9% | 0.4 |
| Retail – Eating & Drinking | 771 | 738 | 63.4% | 27.1% | 2.3 |
| Services – Hotels & Motels | 129 | 0 | 10.6% | 0.0% | 9.9 |
| Services – Personal services | 14 | 180 | 1.1% | 6.6% | 0.1 |
| Services – Amusement services | 11 | 358 | 0.9% | 13.1% | 0.7 |
| Services – Personal & Household | 14 | 211 | 1.2% | 7.8% | 0.2 |
| Total | 1215 | 2727 | 100% | 100% | 1.0 |

* Wholesale, banking, insurance, real estate and professional services (such as lawyers and accountants) are not covered in this table.

Source: Info USA and U.S. Bureau of Census. Note: Total employment shown here does not exactly match citywide retail and service figure shown in Table 2-1 due to differences in data sources and years, as well as exclusion of retail offices and selected services from this table.

2.3 Economic Role of Downtown Stillwater and Hwy 36 Corridor

Evolution of Highway 36 and Downtown. The creation of a large auto-oriented business district along the Highway 36 corridor over recent years has enabled new businesses to open or expand within Stillwater and Oak Park Heights. Much of the land in this area has been built out, though vacant land remains and there is additional room for future growth via redevelopment of under-utilized sites with higher value and higher density uses. Anchor employers along that strip of highway are “big box” retailers -- discount department stores (such as Target and Wal-Mart, with Kohls under construction), hardware superstores (Menards) and supermarkets (Cub Foods).

Development of the Highway 36 commercial district has required a re-orientation of downtown Stillwater from a "full-service" business district to a more specialized and unique set of economic activities. The report titled "*Downtown Stillwater 1987 Conditions and Analysis: Economic Analysis*" (p. 1) described the role of the downtown area in terms that are still applicable today:

"Stillwater's downtown has undergone considerable change over the past 15 years, from a Central

Business District that serves primarily local residents to one that relies significantly on non-local support. This change is most evident in the growth of Miscellaneous Retail establishments and Eating and Drinking Places, both of which owe their survival, in large part, to a healthy and growing local tourist trade. ...For the most part, the retailers on Highway 36 have established themselves as serving the general community market, while downtown retailers have moved toward serving a market which is predominantly from outside the community."

Unique Features of Downtown Stillwater. The pattern of highway-oriented growth and consequent change in a downtown area can be seen in smaller cities throughout the United States. Many older downtowns that were unable to find a new role and a clear identity have effectively suffered economic death. Unlike many of these failed downtown areas, Stillwater has defined a successful niche for its downtown area as a center of destination retailing, tourism, recreation, and cultural activities. To do so, the city has capitalized on key economic assets:

- The area's location, which is less than an hour away from the Twin Cities and its airport,
- Striking natural amenities -- forests, farms, the river, and abundant wildlife,
- A rich history as the birthplace of Minnesota, site of an historic prison, and a booming center of the lumber industry during the 1880's, and
- An existing infrastructure of historic buildings, Victorian homes, parks, monuments, and the present bridge across the St. Croix River.

Retail Specialization - Downtown Stillwater today is widely recognized as a center for antiques, books and art. There are reportedly a "half-million books and antiques for sale within six blocks of downtown Stillwater," offered by sixteen antique businesses (including two antique malls), three booksellers and six art galleries. Downtown is also known as a center for specialty dining. There are 32 restaurants in the downtown area, most of which are fine dining or wine bars. The downtown also features specialty stores, including ten gift shops, eight outdoor recreation supply shops and seven candy/food/liquor shops. In all, there are 87 retail stores and restaurants, of which only one (Starbucks) is a national chain. These features distinguish downtown Stillwater from the Highway 36 retail corridor as well as from other communities in region.

Special Events - A significant key to the success of downtown Stillwater in its new economic role has also been the creation of an exhaustive schedule of destination events, most of which are not dependent upon pass-through traffic. These include art shows and gallery openings, the Rivertown Art Fair, the Stillwater Art Crawl, farmers' markets, Victorian house tours, the Rivertown Restoration Annual Home Tour, the Victorian Bed and Breakfast Inn Tour and Tea, the Taste of Stillwater and other food and wine tastings, musical performances, theatrical and dance events, the Music on the Waterfront Concert Series, the Fall Colors Fine Art and Jazz Festival, fireworks on the 4th of July, the St. Croix Valley Pottery Tour, the St. Croix Garden Tour, Lumberjack Days, the Stillwater Antiquarian Book Fair, the Washington County Fair, the Teddy Bear Tea at the Warden's House Museum, and numerous Christmas holiday season events.

Recreation - Recreational activities making downtown Stillwater a destination for visitors include trolley rides, "steamboat" excursions, and the Minnesota Zephyr (a dinner train with five

restored dining cars). Other nearby recreation activities include walking, jogging, biking, driving, kayaking and canoeing, hiking, camping, fishing, bird watching, swimming, golfing, hot air ballooning, skiing, ice skating and snowmobiling.

Future Plans - Additional destination activities that can strengthen the appeal of downtown Stillwater have been planned or proposed for the future. Once known as "the Prison City," Stillwater was the location of the Minnesota State Prison. The Prison's massive multi-story stone structures were constructed between 1851 and 1853, and expanded in the 1870's. The prison closed in 1914. Unused prison buildings that escaped the demolition in 1936 were sold to the City of Stillwater. Subsequently, many of these structures were destroyed in a fire; however, plans for redeveloping this site as part of possible hotel, office, convention center and/or restaurant activities are ongoing.

Offices - Downtown Stillwater also has some important office employment functions (including the city hall offices as well as the headquarters office of Cub Foods) and it is also the location for a few legal and accounting offices, but the total level of downtown office activity is small relative to the core retail activity.

2.4 Downtown Stillwater Customer Profile

A series of downtown surveys, conducted from 1987 to 1999, portray the special nature of visitors to downtown Stillwater in terms that are still applicable today.

1987 Downtown Study. The report, *"Downtown Stillwater 1987 Conditions and Analysis: Economic Analysis"* (p. 35) summarized results of a visitor sidewalk survey (202 completed surveys, conducted between 10am and 3:00pm on two weekdays and a Saturday) as follows:

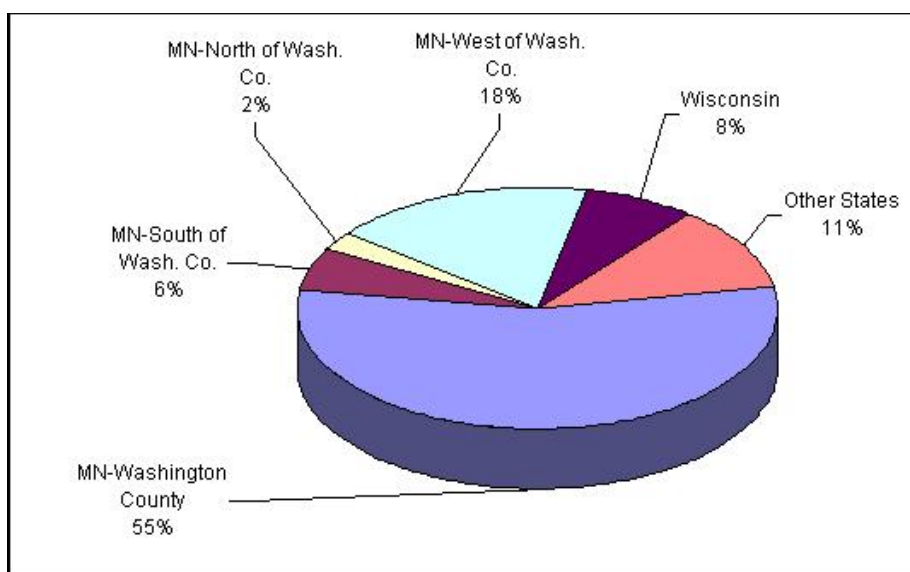
- *"Most of those visiting Stillwater are repeat visitors. They visit primarily for shopping, recreation, and dining. Recreation includes sightseeing which was the most often mentioned form of recreation cited (sic) by visitors. Very few visitors to Stillwater were there for business. "*
- *"The most important characteristics of the City to Stillwater visitors are the historic atmosphere, availability of restaurants, and the presence of the St. Croix River.."*
- *"The majority (68 percent) of those visiting Stillwater are coming from the Twin Cities metropolitan area."*

1999 Downtown Customer Survey. To obtain further insight into the dependence of downtown retailers on bridge and highway access, information was collected on the home locations of downtown Stillwater customers. Through the efforts of the Downtown Stillwater Chamber of Commerce, a selected set of eight businesses conducted a customer survey during one week in March, 1999. The participating merchants included four establishments in the restaurant and lodging sectors and four specialty merchandise stores. These merchants recorded the zip codes of 847 customers making purchases during the period, and those customers came from over 240 different zip code areas. Since this survey was conducted during the month of

March, it should be interpreted as indicative of the off-peak (non-Summer) customer base for downtown Stillwater.

The survey results, shown in Figure 2-2, indicate that a strong majority (73%) of customers during that survey period came from Washington County (including and surrounding Stillwater) or areas due west of it (primarily Hennepin, Ramsey and Dakota counties). Far fewer came from adjacent areas north, south or east of Washington County (including Wisconsin). It is also notable that 11 % of the visitors came from other states (not including Wisconsin), a figure which presumably would be even greater during the Summer peak vacation period.

