

Economic Indicators of the Lake Street Corridor

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2004-2006

Lake Street Corridor. Center for Urban and Regional Affairs, University of Minnesota

ABSTRACT

The Lake Street corridor is 5-miles stretching west to east from Lake Calhoun to the Mississippi River 30 blocks south of the center of downtown Minneapolis. During the period between 2005 and 2008, three quarters of the street has been under reconstruction. This project and report had two primary goals: First, to present a summary of the changes in two major economic indicators between 2004 and 2006 for the Lake Street Corridor, the number of businesses and the level of sales tax. Second, to identify the impact being in a construction zone may have had on these indicators. When compared to other sections of the corridor, blocks that went under construction tended to show negative growth of rates in the number of businesses. Even though these results are not statistically significant, they provide objective evidence that the construction project may have been one of the factors affecting the economic performance of the corridor.

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Background

The Lake Street corridor is 5-miles stretching west to east from Lake Calhoun to the Mississippi River 30 blocks south of the center of downtown Minneapolis. The corridor includes a commercial area bounded by 14 neighborhoods that are characterized by a multicultural and multiracial mix that make Lake Street one of the most vibrant places in the Twin Cities Metro Area.

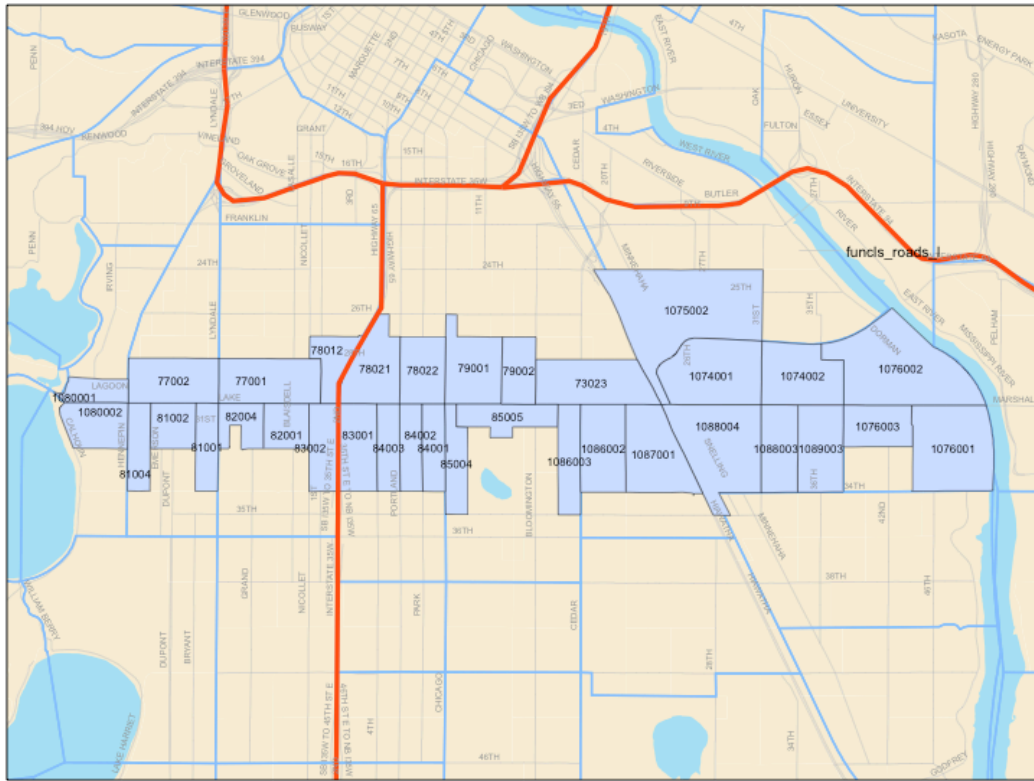
The period between 2005 and 2008 has been one of important changes and events for Lake Street. On one hand, three quarters of the street has been under reconstruction. This project includes new roadways, sidewalks and streetscape. The reconstruction project has had high impact factors for business, residents, and visitors. It affects transit flows, bus and commuting routes; and therefore, it impacts the economy of the zone. On the other hand, the reopening of the vacant Sears Building as the Midtown Exchange and Global Market has brought new vitality into the zone, creating new jobs and providing economic opportunities for local small entrepreneurs.

Data and Methodology

The data used was prepared by M3D, a program in the Center for Urban and Regional Affairs of the University of Minnesota (CURA, 2008). The M3D project is a partnership between the Center for Urban and Regional Affairs, the Minnesota Department of Employment and Economic Development (DEED), the Minnesota Housing Finance Agency, the Minnesota Office of Revenue, the Metropolitan Council, Ramsey and Hennepin Counties, and various Twin Cities neighborhood organizations and community development corporations. The set includes available block level information on sales tax (Dollars in current terms), and number of businesses between 2004 and 2006.

The Lake Street Corridor as studied includes 34 blocks 11 of them are located to the west of highway 35W (Block Group 1); there are 10 blocks between 35W and 13th avenue (Block Group 2), 9 blocks between 13th and 36th Avenue, (Block Group 3); and 9 blocks between Hiawatha and the Mississippi River Block Group 4). Only 29 blocks with information for at least two years were included in the analysis. Three of the missing blocks belong to north side of Block Group 1. Information on the block located in the north side of Lake Street between Bloomington and Hiawatha Avenue is also missing. The last block with missing information is located in the south side of Lake Street between Hiawatha and 31st Street. Figure 1 shows all block groups including those with no data.

Figure 1



Each Block Group correspond to a construction period:

Block Group	Construction Period ¹
Group 1: Lake Calhoun to 35W	No construction during 2004-2006
Group 2: 35W (5th Ave) to 13th Avenue	Start 5-16-05 to 11-23-05
Group 3: 13th Avenue to 36 th Avenue.	Start 3-26-06 to 11-16-06
Group 4: 36th Avenue to Mississippi River Blvd	Start 3-26-07 to 12-1-07

This project and report had two primary goals: First, to present a summary of the changes in two major economic indicators between 2004 and 2006 for the Lake Street Corridor, the number of businesses and the level of sales tax. Second, to identify the impact being in a construction zone may have had on these indicators.

¹ Note: area at 27th & Lake at Coliseum Building has been under construction from 5-22-06 to present.

Basic economic indicators

Number of businesses

The evolution of the number of business by Block Group is summarized in Table 1 and in figures 2 to 5. Block groups between Lake Calhoun and 13th Avenue show higher percentage of blocks with negative growth rates between 2004 and 2006, whereas Block Groups 3 and 4 present more blocks with positive growth rates for the same period.

Block Groups 2 and 3 showed the lowest average growth rates in their number of existing businesses, with Block Group 3 showing a decrease of 21% in the number of businesses for the period 2004-2006.

Table 1

	Number of blocks	% Positive growth	% Negative Growth	Average growth rate of all blocks
All Blocks	23	48%	52%	29%
Group 1: Lake Calhoun to 35W	7	43%	57%	35%
Group 2: 35W (5th Ave) to 13th Avenue	7	29%	71%	-21%
Group 3: 13th Avenue to 36 th Avenue.	5	60%	40%	6%
Group 4: 36th Avenue to Mississippi River Blvd	4	75%	25%	132%

At the block level, in 2004 blocks located at the extremes of Block Group 1 (Lake Calhoun to 35W) showed the highest number of existing businesses; however, by 2006, businesses were moving to the east of the section towards 35W. See Figure 2, also note that blocks in the chart are presented in geographical order starting with the blocks located at the west and finishing with blocks close to 35W (See Figure 1). One notable fact is the drop in the number of businesses after 2004 of the block located at the east border of the group, bordering with Highway 35W.