Figure 2-2. Home Location of Downtown Stillwater Shoppers by Direction from Stillwater (March 1999)

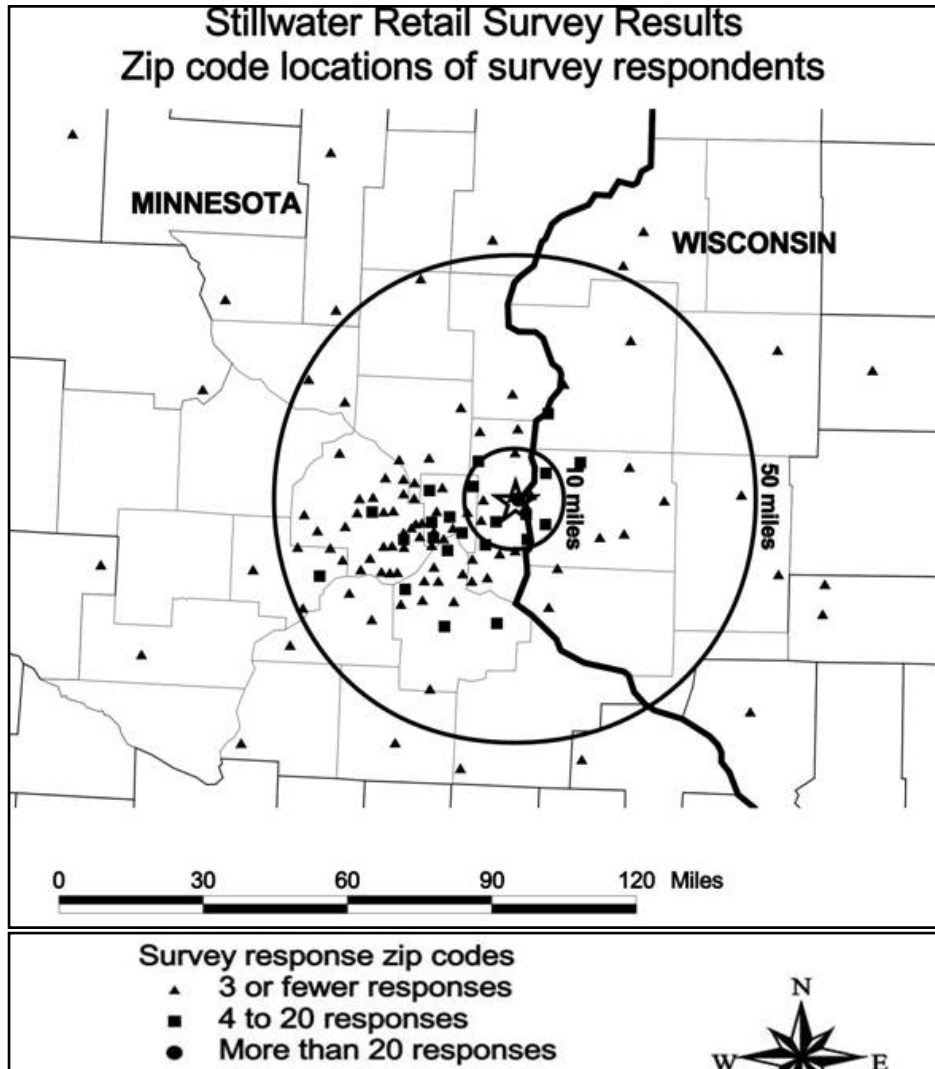


Source: Downtown Stillwater Chamber of Commerce, survey of 847 downtown shoppers in March 1999; with geographic assignment of zip codes by Economic Development Section, Wisconsin DOT.

The overall distribution of downtown Stillwater customers, along with the 10-mile and 50-mile radius areas, are plotted on the map shown in Figure 2-3 (next page). That map further shows the concentration of shoppers coming from Minneapolis, St. Paul, their suburbs and other areas west and southwest of Stillwater. A further breakdown of downtown Stillwater retail customers, by distance, is shown in Table 2.4. It indicates that 74% of the customers come from Minnesota within a range of 50 miles (i.e., within 1 to 1 ½ hours drive) from downtown Stillwater.

Overall Trends. Together, the prior sidewalk survey, the newer customer survey and more recent discussions with retailers confirm that that the predominant role of retail-oriented business in downtown Stillwater has been: (1) as a destination that draws shoppers and other visitors from a wide area, rather than functioning as a service to local pass-through traffic, and (2) far more dependent on access to downtown Stillwater from the Twin Cities area to the west, than on cross-river access from the east. Recent growth of the retail on north side of downtown, though, indicates a continued role in serving specialty retail for the local market, which complements the family shopping function served by major retailers located on the Highway 36 corridor.

Figure 2.3



Source: survey of 847 downtown shoppers in March 1999; with graphical portrayal of results by the Economic Development Section of Wisconsin DOT.

Table 2.4. Home Location of Downtown Stillwater Shoppers - by State and Distance

| | Percent of All Downtown Shoppers | | | <u>Total</u> |
|---------------------|----------------------------------|--------------------|------------------|---------------|
| | <u>0-10 miles</u> | <u>10-50 miles</u> | <u>50+ miles</u> | |
| Wisconsin | 2.4% | 2.4% | 2.8% | 7.6% |
| Minnesota | 53.2% | 21.0% | 6.8% | 81.1% |
| <u>Other States</u> | 0.0% | 0.0% | 11.3% | 11.3% |
| Total | 55.6% | 23.4% | 21.0% | 100.0% |

Source: Downtown Stillwater Chamber of Commerce, survey of 847 downtown shoppers in March 1999; with geographic assignment of zip codes by Economic Development Section, Wisconsin DOT.

2.5 Highway 36 Corridor

The Highway 36 commercial corridor stretches along frontage roads of Minnesota Trunk Highway 36 from the interchange with Highway 5 (Stillwater Blvd.) to the interchange with Highway 95 (Main Street in Stillwater). Essentially all of the commercial activity is located either on those frontage roads or on cross streets within one block of those frontage roads. Most of the northern side of the highway is in the City of Stillwater, while all of the southern side of the highway and part of the northern side is in the City of Oak Park Heights.

This corridor is commonly characterized as “auto-oriented commerce.” It is dominated by a number of shopping centers and retail strips, surrounded by parking lots. There are also a number of wholesale/supply and small office activities, as well as stand alone motels, gas stations and fast food restaurants catering to pass-by traffic. Table 2.5 provides a profile of business establishments located along this commercial corridor.

Table 2.5 Profile of Economic Activity in the Highway 36 Corridor

| <u>Industry</u> | <u>Establishments</u> | | <u>Employment (full-time equiv)</u> | |
|---------------------------|-----------------------|---------------------|-------------------------------------|---------------------|
| | <u>Stillwater</u> | <u>Oak Park Hts</u> | <u>Stillwater</u> | <u>Oak Park Hts</u> |
| Construction & Utilities | 4 | 5 | 19 | 37 |
| Manufacturing/Warehouse | 6 | 0 | 759 | 0 |
| Retail Trade | 12 | 21 | 564 | 830 |
| Eating & Drinking | 5 | 13 | 120 | 495 |
| Finan, Insur, Real Estate | 10 | 11 | 167 | 53 |
| Lodging | 4 | 1 | 42 | 15 |
| <u>Services</u> | <u>34</u> | <u>33</u> | <u>178</u> | <u>172</u> |
| TOTAL | 75 | 84 | 1,849 | 1,602 |

Source: establishments from drive-by inventory, April 2004; employment derived from Info USA and Dun & Bradstreet business databases.

Overall, the Hwy 36 commercial corridor (including both sides of the highway) features:

- Newer “big box” chain stores, including Wal-Mart and Target (general merchandise), Menards (hardware) and Cub Foods (grocery), with a Kohls (apparel) under construction;
- Vacant areas left by departed “big box” retail chains, such as K-Mart;
- Older shopping centers, many with significant vacancies, including: St. Croix Mall, Oak Park Ponds, Valley Ridge and Stillwater Marketplace;
- Specialty retailers in smaller shopping centers and strips, selling goods such as liquor, pets, insulation, flowers, baked goods, kitchen equipment and appliances, medical equipment, and hardware;
- Stand-alone, auto-oriented businesses such as a car/truck dealership, gas stations, auto body and transmission repairs, and auto parts;

- Services, such as banking, insurance, taxes, publishing, real estate brokerage, construction, heating/electrical contracting, travel agents, medical/dental and chiropractic care, equipment rentals, personal storage, and recycling;
- Motel lodgings, and numerous restaurants, including most of the well-known national fast food chains.

Tracking the list of businesses occupying this corridor over time, it is apparent that the corridor has seen significant changes in its commercial business occupancy, much of which reflects national trends in retailing. Some chain and local independent stores have closed over time, due in part to mergers and consolidation now common in many lines of retailing. Another factor is the movement towards a few “big box” retailers (with a higher rate of sales per sq. ft.) entering an area to operate at the expense of a number of smaller specialty stores, which then close. The rise of internet-based shopping has also affected specialty stores. All of these trends tend to make some of the older and smaller shopping centers and strips functionally obsolete and more difficult to fill. An inventory of buildings within the Highway 36 corridor confirmed the existence of “for sale” and “for lease” signs associated with vacant land as well as vacancies within some existing shopping centers, retail strip buildings and office buildings. The current national economic downturn has also added to the level of vacancy in shopping centers and retail strips. Some of the storefronts are now being partially filled by social service agencies, community fraternal clubs and other non-profit organizations who need the space but cannot afford to be in “high rent” retail districts.

The bottom line is that the Highway 36 corridor has maintained its position as a vibrant retail district. However, it has been undergoing structural changes in retailing that are likely to generate continuing opportunities for redevelopment of existing retail parcels and buildings into higher density and higher value uses, as the industry evolves over time. This “churning” of activities – generating vacancies, building obsolescence and redevelopment – can keep the physical *supply* of available land and buildings adequate to meet *demand* for additional commercial land and building space in the corridor into the future.

Finally, there are also some differences between the north and south sides of Highway 36. The majority of the local population is located in the City of Stillwater directly north of the corridor (as shown earlier in Figure 1.2). This population base has more direct street connections to the north side of the commercial strip, which tends to feature a relatively greater number of finance, insurance and real estate services, as well as personal care services (barber/hairstyling, massage) and medical/dental services catering to local residents. The south side of the commercial strip, on the other hand, has a greater number of businesses catering to regional shoppers coming in to visit the area (from Wisconsin or closer to the Twin Cities). This includes big specialty stores and restaurants.