Figure 2

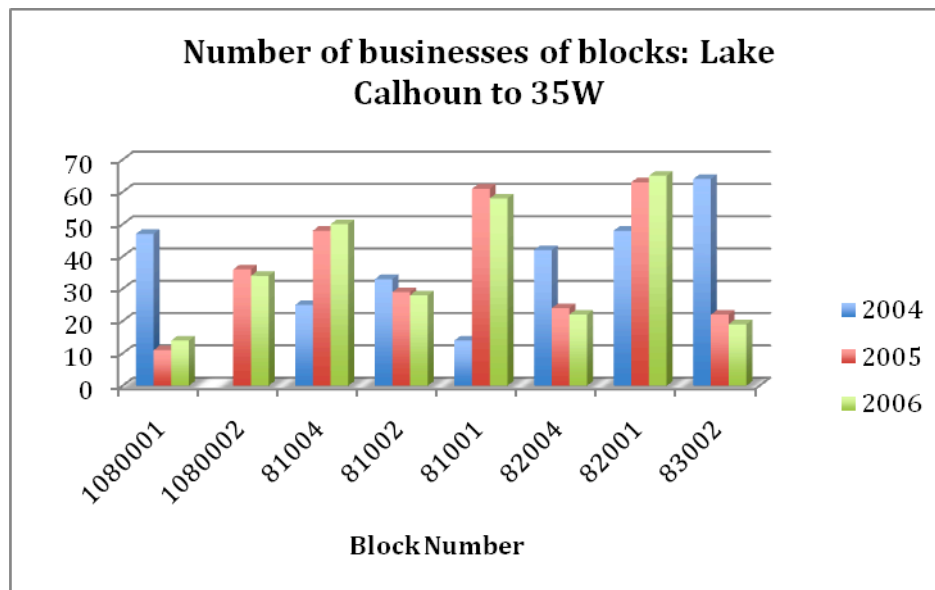
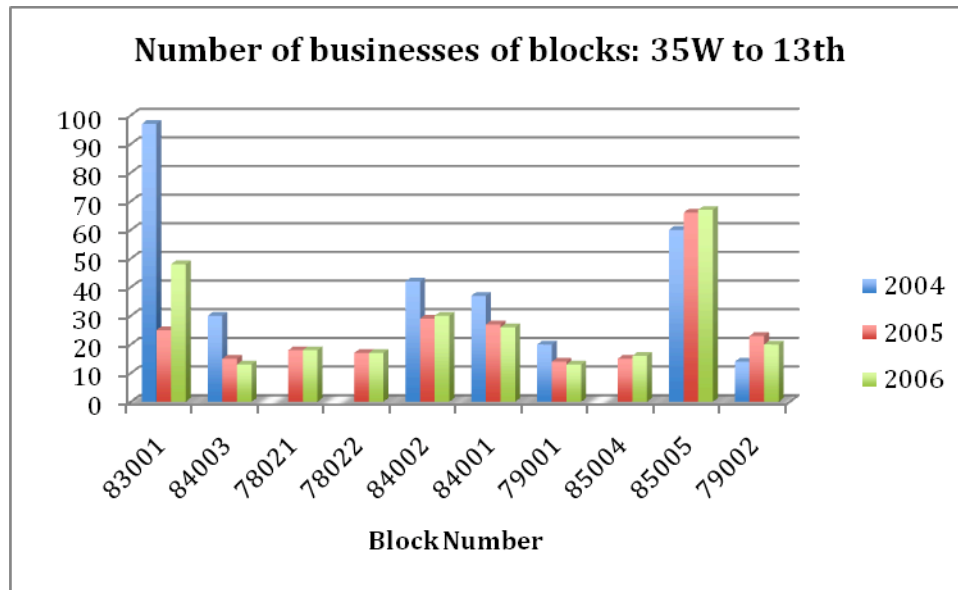


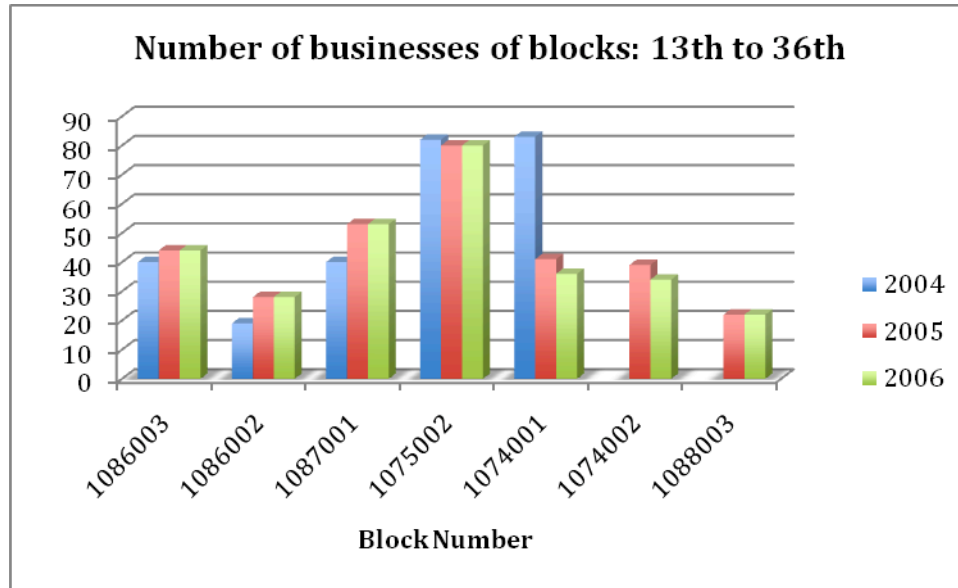
Figure 3 summarizes information about the number of businesses for blocks between 35W and 13th Ave. This group of blocks was under construction during 2005. Similarly to the block located at the south-east side of 35W, block “83001” presented a drop in the number of businesses of nearly 50% between 2004 and 2005. As mentioned in Table 1, the number of businesses decreased in 71% of the blocks in this group. Two exceptions are blocks “85005” and “79002”, which showed an increase of the number of businesses between 2004 and 2006 of about 10% and 64% respectively.