3. TRANSPORTATION CHANGES IN AFFECTED AREAS

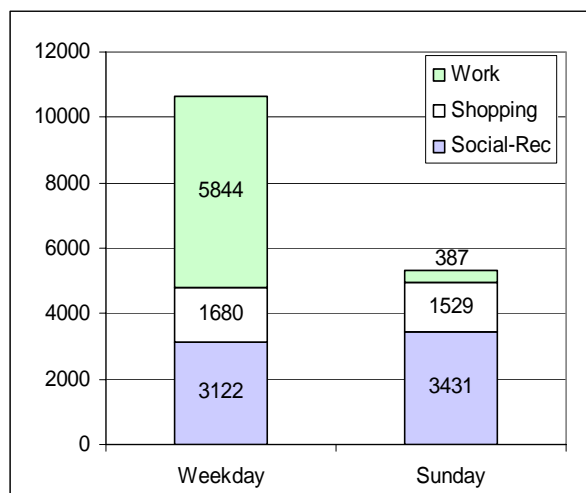
Counts of traffic levels and turning movements, as well as forecasts of future changes in those patterns under alternative scenarios, were made by SRF Consulting Group, in cooperation with Minnesota Department of Transportation. This included traffic counts at key intersections throughout downtown Stillwater and along the TH 36 commercial corridor. Forecasts of future year traffic associated with alternative future scenarios were also prepared by SRF Consulting Group using the regional travel forecasting model of the Metropolitan Council and Minnesota Department of Transportation. Those forecasts covered both changes in traffic levels and changes in the origin-destination pattern of travel, based on expected population and employment growth in the region. This chapter summarizes findings on current and expected future changes in traffic levels, delays, and travel patterns, insofar as those changes will determine the nature of subsequent economic impacts associated with “Build” and “No Build” scenarios.

3.1 Bridge Users

Survey design. A survey of bridge users provides insight into the effect of the current bridge traffic on Stillwater businesses, and the potential effect of a new bridge and approach route that bypasses downtown. For both a weekday and a Sunday in the Summer of 1998, an intercept survey stopped random vehicles using the bridge (in both directions) and asked the travelers to report their origin, destination and trip purpose. The responses were obtained from 12,235 vehicles on a weekday and 5,347 vehicles on a Sunday. It is believed that those results are still relevant indicators of patterns in 2004.

Trip Purpose. The breakdown of bridge-crossing traffic by trip purpose is shown in Figure 3-1. It shows that work trips (i.e., trips to and from work) account for 55% of the bridge traffic on weekdays. The daily volumes of shopping trips (in the 1500 – 1700 range) and social/recreation/personal trips (in the 3100-3450 range) did not vary substantially between weekdays and Sunday during this survey period. However, more shopping and recreation trips would be expected during peak summer weekends.

Figure 3-1 Trip Purpose for Bridge Crossings



Source: 1998 Bridge User Survey, SRF Consulting Group

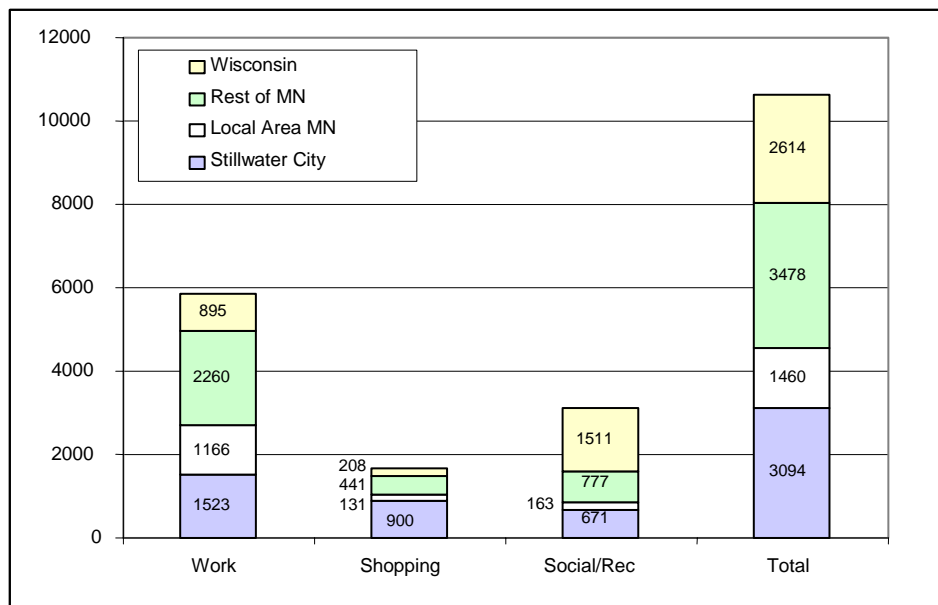
Origin-Destination. The survey of bridge users also showed patterns of origin and destination. It shows that most (87%) of the trips were "home-based", i.e., involving travel between home and a destination. Among those trips:

- The majority of work trips (59%) were from homes in Wisconsin to workplaces in Minnesota outside of Stillwater.
- The majority of shopping trips (54%) were from homes in Wisconsin to stores in Stillwater.
- The social/recreation trips were evenly split (49% - 51%) between trips from homes in Minnesota to destinations in Wisconsin, and trips from homes in Wisconsin to destinations in Minnesota. The majority had neither origin nor destination in Stillwater.

Figure 3.2 reclassifies the home-based trips by their non-home trip ends. (For example, outgoing trips to Stillwater from a home in Wisconsin and return trips back to Wisconsin from Stillwater are both classified as part of a journey to visit Stillwater.) Using that approach, it is clear that the vast majority of total weekday home-based trips across the bridge (75%) are journeys to Minnesota (from homes in Wisconsin). Journeys specifically to Stillwater, though, account for just 29% of the total home-based trips across the bridge.

The weekday non-home based trips (i.e., midday trips where neither trip end is the home) account for 13% of weekday bridge crossings. Of those trips, 43% have a trip end in Stillwater. The overall profile for Sunday trips follows a similar pattern as the weekday pattern for shopping and social/recreation trips. However, there are far fewer home-based work trips and non-home based trips on that day of the week.

Figure 3-2. Weekday Bridge-Crossing Trips, Classified by their Non-Home Trip Ends



Note: includes only trips to or from home; "Local Area MN" denotes location in Washington County, outside of the City of Stillwater; Source: 1998 Bridge User Survey, SRF Consulting Group

It was not possible to use the bridge survey to further distinguish traffic headed for downtown Stillwater (which would be bypassed by a new bridge) from traffic headed to other parts of Stillwater and Oak Park Heights (which would not be bypassed by a new bridge). However, interviews confirmed that most of the traffic from Wisconsin to the Stillwater area is actually headed to the supermarkets, discount department stores and shopping centers located along the Highway 36 corridor rather than to downtown Stillwater. This finding is consistent with results of the downtown customer survey (Section 2.4), which indicated that most of the downtown customer base comes from the Minnesota side rather than across the bridge in Wisconsin.

Stops in Stillwater. Finally, the bridge survey examined the extent to which travelers passing through Stillwater on their journeys from elsewhere in Minnesota to Wisconsin (or vice versa) do stop in Stillwater along the way. As shown in Figure 3-3, the survey found that among trips that had neither origin nor destination in Stillwater, 92% did not stop in Stillwater while 8% did stop in Stillwater. This 8% includes both trips to the retail strip along TH 36 as well as trips to retail in downtown Stillwater.

Figure 3-3. Stillwater Stops Among Trips Between Rest of MN and WI (Weekdays)



Source: 1998 Bridge User Survey, SRF Consulting Group

Overall, the bridge survey indicates that most of the current bridge crossing trips have both origins and destinations outside of Stillwater, and are passing through the city without stopping. The survey also indicates that major beneficiaries of the current bridge are Wisconsin residents who work and shop on the Minnesota side, and Minnesota residents who travel to Wisconsin for recreation.

3.2 Downtown Traffic Levels and Circulation Patterns

Current Roadway and Traffic Conditions. Traffic between St. Croix River bridge and the main line of Minnesota Trunk Highway 36 currently moves along Main Street in downtown

Stillwater (TH 95), and through the signalized intersection of Chestnut/Main Streets in the heart of downtown. (See map shown earlier in Figure 3.1.) That route is currently subject to delay and traffic backup during peak commuting periods on weekdays and during midday on weekends.

An engineering analysis of traffic delay in downtown Stillwater was conducted as part of the Project Needs Assessment (as shown in Appendix C of the 2003 Amended Scoping Document). That analysis confirmed that key intersections along Main Street (as measured at Chestnut/Main, Myrtle/Main, and Nelson/Main) are currently operating at Level of Service “D” (significant delay) or “F” (high delay / intersection failure) during peak times. A study of travel times through downtown Stillwater to the Wisconsin side, conducted in July 2000, measured the variability in delay during a typical midweek afternoon (Wednesdays from 2:30 - 6:30 pm)). It found that eastbound travel time varied from 7 to 22 minutes and westbound travel time varied from 6 to 22 minutes. This finding confirms the high level of current peak congestion, and inability of downtown Stillwater to absorb future traffic growth without additional delays occurring.

Traffic Turning Movements. An examination was conducted of traffic movements for vehicles driving on TH 95 / Main Street (in the core of downtown), as they enter the intersection with Chestnut Street (which is the turn to the existing St. Croix River bridge). Those results indicate that over half of the vehicles entering that intersection end up turning east to use the bridge to Wisconsin. Most of the vehicles turning east, as well as some of the north-south traffic continuing straight through the intersection, are passing through downtown Stillwater without stopping. This finding is borne out by the traffic models, which indicate that 64% of the existing traffic on Main Street is pass-through traffic (i.e., not stopping in downtown Stillwater). It is also consistent with the results of the survey of bridge crossing traffic (presented earlier), which indicate that 64% of all trips on the bridge on weekdays had neither origin nor destination within the City of Stillwater. Altogether, this data reinforces the finding that a large portion of the current traffic on Main Street does not stop in the downtown area.