Figure 3



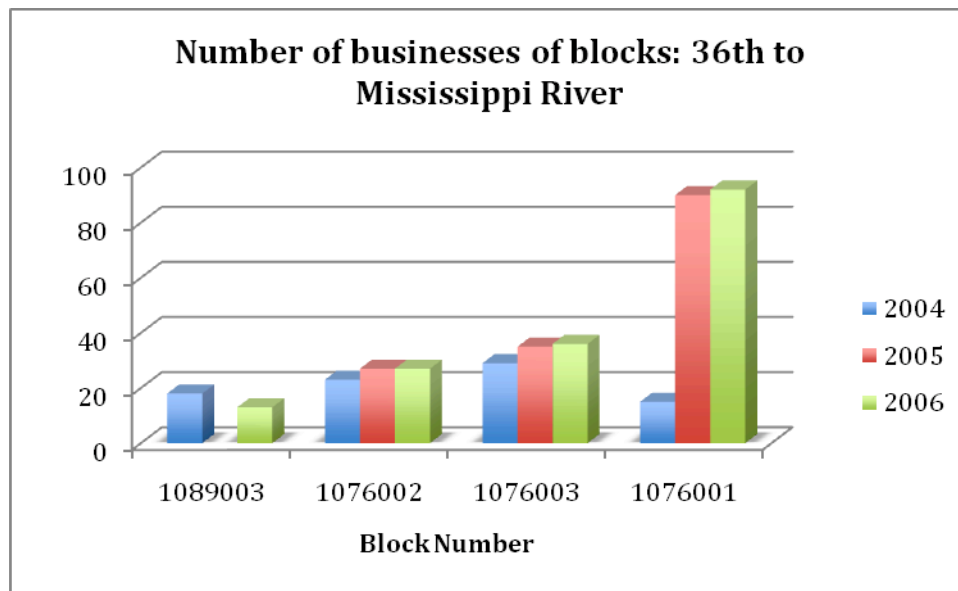
In figure 4 we observe information on blocks between 13th and 36th avenues. This group of blocks went under construction during 2006. Blocks located between Bloomington Avenue and Hiawatha Avenue showed a slight growth in number of businesses during the period previous to construction time. Block "1074001" located to the right of Hiawatha Avenue experienced the highest drop in the number of businesses from 80 to less than 40, for a decrease of more than 50%.

Figure 4



The last group of blocks located between 36th Avenue and the Mississippi river includes four blocks. All blocks but the only one that experienced construction (Block #1089003) show an increase in the number of existing businesses between 2004 and 2006. The block located in the southeast corner of the zone presents the highest increase in businesses going from less that 20 in 2004 to more than 80 businesses in 2006.

Figure 5



Sales tax

Sales taxes have fluctuated in the same direction that the number of businesses during the period 2004-2006 for the majority of blocks along the Lake Street corridor (Table 2). However, there are some exceptions to this pattern. For instance, the block located between 4th and Portland Avenue show a decrease in the number of businesses of nearly 60% between 2004 and 2006, yet the sales taxes increased from \$12,000 in 2004 to more than \$700,000 in 2006. The two blocks between Portland and Chicago Avenue also showed an increase in sales taxes at the same time that a reduction in the number of businesses in those blocks for the same period.

On the other hand, blocks “1086003” and “1087001” located to the south of Lake street between Bloomington and Hiawatha avenue, experienced a decrease in the level of sales taxes between 2004 and 2006 of nearly 10% and 33% even though the number of businesses increased approximately 17% and 72% respectively for these blocks.

Table 2

Block Number	Variation in number of businesses: 2004-2006	Variation in Sales Taxes: 2004-2006
83001	-0.51	-0.18
84003	-0.57	55.26
84002	-0.29	0.28
84001	-0.3	0.15
85005	0.12	0.06
1086003	0.1	-0.17
1086002	0.47	0.15
1087001	0.33	-0.72
1075002	-0.02	-0.01
1074001	-0.57	-0.07
1089003	-0.28	-0.68
1076002	0.17	-0.49
1076003	0.24	-0.1
1076001	5.13	-0.28
1080001	-0.7	-0.71
81004	1	1.34
81002	-0.15	10.28
81001	3.14	5.43
82004	-0.48	0.7
82001	0.35	1.04
83002	-0.7	0.13

Figures 6 to 9 show sales tax data for block in all section of Lake Street.