Future Year Traffic Levels. Table 3.1 and Figure 3-4 show current traffic levels in Downtown Stillwater and forecasts of future traffic under “Build” (new bridge) and “No Build” (no new bridge) conditions. It is important to note that while there are still several alternative locations and designs being considered for a new bridge, they all have basically the same type of traffic impact on Downtown Stillwater. All of the alternatives will fully shift river crossing traffic from the existing bridge to a new bridge (except for one which still relies on the existing bridge as part of a one-way pair). Since all of the options for a new bridge are south of Downtown, they will all cause pass-through traffic (crossing the river via TH 36) to bypass Downtown Stillwater. Under those alternatives, only local traffic (to/ from Stillwater locations) and pass-through traffic to/from points north of Stillwater would still travel through Downtown Stillwater. Therefore, for purposes of clarity in the economic impact analysis, we consider the economic impact of all of the new bridge alternatives to be essentially similar, and we analyze them by comparing the “No Build” scenario to a single consensus “Build” alternative.

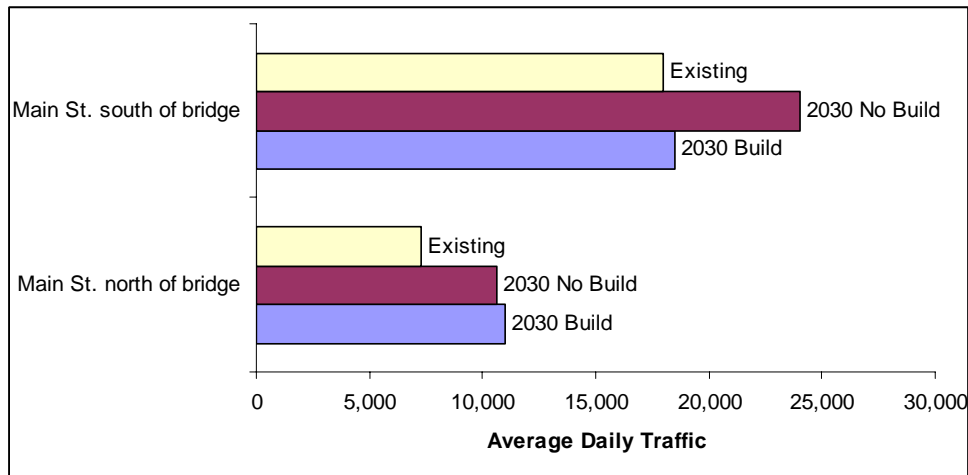
Table 3.1 Comparison of Traffic Volume Trends in Downtown Stillwater

| Location | 2003 | 2030 | 2030 |
|---------------------------------------|----------|----------|--------|
| | Existing | No-Build | Build |
| TH 95/Main St. (S. of Bridge) | 18,000 | 24,000 | 18,500 |
| Olive St (west of Main St) | 6,600 | 8,700 | 6,200 |
| Myrtle St (west of Main St) | 10,000 | 14,300 | 8,700 |
| Main St at Myrtle St (N of Bridge) | 7,300 | 10,600 | 11,000 |
| 3 rd St (north of Pine St) | 6,000 | 12,200 | 9,400 |
| Existing Bridge (Chestnut St.) | 16,700 | 22,000 | 0* |

Source: St. Croix River Crossing Supplemental EIS

* 0 ADT under alternatives B1-a, C and D when Lift Bridge is closed to vehicular traffic; 8,000 ADT under alternative B1-b when Lift Bridge is open to vehicular traffic; 12,000 ADT under alternative E (using old bridge as part of a one-way pair).

Figure 3-4 Forecast Change in Traffic Volume on Main Street in Downtown Stillwater



Source: data shown in Table 3.1, drawn from the St. Croix River Crossing Supplemental EIS.

The projections of traffic impacts show three key results:

- Currently, the highest levels of traffic in Downtown Stillwater, which are also the areas experiencing the greatest traffic delays, are: (1) at the bridge/Chestnut St. and (2) along Main Street south of the bridge. These are two-lane roads, both experiencing 16,000 to 18,000 of ADT (Average Daily Traffic) volume that is mostly turning at a single signalized intersection. (See earlier illustration in Figure 1-3.) This reflects the dominant flow of through traffic between the existing bridge (continuing as Chestnut St.) to Main Street (TH 95), connecting to TH 36 near the southeast corner of the City. Traffic levels and hence delays are worst at peak commuting hours on weekdays and during midday on weekends.

- Under the “no build” scenario, traffic volumes at these two downtown core locations (the bridge and Main St.) are projected to increase 32% - 33% by the year 2030. That increase, on top of already strained roadway and intersection capacity limitations, will lead to additional traffic backups and delays. Traffic on alternative routes to the bridge is forecast to experience even greater proportional increases by year 2030 under the “no build” scenario. The most dramatic is a more than doubling (103% increase) of traffic on 3rd Street. Other increases of 43-45% are forecast for Main St at Myrtle St (north of the existing bridge) and on Myrtle St (west of Main St).
- The “build” (new bridge) alternatives would shunt some or all traffic that is now passing between Wisconsin and the Minnesota TH 36 corridor (or points west towards the Twin Cities) to flow south of the downtown core. One alternative uses the existing downtown bridge as part of a one-way pair coupled with a new bridge located south of downtown. The other alternatives shift all pass-through bridge traffic to a new bridge to be located south of downtown. With any of these other alternatives, the elimination of pass-through traffic would reduce year 2030 traffic levels (compared to “no build”) by 23%-40% at Main St. (south of the existing bridge), Olive St (near Main St.), Myrtle St (near Main St.) and 3rd St (near Pine St). Most notably among these listed locations, traffic levels at Main Street south of the existing bridge would remain similar to current levels. That is because the loss of pass-through traffic is being replaced by projected growth of new traffic that is locally generated or coming from the north. However, traffic along Main Street north of the existing bridge would remain high under both “build” and “no-build” scenarios. (See Figure 3.4.)

3.3 Highway 36 Traffic Levels and Circulation Patterns

Current Roadway Configuration. The section of Minnesota Trunk Highway 36 in Stillwater and Oak Park Heights is the spine of a commercial corridor. The existing conditions are characterized by at-grade accesses, with three major intersections (at Osgood Avenue, Greeley Avenue, and Washington/Norell Avenues) controlled by traffic signals. There is one grade-separated highway interchange with Trunk Highway 5 at the western end of the study area.

While the existing roadway configuration was generally adequate in the past, the short distance between the mainline and frontage road intersections does not meet present-day standards and causes traffic queues at cross-streets to stack up through their signalized intersections with frontage roads. The limitation in frontage road capacity caused by these sub-standard geometrics encourages some short, local trips to travel on TH 36 rather than on frontage roads. Traffic engineers have determined that the current highway corridor is constrained in its ability to accommodate future traffic growth due to the combination of sub-standard frontage road configuration and capacity constraints on the main line of TH 36.

Capacity constraints of both the existing system of frontage road and the main line of TH 36 also have attendant safety implications that are expected to become more severe with future traffic growth. Engineers report that the current frontage-road geometrics lead to driver confusion as to who has the right-of-way, which contributes to crashes. Additionally, frontage road drivers have difficulty finding a gap in oncoming traffic during peak periods at the stop-sign-controlled

intersections with TH 36. This causes delay and additional risk-taking by drivers who become frustrated while waiting to merge. Finally, drivers exiting TH 36 and wishing to turn left onto the frontage roads can cause delay and traffic queues that quickly spill into the TH 36 intersection, resulting in additional inefficiencies and safety problems.

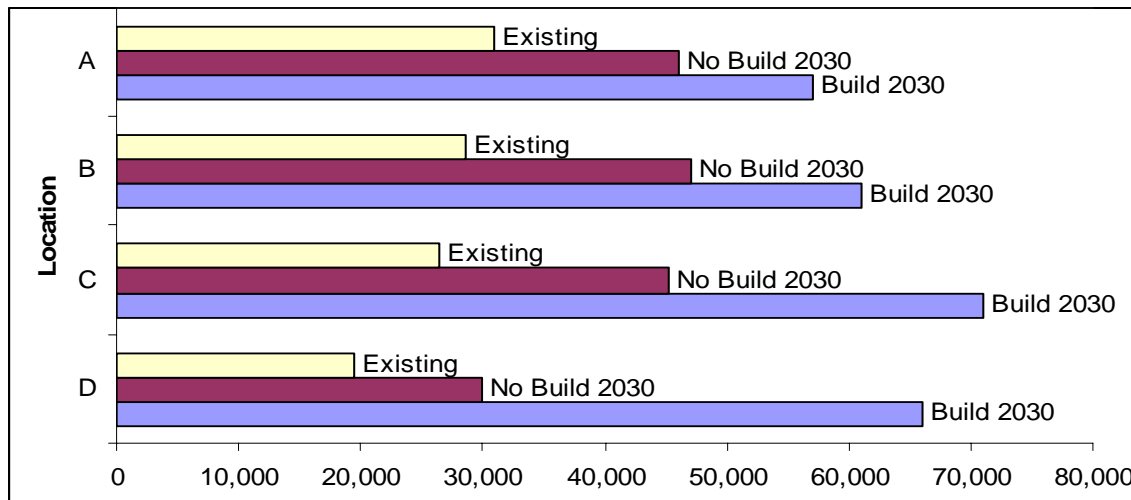
Traffic Forecasts. Figure 3.5 shows key locations along TH36 where traffic counts were conducted. Figure 3-6 shows forecasts of future traffic growth at those locations. In general, all of the locations along this TH 36 corridor are forecast to have traffic growth in the range of 54-73% by the year 2030 even if downtown Stillwater is constrained by the lack of any bridge or highway improvements (i.e., “No Build” conditions). With a new bridge and traffic pattern in Stillwater and associated improvements made to TH 36, the forecasts are for traffic levels on TH 36 to more than double (and at the eastern end, to more than triple) compared to existing traffic levels.

Figure 3.5 Plan for Proposed Interchanges and Modified Frontage Roads for Hwy 36



Source: St. Croix River Crossing Supplemental EIS; Letters denote locations for traffic forecasts in Fig. 3.6

Figure 3-6 Forecast Change in Traffic Volume on Highway 36 Corridor



Source: St. Croix River Crossing Supplemental EIS; See Figure 3.5 for Map Locations

Without improvements made to the TH 36 corridor, even the lower projections of traffic growth under the “No Build” scenario would cause the at-grade, signalized intersections to degrade in performance and experience operational failure. The intersections of Greeley and Osgood Avenues would be operating at Level of Service “D” under 2030 No Build conditions, while the intersection of Norell Avenue-Washington Avenue would operate at Level of Service “F”.

Highway Improvement Alternatives. Under all of the new bridge alternatives being considered, TH 36 will maintain its existing alignment but will undergo an upgrade in capacity (lanes), with frontage road and intersection redesign to convert the three existing signalized intersections to full grade-separated highway interchanges. This will effectively make the highway a full freeway from the TH 5 (Stillwater Blvd.) interchange to the TH 95 (Main Street) interchange. (Refer back to Figure 1.3 for location of these highways.) From a traffic engineering standpoint, those changes will accommodate projected increases in traffic, avoid backups that would otherwise build up at the signalized interchanges, and allow pass-through traffic flow to actually flow faster than current conditions. For traffic with a local origin or destination, there can also be faster travel times due to the elimination of signalized intersections on TH 36, though the modification of frontage roads will also affect local access patterns for some businesses. (Refer back to Figure 3.5 for an illustration of the modified interchange and frontage road design.) Overall, these improvements in highway flow are projected to help increase the number of people who will pass through Stillwater and Oak Park Heights along Highway 36 to access the river crossing.

4. FINDINGS ON ECONOMIC IMPACTS

4.1 Classifying Differential Causes of Impacts

In general, highway and bridge projects can lead to potential positive or negative economic impacts on local business activity as a result of three different mechanisms. They are: land takings, pass-by traffic changes and business access changes. There are some general factors that help define the severity of these impacts in this case, and they are outlined below.

Sensitivity to Traffic Changes. Experience around the country, as well as conversations with local business representatives, indicate that we can classify how different types of commercial business activities are affected by traffic changes¹:

- (1) ***Businesses that depend primarily on pass-by traffic*** include gasoline stations, fast food restaurants, motels and convenience stores. These businesses tend to experience revenue growth or shrinkage in direct proportion to increases or decreases in traffic volumes.
- (2) ***Businesses that are specific destinations*** include sellers of consumer durables (furniture), specialty merchandise (antiques, books) and specialty (theme) restaurants. These businesses tend to experience revenue growth or shrinkage in proportion to changes in their strength as an attraction and the perceived speed and ease of access to their sites.
- (3) ***Businesses that cater to every-day family shopping needs*** include department stores, grocery stores and apparel stores in shopping centers. These businesses operate in highly competitive markets, where they need both traffic volumes and ease of access to survive.

Results of the business profiles (in Section 2) confirm that downtown Stillwater is characterized largely by specialized merchandise, restaurant and lodging establishments that together represent category #2. In contrast, the Highway 36 corridor is dominated by mass market retailers in category #3 and highway-oriented businesses in category #1.

Further results of the bridge user survey and traffic analyses (in Section 3) confirm that relatively little of the bridge traffic is bound for downtown Stillwater, while customer data (in Section 2) also confirms that relatively little of the downtown customer base comes from across the bridge.

Downtown Stillwater is a destination that does draw trips from a wide area, but its market area is mostly to the west (rather than across the bridge to the east). For that reason, downtown Stillwater has a very limited ability to gain from pass-through bridge traffic, while it has major

¹ "Economic Effects of Restricting Left Turns," Weisbrod, G. and R. Neuwirth, *NCHRP Research Results Digest*, No. 231. Transportation Research Board, 1998.

need to reduce traffic backups and delays in order to maintain accessibility from its major market areas. The Highway 36 corridor, on the other hand, has significant restaurant, hotel and retail activity that can benefit from high levels of pass-by traffic.

Sensitivity to Land Acquisition and Access Road Changes. Highway widening, roadway relocation, and interchange design changes can all affect the nature of land accessibility. There is a broad set of prior research showing that congested roads, with traffic backups and blocked intersections, can all act to reduce accessibility and thus discourage business activity². Studies also show that access improvements can serve to expand business customer markets and economic activity, thus positively affecting property values^{3,4,5,6}. This effectively means that the St. Croix River Crossing project can potentially improve business activity and land values in both downtown Stillwater and the Highway 36 commercial corridor by enhancing access and traffic movement, although it can also have adverse effects associated with property takings and revised access routes for some businesses. This leads to three general observations which underly the separate analyses of economic impacts on downtown Stillwater, the Highway 36 Commercial Corridor and Houlton.

1 – Land Takings. When highway improvements involve “land takings,” property owners are to receive fair market value for their land. The same business may relocate elsewhere in the community or in another community, depending on the availability of alternative sites. Alternatively, funds that would otherwise have gone for the existing property and business operations may be redirected to other business or investment opportunities located elsewhere. Impacts on both businesses and the local tax base can thus depend on the supply of alternative sites -- either vacant land or land that can be redeveloped for higher-paying uses.

2 – Access Changes. It is also possible that intersection, highway and/or frontage road changes may affect the nature of access and visibility for properties. Any of these various types of change may have positive or negative consequences for business operations, depending on the nature of those access or visibility changes.

3 – Long-Term Context of Business Change. Finally, it is also important to note that, over a period of a decade or more, there is typically major turnover (change) in retail stores and restaurants, so many existing businesses are likely to be replaced by different types of businesses over time regardless of whether the “build” or “no build” scenarios take place. This point is important because, for instance, the loss of a traffic turning movement that renders a site

² *Economic Implications of Road Congestion*, Weisbrod, G., D. Vary and G. Treyz. National Cooperative Highway Research Program, Report 463, National Academy Press, 2001.

³ “Transportation Investments and Urban Form,” Forkenbrock, D.J., *Transportation Research Record* #1805, Transportation Research Board, Washington, DC, 2002.

⁴ “The Development Impacts of Highway Interchanges in Major Urban Areas: Case Studies,” Wray, Steven, G. Weisbrod and S. Moses. Economic Development Research Group and Pennsylvania Economy League, 2000.

⁵ *Guidebook for Assessing Social & Economic Effects of Transportation Projects*, Forkenbrock, D. and G. Weisbrod. NCHRP Report 456, National Academy Press. 2001.

⁶ *Transportation and Economic Development*, Transportation Research Circular E-C050, Transportation Research Board, National Academy Press, 2002.

inappropriate for one use (e.g., a gas station) may not affect its use for other types of activities (e.g., an office). High turnover is particularly relevant for commercial corridors such as Highway 36, which has already seen changes associated with some retail store bankruptcies and closures, while new “big box” chain stores have moved in.

4.2 Potential Economic Impacts on Downtown Stillwater

Cause for Commercial Impacts. Commercial impacts on business activity along Main Street and adjacent side streets in Stillwater will result from land takings, pass-by traffic changes and business access changes:

- Land taking and dislocation of existing businesses is not necessarily easy for the owners or tenants involved, though in this case the overall economic impacts of land takings along Main Street will be small. It is expected that the construction of a new bridge and reconfiguration of Main Street access to it will require public acquisition of two commercial sites on Main Street south of downtown – a small bait shop/restaurant and a boat company ticket sales booth. (In addition, acquisition of two residential sites and partial taking of two parcels of land without buildings is anticipated, though they will not have commercial business impacts.) It is anticipated that both dislocated business activities could potentially relocate if desired, though in any case, the overall economic impact on the Stillwater economy would be small.
- Changes in downtown traffic volumes and access will have more profound and widespread impacts -- potentially affecting all 87 of downtown Stillwater’s retail stores, restaurants and consumer service businesses. Since most of these businesses cater to tourists, local area residents and others coming specifically to visit downtown Stillwater, they are most affected by the potential for their clientele to easily access the area. Overall, the loss of truck traffic and reduction in backups and delays on Main Street could mean positive impacts for many of the businesses, though these impacts will depend on several factors explained below.

“No Build” Scenario. From the viewpoint of downtown Stillwater, a major concern is the need to ensure that traffic delays and backups do not get worse over time, which would discourage visitation. Some businesses in downtown Stillwater do serve local residents, but many of the businesses function primarily as a specific destination for visitors and for regional customers of its specialty retailing and restaurants. Without any change in the current traffic flow pattern and bridge operation (capacity and lift bridge opening schedule), the traffic analysis indicates that existing traffic congestion will in fact continue to worsen over time.

Interviews were conducted with representatives of the Greater Stillwater Area Chamber of Commerce and other business persons in the City. While these parties differed in their perceptions of the best solution to the problem, they concurred that current downtown traffic conditions are far from ideal. In particular, there was widespread agreement that the current downtown traffic condition is characterized by congestion and travel delays, undesirable truck noise, increased air pollution, a difficult pedestrian environment for crossing Main Street,

perceptions of difficulty in parking, sometimes poor access for service and emergency vehicles, difficulty for residents circulating through the city, and unwanted traffic using neighborhood streets to avoid downtown congestion. These conditions are at their worst during peak tourism and recreation season, which reportedly discourages some local people from visiting downtown Stillwater more often. Other impacts, such as pass-through truck traffic, are an ongoing issue.

The City and the business community have created an attractive and viable downtown area in spite of these impediments, and are taking steps to improve downtown Stillwater's attractiveness further. However, the ability of downtown to thrive in the future will be increasingly challenged if traffic delays and backups grow worse over time.

Capacity for Downtown Growth as a Visitor Destination. While few of the downtown businesses are strong destination attractions by themselves, the combined mix of businesses in the downtown retail district represents a regional destination attraction. It draws visitors from a wide area, who are interested in its historic atmosphere, waterfront views, recreational attractions, restaurants, antiques and specialty shops. For these functions, ease of access to downtown Stillwater's attractions is an important consideration.