Figure 6

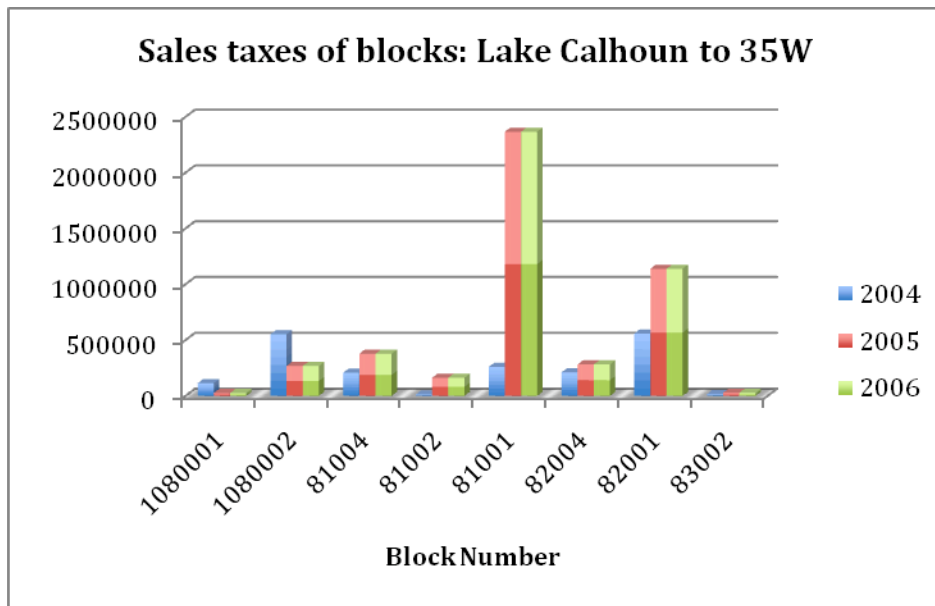


Figure 7

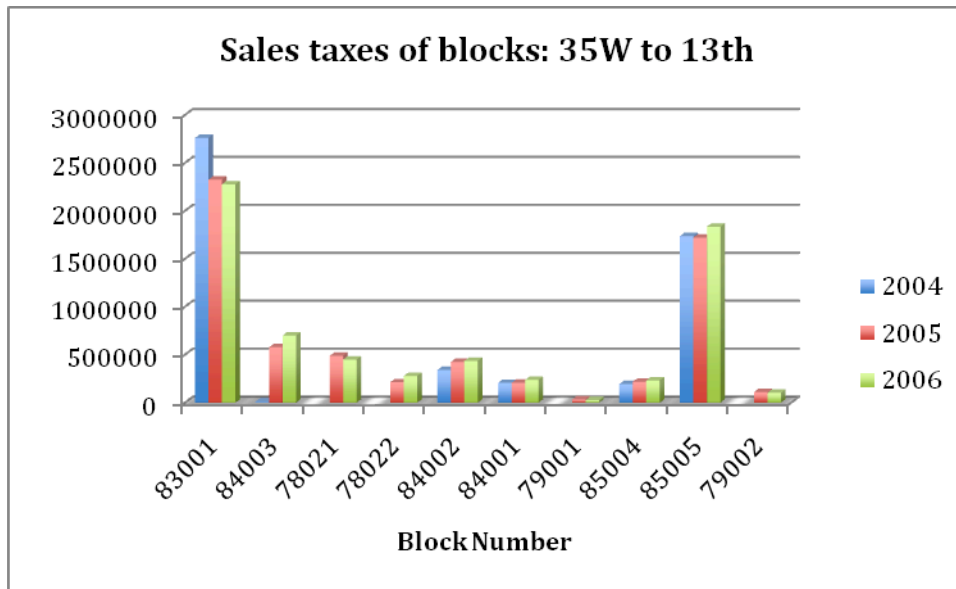


Figure 8

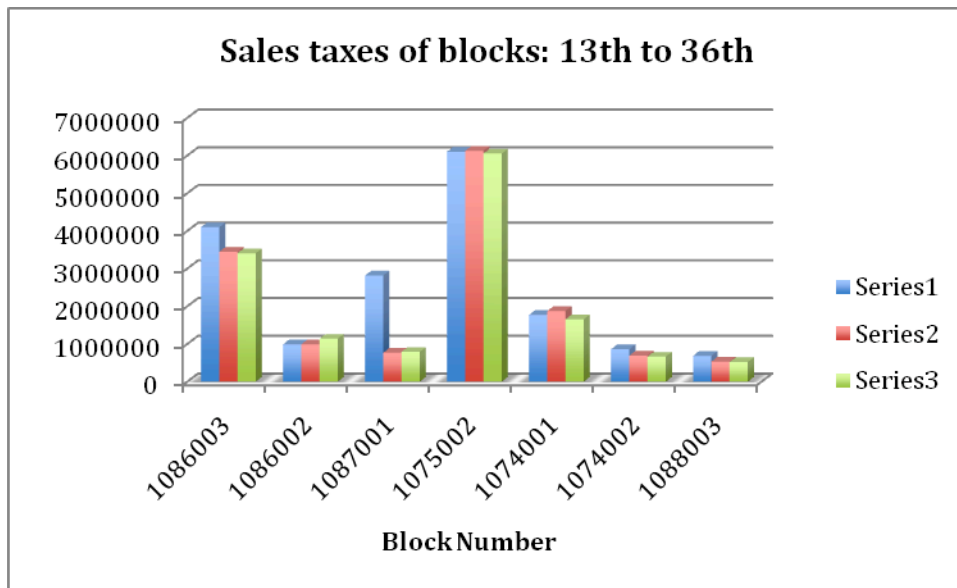
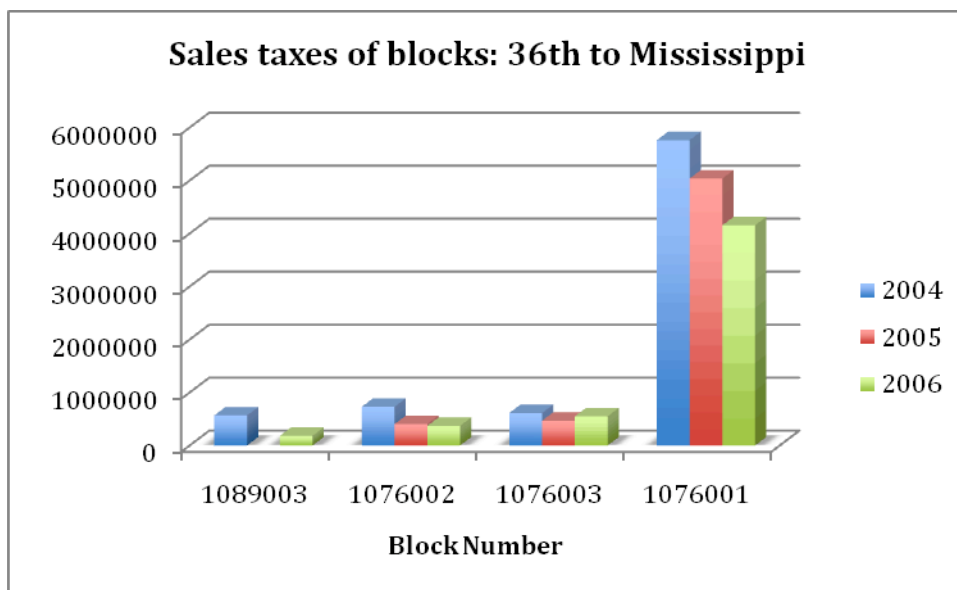


Figure 9



Variation in number of business and construction project

Were the number of businesses and the level of sales tax of the blocks affected by the construction project? The short answer is that it is too early to assess these impacts. However, we can argue that there are some indications that blocks located in sections under construction showed negative variation in the number of businesses during the time of construction and shortly after it. One way to assess the impacts of the construction is to run a simple econometric model relating the growth rate of the number of businesses and a dichotomy variable indicating the Block Group where the block is located – remember that each block group corresponds to a construction period.

Table 3 shows the sign of the coefficients obtained for each of the growth periods. Blocks under construction show negative coefficients during the construction periods². For instance, the negative coefficient of Block Group #2 in the first row of Table 3 indicates the block located in that section of the corridor shows lower rates of growth of number of businesses than sections that did not undergo construction for that period (Recall that Block Group #2 was under construction in 2005). Note that the rest of the blocks on Lake Street show positive coefficients for the same period, indicating that construction may be one factor affecting the variation in number of businesses.

Table 3

	Sign of Coefficient		
	Group 2: 35W (5th Ave) to 13th Avenue	Group 3: 13th Avenue to 36 th Avenue.	Group 4: 36th Avenue to Mississippi River Blvd
Growth Rate Number of Businesses: 2004–2005	(-) Construction	(+)	(+)
Growth Rate Number of Businesses: 2005–2006	(+)	(-) Construction	(+)
Growth Rate Number of Businesses: 2004–2006	(-)	(+)	(+)

² Most of The coefficients of the regression were not statistically significant, most likely due to the small size of the sample. Thus the results should be interpreted only at a descriptive level and not as causal relationships.

When analyzing the growth rates in the number of businesses for the period 2005-2006 Block Group 3 now shows a negative coefficient, coinciding with the time of construction in that section of the corridor (See second row in Table 3). Block Group 4 kept showing the positive growth pattern for that period.

For the period 2004-2006, only Block Group #2 shows a negative coefficient. This result may indicate that Block Group #2 was the most affected by the construction project during the period of 3 years considered.

When analyzing the variation in sales taxes with respect to the Block Groups, we observe that being a block located in Blocks Group 3 and 4 reduces the rate at which sales taxes has grown – during all periods.

This result indicates that blocks in Group 2 had more chance of experiencing an increase in the sales taxes collected for the period 2004-2006.

Table 4

	<u>Sign of Coefficient</u>		
	Group 2: 35W (5th Ave) to 13th Avenue	Group 3: 13th Avenue to 36th Avenue.	Group 4: 36th Avenue to Mississippi River Blvd
Growth Rate Sales Taxes: 2004-2005	(+) Construction	(-)	(-)
Growth Rate Sales Taxes: 2005-2006	(+)	(-) Construction	(-)
Growth Rate Sales Taxes: 2004-2006	(+)	(-)	(-)

Other comparable block groups

We use the section of University Avenue between Highway 280 and Rice Street for comparison to the Lake Street corridor. The selection is based on three factors: First, both corridors present a highly diverse population of small businesses and some larger retail corporations (i.e. Target, Cub Foods, etc.). Both sections of the corridor analyzed are approximately 5 miles long. Finally, they differ in that University Avenue has not been under any major construction project during the period of interest (2004-2006), thus it can be treated as a control group.

When analyzing business and sales tax data from the University Avenue section, we observe that the variation in the number of blocks does not follow any significant

pattern. To see this observe that approximately 50% of blocks have experienced positive growth rates in the number of businesses (See Figure 10).

On the other hand, sales tax has been increasing in nearly 60% of the blocks in the University Avenue corridor during the period 2004-2006 (Figure 11). Yet, we do not have information on what is driving this increment, besides any policy change from the tax authority. The individual block level data is presented in Figures 12 and 14, and the reference map is showed in Figure 15.