The current traffic congestion is already widely perceived as a factor discouraging more visits to downtown Stillwater during peak summer periods, and future increases in traffic crossing the river will worsen that problem. A new bridge and associated highway approach can potentially lessen downtown traffic delay, by eliminating from downtown streets the traffic that does not stop in the downtown area. In that way, a new bridge can potentially *increase* the attractiveness of visitation to downtown Stillwater during peak summer months, and also increase the effective ability of downtown streets to accommodate additional visitors. (While the local streets have a fixed capacity which will not change, a reduction in pass-through traffic would free up net space for local destination traffic.)

Future of Non-Destination Business Activities. Most but not all of the downtown retail activity caters to the specialty and visitor markets. There remain some downtown businesses that also cater to broader needs of local residents (e.g., medical drugs, sporting goods), and thus also need to maintain access for local residents. From the viewpoint of their needs, a new bridge can have mixed results -- it can be advantageous insofar as it helps to reduce or eliminate street traffic backups and delays, though with the tradeoff of reduced pass-by traffic.

The other category is highway-oriented businesses in the downtown area. This category is essentially limited to one gas station/convenience store on Main Street. Since that business is located north of the Highway 36 bridge access route, it would not be directly affected by a new river crossing, and it would continue to serve north-south traffic along Highway 95. It may also benefit from a new river crossing insofar as that reduces or eliminates traffic backups in the area.

Ability to accommodate future growth in downtown. The City of Stillwater has pro-actively planned for future development and revitalization in the downtown area, and is well prepared to accommodate future growth. The City had prepared a highly detailed master plan for its downtown area, *Stillwater Downtown Plan, Stillwater, Minnesota* back in 1988. The plan

addressed zoning, development, parking and other issues, and makes detailed recommendations for new development, revitalization, preferred land uses and design guidelines. The plan was prepared with extensive participation from the business community, residents and City agencies, and was unanimously adopted by the City Council at the time. The next year, *Design Manual, Historic Downtown Stillwater, Minnesota* was published by the Downtown Plan Main Street Image Committee and the City's Community Development Department. The manual presents the City's design criteria for all types of potential downtown development, and explains its design review ordinance and review process. Both documents are considered still relevant today.

The ability of downtown Stillwater to realize its economic growth potentials associated with traffic pattern changes in the future will depend in part on the ability of the City to follow through with its own downtown growth and development plans, as well as any newer proposals for enhancing downtown. For instance, additional possibilities for enhancing downtown visitor capacity that have also been proposed in the past include the possibility of remote parking with trolley bus service to the downtown area.

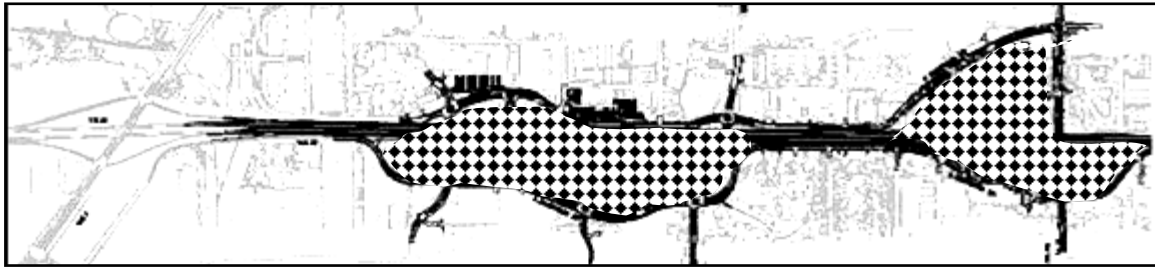
Needs to realize downtown benefits. Surveys of dozens of downtowns where highway bypasses have been completed (including studies in Iowa and Wisconsin) confirm that many bypassed business districts have seen little retail flight while reporting economic benefits from improved traffic flow, reduced congestion, reduction of truck traffic, and opportunities for implementation of planned development. These studies basically confirm that communities and business districts with a strong identity as a destination for visitors or for local shoppers (such as downtown Stillwater) are the ones that are most likely to be strengthened due to the reduction in traffic delays in their centers. However, there is also a broad finding that adequate signage to the bypassed business center is an important need (and concern) for ensuring economic success after a bypass route is completed.

Based on local observations and interviews, together with findings from bypasses elsewhere, it becomes clear that the potentially positive impact on downtown growth will depend in part on the new Stillwater bridge and its highway connections being accompanied by: (1) a clearly marked and easy-to-understand turnoff to downtown Stillwater, (2) a direct access route to downtown, (3) sufficient parking for additional visitors, and (4) an easy return route back to the highway. Those needs, in addition to the need to reduce traffic delay, comprise the necessary components of good accessibility to the area.

4.3 Potential Economic Impacts on the Highway 36 Corridor

Cause for Commercial Impacts. Impacts on business activity along the Highway 36 corridor will result from: (a) pass-by traffic volume changes, (b) land takings and (c) business access changes. The impact of each of these three factors is discussed below. Figure 3-6 shows the location of land parcels that are potentially affected by either land takings or access changes.

Figure 3-6 Locations of Sites Affected by Land Takings or Accessibility Changes



Business Gain from Change in Traffic Volume. Traffic analysis indicates that the Stillwater and Oak Park Heights area of TH 36 draw large numbers of trips with a primary shopping purpose coming from the Wisconsin side of the St. Croix River, as well as from other communities in Minnesota. Most of these shopping trips (as opposed to recreation, personal or work trips) appear to be destined for the highway-oriented commercial area along TH 36. With a new bridge and highway connection, improved access and travel time savings will likely accrue to shoppers from Wisconsin as they avoid the current congestion and delays experienced while passing through downtown Stillwater on their way to the Highway 36 stores. Less dramatic improvements in travel time can also accrue to Minnesota shoppers coming to the area via TH 36, as a result of the elimination of three traffic lights (replaced with freeway interchanges).

As a result of projected speed and travel time improvements, the traffic projections for Highway 36 (shown earlier in Figure 3.6) indicate an expectation that future traffic in the “Build” scenarios will be approximately 55% greater than what would otherwise occur in the “No Build” scenario. These increases in pass-by traffic represent a very substantial opportunity for greater business sales in both the City of Stillwater (which encompasses land along most of the north side of the highway) and the City of Oak Park Heights (which encompasses land along the south side of the highway and some parcels on the north side). Since a major share of the commercial area within the TH 36 corridor is utilized by retailers serving a regional market, it is likely that some of these businesses will stand to gain retail sales from the faster access and higher traffic levels enabled by TH 36 improvements. Conversely, a failure to improve highway capacity and traffic flow through the corridor would constrain many businesses along the corridor from achieving a level of customer visits that would otherwise be possible. In fact, the high level of traffic delay and backup that is forecast to occur in the future without any improvement to TH 36 (as noted in Chapter 3) would be expected to discourage travelers from pulling off of the highway to visit corridor businesses, leading to a potential loss of business activity.

Assuming that highway system improvements are made to accommodate the higher traffic volumes without undue delays, then those higher traffic volumes would be expected to generate an increase in business sales that would translate into proportional growth in jobs, wages and tax revenues for the cities. However, the ability of businesses to capture spending from this traffic will depend on:

- (a) the existence of appropriate advanced signage for shoppers to access businesses at these interchanges, with clearly marked routes for ease of travel off of interchanges and to access stores that can be seen from the highway and frontage roads; and
- (b) a physical environment along the route and its interchanges that is perceived by shoppers to be safe and attractive for visiting businesses in this district.

Potential Business Loss from Land Takings. The plan for widening of Highway 36 and conversion of signalized intersections into highway interchanges itself requires additional land, and the relocation of frontage roads to accommodate these changes requires yet more land. The result is the need for full taking of 20 parcels of commercial land along the Highway 36 corridor, including 19 with structures on them and one vacant parcel. This would require displacement of all business activity on those parcels. There is also a need for partial taking of land from approximately 67 commercial parcels along the corridor; these generally involve taking a sliver of land at the property edge (for roadway) and do not prevent businesses from continuing to operate at those locations. (Additional land takings located elsewhere are discussed in the context of downtown Stillwater, MN and Houlton, WI.)

Table 4.1 summarizes characteristics of the 20 commercial parcels identified for public acquisition. It includes information on the total land area and value of these properties, as well as estimates of the affected employment at displaced businesses.

Table 4.1 Characteristics of Commercial Parcels to be Fully Taken (Hwy 36 Corridor)

| | <u>Stillwater</u> | <u>Oak Park Heights</u> | <u>Total</u> |
|-----------------------------|-------------------|-------------------------|--------------|
| <u>Number of Parcels</u> | | | |
| Commercial | 7* | 13 | 20 |
| <u>Commercial Parcels</u> | | | |
| Area (Sq. Ft.) | 446,924 | 560,027 | 1,006,951 |
| Area (Acres) | 10.3 | 12.9 | 23.2 |
| Value of Land | \$3,035,100 | \$3,707,600 | \$6,742,700 |
| Value of Buildings | \$2,716,500 | \$3,818,500 | \$6,535,000 |
| Total Property Value | \$5,751,600 | \$7,526,100 | \$13,277,700 |
| <u>Displaced Businesses</u> | | | |
| Establishments | 8 | 22 | 30 |
| Employment | 138 | 270 | 408 |

Source: Parcel data provided by SRF Consulting, 2004; counts of establishments are based on observed activity as of March 2004; employment data derived from Info USA business database.

** Includes one vacant commercial parcel.*

Relative Importance for the Local Economy. Comparing the profile of displaced businesses (in Table 4.1) to the profile of total businesses (shown earlier in Chapter 2), we note that the planned displacement of businesses on the Stillwater side affects 1.7% of Stillwater’s citywide employment and 7.5% of Stillwater’s Highway 36 corridor employment. In contrast, the planned displacement of businesses on the Oak Park Heights side accounts for 14.8% of Oak

Park Heights Citywide employment and 16.9% of Oak Park Heights’s Highway 36 corridor employment.

In terms of taxes, the thirteen commercial parcels along the TH 36 corridor that were identified for land taking within the *City of Oak Park Heights* have an estimated market value of approximately \$7.5 million. As shown in Table 4.2, that is approximately 2% of the City’s total taxable market value. These parcels have a “tax capacity” of \$127,786, representing 2% of the City’s total net tax capacity. Since Oak Park Heights’ actual revenues from property taxes have been 32.4% of its total tax capacity (Minnesota State Auditor, web site), the implication is that the thirteen commercial parcels represent the source of roughly \$41 thousand of annual property tax revenue for the city.

The seven commercial parcels along the Highway 36 corridor that were identified for land taking within the *City of Stillwater* have an estimated market value of approximately \$5.8 million. That is just under 1% of the City’s total taxable market value. These parcels have a “tax capacity” of \$109,782, representing under 1% of the City’s total net tax capacity. Since Stillwater’s actual revenues from property taxes have been 49% of its total tax capacity (Minnesota State Auditor, web site), the implication is that the seven commercial parcels along Highway 36 represent the source of roughly \$54 thousand of annual property tax revenue for the city.

Table 4.2 Tax Characteristics of Land Takings

| Location | Market Value of Land and Buildings | Tax Capacity of the Property | Est. Municipal Tax Generated |
|---------------------------------|---|-------------------------------------|-------------------------------------|
| City of Oak Park Heights | | | |
| - Property to be Fully Taken | \$ 7.5 million | \$ 128 thousand | \$ 41 thousand |
| - All Property in the City | \$ 349.9 million | \$ 5.6 million | \$ 1.8 million |
| City of Stillwater | | | |
| - Property to be Fully Taken | \$ 5.8 million | \$ 110 thousand | \$ 54 thousand |
| - All Property in the City | \$ 605 million | \$ 11.0 million | \$ 5.4 million |

Note: All values rounded to the nearest thousand or tenth of a million dollars, as shown
Source: data on market value of property to be taken is current estimated value provided by the Minnesota Dept. of Transportation; data on citywide market values are for 2002-2003 as reported by web site of the City of Stillwater and by Washington County Tax Office; data on citywide tax capacity and municipal property tax revenues are 2002 values supplied by the web site of the Minnesota Office of the State Auditor and Washington County Tax Office.

Ability to Mitigate Land Taking Impacts. The ability of both Stillwater and Oak Park Heights to avoid or offset these potential losses will depend on their ability to either: (a) relocate or replace the affected business revenue generators within the city or (b) offset the losses by obtaining higher taxes from other properties that experience higher values due to increased business sales, generated as a consequence of greater traffic volume along the corridor. The second item – the

ability to generate additional business sales (and hence increased property values) from higher traffic volumes – was previously discussed along with requirements to make it happen.

The remaining issue – the ability to relocate businesses elsewhere – will depend on both the type of business activity and the available supply of alternative sites:

- The parcels to be taken that are located on the Stillwater side currently have eight business establishments, all located in stand-alone buildings that are not part of any larger shopping center or office development. They are: a hotel, bank, rental car company, restaurant, two specialty retail stores and two service agencies. To relocate, the non-office activities generally require either a small site available elsewhere in the area or a strip shopping center with available vacancy (while the two office activities could locate either in an office building or a commercial building with available vacancy).
- The parcels to be taken that are located on the Oak Park Heights side currently have 22 total business establishments. They can be classified into three categories:
 - (a) Six restaurants, of which five are fast food establishments. These businesses largely depend on pass-by traffic at high visibility sites.
 - (b) Nine office-type service businesses, classified either as “finance, insurance and real estate” or as “personal services” (including dental, health care, and storage services). These businesses generally require office or storefront locations that are accessible to local clients, but do not require high levels of access to pass-by traffic.
 - (c) Five specialty retail (tire, auto, sports, gasoline, car wash), plus one rental storage and one construction business that together serve regional clientele making a special trip to visit them. These businesses require stand-alone buildings, and the retailers need sites that can be easily seen and accessed, though they do not require high levels of access to pass-by traffic.

The twenty commercial parcels to be fully taken within Oak Park Heights and Stillwater together represent over 1 million sq. ft. of land. As noted in the Chapter 2 discussion of business patterns and needs in the Highway 36 Corridor, there is currently some vacant land as well as available building space within various strip shopping centers and small office buildings along the corridor. There is also a continuing turnover of smaller spaces within shopping centers and office buildings that also indicates a further capacity to absorb over time many of the displaced businesses in either the Stillwater or Oak Park Heights sides of the corridor. Table 4.3 summarizes the range of potential alternative sites that are within the Highway 36 corridor; some of them may be relevant as alternative locations for these businesses. They include:

- Six vacant and commercial-zoned parcels and one vacant and residential-zoned parcel (totaling over 1.8 million sq. ft.), plus two large vacant parcels (not currently zoned commercial) that are located south of the TH 36 corridor;

- Six parcels that could be redeveloped after highway project completion for future commercial uses with stand-alone buildings (totaling over 407 thousand sq. ft.);
- Eleven parcels not big enough to be redeveloped on their own after highway completion, but which could be used for expansion of commercial uses on adjacent parcels (totaling over 243 thousand sq. ft.);
- Three shopping centers and one office building that have significant vacancies, and one former retail building that is now closed. These facilities had an estimated 132,080 sq. ft. of building space available for occupancy (as of April 2004).

Table 4.3 Characteristics of Available Property for Relocated and New Businesses within the Highway 36 Corridor

| | <u>Stillwater</u> | <u>Oak Park Heights</u> | <u>Total</u> |
|---|-------------------|-------------------------|---------------------|
| <u>Vacant Commercial Parcels</u> | | | |
| Total Land Sq. Ft. (No. of Parcels) | 173,756 (2) | 1,695,163 (5)* | 1,868,919 (7) |
| <u>Redevelopment Parcels</u> | | | |
| Total Land Sq. Ft. (No. of Parcels) | | | |
| Stand Alone Parcels | 148,669 (2) | 258,715 (4) | 407,384 (6) |
| <u>Ancillary Parcels</u> | <u>0</u> | <u>243,331 (11)</u> | <u>243,331 (11)</u> |
| Total Redevelopment Parcels | 148,669 (2) | 502,046 (15) | 650,715 (17) |
| <u>Underutilized Commercial Buildings</u> | | | |
| Available Bldg. Sq. Ft. (No. of Bldgs) | 102,510 (2) | 29,570 (3) | 132,080 (5) |

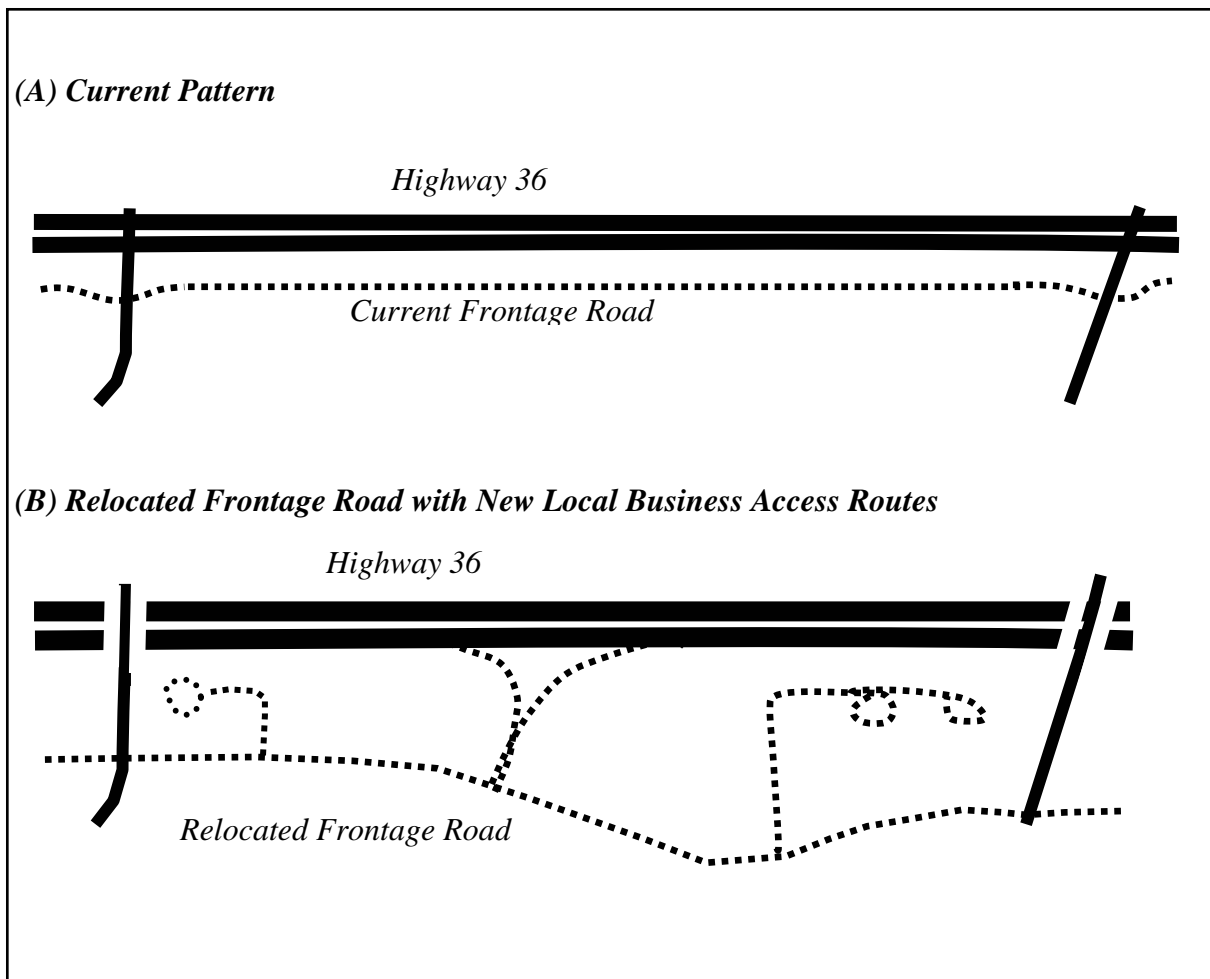
Source: Parcel data by SRF Consulting, 2004; table calculations by Economic Development Research Group.