Figure 10

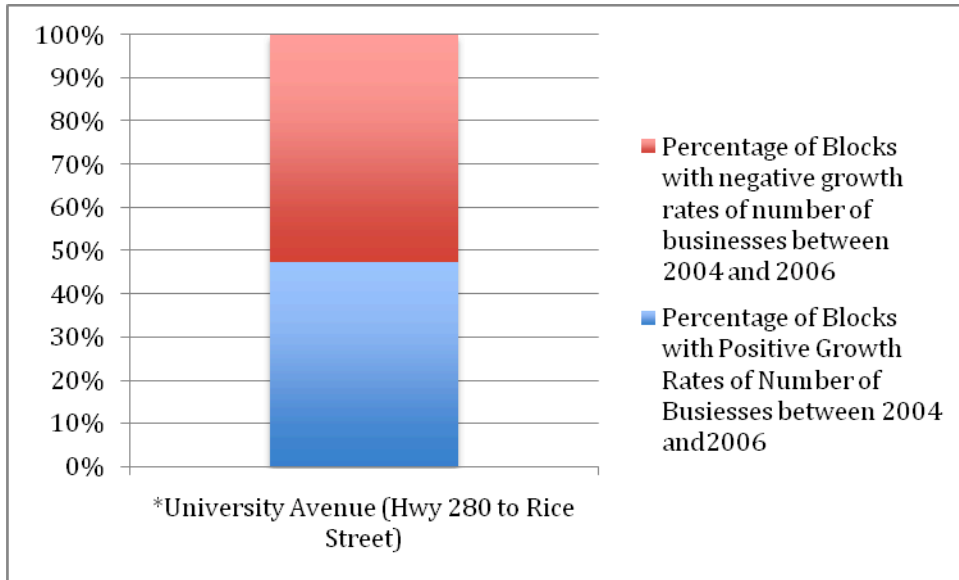


Figure 11

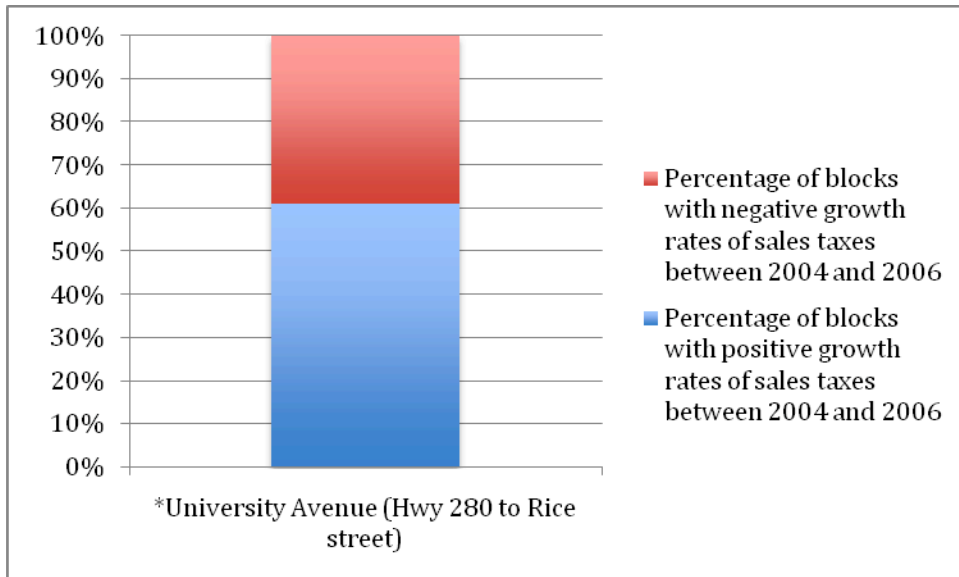


Figure 12

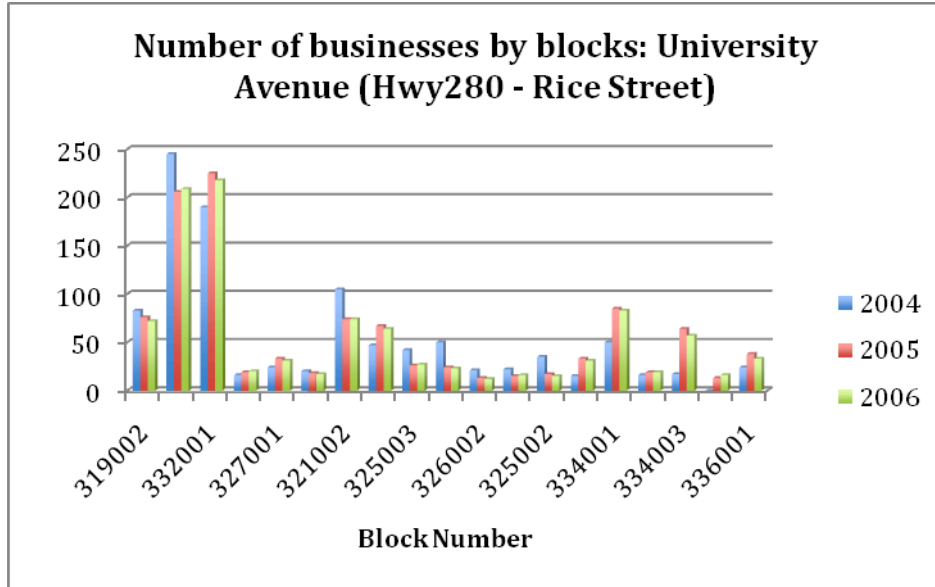


Figure 13

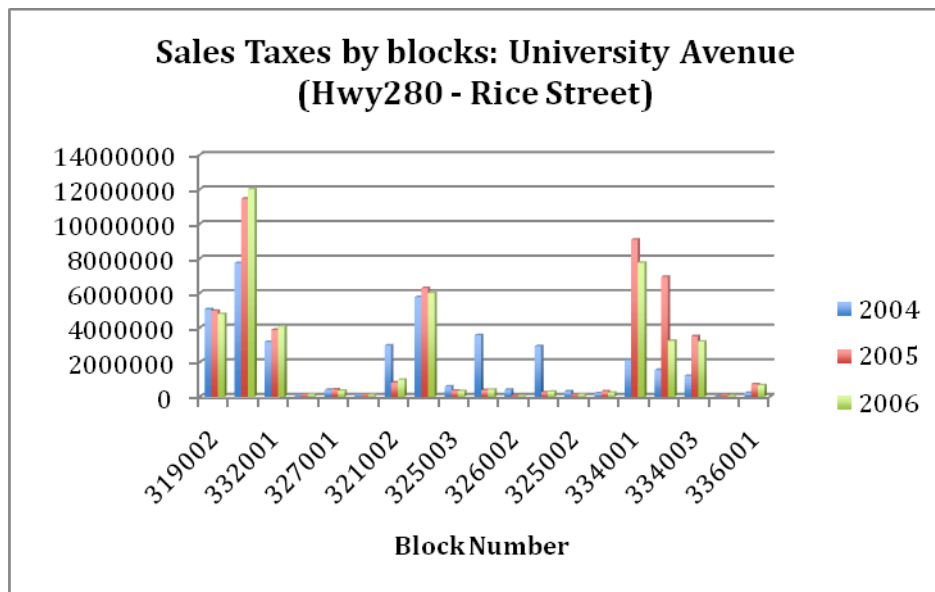


Figure 14

University Avenue Block Groups