** Includes one vacant residential-zoned parcel.*

Among these vacant and redevelopment sites, some of the parcels face frontage roads and others face cross streets within a block of the frontage roads. Sites facing the frontage roads may be particularly important for fast food restaurants and gas stations. Some of the other types of business are less sensitive to pass-by traffic and could function at any of the sites. Of course, this profile of available land represents one point in time. In future years, some of these sites are likely to be sold, leased and otherwise filled, while other land and buildings become available for redevelopment or reuse. The basic finding is that there does appear to be some land available within the commercial corridor that could be suitable to accommodate displaced businesses, particularly in light of the existence of currently vacant land, additional underutilized land and building space, natural rates of turnover in land and building use over time, potentials for redevelopment of some portions land to be initially taken for highway expansion, and the natural rate of business turnover that occurs over time. It is also important to note that the cost of relocating has not yet been established, and some of those displaced businesses may also opt to either relocate or redirect their investments elsewhere. Finally, it is important to note that there are still other forms of economic impacts that may occur as a result of changes in property accessibility, which are discussed next.

Property Accessibility Changes. Another result of the of the plan for widening TH 36 and upgrading it to a freeway is the need to relocate some of the frontage roadway further away from the highway. This has the effect of moving the local access route for approximately 34 property parcels, affecting an estimated 23 businesses with 340 employees. All of the affected parcels are in Oak Park Heights. For many of these parcels, the frontage road itself is moved from the front of the property to behind it, with new access provided to the front of the property via spur roads leading off of the new frontage road. The nature of this change is illustrated in Figure 4-1.

**Figure 4-1 Illustration of Frontage Road Changes
(Hwy 36, S. Washington/Norell Area, South Side)**



These changes could be both good and bad for property owners. In some cases, this new arrangement provides an opportunity to develop business activities facing both the front and back sides of a single property. In the long run, the development of both sides of a property could increase the number and density of operating business activities on those parcels, increasing economic growth in the community and increasing both income and value for the

property. In the short run, businesses that prefer to remain unchanged will still have highway visibility and accessibility via the spur roads, though that will be less direct than the old situation in which their access was simply via a curb cut in the frontage road.

Needs to Maximize Gains and Minimize Losses. The reconfiguration of Highway 36 as a freeway with interchanges and repositioned access roads presents both opportunities and challenges.

- On the positive side, the project will lead to a substantial increase in the volume of travelers who pass through this corridor and see what its commercial district has to offer. The increase in traffic provides an opportunity for existing business growth and new business development. The reconstruction of interchanges and local access roads provides an unparalleled opportunity for enhancement of signage, landscaping and aesthetic quality of the commercial area. If these elements are accomplished together, the project could have a positive impact on the overall economy of the corridor including both Stillwater and Oak Park Heights.
- On the negative side, the reconstruction of interchanges and local access roads will affect the operation of a large number of businesses, including 31 businesses that will be completely displaced and an estimated 23 more that will experience significant changes in their pattern of access. The overall level of business activity occurring within the Hwy 36 corridor and within its two cities is at risk of economic loss if efforts are not made to: (a) accommodate some new and relocated businesses along the new frontage and access spur roads, and (b) provide needed signage and landscaping to attract visitors to businesses located along the newly configured frontage and access roads.

4.4 Potential Economic Impacts on Houlton, Wisconsin

The proposed new bridge would be accompanied on the Wisconsin side with a realignment of Wisconsin Highway 64, which links the bridge to Somerset and New Richmond. The specific realignment of the highway would depend on which bridge alternative is selected, and that would also affect required land takings. However, current expectations are that three commercial parcels will be acquired in Houlton as a result of two of the proposed alignment alternatives. Out of the three parcels, one is a nightclub located off of STH 64 and the second is a small storage/warehousing facility located near Kolliner Park, both of which are primarily special destination businesses that could relocate in the Houlton area. The third is a vacant parcel housing a billboard. Total estimated (2003) value of these parcels (as received from St. Croix County) is \$549,700.

Depending on the build alternative selected, the new road alignment could also have a broader effect on access to Houlton, as it could cause the primary cross-river traffic to bypass the section of road in Houlton now leading to/from the existing bridge. However, as noted earlier in Section 2.1, businesses on that section of road are primarily engaged in manufacturing, construction, repair or warehousing activities. Those activities are not dependent on the volume

of pass-by traffic, and hence their activity is not likely to be significantly affected by the new traffic routing.

Other commercial businesses which are near (but not on) the existing Hwy. 64 segment in Houlton are generally not dependent on pass-by traffic from the existing road, and will still maintain their accessibility to the surrounding areas (in Wisconsin and Minnesota) with a new bridge and highway.

4.5 Overall Regional Economic Impacts

Definitions. *Regional-level* economic impacts occur primarily to the extent that there are changes affecting the ability of the metropolitan region (relative to elsewhere in the US) to attract, expand and/or retain businesses and workers. The proposed St. Croix River Crossing project takes place within the Minneapolis-St. Paul metropolitan area, which is defined by the US Census to include a region of 13 counties (including the Minnesota counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright, plus the Wisconsin counties of Pierce and St. Croix). The metropolitan area also represents a labor market area as defined by the US Bureau of Labor Statistics. *Local-level* economic impacts, in contrast, occur to the extent that some parts of the metropolitan area have changes in their ability to attract, expand and/or retain businesses and workers.

Interpretation of Findings. As previously discussed in this report, the proposed new bridge and highway access routes to/from it will lead to relative shifts in the location of traffic movements, and also improve levels of accessibility to various locations. In particular, they can create opportunities for improving access to downtown Stillwater from the Minneapolis -St. Paul area, as well as improving access for Wisconsin residents who commute to work in Minnesota and shop along the Highway 36 commercial corridor. Such access improvements can enhance the attractiveness of those areas as places to work, shop or visit. The existence of such access impacts will depend not just on bridge construction, but also on the nature of highway signage, turnoffs and access routes. Some existing businesses will also be affected by changes in the volume and nature of pass-by traffic. All of these potential economic impacts, though, would be classified as local-level effects. That is because they would represent *locational redistributions of business activity*, affecting the relative attractiveness and growth of business activity occurring in downtown Stillwater and along the Highway 36 retail corridor, compared to elsewhere in the Twin Cities metropolitan area.

Since the Twin Cities Metropolitan Area encompasses an area spanning both Wisconsin and Minnesota sides of the river, all of the proposed changes in vehicular traffic patterns would be internal to the region. There is no evidence that the scale of the projected traffic routing shifts is large enough to significantly change the overall cost of living or cost of doing business within the metropolitan area (relative to the rest of the US), or the net flow of visitor dollars coming into the metropolitan area (from elsewhere in the US). For that reason, the project would not be expected to affect aggregate regional business attraction, expansion or retention. Thus, no

significant change in total metropolitan-wide income, employment or business output is projected to occur from this project.

Other Regional Issues. A final issue is whether the proposed river crossing would affect development patterns within the region. Patterns of regional land development potentially have environmental and quality of life impacts, and also potentially affect municipal service needs. They affect the economy, though, only to the extent that they lead to increases or decreases in total employment, business sales and/or personal income.

Development patterns within the metropolitan area are already affected by the fact that some communities have welcomed denser development while neighboring communities have enacted policies to discourage such development. Wisconsin's St. Croix County, for example, has a comprehensive development management plan in place to control its development pattern. Difference in business patterns on the Wisconsin and Minnesota sides of the river also reflect disparities in sales, gas and income tax rates among the two states.

Since the proposed project is a replacement for an already-existing river crossing, there will not be major changes in regional cross-river accessibility. Whether or not there would be any changes in development patterns in the future with a new river crossing would depend substantially on how local land development policies and land use controls are put in place and enforced by neighboring communities and counties. If there are any changes in business location patterns, they would be classified as *locational redistributions* of economic activity within the bi-state study region, rather than any net changes in overall regional economic growth.

4.6 Actions to Achieve Positive Economic Impacts

While *net positive economic effects* are anticipated with completion of the new bridge and approach roadways, the long-term benefits depend on actions being taken early on to address factors that can otherwise cause loss of business during construction and after the project is complete. The needed actions apply particularly to downtown Stillwater and the Highway 36 commercial corridor. They are discussed below:

- *Signage and Aesthetics.* The bypassing of downtown Stillwater means that drivers crossing the river will no longer see the visitor attractions offered there. That makes it particularly important for there to be attractive new directional signage denoting the historic Stillwater downtown business district. Such signage should be located at all highway and bridge approaches to downtown Stillwater. Downtown-serving interchanges and routes between the relocated highway and downtown (in both directions) should be clearly marked and reasonably easy to navigate.

The conversion of three signalized intersections to full freeway interchanges along Highway 36 will mean that drivers will have to turn off of the main road sooner to visit businesses located along that commercial corridor. Often the turnoff will be before they can see the business. That makes it particularly important for there to be informational highway signage alerting drivers to the existence of relevant commercial activity at these interchanges.

The substantial reconfiguration of frontage roads and development of access streets along Highway 36 also means that some parts of the commercial corridor will face new (and sometimes more complex) access routes after drivers turn off of the exit ramps. To avoid discouragement of shoppers and other visitors, it will be important to provide both local signage and complementary landscaping along these new and reconstructed local access routes.

- *Publicity.* Interim directional instructions and maps, and information regarding delays or detours, should be made available to travelers during the bypass construction period via auto clubs such as AAA, radio and TV media, newspapers, and other providers of information to travelers.
- *Downtown Parking.* A destination retail complex such as downtown Stillwater requires a parking supply that is accessible to the highway access routes, conveniently located and easy to find. Local public and private sector organizations should take action to ensure that Stillwater's parking signage program assists visitors in locating the available parking, and that additional parking in appropriate locations be provided as needed to meet the needs of a growing visitor base. A tourist park-and-ride facility may also be considered as a further opportunity for enhancement of travel and parking options.